



Spokesperson:

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### D-Link Reports 2Q13 Consolidated Financials

- Second quarter 2013 net revenue was NT\$7.224 billion, same as 1Q13
- Gross margin exclusive of inventory related gain and loss was 27.0%, as compared to 28.0% in 1Q13
- Gross margin inclusive of inventory related gain and loss was 25.5%, as compared to 27.2% in 1Q13
- Operating margin was -2.0%, as compared to 1.9% in 1Q13
- Consolidated net loss after tax and minority interest was NT\$110 million, as compared to net income of NT\$124 million in 1Q13
- EPS on weighted average capital of NT\$6.124 billion was negative NT\$0.18, as compared to NT\$0.20 per share in 1Q13
- All of the above are based on consolidated numbers and 2Q13's net income is audited/reviewed.

Taipei, Taiwan, August 14<sup>th</sup>, 2013 - 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 2013.

For the first half of 2013, D-Link's net revenue was NT\$14.447 bln, down 9.4% as compared to NT\$15.943 bln of 1H12. Europe continued to be soft due to the prolonging financial crisis down 7.7% YoY and emerging markets demand also tapered off reflecting saturating penetration rate in WiFi adoption and fierce competition, down 13.1% YoY. In line with US's economy beginning to turn the corner in 2Q13, revenue was up 5.7% from last year same period. Gross margin excluding inventory gain/loss was 27.5%, up from 26.5% of prior-year period due mostly to favorable product mix and margin gain from cost down efforts. Gross margin including inventory related gain/loss was 26.3%, up from 25.9% of 1H12. Operating expenses in absolute dollar term was down 4.3% as compared to 1H12 reflecting our continued strict financial discipline to control operating expenses. Operating margin was 0.1% as compared to 0.9% in the same comparable period a year ago.

For the second quarter 2013, net revenue was NT\$7.224 billion, at the same level as in prior quarter but down 6.4% YoY partly due to distributors in the emerging markets adjusting inventory level to reduce FX risk caused by weakening local currency. Telco projects pull-in also remained slow this quarter reflecting conservative market outlook thus constrained CAPEX's spending. Gross margin excluding inventory provisional gain/loss was NT\$1.947 billion or 27.0% as compared to 28.0% QoQ as a result of the margin impact from the strong dollar. Gross margin including inventory provisional gain/loss was NT\$1.841 billion or 25.5% in 2Q13, as compared to 27.2% in 1Q13. Increased inventory provision took into effect the financial impact from one of our technology partner's decision to stop its Cloud DVR support. Operating expenses were NT\$1.988 billion or 27.5% of net revenue as compared to 25.3% of previous quarter. Net non-operating profit in 2Q13 was NT\$24 million comprising of NT\$30 million income recognized from long term investee companies under equity method, NT\$76 million capital gain, NT\$105 million in foreign exchange loss, and NT\$23 million derived from financial and other income. The Group's second quarter consolidated net income after tax and minority interest was negative NT\$110 million and EPS was negative NT\$0.18 per share based on weighted average capital of NT\$6.124 billion.

D-Link's financial condition and liquidity remained stable at the end of 2Q13. Cash and S-T investment held was NT\$3.928 billion about the same level as previous quarter end. Accounts receivable was NT\$6.481 billion, increased by NT\$377 million and AR turnover days increased to 75 days due to temporarily higher level of telco projects receivable which carried longer payment term. Net inventory was NT\$6.629 billion, an increase of NT\$725 million from sequential quarter as we were preparing for new products for 11AC routers and more IP cameras for the upcoming high retail season. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.76 and 0.69 respectively. Annualized ROE for the second quarter of 2013 was negative 3%.

#### Consolidated Sales Breakdown by Region:

NT\$mIn	2Q13		1Q13		2Q12		QoQ	YoY
NA	1,279	17.7%	1,079	15.0%	1,153	14.9%	18.6%	11.0%
EU	1,474	20.4%	1,447	20.0%	1,383	17.9%	1.8%	6.5%
Emg. & APac	4,471	61.9%	4,697	65.0%	5,184	67.1%	-4.8%	-13.7%
<b>Total</b>	<b>7,224</b>	<b>100.0%</b>	<b>7,223</b>	<b>100.0%</b>	<b>7,720</b>	<b>100.0%</b>	<b>0%</b>	<b>-6.4%</b>

From a geographic perspective, 2Q13 revenue contribution from North America, Europe and Emerging/Asia Pacific were 17.7%, 20.4% and 61.9% respectively. North America

sales was up 18.6% QoQ showing the positive headway through expanding retail partners for mydlink cameras which sales were up 35% QoQ and 47% YoY. Europe's 2Q13 sales improved 1.8% from sequential quarter and up 6.5% from last year same quarter. Riding on this positive momentum, we are escalating our marketing efforts for a better retail season in the second half year especially from demand for the new 11AC routers with more cloud enhancement features. With increasingly comprehensive line of IP cameras offering both in the consumer area such as Baby Cam and business surveillance cameras, we expect to make market gain and further build on the strong YoY sales growth achieved in 2Q13. Emerging and Asia Pacific markets for the 2Q13 revenue were down by 4.8% QoQ and 13.7% year over year partly due to the strong US dollar causing our distributors to lower inventory level and partly from cyclical effect from 2012 sales peak in projects deployment.

#### Consolidated Sales Breakdown by Product Category:

With respect to 2Q13 consolidated revenue by product category, Wireless contributed 32%, followed by Switch at 28%, Broadband at 17%, Digital Home at 15%, and Others at 8%. Reflecting seasonality softness, market competition and channel inventory adjustment, revenue from wireless registered 2Q13 sales decrease of 16.3% QoQ. Broadband sales were up 15.8% from sequential quarter but down 9.8% YoY. Digital surveillance products under Digital Home category continued to gain market recording 27% sequential and 60% YoY growth.

Regarding 3Q13 guidance, the Company's revenue is expected to grow mildly from current quarter and operating margin start to turn positive.

#### 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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