

D-Link[®]



D-Link[®]

Investor Conference

February 11, 2004



Agenda

- **4Q/03 Financial Review** A.P. Chen
- **D-Link Business Updates** J.C. Liao
- **D-Link Strategy** Ken Kao
- **Q&A**

※4Q03 parent and consolidated numbers are pro forma.
All numbers shown are parent unless specified as consolidated.



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.



4Q/03 Financial Review



Presented by AP Chen



FY2003 Income Statement

Amount: NT\$ million	FY2003 Actual	As % of Sales
Net Sales	19,714	100%
Cost of Goods Sold	16,506	84%
Gross Profit	3,208	16%
Operating Profit	1,561	8%
Operating Income	1,647	8%
Total Non-Op. Inc. (Loss)	(105)	-
Investment Income (Loss)	(10)	-
Income Before Tax	1,542	8%
Income Tax Credit (Expense)	(231)	(1)%
Net Income	1,311	7%
Earnings Per Share (NT\$)	2.55 [*]	

* Adjusted for 12/31/2004 outstanding shares of 513.8mln.



FY2003 YoY Income Statement Comparison

	FY2003		FY2002		YoY % Change
Amount: NT\$ million					
Net Sales	19,714	100%	16,211	100%	22%
Cost of Goods Sold	16,506	84%	13,461	83%	23%
Gross Profit	3,208	16%	2,750	17%	17%
Operating Expenses	1,561	8%	1,756	11%	(11)%
Operating Income	1,647	8%	994	6%	66%
Total Non-Op. Inc. (Loss)	(105)	-	(30)	-	250%
Investment Income (Loss)	(10)	-	(188)	(1)%	(68)%
Income Before Tax	1,542	8%	964	6%	60%
Income Tax Credit (Expense)	(231)	(1)%	(96)	-	141%
Net Income	1,311	7%	868	5%	51%
Earnings Per Share (NT\$)	2.55 [*]		1.69		51%

* Adjusted for 12/31/2004 outstanding shares of 513.8mln.



4Q/03 YoY Income Statement Comparison

Amount: NT\$ million	4Q/03		4Q/02		YoY %
	Actual		Actual		Change
Net Sales	6,025	100%	4,472	100%	35%
Cost of Goods Sold	5,640	94%	3,768	84%	50%
Gross Profit	385	6%	704	16%	(45)%
Operating Expenses	(32)	(1)%	494	11%	(106)%
Operating Income	417	7%	210	5%	99%
Total Non-Op. Inc. (Loss)	44	1%	59	1%	(25)%
Investment Income (Loss)	(43)	(1)%	(52)	(1)%	(17)%
Income Before Tax	461	8%	269	6%	71%
Income Tax Credit (Expense)	(157)	(3)%	(24)	-	554%
Net Income	304	5%	245	5%	24%
Earnings Per Share (NT\$)	0.59 [*]		0.47		

* Adjusted for 12/31/2004 outstanding shares of 513.8mln.



4Q/03 QoQ Income Statement Comparison

Amount: NT\$ million	4Q/03		3Q/03		QoQ %
	Actual		Actual		Change
Net Sales	6,025	100%	4,912	100%	23%
Cost of Goods Sold	5,640	94%	3,953	80%	44%
Gross Profit	385	6%	959	20%	(60)%
Operating Expenses	(32)	(1)%	535	11%	(106)%
Operating Income	417	7%	424	9%	(2)%
Total Non-Op. Inc. (Loss)	44	1%	(76)	(2)%	(158)%
Investment Income (Loss)	(43)	(1)%	185	4%	(123)%
Income Before Tax	461	8%	348	7%	32%
Income Tax Credit (Expense)	(157)	(3)%	(50)	(1)%	(214)%
Net Income	304	5%	298	6%	2%
Earnings Per Share (NT\$)	0.59 [*]		0.58		

* Adjusted for 12/31/2004 outstanding shares of 513.8mln.



Long-term Investment Income (loss) Breakdown

Amount: NT\$ million

	2003	4Q/03	3Q/03	2Q/03	1Q/03
Long-term Investment Income					
OBU	(189.6)	14.1	(29.5)	(75.5)	(98.7)
Sub./Aff.	<u>199.6</u>	<u>(56.8)</u>	<u>215.3</u>	<u>(0.2)</u>	<u>41.3</u>
Subtotal	10.0	(42.7)	185.8	(75.7)	(57.4)



Non-Operating Income/Loss Breakdown

Amount: NT\$ million	4Q/03	3Q/03	2Q/03	1Q/03
Long-term Investment Income (Loss)	(43.0)	185.8	(75.8)	(57.4)
Foreign Exchanges Gain (Loss)	122.0	(162.4)	88.4	77.3
Inventory Obso. and Devaluation	(27.0)	(81.0)	(74.7)	(29.0)
Other Non-Op. Income (Loss)	<u>(8.3)</u>	<u>(18.7)</u>	<u>(9.1)</u>	<u>7.8</u>
Total Non-Op.	43.7	(76.3)	(71.2)	(1.3)



PBT Excluding Non-recurring Items

Amount: NT\$ million

	4Q/03	3Q/03	2Q/03	1Q/03
Profit Before Tax	461	347	291	443
Adjustment for FX Gain/Loss	<u>(122)</u>	<u>162</u>	<u>(88)</u>	<u>(77)</u>
Subtotal	339	509	203	366
Adjustment for Disposal Gain	<u>(14)</u>	<u>(188)</u>	<u>(19)</u>	<u>(26)</u>
Profit Before Tax and Non-recurring Items	326	321	184	340



12/31/03 Balance Sheet and Cash Flow YoY Comparison

Amount: NT\$ million	12/31/03		12/31/02		YoY %
	Actual		Actual		Change
Cash	1,577	8%	1,040	6%	52%
S-T Investment	2,497	12%	3,204	19%	(22)%
Account Receivable	5,657	28%	4,436	27%	28%
Inventory	1,719	9%	1,094	7%	57%
Long-term Investments	7,443	37%	4,126	25%	80%
Total Assets	20,041	100%	16,551	100%	21%
Accounts Payable	5,111	26%	2,645	16%	93%
Current Liabilities	9,516	47%	3,787	23%	151%
Long-term Liabilities	200	1%	3,001	18%	(93)%
Common Stock	5,138	26%	5,163	31%	-
Stockholder's Equity	10,211	51%	9,607	58%	6%
Depreciation	343		278		
Capital Expenditure	1,462		618		



12/31/03 Balance Sheet and Cash Flow QoQ Comparison

Amount: NT\$ million	12/31/03		09/30/03		QoQ %
	Actual		Actual		Change
Cash	1,577	8%	1,376	7%	15%
S-T Investment	2,497	12%	3,007	15%	(17)%
Accounts Receivable	5,657	28%	4,923	25%	15%
Inventory	1,719	9%	1,471	7%	17%
Long-term Investments	7,443	37%	7,050	36%	6%
Total Assets	20,041	100%	19,796	100%	1%
Account Payable	5,111	26%	2,881	15%	77%
Current Liabilities	9,516	47%	9,182	46%	4%
Long-term Liabilities	200	1%	800	4%	(75)%
Common Stock	5,138	26%	4,999	25%	3%
Stockholder's Equity	10,211	51%	9,752	49%	5%
Depreciation	343		334		
Capital Expenditure	1,462		1,458		



Key Financial Ratios – Liquidity/Leverage

Unit: %, days	FY2003	FY2002	FY2001
Days A/R	93	97	91
Days Inventory	31	32	45
Days A/P	86	71	67
Cash Cycle	39	58	69
Current Ratio	1.67	2.64	2.92
Debt/Equity Ratio	1.04	0.72	0.75
Adjusted Debt/Equity Ratio	0.64 ^{**}	0.28	0.49

* **Adjust for Cash & S-T investment



Key Financial Ratios – Profitability (%)

Unit: %	FY2003	FY2002	FY2001
Net Income/Sales	6.65	5.35	6.44
Net Income/Total Assets	6.54	5.24	5.90
Operating Profit/Sales	8.35	6.13	6.18
Return on Equity	13	9	10
EPS (NT\$)	2.55	1.69	2.15



FY2003 YoY Consolidated Income Statement Comparison

	FY2003		FY2002		YoY % Change
Amount: NT\$ million					
Net Sales	25,645	100%	20,203	100%	27%
Cost of Goods Sold	17,709	69%	14,907	74%	19%
Gross Profit	7,936	31%	5,296	26%	50%
Operating Expenses	6,459	25%	4,647	23%	39%
Operating Income	1,477	6%	649	3%	128%
Total Non-Op. Inc. (Loss)	119	-	346	2%	(66)%
Investment Income (Loss)	280	1%	84	-	(433)%
Income Before Tax	1,596	6%	995	5%	60%
Income Tax Credit (Expense)	(277)	(1)%	(123)	(1)%	125%
Net Income	1,319	5%	872	4%	51%
Minority	(8)	-	(4)	-	100%
Consolidate Income	1,311	5%	868	4%	51%
Earnings Per Share (NT\$)	2.55		1.69		51%



4Q/03 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	4Q/03 Actual		4Q/02 Actual		YoY % Change
Net Sales	6,700	100%	4,497	100%	49%
Cost of Goods Sold	4,459	67%	3,454	77%	29%
Gross Profit	2,241	33%	1,043	23%	115%
Operating Expenses	1,876	28%	739	16%	154%
Operating Income	365	5%	304	7%	20%
Total Non-Op. Inc. (Loss)	84	1%	(15)	-	(660)%
Investment Income (Loss)	152	2%	(403)	(9)%	(138)%
Income Before Tax	449	7%	289	6%	55%
Income Tax Credit (Expense)	(142)	(2)%	(36)	(1)%	294%
Net Income	307	5%	253	6%	21%
Minority	(3)	-	(8)	-	(63)%
Consolidate Income	304	5%	245	5%	24%
Earnings Per Share (NT\$)	0.59		0.47		25%



4Q/03 QoQ Consolidated Income Statement Comparison

Amount: NT\$ million	4Q/03 Actual		3Q/03 Actual		QoQ % Change
Net Sales	6,700	100%	7,055	100%	(5)%
Cost of Goods Sold	4,459	67%	4,922	70%	(9)%
Gross Profit	2,241	33%	2,133	30%	5%
Operating Expenses	1,876	28%	1,734	25%	8%
Operating Income	365	5%	399	6%	(9)%
Total Non-Op. Inc. (Loss)	84	1%	(16)	-	(625)%
Investment Income (Loss)	152	2%	84	1%	(81)%
Income Before Tax	449	7%	383	5%	17%
Income Tax Credit (Expense)	(142)	-	(79)	(1)%	80%
Net Income	307	5%	304	4%	1%
Minority	3		(6)		
Consolidate Income	304	5%	298	4%	2%
Earnings Per Share (NT\$)	0.59		0.58		



12/31/2003 Consolidated Balance Sheet YoY Comparison

Amount: NT\$ million	12/31/03		12/31/02		YoY %
	Actual		Actual		Change
Cash	3,954	16%	2,006	11%	97%
S-T Investment	3,513	15%	3,350	18%	5%
Account Receivable	4,839	20%	3,727	20%	30%
Inventory	4,999	21%	3,697	20%	35%
Long-term Investments	2,403	10%	2,311	12%	4%
Total Assets	24,064	100%	18,823	100%	28%
Accounts Payable	5,593	23%	3,109	17%	80%
Current Liabilities	13,316	55%	5,900	31%	126%
Long-term Liabilities	296	1%	3,009	16%	(90)%
Common Stock	5,138	21%	5,163	27%	-
Stockholders' Equity	10,211	42%	9,607	51%	6%



12/31/2003 Consolidated Balance Sheet QoQ Comparison

Amount: NT\$ million	12/31/03		09/30/03		QoQ %
	Actual		Actual		Change
Cash	3,954	16%	2,458	10%	61%
S-T Investment	3,513	15%	4,273	18%	(18)%
Account Receivable	4,839	20%	5,549	23%	(13)%
Inventory	4,999	21%	3,954	16%	26%
Long-term Investments	2,403	10%	2,454	10%	(2)%
Total Assets	24,064	100%	23,987	100%	-
Accounts Payable	5,593	23%	4,776	20%	17%
Current Liabilities	13,316	55%	12,911	54%	3%
Long-term Liabilities	296	1%	801	3%	(63)%
Common Stock	5,138	21%	4,999	21%	3%
Stockholders' Equity	10,211	42%	9,752	41%	5%



Consolidated Key Financial Ratios– Liquidity/Leverage

Unit: % , days

	FY2003	FY2002	FY2001
Days A/R	61	61	63
Days Inventory	90	82	88
Days A/P	90	71	69
Cash Cycle	61	71	82
Current Ratio	1.38	2.66	2.30
Debt/Equity Ratio	1.31	1.24	0.90
Adjusted Debt/Equity Ratio	0.63^{**}	0.68	0.56

* **Adjust for Cash & S-T investment



Consolidated Key Financial Ratios – Profitability (%)

Unit: %	FY2003	FY2002	FY2001
Net Income/Sales	5.11	4.30	5.42
Net Income/Total Assets	5.45	4.61	5.41
Operating Profit/Sales	5.76	3.21	2.94
Return on Equity	13	9	10
EPS (NT\$)	2.55	1.69	2.15



D-Link's Business Updates



**Presented by JC Liao
President**

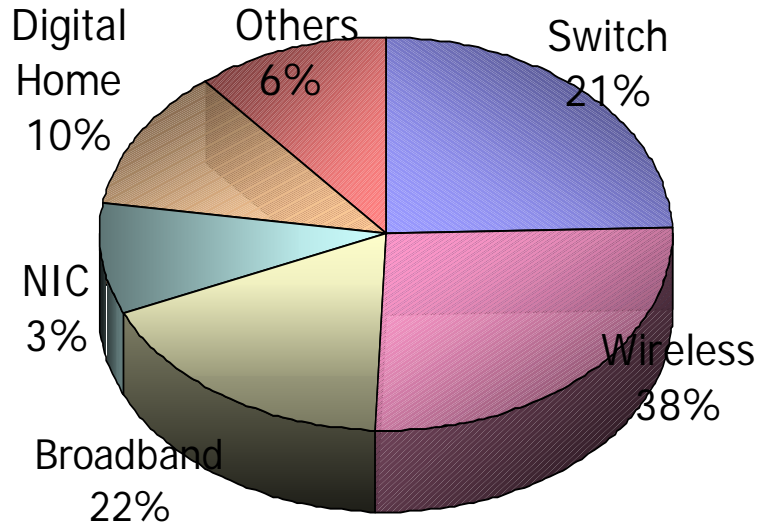


4Q At a Glance

Revenue by Products

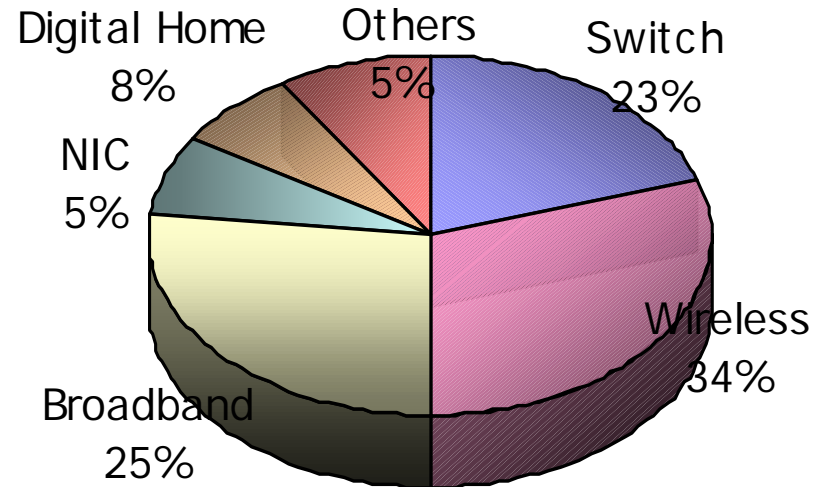
- Digital Home up 73% QoQ, or 75% YoY.
- WLAN grew 89% QoQ in units with revenue up 69% YoY.

4Q/03



NT\$ 6,025M

FY2003



NT\$ 19,714M

- GigE was 36% of total switch revenue in 4Q.

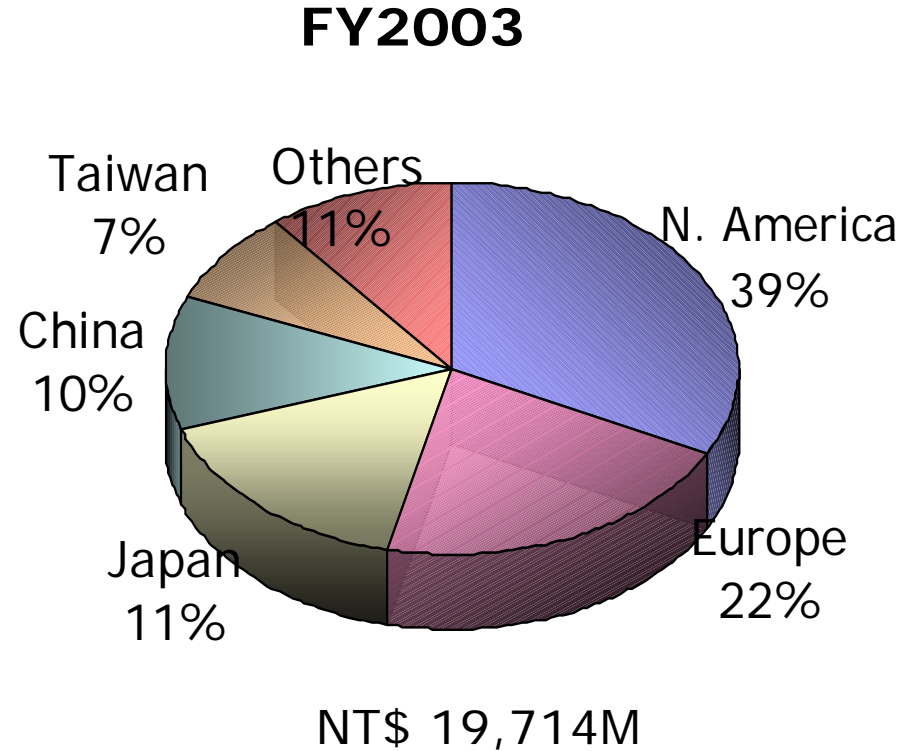
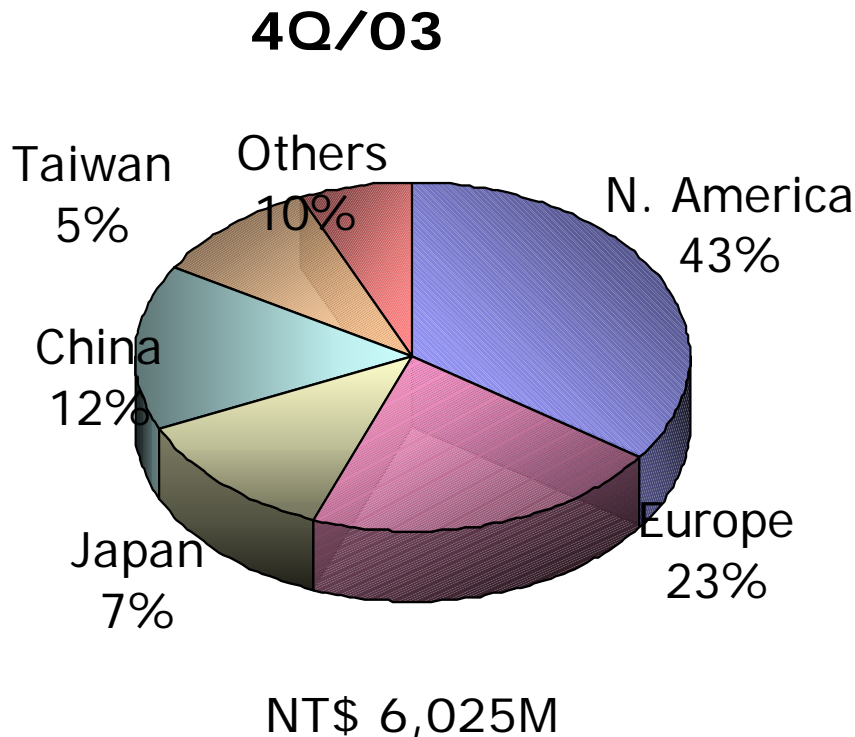
Notes: Taiwan sales included components + OEM, IPO sales.



4Q At a Glance

Revenue by Regions

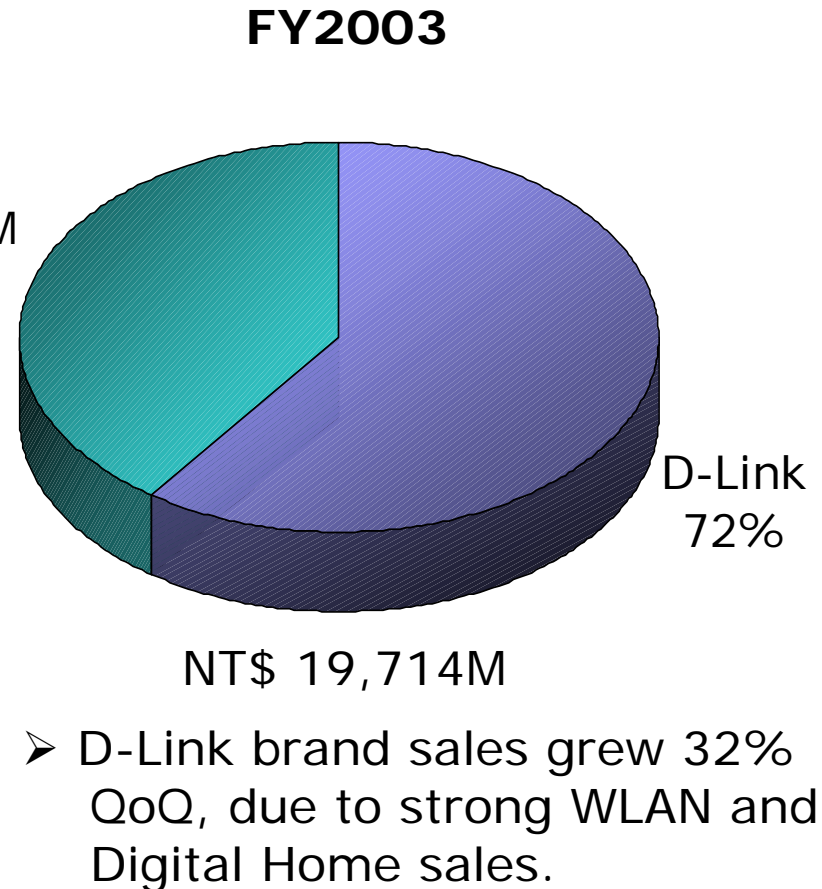
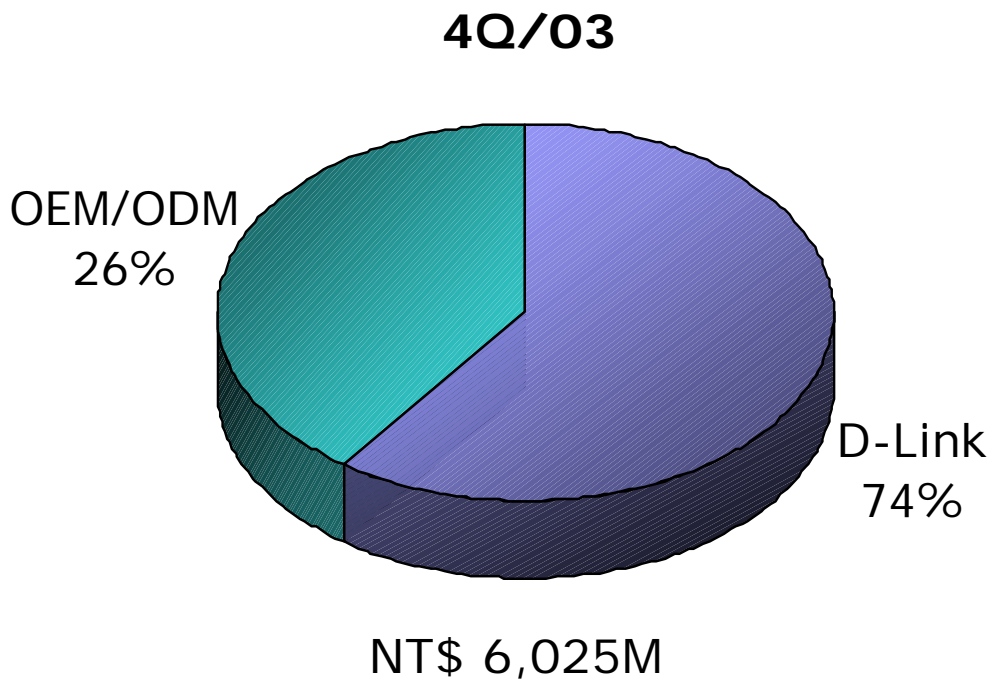
- China grew 250% QoQ
- ROW up 144% YoY



Notes: All values indicated are based on Taiwan book.

4Q At a Glance "D-Link" vs. OEM/ODM

- ODM/OEM grew 54% YoY, thanks to GigE and L3.



Awards

- DCS-2100+ wireless internet camera was awarded *CES "Innovations 2004 Honoree"*.
- DSA-3100, hot spot gateway, won *CRN's Product of the Year 2003*.
- D-Link's i2eye DVC-2000 broadband videophone is a *Tech TV Best of CES 2004 Finalist*.
- DI-624, AirPlus Xtreme G Router, wins *the CNet Editor's Choice Award*, a 5 Star award in *Excellent Hardware Extreme Review*, and a 9 out of 10 ratings in an *Excellent Maximum PC Review*.
- D-Link India wins *CRN's "Most Admired Company"*; #1 in both high-end and low-end networking, and cabling.





Recap of Recent Events

- Collaborated with YAHOO! – enhance the easy-to-use networking products in conjunction with a suite of Yahoo! Premium services.
- Is the leading SOHO and Home network vendor globally – and the 2nd largest SOHO WLAN player by Synergy and In-Stat.
- Strategically allied with TI on wireless and broadband ADSL products lines.
- Partnered with AOL to offer expanded entertainment options for the Digital Home – a wireless Media Player supporting UPnP and complying with DHWG and WEP.
- Worked with Atheros to be the first in the industry to introduce range-extended 802.11g Xtreme G Wireless Networking family.



Recap of Recent Events

- Delivered innovative technologies and services for a generation of digital home solutions at CES 2004.
- Introduced internet security cameras with motorized pan and tilt and CCD sensor, and wireless version of i2eye VideoPhone.



- **Revenue** Q1 sequentially flat due to seasonality. 25% growth in FY2004.
- **Gross Margin** 30% on a globally consolidated level.
- **Op. Margin** 6% on consol. level.
- **Main drivers** WLAN and Digital Home to lead the growth.