

D-Link Reports 1Q17 Consolidated Financials

- First quarter 2017 net revenue was NT\$4.73 billion, down 19.3% from 4Q16
- Gross margin exclusive of inventory related gain and loss was 26.3% as compared to 26.2% in 4Q16
- Gross margin inclusive of inventory related gain and loss was 26.0%, as compared to 28.2% in 4Q16
- Operating margin was negative 4.1%, as compared to 2.7% in 4Q16
- Consolidated net income after tax and non-controlling interests was negative NT\$210 million, as compared to NT\$136 million in 4Q16
- EPS on weighted average capital of NT\$6.420 billion was negative NT\$0.34, as compared to NT\$0.18 per share in 4Q16
- All of the above are based on consolidated numbers and 1Q17's net income is audited/reviewed.

Taipei, Taiwan, May 10th, 2017 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the first quarter of 2017.

For the first quarter 2017, net revenue was NT\$4.73 billion, down by 19.3% sequentially due mostly to the drop in seasonal retail sales in the US and Europe as well as slower projects pull in emerging markets. Gross margin excluding inventory provisional gain/loss was NT\$1.24 billion or 26.3% as compared to 26.2% last quarter. Gross margin including inventory provisional gain/loss was NT\$1.23 billion or 26% in 1Q17, as compared to 28.2% in 4Q16 which benefited from NT\$117M inventory provision reversal versus NT\$13 million valuation loss in the current quarter. Operating expenses were NT\$1.42 billion or 4.8% lower in absolute dollar term from sequential quarter and 19.4% below one year ago quarter as the company continued to exercise cautious spending policy. Nevertheless, with lower scale of revenue, operating margin was negative 4.1%. Net non-operating loss in 1Q17 was NT\$2 million comprising of NT\$62 million income recognized from long term investee companies under equity method, NT\$72 million in foreign exchange loss, and NT\$8 million derived from financial and other income. The Group's first quarter consolidated net loss after tax and non-controlling interests was NT\$216 million and EPS was negative NT\$0.34 per share based on weighted average capital of NT\$6.420 billion.

D-Link's financial condition and liquidity remained stable at the end of 1Q17. Cash and S-T investment held were NT\$3.35 billion, decreased by NT\$996 million attributing to normal business cash conversion cycle and reduction of borrowings. Accounts receivable were NT\$4.1 billion and AR turnover days remain stable at 78 days in line with credit terms offered. Net inventory was NT\$2.8 billion and inventory turnover days improved to 79 days after the year-end sell out. Overall, the company's liquidity position remained sound with current ratio and net debt/equity ratio of 1.43 and 0.52 respectively. Annualized ROE for the first quarter of 2017 was negative 9.5%.

Consolidated Sales Breakdown by Region:

NT\$mIn	1Q17		4Q16		1Q16		QoQ	YoY
NA	593	12.5%	696	11.9%	902	15.1%	-14.8%	-34.2%
EU	1,034	21.9%	1,317	22.4%	1,249	21.1%	-21.5%	-17.3%
Emg. & APac	3,103	65.6%	3,851	65.7%	3,788	63.8%	-19.4%	-18.1%
Total	4,730	100%	5,864	100.0%	5,939	100.0%	-19.3%	-20.4%

From a geographic perspective, 1Q17 revenue contribution from North America, Europe and Emerging/Asia Pacific were 12.5%, 21.9% and 65.6% respectively. North America sales were down 14.8% QoQ and 34.2% YoY mostly affected by the drop in project pull and traditional slower retail sales in first quarter of the year. Europe's 1Q17 sales also were down 21.5% on QoQ basis as a result of slower retail sales. In the emerging market during 1Q17, revenue were down by 19.4% on QoQ basis as there was less project pull in coincide with the slower retail during the first quarter of the year.

Consolidated Sales Breakdown by Product Category:

With respect to 1Q17 consolidated revenue by product category, Wireless contributed 31%, followed by Switch at 35%, Broadband at 12%, Digital Home at 9%, and Others at 13%. Switch sales were down 14.3% from sequential quarter and down 9.3% YoY basis. The YoY drop is worsen by the appreciating NTD as in USD term, there was a slight drop of 2.9%. Wireless and digital home were down 29.3% and 15.4% respectively from sequential quarter due to the slower retail season. Broadband sales were down 12.1% as the company's continue to focus on margin rather than top line growth relating to projects bidding.

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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