



Spokesperson:

Yvonne Yan
Vice President
Investor Relations &
Corporate Communications

D-Link Reports Q1/05 Pro Forma & FY2004 Audited Consolidated Financials

- First quarter 2005 net revenue increased to NT\$ 8.56bln, up 1% sequentially.
- First quarter 2005 gross margin was 31.3%, at par with Q1/04
- First quarter 2005 operating margin was 7.8%, as compared to 8.9% in Q4/04
- First quarter 2005 pre-tax profit was NT\$ 578mln or NT\$ 1.08 per share, as compared to NT\$ 701mln or NT\$ 1.30 per share in Q4/04
- First quarter 2005 tax rate increased to 29% of pre-tax profit, compared to 14.7% in Q4/04
- First quarter 2005 net income was NT\$ 353mln, as compared to NT\$ 702mln in Q4/04
- First quarter 2005 EPS was NT\$ 0.66, compared to NT\$ 1.05 in Q4/04

Taipei, Taiwan, April 29, 2005 - D-Link Corporation ("D-Link Group" or "the Group Company") (TAIEX 2332) today announces its pro forma consolidated financial results for the first quarter of 2005 and audited consolidated financial results for FY2004.

For FY2004, audited revenue totaled NT\$ 32.245bln, a 29% increase over the full year 2003 net revenue of NT\$ 25.016bln. Audited gross margin improved to 33.4%, as compared to 31.2% for FY2003. Audited operating margin improved to 8.2%, as compared to 6.4% in FY2003. Audited net margin increased to 8.1%, as compared to 5.5% for FY2003.

For the 1st quarter of 2005, revenue was NT\$ 8.56bln, up 10% compared to Q1/04, or up by 1% from the 4th quarter sales of 2004. D-Link was able to report 10% YoY growth due mainly to better sales in Asia Pacific (excluding Greater China), and Emerging markets. Those areas combined, sales grew more than 45% YoY. The company was able to book another record high sales of NT\$ 8.56bln during the 1st quarter of 2005.

Due to product mix change toward more broadband and WLAN sales, gross margin was down from 34.8% in Q4/04 to 31.3% in Q1/05 but at par with 31.4% in the year ago

comparable quarter. Operating margin was 7.8% in the first quarter of 2005, as compared to 8.9% in the previous quarter and 8.5% in the year ago comparable quarter. In the first quarter of 2005, operating expenses were 23.5% of net revenue, as compared to 26.2% in the prior quarter and 23.0% in the year ago comparable quarter. This can be attributed by the trim down of both selling and R&D expenses by 1% and 1.5%, as compared to the previous quarter.

On the non-op side, D-Link realized NT\$ 65mln capital gain in Q1 due to disposal of Cameo's shares, but accrued NT\$ 54mln FX loss and NT\$ 98mln inventory loss. The inventory loss of NT\$ 98mln in the 1st quarter was primarily due to Alpha and D-Link Europe's scrapped inventory of NT\$ 41mln and of NT\$ 29mln respectively. These resulted in a non-operating loss of NT\$ 88mln in Q1/05.

The profit before tax was NT\$ 578mln or equivalent to NT\$ 1.08 per share. By applying tax rate of 29% of pretax profit, inclusive of 25% effective tax rate and 4% from FY1999 & 2002 incremental tax imposed, and adjusting for Alpha's minority interests of NT\$ 57mln, the company reported net income of NT\$ 353mln in 1st quarter, or EPS of NT\$ 0.66. The lower EPS compared to Q1/04 was due to the absence of huge disposal gain of Alpha. The management assumes tax policy for the following quarters will be 25% of pretax earnings due to the full consumption of previous tax credits.

D-Link's balance sheet remained sound as of March 31st, 2005. NT\$ 2.3bln of Cash was invested in to Taiwan money market funds and thus S-T investment increased NT\$ 2.3bln, as compared to the 4th quarter of 2004. A/R Days increased to 65 from 60 at end of December 2004 primarily because of strong March sales. Inventory turnover days dropped to 89 from 94 at end of December 2004 since D-Link Europe digested inventory particularly well. Cash Cycle was 80 days, longer from the end of 2004 due to prolonged Days A/P. The company was able to sit on a net cash position of NT\$ 2.49bln for the 10th consecutive quarter as end of March 2005.

To breakdown Q1/05 revenue by regions, D-Link remained a truly global player with 32%, 28%, and 40% of consolidated sales from North America, Europe, and APAC & others respectively. For the Group, North America's sales grew approximately 4% QoQ or 0.2% YoY, Europe's sales rose around 14% YoY but down 9% QoQ, and APAC & Emerging Market's revenue was up over 15% YoY or 6% QoQ.

By product categories, WLAN ranked No.1, accounting for 33% of Q1/05 consolidated revenue, followed by Broadband 29%, Switch 21%, and Digital Home 11%. In \$ terms,

WLAN grew 6% on year-on-year basis or 4% QoQ, Broadband grew 38% YoY or 8% QoQ, Switch dropped 8% YoY or 15% QoQ, and Digital home grew significantly 50% YoY or 11% QoQ.

According to Synergy Group Q4/04 research, D-Link continued to be the No.1 global SMB/SOHO connectivity player, commanding the lion's share of 25% in global market and exceeding both Linksys and Netgear. D-Link has further cemented its strong position in SME/SOHO Switches, and continued to dominate global WLAN and Broadband markets.

D-Link is ready to launch a series of new products in each segment. On the Switching side, besides Gigabit Ethernet products, PoE Switch will be the other growth driver. In the WLAN sector, D-Link launches MIMO Super G WLAN products and new Enterprise AP, with an aim to penetrate business sector and gain more market shares. In the Broadband segment, D-Link continues to win VoIP Gateway and IP DSLM business through service provider channels. For the Digital Home segment, Wireless Internet Camera, IP Phone, TV Tuner, and Media Adapter, etc., continue to contribute to D-Link's sales growth.

As to regional updates of D-Link's branding business, in North America, volumes of WLAN and Digital Home products have both significantly increased. Consumers have shown very strong acceptance of MediaLounge and GamerLounge products. In EMEA, Q1/05 revenue grew more than 15% compared to same period last year. According to IDC, D-Link has been named the fastest growing LAN switches supplier during the quarter. In Germany, D-Link's Xstack L3 switch has been selected as Best Product of Networking Computing in the 1st quarter of 2005. In Asia Pacific and other areas, ANZ, ASEAN, CIS, and Latin America's revenues have all grown 60% or more compared to same period last year. D-Link has won major Broadband and VoIP projects in Taiwan, India, and ANZ.

Ken Kao, Chairman & CEO of D-Link Group said "We are still happy with the overall industry outlook, and we feel better positioned than ever to grasp the growth of worldwide broadband, wireless and switching deployment in the coming up quarters." Looking back on 2004, over 35m new xDSL were installed. Higher deployment of xDSL has driven demands of advanced home networking equipments. From 2005 onwards, WW new xDSL subscribers will grow 50-90m annually. xDSL with advanced technology will gradually dominate broadband services rollouts. With higher & advanced broadband penetration to home, we believe that the Media Home networking will grow at CAGR of 29% onto 2009. Driven by the penetration of digital home, revenue of IP-based Home Control networking devices will be doubled to US\$ 4.0bln from 2004 to 2008, and total revenue of home networking will also grow twofold to US\$ 17.1bln from 2004 to 2008. Due to higher business adoption, Gigabit

Ethernet continues to outpace Fast Ethernet. "D-Link will continue its dominance in worldwide unmanaged GigE shipment both in unit and dollar terms.", said Mr. Kao.

"Looking forward", added Mr. Kao, "we are pleased to see still healthy demand in all the regions with particular strengths coming from Asia Pacific and other areas where we expect high double-digit growth to continue. With the debut of several new products during the quarter, including Wireless Switch, Business VoIP, Information Security Gateway, and Network Storage products, we are confident that the Group will be able to sustain the level of sales momentum in Q2 in a seasonally weak quarter. If we execute well enough, we may even grow marginally on a sequential basis. On year-on-year basis, we foresee Q2/05 revenue growth to outpace Q1/05's 15.9% in US\$ terms. Due to continuously strong sales from Asia Pacific and Emerging Markets, branding business will be relatively stronger than OEM. Thanks to the product mix change toward more Switching, new products and business sector sales in Q2, gross margin will track back higher.

About D-Link

D-Link is the global leader in total products shipped for consumer networking connectivity according to reports published by the Synergy Research Group. D-Link is the worldwide leader and award winning designer, developer, and manufacturer 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 more than a million square feet of manufacturing capacity and millions of Ethernet adapters, hubs and switch ports, manufactured and shipped, D-Link is a dominant market participant and price/performance leader in the networking and communications market. D-Link Corporation headquarter is located at 2F, No.233-2, Pao-Chiao Road, Hsin-Tien, Taipei, Taiwan. Phone: 886-2-29161600; FAX 886-2-29146299; Internet www.dlink.com.tw

{ Copyright © 2005 D-Link Corporation, All Rights Reserved. }