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## D-Link Reports 3Q11 Consolidated Financials

- Third quarter 2011 net revenue was NT\$8.551bln, up 6.6% QoQ.
- Third quarter 2011 gross margin exclusive of inventory related gain was 32.7%, compared to 33.4% in 2Q11.
- Third quarter 2011 gross margin inclusive of inventory related gain was 31.5%, compared to 33.1% in 2Q11.
- Third quarter 2011 operating margin was 3.2%, compared to 4.1% in 2Q11.
- Third quarter 2011 tax expense was NT\$26mln, compared to that of NT\$70mln in 2Q11.
- Third quarter 2011 net income was NT\$230mln, compared to that of NT\$277mln in 2Q11.
- Third quarter 2011 EPS, per weighted-average capital of NT\$6.429bln, was NT\$0.36, compared to NT\$0.43 per share in 2Q11.
- All of the above figures are consolidated and 3Q11's net income is audited/reviewed.

Taipei, Taiwan, October 27, 2011 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the YT3Q and third quarter of 2011.

For the YT3Q of 2011, D-Link posted a net revenue of NT\$24.374bln, down by 1.4% compared to NT\$24.713bln for YT3Q10, mainly owing to Taiwan Dollar devaluation. In US\$ terms, the revenue was up by 7.9% YoY. The gross margin excluding inventory related gain/loss was 33.0 %, up by 0.1% from 32.9% of YT3Q10. Gross margin including inventory provisional gain/loss was 32.4%, up by 0.6% from 31.8% in YT3Q10. Operating expenses of 29.2% of net revenue were at par with the figure of the comparable period of 2010. The operating profit margin went up to 3.2% compared to 2.6% in YT3Q10. Net margin was 3.1%, compared to 3.4% in YT3Q10, primarily due to FX loss and one time write-down of our interest in a venture capital fund and one affiliate company within YT3Q11.

For the third quarter of 2011, D-Link posted a net revenue of NT\$8.551bln, up 6.6% over

2Q11, but down by 0.4% compared to the year-ago figure primarily due to currency fluctuation. If looking at US\$ book, 3Q11's sales remained up by 9.2% YoY. Due to sudden depreciation of a basket of non-US\$ currencies including EUR, CAD, AUD, GBP, etc. at the second half of September, gross margin excluding inventory related gain/loss dropped 32.7% in 3Q11 from 33.4% in 2Q11, but up by 0.6% compared to 32.1% of the year-ago quarter. By applying Article number 10 of Taiwan's GAAP, gross margin including inventory provisional gain/loss was 31.5% in 3Q11, down by 1.6% from 33.1% in 2Q11, but up by 0.5% compared to 31.0% of the comparable 2010 quarter. The inventory provisional loss in 3Q11 was NT\$101mln primarily due to huge currency fluctuation in emerging markets to reevaluate the inventory and special price offerings for some products in the North America market. Operating expenses of 28.3% of net revenue was down from 29.0% in the previous quarter because of relatively higher sales in 3Q11, or compared to 28.4% in 3Q10. Operating profit margin was 3.2%, down by 0.9% from 4.1% in 2Q11, but up by 0.6% compared to 2.6% in 3Q10.

On the non-operating side, turning into the negative situation for 3Q11, the loss was NT\$11mln primarily because NT\$101mln from long term investment profit recognition via equity method and NT\$81mln by way of financial/other incomes were all knocked out by NT\$193mln from FX loss. The large FX loss was mainly owing to unexpected sudden currency fluctuation at the second half of September resulting in no time to acquire proper financial instruments to hedge non-USD currency position. Regarding the bottom line, the income before tax was NT\$258mln, which was offset by the tax expense of NT\$26mln and the minority interest of NT\$2mln, leaving the consolidated net income of NT\$230mln of the third quarter of 2011, or an EPS of NT\$0.36 based on the weighted average capital of NT\$6.429bln.

All financial metrics of D-Link's balance sheet of the September quarter indicated continued healthy condition with sound liquidity. D-Link held NT\$5.831bln in cash and NT\$187mln in money market funds, totaling NT\$6.018bln at the end of the September quarter. Cash position decreased by NT\$763mln compared to NT\$6.781bln as of the end of June's quarter, mainly due to cash dividend payout to the shareholders. Account Receivables increased by 7.6% to NT\$6.361bln from NT\$5.914bln of June's quarter end. The September quarter inventory level went up to the peak season level of NT\$7.117bln from NT\$6.214bln of the end of the June quarter due to stock-up for relatively strong season and many project based businesses. Account Payables rose to NT\$7.309bln from NT\$6.813bln of June's quarter end primarily due to seasonable stocks pull-in. Regarding financial ratios of 3Q operation, Days A/R was 67 days virtually at par with 66 days of the June quarter end. On a QoQ basis, Days Inventory lengthened to 105 days from 101 days of the end of June quarter, due to relatively more product pull-in in 3Q11. Cash cycle was 67 days, compared to its previous

quarter's figure of 62 days. The current ratio and debt/equity ratios remained sound, reflecting financial strength and stability of the Company. Annualized ROE for the third quarter end of 2011 was 6% down by 2% from 8% in 2Q11 mainly due to huge FX loss in 3Q11. Overall, D-Link financial standings kept a stable position with sound liquidity.

<b>NT\$M</b>	<b>3Q11</b>		<b>2Q11</b>		<b>3Q10</b>		<b>QoQ</b>	<b>YoY</b>
<b>NA</b>	<b>1,307</b>	<b>15.3%</b>	<b>1,289</b>	<b>16.1%</b>	<b>1,635</b>	<b>19.0%</b>	<b>1.4%</b>	<b>-20.1%</b>
<b>EU</b>	<b>1,670</b>	<b>19.5%</b>	<b>1,656</b>	<b>20.6%</b>	<b>1,990</b>	<b>23.2%</b>	<b>0.8%</b>	<b>-16.1%</b>
<b>Emg. &amp; APac</b>	<b>5,574</b>	<b>65.2%</b>	<b>5,076</b>	<b>63.3%</b>	<b>4,964</b>	<b>57.8%</b>	<b>9.8%</b>	<b>12.3%</b>
<b>Total</b>	<b>8,551</b>	<b>100.0%</b>	<b>8,021</b>	<b>100.0%</b>	<b>8,589</b>	<b>100.0%</b>	<b>6.6%</b>	<b>-0.4%</b>

<b>US\$mIn</b>	<b>3Q11</b>		<b>2Q11</b>		<b>3Q10</b>		<b>QoQ</b>	<b>YoY</b>
<b>NA</b>	<b>44.8</b>	<b>15.3%</b>	<b>44.6</b>	<b>16.1%</b>	<b>51.1</b>	<b>19.0%</b>	<b>0.4%</b>	<b>-12.3%</b>
<b>EU</b>	<b>57.1</b>	<b>19.5%</b>	<b>57.3</b>	<b>20.7%</b>	<b>62.2</b>	<b>23.2%</b>	<b>-0.3%</b>	<b>-8.2%</b>
<b>Emg. &amp; APac</b>	<b>191.2</b>	<b>65.2%</b>	<b>175.4</b>	<b>63.3%</b>	<b>155.2</b>	<b>57.8%</b>	<b>9.0%</b>	<b>23.2%</b>
<b>Total</b>	<b>293.1</b>	<b>100.0%</b>	<b>277.3</b>	<b>100.0%</b>	<b>268.5</b>	<b>100.0%</b>	<b>5.7%</b>	<b>9.2%</b>

To break down 3Q11's revenue by region, D-Link's global operation cast 15.3% in North America, 19.5% in Europe, and 65.2% from Emerging and Asia Pacific markets of consolidated sales. Among the regions, North America's sales were up 1.4% QoQ, but down by 20.1% compared to the figure in the year-ago comparable quarter, Europe's increased by 0.8% QoQ, but down by 16.1% YoY, and Emerging and Asia Pacific markets continuously ascended by 9.8% QoQ because of strong growth across all of the emerging countries, in which the revenue went up by 12.3% YoY. In the third quarter of 2011, D-Link's geographic revenue continued to be dominant by lucrative emerging markets.

Regarding 3Q11's revenue by product categories, WLAN products remained the most popular item, accounting for 38.8% of 3Q11 consolidated revenue, followed by Switch products at 31.4%, Broadband at 16.6%, Digital Home at 9.4%, Adaptors and Others at 3.8%. Switch increased 11.8% QoQ, but down by 9.3% YoY, WLAN ascended 3.5% QoQ or up by 4.2% YoY, Broadband went up 0.1% QoQ, but down by 11.8% YoY, and Digital Home leaped by 7.7% QoQ, or significantly up by 29.4% YoY.

For 4Q11 outlooks, D-Link anticipates that the quarterly revenue will deliver sequential mild growth. As for the operating margin, the Company projects it to be slightly improved. Regarding the growth thrusts for 4Q11, SMB/SME/Telco projects will remain to drive

revenue to grow by increasing turnkey solutions and the mydlink service enabled products.

#### 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 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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