



D-Link Announced FY 2002 and 1Q/03 Results

Taipei, Taiwan, April 29 2003

D-Link Corporation (“D-Link” or “the Company”) (TAIEX2332) announced its audited FY 2002 and reviewed 1Q/03 financial results. For FY2002, net sales reached NT\$ 16.2bln, representing a 9.5% sequential growth, after-tax income was NT\$ 868mln, and EPS was NT\$ 1.69. At the consolidate book, sales was NT\$20.2bln, up 17% from the previous year.

For 1Q/03, D-Link reported NT\$ 4,324mln in sales for the parent book and NT\$ 5,958mln for the consolidate book. Following the rocket sales in 4Q/02, the Company reported only 3% decline in sales at the parent level, and 5% growth at the consolidate level in this relatively soft Q1. Through the change in product mix and continued cost-down engineering, D-Link improved its gross margin from 17% in FY2002 to 21.3% in 1Q/03 and operating margin from 6% to 10%. At the non-operating level, the Company reported NT\$ 72mln loss from its long-term investment, and NT\$ 77mln FX gain by adopting

effective hedging strategy. Pretax It reported NT\$ 443mln of profit. Since the tax policy for D-Link this year is 10% of pretax profit, the Company had NT\$ 399mln at the bottom-line, 63% up sequentially and 2.3% up from 1Q/02.

By product category, wireless LAN ranked #1, accounting for 29% for 1Q/03 revenue. Switch represented 27%, and Broadband CPE accounted for 18%. Switch was up 2% QoQ, and wireless LAN products marked the most aggressive YoY growth of 240%, thanks to the fast adoption of 802.11b+ products worldwide, and the launch of draft 802.11g.

By geographic regions, North America was 34% in 1Q, followed by Asia 30% and Europe 27%. Sales to Canada, in particular, grew 24% sequentially, mainly came from the contribution of broadband CPE devices and wireless LAN. Shipment to Europe demonstrated strongest YoY growth, or 57%, contributed by wireless LAN and



switches. Sales to China both grew 53% YoY or 14% QoQ.

In 1Q/03, the Hsinchu factory has passed the TL 9000 certification, which better ensures the quality of production, especially for high-end switches and broadband CPE devices. With superior quality control, D-Link could not only benefit from the outsourcing trend, but also retain the highest level of customer satisfactions.

D-Link's balance sheet remained sound as of 3/31/2003. Cash cycles stayed flat at both parent and consolidate books. Debt level decreased considerably especially at the consolidate level. Adjusted debt-to-equity ratio, which is net of cash and short-term investment, improved from 68% at the end of 4Q/02, to 42% in 1Q/03. Days inventory was 29 days on D-Link's parent book, or 69 days on consolidated book.

Going forward, the Management expects 2Q/03 to be flat sequentially in terms of sales, or around 20% growth YoY. Although it would be a relatively soft quarter for brand business, it has confirmed by the

OEM/ODM clients that outsource activities have revived.

Geographically, Japan should be able to achieve double-digit growth both QoQ and YoY. China may continue to grow sequentially, but subject to the degree of SARS control. Both Europe and US should be slightly down for the quarter. Product wise, broadband CPE and switches will continue to lead the way this quarter, with more contribution from OEM/ODM clients.

The Company is tracking smoothly for the carve-out of the OEM/ODM business unit, Alpha Networks Inc. Most issues are pending the coming up AGM's approval on May 8th, and the tentative carve-out date is September 1st. Alpha Networks plans to file for IPO by the end of 2003, and is expected to go public on June 30th, 2004.

The initial scale of the company is to have approximately NT\$ 2.4bln in total assets (around 75% are fixed assets), and to issue 200 million of share with a book value of NT\$12. D-Link will dilute Alpha Networks' holdings to less than 70% prior to IPO. The management of Alpha Networks will be from existing D-Link



teams, and there won't be any new hires. The total employees are approximately 1,700 people, including R&D, manufacturing, testing labs and back offices. The key IP, which was developed in the past years by D-Link and worth approximately NT\$1bln, will be shared between D-Link and Alpha Networks through cross licensing. We are very confident that Alpha Networks can achieve 50% growth in 2003 on top line, i.e. from NT\$ 8bln in 2002 to NT\$ 12bln in 2003, and report a net margin of approximately 4% at the end of 2003.

Mr. A.P. Chen
Chief Financial Officer &
Spokesperson
Tel: 886-3-5636666 Ext. 5003

For further information, please contact

Email: ir@dlink.com.tw

Ms. Yvonne Yan
Senior Director of Investor Relations
Tel: 886-2-2916-1600 Ext. 2200

Ms. Janet Lai
Manager of Investor Relations
Tel: 886-2-2916-1600 Ext. 2507

Ms. Tracy Wang
Investor Relations
Tel: 886-2-2916-1600 Ext. 2506

or visit the website at
<http://www.dlink.com.tw/ir>