

D-Link Reports 2Q19 Consolidated Financials

- Second quarter 2019 net revenue was NT\$4.049 billion, down 3.6% from 1Q19
- Gross margin exclusive of inventory related gain and loss was 27.6%, as compared to 27.7% in 1Q19
- Gross margin inclusive of inventory related gain and loss was 26.3%, decrease from 28.4% in 1Q19
- Operating margin was -5.4%, as compared to -2.3% in 1Q19
- Consolidated net loss after tax and non-controlling interest was -NT\$220 million, as compared to net loss of NT\$149 million in 1Q19
- EPS on weighted average capital of NT\$6.52 billion was negative NT\$0.36, as compared to negative NT\$0.26 per share in 1Q19
- All of the above are based on consolidated numbers and 2Q19's net income is audited/reviewed.

Taipei, Taiwan, August 13th, 2019 - 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 2019.

For the first half of 2019, D-Link's net revenue was NT\$8.25 bln, down 19% as compared to NT\$10.187 bln of 1H18. North America sales were down 9.8% from a year ago same period due to weaker retail sales as the trade war intensified as well as less projects shipment. Europe sales was down 52.5% from last year mainly impacted by the lumpy project shipment pattern. Emerging market & APac sales were down 1.3% due to constrained economic condition and weaker consumer demand. Gross margin including inventory related gain/loss was 27.7% as compared to 29.1% in prior reporting period due to unfavorable products mix as well as margin pressure due to competition. The Company continued to exercise a very cautious spending policy with OPEX decline 7.9% year over year basis. With lower revenue base, consolidated loss was NT\$400 million and EPS was negative 0.61.

For the second quarter 2019, net revenue was NT\$4.049 billion and decrease 3.6% from sequential quarter. The weak retail sales and slower telco projects especially in emerging markets were the main reasons for the sales drop. Gross margin including inventory

provisional gain/loss was 26.3% or 2.1% below that of prior quarter caused by NT\$50 million inventory provision charge as opposed to a NT\$30 million write back last quarter. Operating expenses was about the same level as prior quarter and including non-operating gain NT\$36 million, 2Q19 operating loss was negative NT\$218 million and consolidated net loss after taxes and non-controlling interests was NT\$232 million. EPS was -NT\$0.36 per share based on weighted average capital of NT\$6.52 billion.

D-Link's financial condition and liquidity remained stable at the end of 2Q19. Cash and S-T investment held was NT\$3.905 billion, increased by NT\$68 million as compared to previous quarter end. Accounts receivable was NT\$3.712 billion, and AR turnover days increase to 91 days in line with the commercial terms offered. Net inventory was NT\$3.2 billion and inventory DOH increase to 87 days as the company prepares for projects pull and meet seasonal retail sales in the second half year. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.6 and 0.46 respectively. Annualized ROE for the second quarter of 2019 was -10.6%.

Consolidated Sales Breakdown by Region:

NT\$mIn	2Q19		1Q19		2Q18		QoQ	YoY
NA	476.9	11.8%	424.3	10.1%	536	10.3%	12.4%	-11.0%
EU	799.9	19.8%	792.4	18.9%	1,805	34.7%	0.9%	-55.7%
Emg. & APac	2,772.3	68.4%	2,984.3	71.0%	2,863	55.0%	-7.1%	-3.2%
Total	4,049.1	100%	4,201.0	100%	5,204	100%	-3.6%	-22.2%

From a geographic perspective, 2Q19 revenue contribution from North America, Europe and Emerging/Asia Pacific were 11.8%, 19.8% and 68.4% respectively. North America sales were up 12.4% QoQ attributing from stronger sales in wireless coincide with new products launch and project shipment. Europe's 2Q19 sales was up 0.9% from sequential quarter and 55.7% from last year same quarter due to higher project shipments in wireless products last year same quarter. With the retail season approaching and new products roll out plan for second half year, we are escalating our marketing efforts preparing for the retail season. Emerging and Asia Pacific markets for the 2Q19 revenue was down by 7.1% QoQ as sales were down impacted by less project shipment.

Consolidated Sales Breakdown by Product Category:

With respect to 2Q19 consolidated revenue by products category, Wireless contributed 29%, followed by Switch at 39%, Broadband at 6%, Digital Home at 7%, and Others at

19%. Wireless sales decreased due to less project shipment in emerging market. The shortfall in wireless was partially made up by growth in Switch and Broadband.

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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