



News Release

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Taipei, Taiwan, February 18, 2005, D-Link Corporation ("D-Link" or "the Company") (TAIEX 2332) announced its FY 2004 pro forma consolidated financials: revenue was NT\$ 32.24bln, up 29% from FY2003, gross profit was NT\$ 10.72bln, up 37% from the previous year, consolidated income was NT\$ 2.59bln, and EPS was NT\$ 4.80, up 74% from last year.

For the 4th quarter of 2004, D-Link reported NT\$ 8.48bln in sales, which was up by 2% from the 3rd quarter sales of 8.28bln. Compared to the 4th quarter of 2003, the company was able to report 21% year-on-year growth. Thanks to the strong sales in Europe and Asia Pacific, which both grew more than 10% QoQ, D-Link was able to achieve its record high sales during the 4th quarter of 2004.

Due to more Digital Home and Switch products shipped and lower OEM/ODM prices in Q4, consolidated gross margin was up from 31.9% in Q3 to 34.1% in Q4. Operating margin was 8.3% in 4th quarter, where total operating expense was 25.8% of the quarter sales, at par with 3rd quarter's 25.7%.

D-Link realized NT\$ 167mln capital gain in Q4 due to Alpha's IPO in December, but suffered NT\$ 156mln FX loss owing to \$/NT\$ volatility. The higher inventory loss of NT\$ 125mln in 4th quarter was primarily because Alpha scrapped inventory of NT\$ 59mln and D-Link China was closing down its Wu-Jiang factory of NT\$ 35mln. Therefore, non-operating loss in this quarter was NT\$ 25mln.

The profit before tax was NT\$ 682mln. By applying an effective tax rate of 14% of pretax profit, and adjusting for Alpha's minority interests of NT\$ 34mln, the company reported net income of NT\$ 554mln in 4th quarter, or EPS of NT\$ 1.03. FY2004 effective tax rate was around 12%, and the management assumes tax policy for FY2005 will be approximately above 20% of pretax earnings due to gradual consumption of previous tax credits.

To conclude the year 2004 in a nutshell, D-Link saw its global sales grow by 29% to NT\$ 32.24bln and its gross profit grow by 37%, operating profit grow by 61%, and net income

up by 103%, EPS up by 88%. Even if stripped off the huge capital gain from Alpha's shares sales, D-Link would have still grown its pretax profit by 47% and net income by 37%,

D-Link's balance sheet remained sound in FY2004. The year-end inventory and A/R Days maintained the similar level as end of September. Cash Cycle was 67 days, a little improved from end of September.

To breakdown FY2004 revenue by regions, D-Link remained a truly global player with 33%, 27%, and 40% of consolidated sales from North America, Europe, and APAC & others respectively. N.A.'s sales grew approximately 25% YoY, Europe's sales rose around 34% YoY, and Emerging Market's revenue was significantly up over 80% YoY.

According to Synergy Group Q4 research, D-Link continued to be the No.1 global SMB/SOHO connectivity player, commanding the lion's share in global market and exceeding both Linksys and Netgear. D-Link further cemented its strong position in SME/SOHO Switches, and continued to dominate global WLAN and Broadband markets.

By product categories, WLAN ranked No.1, accounting for 31% of FY2004 consolidated revenue, followed by Broadband 27% and Switch 24%. In \$ terms, WLAN grew 38% on year-on-year basis, Broadband grew over 50%, and Switch grew in-line-with the company average rate at around 29%.

Looking forward, D-Link strived to gain WLAN market shares, further penetrate business channels, and aggressively launch Digital Home & Gaming products in North America. In Europe, D-Link aims at maintaining leading positions with humongous growth from East Europe and key growth drivers from Switch & Security. As for APAC & other areas, which continues to deliver the strongest thrust, Latin America, Russia, and Mid-East will grow more than 100%.

In terms of product trend, on the Switching side, Gigabit will take off and L3 will outgrow L2. More powerful chipsets will create new opportunities. Cost differentials between Gigabit and Fast Ethernet will be shrinking. In the WLAN sector, WiFi consumer market will be poised for explosive growth. WiFi triple play will emerge. 11g & dual will overrule 11b, and MiniPCI will replace PC cards. In the Broadband segment, massive penetration rate will occur worldwide, but as it becomes commoditized, sales price will face more pricing pressure. The technology will shift from ADSL to VDSL & FTTH, and Triple Play & IAD.