

Spokesperson:

Mason Liu  
CFO

### D-Link Reports 2Q16 Consolidated Financials

- Second quarter 2016 net revenue was NT\$5.584 billion, down 6.0% from 1Q16
- Gross margin exclusive of inventory related gain and loss was 25.6%, as compared to 27.4% in 1Q16
- Gross margin inclusive of inventory related gain and loss was 23.8%, as compared to 26.6% in 1Q16
- Operating margin was negative 9.1%, as compared negative 3.2% in 1Q16
- Consolidated net loss after tax and minority interest was NT\$473 million, as compared to net loss of NT\$214 million in 1Q16
- EPS on weighted average capital of NT\$6.328 billion was negative NT\$0.75, as compared to negative NT\$0.34 per share in 1Q16
- All of the above are based on consolidated numbers and 2Q16's net income is audited/reviewed.

Taipei, Taiwan, August 8<sup>th</sup>, 2016 - 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 2016.

For the first half of 2016, D-Link's net revenue was NT\$11.523 bln, down 12.2% as compared to NT\$13.12 bln of 1H15. North America sales were down 33.2% from a year ago same period due to less project pull in from telco partners and slower than expected retail sales for wireless and digital home products. Europe continued to face sluggish consumer demand as sales declined by 8.6% despite relative stable Euro currency. While we are seeing sales growth on business products which registered 20% YoY growth on YT1H16, this was not sufficient to offset the slowdown in broadband project shipment and digital home products. Emerging market sales were down 6.2% as economic condition were constrained by the weak currency and volatile commodity prices which has been a major revenue source to boost local economic growth in prior years. Our decision to raise the margin requirement on projects bidding especially in the Latin America region also contributed to the revenue drop. Gross margin including inventory related gain/loss was

25.3%, down from 26.4% from a year ago same period caused by the higher inventory provision. Anticipating challenging macro condition and fierce market competition, we have exercised a very cautious spending policy and OPEX is tracking our 10% target reduction this year not considering one off charges. With revenue reported at the lower range of our expectation coupled with lower margin and restructuring cost, operating loss for first half 2016 was –NT\$687 million as compared to -NT\$365 million YoY basis.

For the second quarter 2016, net revenue was NT\$5.584 billion and drop 6% from sequential quarter. The drop in telco project pull and sluggish retail sales in digital home products contributed to the lower revenue. Gross margin excluding inventory provisional gain/loss was NT\$1.429 billion or 25.6% to sales; down from 27.4%. Gross margin including inventory provisional gain/loss was NT\$1.331 billion or 23.8% in 2Q16. Operating expenses were NT\$1.837 billion or 32.9% of net revenue and increase by 3.8% from previous quarter as a result of one-time restructuring charges. Net non-operating profit in 2Q16 was NT\$50 million comprising of NT\$102 million recognized from capital gain and equity income recognized from investee companies under equity method, NT\$18 million in foreign exchange loss, and NT\$34 million loss derived from other financial accounts. The Group's second quarter consolidated net loss after tax and minority interest was NT\$473 million and EPS was -NT\$0.75 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 2Q16. Cash and S-T investment held was NT\$2.850 billion, increased by NT\$279 million as compared to previous quarter end. Accounts receivable was NT\$4.914 billion, decreased by NT\$212 million and AR turnover days improved to 76 days. Net inventory was NT\$3.9 billion, and decrease of NT\$196 million from sequential quarter reflecting our conscious effort to manage stock level as well as lower revenue base. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.44 and 0.95 respectively. The lower current ratio was due to reclassifying the 5 year exchangeable bond to current liabilities as investors have a put option to redeem the bond upon two years from date of issuance. Annualized ROE for the second quarter of 2016 was -19.3%.

Consolidated Sales Breakdown by Region:

NT\$mIn	2Q16		1Q16		2Q15		QoQ	YoY
NA	889	15.9%	902	15.1%	1,302	20.3%	-1.4%	-31.7%
EU	1,098	19.7%	1,250	21.1%	1,203	18.8%	-12.1%	-8.7%
Emg. & APac	3,597	64.4%	3,787	63.8%	3,896	60.9%	-5.0%	-7.7%
<b>Total</b>	<b>5,584</b>	<b>100%</b>	<b>5,939</b>	<b>100%</b>	<b>6,401</b>	<b>100.0%</b>	<b>-6.0%</b>	<b>-12.8%</b>

From a geographic perspective, 2Q16 revenue contribution from North America, Europe and Emerging/Asia Pacific were 15.9%, 19.7% and 64.4% respectively. North America sales were slightly down 1.4% QoQ but down 31.7% YoY due to the bumpy effect of projects pull in this quarter. US sales in digital home products was also impacted by delay in our new cameras roll out schedule which we expect to resolve in the second half year in time to meet retail season. Europe's 2Q16 sales was down 12.1% from sequential quarter and down 8.7% from last year same quarter due to slower sales in digital home and broadband project pull in. With the retail season approaching and new products roll out, we are escalating our marketing efforts preparing for the retail season in the second half year. Emerging and Asia Pacific markets for the 2Q16 revenue was down by 5% QoQ and 7.7% year over year as channel's partners continued to take very conservative view in market demand and risk adverse in light of the global sluggish economy and credit constrained during turbulence time.

Consolidated Sales Breakdown by Product Category:

With respect to 2Q16 consolidated revenue by products category, Wireless contributed 38.8%, followed by Switch at 32%, Broadband at 8.2%, Digital Home at 10.2%, and Others at 10.8%. Switch sales increased 6% as compared to YoY quarter benefiting from increased sales in managed and smart switch. Wireless and digital home sales were dragged down due to slower retail sales both in US and Europe.

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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