

Spokesperson:

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Chief Finance Officer

D-Link Reports Q3 05 Pro Forma Consolidated Financials

- Third quarter 2005 net revenue was NT\$ 9.846bln, up 21.3% quarter-over-quarter.
- Third quarter 2005 gross margin dropped to 30.8% from 31.6% in 2Q/05.
- Third quarter 2005 operating margin was 8.1%, as compared to 5.4% in 2Q/05.
- Third quarter 2005 pre-tax profit was NT\$ 1,119mln or NT\$ 1.87 per share, as compared to NT\$ 446mln or NT\$ 0.75 per share in 2Q/05.
- Third quarter 2005 tax rate was at par with 24.7% of pre-tax profit in 2Q/05.
- Third quarter 2005 net income was NT\$ 680mln, as compared to NT\$ 248mln in 2Q/05
- Third quarter 2005 diluted EPS was NT\$ 1.14, compared to NT\$ 0.42 in 2Q/05

Taipei, Taiwan, October 31, 2005 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its pro forma consolidated financial results for the third quarter of 2005.

For Y-T-3Q of 2005, pro forma net revenue totaled NT\$ 26.521bln, a 12% increase over the comparable period of year 2004 net revenue of NT\$ 23.756bln. Gross margin was 31.2%, as compared to 32.9% for the same period of 2004. Operating margin was 7.2%, as compared to 7.9% in the comparable period of 2004. Net margin was 6.0%, as compared to 9.3% for the same period of 2004, due primarily to higher effective tax rate and the absence of one-time huge disposal gain from Alpha shares in 1Q/04.

For the third quarter of 2005, net revenue was NT\$ 9.846bln, up by 21.3% from the previous quarter, or up by 18.7% compared to 3Q/04. D-Link marked another record high quarterly sales due primarily to strong sales in all fronts such as North America, Europe, Asia Pacific and emerging markets. Particularly Europe and Asia Pacific have grown above 21% QoQ respectively due to strong demands of WLAN, Broadband and Switch products. D-Link not only met the bottom-out commitment, but also delivered a remarkable quarterly results.

Due to price erosion on more sales of Broadband products, gross margin slightly dropped to

30.8% in 3Q/05 from 31.6% in 2Q/05, or down from 31.9% in the year ago comparable quarter. This was in line with our projection early this year that the price of Broadband would face continued pressure amid lack of new application and technology in the segment. Operating margin was up to 8.1% in the third quarter of 2005, as compared to 5.4% in the previous quarter and 6.2% in the year ago comparable quarter, thank to the decrease of operating expenses of 22.7% of net revenue, as compared to 26.2% in the prior quarter and 25.7% in the year-ago figure. This was primarily attributable to the decrease of selling expense by 3.2% in 3Q/05, as compared to the previous quarter. The trimming of selling expense was resulted from less marketing expense in the summer.

On the non-op side, D-Link realized NT\$ 57mln capital gain in Q3 through disposal of Cameo and Draytek's shares, and earned NT\$ 184mln FX profit (including NT\$ 70mln unrealized profit) but accrued NT\$ 60mln inventory loss. The FX gain was primarily resulted from NT\$ depreciation against US\$. The inventory loss was caused by D-Link inventory provision of NT\$ 33mln plus Alpha inventory scrap of NT\$ 22mln. To sum up, D-Link enjoyed NT\$ 324mln non-operating profit in 3Q/05.

The profit before tax amounted to NT\$ 1,119mln, equivalent to NT\$ 1.87 per share. Applying tax rate of 24.7% of pretax profit plus Alpha's minority interests adjustment of NT\$ 162mln, the company reported net income of NT\$ 680mln in the third quarter, or EPS of NT\$ 1.14. This represented the highest EPS over the past six quarters, thank to both strong operating and non-operating incomes.

D-Link's balance sheet remained sound as of September 30, 2005. NT\$ 2.65bln of Cash and NT\$ 537mln of S-T investment totaled NT\$ 3.19bln, down by NT\$ 2.38bln from NT\$ 5.57bln at end of June. This was brought about by cash dividend payout and clearance of some short-term loans. Strong sales rebound in 3Q led the account receivables increase to NT\$ 7.79bln from NT\$ 5.89bln at the end of June, thus increasing Days A/R from 64 days in 2Q/05 to 70 days in 3Q/05, still in line with the company's sales/AR policy. In anticipation of higher sales in the following holiday season, September inventory went up to NT\$ 7.22bln from NT\$ 5.99bln as of June 30th, 2005. Days Inventory was, therefore, lengthened from 96 days at the end of June to 100 days as of September 30, 2005. Cash Cycle was 82 days, virtually at par with 81 days at end of June. Overall, not only did the company attain a ever record high quarterly revenue and profitability for 3Q, but also maintained sound financials.

To breakdown 3Q/05 revenue by regions, D-Link remained a truly global player with 31%, 24%, and 45% of consolidated sales from North America, Europe, and APAC & others respectively. For the Group, North America's sales grew 18% QoQ and up 8% YoY, Europe's sales were up significantly to 21% QoQ and 6% YoY, while APAC & Emerging Market's

revenue was up over 24% QoQ or 37% YoY. In 3Q/05, D-Link's revenue was approaching its milestone of NT\$ 10bln per quarter in a well-balanced manner.

By product categories, WLAN remained to rank the No.1 item, accounting for 31% of 3Q/05 consolidated revenue, followed by Broadband 28%, Switch 26%, and Digital Home 8%. In \$ terms, Switch grew 37% on quarter-over-quarter basis and 34% YoY, WLAN grew 18% QoQ and up 15% on year-on-year basis, Broadband increased 26% QoQ and up 23% YoY, and Digital home increased 19% YoY but down 12% QoQ.

As to product updates, D-Link debuted 28 new models during 3Q/05, inclusive of Firewall, Storage, Routers, Managed Switches, Chassis Switch Module, 3G Mobile Router, IP Phone, and ADSL Routers. Highlighting on 3G Wireless IP devices, D-Link's 3G Wireless Internet Router enables multi-users to share the Internet connection wirelessly by creating a Wi-Fi network. The Router allows users to access the Internet with their mobile phones, or laptops. The simple yet powerful device can save time and money.

Region wise, in North America and Europe, we continued to benefit from incremental business adoption of Gigabit Switches. Going forward, we anticipate Digital Home and Security products will take the lead into 4Q/05. In Asia Pacific and emerging market, we keep enjoying broader deployment of Broadband, WLAN, and xStack Switch. D-Link will further drive sales growth in the fourth quarter of the year in all major product spaces.

Ken Kao, Chairman & CEO of D-Link said "Looking on 3Q sales, we have attained our bottom-out commitment, and all of our financials remained very healthy." Mr. Kao added, "Stepping into the fourth quarter, relatively stronger demand should rise in Europe, Asia Pacific, and emerging markets where we expect modest growth QoQ. However since demand in North America seems to signal softening, we, therefore, expect low single digit global consolidated revenue growth on quarter-on-quarter basis. With the help of better product mix moving toward more Switching & Digital Home, and further cost down benefit coming from Broadband & WLAN, both revenue and gross margin in 4Q are projected to improve slightly when compared to 3Q's."

About D-Link

D-Link is the global leader in total products shipped for consumer networking connectivity according to reports published by the Synergy Research Group. D-Link is the worldwide leader and award winning designer, developer, and manufacturer of networking, broadband, digital electronics, voice and data communications solutions for the digital home, Small Office/Home Office (SOHO), Small to Medium Business (SMB), and Workgroup to Enterprise

environments. With more than a million square feet of manufacturing capacity and millions of Ethernet adapters, hubs and switch ports, manufactured and shipped, D-Link is a dominant market participant and price/performance leader in the networking and communications market. D-Link Corporation headquarter is located at No.289, Sinhu3rd Road, Neihu District, Taipei City 114, Taiwan. Phone: 886-2-6600-0123; FAX 886-2-6600-9898; Internet www.dlink.com.tw

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