



3Q14 News Release

Spokesperson:

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Director

D-Link Reports 3Q14 Consolidated Financials

- Third quarter 2014 net revenue was NT\$7.564 billion, up 5.3% from sequential quarter.
- Gross margin exclusive of inventory related gain was 28.6%, compared to 28.3% in 2Q14.
- Gross margin inclusive of inventory related gain was 26.5%, compared to 27.8% in 2Q14.
- Operating margin was 0.6%, compared to 0.4% in 2Q14.
- Consolidated income after tax and minority interest was net loss NT\$129 mln for 3Q14 as compared to net income of NT\$63 million reported last quarter.
- EPS on weighted-average capital of NT\$6.088 bln was negative NT\$0.21, compared to NT\$0.11 per share in 2Q14.
- All of the above figures are based on consolidated numbers and 3Q14 net income is audited/reviewed.

Taipei, Taiwan, November 13th, 2014 - 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 2014.

For the third quarter of 2014, D-Link posted net revenue of NT\$7.564 bln, up 5.3% from sequential quarter but lowered by 7.3% as compared to last year same quarter. Our 3Q14 sales were lower than expected mainly due to the sharply strengthened USD against currencies of major emerging countries which caused our channel partners quickly lowering their inventory level as well as delayed project pull-in to reduce FX risk. The US\$ currency situation was in direct opposite last year whereby US\$ depreciated against emerging countries currency and our distributors restock their low inventory level from the prior quarter because of strong USD. Gross margin excluding inventory provisional gain/loss was 28.6% in 3Q14, up from 28.3% in prior quarter benefitting from both favorable products mix as well as ASP lift from AC routers taking mainstreams. Gross margin including inventory provisional gain/loss was 26.5% in 3Q14, down from 27.8% in 2Q14. Slower project -pull as well as channels sell through had contributed to an NT\$160 million

inventory provisional loss this quarter which we expect to recover partially once we resume shipments on delay projects. Due to the higher revenue base, operating expenses as percent of net revenue was 25.8%, improved from 27.4% in previous quarter. Operating margin in 3Q14 was 0.6%, in par with previous quarter. Net non-operating profit in 3Q14 was a loss of NT\$151 million comprising of NT\$31 million income recognized from long term investee companies under equity method, NT\$4 million investment gain, NT\$240 million foreign exchange loss and NT\$54 million derived from financial and other income. The Group reported third quarter consolidated net loss after tax and minority interest of NT\$129 million and EPS was negative NT\$0.21 per share based on weighted average capital of NT\$6.088 billion.

For the YT3Q of 2014, D-Link's net revenue was NT\$21.9 bln, down by 3.0% as compared to NT\$22.6 bln of YT3Q13. Gross margin excluding inventory gain/loss was 28.1%, up from 27.6% same period last year. Gross margin including inventory related gain/loss was 27.5%, up from 26.8% of YT3Q13. Operating expenses was 26.7% of sales, slightly higher due to lower revenue base as compared to 25.7% same period last year. Net operating margin was 0.7% as compared to 1.1% in the same comparable period a year ago.

D-Link Group's financial condition and liquidity remained sound at the end of 3Q14. Cash and short term investment held was NT\$2.858 billion, a decreased of NT\$293 million from sequential quarter reflecting longer cash conversion cycle. Account Receivables were NT\$6,545 bln, increased by NT\$ 327 million from previous quarter which is in line with the longer credit term offered to the projects related receivables. AR turnover days increased to 82 days. The September quarter ending inventory lowered to NT\$6.469 bln or NT\$116 million less than previous quarter and inventory turnover was 109 days. Overall cash conversion cycle remained well managed at 88 days. The company's liquidity position is sound with current ratio and net debt/equity ratio of 1.65 and 0.90 respectively. Annualized ROE for the third quarter of 2014 was -4%.

Consolidated Sales Breakdown by Region:

NT\$M	3Q14		2Q14		3Q13		QoQ	YoY
Emg. & APac	4,761	62.9%	4,381	61.0%	5,173	63.4%	8.7%	-8.0%
EU	1,600	21.1%	1,518	21.1%	1,688	20.7%	5.4%	-5.2%
NA	1,203	16.0%	1,286	17.9%	1,298	15.9%	-6.5%	-7.3%
Total	7,564	100%	7,185	100%	8,159	100.0%	5.3%	-7.3%

From a geographic perspective, 3Q14 global consolidated revenue from Emerging/Asia Pacific, Europe and North America were 62.9%, 21.1% and 16.0% respectively. The emerging market continued to demonstrate flagging demand in both government projects and business demand due to the sharply appreciated US\$ and rising geopolitical tension. As our distributors have started to adjust their inventory level in view of turbulence time ahead, sales were lowered by 8.0% as compared to the same quarter a year ago. In line with seasonality pattern, sales in Europe and North American picked up 5.4% and 8.7% respectively from prior quarter.

Consolidated Sales Breakdown by Product Category:

With respect to 3Q14 consolidated revenue by product category, wireless products accounted for 33.2% of sales, followed by Switch at 28.5%, Broadband at 17.7%, Digital Home at 11.8%, and Others at 8.8%. As compared to previous quarter, Broadband sales were down 4.4% attributed to slower government project pull-in especially in the politically impacted region. Switch and wireless sales increased by 7.3% and 5.7% respectively from prior quarter boosted by the retail season in the developed markets and new products launch including IP cameras, smart plugs and motion sensors.

Increasingly, consumers show preference to an out-of-the box devices and self-managed solution that include hardware, software and data storage because of privacy concern and the recurring charges for the fee based cloud services. Mydlink's connected home products which offer zero configurations and no monthly services fee is a fully integrated and one stop solution for the consumers when they take their first leap towards their digital home dream without dealing with the technical complexity. The company will be working with several large retail channels to offer bundle starter kits both in the US and Europe market.

In 3Q14, the stronger US\$ against the major emerging market currencies caused our channels partners to adopt defensive stocking strategy. We expect the situation will prevail into 4th quarter; therefore, our sales and operating income guidance is expected to remain flat.

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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