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D-Link Reports 4Q15 Consolidated Financials

- Fourth quarter 2015 net revenue was NT\$6.554 bln, down 5.6% from 3Q15
- Gross margin exclusive of inventory related loss was 25.5%, as compared to 25.8% in 3Q15
- Gross margin inclusive of inventory related loss was 18.5%, as compared to 25.3% in 3Q15
- Operating margin was minus 14.9%, as compared to minus 4% reported in 3Q15
- Consolidated net loss after tax and minority interest was NT\$979 million, as compared to a loss of NT\$528 million in 3Q15
- EPS on weighted average capital of NT\$6.460 billion was minus NT\$1.52, as compared to minus NT\$0.81 per share in 3Q15
- All of the above are based on consolidated numbers and 4Q15's net income is audited/reviewed.

Taipei, Taiwan, March 24, 2016 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for fiscal year 2015 and fourth quarter of 2015.

2015 financial year has seen a difficult mix of negative factors and financial stress imposed by continually deteriorating market conditions especially in the emerging markets. Unfavorable FX translation and depressed end user demand has impacted both top line and overall margin. For the year ended 2015, D-Link posted net revenue of NT\$26.6 billion or 12.2% decline from last year. Gross margin excluding inventory provisional loss was 25.7% reflecting margin squeeze over 2% partly due to competitive pricing environment, unfavorable exchange rate and higher rebate accrual in order to protect market share and inventory management in light of a slower than expected retail demand in 2H15. Taking into consideration of inventory provisional loss, gross margin was 24.2% in 2015 as compared to 27.3% in 2014. Operating expenses as a percentage to revenue was 30.1% because of the lower revenue base than plan. In response to declining sales, the company have exercised a cautious spending policy and executed a 10% global headcounts reduction

to realign our global business; nevertheless, the OPEX reduction was not sufficient to compensate for the revenue shortfall. Despite the difficult year in 2015, the company chose to increase R&D investment by 3% YoY to foster strategic business development so as to deliver next generation SMB business products as well as enhancing mydlink connected home platform to improve interoperability with cloud platform market leaders and better integrated user experience. Operating margin was negative 6% in 2015 as compared to 1% same period last year. Non-operating loss for the year was NT\$505 million and consolidated net loss was NT\$1,871 million. Full year EPS was negative NT\$2.9.

For the fourth quarter 2015, net revenue was NT\$6.554 bln, down 5.6% sequentially and 21.7% on YoY basis. The revenue fall was partly due to the lumpy project pull in pattern and partly due to our decision to raise project's margin requirement especially in the regions deeply affected by depreciating currency and ailing economy to protect bottom line and reduce operating risks. Gross margin excluding inventory provisional gain/loss was 25.5% slightly lower than 25.8% in sequential quarter due to more seasonal marketing programs as well as competitive pricing to gain sales. Gross margin including inventory provisional gain/loss was 18.5% as we have adopted a new provision policy that is considered more reflective of the true asset value thus resulted in NT\$458 million additional provisional charges in current reporting period. Operating expenses was 33.4% as percentage to sales which was higher than prior quarter due to lower revenue base as well as the increase in R&D expenditures. 4Q15's non-operating loss was NT\$267 million which included a NT\$193M write down in the investment of one of our investee company and NT\$11M FX loss as the US\$ temporary abated its strengthening path. The Group's fourth quarter consolidated net income after tax and minority interest was negative NT\$979 million and EPS was negative NT\$1.52 per share based on weighted average capital of NT\$6.460 billion.

D-Link's financial condition and liquidity remained stable at the end of 4Q15. Cash and S-T investment held were NT\$4.0 billion, increased by NT\$1.1 billion from previous quarter. Accounts receivable were NT\$5.0 billion and AR turnover days was 80 days in line with the credit terms offered. Net inventory and inventory turnover days were reduced to NT\$4.5 billion and 101 days respectively, attributing to the company's vigorous effort to shorten logistic lead time and reduce inventory level. The company's liquidity position remained sound with current ratio and net debt/equity ratio at 1.68 and 0.59 respectively.

Consolidated Sales Breakdown by Region:

NT\$mIn	4Q15		3Q15		4Q14		QoQ	YoY
NA	1,158	17.6%	1,372	19.7%	1,526	18.2%	-15.5%	-24.1%
EU	1,561	23.9%	1,398	20.1%	2,001	23.9%	11.6%	-22.0%
Emg. & APac	3,835	58.5%	4,170	60.2%	4,848	57.9%	-8.0%	-20.9%
Total	6,554	100%	6,940	100%	8,375	100.0%	-5.6%	-21.7%

From a geographic perspective, 4Q15 global consolidated revenue from North America, Europe and Emerging/Asia Pacific were 17.6%, 23.9% and 58.5% respectively. In 4Q15, North America reported 15.5% QoQ and 24.1% YoY sales decline due to the impact from lumpy project shipment to service provider as we are comparing to a very high watermark. Without FX fluctuation headwind and relative stable economy, North America 2015 full year's sales increased 4.9% over 2014. Europe region reported 4Q15 sequential growth of 11.6% reflecting peak retail but 22% below last year same period due mostly to the FX translation loss as a result of the strong dollar. Emerging and Asia Pacific market's economic situation continued to be hampered by both low commodity prices and strong US dollar and 4Q15 sales drop by 8% and 20.9% sequentially and same quarter last year respectively.

Consolidated Sales Breakdown by Product Category:

With respect to 4Q15 consolidated revenue by product category, Wireless remained the most important contributor accounting for 36%, followed by Switch at 29%, Broadband at 12%, Digital Home at 14%, and Others at 9%. Wireless sales was 11% lower than sequential quarter due to weak end user demand in retail market especially in the emerging market and lower project pull in this quarter. Sales in broadband products were 25% drop from previous quarter reflecting our strategy to forgo projects that does not meet our margin requirement as well as slower pull-in from existing projects. Digital Home products sales was up 18.7% sequentially.

Looking forward into 2016, the 11AC routers upgrade cycle is gaining momentum as new CPEs are adopting 11 AC standard in new products roll out. With more devices to be connected at home demanding better QoS in connectivity to support increasing applications that requires smooth handling of video and voice content as well as rich cloud services, we expect home router upgrade cycle should start to be more prevalent this year. The Company has a complete products offering in home gateways and hubs solution supporting a wide array of market leading wireless protocols and integrated home connected devices

for customers to choose from serviced by mydlink mobile apps. Better standardization of protocols is expected to also gain traction this year which should speed up the connected home adoption cycle. According to Gartner's research, the "Internet of Things" products and related services revenue is expected to reach 300 billion by 2020 or double digit growth rate on year over year basis. D-Link is one of the fore runner in this market space and we will continue to make the necessary investment to enhance Mydlink services platform which will be a key product's differentiator as it offers our customer a unified interface to remotely manage, control, and share content on their smart home devices without the technological complexity.

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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