

**D-Link**<sup>®</sup>  
Building Networks for People

A blurred image of a person sitting and working on a laptop, positioned on the left side of the slide. The person is wearing a dark shirt and light-colored pants. The background is a blurred blue and white pattern.

# 1Q 2006 Investor Conference

Taipei, February 20, 2006

## Safe Harbor Statement

All numbers are consolidated. 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.

## Agenda

- **4Q/05 Financial Review** A.P. Chen
- **Business Updates** J.C. Liao
- **Q&A**

All numbers consolidated except otherwise specified.  
4Q/05 numbers are pro forma .

# 4Q/05 Pro Forma Financial Review

Presented by  
AP Chen, CFO

## 4Q/05 QoQ Consolidated Income Statement Comparison

Amount: NT\$ million	4Q/05 Estimate		3Q/05 Actual		QoQ % Change
Net Sales	9,987	100%	9,846	100%	1%
Cost of Goods Sold	6,775	68%	6,814	69%	(1)%
Gross Profit	3,212	32%	3,032	31%	6%
Operating Expenses	2,415	24%	2,237	23%	8%
Operating Income	797	8%	795	8%	-
Total Non-Op. Inc. (Loss)	(82)	(1)%	324	3%	(125)%
Income Before Tax	715	7%	1,119	11%	(36)%
Tax Expenses	(220)	(2)%	(277)	(3)%	(21)%
Net Income	495	5%	842	9%	(41)%
Minority Interest	(147)	(2)%	(162)	(2)%	(9)%
Consolidated Income	348	4%	680	7%	(49)%
Earnings Per Share (NT\$)	0.58*		1.14		(49)%

\*Calculated by 4Q05 weighted average of 597mln shares.

## Non-op Income/Loss Breakdown

Unit : NT\$Mln	4Q05	3Q05
<b>Investment Income/(Loss)</b>	144	136
<b>Sub./Aff.</b>	144	79
<b>Capital Gain</b>	0	57
<b>FX Gain/(Loss)</b>	(91)	184
<b>Inventory Gain/(Loss)</b>	(84)	(60)
<b>Financial Income/(Exp.) &amp; Others</b>	<u>(51)</u>	<u>64</u>
<b>Total</b>	(82)	324

## 4Q/05 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	4Q/05 Estimate		4Q/04 Actual		YoY % Change
Net Sales	9,987	100%	8,489	100%	18%
Cost of Goods Sold	6,775	68%	5,503	65%	23%
Gross Profit	3,212	32%	2,986	35%	8%
Operating Expenses	2,415	24%	2,229	26%	8%
Operating Income	797	8%	757	9%	5%
Total Non-Op. Inc. (Loss)	(82)	(1)%	(56)	(1)%	46%
Income Before Tax	715	7%	701	8%	2%
Tax Expenses	(220)	(2)%	(103)	(1)%	114%
Net Income	495	5%	598	7%	(17)%
Minority Interest	(147)	(1)%	(31)	-	374%
Consolidated Income	348	3%	567	7%	(39)%
Earnings Per Share (NT\$)	0.58*		1.05		(44)%

\*Calculated by 4Q05 weighted average of 597mln shares.

## FY2005 YoY Consolidated Income Statement Comparison

Amount: NT\$ million	2005 Estimate		2004 Actual		YoY % Change
Net Sales	36,508	100%	32,245	100%	13%
Cost of Goods Sold	25,022	69%	21,437	66%	17%
Gross Profit	11,486	31%	10,808	34%	6%
Operating Expenses	8,788	24%	8,174	25%	8%
Operating Income	2,698	7%	2,634	8%	2%
Total Non-Op. Inc. (Loss)	160	-	581	2%	(72)%
Income Before Tax	2,858	8%	3,215	10%	(11)%
Tax Expenses	(773)	(2)%	(399)	(1)%	94%
Net Income	2,085	6%	2,816	9%	(26)%
Minority Interest	(454)	(1)%	(215)	(1)%	111%
Consolidated Income	1,631	4%	2,601	8%	(37)%
Earnings Per Share (NT\$)	2.73 *		4.82		(43)%

\*Calculated by 4Q05 weighted average of 597mln shares.



## 12/31/2005 Consolidated Balance Sheet QoQ Comparison

Amount: NT\$ million	12/31/05		09/31/05		QoQ %
	Estimat		Actual		Change
Cash	e	10%	2,650	10%	(9)%
S-T Investment	2,415	3%	537	2%	34%
Account Receivable	720	26%	7,788	31%	(12)%
Inventory	6,840	27%	7,228	28%	(1)%
Long-term Investments	7,141	9%	2,173	9%	3%
Total Assets	2,248	100%	25,502	100%	(4)%
Accounts Payable	24,431	24%	6,813	27%	(13)%
Current Liabilities	5,928	40%	11,316	44%	(13)%
Long-term Liabilities	9,874	0%	15	-	7%
Common Stock	16	25%	6,092	24%	-
Stockholders' Equity	6,092	58%	13,887	54%	2%
	14,223				

## Consolidated Key Financial Ratios– Liquidity/Leverage

Unit: % , days	12/31/05	9/30/05	6/30/05	3/31/05	12/31/04
Days A/R	63*	70*	64*	65*	59*
Days Inventory	96*	100*	96*	89*	95*
Days A/P	78*	87*	79*	75*	86*
Cash Cycle	82	83	82	80	68
Current Ratio	1.82	1.71	1.60	1.70	1.60
Debt/Equity Ratio	0.84	0.98**	1.05	1.12	1.22**
Adjusted Debt/ Equity Ratio	0.59**	0.71	0.55**	0.58**	0.64

\* Annualized

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

## Consolidated Key Financial Ratios – Profitability (%)

Unit: %	2005	4Q/05	3Q/05	2Q/05	1Q/05	2004
Net Income/Sales	4.47	3.49	6.91	3.33	4.13	8.07
Net Income/Total Assets	6.68	1.43	2.67	1.12	1.38	10.05
Operating Profit/Sales	7.39	7.98	8.07	5.66	7.78	8.17
Return on Equity**	14	14	14	11	12	22
EPS (NT\$)	2.73	0.58	1.14	0.42	0.59	4.82

\* Annualized

\*\*Calculated by 4Q05 weighted average of 597mln shares.

# Business Updates

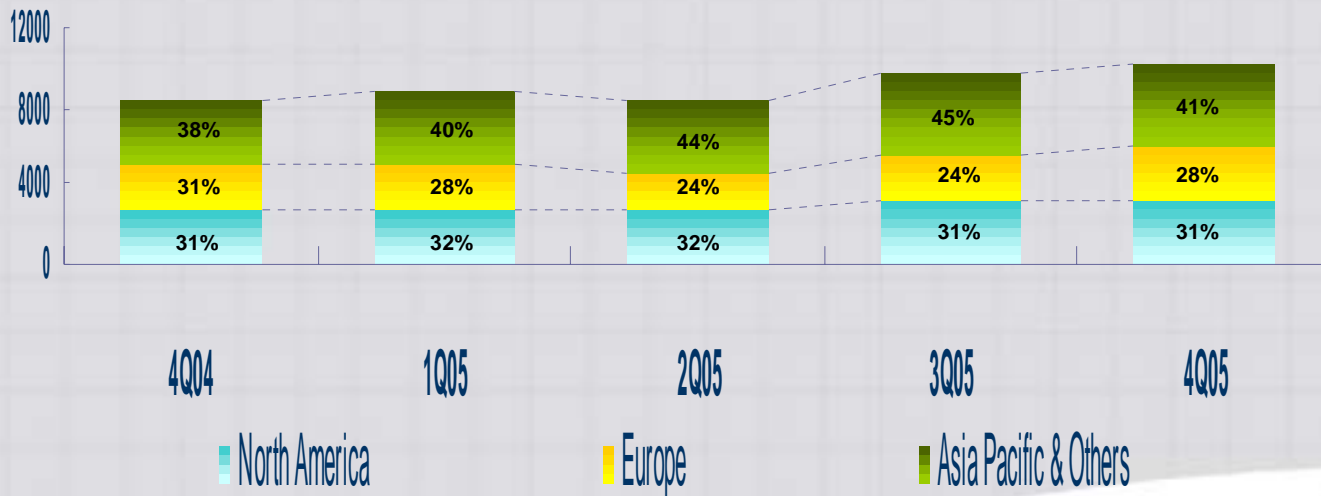
Presented by  
JC Liao, President

## Revenue by Regions Consolidated

4Q/05 revenue YoY comparison:

- N.A. grew positively 18%
- Europe increased 7%
- AsiaPac & Others rose 27%
- In NT\$ terms, WW 4Q revenue grew 18%

NT\$ Million

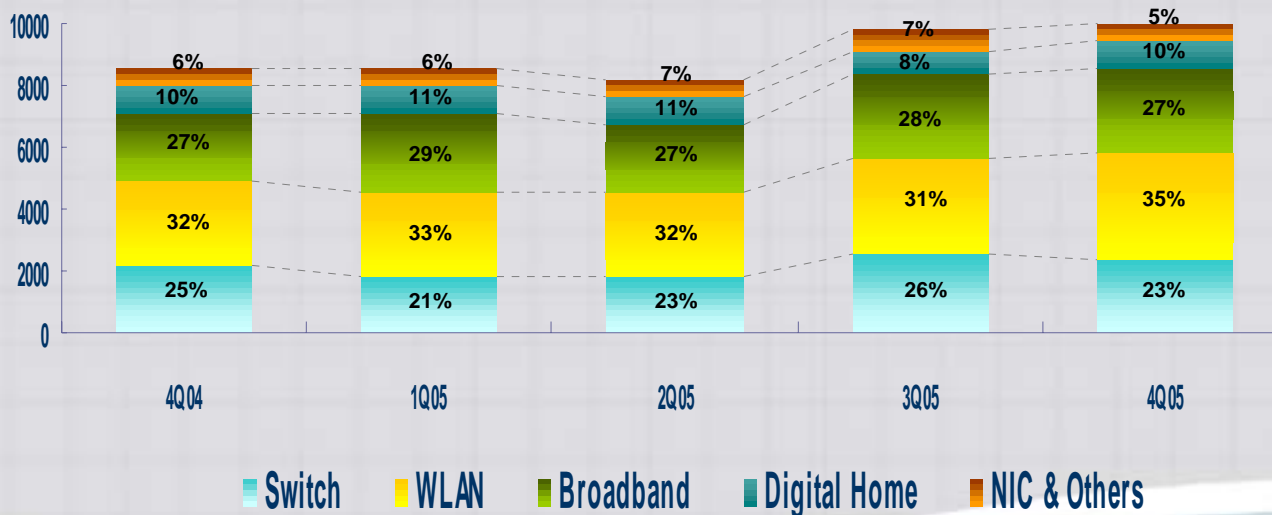


## Revenue by Products Consolidated

4Q/05 revenue YoY comparison:

- Switch grew 8%
- WLAN grew 29%
- Broadband rose 18%
- Digital Home rose 18%

NT\$ Million



## New Product Update

### 30 New Product Announcements in Q4 (nearly 100 for FY2005)

- Two DSM series Digital Home Audio & Video products: DSM-120, DSM-520
- Three VOIP gateway products
- Three Xstack series managed GigaSwitches: 24/48 ports with 10G link & IPV6
- Also Includes Network Storage, SOHO Routers, Chassis Switch modules, Internet Camera & ADSL Routers.



iRadio  
MP3.WMA.WAV HD  
add-in USB2 Wi-fi



HDTV USB2 Wi-fi



XSTACK



MIMO home router

## 2006 Outlook

- **Fateful year for emerging technologies**
  - **802.11n / WiMAX, VoIP, Digital Home**
- **Corporate spending up for networking**
- **Emerging market gap narrowing**
- **Industry convergence more obvious**
- **Growth slightly better than 2005**



## Looking Forward

### North America

- SMB leads the growth
- VoIP ramping up rapidly
- More mature for Digital Home products

### Europe

- Higher acceptance for Digital Home products
- SMB growth stronger than Consumer
- Eastern Europe outgrows the rest of Europe

### APac & Other Areas

- Remain the fastest growing region
- Latin America, Russia, and Middle East lead the growth
- Start-up in Japan & Korea

## 1Q/06 Outlook

Consolidated

- **1Q Guidance**
  - 1Q revenue flat QoQ
  - Gross margin at the range of 31-32%
  
- **Upsides**
  - SMB sector growing in North America & Europe
  - Emerging markets keep leaping forwards
  - Digital Home acceptance in Europe & Emerging markets
  - Major Broadband / VoIP projects awarded / pipelined
  
- **Downsides**
  - SMB spending retreat due to Macro-economy slow down
  - Delay of Digital Home break-through

# Q & A

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