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## **D-Link Reports 1Q10 Consolidated Financials**

- First quarter 2010 net revenue was NT\$7.908bln, down 10.7% QoQ but up 16.2% YoY.
- First quarter 2010 gross margin exclusive of inventory related gain was 34.7%, compared to 33.3% in 4Q09.
- First quarter 2010 gross margin inclusive of inventory related gain was 33.9%, compared to 34.0%% in 4Q09.
- First quarter 2010 operating margin was 3.9%, compared to 5.7% in 4Q09.
- First quarter 2010 tax expense was NT\$80mln, compared to a tax expense of NT\$83mln in 4Q09.
- First quarter 2010 net income was NT\$255mln, compared to a net income of NT\$358mln in 4Q09.
- First quarter 2010 EPS on the weighted average capital of NT\$6.476bln, was NT\$0.39, compared to NT\$0.55 per share in 4Q09.
- All of the above figures are consolidated and 1Q10's net income is reviewed.

**Taipei, Taiwan, April 29, 2010** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global consolidated financial results for the first quarter of 2010.

For the first quarter of 2010, D-Link posted net revenue of NT\$7.908bln, an increase of 16.2% from 1Q09, but down 10.7% for 4Q09 due mainly to material shortage. D-Link's revenue for 1Q10, in USD terms, increased significantly by 23.2% YoY, which marks the second consecutive quarter of annual growth over 20%. Despite the challenging market conditions, gross margin excluding inventory related gain/loss continued to increase to 34.7% in 1Q10 from 33.3% in 4Q09, or dramatically up by 7.0% compared to 27.7% of the year-ago quarter due to a better product mix towards more upscale switches and Wi-Fi 11n sales. With the adoption of article ten of Taiwan's GAAP, gross margin including inventory provisional gain/loss was 33.9% in 1Q10, slightly down by 0.1% compared to 34.0% in 4Q09, but significantly up by 9.3% from 24.6% of the comparable 2009 quarter. Operating expenses of 30.0% of net revenue was down by 1.0% compared to 31.9% in 1Q09, but up by 1.7% from 28.3% in the previous quarter due mainly to a smaller sales base in 1Q10.

1Q10's operating expense amount trimmed down by 5.4% to NT\$2.375bln from NT\$2.511bln because of well controlled administration and R&D expenses. Operating profit margin was 3.9%, a large improvement from -6.4% in 1Q09, but down by 1.8% from 5.7% in 4Q09.

The Company reported a net non-operating income of NT\$40mln in 1Q10 mainly from NT\$71mln of long term investment profit via equity method recognition and NT\$23mln of financial/other incomes that were offset by NT\$54mln in foreign exchange losses. Net income before tax was NT\$344mln, which resulted in a consolidated net income of NT\$255mln after deducting a tax expense of NT\$80mln and minority interest of NT\$9mln in the first quarter of 2010. This translated into an EPS of NT\$0.39 based on the weighted average capital of NT\$6.476bln.

Financial metrics of D-Link's balance sheet for the March ending quarter further strengthened. Cash of NT\$5.637bln plus short term investments of NT\$1.586bln, totaled the cash position to NT\$7.223bln, an increase of NT\$1.664bln compared to NT\$5.558bln from 2009's December ending quarter, mainly as a result of cash inflow from the fund raising of the convertible bonds issued in January 2010. Account receivables decreased to NT\$5.715bln from NT\$6.297bln of the previous quarter end or down 9.2% QoQ. Inventory level as of 2010's March quarter end further reduced to NT\$4.55bln from NT\$4.69bln of 2009's December quarter – mainly owing to a better sell out in March and materials shortage in the supply chain throughout 1Q10. Account payables from the March ending quarter slightly declined to NT\$5.573bln from NT\$5.836bln of the past December quarter end. Regarding financial ratios of 1Q10's operation, days A/R of the March quarter end was continuously shortened to 69 days from 72 days of last December's quarter end. On a QoQ basis, days inventory further shortened to 81 days from 104 days of 2009's December quarter end. Cash cycle continuously improved to 50 days compared to its previous quarter's figure of 77 days because of well execution on working capital management. Current ratio and debt/equity ratio remained sound, a reflection of the financial soundness of the Company. Annualized ROE for the first quarter end of 2010 was 7%. Overall, the financial position was further enhanced in all aspects.

The regional breakdown for D-Link's global consolidated sales for 1Q10 came by way of 18.8% from North America, 27.0% from Europe, and 54.2% from Emerging and Asia Pacific markets. Individually, North America sales were up 0.8% QoQ, but down 0.1% compared to the figure of the year-ago quarter; if held to USD terms, the YoY sales number would be up 5.9%. Europe sales declined by 20.4% QoQ due to undersupply of materials and seasonality, but were up 1.0% YoY. Emerging and Asia Pacific markets descended by 8.7% QoQ, but were dramatically up 33.8% YoY primarily due to infrastructure project development and

further deployment of Wi-Fi and advanced Broadband products. In the first quarter of 2010, D-Link's global revenue remained well balanced geographically, while the first quarter's YoY sales growth mainly benefited from strong demand recovery in project-based businesses in all fronts.

NT\$mIn	1Q10		4Q09		1Q09		QoQ	YoY
NA	1,484	18.8%	1,472	16.6%	1,485	21.8%	0.8%	-0.1%
EU	2,136	27.0%	2,684	30.3%	2,115	31.1%	-20.4%	1.0%
Emg. & APac	4,288	54.2%	4,696	53.1%	3,205	47.1%	-8.7%	33.8%
<b>Total</b>	<b>7,908</b>	<b>100.0%</b>	<b>8,852</b>	<b>100.0%</b>	<b>6,805</b>	<b>100.0%</b>	<b>-10.7%</b>	<b>16.2%</b>

In regards to 1Q10's revenue by product categories, WLAN products remained the most productive in the product mix, accounting for 40.5% of 1Q10 consolidated revenue, followed by Switch products at 30.0%, Broadband at 19.8%, Digital Home at 7.1%, and Others at 2.6%. Due to the increased market demand for networking devices after the financial crisis, 1Q10's switch sales significantly rose by 37.1% YoY, but down by 10.6% QoQ; WLAN increased by 6.1% YoY, but down by 11.8% QoQ; and Broadband ascended 21.2% YoY, but down by 11.6% QoQ. Digital Home product sales dropped by 8.3% YoY or down by 6.8% QoQ.

Regarding corporate updates, D-Link's Board resolved the proposal to distribute NT\$1.0/share of cash dividend for 2009's earnings, pending approval by the Annual General Shareholder Meeting. The local government in Taiwan just passed a new tax bill on April 16, 2010, whereby the tax holidays of offshore incomes of Taiwan-headquartered multinational companies was put to an end, effective from Jan 1, 2010. Therefore all profits in the Taiwan book are subject to 20% of tax rate instead of 10% in the past 5 years, which resulted in relatively higher corporate income tax expenses in 1Q10. Also Taiwan SEC announced more strict reporting requirements for all publicly listed companies. As a result, starting from 1Q10, the net income must be audited or reviewed prior to release to the public. Therefore, the next investor conference has to wait until late August when 1H10's audited net income is available.

For outlook from a quarter-over-quarter perspective, D-Link anticipates revenue to grow firmly due to the strong recovery and improving material availability. Operating profit amount is expected to grow due to a relatively higher sales base. The Company expects to deliver increasingly better performances than the industry average for 2Q10 in both the top and bottom lines.

**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 planner 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 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; [http:// www.dlink.com.tw](http://www.dlink.com.tw)

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