



3Q16 News Release

Spokesperson:

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D-Link Reports 3Q16 Consolidated Financials

- Third quarter 2016 net revenue was NT\$5.535 billion, down 0.9% from sequential quarter.
- Gross margin exclusive of inventory related gain was 25.2%, compared to 25.6% in 2Q16.
- Gross margin inclusive of inventory related gain was 26.2%, compared to 23.8% in 2Q16.
- Operating margin was -5.7%, compared to -9.1% in 2Q16.
- Consolidated net loss after tax and minority interest was NT\$ 379 mln for 3Q16 as compared to net loss of NT\$473 million reported last quarter.
- EPS on weighted-average capital of NT\$6.331 bln was negative NT\$0.6, compared to negative NT\$0.75 per share in 2Q16.
- All of the above figures are based on consolidated numbers and 3Q16 net income is audited/reviewed.

Taipei, Taiwan, November 7th, 2016 - 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 2016.

For the third quarter of 2016, D-Link posted net revenue of NT\$5.535 bln, at about the same level as in sequential quarter and down 20.2% from a year ago quarter. Lower project revenue reflected our higher margin requirement in projects selection coupled with restrained CAPEX spending on the part of the ISPs due to weaker consumer spending especially in the emerging market. The retail sales in North America and Europe came in the lower range of our sales expectation as price competition intensify and relatively soft demand in the networking segment. With a healthier level of inventory in the channels going into the third quarter, emerging market sales reported 2.6% QoQ increase. Gross margin excluding inventory provisional gain/loss was 25.2% and including the write back of prior period inventory provision loss, gross margin improved to 26.2% as compared to 23.8% in sequential quarter. As the company continue to exercise strict cost discipline, operating expenses was 3.8% and 13% lower from sequential quarter and YoY quarter

respectively. Non-operating loss in 3Q16 was a loss of NT\$17 million comprising of NT\$9 million gain recognized from long term investee companies under equity method, NT\$10 million foreign exchange gain and NT\$36 million derived from other financial loss. The Group reported third quarter consolidated net loss after tax and minority interest of NT\$379 million and EPS was negative NT\$0.6 per share based on weighted average capital of NT\$6.331 billion.

For the YT3Q of 2016, D-Link's net revenue was NT\$17 bln, down by 15% as compared to NT\$20 bln of YT3Q15 under the headwind of stagnant economy in the emerging market and less project pull in US and Europe. Gross margin including inventory related gain/loss was 25.6%, down from 26% of YT3Q15. On the other hand, operating expenses was 7.9% lower than prior year same period. Net operating margin was negative 5.9% as compared to negative 3.1% on YoY basis.

D-Link Group's financial condition and liquidity remained sound at the end of 3Q16. Cash and short term investment held was NT\$3.075 billion. Account Receivables were NT\$4.4 bln, decreased by NT\$ 439 million from previous quarter which is in line with less project sales which has longer payment terms as compared to channels in general and AR turnover days was 76 days. The September quarter ending inventory lowered to NT\$3.65 bln or NT\$260 million and inventory turnover improved to 89 days. Overall cash conversion cycle substantially shorten by 11 days showing some of the result of the company's effort to shorten logistic cycle. The company's liquidity position is sound with current ratio and net debt/equity ratio of 1.39 and 0.99 respectively.

Consolidated Sales Breakdown by Region:

NT\$M	3Q16		2Q16		3Q15		QoQ	YoY
Emg. & APac	3,689	66.6%	3,597	64.4%	4,170	60.2%	2.6%	-11.5%
EU	1,084	19.6%	1,098	19.7%	1,399	20.1%	-1.3%	-22.5%
NA	762	13.8%	889	15.9%	1,371	19.7%	-14.3%	-44.5%
Total	5,535	100%	5,584	100%	6,940	100%	-0.9%	-20.2%

From a geographic perspective, 3Q16 revenue from Emerging/Asia Pacific, Europe and North America were 66.6%, 19.6% and 13.8% respectively. The emerging market showed recovery in some patches as the US\$ has stabilized, higher oil prices, and the excess inventory has been reduced to a more acceptable level. Sales in Europe and North America dropped by 1.3% and 14.3% from sequential quarter as retail sales was not as strong as originally expected and some project pull was delayed. Overall, our channel partners continue to adopt conservative stocking policy and project pull-in is expected to remain

suppressed in light of soft global economy.

Consolidated Sales Breakdown by Product Category:

With respect to 3Q16 consolidated revenue by product category, wireless products accounted for 35.4% of sales, followed by Switch at 31.2%, Broadband at 10.9%, Digital Home at 10.3%, and Others at 12.2%. Switch and wireless sales were lower by 3.3% and 9.6% from sequential quarter given weak retail sales in Europe and North America. Broadband sales benefited from sales rebounded in the emerging markets and grew 30% from prior quarter. Others revenue with QoQ sales increase of 12.3% and YoY increase of 16.3% was contributed by the device and services revenue generated from our new business cloud products line.

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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