



Spokesperson:

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CFO

### D-Link Reports 1Q16 Consolidated Financials

- First quarter 2016 net revenue was NT\$5.939 billion, down 9.4% from 4Q15
- Gross margin exclusive of inventory related gain and loss was 27.4% as compared to 25.5% in 4Q15
- Gross margin inclusive of inventory related gain and loss was 26.6%, as compared to 18.5% in 4Q15
- Operating margin was negative 3.2%, as compared to negative 14.9% in 4Q15
- Consolidated net income after tax and minority interest was negative NT\$214 million, as compared to negative NT\$979 million in 4Q15
- EPS on weighted average capital of NT\$6.328 billion was negative NT\$0.34, as compared to negative NT\$1.52 per share in 4Q15
- All of the above are based on consolidated numbers and 1Q16's net income is audited/reviewed.

Taipei, Taiwan, May 3rd, 2016 - 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 2016.

For the first quarter 2016, net revenue was NT\$5.93 billion, down by 9.4% sequentially due mostly to the drop in project revenue in the US and Europe as well as a slower retail season after year-end holiday demand. As we have reported previously, the company had also taken initiatives to streamline operation aimed to reduce OPEX in certain non-performing regions which also contributed to lower revenue in the current quarter. Gross margin excluding inventory provisional gain/loss was NT\$1.62 billion or 27.4% as compared to 25.5% last quarter as a result of favorable product mix and less project sales which has lower margin. Gross margin including inventory provisional gain/loss was NT\$1.58 billion or 26.6% in 1Q16, as compared to 18.5% in 4Q15 which included the inventory write down resulting from the change in accounting provision policy. Operating expenses were NT\$1.77 billion or 19.1% lower in absolute dollar term from sequential quarter reflecting our efforts to streamline our global operations. Operating margin was negative 3.2% as compared to last quarter negative 14.9%. Net non-operating gain in

1Q16 was NT\$13 million comprising of NT\$24 million income recognized from long term investee companies under equity method, NT\$37 million in foreign exchange loss, and NT\$26 million derived from financial and other income. The Group's first quarter consolidated net loss after tax and minority interest was NT\$214 million and EPS was negative NT\$0.34 per share based on weighted average capital of NT\$6.328 billion.

D-Link's financial condition and liquidity remained stable at the end of 1Q16. Cash and S-T investment held were NT\$2.571 billion, decreased by NT\$1.4 billion attributing to normal business cash conversion cycle and reduction of short term borrowings. Accounts receivable were NT\$5.12 billion and AR turnover days lowered to 77 days. Net inventory was NT\$4.11 billion and inventory turnover days improved to 93 days after the year-end sell out. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.78 and 0.6 respectively. Annualized ROE for the first quarter of 2016 was negative 8.2%.

#### Consolidated Sales Breakdown by Region:

| NT\$mIn      | 1Q16         |               | 4Q15         |               | 1Q15         |               | QoQ          | YoY           |
|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| NA           | 902          | 15.1%         | 1,158        | 17.6%         | 1,378        | 20.5%         | -22.1%       | -34.6%        |
| EU           | 1,249        | 21.1%         | 1,561        | 23.9%         | 1,367        | 20.3%         | -20.1%       | -8.6%         |
| Emg. & APac  | 3,788        | 63.8%         | 3,835        | 58.5%         | 3,975        | 59.2%         | -1.2%        | -4.7%         |
| <b>Total</b> | <b>5,939</b> | <b>100.0%</b> | <b>6,554</b> | <b>100.0%</b> | <b>6,720</b> | <b>100.0%</b> | <b>-9.4%</b> | <b>-11.6%</b> |

From a geographic perspective, 1Q16 revenue contribution from North America, Europe and Emerging/Asia Pacific were 15%, 21% and 64% respectively. North America sales were down 22.1% QoQ and 34.6% YoY mostly affected by the drop in project pull in and traditional slower retail sales in first quarter of the year. Europe's 1Q16 sales also were down 20% on QoQ basis. In the emerging market during 1Q16, revenue were down by 4.7% on YoY basis as we continue to see our channels partners taking a very conservative stand on market recovery which economic situation did not see much improvement from sequential quarter even though the USD has remain relatively stable

#### Consolidated Sales Breakdown by Product Category:

With respect to 1Q16 consolidated revenue by product category, Wireless contributed 34%, followed by Switch at 31%, Broadband at 10%, Digital Home at 13%, and Others at 12%. Switch sales were down 4.2% from sequential quarter but up 13.2% on YoY basis showing positive result from our strategy to drive growth in our business products by offering full line of products while expanding channel partners and geographic reach.

Broadband sales were down 24.6% which reflected the company's focus on margin rather than top line growth relating to projects bidding.

#### 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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