



Spokesperson:

Ralio Sung
Director

D-Link Reports 1Q14 Consolidated Financials

- First quarter 2014 net revenue was NT\$7.182 billion, down 9.7% from 4Q13
- Gross margin exclusive of inventory related gain and loss was 27.2%, as compared to 25.7% in 4Q13
- Gross margin inclusive of inventory related gain and loss was 28.2%, as compared to 25.3% in 4Q13
- Operating margin was 1.2%, as compared to 2.0% in 4Q13
- Consolidated net income after tax and minority interest was NT\$81 million, as compared to NT\$301 million in 4Q13
- EPS on weighted average capital of NT\$6.088 billion was NT\$0.13, as compared to NT\$0.49 per share in 4Q13
- All of the above are based on consolidated numbers and 1Q14's net income is audited/reviewed.

Taipei, Taiwan, May 14th, 2014 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the first quarter of 2014.

For the first quarter 2014, net revenue was NT\$7.182 billion, down by 9.7% sequentially and down by 0.6% year over year. The slower sales in 1Q14 is mostly due to seasonality in the retail market and slower pull-in from telco projects in emerging markets as political tension rises in Ukraine. Gross margin excluding inventory provisional gain/loss was NT\$1.953 billion or 27.2% as compared to 25.7% last quarter due to better product mix and less seasonal promotion. Gross margin including inventory provisional gain/loss was NT\$2.023 billion or 28.2% in 1Q14, as compared to 25.3% in 4Q13. Operating expenses were NT\$1.9 billion or 27% of net revenue as compared to 23.3% of previous quarter mostly due to the lower revenue base. Operating profit margin was 1.2% as compared to last quarter 2.0%. Net non-operating profit in 1Q14 was NT\$44 million comprising of NT\$20 million income recognized from long term investee companies under equity method, NT\$2 million capital gain, NT\$5 million in foreign exchange gain, and NT\$17 million derived from financial and other income. The Group's first quarter consolidated

net income after tax and minority interest was NT\$81 million and EPS was NT\$0.13 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 1Q14. Cash and S-T investment held were NT\$3.13 billion, decreased by NT\$219 million contributing to normal business cash conversion cycle. Accounts receivable were NT\$6.54 billion, decreased by NT\$194 million and AR turnover days remained at 76 days, same as previous quarter. Net inventory was NT\$6.16 billion and inventory turnover days improved to 98 days after the year-end sell out. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.82 and 0.53 respectively. Annualized ROE for the first quarter of 2014 was 2%.

Consolidated Sales Breakdown by Region:

NT\$mIn	1Q14		4Q13		1Q13		QoQ	YoY
	Revenue	%	Revenue	%	Revenue	%		
NA	953	13.3%	1,150	14.5%	1,079	15.0%	-17.2%	-11.7%
EU	1,591	22.2%	1,932	24.3%	1,447	20.0%	-17.7%	9.9%
Emg. & APac	4,638	64.6%	4,871	61.2%	4,697	65.0%	-4.8%	-1.2%
Total	7,182	100.0%	7,953	100.0%	7,223	100.0%	-9.7%	-0.6%

From a geographic perspective, 1Q14 revenue contribution from North America, Europe and Emerging/Asia Pacific were 13.3%, 22.2% and 64.6% respectively. North America sales were down 17.2% QoQ due to retail seasonality and less project pull-in. However, we continue to drive sales growth in digital camera which grew 47% YoY and expand channels coverage for 11AC routers. We expect 11AC routers will gain market adoption much quicker than their predecessors and to reach mainstream by 2015. Europe's 1Q14 sales were up 9.9% on YoY basis due to higher project pull in and sales gain in smart switches and digital camera during the first quarter. Emerging and Asia Pacific markets for the 1Q14 revenue were down by 4.8% QoQ and 1.2% YoY mostly because of bumping project pull-in and slower sales in the political impacted regions.

Consolidated Sales Breakdown by Product Category:

With respect to 1Q14 consolidated revenue by product category, Wireless contributed 31%, followed by Switch at 28.2%, Broadband at 20.5%, Digital Home at 12.7%, and Others at 7.6%. Reflecting both seasonality softness and market competition, revenue from Wireless registered 1Q14 sales decrease of 11.6% and 18.4% on QoQ and YoY basis respectively. Higher Broadband sales with 33.5% growth on YoY basis were mostly from Europe in line with the recovering economy after debt crisis. Digital camera under Digital

Home category remains the growth driver with 30% YoY growth rate.

Regarding 2Q14 guidance, the Company's revenue and gross margin are expected to remain flat and sales should ramp up in the second half year.

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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