

### D-Link Reports 2Q17 Consolidated Financials

- Second quarter 2017 net revenue was NT\$4.687 billion, down 1.1% from 1Q17
- Gross margin exclusive of inventory related gain and loss was 24.2%, as compared to 26.3% in 1Q17
- Gross margin inclusive of inventory related gain and loss was 24.7%, as compared to 26% in 1Q17
- Operating margin was negative 4.6%, as compared negative 4.1% in 1Q17
- Consolidated net loss after tax and minority interest was NT\$86 million, as compared to net loss of NT\$216 million in 1Q17
- EPS on weighted average capital of NT\$6.42 billion was negative NT\$0.13, as compared to negative NT\$0.34 per share in 1Q17
- All of the above are based on consolidated numbers and 2Q17's net income is audited/reviewed.

Taipei, Taiwan, August 7<sup>th</sup>, 2017 - 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 2017.

For the first half of 2017, D-Link's net revenue was NT\$9.408 bln, down 18.4% as compared to NT\$11.523 bln of 1H16. North America sales were down 31.4% from a year ago same period due to lower than expected retail sales for wireless and digital home products. Europe sales declined by 4.1% despite relative stable Euro currency and higher project shipments. Emerging market sales were down 19.7% as economic condition were constrained by the weak market demand especially in India due to the impact from GST tax reform as well as the Latin America region undergoing business restructuring. Gross margin including inventory related gain/loss was 25.4% and in par with prior period. Anticipating challenging macro condition and fierce market competition, we have exercised a very cautious spending policy and OPEX was down 22.4% on YoY basis. With revenue reported at the lower range of our expectation and lower operating expenses, net operating loss was reduced by NT\$286 million to NT\$409 million from prior year first half.

For the second quarter 2017, net revenue was NT\$4.678 billion and drop 1.1% from

sequential quarter. The increase in telco projects shipment partly made up for the sluggish retail sales in wireless and digital home products. Higher project revenue with lower margin contributed to the unfavorable products mix and resulted in a 2% sequential drop in gross margin excluding inventory provisional gain/loss. Gross margin including inventory provisional gain/loss was NT\$1.157 billion or 24.7% in 2Q17. Operating expenses were NT\$1.373 billion or 29.3% of net revenue and lower by 3.6% from sequential quarter. Net non-operating profit in 2Q17 was NT\$53 million comprising of NT\$231 million recognized from capital gain and equity income recognized from investee companies under equity method, NT\$80 million in foreign exchange loss, and NT\$98 million loss derived from other financial accounts. The Group's second quarter consolidated net loss after tax and minority interest was NT\$86 million and EPS was -NT\$0.13 per share based on weighted average capital of NT\$6.42 billion.

D-Link's financial condition and liquidity remained stable at the end of 2Q17. Cash and S-T investment held was NT\$3.13 billion, decreased by NT\$224 million as compared to previous quarter end. Accounts receivable was NT\$4.261 billion, increased by NT\$161 million and AR turnover days increase to 80 days attributing to more project sales. Net inventory was NT\$3.59 billion, increase of NT\$721 million as we are preparing for the retail sales in the second half year. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.49 and 0.58 respectively. Annualized ROE for the second quarter of 2017 was -3.9%.

#### Consolidated Sales Breakdown by Region:

NT\$mIn	2Q17		1Q17		2Q16		QoQ	YoY
NA	636	13.6%	593	12.5%	889	15.9%	7.3%	-28.4%
EU	1,218	26%	1,033	21.9%	1,098	19.7%	17.8%	10.9%
Emg. & APac	2,824	60.4%	3,104	65.6%	3,597	64.4%	-9.0%	-21.5%
<b>Total</b>	<b>4,678</b>	<b>100%</b>	<b>4,730</b>	<b>100%</b>	<b>5,584</b>	<b>100%</b>	<b>-1.1%</b>	<b>-16.2%</b>

From a geographic perspective, 2Q17 revenue contribution from North America, Europe and Emerging/Asia Pacific were 13.6%, 26% and 60.4% respectively. North America sales were up 7.3% QoQ attributing from stronger sales in switches and YoY down 28.4% YoY due to the slower retail sales in wireless and surveillance products. On the other hand Europe's 2Q17 sales was up 17.8% from sequential quarter and 10.9% from last year same quarter due to higher project shipments in broadband. 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 2Q17 revenue was down by 9% QoQ and 21.5% year over year as sales were down in

Latin America regions still faced with poor economic situation. Sales in India was also negatively impacted by its recent GST tax reform as our channel's partners tried to work down inventory level.

#### Consolidated Sales Breakdown by Product Category:

With respect to 2Q17 consolidated revenue by products category, Wireless contributed 30.9%, followed by Switch at 34.5%, Broadband at 13.3%, Digital Home at 9.1%, and Others at 12.1%. Switch sales decreased 8.5% from sequential quarters due to the sales drop in emerging market. 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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