



Spokesperson:

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## **D-Link Reports 4Q 05 Pro Forma Consolidated Financials**

- Fourth quarter 2005 net revenue was NT\$ 9.987bln, up 17.9% year-over-year.
- Fourth quarter 2005 gross margin rose to 32.2% from 30.8% in 3Q/05.
- Fourth quarter 2005 operating margin was 8.0%, as compared to 8.1% in 3Q/05.
- Fourth quarter 2005 pre-tax profit was NT\$ 715mln or NT\$ 1.20 per share, as compared to NT\$ 701mln or NT\$ 1.17 per share in 4Q/04.
- Fourth quarter 2005 tax rate was 30.8% up from 24.7% of pre-tax profit in 3Q/05.
- Fourth quarter 2005 net income was NT\$ 348mln, as compared to NT\$ 567mln in 4Q/04.
- Fourth quarter 2005 diluted EPS was NT\$ 0.58, compared to NT\$ 1.05 in 4Q/04.

**Taipei, Taiwan, February 20, 2006** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its pro forma consolidated financial results for the fourth quarter of 2005.

For the full year of 2005, pro forma net revenue totaled NT\$36.508bln, 13.2% increase over FY 2004 in NT\$ term, or 17.4% in US\$ term. Gross margin fell to 31.5% as compared to 33.5% of FY 2004. Operating margin was whittled down to 7.4%, as compared to 8.2% of FY 2004. Net margin dropped to 4.5%, as compared to 8.1% of the previous year, due primarily to diminish of tax credits in Taiwan and high international tax charges in FY 2005 and the absence of one-time huge disposal gain benefited from Alpha's IPO plan in FY 2004.

For the fourth quarter of 2005, D-Link posted net revenue of NT\$9.987bln, up by 1.4% from the previous quarter, or up by 17.9% compared to year-ago figure. D-Link marked another record high quarterly sales due to climbing up-front sales in Europe and Asia Pacific (Exclusive of China). On year-over-year basis, particularly, North America and Asia Pacific & Emerging Markets have grown above 18% respectively due to strong demands of GigE Switches, VoIP, Digital Home and xDSL products. D-Link met its 4Q guidance, and was on the verge of crossing over of its milestone of NT\$10bln quarterly sales.

Owing to better product mix toward more GigE and Intelligent Switches and Digital Home products, gross margin was buoyed up to 32.2% in 4Q/05 from 30.8% in 3Q/05, but down from 34.1% in the year-ago comparable quarter. Operating margin was 8.0% in 4Q/05 virtually at par with 8.1% in the third quarter of 2005, or compared to 8.3% of the year ago figure. The increase of operating expenses from 22.7% to 24.2% of net revenue, up by 1.5%, was primarily attributable to the rising selling expense by 2.1% to 19.6% in 4Q/05 for seasonal marketing & promotion activities in holidays.

On the non-op side, through equity method recognition, D-Link booked NT\$144mln long-term investment gains from subsidiaries' profitable operations but accrued NT\$91mln FX loss and NT\$84mln provisional inventory loss. The FX loss, all unrealized, was caused by the weakness of Euro dollars in 4Q/05. To sum up, D-Link suffered NT\$82mln non-operating loss in 4Q/05.

The profit before tax amounted to NT\$715mln, equivalent to NT\$1.20 per share. The pre-tax profit was knocked out by NT\$220mln tax expenses and NT\$147mln minority interests, leaving net income of NT\$348mln in the bottom line of the fourth quarter, or EPS of NT\$0.58. The soaring tax expenses were prompted by the higher international tax charges imposed upon the emerging earnings in overseas where the corporate tax rates are substantially higher than Taiwan's 25%.

D-Link's balance sheet remained sound as of December 31, 2005. NT\$2,415mln Cash and NT\$720mln S-T investment totaling NT\$3,135mln, came down by NT\$52mln from NT\$3,187mln at the end of September. At the end of December, Account Receivables decreased to NT\$6.84bln from NT\$7.79bln. Inventory went down slightly to NT\$7.14bln from NT\$7.22bln as of September 30<sup>th</sup>, 2005. QoQ Days Inventory was, therefore, shortened from 100 days to 96 days. Cash Cycle was 82 days, slightly down from 83 days as of September 30, 2005. Overall, not only did the company again attain record high quarterly revenue for 4Q, but also remained healthy and liquid financially.

To break down 4Q/05 revenue by regions, D-Link's geographically diverse operations cast 31%, 28%, and 41% of consolidated sales on North America, Europe, and APAC & Emerging markets respectively. For the Group, North America's sales grew by 1% QoQ and 18% YoY, Europe's significantly up by 18% QoQ and 7% YoY, while APAC & Emerging market was up by 27% YoY but down 7% QoQ. In 4Q/05, D-Link's revenue was on the verge of crossing over its NT\$10bln per quarter milestone in a well-balanced manner.

By product categories, WLAN remained to rank the No.1 item, accounting for 35% of 4Q/05 consolidated revenue, followed by Broadband 27%, Switch 23%, and Digital Home 10%.

Switch grew 8% on year-over-year basis but down 10% QoQ, WLAN grew 29% YoY and up 15% on QoQ, Broadband increased 18% YoY but down 2% QoQ, and Digital home increased 18% YoY and up 27% QoQ.

According to the in-Stat 2Q/05 report, D-Link was again recognized as the No.1 global SMB/SOHO networking leader, commanding 19.9% of global market share, and remained ahead of Linksys and Netgear by more than 5%. D-Link maintained its solid position in global SMB/SOHO/Consumer networking connectivity. According to CompTIA/IDC Convergent Technologies Research Study 2005, D-Link also was ranked top 5 in SMB/Enterprise consideration for data networking equipments. Those results confirmed D-Link's continued leading proposition in SMB/SOHO networking sector.

As to product updates, D-Link debuted 30 new models during 4Q/05, inclusive of Digital Home Audio & Video, VoIP Gateway, Xstack series managed GigE Switches, Network Storage, SOHO Routers, and internet Camera products. Highlighting on Digital Home Audio devices such as DSM-120, DSM-120 allows wireless connection onto IP radio stations to listen to music or audio. This represents a new cost-effective way to enjoy the IP based audio contents. In North America, consumers show high acceptance to this simple powerful device.

Ken Kao, Chairman & CEO of D-Link noted " Looking forward, SMB will lead the growth in North America and Europe in 2006. The fastest growing region remains to be the Emerging markets including Eastern Europe where we have laid firm groundwork in 2005. In the SMB sector, heavier data networking traffic will keep craving for higher adoptions of GigE Switches, security, and IP storage. In the consumers sector, Digital Home products will grow faster than general consumer products such as wireless routers or Access Points. Not only is the environment more mature for Digital Home products in North America, but also Europe shows increasing acceptance as well as some demands emerge in major cities of Emerging markets." Mr. Kao added, "Stepping into the first quarter of 2006, relatively stronger demand would surge in Asia Pacific and Emerging markets where we expect modest growth. However since the first quarter is the conventional slow season for North America and Europe, these two regions might be flat or low single digit down QoQ. We, therefore, project global consolidated revenue to remain flat on quarter-over-quarter basis. Gross margin in 1Q/06 is projected to be in the range of 31%-32%."

## **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](http://www.dlink.com.tw)

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