



## 3Q15 News Release

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Spokesperson:

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### D-Link Reports 3Q15 Consolidated Financials

- Third quarter 2015 net revenue was NT\$6.94 billion, up 8.4% from sequential quarter.
- Gross margin exclusive of inventory related gain was 25.8%, compared to 24.9% in 2Q15.
- Gross margin inclusive of inventory related gain was 25.3%, compared to 26.3% in 2Q15.
- Operating margin was -4%, compared to -3% in 2Q15.
- Consolidated net loss after tax and minority interest was NT\$ 528 mln for 3Q15 as compared to net loss of NT\$132 million reported last quarter.
- EPS on weighted-average capital of NT\$6.504 bln was negative NT\$0.81, compared to negative NT\$0.22 per share in 2Q15.
- All of the above figures are based on consolidated numbers and 3Q15 net income is audited/reviewed.

Taipei, Taiwan, November 12th, 2015 - 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 2015.

For the third quarter of 2015, D-Link posted net revenue of NT\$6.94 bln, up 8.4% from sequential quarter but lowered by 8.2% as compared to last year same quarter. In line with the seasonal retail sales pick up in North America and Europe, sales were up 5.3% and 16.3% respectively from sequential quarter. With a healthier level of inventory in the channels going into the third quarter, emerging market sales also reported 7% QoQ increase. Gross margin excluding inventory provisional gain/loss was 25.8% in 3Q15, up from 24.9% in prior quarter benefitting from both favorable products mix as well as margin lift from higher ASP AC routers taking mainstream. Gross margin including inventory provisional gain/loss was 25.3% in 3Q15, down from 26.3% in 2Q15 due to NT\$31 mln inventory valuation loss versus a gain of NT\$92 mln in prior quarter. Operating Expenses was 8.4% higher QoQ partly due to one-time tax credit adjustment from prior period and the negative FX translation resulting from the depreciating NT\$. In US\$ term, operating costs were in fact 3.6% lower than previous quarter. In view of sluggish sales growth

ahead and prevailing strong US\$ scenario, the company has and will continue to exercise discipline spending policy and make necessary business changes in order to capitalize on business opportunities once economic improve. Operating margin in 3Q15 was negative 4%. Non-operating loss in 3Q15 was a loss of NT\$278 million comprising of NT\$61 million loss recognized from long term investee companies under equity method, NT\$203 million foreign exchange loss and NT\$14 million derived from financial loss. The Group reported third quarter consolidated net loss after tax and minority interest of NT\$528 million and EPS was negative NT\$0.81 per share based on weighted average capital of NT\$6.504 billion.

For the YT3Q of 2015, D-Link's net revenue was NT\$20.6 bln, down by 8.5% as compared to NT\$21.9 bln of YT3Q14 under the headwind of the strong US\$ and stagnant economy in the emerging market. Gross margin excluding inventory gain/loss was 25.7%, down from 28.1% same period last year due to intensifying price competition along with the inventory adjustment. Gross margin including inventory related gain/loss was 26%, down from 27.5% of YT3Q14. Operating expenses was at about the same level as last year and net operating margin was negative 3.1% as compared to 0.7% in the same comparable period a year ago.

D-Link Group's financial condition and liquidity remained sound at the end of 3Q15. Cash and short term investment held was NT\$2.89 billion. Account Receivables were NT\$6.04 bln, increased by NT\$ 485 million from previous quarter which is in line with the higher revenue and project sales. AR turnover days increased to 81 days. The September quarter ending inventory lowered to NT\$5.57 bln or NT\$516 million less than previous quarter in line with the higher sell out this quarter and inventory turnover improve to 105 days. Overall cash conversion cycle remained well managed at 93 days. The company's liquidity position is sound with current ratio and net debt/equity ratio of 1.77 and 0.93 respectively.

Consolidated Sales Breakdown by Region:

NT\$M	3Q15		2Q15		3Q14		QoQ	YoY
Emg. & APac	4,170	60.2%	3,896	61.0%	4,761	62.9%	7.0%	-12.4%
EU	1,399	20.1%	1,203	18.8%	1,600	21.1%	16.3%	-12.6%
NA	1,371	19.7%	1,302	20.2%	1,203	16.0%	5.3%	14%
<b>Total</b>	<b>6,940</b>	<b>100%</b>	<b>6,401</b>	<b>100%</b>	<b>7,564</b>	<b>100.0%</b>	<b>8.4%</b>	<b>-8.3%</b>

From a geographic perspective, 3Q15 revenue from Emerging/Asia Pacific, Europe and North America were 60.2%, 20.1% and 19.7% respectively. The emerging market showed slight improvement as the US\$ has stabilized in some regions and the excess inventory has

been reduced to a more acceptable level. Kicking off the retail season in North America and Europe, QoQ sales increase in most of the regions except for some area still hindered by the local weakening currency and rising geopolitical tension. Overall, our channel partners continue to adopt conservative stocking policy and project pull-in is expected to remain suppressed.

#### Consolidated Sales Breakdown by Product Category:

With respect to 3Q15 consolidated revenue by product category, wireless products accounted for 37.7% of sales, followed by Switch at 27.3%, Broadband at 15.3%, Digital Home at 11.3%, and Others at 8.4%. Switch and wireless sales rebounded with QoQ sales increase of 12.3% and 15.5% respectively boosted by the retail season in the developed markets and new products launch including the newest generation of IP cameras and flagship 11 AC routers.

Increasingly, home owners show preference to DIY products that include home gateway, IP cameras, motion sensor, smart plug and an array of new smart home products connected by a friendly unified mobile interface. In the new connected home automation era, simplicity, easy installation and interoperability will be the cornerstone of D-Link's cloud products offering. Mydlink's connected home products offers zero configurations, no recurring services fee and a fully integrated mobile apps should be a good choice for customer seeking a one stop solution when taking their first leap towards their digital home dream. The company will continue to refine our products cloud functionalities, expand channels coverage and offer bundle starter kits to capitalize on the growth of the new IoT business opportunities.

#### 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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