



Spokesperson:

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## **D-Link Reports 2Q08 Unaudited Consolidated Financials**

- Second quarter 2008 net revenue was NT\$8.507bln, up 8.6% YoY or up 0.2% QoQ.
- Second quarter 2008 gross margin was 33.5%, down by 0.2% from 33.7% in 1Q08.
- Second quarter 2008 operating margin was 4.1%, down by 1.5% from 5.6% in 1Q08.
- Second quarter 2008 tax rate was 13.3% of PBT, compared to 13.9% in 1Q08.
- Second quarter 2008 net income was NT\$339mln, down by 8.6% from NT\$371mln in 1Q08.
- Second quarter 2008 EPS, on the fully diluted capital of NT\$5.652bln, was NT\$0.60, compared to NT\$0.66 per share in 1Q08.
- All of the figures of 2Q08 are unaudited.

**Taipei, Taiwan, August 6, 2008** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332), a worldwide leader in the networking and communications market, today announces its unaudited global consolidated financial results for the first half and second quarter of 2008.

For the first half of 2008, D-Link posted a net revenue of NT\$17.0bln, up by 10.8% compared to NT\$15.345bln for 1H07. The gross margin slipped to 33.6%, down by 1.2% from 34.8% of 1H07. Operating expenses of 28.7% from net revenue were up from 27.0% of the first half of 2007 due to accrued employee bonuses of NT\$70mln and relatively higher selling expenses in 1H08. The operating profit margin was 4.9%, compared to 7.8% in 1H07. The net margin was 4.2%, compared to 12.6% in 1H07.

For the second quarter of 2008, D-Link posted net revenue of NT\$8.507bln, slightly up by 0.2% over 1Q08, or up 8.6% compared to the year-ago figure. In account to volume discount offering for some project based businesses, gross margin made a slight drop to 33.5% in 2Q08 from 33.7% in 1Q08, or compared to 34.7% of the year-ago quarter. Operating expenses of 29.4% from 2Q08's net revenue were above the 28.1% of its previous quarter, or compared to 27.0% of 2Q07, due to continuous expenditures and more marketing events such as trade shows within emerging markets and Japan, with the addition of higher spending on R&D for future growth. Operating profit margin shrank to

4.2% from 5.6% in 1Q08, or 7.6% in 2Q07 primarily due to the growth of expenses.

The non-op sector ended up with a profit of NT\$38mln, resulting mainly from NT\$74mln of long term investment income via equity method, NT\$10mln of capital gain, and NT\$62mln of financial/other incomes, knocked out by NT\$84mln of provisional inventory loss and NT\$24mln of FX loss. The profit before tax amounted to NT\$391mln, equivalent to NT\$0.69 per share by adopting NT\$5.652bln of capital. The pre-tax profit was deducted by NT\$52mln tax expenses, leaving net income of NT\$339mln in the bottom line of the second quarter, or an EPS of NT\$0.60. The tax rate applied to 2Q08 was 13.3%, lower than 13.9% in 1Q08, mainly due to relatively lower international tax, which occurred in the June quarter.

All financial metrics of D-Link's balance sheet remained sound as of June 30, 2008. NT\$4.773bln in cash and NT\$334mln short-term in money market investment, totaling NT\$5.107bln, increased by NT\$894mln from NT\$4.213bln of the March quarter end, primarily due to cash inflow generated from operating and investment activities. The June quarter account receivable of NT\$6.978bln was up by NT\$1.160bln compared to NT\$5.818bln of the previous quarter. Days A/R was lengthened to 75 days from 63 days at the end of March 2008. Inventory was NT\$5.185bln, virtually NT\$5.031bln as of March 31, 2008. Days inventory was slightly lengthened to 84 days from the 82 days as of the end of March 2008. The June quarter account payable of NT\$6.527bln was up by NT\$1.929bln from NT\$4.598bln. Therefore days A/P was up to 105 days from 75 days at the March quarter of 2008. Cash was cycled at 53 days, compared to 70 days as of March 31, 2008. The current ratio and debt/equity ratio also kept sound in the June quarter. Overall, D-Link's financial standing remained continuously healthy and liquid.

| NT\$M       | 2Q08    |        | 1Q08    |        | 2Q07    |        | QoQ    | YoY    |
|-------------|---------|--------|---------|--------|---------|--------|--------|--------|
| NA          | 1,693.0 | 19.9%  | 2,041.0 | 24.0%  | 1,725.0 | 22.0%  | -17.1% | -1.9%  |
| EU          | 1,998.0 | 23.5%  | 2,288.0 | 26.9%  | 2,235.0 | 28.5%  | -12.7% | -10.6% |
| Emg. & APac | 4,816.0 | 56.6%  | 4,164.0 | 49.0%  | 3,873.0 | 49.4%  | 15.7%  | 24.3%  |
| Total       | 8,507.0 | 100.0% | 8,493.0 | 100.0% | 7,833.0 | 100.0% | 0.2%   | 8.6%   |

To break down 2Q08 revenue by regions, D-Link's global operation cast 20%, 23%, and 57% of consolidated sales in North America, Europe, and Emerging & Asia Pacific markets respectively. North America's sales were slightly down 1.9% compared to the figure in the year-ago comparable quarter, or down 17.1% sequentially due primarily to soft consumer demand. Europe's sales also declined 10.6% YoY or seasonally down 12.7% QoQ, and Emerging & APac markets went substantially up 24.3% YoY or up by 15.7% QoQ due mainly to the account of strong sales in Russia, Latin America, and the Middle East. In 2Q08, strong

sales growth in Emerging & APac markets fully compensated the economy correction in the Western Europe market and seasonal weakness in the North America market. Russia, Latin America, and Middle East kept verifying great growth momentum due to firm demands for networking infrastructure development.

By product categories, WLAN remained as the leading sales item, accounting for 41% of 2Q08's net revenue, followed by Switch 28%, Broadband 16%, Digital Home 11%, and Others 4%. Switch grew 21.8% YoY or up by 4.7% QoQ, WLAN ascended 14.4% YoY or up by 8.2% QoQ, Broadband dropped by 14.1% YoY or down 19.4 % QoQ, and Digital Home increased 2.7% YoY but down 0.7% QoQ.

Regarding 3Q08's outlook for D-Link brand business, we project 3Q08 revenue to be seasonally strong mainly due to consecutive solid sales growth within the Emerging markets and back to school effects in North America and Europe. Operating margin in 3Q08 is anticipated to return to the normal range of 5.5%-6.0%. From a regional perspective, the North America market for D-Link will be seasonally strong in 3Q08, repeating the same sales pattern as the past several years. The seasonal rebound of the end demand in 3Q08 within Western Europe is likely to pull 3Q08's sales back. Emerging and Asia Pacific markets are anticipated to keep growing at a fast pace due to consecutively strong demand of networking products in Russia, Latin America, Middle East, and South East Asia. As a whole, our view toward the third quarter is to have a firm sales growth momentum.

### **About D-Link**

D-Link is the global leader in total products shipped for consumer networking connectivity according to reports published by the In-stat Research Group. D-Link is the worldwide leader, and award winning designer as well as developer of networking, broadband, digital electronics, voice and data communications solutions for the digital home, Small Office/Home Office (SOHO), Small to Medium Business (SMB), and Workgroup to Enterprise environments. With earthy and intensive worldwide market channel coverage over 100 countries and full-range product offering of Ethernet adapters, switches and routers for professional and home users, D-Link is a dominant market participant and price/performance leader in the networking and communications market. D-Link Corporation is headquartered at No.289, Sinhu 3rd Road, Neihu District, Taipei City 114, Taiwan. Phone: 886-2-6600-0123; FAX 886-2-6600-9898; Internet [www.dlink.com.tw](http://www.dlink.com.tw).