

D-Link Reports 4Q16 Consolidated Financials

- Fourth quarter 2016 net revenue was NT\$5.864 billion, up 5.9% from sequential quarter.
- Gross margin exclusive of inventory related gain was 26.2%, compared to 25.2% in 3Q16.
- Gross margin inclusive of inventory related gain was 28.2%, compared to 26.2% in 3Q16.
- Operating margin was 2.7%, compared to -5.7% in 3Q16.
- Consolidated net income after tax and non-controlling interests was NT\$ 112 mln for 4Q16 as compared to net loss of NT\$379 million reported last quarter.
- EPS on weighted-average capital of NT\$6.328 bln was NT\$0.18, compared to negative NT\$0.6 per share in 3Q16.
- All of the above figures are based on consolidated numbers and 4Q16 net income is audited/reviewed.

Taipei, Taiwan, March 14th, 2016 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the YT4Q and fourth quarter of 2016.

For the fourth quarter of 2016, D-Link posted net revenue of NT\$5.864 bln and 5.9% increased from sequential quarter but down 10.5% from a year ago quarter. Europe sales benefited from higher project pull and traditional retail season contributed to the sequential sales growth of 21.5%. The retail sales in North America came in the lower range of our sales expectation as the company shifted its channel strategy to gain more presence in the e-tail market resulting in an 8.7% drop from sequential quarter. Emerging market reported 4.4% QoQ increase. Gross margin excluding inventory provisional gain/loss was 26.2% and including the write back of prior period inventory provision loss, gross margin improved to 28.2% as compared to 26.2% in sequential quarter. As the company continues to focus on bottom line achievement and exercise strict cost discipline, operating expenses was 15.3% lower from sequential quarter. Through change of business model and restructuring non-performing business units, the company was able to turn around its operation and reported NT\$155 million net operating income for the last quarter. Non-operating income in 4Q16 was NT\$20 million comprising of NT\$106 million gain recognized from long term investee companies under equity method and other capital gain,

NT\$37 million foreign exchange loss and NT\$49 million derived from other financial loss. The Group reported fourth quarter consolidated net income after tax and non-controlling interests of NT\$112 million and EPS was NT\$0.18 per share based on weighted average capital of NT\$6.328 billion.

For the year ended 2016, D-Link’s net revenue was NT\$22.9 bln, down by 13.9% as compared to NT\$26.6 bln of 2015 under the headwind of stagnant economy in the emerging market and less project pull in US and Europe. As the company focuses on bottom line achievement while making business changes to regain sales growth momentum, gross margin including inventory related gain/loss was 26.2%, up from 24.2%. On the other hand, operating expenses was 14.3% lower than prior year same period which exceeded the company’s 10% cost down plan. Net operating margin for the year was negative 3.7% and 2.7% for the standalone fourth quarter.

D-Link Group’s financial condition and liquidity remained sound at the end of 4Q16. Cash and short term investment held was NT\$4.35 billion. Account Receivables were NT\$4.6 bln, increase by NT\$ 189 million from previous quarter which is in line with the higher turnover and AR DOH remains stable at 77 days. Inventory level continued to trend lower to NT\$3.09 bln or decrease by NT\$558 million and inventory turnover improved to 83 days. Overall cash conversion cycle shorten by 5 days showing some of the result of the company’s effort to shorten logistic cycle and better managed its inventory. The company’s liquidity position is sound with current ratio and net debt/equity ratio of 1.43 and 0.54 respectively.

Consolidated Sales Breakdown by Region:

NT\$M	4Q16		3Q16		4Q15		QoQ	YoY
Emg. & APac	3,851	65.7%	3,689	66.6%	3,835	58.5%	4.4%	0.4%
EU	1,317	22.4%	1,084	19.6%	1,561	23.9%	21.5%	-15.7%
NA	696	11.9%	762	13.8%	1,158	17.6%	-8.7%	-39.9%
Total	5,864	100%	5,535	100%	6,554	100%	5.9%	-10.5%

From a geographic perspective, 4Q16 revenue from Emerging/Asia Pacific, Europe and North America were 65.7%, 22.4% and 11.9% respectively. The emerging market grew 4% on QoQ which showed market stabilization in some patches as the US\$ abated its strengthening path, higher oil prices, and the excess inventory has been reduced to a more acceptable level. Sales in Europe grew 21.5% from sequential quarter as a result of higher project pull and in retail. North America dropped by 8.7% from sequential quarter as retail sales was not as strong as originally expected.

Consolidated Sales Breakdown by Product Category:

With respect to 4Q16 consolidated revenue by product category, wireless products accounted for 35% of sales, followed by Switch at 32.8%, Broadband at 11.2%, Digital Home at 8.9%, and Others at 12.2%. Switch sales were higher by 11% from sequential quarter mainly due to higher seasonal sales in Europe and in emerging market. Broadband sales benefited from project pull in Europe and grew 8.8% from prior quarter. On the other hand, digital home sales was down 8.7% from previous quarter. Others revenue with QoQ sales increase of 6.1% and YoY increase of 19.5% was contributed by the devices and services revenue generated from our new business cloud products line.

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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