



**D-Link**

# **Investor Conference**

**October 29, 2003**



## **Safe Harbor Statement**

**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.**

# **D-Link<sup>®</sup>** YTSept. Income Statement

Amount: NT\$ million	YTSept. Actual	As % of Sales
Net Sales	13,689	100%
Cost of Goods Sold	10,866	79%
Gross Profit	<u>2,823</u>	<u>21%</u>
Operating Profit	<u>1,593</u>	<u>12%</u>
Operating Income	1,230	9%
Total Non-Op. Inc. (Loss)	(149)	(1)%
Investment Income (Loss)	53	-
Income Before Tax	<u>1,081</u>	<u>8%</u>
Income Tax Credit (Expense)	<u>(74)</u>	<u>(1)%</u>
Net Income	<u><u>1,007</u></u>	<u><u>7%</u></u>
Earnings Per Share (NT\$)	2.01	



## YtSept. YoY Income Statement Comparison

Amount: NT\$ million	YtSept. 2003		YtSept. 2002		YoY % Change
Net Sales	13,689	100%	11,739	100%	17%
Cost of Goods Sold	10,866	79%	9,691	83%	12%
Gross Profit	2,823	21%	2,048	17%	38%
Operating Expenses	1,593	12%	1,263	11%	26%
Operating Income	1,230	9%	785	7%	57%
Total Non-Op. Inc. (Loss)	(149)	(1)%	(90)	(1)%	66%
Investment Income (Loss)	53	-	(140)	(1)%	(138)%
Income Before Tax	1,081	8%	695	6%	56%
Income Tax Credit (Expense)	(74)	(1)%	(72)	-	(3)%
Net Income	1,007	7%	623	5%	62%
Earnings Per Share (NT\$)	2.01		1.21		



## 3Q/03 YoY Income Statement Comparison

Amount: NT\$ million	3Q/03		3Q/02		YoY %
	Actual		Actual		Change
Net Sales	4,912	100%	4,157	100%	18%
Cost of Goods Sold	3,593	80%	3,470	83%	14%
Gross Profit	959	20%	687	17%	40%
Operating Expenses	535	11%	423	10%	26%
Operating Income	424	9%	264	6%	61%
Total Non-Op. Inc. (Loss)	(76)	(2)%	(172)	(4)%	(56)%
Investment Income (Loss)	185	4%	(117)	(3)%	(258)%
Income Before Tax	348	7%	92	2%	278%
Income Tax Credit (Expense)	(50)	(1)%	(24)	-	108%
Net Income	298	6%	68	2%	338%
Earnings Per Share (NT\$)	0.60		0.13		



## 3Q/03 QoQ Income Statement Comparison

Amount: NT\$ million	3Q/03		2Q/03		QoQ %
	Actual		Actual		Change
Net Sales	4,912	100%	4,454	100%	10%
Cost of Goods Sold	3,949	80%	3,513	79%	13%
Gross Profit	959	20%	941	21%	2%
Operating Expenses	535	11%	579	13%	(8)%
Operating Income	424	9%	362	8%	17%
Total Non-Op. Inc. (Loss)	(76)	(2)%	(71)	(2)%	7%
Investment Income (Loss)	185	4%	(129)	(3)%	(243)%
Income Before Tax	348	7%	291	7%	20%
Income Tax Credit (Expense)	(50)	(1)%	19	-	(363)%
Net Income	298	6%	310	6%	(4)%
Earnings Per Share (NT\$)	0.60		0.62		



## Long-term Investment Income (loss) Breakdown

Amount: NT\$ million

	<u>3Q/03</u>	<u>2Q/03</u>	<u>1Q/03</u>	<u>2002</u>
Long-term Investment Income				
OBU	(29.5)	(75.5)	(98.7)	(414.2)
Sub./Aff.	<u>215.3</u>	<u>(0.2)</u>	<u>41.3</u>	<u>226.4</u>
Subtotal	185.8	(75.7)	(57.4)	(187.8)



# Non-Operating Income/Loss Breakdown

Amount: NT\$ million	3Q/03	2Q/03	1Q/03	FY2002
Long-term Investment Income (Loss)	185.8	(75.8)	(57.4)	(187.8)
Foreign Exchanges Gain (Loss)	(162.4)	88.4	77.3	187.5
Inventory Obso. and Devaluation	(81.0)	(74.7)	(29.0)	116.0
Other Non-Op. Income (Loss)	<u>(18.7)</u>	<u>(9.1)</u>	<u>7.8</u>	<u>(146.0)</u>
Total Non-Op.	(76.3)	(71.2)	(1.3)	(30.3)



# D-Link<sup>®</sup> PBT Excluding Non-recurring Items

Amount: NT\$ million	3Q/03	2Q/03	1Q/03
Profit Before Tax	347	291	443
Adjustment for FX Gain/Loss	162	(88)	(77)
Subtotal	509	203	366
Adjustment for Disposal Gain	<u>(188)</u>	<u>(19)</u>	<u>(26)</u>
<b>Profit Before Tax and Non-recurring Items</b>	<b>321</b>	<b>184</b>	<b>340</b>

# D-Link<sup>®</sup> 09/30/03 Balance Sheet and Cash Flow YoY Comparison

Amount: NT\$ million	09/30/03		09/30/02		YoY %
	Actual		Actual		Change
Cash	1,376	7%	1,412	8%	(3)%
S-T Investment	3,007	15%	4,679	26%	(36)%
Account Receivable	4,923	25%	4,248	24%	16%
Inventory	1,471	7%	816	5%	80%
Long-term Investments	7,050	36%	4,192	23%	68%
Total Assets	19,796	100%	17,914	100%	11%
Accounts Payable	2,881	15%	2,288	13%	26%
Current Liabilities	9,182	46%	4,657	26%	97%
Long-term Liabilities	800	4%	2,992	17%	(73)%
Common Stock	4,999	25%	5,163	29%	(3)%
Stockholder's Equity	9,752	49%	9,901	55%	(2)%
Depreciation	180		136		
Capital Expenditure	114		180		

# D-Link<sup>®</sup> 09/30/03 Balance Sheet and Cash Flow QoQ Comparison

Amount: NT\$ million	09/30/03		06/30/03		QoQ %
	Actual		Actual		Change
Cash	1,376	7%	1,929	10%	(29)%
S-T Investment	3,007	15%	3,454	19%	(13)%
Accounts Receivable	4,923	25%	4,375	24%	13%
Inventory	1,471	7%	1,292	7%	14%
Long-term Investments	7,050	36%	4,081	22%	73%
Total Assets	19,796	100%	18,465	100%	7%
Account Payable	2,881	15%	3,189	17%	(10)%
Current Liabilities	9,182	46%	6,836	37%	34%
Long-term Liabilities	800	4%	1,978	11%	(60)%
Common Stock	4,999	25%	4,999	27%	-
Stockholder's Equity	9,752	49%	9,477	51%	3%
Depreciation	180		146		
Capital Expenditure	114		74		



## Key Financial Ratios – Liquidity/Leverage

Unit: %, days	09/30/03	06/30/03	03/31/03	FY2002	FY2001
Days A/R	94 <sup>*</sup>	84 <sup>*</sup>	96 <sup>*</sup>	97	91
Days Inventory	32 <sup>*</sup>	31 <sup>*</sup>	29 <sup>*</sup>	32	45
Days A/P	70 <sup>*</sup>	77 <sup>*</sup>	63 <sup>*</sup>	71	67
Cash Cycle	56	39	62	58	69
Current Ratio	1.31	1.79	2.73	2.64	2.92
Debt/Equity Ratio	1.03	0.95	0.67	0.72	0.75
Adjusted Debt/Equity Ratio	0.58 <sup>**</sup>	0.38 <sup>**</sup>	0.25 <sup>**</sup>	0.28 <sup>*</sup>	0.49 <sup>**</sup>

\*Annualized

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



## Key Financial Ratios – Profitability (%)

Unit: %	09/30/03	06/30/03	03/31/03	FY2002	FY2001
Net Income/Sales	7.36	8.10	9.23	5.35	6.44
Net Income/Total Assets	6.78*	7.67*	9.63*	5.24	5.90
Operating Profit/Sales	8.99	9.20	10.29	6.13	6.18
Return on Equity	14*	15*	16*	9	10
EPS (NT\$)	2.01	1.42	0.81	1.69	2.15



# YTSept. YoY Consolidated Income Statement Comparison

Amount: NT\$ million	YTSept. 2003		YTSept. 2002		YoY % Change
Net Sales	18,945	100%	15,706	100%	21%
Cost of Goods Sold	13,251	70%	11,454	73%	16%
Gross Profit	5,694	30%	4,252	27%	34%
Operating Expenses	4,583	24%	3,907	25%	17%
Operating Income	1,111	6%	345	2%	222%
Total Non-Op. Inc. (Loss)	36	-	361	2%	(90)%
Investment Income (Loss)	127	1%	318	2%	(60)%
Income Before Tax	1,147	6%	706	4%	62%
Income Tax Credit (Expense)	(135)	(1)%	(87)	(1)%	55%
Net Income	1,012	5%	619	4%	63%
Minority	(5)	-	4	-	-
Consolidate Income	1,007	5%	623	4%	62%
Earnings Per Share (NT\$)	2.01		1.21		



## 3Q/03 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	3Q/03 Actual		3Q/02 Actual		YoY % Change
Net Sales	7,055	100%	5,684	100%	24%
Cost of Goods Sold	4,922	70%	4,220	74%	17%
Gross Profit	2,133	30%	1,464	26%	46%
Operating Expenses	1,743	25%	1,401	25%	24%
Operating Income	399	5%	63	1%	533%
Total Non-Op. Inc. (Loss)	(16)	-	32	1%	(150)%
Investment Income (Loss)	84	1%	82	1%	2%
Income Before Tax	383	5%	95	2%	303%
Income Tax Credit (Expense)	(79)	(1)%	(25)	-	216%
Net Income	304	4%	70	1%	334%
Minority	(6)	-	(2)	-	-
Consolidate Income	298	4%	68	1%	338%
Earnings Per Share (NT\$)	0.60		0.13		



## 3Q/03 QoQ Consolidated Income Statement Comparison

Amount: NT\$ million	3Q/03 Actual		2Q/03 Actual		QoQ % Change
Net Sales	7,055	100%	5,932	100%	19%
Cost of Goods Sold	4,922	70%	4,153	70%	19%
Gross Profit	2,133	30%	1,779	30%	20%
Operating Expenses	1,734	25%	1,443	24%	20%
Operating Income	399	5%	336	6%	19%
Total Non-Op. Inc. (Loss)	(16)	-	(38)	(1)%	(58)%
Investment Income (Loss)	84	1%	25	-	236%
Income Before Tax	383	5%	298	5%	29%
Income Tax Credit (Expense)	(79)	(1)%	10	-	(890)%
Net Income	304	4%	308	5%	(1)%
Minority	6		2		
Consolidate Income	298	4%	310	5%	(4)%
Earnings Per Share (NT\$)	0.60		0.62		





## 09/30/2003 Consolidated Balance Sheet YoY Comparison

Amount: NT\$ million	09/30/03		09/30/02		YoY %
	Actual		Actual		Change
Cash	2,458	10%	2,003	10%	23%
S-T Investment	4,273	18%	4,802	23%	(11)%
Account Receivable	5,549	23%	4,757	23%	17%
Inventory	3,954	16%	2,478	12%	60%
Long-term Investments	2,454	10%	2,868	14%	(14)%
Total Assets	23,987	100%	21,004	100%	14%
Accounts Payable	4,776	20%	3,580	17%	33%
Current Liabilities	12,911	54%	7,460	36%	73%
Long-term Liabilities	801	3%	2,992	14%	(73)%
Common Stock	4,999	21%	5,163	25%	(3)%
Stockholders' Equity	9,752	41%	9,901	47%	(2)%



## 09/30/2003 Consolidated Balance Sheet QoQ Comparison

Amount: NT\$ million	09/30/03		06/30/03		QoQ %
	Actual		Actual		Change
Cash	2,458	10%	2,723	12%	(10)%
S-T Investment	4,273	18%	3,797	16%	13%
Account Receivable	5,549	23%	5,206	22%	7%
Inventory	3,954	16%	3,992	17%	(1)%
Long-term Investments	2,454	10%	2,404	10%	2%
Total Assets	23,987	100%	23,143	100%	4%
Accounts Payable	4,776	20%	4,114	18%	16%
Current Liabilities	12,991	54%	11,267	49%	15%
Long-term Liabilities	801	3%	1,978	9%	(60)%
Common Stock	4,999	21%	4,999	22%	-
Stockholders' Equity	9,752	41%	9,477	41%	3%



## Consolidated Key Financial Ratios— Liquidity/Leverage

Unit: % , days	09/30/03	06/30/03	03/31/03	FY2002	FY2001
Days A/R	67*	64*	67*	61	63
Days Inventory	79*	77*	69*	82	88
Days A/P	81*	73*	46*	71	69
Cash Cycle	65	69	90	71	82
Current Ratio	1.42	1.57	2.25	2.66	2.30
Debt/Equity Ratio	1.46	1.44	0.97	1.24	0.90
Adjusted Debt/Equity Ratio	0.77**	0.75**	0.42**	0.68**	0.56**

\*Annualized

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



## Consolidated Key Financial Ratios – Profitability (%)

Unit: %	09/30/03	06/30/03	03/31/03	FY2002	FY2001
Net Income/Sales	5.32	5.55	6.70	4.30	5.42
Net Income/Total Assets	5.60*	6.13*	8.18*	4.61	5.41
Operating Profit/Sales	5.86	5.59	6.31	3.21	2.94
Return on Equity	14*	15*	16*	9	10
EPS (NT\$)	2.01	1.42	0.81	1.69	2.15

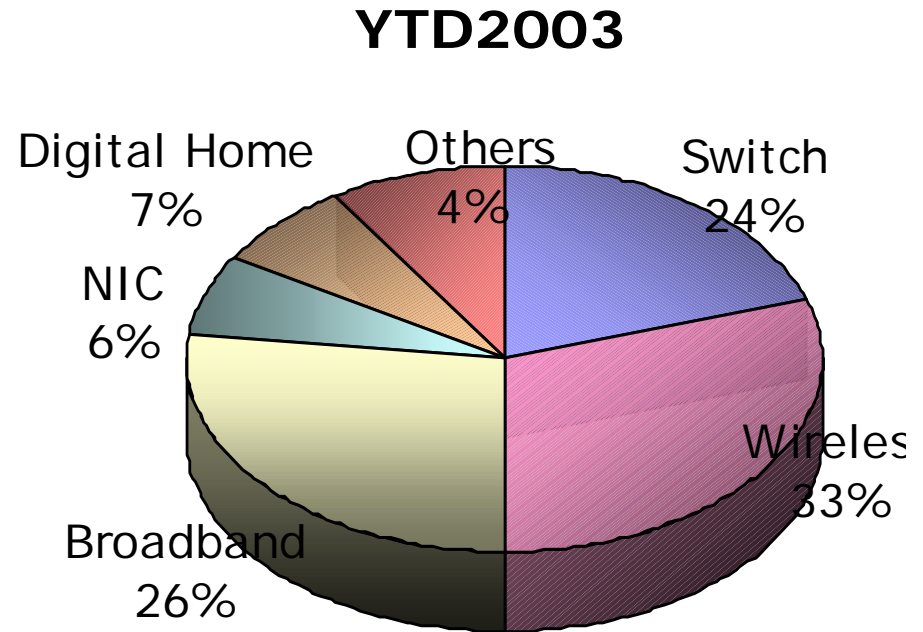
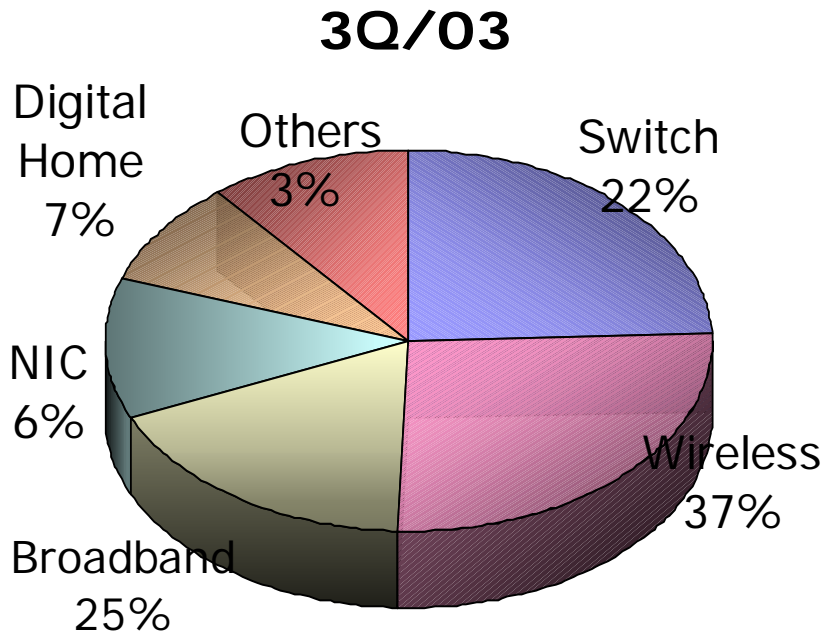
\*Annualized



# 3Q At a Glance

## Revenue by Products

➤ GigE switch grew 117% QoQ, and 468% YoY, 25% of Q3 switching sales were GigE, 25% were L3, 55% were managed.



- WLAN grew 31% QoQ or 91% YoY
- Broadband took a rest after aggressive deployment in 2Q.

Notes: Taiwan sales included components + OEM, IPO sales.

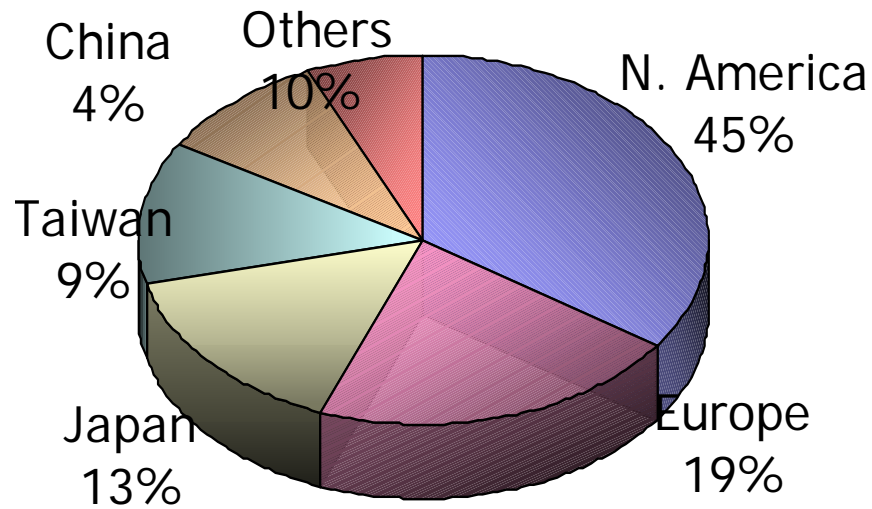


# 3Q At a Glance

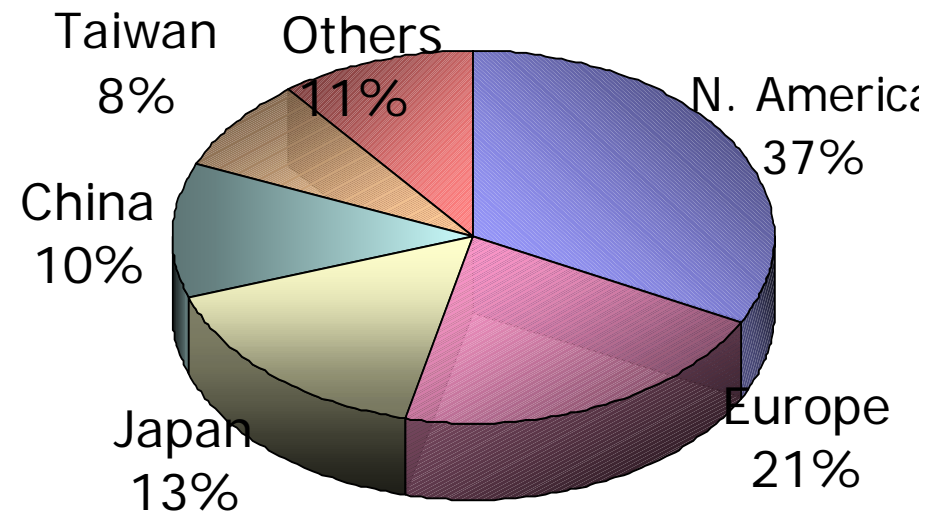
## Revenue by Regions

- NA grew 54% QoQ
- Europe up 27% YoY

### 3Q/03



### YTD2003



Notes: All values indicated are based on Taiwan book.

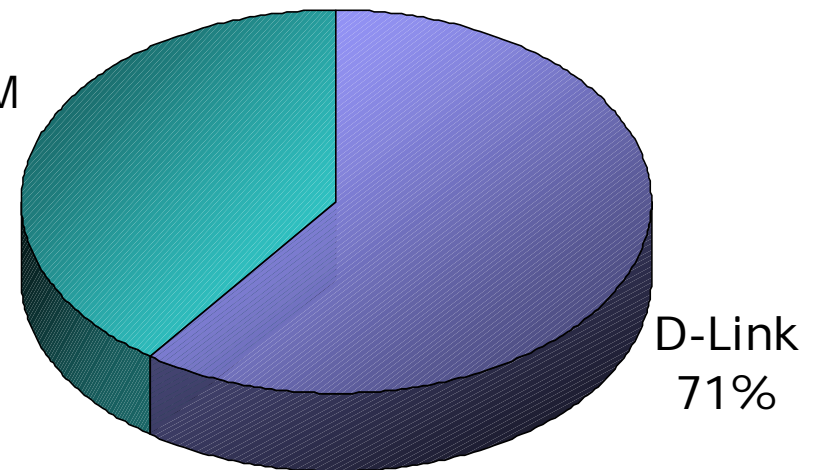
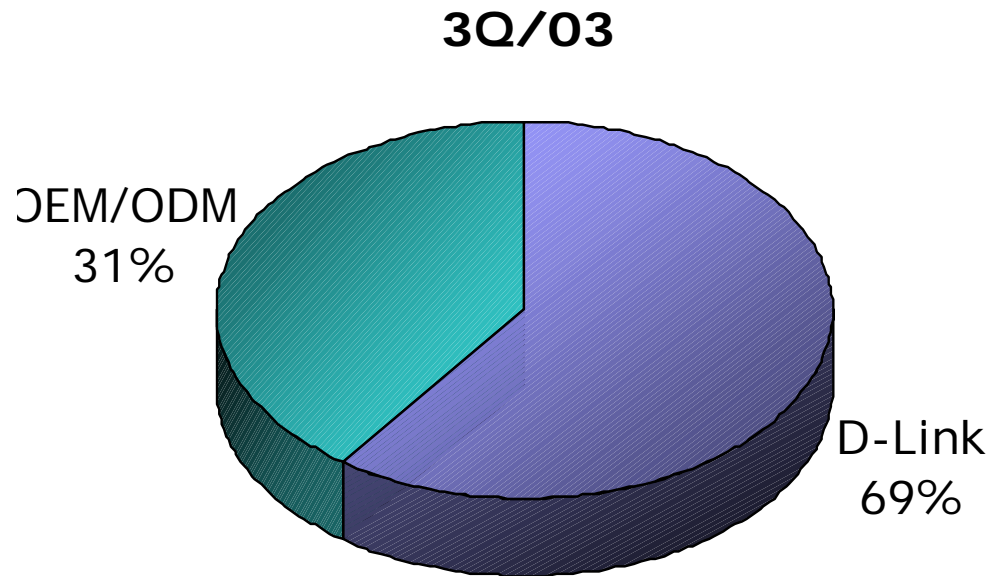


# 3Q At a Glance

## "D-Link" vs. OEM/ODM

- ▶ ODM/OEM grew 65% YoY, thanks to the shipment of GigE and L3 switches.

YTD2003



- ▶ D-Link brand sales grew 11% QoQ, due to strong WLAN shipments.



# Awards

- D-Link was awarded first place for Best Partnership from the *VAR Business Annual Report Card (ARC) Awards* dated Sept. 2, 2003.
- i2eye videophone won *2003 Products of the Year* from Electronic House, and *AeA 2003 Most Innovative Product/Technology Award*.







# Recap of Recent Events

- Established strategic partnerships with Atheros.
- Delivered industry's first UPnP-enabled home storage drive (DSM-602H), basing on Intel XScale technology.
- Launched WLAN 802.11g, g+, and dynamic mode with speeds range from 54 Mbps to 108Mbps, serving different markets.
- Launched 26 Mbps ADSL2+ products to Japanese ODM clients.



Intel® XScale™ Technology



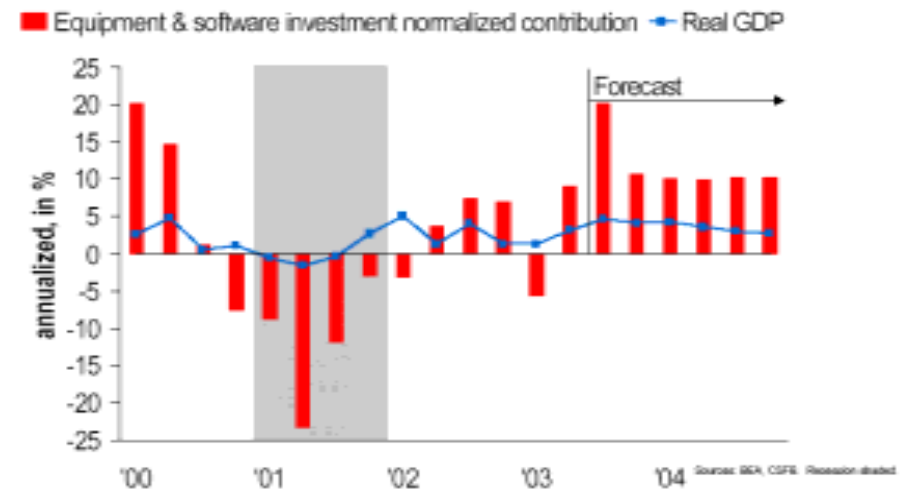
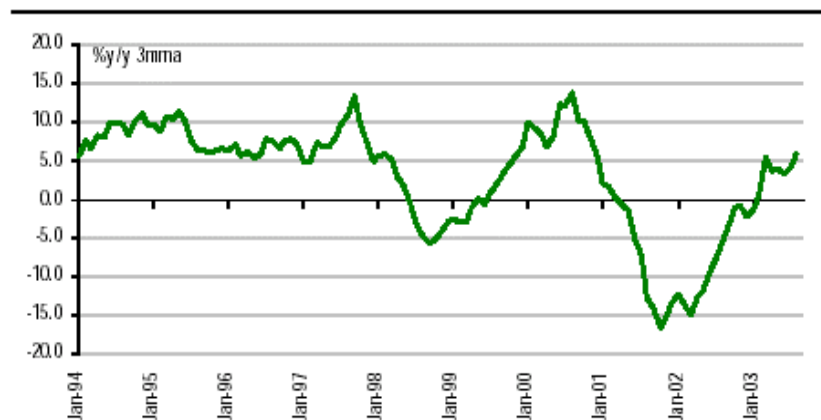


# Global Demand Revives

Backlog orders increase, driven by global economy recovery.

- G3 Capital goods order continued to improve.
- Equipment & software spending has increased since 2002.

G3 capital goods orders





## Worldwide Strategy

- ***US*** continue shares gain, alliance and partnerships.
- ***Europe*** maintain #1 in WLAN, and enhance LAN switch position.
- ***China*** infrastructure change in product, channel and organization.
- ***International*** ride on strong recovery and maintain #1 position.

- Revenue should grow 10% sequentially; 2003E revenue up 15% YoY.
- Gross margin would remain the same as 3Q on a global consolidated level.
- Overseas sales and profitability continue to improve.
- WLAN will be the main driver for Brand sales, and Switch for ODM.