

# Q4 2005 Investor Conference

Taipei,  October 31, 2005



## Safe Harbor Statement

All numbers are consolidated. Except for statements in respect of historical matters, the statements contained in this release are "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of D-Link Corporation to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

## Agenda

- **3Q/05 Financial Review** A.P. Chen
- **Business Updates** J.C. Liao
- **Q&A**

All numbers consolidated except otherwise specified.  
3Q/05 numbers are pro forma .

# 3Q/05 Pro Forma Financial Review

Presented by  
AP Chen, CFO



## 3Q/05 QoQ Consolidated Income Statement Comparison

Amount: NT\$ million	3Q/05 Actual		2Q/05 Actual		QoQ % Change
Net Sales	9,846	100%	8,118	100%	21%
Cost of Goods Sold	6,814	69%	5,553	68%	23%
Gross Profit	3,032	31%	2,565	32%	18%
Operating Expenses	2,237	23%	2,126	26%	5%
Operating Income	795	8%	439	5%	81%
Total Non-Op. Inc. (Loss)	324	3%	6	-	5300%
Income Before Tax	1,119	11%	445	6%	151%
Income Tax Expense	(277)	(3)%	(109)	(1)%	154%
Net Income	842	9%	336	4%	151%
Minority Interest	(162)	(2)%	(88)	(1)%	84%
Consolidated Income	680	7%	248	3%	174%
Earnings Per Share (NT\$)	1.14*		0.42		174%

\*Calculated by 3Q05 weighted average of 597mln shares.

## Non-op Income/Loss Breakdown

Unit : NT\$Mln	3Q05	2Q05
<b>Investment Income/(Loss)</b>	136	165
Sub./Aff.	79	49
Capital Gain	57	123
<b>FX Gain/(Loss)</b>	184	(5)
<b>Inventory Gain/(Loss)</b>	(60)	(105)
<b>Financial Income/(Exp.) &amp; Others</b>	<u>64</u>	<u>(49)</u>
<b>Total</b>	324	(6)

## 3Q/05 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	3Q/05 Actual		3Q/04 Actual		YoY % Change
Net Sales	9,846	100%	8,285	100%	19%
Cost of Goods Sold	6,814	69%	5,640	68%	21%
Gross Profit	3,032	31%	2,645	32%	15%
Operating Expenses	2,237	23%	2,133	26%	5%
Operating Income	795	8%	512	6%	55%
Total Non-Op. Inc. (Loss)	324	3%	99	1%	227%
Income Before Tax	1,119	11%	611	7%	83%
Income Tax Expense	(277)	(3)%	(122)	(1)%	251%
Net Income	842	9%	532	6%	58%
Minority Interest	(162)	(2)%	(79)	(1)%	33%
Consolidated Income	680	7%	410	5%	66%
Earnings Per Share (NT\$)	1.14*		0.76		49%

\*Calculated by 3Q05 weighted average of 597mln shares.

## YT3Q/05 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	YT3Q05 Actual		YT3Q04 Actual		YoY % Change
Net Sales	26,521	100%	23,756	100%	12%
Cost of Goods Sold	18,247	69%	15,934	67%	15%
Gross Profit	8,274	31%	7,822	33%	6%
Operating Expenses	6,373	24%	5,945	25%	7%
Operating Income	1,901	7%	1,877	8%	1%
Total Non-Op. Inc. (Loss)	242	1%	637	3%	(62)%
Income Before Tax	2,143	8%	2,514	11%	(15)%
Income Tax Expense	(554)	(2)%	(295)	(1)%	88%
Net Income	1,589	6%	2,219	9%	(28)%
Minority Interest	(307)	(1)%	(184)	(1)%	67%
Consolidated Income	1,282	5%	2,035	9%	(37)%
Earnings Per Share (NT\$)	2.15 *		3.77		(43)%

\*Calculated by 3Q05 weighted average of 597mln shares.



## 09/30/2005 Consolidated Balance Sheet QoQ Comparison

Amount: NT\$ million	09/30/05		06/30/05		QoQ %
	Actual		Actual		Change
Cash	2,650	10%	3,370	14%	(21)%
S-T Investment	537	2%	2,195	9%	(76)%
Account Receivable	7,788	31%	5,886	24%	39%
Inventory	7,228	28%	5,989	25%	21%
Long-term Investments	2,173	9%	2,148	9%	1%
Total Assets	25,502	100%	24,300	100%	7%
Accounts Payable	6,813	27%	5,093	21%	42%
Current Liabilities	11,316	44%	11,390	47%	3%
Long-term Liabilities	15	-	14	-	7%
Common Stock	6,092	24%	6,092	25%	-
Stockholders' Equity	13,887	54%	12,729	52%	9%

## 3Q/05 Consolidated Net Cash

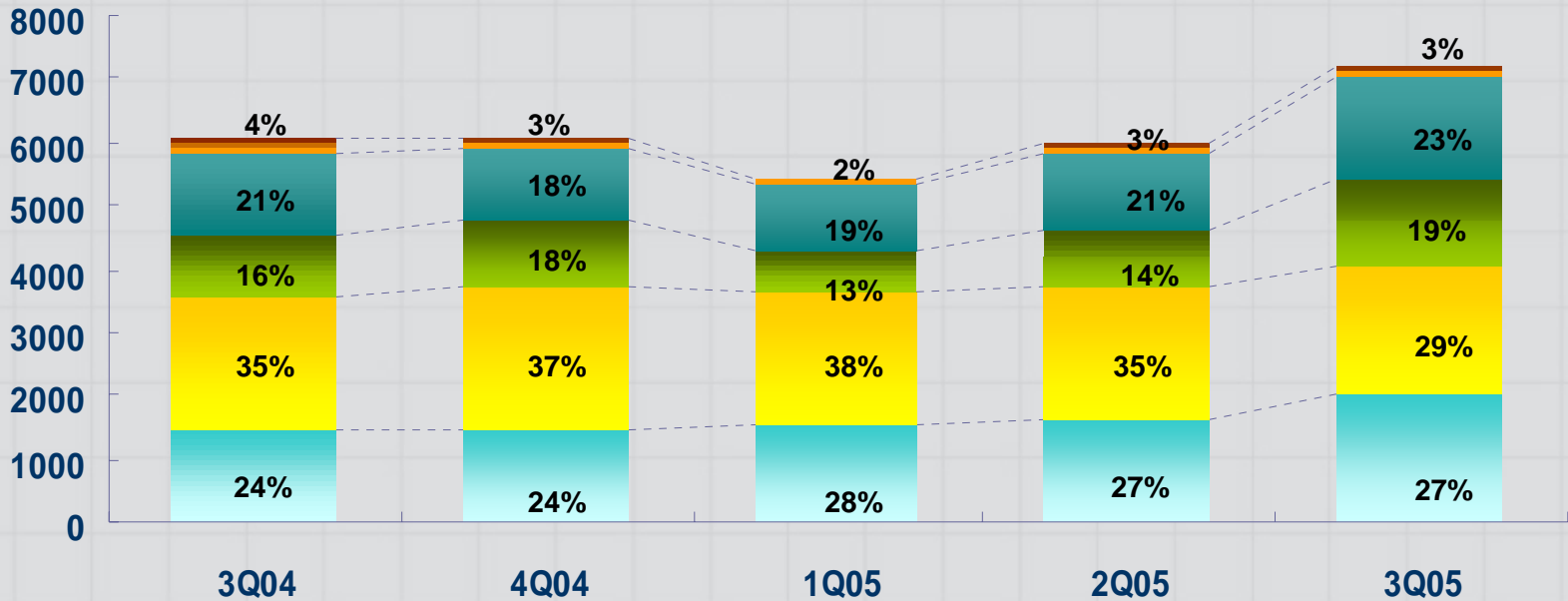
**D-Link has NT\$ 3.19bln in Cash & S-T Investment**

- Decrease by NT\$ 2.38bln from NT\$ 5.57bln in 2Q/05
  - Cash Dividend Payout in 3Q/05: NT\$ 1.169bln
  - Clearance of S-T Borrowings in 3Q/05: NT\$ 1.302bln

## Inventory by Region

- N.A. dropped 2% QoQ
- Europe increased 58% QoQ
- Emerging market increased 30% QoQ
- China increased 20% QoQ
- Alpha increased 24% QoQ
- Incremental inventory for 4Q seasonality

NT\$ Million



■ Alpha
 ■ North American
 ■ Europe
 ■ Emerging Market
 ■ China

## Consolidated Key Financial Ratios– Liquidity/Leverage

Unit: % , days

	3Q/05	2Q/05	1Q/05	2004
Days A/R	70 *	64 *	65 *	59 *
Days Inventory	100 *	96 *	89 *	95 *
Days A/P	87 *	79 *	75 *	86 *
Cash Cycle	83	82	80	68
Current Ratio	1.71	1.60	1.70	1.60
Debt/Equity Ratio	0.98	1.05	1.12	1.22
Adjusted Debt/ Equity Ratio	0.71 **	0.55 **	0.58 **	0.64 **

\* Annualized

\*\*Adjust for Cash & S-T investment

## Consolidated Key Financial Ratios – Profitability (%)

Unit: %	3Q/05	2Q/05	1Q/05	2004
Net Income/Sales	6.91	3.33	4.13	8.07
Net Income/Total Assets	2.67	1.12	1.38	10.05
Operating Profit/Sales	8.07	5.66	7.78	8.17
Return on Equity*	14	11	12	22
EPS (NT\$)**	1.14	0.42	0.59	4.82

\* Annualized

\*\* Calculated by 2Q05 weighted average of 597mln shares.



# Business Updates

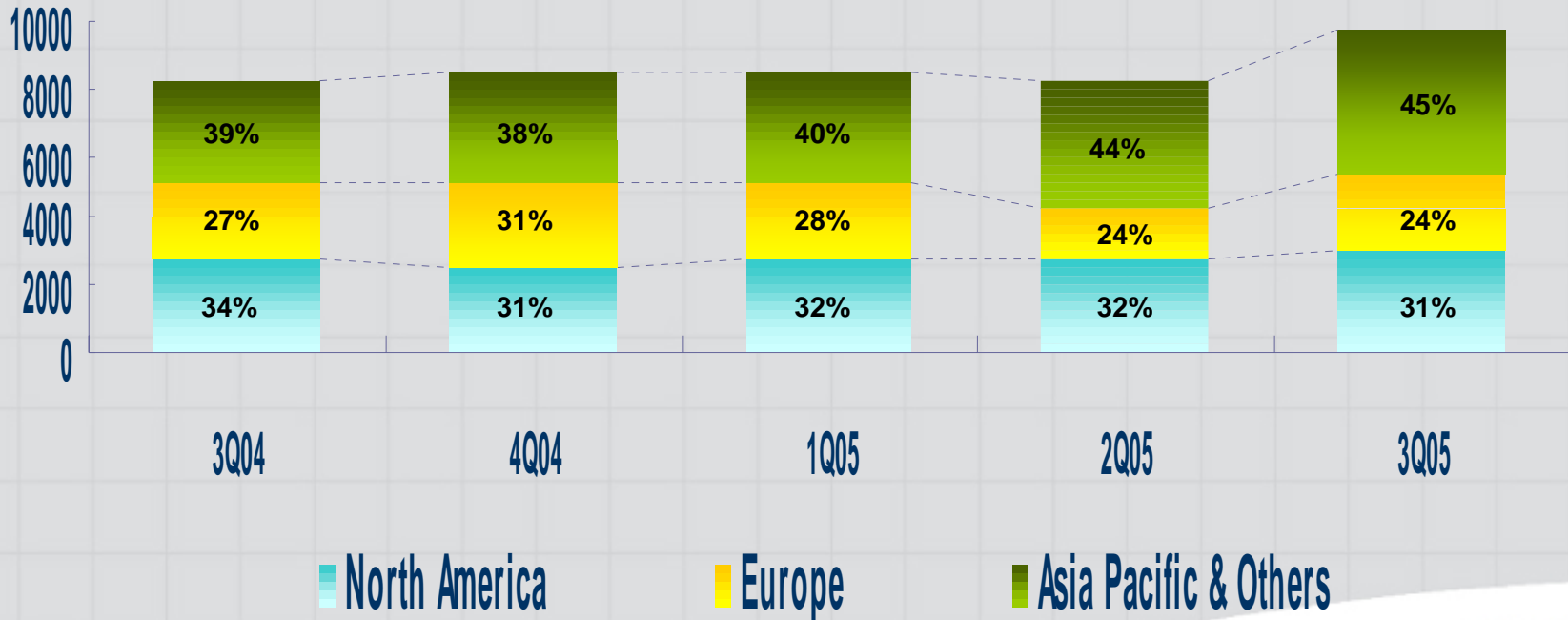
Presented by  
JC Liao, President

## Revenue by Regions Consolidated

3Q/05 revenue *QoQ* comparison:

- N.A. grew positively 18%
- Europe increased 21%
- AsiaPac & Others rose significantly 24%
- In NT\$ terms, WW 3Q revenue grew 21%

NT\$ Million

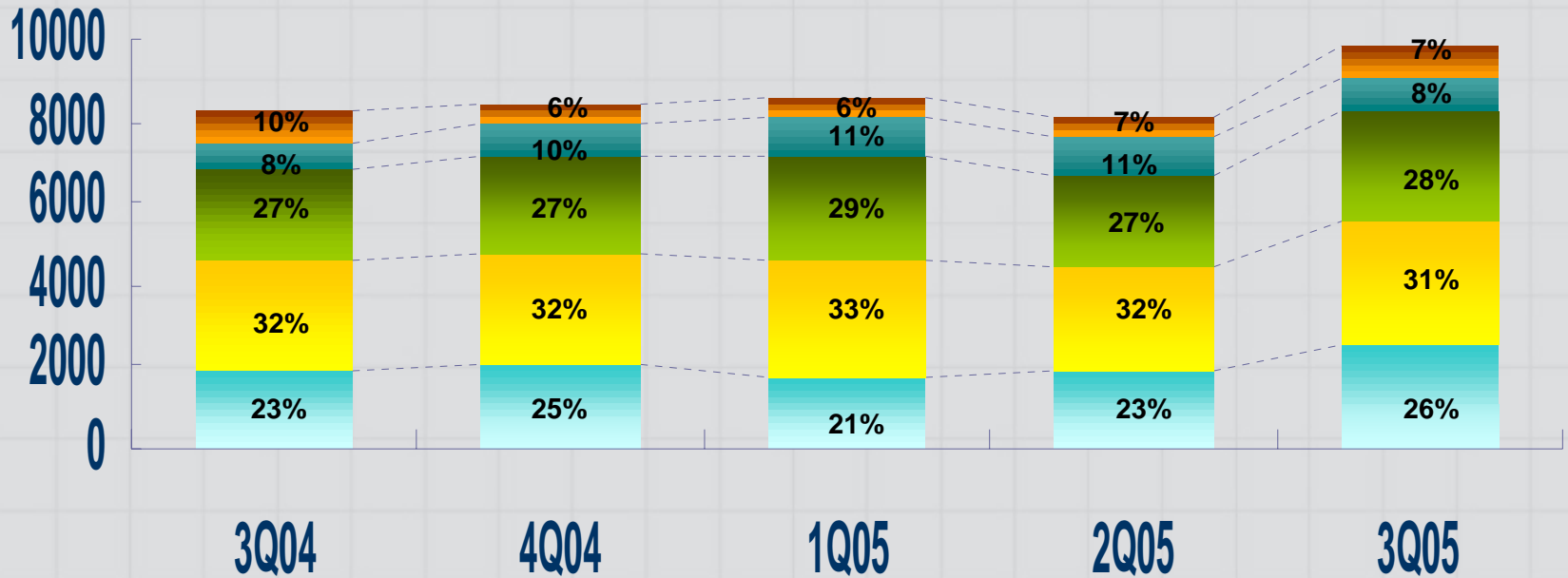


## Revenue by Products Consolidated

3Q/05 revenue *QoQ comparison*:

- Switch jumped largely 37%
- WLAN grew 18%
- Broadband rose 26%
- Digital Home dropped 12%

NT\$ Million



■ Switch   
 ■ WLAN   
 ■ Broadband   
 ■ Digital Home   
 ■ NIC & Others

## Product updates

**28 brand new models released in 3Q,**  
Including Firewall, Storage, Routers, Managed Switches, Chassis Switch module,  
3G Mobile Router, IP Phone, ADSL Routers.

### Highlights:

- **3G Wireless IP devices**
  - **DI-725 3G Wireless Internet Router**
  - **3G Compatible Wireless Internet Camera**
  
- **Top-end Network Security**
  - **DFL-2500 secures over 1 million session at 600Mbps**
  - **DFL-M510 Information Security Gateway**



## Business Updates

### ➤ WLAN's Midday Concerto

- EWC expedites 802.11n adoption
- Earlier integration of 3G and WLAN
- WiMAX coexisting



### ➤ SMB Initiatives

- Successful new channel programs for VAR/SI
- D-Link's xStack and ZoneDefense technology
- Enhancement of customer service offering



### ➤ Global Expansion

- Addition of Korea, Japan, Guatemala, Lithuania
- Now we have subs in 50 countries, 94 offices



## 4Q/05 Outlooks Consolidated

### ➤ Downsides

- Christmas shopping looks a bit softer in North America
- Broadband and WLAN prices inch down in 4Q

### ➤ Upsides

- Europe regaining economic confidence
- APac/Emerging markets keeping great leap forwards
- Higher-end switches for SMB increasing

### ➤ 4Q Guidance

- 4Q revenue to rise a record peak again
- Gross margin to maintains at the range of 31.5-32.5%

# Q & A

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**Thank You**

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for People**

