



# Q3 2005 Investor Conference

Taipei, July 29th, 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

- **2Q/05 Financial Review** A.P. Chen
- **Business Updates** J.C. Liao
- **Q&A**

All numbers consolidated except otherwise specified.  
2Q/05 numbers are pro forma .

# 2Q/05 Pro Forma Financial Review

Presented by  
AP Chen, CFO

# 1H/05 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	1H/05 Actual		1H/04 Actual		YoY % Change
Net Sales	16,688	100%	15,471	100%	8%
Cost of Goods Sold	11,406	68%	10,294	67%	11%
Gross Profit	5,282	32%	5,177	33%	2%
Operating Expenses	4,156	25%	3,812	25%	9%
Operating Income	1,126	7%	1,365	9%	(18)%
Total Non-Op. Inc. (Loss)	(89)	(1)%	538	3%	(118)%
Income Before Tax	1,037	6%	1,903	12%	(46)%
Income Tax Expense	(279)	(2)%	(173)	(1)%	53%
Net Income	758	5%	1,730	11%	(56)%
Net Income Attributed to Holding Company	624	4%	1,625	11%	(62)%
Net Income Attributed to Minority Interest	134	1%	105	1%	35%
Earnings Per Share (NT\$)	1.05*	5%	3.00	11%	(65)%

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

## 2Q/05 QoQ Consolidated Income Statement Comparison

Amount: NT\$ million	2Q/05 Actual		1Q/05 Actual		QoQ % Change
Net Sales	8,131	100%	8,557	100%	(5)%
Cost of Goods Sold	5,525	68%	5,881	69%	(6)%
Gross Profit	2,606	32%	2,676	31%	(3)%
Operating Expenses	2,146	26%	2,010	24%	7%
Operating Income	460	6%	666	8%	(31)%
Total Non-Op. Inc. (Loss)	(1)	-	(88)	(1)%	(92)%
Income Before Tax	459	6%	578	7%	(22)%
Income Tax Expense	(111)	-	(168)	(2)%	(42)%
Net Income	348	4%	410	5%	(13)%
Net Income Attributed to Holding Company	271	3%	353	4%	(23)%
Net Income Attributed to Minority Interest	77	1%	57	1%	35%
Earnings Per Share (NT\$)	0.46*	4%	0.59*	4%	(13)% (23)%

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

## 2Q/05 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	2Q/05 Actual		2Q/04 Actual		YoY % Change
Net Sales	8,131	100%	7,657	100%	6%
Cost of Goods Sold	5,525	68%	4,937	64%	12%
Gross Profit	2,606	32%	2,720	36%	(4)%
Operating Expenses	2,146	26%	2,022	26%	6%
Operating Income	460	6%	698	9%	(34)%
Total Non-Op. Inc. (Loss)	(1)	-	(177)	(2)%	(96)%
Income Before Tax	459	6%	521	7%	(13)%
Income Tax Expense	(111)	-	(78)	(1)%	24%
Net Income	348	4%	443	6%	(20)%
Net Income Attributed to Holding Company	271	3%	382	5%	(29)%
Net Income Attributed to Minority Interest	77	1%	61	1%	26%
Earnings Per Share (NT\$)	0.46*	4%	0.71	6%	(36)%

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

## Non-op Income/Loss Breakdown

Unit : NT\$MIn	2Q05	1Q05
<b>Investment Income/(Loss)</b>	148	63
<b>FX Gain/(Loss)</b>	(5)	(48)
<b>Inventory Gain/(Loss)</b>	(122)	(98)
<b>Financial Income/(Exp.) &amp; Others</b>	(22)	(5)
<b>Total</b>	(1)	(88)



## Inventory by Region

- N.A. increased 3% QoQ
- Europe increased 18% QoQ
- Emerging market increased 22% QoQ
- China increased 18% QoQ
- Alpha increased 4% QoQ

NT\$ Million

7000

6000

5000

4000

3000

2000

1000

0

Q204

Q304

Q404

Q105

Q205

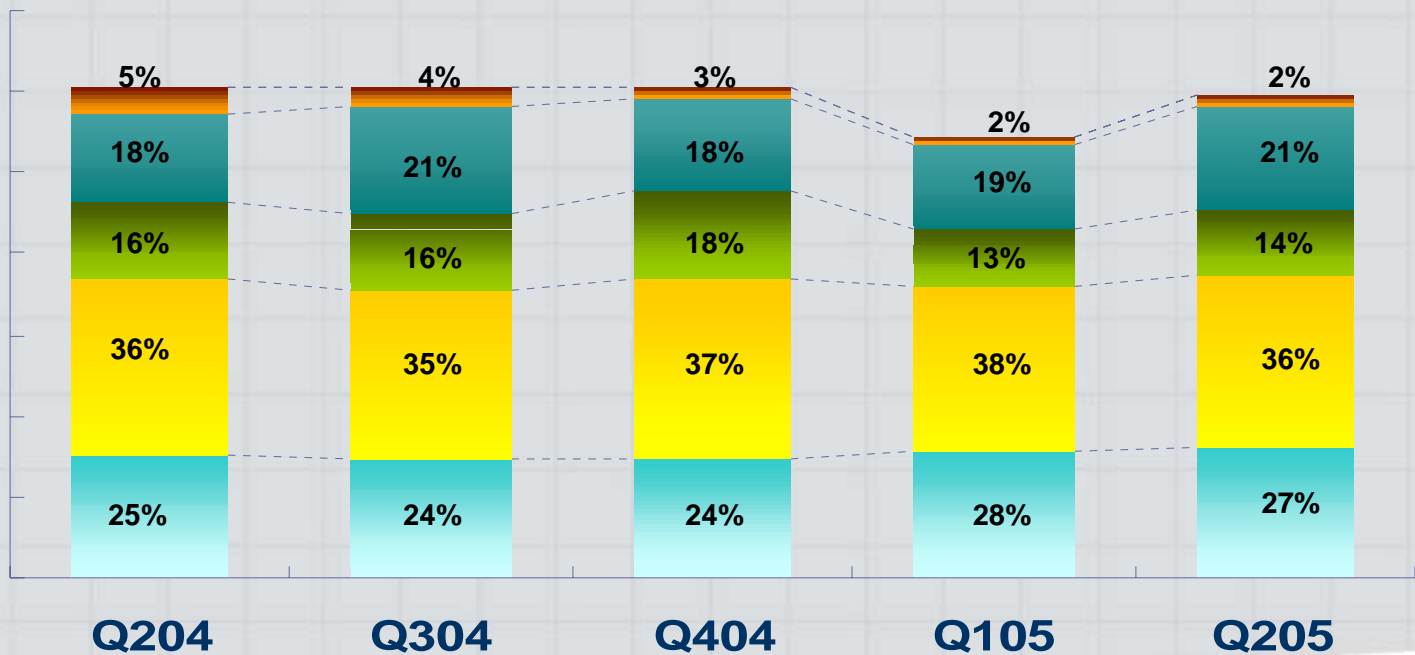
Alpha

North American

Europe

Emerging Market

China



## 06/30/2005 Consolidated Balance Sheet QoQ Comparison

Amount: NT\$ million	06/30/05		03/31/05		QoQ %
	Actual		Actual		Change
Cash	3,372	14%	1,775	7%	90%
S-T Investment	2,196	9%	3,680	14%	(40)%
Account Receivable	6,034	25%	6,468	25%	(7)%
Inventory	5,953	24%	5,454	21%	9%
Long-term Investments	2,148	9%	2,115	8%	2%
Fixed Assets (net)	2,270	9%	2,270	9%	-
Total Assets	24,467	100%	25,532	100%	(4)%
Accounts Payable	5,217	21%	4,945	19%	6%
Current Liabilities	11,372	46%	11,404	45%	-
Long-term Liabilities	14	-	21	-	(33)%
Common Stock	6,092	25%	5,487	21%	11%
Stockholders' Equity	12,842	52%	13,857	54%	(7)%

## 06/30/2005 Consolidated Balance Sheet YoY Comparison

Amount: NT\$ million	06/30/05		06/30/04		YoY % Change
	Actual		Actual		
Cash	3,372	14%	1,770	6%	91%
S-T Investment	2,196	9%	5,753	21%	(62)%
Account Receivable	6,034	25%	5,513	20%	9%
Inventory	5,953	24%	6,046	22%	(2)%
Long-term Investments	2,148	9%	2,464	9%	(13)%
Fixed Assets(net)	2,270	9%	2,885	10%	(21)%
Total Assets	24,467	100%	27,566	100%	(11)%
Accounts Payable	5,217	21%	4,524	16%	15%
Current Liabilities	11,372	46%	15,023	54%	(24)%
Long-term Liabilities	14	-	-	-	-
Common Stock	6,092	25%	5,606	20%	9%
Stockholders' Equity	12,842	52%	12,304	45%	4%

## Q2/05 Consolidated Cash Flow from Operation

### D-Link has NT\$5.57bln in Cash & S-T Investment

- Cash flow from operations of NT\$908mln in Q2/05
  - Net Profit in Q2/05: NT\$271mln
  - Depreciation & Amortization in Q2/05: NT\$160mln
- Cash flow from investing activities of NT\$1.115bln in Q2/05
  - Bond Funds in Q2/05: NT\$1.493bln

## Consolidated Key Financial Ratios– Liquidity/Leverage

Unit: % , days

	06/30/05	03/31/05	12/31/04	12/31/03
Days A/R	65*	65*	59*	61
Days Inventory	96*	89*	95*	93
Days A/P	80*	75*	86*	90
Cash Cycle	81	80	68	64
Current Ratio	1.63	1.70	1.60	1.46
Debt/Equity Ratio	1.06	1.12	1.22	1.34
Adjusted Debt/ Equity Ratio	0.55**	0.58**	0.64**	0.69**

\* Annualized

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

## Consolidated Key Financial Ratios – Profitability (%)

Unit: %	1H/05	2Q/05	1Q/05	FY2004	FY2003
Net Income/Sales	3.74	3.33	4.13	8.07	5.49
Net Income/Total Assets	2.55	1.11	1.38	10.05	5.78
Operating Profit/Sales	6.75	5.66	7.78	8.17	6.41
Return on Equity*	11	11	12	22	14
EPS (NT\$)**	1.05	0.46	0.59	4.82	2.75

\* Annualized

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

# Business Updates

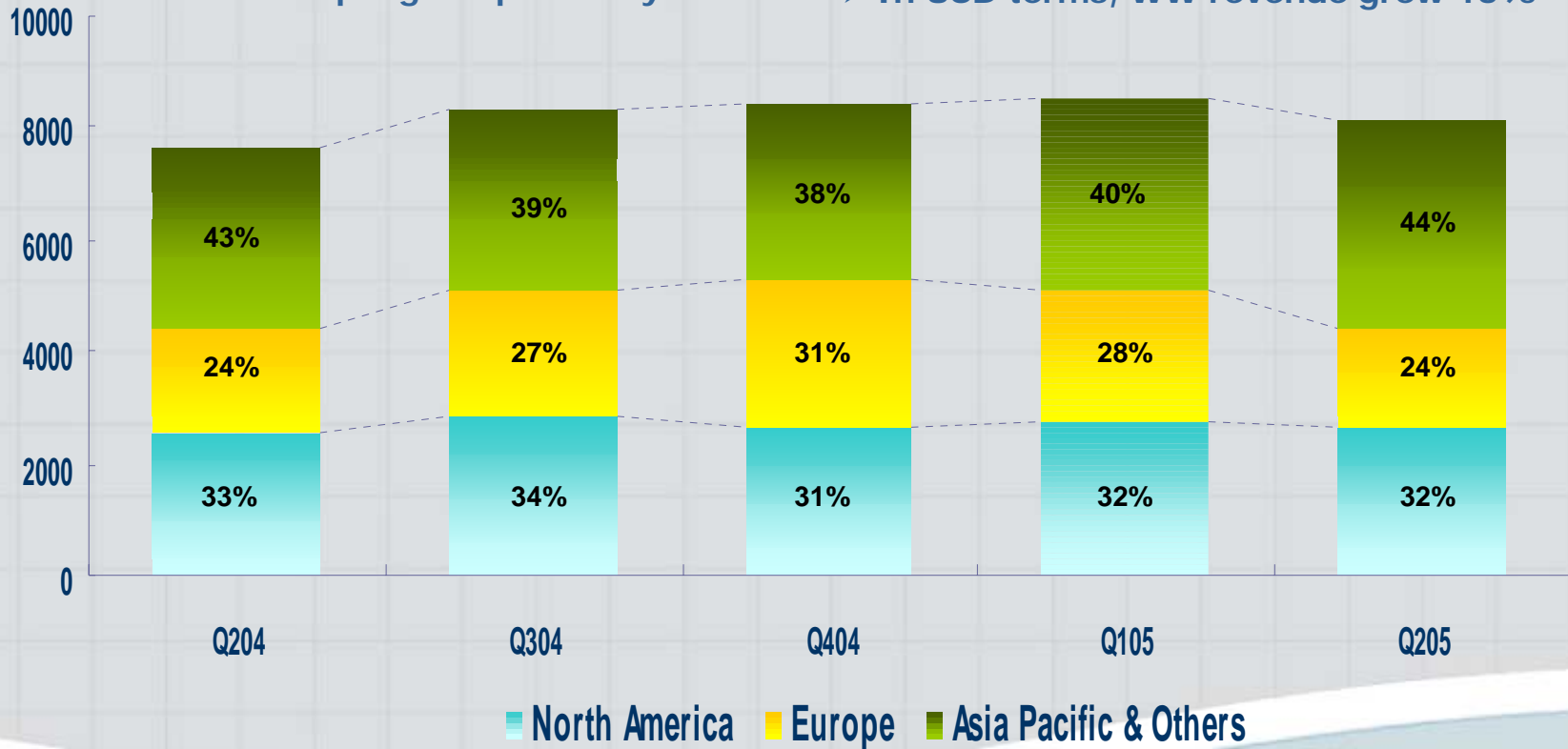
Presented by  
JC Liao, President

## Revenue by Regions Consolidated

05H1 revenue *yoy* comparison:

- N.A. inched up slightly 8%
- Europe grew positively 17%
- AsiaPac & Others increased 19%
- In USD terms, WW revenue grew 15%

NT\$ Million



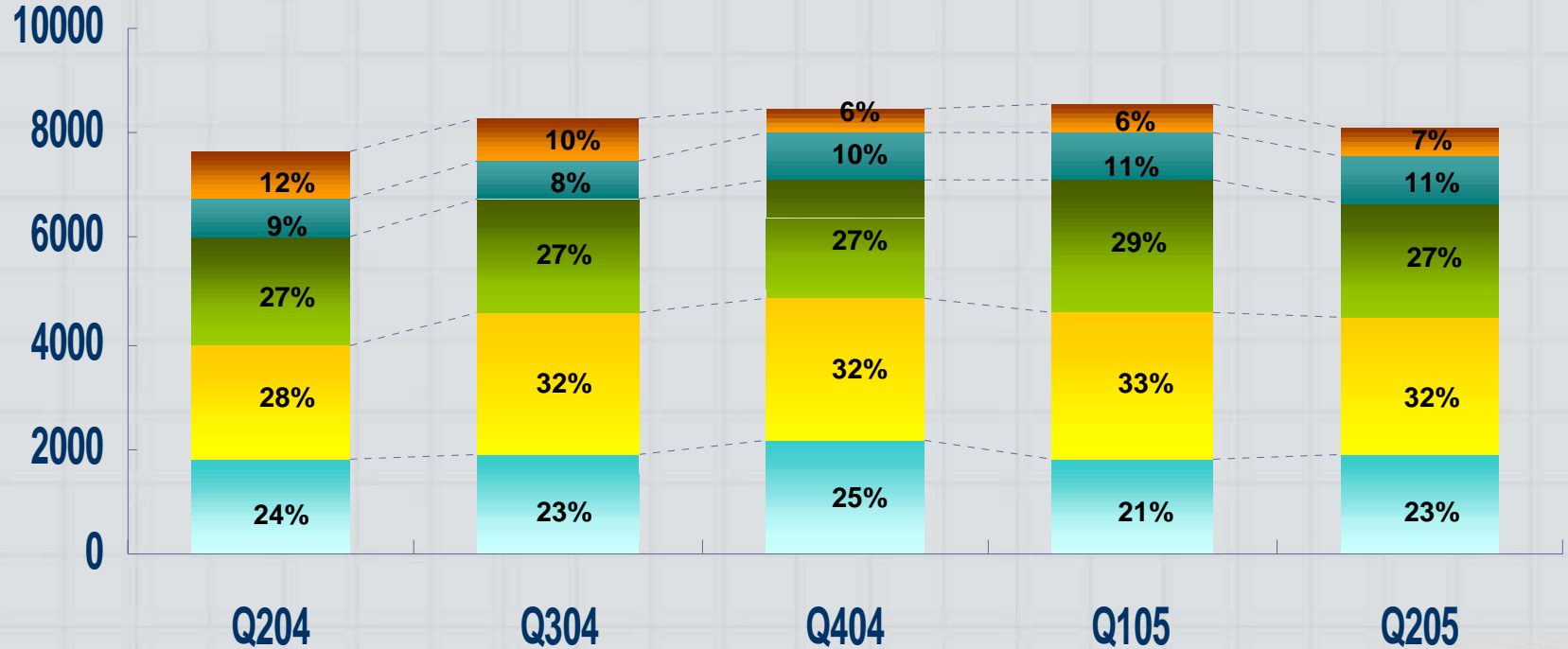


## Revenue by Products Consolidated

05H1 revenue yoy comparison:

- Switch sales levelled 3%
- WLAN grew 20%
- Broadband increased 29%
- Digital Home jumped 49%

NT\$ Million



Switch WLAN Broadband Digital Home NIC & Others

## Product Update

**D-Link released 31 new products in Q2.**

- **Two new higher-end DFL series firewall devices for SMB**
- **New AirPremier outdoor WLAN AP with PoE**
- **8-port wireless switch provides central management of business WLAN infrastructure**

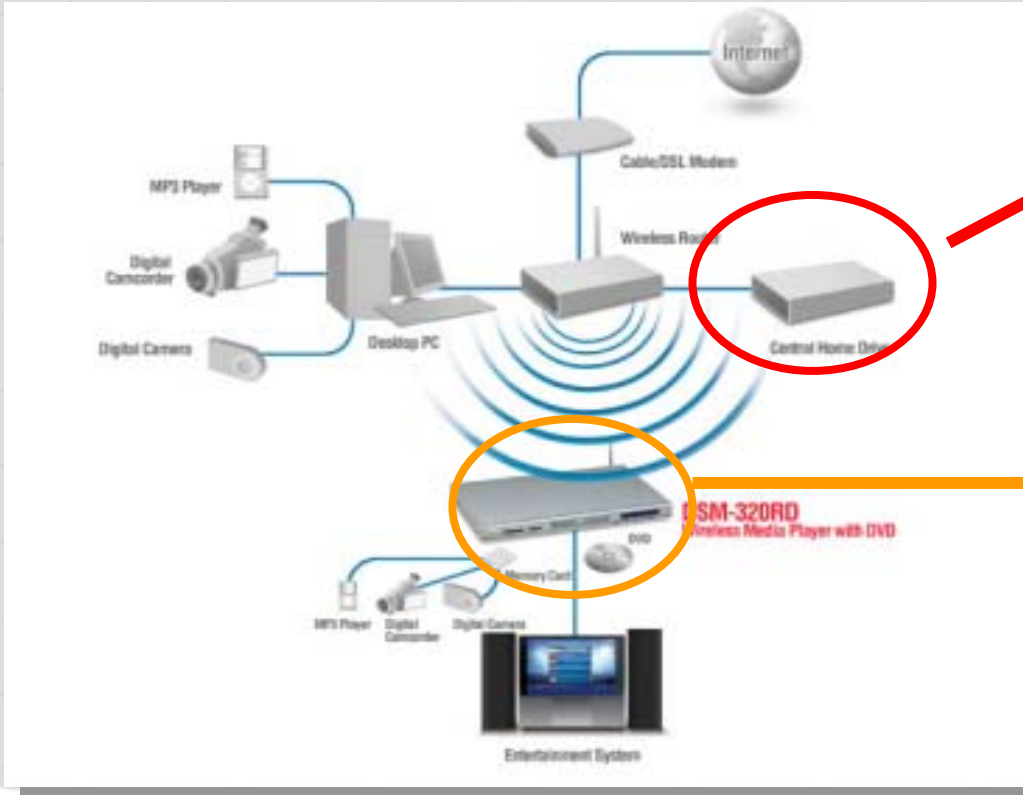


DWL-3200AP

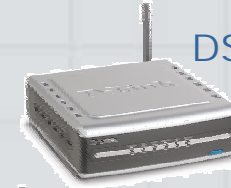


## Product Update Digital Home

**MEDIA LOUNGE™**  
Entertainment Network



DSM-624H 40G  
Central Home Drive



DSM-G600 80~200G  
Network Storage



DSM-910BT  
Stereo Adaptor



DSM-320RD DVD & Card  
Reader



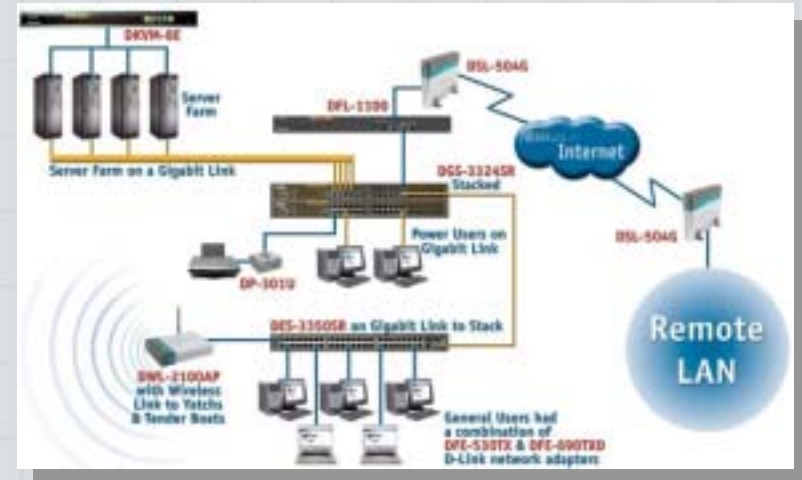
DSM-320 Media Adaptor

## Product Update Firewall Security



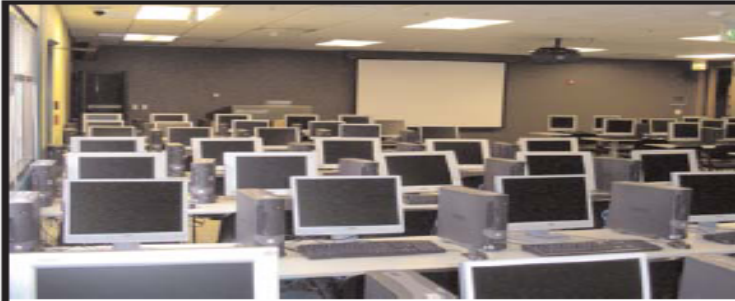
Team New Zealand is sailing in due course to challenge America's Cup 2007 with D-Link's firewalls and switches

Team New Zealand's Managing Director Grant Dalton said " With D-Link's technology installed and operating efficiently we are free to focus on the challenge."



## Product Update L3 Switch

### Microsoft®



One of the several D-Link powered training rooms available in the PAC that can now offer attendees and guests robust and flexible 10/100/1000 Mbps connections

Microsoft's Platform Adoption Center (PAC) is powered by D-Link xStack L3 switches to integrate newest technologies with ISV

Grant BlahaErath, PAC Architect. "We wanted to partner with a vendor that had a fresh approach to switching solutions with a comprehensive line of network products. That's why we selected D-Link."



## Guidance for Q3/05

Consolidated

- **Downsides**
  - European consumer confidence gloom
  - Faster decline of 10/100M devices
  
- **Upsides**
  - Many new project deliveries begins Sept
  - VOIP and Digital Home spread beyond USA
  - New product releases in 1H begin mass shipment
  
- **In USD terms**
  - 2H revenue has the potential to grow 10-15% over 1H
  - Whole year revenue growth and gross margin maintain at previous projection

# Q & A

*For complete financial and  
press releases, please visit  
<http://ir.dlink.com>*



**Thank You**

**Building Networks  
for People**

