



News Release

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Taipei, Taiwan, October 29, 2004 D-Link Corporation ("D-Link" or "the Company") (TAIEX 2332) announced its Year-to-September 2004 pro forma consolidated financials: revenue was NT\$ 23.8bln, up 32% from first 3 quarters of 2003, gross profit was NT\$ 7.8bln, up 35% YoY, consolidate income was NT\$ 2,034mln, and EPS was NT\$ 3.77, up 102% from same period last year. For 3Q/04, D-Link reported NT\$ 8,286mln in revenue, representing 23% YoY growth.

Thanks to the strong sales in North America and Europe, which both grew more than 15% QoQ; D-Link was able to achieve its record high quarterly sales in a traditional weak quarter. However, due to more broadband and wireless LAN products shipped in 3Q, consolidate gross margin was down from 33.5% in 1H/04, to 31.9% in 3Q/04. Operating margin was 6.2% in 3Q, where total operating expense was 25.7% of 3Q sales down from 2Q's 26.4% of its respective sales.

There is no disposal gain in 3Q, but D-Link's better foreign currency management contributed NT\$ 105mln gain. The less inventory loss/allowance in this quarter was because of better material/inventory management. Moreover, as D-Link Parent Company now has almost collected all Due From of Alpha's OEM customers, it doesn't need to maintain huge allowance on accounts receivable as it did before. Therefore, around NT\$ 90mln of A/R allowance was reversed back as other non-operating income in this reported quarter.

The profit before tax in 3Q was NT\$ 610mln. By applying an effective tax rate of 20% of pretax profit, and adjusting Alpha's minority interests of NT\$ 78mln, the company reported net income of NT\$ 410mln in 3Q, or NT\$ 0.76 of EPS. The first 3 quarters' effective tax rate was 12%, and the management assumes tax policy for FY2004 will be approximately 15% of pretax earnings.

D-Link's balance sheet remained sound as of September 30, 2004. The inventory lowered during the interim of 3Q, but picked up to the level as end of 2Q again ahead of the holiday

season. Days A/R was stable at 60 days level as of Sept. 30, 2004, so as Cash cycle's 70 days.

In 3Q, D-Link has the following major cash outlay activities: paid NT\$ 580mln for headquarters building, paid back short-term loan of NT\$ 1,350mln, and distributed NT\$ 800mln cash dividend, which were all funded by disposal of short-term investment. Debt-to-equity ratio decreased to 133%, from 151% in 2Q.

By product categories, Wireless LAN ranked #1, accounting for 32% of 3Q/04 revenue, followed by Broadband 27% and Switch 23%. By geographic regions, North America was 34% in 3Q, Europe was 26%, Asia Pacific and emerging market combined was 40%.

From a Synergy Group's 2Q report, D-Link was again recognized as the No. 1 global consumer connectivity leader, commanding 23.7% of global market share and leading Linksys and Netgear by more than 10%. D-Link maintained its strong position in SME/SOHO switches, and continued to increase global WLAN market share to 24%, up 2% from previous quarter, and from less than 13% in the beginning of 2003. More than 20 new products were released during the 3rd quarter, including a 10Gigabit, L3 stackable switches and the world's first 802.11g wireless E-Storage with 20/40GB drive that works with DSM-320, the wireless media player.

Going forward, though the Management sees signs of softness in US consumer spending, they feel the demand for LAN switch and wireless LAN in small and medium businesses becomes stronger. Starting from September, Europe has already stepped into a traditional peak season, and the growth from Asia Pacific and International regions continues to deliver the strongest thrust. In general, the Management expects the revenue in 4Q to gain a small growth on 3Q, while gross margin to maintain at guided 31-33% range.