



2Q12 News Release

Spokesperson:

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D-Link Reports 2Q12 Consolidated Financials

- Second quarter 2012 net revenue was NT\$7.72 bln, down 6.1% from sequential quarter.
- Gross margin exclusive of inventory related gain was 28.0%, compared to 29.7% in 1Q12.
- Gross margin inclusive of inventory related gain was 26.7%, compared to 29.7% in 1Q12.
- Operating margin was -1.2%, compared to 2.9% in 1Q12.
- Consolidated income/loss after tax and minority interest was -NT\$7 mln for 2Q12 as compared to net income of NT\$236 million reported last quarter.
- EPS on weighted-average capital of NT\$6.356 bln was -NT\$0.01, compared to NT\$0.37 per share in 1Q12.
- All of the above figures are based on consolidated numbers and 2Q12 net income is audited/reviewed.

Taipei, Taiwan, August 30, 2012 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the first half and second quarter of 2012.

For the first half of 2012, D-Link's net revenue was NT\$15.943 bln, up by 0.8% as compared to NT\$15.823 bln of 1H11. Gross margin excluding inventory gain/loss was 28.9%, down from 33.2% of prior-year period due to more competitive pricing environment and negative foreign exchange fluctuation as a result of the strong dollar. Gross margin including inventory related gain/loss was 28.3%, down from 32.9% of 1H11. Operating expenses as percentage to sales was lowered to 27.3% as compared to 29.7% for 1H11 reflecting our continued strict financial discipline to control operating expenses. Net margin was 1.4% as compared to 3.3% in the same comparable period a year ago.

For the second quarter of 2012, D-Link posted net revenue of NT\$7.72 bln, down 6.1% from sequential quarter and down 3.8% from same period last year due to generally weaker end demand especially in regions worst affected by the global debt crisis. Gross margin

excluding inventory provisional gain/loss was 28% in 2Q12, down from 29.7% in 1Q12, due to unfavorable FX currency movement and promotion strategy to speed up stock rotation in preparation for the cloud products launch. Gross margin including inventory provisional gain/loss was 26.7% in 2Q12, down from 29.7% 1Q12. Operating expenses as percent of net revenue was 27.9%, up from 26.8% in previous quarter due to lower revenue base. On absolute dollar term, operating expenses was 2% lower than pervious quarter. Operating margin was -1.2% in 2Q12, as compared to 2.9% in first quarter. Net non-operating profit in 2Q12 was NT\$90 million comprising of NT\$94 million income recognized from long term investee companies under equity method, NT\$9 million investment gain, NT\$59 million foreign exchange loss and NT\$46 million derived from financial and other income. The Group reported second quarter consolidated net loss after tax and minority interest of NT\$7 million and EPS was -NT\$0.01 per share based on weighted average capital of NT\$6.356 billion.

D-Link Group's financial condition and liquidity remained sound at the end of 2Q12. Cash and short term investment held was NT\$3.306 billion, a decreased of NT\$252 million from 1Q12 to support normal operational cash outflow. Account Receivables were NT\$5.741 bln, decreased by NT\$ 649 million from previous quarter end and AR turnover days remained stable at 67 days. The June quarter ending inventory went up slightly to NT\$7.438 bln or NT\$191 million increase due to stocking up on new products to meet seasonal demand. Thus, inventory days increased to 116 days from 114 days as of last quarter end. Overall cash conversion cycle remained well managed at 78 days. The company's liquidity position is sound with current ratio and net debt/equity ratio of 1.71 and 0.57 respectively. Annualized ROE for the second quarter of 2012 was -0.2%.

Consolidated Sales Breakdown by Region:

NT\$M	2Q12		1Q12		2Q11		QoQ	YoY
Emg. & APac	5,183	67.2%	5,365	65.2%	5,076	63.3%	-3.4%	2.1%
EU	1,384	17.9%	1,781	21.7%	1,656	20.6%	-22.3%	-16.4%
NA	1,153	14.9%	1,077	13.1%	1,289	16.1%	7.1%	-10.6%
Total	7,720	100%	8,223	100.0%	8,021	100.0%	-6.1%	-3.8%

From a geographic perspective, 2Q12 global consolidated revenue from Emerging/Asia Pacific, Europe and North America were 67.2%, 17.9% and 14.9% respectively. Both seasonality softness and weak European market sales were responsible for the weaker 2Q12 sales than previously guided. Our second quarter sales in Emerging and Asia Pacific markets were down 3.4% from previous quarter but on a year to year basis, sales were up

2.1%. Europe, being the epic center of the debt crisis, recorded a sales decline of 22.3% from previous quarter and down 16.4% from prior-year period. Particular softness were seen in the SME sales and in areas most affected by the austerity policy. North America's sales have made a modest turnaround since last year business refocus and grew 7.1% from sequential quarter but still down 10.6% from last year.

Consolidated Sales Breakdown by Product Category:

With respect to 2Q12 consolidated revenue by product category, wireless products remained the most important contributor accounting for 37% of sales, followed by Switch at 28%, Broadband at 18%, Digital Home at 12%, and Others at 5%. Switch and Wireless sales were down 4.8% and 9.4% respectively from sequential quarter. As compared to previous quarter, Broadband sales were down 9.4% and Digital Home sales were down 2.1%.

For 3Q12 guidance, under the continued economic overhang of the debt crisis, D-Link is cautiously optimistic and projects that 3Q12 revenue to grow marginally over that of 2Q12 and net operating margin to turn positive as cloud products and other higher end wireless products start to ramp up.

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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