



Spokesperson:

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## **D-Link Reports 4Q 08 Unaudited Consolidated Financials**

- Fourth quarter 2008 net revenue was NT\$7.364bln, down 14.6% QoQ.
- Fourth quarter 2008 gross margin was 29.5%, compared to 32.7% in 3Q08.
- Fourth quarter 2008 operating margin was -1.7%, compared to 6.2% in 3Q08.
- Fourth quarter 2008 tax income was NT\$60mln, compared to tax expense of NT\$164mln in 3Q08.
- Fourth quarter 2008 net income was NT\$26mln, down by 94.3% from NT\$458mln in 3Q08.
- Fourth quarter 2008 EPS, per year-end capital of NT\$5.652bln, was NT\$0.05, down by 94.3% from NT\$0.81 per share in 3Q08.
- All of the figures are pro forma.

**Taipei, Taiwan, February 26, 2008** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the fourth quarter and the whole year of 2008.

For the full year of 2008, unaudited consolidated net revenue totaled NT\$32.992bln, slightly down 0.7% over FY 2007. Gross margin dropped to 32.5% as compared to 34.3% in FY 2007. Operating margin declined to 3.8%, as compared to 6.9% in FY 2007. Net margin decreased to 3.6%, compared to the 10.0% from the previous year, due primarily to FX loss and no huge capital gains.

For the fourth quarter of 2008, D-Link posted net revenue of NT\$7.364bln, down 14.6% over 3Q08, or down 17.1% compared to the year-ago figure, primarily due to tough situations in the global economy. Due to the FX factor, and product mix shifting, gross margin dropped to 29.5% in 4Q08 from 32.7% in 3Q08, compared to 32.6% in the year-ago quarter. Operating expenses of 31.2% of net revenue were above 26.5% from the previous quarter, or compared to 27.8% in 4Q07, a result of lack of economy scale for 4Q08's sales, additional spending on marketing funds, and accruals for credit expense/loss. Operating profit margin shrank to -1.7% from 6.2% in 3Q08, or 4.8% in 4Q07.

Regarding the non-operating side, gains consisted of NT\$127mln from long-term investment profit under equity method and NT\$89mln by way of financial/other incomes. The gains were offset by NT\$22mln of FX loss and NT\$105mln of provisional inventory loss, leaving NT\$89mln of non-op income in 4Q08.

In regards to the bottom line, the loss before tax was NT\$34mln, which was enhanced by a one-time reversed tax income of NT\$60mln, leaving consolidated net income of NT\$26mln of the fourth quarter, or an EPS of NT\$0.05 based on the fully diluted capital of NT\$5.652bln.

All financial metrics of D-Link's balance sheet of the December quarter remained healthy. D-Link held NT\$2.595bln in cash and NT\$286mln in money market funds, totaling NT\$2.881bln as of the end of last December. The cash position dropped by NT\$1.055bln, owing mainly to cash outflow offsetting account payables. Due to relatively soft sales in the December quarter, Account Receivables decreased to NT\$5.985bln from NT\$7.014bln as of September's quarter end. Year-end inventory level descended to NT\$7.472bln from NT\$7.926bln, compared to the September quarter. Account Payables significantly dropped to NT\$5.725bln from NT\$8.991bln in the September quarter end primarily due to less product pull-in. Regarding financial ratios of 4Q operation, Days A/R was 74 days at par with September's quarter figure. On a QoQ basis, Days Inventory was lengthened from 125 days at the September quarter end to 131 days, a result of inventory adjustment in the December quarter, anticipating on returning to the normal range of 100-110 days within 2Q09. Cash cycle was 104 days, which was extended, compared to its previous quarter's counterpart of 57 days, primarily owing to having temporarily higher working capital in these tough economic circumstances. The current ratio and debt/equity ratio remained sound, representing financial stability of the company. Annualized ROE of 9% stayed below the 2007 year-end figure of 22%. Overall, D-Link financial standings kept a stable position in liquidity. Going forward, D-Link will focus on improving profitability to cope with the global economy downturn.

NT\$M	4Q08		3Q08		4Q07		QoQ	YoY
NA	1,649.0	22.4%	1,987.0	23.0%	1,934.0	21.8%	-17.0%	-14.7%
EU	2,323.0	31.5%	1,800.0	20.9%	2,454.0	27.6%	29.1%	-5.3%
Emg. & APac	3,392.0	46.1%	4,841.0	56.1%	4,498.0	50.6%	-29.9%	-24.6%
<b>Total</b>	<b>7,364.0</b>	<b>100.0%</b>	<b>8,628.0</b>	<b>100.0%</b>	<b>8,886.0</b>	<b>100.0%</b>	<b>-14.6%</b>	<b>-17.1%</b>

To break down 2008 fourth quarter revenues by region, D-Link's global operation cast 22% in North America, 32% in Europe, and 46% from Emerging and Asia Pacific markets of consolidated sales. Among the regions, North America's sales were down 17.0% QoQ, or down 14.7% compared to the figure in the year-ago comparable quarter, Europe surprisingly made a significant jump of 29.1% QoQ, owing to IAD project wins in U.K. and Southern Europe, but down 5.3% YoY, and Emerging and Asia Pacific markets declined by 29.9% QoQ or down 24.6% YoY, owing to some project shipment deferrals. In the fourth quarter of 2008, D-Link's geographic revenue remained well diversified as a global player in the market.

When broken down by product categories, WLAN products remained the most popular item, accounting for 41% of 4Q08 consolidated revenue, followed by Switch products at 27%, Broadband at 19%, Digital Home 10%, NIC and Others at 3%. Switch dropped 27.0% QoQ or down by 12.1% YoY, WLAN descended 14.6% QoQ or down by 16.2% YoY, Broadband increased 10.7% QoQ but down by 19.8% YoY, and Digital Home decreased 11.3% QoQ or down by 24.0% YoY.

According to In-Stat 3Q 2008 statistics, worldwide switch in port shipments, D-Link continued a strong performance and solid position in SMB/SOHO segments, commanding 17.2% of global market shares, far ahead of Netgear's 8.3%, 3Com's 8.1%, Linksys' 7.9%, and HP Procurve's 6.6%, which represents D-Link continuous success in global SMB/SOHO networking connectivity. In addition, D-Link's managed switch and gigabit unmanaged switch port shipments significantly grew by 51.1% and 43.4% YoY respectively in 2008.

Regarding the 2009 regional outlook for D-Link brand business, demands for access devices remain strong within emerging markets. We foresee Broadband & WiFi products to prevail to drive the growth. FMC (Fixed/Mobile Convergence) is kicking into China to create commercial opportunities. As for Europe, our strategy is to expand in SME/Vertical channels and participate aggressively in Telcos/ISPs projects to cope with consumer purchase slowdown. In North America, we continuously grow on SME solution products via market share gaining. We also plan to restructure the channels to maintain our consumer business in a cost-effective way.

In regards to 2009 Guidance, under the pressure of the global economy crisis, we unsurprisingly project 2009's revenue to drop on the year-over-year basis. We devote our full efforts in minimizing economic impact on our business. We sense 1Q09 will gradually reach its lowest point and will see margin erosion level off. We anticipate the end demands will rebound in 2H09 mainly due to positive effects for worldwide government stimulating plans. Overall, the networking industry is projected to experience a slow year in 2009.

**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, developer, and manufacturer 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 in-depth 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 headquarter is located at No.289, Sinhu 3rd Road, Neihu District, Taipei City 114, Taiwan. Phone: 886-2-6600-0123; FAX: 886-2-6600-9898; [http:// www.dlink.com.tw](http://www.dlink.com.tw)

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