

D-Link Reports 4Q17 Consolidated Financials

- Fourth quarter 2017 net revenue was NT\$5.007 billion, up 2.2% from sequential quarter.
- Gross margin exclusive of inventory related gain was 27.8%, compared to 27.9% in 3Q17.
- Gross margin inclusive of inventory related gain was 28.4%, compared to 28.2% in 3Q17.
- Operating margin was 0.3%, compared to -1.3% in 3Q17.
- Consolidated net income after tax and non-controlling interests was NT\$ 73 mln for 4Q17 as compared to net income of NT\$36 million reported last quarter.
- EPS on weighted-average capital of NT\$6.443 bln was NT\$0.11, compared to NT\$0.06 per share in 3Q17.
- All of the above figures are based on consolidated numbers and 4Q17 net income is audited/reviewed.

Taipei, Taiwan, March 19th, 2018 - 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 2017.

For the fourth quarter of 2017, D-Link posted net revenue of NT\$5.007 bln and 2.2% increased from sequential quarter but down 14.6% from a year ago quarter. Europe sales benefited from higher project pull and traditional retail season contributed to the sequential sales growth of 28.9%. The retail sales in North America came in the lower range of our sales expectation resulting in an 8.9% drop from sequential quarter. Emerging market reported 4% QoQ decrease due to weak economic condition in general and exiting from projects that does not meet corporate margin guideline. Gross margin excluding inventory provisional gain/loss was 27.8% and including the write back of prior period inventory provision loss, gross margin improved to 28.4% comparable to that in sequential quarter. As the company continues to focus on bottom line achievement and exercise strict cost discipline, operating expenses was 3% lower from sequential quarter. Through change of business model and restructuring non-performing business units, the company reported NT\$14 million net operating income for the final quarter 2017. Non-operating income in 4Q17 was NT\$123 million comprising of NT\$110 million gain recognized from long term investee companies under equity method and other capital gain, NT\$4 million foreign

exchange loss and NT\$17 million derived from other financial gain. The Group reported fourth quarter consolidated net income after tax and non-controlling interests of NT\$73 million and EPS was NT\$0.11 per share based on weighted average capital of NT\$6.443 billion.

For the year ended 2017, D-Link’s net revenue was NT\$19.3 bln, down by 15.7% as compared to NT\$22.9 bln of 2016 under the headwind of stagnant economy in the emerging market. As the company continue to focus on bottom line achievement while making the necessary investment to regain sales growth momentum, gross margin including inventory related gain/loss was 26.9%, up from 26.2%. On the other hand, operating expenses was 17.7% lower than prior year same period which exceeded the company’s 10% cost down plan. Net operating margin for the year was negative 2.4% and net loss for the year reported at NT\$193 million.

D-Link Group’s financial condition and liquidity remained sound at the end of 4Q17. Cash and short term investment held was NT\$3.71 billion. Account Receivables were NT\$4.2 bln, decreased by NT\$ 243 million from previous quarter but AR DOH increase to 84 days due to more carrier projects with longer payment term. Inventory level continued to trend lower to NT\$3.19 bln or decreased by NT\$262 million and inventory turnover improved to 81 days. Overall cash conversion cycle shorten by 2 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 1.56 and 0.45 respectively.

Consolidated Sales Breakdown by Region:

| NT\$M | 4Q17 | | 3Q17 | | 4Q16 | | QoQ | YoY |
|--------------|--------------|-------------|--------------|-------------|--------------|-------------|-------------|---------------|
| Emg. & APac | 3,097 | 61.9% | 3,227 | 65.8% | 3,851 | 65.7% | -4.0% | -19.6% |
| EU | 1,314 | 26.2% | 1,019 | 20.8% | 1,317 | 22.4% | 28.9% | -0.2% |
| NA | 596 | 11.9% | 654 | 13.4% | 696 | 11.9% | -8.9% | -14.3% |
| Total | 5,007 | 100% | 4,900 | 100% | 5,864 | 100% | 2.2% | -14.6% |

From a geographic perspective, 4Q17 revenue from Emerging/Asia Pacific, Europe and North America were 61.9%, 26.2% and 11.9% respectively. The emerging market drop 4% on QoQ as some of our important regions continue to face poor economic condition and intense competition. Sales in Europe grew 28.9% from sequential quarter as a result of higher project pull and in retail. North America dropped by 8.9% from sequential quarter as retail sales was not as strong as originally expected.

Consolidated Sales Breakdown by Product Category:

With respect to 4Q17 consolidated revenue by product category, wireless products accounted for 26.1% of sales, followed by Switch at 39.6%, Broadband at 13.5%, Digital Home at 7.6%, and Others at 13.3%. Switch sales were higher by 19.5% from sequential quarter mainly due to higher seasonal sales in Europe and in emerging market. Broadband sales benefited from project pull in Europe maintain sales volume as in prior quarter. On the other hand, digital home sales and other category were up 3.8% and 9.3% respectively on sequential basis. Due to weak retail sales, wireless revenue reported 17.6% QoQ sales drop but expected to improve as the company announces a series of new products in the coming few quarters.

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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