

D-Link Reports 2Q18 Consolidated Financials

- Second quarter 2018 net revenue was NT\$5.204 billion, up 4.5% from 1Q18
- Gross margin exclusive of inventory related gain and loss was 29.1%, as compared to 29% in 1Q18
- Gross margin inclusive of inventory related gain and loss was 28.5%, slightly below 28.8% in 1Q18
- Operating margin was 1.1%, as compared to 1.2% in 1Q18
- Consolidated net loss after tax and non-controlling interest was -NT\$54 million, as compared to net income of NT\$13 million in 1Q18
- EPS on weighted average capital of NT\$6.42 billion was negative NT\$0.08, as compared to NT\$0.02 per share in 1Q18
- All of the above are based on consolidated numbers and 2Q18's net income is audited/reviewed.

Taipei, Taiwan, August 6th, 2018 - 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 2018.

For the first half of 2018, D-Link's net revenue was NT\$10.187 bln, up 8.3% as compared to NT\$9.408 bln of 1H17. North America sales were down 18.7% from a year ago same period due to lower than expected retail sales for wireless and digital home products. Europe, benefiting from project shipment, increased by 49% YoY basis. Emerging market & APac sales were down 1.6% due to constrained economic condition resulting from the stronger US dollar and weaker consumer demand. Gross margin including inventory related gain/loss was 28.6% as compared to 25.4% in reporting period due to favorable products mix as well as new products launch. The Company continued to exercise a very cautious spending policy with OPEX in dollar term kept at the same level as in prior quarter. The business alignment and restructuring efforts have begun to show positive result as the Company reported NT\$116 million operating income in the first half of 2018.

For the second quarter 2018, net revenue was NT\$5.204 billion and increase 4.5% from sequential quarter. The increase in telco projects shipment was the main driver for the

sequential sales growth which offset the sluggish retail sales in wireless and digital home products. Gross margin including inventory provisional gain/loss was 28.5% below that of prior quarter caused by higher inventory provision charge. Operating income for two consecutive quarters were positive with net operating margin maintained above 1% level. Net non-operating loss in 2Q18 was -NT\$98 million comprising of NT\$15 million loss recognized from investee companies under equity method, NT\$41 million in foreign exchange loss as a result of the stronger US\$, and NT\$42 million other loss due to one-time tax charges. The Group's second quarter consolidated net loss after tax and non-controlling interest was NT\$54 million and EPS -NT\$0.08 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 2Q18. Cash and S-T investment held was NT\$3.549 billion, increased by NT\$295 million as compared to previous quarter end. Accounts receivable was NT\$5.019 billion, increased by NT\$566 million and AR turnover days increase to 84 days attributing to more project sales generally carried longer payment term. Net inventory was NT\$2.76 billion an inventory DOH increase to 81 days the company stock up 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 1.6 and 0.48 respectively. Annualized ROE for the second quarter of 2018 was -2.4%.

Consolidated Sales Breakdown by Region:

NT\$mIn	2Q18		1Q18		2Q17		QoQ	YoY
NA	536	10.3%	463	9.3%	636	13.6%	15.6%	-15.8%
EU	1,805	34.7%	1,551	31.1%	1,218	26%	16.4%	48.2%
Emg. & APac	2,863	55.0%	2,968	59.6%	2,824	60.4%	-3.5%	1.4%
Total	5,204	100%	4,982	100%	4,678	100%	4.5%	11.2%

From a geographic perspective, 2Q18 revenue contribution from North America, Europe and Emerging/Asia Pacific were 10.3%, 34.7% and 55% respectively. North America sales were up 15.6% QoQ attributing from stronger sales in switches and project shipment but YoY down 15.8% due to the slower retail sales in wireless and surveillance products. Europe's 2Q18 sales was up 16.4% from sequential quarter and 48.2% from last year same quarter due to higher project shipments in wireless products. 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 2Q18 revenue was down by 3.5% QoQ as sales were down impacted by stronger dollar and unfavorable exchange rate.

Consolidated Sales Breakdown by Product Category:

With respect to 2Q18 consolidated revenue by products category, Wireless contributed 37.6%, followed by Switch at 31.9%, Broadband at 9.8%, Digital Home at 6.1%, and Others at 14.5%. Higher project shipments were the main sales growth driver for Wireless which increased 30% from sequential quarter. Switch sales decreased 3.3% mainly due to weaker sales in the Emerging market & APac. Digital home sales were up 16.8% sequentially reflecting new products launch in the retail channels. Broadband sales were lower due to less services provider project shipment.

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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