



## **D-Link Announced 1H/2003 Results and New President**

Taipei, Taiwan, August 19 2003 D-Link Corporation (“D-Link” or “the Company”) (TAIEX2332) announced its audited 1H/03 financial results. For the first six months of 2003, net sales reached NT\$ 8,778mln, representing a 16% sequential growth, after-tax income was NT\$ 709mln, and EPS was NT\$ 1.42. At the consolidate book, sales was NT\$ 12,765mln, up 27% from same period last year.

For 2Q/03, D-Link reported NT\$ 4,454mln in sales for the parent book and NT\$ 6,807mln for the consolidate book, which represented 3% and 14% QoQ growth respectively. The gross margin remained at 21% for the parent book and 28% for the consolidate, on the back of the successful move to higher- end product value chain and continued cost-down engineering.

The operating margin improved from 7% in Q2/02 to 8% in Q2/03 at parent level, while that of the consol book substantially enhanced from 3% to 5%. Overseas sales arms have continued improving their profitability. The non-operating loss was slightly larger than that in 1Q/03, as some provisions have been

conservatively appropriated. After-tax D-Link reported NT\$ 310mln of profit, or NT\$ 0.62 of EPS, up 94% YoY.

By product category, Broadband ranked #1, accounting for 31% for 2Q/03 revenue. Wireless was 28%, and Switch 25%. Broadband was not only up 28% QoQ, but also marked the most aggressive YoY growth of 97%, thanks to the strong ODM/OEM sales in Japan and China.

By geographic regions, Asia was 36% in 2Q, followed by North America 33% and Europe 19%. Sales to China, in particular, grew 51% sequentially, mainly from the contribution of broadband CPE devices. Shipment to Japan demonstrated the strongest YoY growth of 65%, thanks to broadband CPE devices and switches.

D-Link’s balance sheet remained sound as of 6/30/2003. Cash cycles improved by more than 20% for both parent and consolidate books. Debt level increased because of longer Accounts Payable days. Adjusted debt-to-equity ratio, which is debt net of cash and short- term investment, was 38% on parent book and 75% on consol book. Days inventory



was 31 days on parent, or 77 days consolidated.

Going forward, the Management expects 3Q/03 to be moderately up in terms of sales, or around 10% growth YoY. Despite the seasonal weakness for brand business, OEM/ ODM is growing stronger due to revived outsourcing activities.

As a strategic move, D-Link's ODM/OEM business unit has been carved out to be Alpha Networks Inc. effective August 16, 2003. This is designed to facilitate and capture continued fast growth of both the D-Link brand and the ODM/OEM businesses, while allowing better focus on developing their respective core competences. D-Link will dedicate itself to its well-established brand/channel business, while Alpha will be a networking gear adopting DMS business model.

With around US\$ 150mln worth of assets and 1,514 employees, Alpha will fully commence its operation from November 1<sup>st</sup> 2003. Mr. John Lee, currently the Vice-Chairman and CTO of D-Link, will be transferred and promoted to be the Chairman and CEO of Alpha. Mr. Wonder Wang, the President of D-Link, will be transferred to assume the presidency of Alpha.

Mr. Ken Kao shall remain the Chairman

and CEO of D-Link. Effective from Sep. 1, 2003, Mr. J.C. Liao will be transferred from Europe to Taipei and promoted to be the new President of D-Link.

JC joined D-Link in late 1996 and became the President of Europe in 1997. Since then, JC has remarkably grown the revenues in Europe from US\$45mln in 1997 to US\$ 118mln in 2002 with a high degree of brand recognition in the territory. Prior to D-Link, he worked in Digital Equipment Corp. (DEC) as the country manager of system integration business after serving other management posts in DEC. He also had a brief start-up career in sales and technical with HP and UBS Computers in Taiwan.

**Mr. A.P. Chen**

Chief Financial Officer & Spokesperson

For further information, please contact

Email: [ir@dlink.com.tw](mailto:ir@dlink.com.tw)

**Ms. Yvonne Yan**

Senior Director of Investor Relations

**Ms. Janet Lai**

Manager of Investor Relations

**Ms. Tracy Wang**

Investor Relations

or visit the website at

<http://www.dlink.com.tw/ir>