



D-Link Announced 3Q/2003 Results

Taipei, Taiwan, October 29, 2003 D-Link Corporation (“D-Link” or “the Company”) (TAIEX2332) announced its reviewed year-to-September 2003 financials: revenue was NT\$ 13.7bln, up 17% from same period 2002, after-tax income was NT\$ 1,007mln, up 62% from same period last year, and EPS was NT\$ 2.01. At the consolidate book, sales was NT\$ 18.9bln, up 21% from the previous year.

For the 3rd quarter this year, D-Link reported NT\$ 4,912mln in sales for the parent book and NT\$ 7,055mln for the consolidate book, representing 10% and 19% QoQ growth respectively. The gross margin was at 20% for the parent book and 30% for the consol, thanks to the successful move to higher- end GigE and L3 products and continued cost-down engineering.

The operating margin improved to 9% in Q3/03 from 6% in Q3/02 at parent level, while that of the consol book jumped substantially to 6% from 1% same period last year. The improvement in operation efficiency has enabled D-Link to trim down expenses by 8% in Q3 at parent book, while sales grew over 10% sequentially. Overseas sales arms have continued turning profitable, and the reported loss has been diminished by

60% from Q2/03. Despite major exchange rate fluctuations in the past two quarters, D-Link is able to report NT\$ 6mln gain in FX at the end of September, thanks to an effective FX hedging strategy. As with Q2/03, additional inventory provisions of NT\$ 52mln have been conservatively appropriated. Since a higher corporation tax rate of 25% has been applied beginning September, D-Link reported NT\$ 298mln of after-tax profit, or NT\$ 0.60 of EPS, up 362% YoY.

By product category, Wireless ranked #1, accounting for 37% for Q3/03 revenue. Broadband CPE was 25%, and Switch 22%. Wireless was not only up 31% QoQ, but also marked the most aggressive YoY growth of 91%, thanks to the successful debut of *AirPlusXtremeG* products. GigE has jumped to 24% of Q3 switching sales, up from 12% in 1H. L3 was 25% in Q3, up from 5% in 1H. And Managed switches were 55% in Q3, up from 45% in 1H.

By geographic regions, North America was 45% in Q3, followed by Asia 26% and Europe 19%. Sales to US, in particular, grew 62% sequentially or 51% YoY, contributed by both the strong Brand sales to SOHO/Home and a major up tick of ODM business. Europe was up 27%



YoY, reaping the benefits of a successful corporate restructuring.

D-Link's balance sheet remained sound as of 9/30/2003. Due to seasonality, Days A/R returned to Q1/03 level of 94 days at the parent book. The cash cycle continued to shorten in Q3 at consol book. Debt level increased due to larger short-term borrowing, taking advantage of the cheaper US-denominated funding. Days inventory was 32 days on parent, or 79 days consolidated.

Going forward, the Management expects Q4/03 to be up by around 10% sequential in terms of parent sales, or around 15% growth YoY. Estimated 2003 gross margin should remain at 20% level, and 30% for the consol book. US will continue to lead the growing momentum riding on a strong holiday sales. Wireless LAN products should drive the Brand sales higher, while high-end switches shall benefit ODM business.

As a strategic move, D-Link's ODM/OEM business unit has been carved out to be Alpha Networks Inc. effective August 16, 2003. Due to the longer-than-expected process to get necessary approvals and licenses, however, Alpha will not be fully operational until January 1st, 2004. The strong 2H/03 sales is propelled by both a recovery in end demand and a

gain in market shares. As economy continued to rebound with improved corporate spending and healthy consumer consumption, the management believes the networking CPE market would continue to boom. And D-Link as well as Alpha shall both benefit from this fundamental improvement.

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