

Spokesperson:

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Director

D-Link Reports 2Q14 Consolidated Financials

- Second quarter 2014 net revenue was NT\$7.185 billion, at about the same level as 1Q14
- Gross margin exclusive of inventory related gain and loss was 28.3%, as compared to 27.2% in 1Q14
- Gross margin inclusive of inventory related gain and loss was 27.8%, as compared to 28.2% in 1Q14
- Operating margin was 0.4%, as compared to 1.2% in 1Q14
- Consolidated net income after tax and minority interest was NT\$63 million, as compared to net income of NT\$81 million in 1Q14
- EPS on weighted average capital of NT\$6.088 billion was NT\$0.11, as compared to NT\$0.13 per share in 1Q14
- All of the above are based on consolidated numbers and 2Q14's net income is audited/reviewed.

Taipei, Taiwan, August 13th, 2014 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the second quarter of 2014.

For the first half of 2014, D-Link's net revenue was NT\$14.367 bln, down slightly as compared to NT\$14.447 bln of 1H13. Europe continues on its recovery pace with 6.4% YoY growth in the first half year benefitting from relative strong currency as well as improving market condition for business switches and stable project pull-in. North America sales declined by 5.1% from the same period last year mainly due to the lumpy shipment pattern from project deployment. Emerging market sales were down 1.6% as economic condition was constrained by the tenuous political situation and conservative stocking strategy in the region. Gross margin including inventory related gain/loss was 28%, up from 26.5% of 1H13 mainly due to inventory provision write back in the current reporting period. Operating margin was 0.8% as compared to 0.1% in the same comparable period a year ago.

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as in prior quarter and a year ago quarter. Telco projects pull-in was up in the US as we see our cloud 11ac routers being adopted as the home gateway. Europe also made market gains in business smart switch with the slowly recovering business sentiments. Gross margin excluding inventory provisional gain/loss was NT\$2.033 billion or 28.3% as compared to 27.2% QoQ as our cost of sales benefitted from the favorable exchange rate movement. Gross margin including inventory provisional gain/loss was NT\$1.998 billion or 27.8% in 2Q14. Operating expenses were NT\$1.969 billion or 27.4% of net revenue as compared to 27% of previous quarter. Net non-operating profit in 2Q14 was NT\$87 million comprising of NT\$29 million income recognized from long term investee companies under equity method, NT\$16 million capital gain, NT\$56 million in foreign exchange gain, and NT\$14 million expenses derived from other financial accounts. The Group's second quarter consolidated net income after tax and minority interest was NT\$63 million and EPS was NT\$0.11 per share based on weighted average capital of NT\$6.088 billion.

D-Link's financial condition and liquidity remained stable at the end of 2Q14. Cash and S-T investment held was NT\$3.151 billion about the same level as previous quarter end. Accounts receivable was NT\$6.438 billion, decreased by NT\$108 million and AR turnover days increased to 77 days due to temporarily higher level of telco projects receivable. Net inventory was NT\$6.365 billion, an increase of NT\$201 million from sequential quarter as we were stocking up for new AC products, IP Camera, and new connected home products such as smart plug and motion sensor for the upcoming retail season. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.67 and 0.89 respectively. Annualized ROE for the second quarter of 2014 was 2%.

Consolidated Sales Breakdown by Region:

NT\$mIn	2Q14		1Q14		2Q13		QoQ	YoY
NA	1,286	17.9%	953	13.3%	1,279	17.7%	35%	0.5%
EU	1,518	21.1%	1,591	22.2%	1,474	20.4%	-4.6%	3.0%
Emg. & APac	4,383	61.0%	4,638	64.5%	4,471	61.9%	-5.5%	-2.0%
Total	7,187	100%	7,182	100%	7,224	100.0%	0.1%	-0.5%

From a geographic perspective, 2Q14 revenue contribution from North America, Europe and Emerging/Asia Pacific were 17.9%, 21.1% and 61.0% respectively. North America sales were up 35% QoQ showing the positive headway made in securing key telco projects for our cloud 11 AC routers. Europe's 2Q14 sales was 4.6% down from sequential quarter and up 3% from last year same quarter. With the retail products season

approaching and connected home products rollout schedule, we are escalating our marketing efforts for a better retail season in the second half year. The company offers a comprehensive line up of IP cameras from enticing price point in the entry level to the full HD PTZ Cameras. Leveraging on the firm market foothold on IP Cameras supported by mydlink's cloud services platform making it easy to set up and manage multiple network enable devices, we expect to see positive sales bundle effect for our other products such as AC and portable routers, NVR and storages, wifi sensors and smart plugs. Emerging and Asia Pacific markets for the 2Q14 revenue was down by 5.5% QoQ and 2% year over year partly due to the strong competition in the commoditized 11n products area and weaker project pull-in in the politically effected region.

Consolidated Sales Breakdown by Product Category:

With respect to 2Q14 consolidated revenue by products category, Wireless contributed 33%, followed by Switch at 28%, Broadband at 20%, Digital Home at 11%, and Others at 8%. Project pull-in of our 11 AC routers is the main contributor to the wireless 6.8% QoQ growth. Broadband sales was down 5.2% QoQ mostly impacted by the slower project deployment in Latin America region because of the World Cup event. Digital Home products down 21.6% YoY were mainly due to the discontinued digital media products line which sales were included in prior year base. Digital surveillance products under Digital Home category continued to gain market recording double digit growth rate on YoY basis.

Regarding 3Q14 guidance, the Company's revenue is expected to increase by single digit range and gross margin remains stable.

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)