

4Q10 Operation Review & Business Updates

March 4, 2011



Agenda

- › **Financial Reviews** Duke Lin
- › **Business Updates & Outlooks** Tony Tsao
- › **Q&A** Tony Tsao & A.P. Chen & Duke Lin

All numbers are brand consolidated and unaudited, except otherwise specified.

Financial Reviews

4Q10 Income Statement & QoQ Comparison

| Unit: NT\$ million | 4Q10 | | 3Q10 | | QoQ % Change |
|--|-------|-------|-------|-------|-----------------|
| | AMT | % | AMT | % | |
| Net Sales | 9,144 | 100.0 | 8,589 | 100.0 | 6.5 |
| Cost of Goods Sold - Product | 6,324 | 69.2 | 5,833 | 67.9 | 8.4 |
| Gross Profit 1 | 2,820 | 30.8 | 2,756 | 32.1 | 2.3 |
| Inventory Related Gain/(Loss) | (110) | (1.2) | (95) | (1.1) | 15.8 |
| Gross Profit 2 | 2,710 | 29.6 | 2,661 | 31.0 | 1.8 |
| Operating Expenses | 2,387 | 26.1 | 2,441 | 28.4 | (2.2) |
| Operating Income | 323 | 3.5 | 220 | 2.6 | 46.8 |
| Total Non-Op. Inc. (Loss) | 110 | 1.2 | 206 | 2.8 | (46.6) |
| Income Before Tax | 433 | 4.7 | 426 | 5.0 | 1.6 |
| Tax (Exp.) / Income | (46) | (0.5) | (79) | (0.9) | (41.8) |
| Net Income | 387 | 4.2 | 347 | 4.1 | 11.5 |
| Minority Interest | (8) | (0.1) | (4) | (0.1) | 100.0 |
| Consolidated Income | 379 | 4.1 | 343 | 4.0 | 10.5 |
| EPS (NT\$)- Per Weighted-Avg. Capital of NT\$6,476M | 0.59 | | 0.53 | | 10.5 |

* The numbers are consolidated and the net income is audited/reviewed.

4Q10 Non-op Income/Loss & QoQ Comparison

Unit : NT\$ mln

| | 4Q10 | 3Q10 | QoQ % Change |
|--------------------------------------|------|------|-----------------|
| Investment Income | 82 | 96 | (14.6) |
| Sub./Aff. | 82 | 96 | (14.6) |
| Capital Gain | 0 | 0 | NA |
| FX Gain/(Loss) | 14 | 64 | (78.1) |
| Fin. Income/(Exp.) & Oth. | 14 | 46 | (69.6) |
| Total | 110 | 206 | (46.6) |

4Q10 Income Statement & YoY Comparison

| Unit: NT\$ million | 4Q10 | | 4Q09 | | YoY % Change |
|--|-------|-------|-------|-------|-----------------|
| | AMT | % | AMT | % | |
| Net Sales | 9,144 | 100.0 | 8,852 | 100.0 | 3.3 |
| Cost of Goods Sold - Product | 6,324 | 69.2 | 5,902 | 66.7 | 7.2 |
| Gross Profit 1 | 2,820 | 30.8 | 2,950 | 33.4 | (4.4) |
| Inventory Related Gain/(Loss) | (110) | (1.2) | 64 | 0.7 | NA |
| Gross Profit 2 | 2,710 | 29.6 | 3,015 | 34.1 | (10.1) |
| Operating Expenses | 2,387 | 26.1 | 2,511 | 28.4 | (4.9) |
| Operating Income | 323 | 3.5 | 504 | 5.7 | (35.9) |
| Total Non-Op. Inc. (Loss) | 110 | 1.2 | (44) | (0.5) | NA |
| Income Before Tax | 433 | 4.7 | 460 | 5.2 | (5.9) |
| Tax (Exp.) / Income | (46) | (0.5) | (83) | (1.0) | (44.6) |
| Net Income | 387 | 4.2 | 377 | 4.2 | 2.7 |
| Minority Interest | (8) | (0.1) | (19) | (0.2) | (57.9) |
| Consolidated Income | 379 | 4.1 | 358 | 4.0 | 5.9 |
| EPS (NT\$)- Per Weighted-Avg. Capital of NT\$6,476M | 0.59 | | 0.55 | | 5.9 |

* The numbers are consolidated and the net income is audited/reviewed.

2010 Income Statement & YoY Comparison

| Unit: NT\$ million | 2010 | | 2009 | | YoY % Change |
|--|--------|-------|--------|-------|-----------------|
| | AMT | % | AMT | % | |
| Net Sales | 33,857 | 100.0 | 31,016 | 100.0 | 9.2 |
| Cost of Goods Sold - Product | 22,893 | 67.6 | 21,596 | 69.6 | 6.0 |
| Gross Profit 1 | 10,964 | 32.4 | 9,470 | 30.4 | 15.8 |
| Inventory Related Gain/(Loss) | (384) | (1.1) | 197 | 0.6 | NA |
| Gross Profit 2 | 10,580 | 31.3 | 9,617 | 31.0 | 10.0 |
| Operating Expenses | 9,604 | 28.4 | 9,222 | 29.7 | 4.1 |
| Operating Income | 976 | 2.9 | 395 | 1.3 | 147.1 |
| Total Non-Op. Inc. (Loss) | 539 | 1.6 | 340 | 1.1 | 58.5 |
| Income Before Tax | 1,515 | 4.5 | 735 | 2.4 | 106.1 |
| Tax (Exp.) / Income | (280) | (0.8) | (204) | (0.7) | 37.3 |
| Net Income | 1,235 | 3.7 | 531 | 1.7 | 132.6 |
| Minority Interest | (13) | (0.1) | (19) | (0.1) | (31.6) |
| Consolidated Income | 1,222 | 3.6 | 512 | 1.6 | 138.7 |
| EPS (NT\$)-Per Weighted-Avg. Capital of NT\$6,476M | 1.89 | | 0.79 | | 138.7 |

* The numbers are consolidated and the net income is audited/reviewed.

12/31/2010 Balance Sheet & QoQ Comparison

| Unit: NT\$ mln | 12/31/10 AMT | % | 09/30/10 AMT | % | QoQ % Change |
|-----------------------|-----------------|-----|-----------------|-----|-----------------|
| Cash | 5,297 | 21 | 5,927 | 21 | (10.6) |
| S-T Investment | 727 | 3 | 447 | 2 | 62.6 |
| Account Receivable | 5,613 | 22 | 6,231 | 22 | (9.9) |
| Inventory | 5,584 | 22 | 7,056 | 25 | (20.9) |
| Long-term Investments | 5,280 | 21 | 5,417 | 19 | (2.5) |
| Total Assets | 25,655 | 100 | 28,607 | 100 | (10.3) |
| Accounts Payable | 5,462 | 21 | 7,451 | 26 | (26.7) |
| Current Liabilities | 8,624 | 34 | 11,003 | 38 | (21.6) |
| Common Stock | 6,476 | 25 | 6,476 | 23 | 0.0 |
| Stockholders' Equity | 14,753 | 58 | 15,151 | 53 | (2.6) |

Key Financial Ratios

| Unit: % , days | 12/31/10 | 09/30/10 | 06/30/10 | 03/31/10 | 12/31/09 |
|-------------------------|----------|----------|----------|----------|----------|
| *Days A/R | 64 | 69 | 69 | 69 | 72 |
| *Days Inventory | 81 | 95 | 89 | 81 | 104 |
| *Days A/P | 89 | 108 | 112 | 100 | 99 |
| Cash Cycle | 56 | 57 | 46 | 50 | 77 |
| Current Ratio | 2.13 | 1.91 | 1.88 | 2.16 | 1.90 |
| Debt/Equity Ratio | 0.75 | 0.90 | 0.94 | 0.73 | 0.70 |
| **Net Debt/Equity Ratio | 0.33 | 0.47 | 0.40 | 0.25 | 0.31 |
| ROE | 10 | 9 | 7 | 7 | 10 |

* Annualized

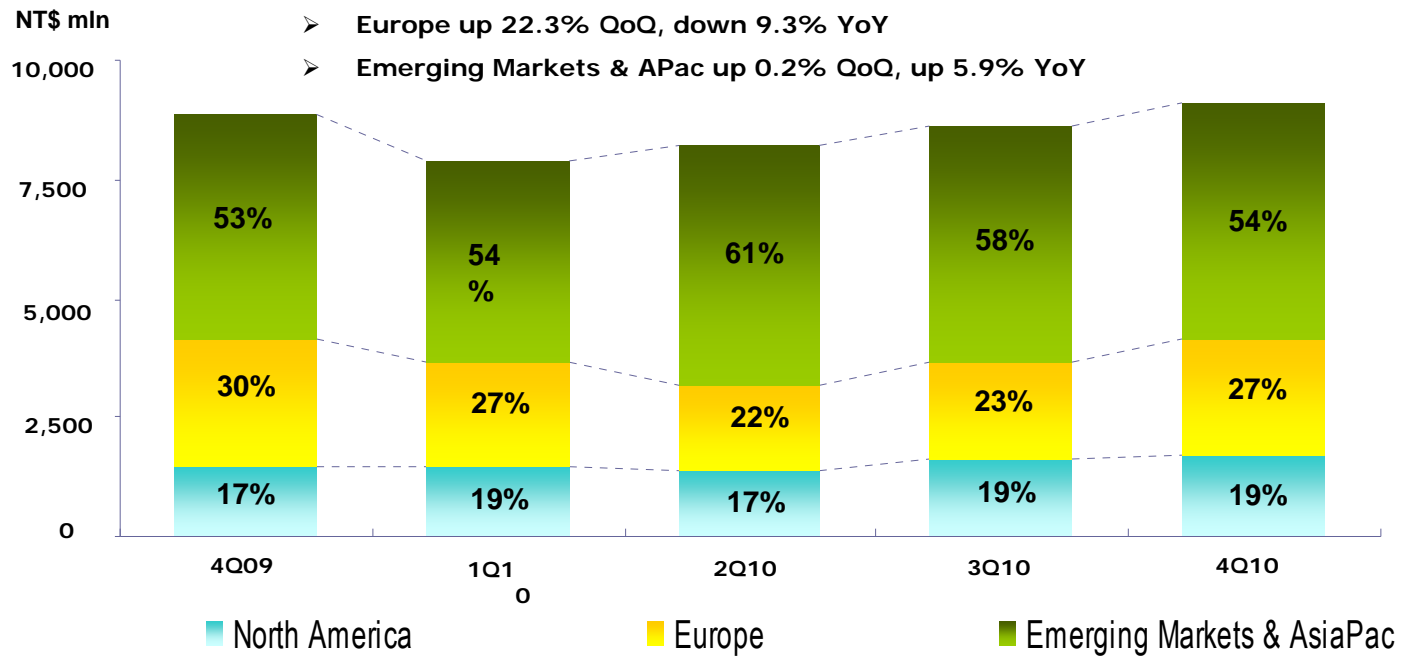
* *Adjust for Cash & S-T investment

Business Updates & Outlooks

Quarterly Revenue by Regions

4Q10 revenue up 6.5% QoQ, up 3.3% YoY

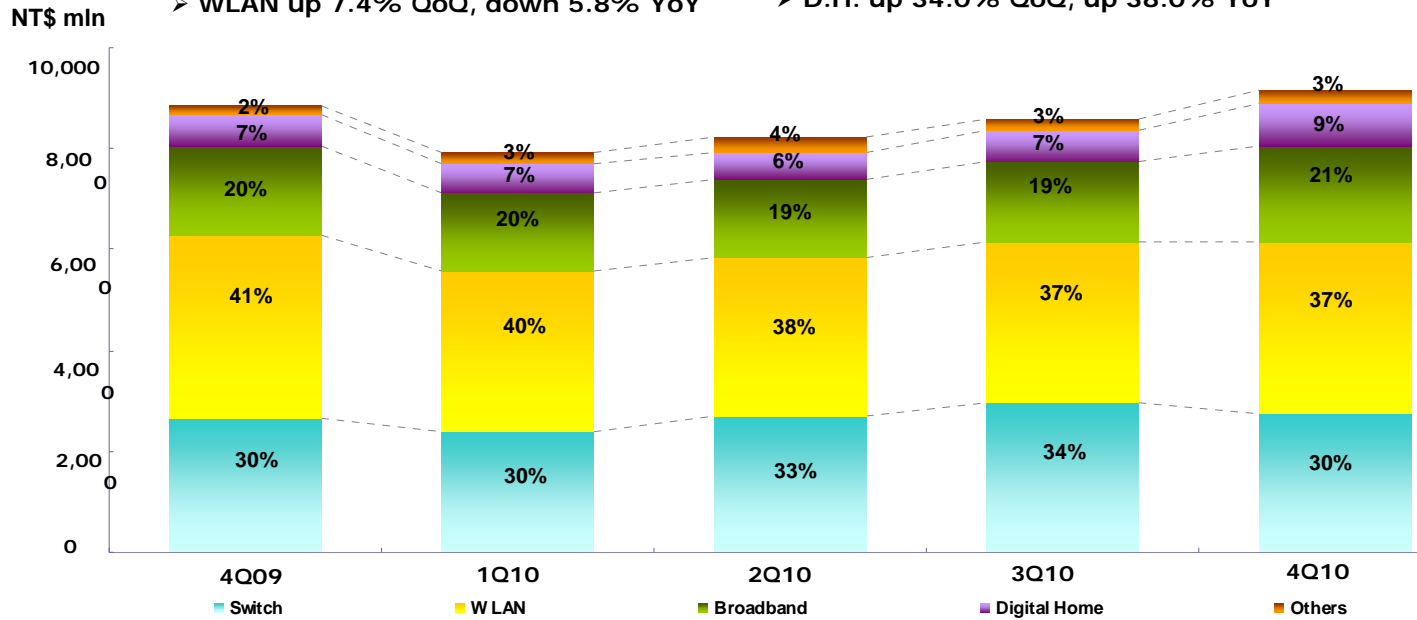
- N.A. up 6.2% QoQ, up 17.9% YoY
- Europe up 22.3% QoQ, down 9.3% YoY
- Emerging Markets & APac up 0.2% QoQ, up 5.9% YoY



Quarterly Revenue by Products

4Q10 revenue comparison:

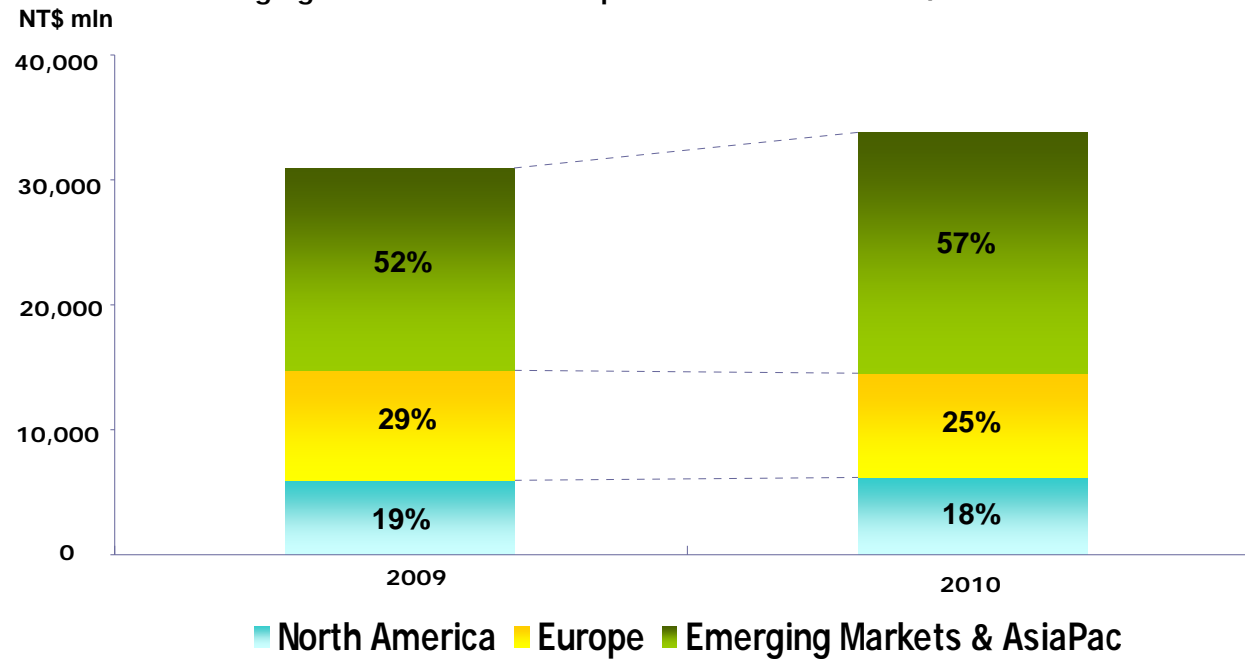
- Switch down 8.0% QoQ, up 2.6% YoY
- WLAN up 7.4% QoQ, down 5.8% YoY
- Broadband up 19.4% QoQ, up 8.7% YoY
- Digital Home up 34.0% QoQ, up 38.0% YoY
- Others up 3.0% QoQ, up 3.0% YoY



2010 Revenue by Region

10 revenue YoY comparison:

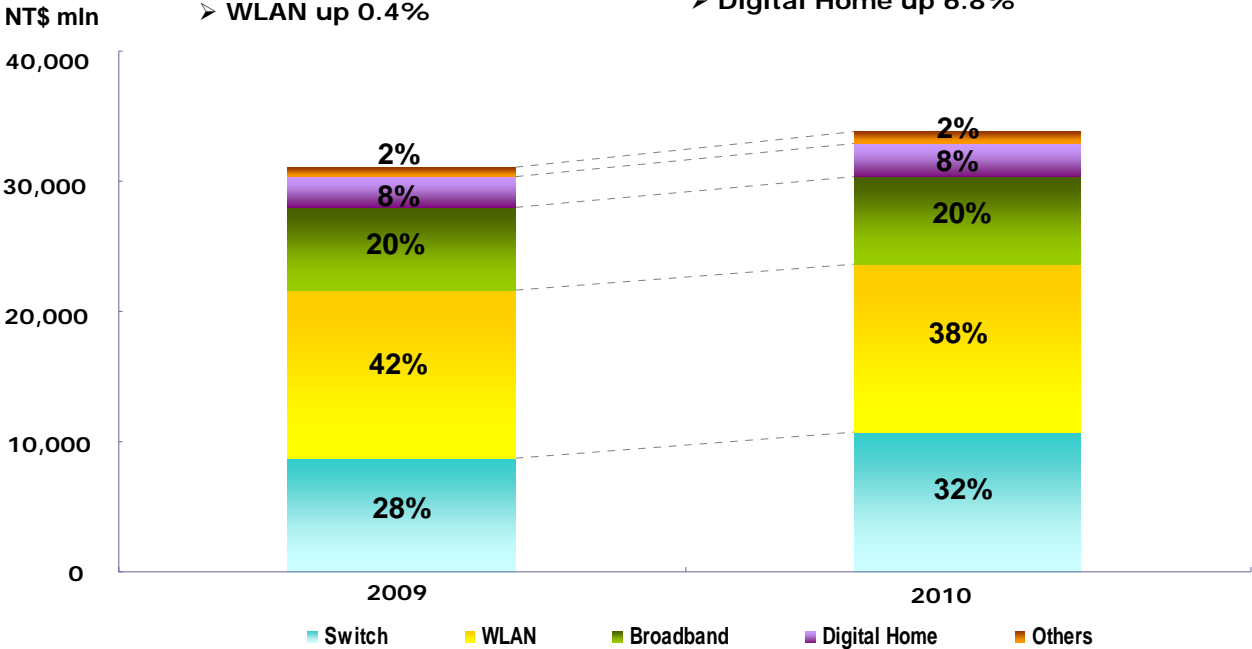
- WW 10 revenue up 9.2%
- Emerging markets & AsiaPac up 19.2%
- Europe down 7.4%
- N.A. up 7.1%



2010 Revenue by Product

10 revenue YoY comparison:

- Switch up 22.6%
- WLAN up 0.4%
- Broadband up 5.1%
- Digital Home up 6.8%



2011 Business Outlooks

Consumer

- Multi-dimensional Convergence takes hold
- Contents & Apps change user behavior/demand
- Alternative channel development

Business

- Cloud solutions/services emerge
- Green & PoE & IPv6 technologies become essential
- Improved integration

Telcos/ISPs

- Mobile broadband connections take off
- 3G/4G offload to Wifi creates opportunities (FMC)
- Trend toward Home Cloud

2011 Regional Outlooks

Emerging Mkts & Asia Pac.

- Infrastructure deployments remain promising
- Telco & Govt. projects lead the growth
- North Asia Alliance breaks through

Europe

- Smart TV devices gain recognition
- Powerline & IP Cam solutions take off

North America

- E-tail & Retail channel gains shares
- SME/SMB market keeps expanding
- Telco channel initiative

2011 Guidance

- **From YoY perspective**
 - **Annual revenue to grow mildly**
 - **Op. Margin to improve slightly**
 - **Net income to increase**

Safe Harbor Statement

All numbers are consolidated. Except for statements in respect of historical matters, the statements contained in this release are "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of D-Link Corporation to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

Q & A

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