



CLSA Taiwan Forum 2007
2007/11/5

ALPHA[®]

明泰科技
Alpha Networks Inc.

Agenda

- *Industry Overview*
- *Company Overview*
- *Technology and Product*
- *Financial Results*

Industry Overview

The Driver Behind the Wheel

- XP, MCE, Vista
- DV, DSC
- Faster CPU, larger and cheaper RAM and hard disk
- A/V content getting bigger: 1080P Full HD, Uncompressed LPCM
- New application grow internet traffic: MOD, IPTV, Wikipedia, Second Life, on-line A/V store, photo sharing, junk mail ,...
- Virus and VoIP also boost office network to upgrade to 1G/10G level

Result



Wider Bandwidth Outside

Faster Inside

More Bandwidth Bring More Business Opportunity

- IP-STB is finally within shooting distance
- Growing needs for network storage devices
- Various kinds of IP-CAM and related applications also become popular
- 3D Internet will soon come to the main stage
- Bandwidth and Internet Services now interact with each other in a positive cycle

Industry Seesaw

- 11n does not replace 11b/g as quick as expected
- VDSL and ADSL both survive
- WiMAX is still under investigation but Intel is pushing the Wimax really hard with solid actions
- U.S. subprime may affect consumer spending and enterprise investment as well
- Sub-prime problem sounds more serious than expected to the US banking and housing industry
- Crude oil and raw material price are up with no ceiling yet

Market Overview

- Sub-prime problem doesn't hit the network's retail channel
- Telcos are building ADSL and VDSL infrastructure with surprisingly fast pace and strength on a global basis
- Countries with abundant oil and raw material resources jump into Internet circle as well, especially true for Russia and C/S America
- Material price increasing causes component delivery problem but helps ASP stabilized
- Global warming and aging population create new needs for network technology

ODM/OEM Business Mid-term Outlook

- Consumer network and CPE product are less value added
- Cisco's rivals come to Taiwan ODM/OEM
- More new customers and projects
- Customers now focus more on delivery and volume
increase steadily

Alpha Strength

- 20 years dedicated experiences in the networking industry
- Formidable R&D team
- Maintain unique position in enterprise Ethernet switch ODM market

Alpha Strategy

- Place more emphasis on bottom line while demanding is strong
- Margin growth will mainly come from Switch, Digital Multimedia, VDSL (including outdoor Switch) and IP STB
- Step into Industrial Switch, Networked Medical Care and Green Switch market places to seek continuously long term company growth
- Grow engineering resources aggressively to cope with increasing market demand by expanding R&D and manufacturing facilities in China or Vietnam
- Develop new ODM channels in raw material rich and emerging countries

Company Overview

Company Profile

- Founded in 2003
- Publicly listed in 2004 at Taiwan Stock Market
- Paid-in Capital: NT\$ 4 billion (US\$ 121mln)
- Current Market Capital: around NT\$ 16 billion (US\$480mln)
- Number of employees: over 6,000 worldwide
- Business Model: DMS (Design, Manufacturing, and Services)

Worldwide Locations



- **Headquarters:** Science-based Industrial Park, Hsinchu Taiwan
- **Factories(3):** Hsinchu Taiwan, Dongguan China(2)
- **R&D Centers(5):** Hsinchu Taiwan, Taipei Taiwan, Chengdu China, Shanghai China, Irvine USA
- **Sales Offices(4):** Taiwan, Santa Clara USA, Tokyo Japan, Dongguan China

Factories and Capacity

Hsinchu, Taiwan

- 5 SMT lines
- Total area $\cong 42,000 \text{ m}^2$
- Employee number $\cong 1800$



Dongguan, China

- 13 SMT lines
- Total Area $\cong 40,000 \text{ m}^2$
- Employee number $\cong 3500$
- For overseas market



Dongguan, China

- 3 back-end lines
- Total Area $\cong 8,000 \text{ m}^2$
- Employee number $\cong 700$
- For China domestic market



Chengdu R&D Center:

Current :

R&D Engineers: 370

Total Area: 4,000 m²

Equipments:

- 1 EMI Chamber
- 1 Test Lab
- 1 Hardware Lab



New :

R&D Engineers: 800-1,000

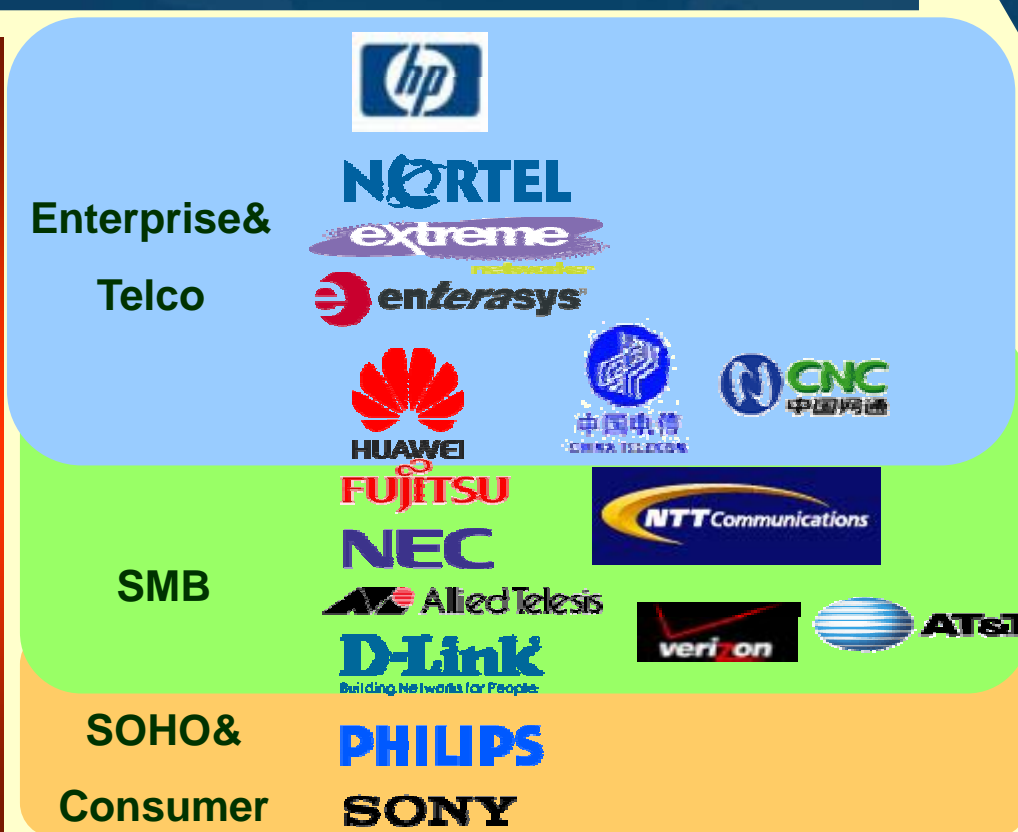
Total Area: 11,000 m²

Equipments:

- 2 EMI Chamber + 4 RF Chamber
- Double Test Lab's space
- Double Hardware Lab's space
- Add 1 semi-auto trial-run line



Business Value Chain



Chip Vendor

DMS

Customer

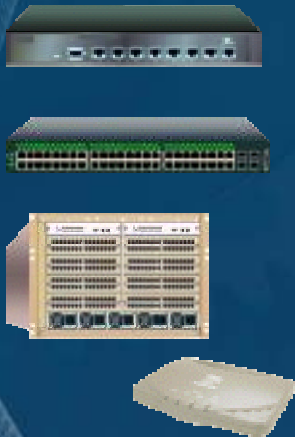
Consumer



Technology and Product

Diversified and Complete Product Offerings

LAN/MAN



10/100M Switch
1G/10G Switch
Chassis Switch
FTTx Equipments
PON OLT/ONU
WLAN Switch

Broadband



ADSL Modem
ADSL Router
Wireless ADSL Router
VDSL Modem
VDSL Router
VDSL Switch

VoIP



Wi-Fi Phone
DECT/IP Phone
VoIP Terminal Adapter
VoIP Gateway
Integrated Access Device

Wireless



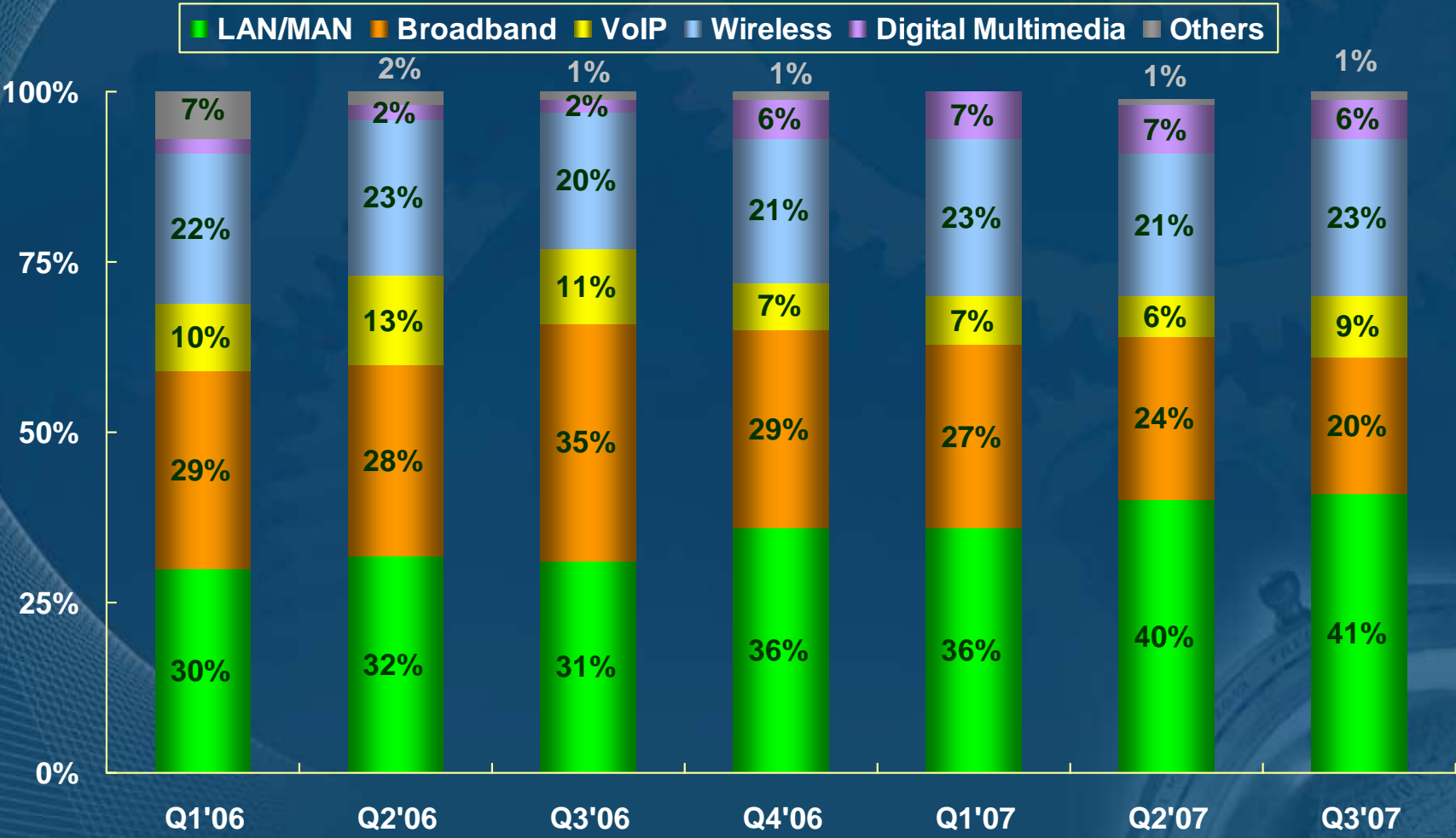
WLAN Adapters
WLAN AP
WLAN Router
Home Gateway
WiMAX Base Station
WiMAX CPE

Digital Multimedia



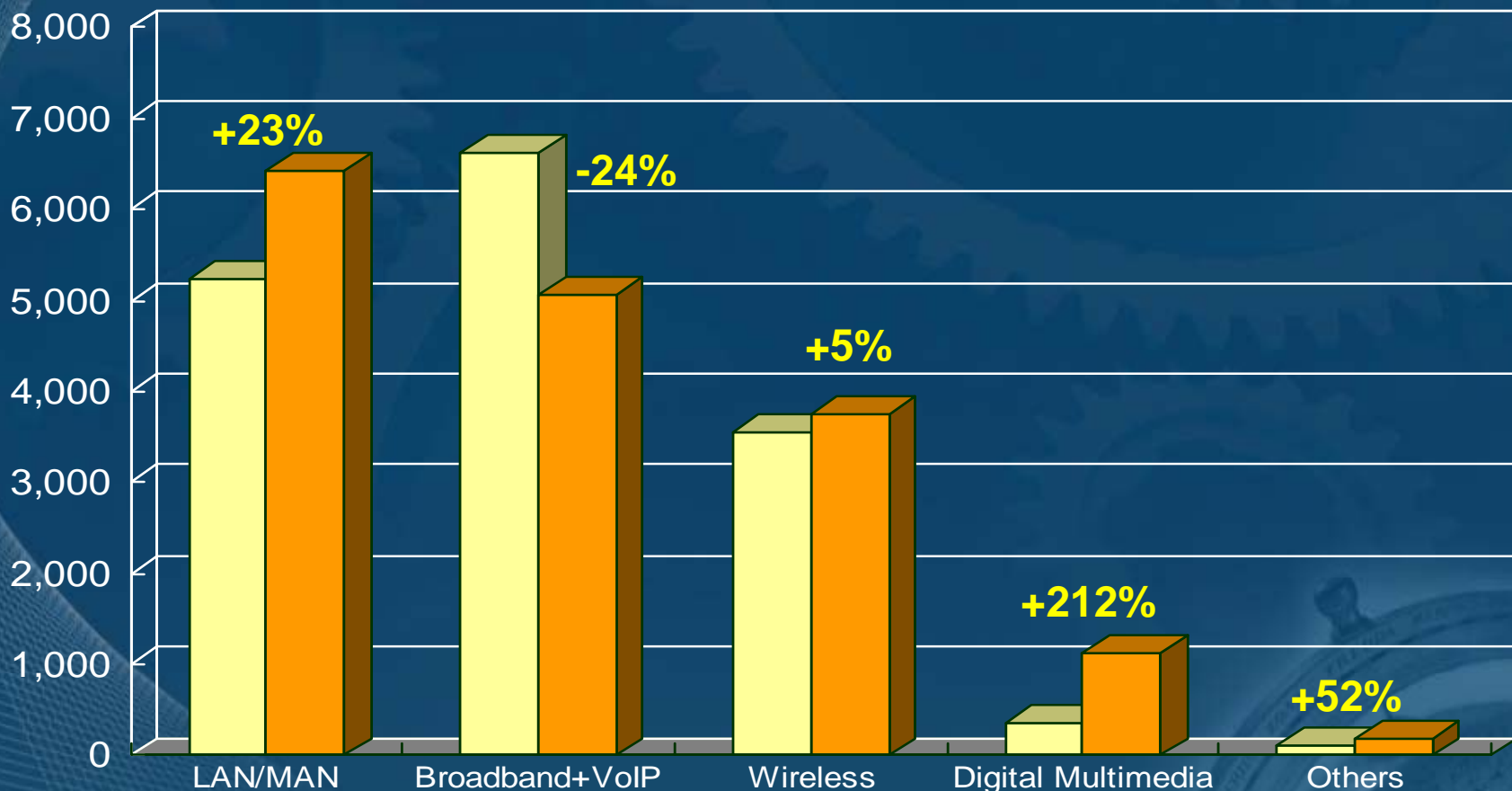
Digital Media Adapter
IP Camera
Printer Server
Network Storage
IP/DVB Set-Top Box
...

Revenue Breakdown by Product



Revenue Growth By Product Line

2007/1-3Q vs. 2006/1-3Q



Unit: NT\$ Million

■ 2006/1Q-3Q ■ 2007/1Q-3Q

Financial Results

Revenue Growth

NT\$Million



Consolidated Income Statement Comparison

2007/1-3Q vs. 2006/1-3Q

Amount: NT\$ million

	2007/1-3Q		2006/1-3Q		% change
	Amt	%	Amt	%	
Net Sales	16,648	100.00	15,865	100.00	5%
Cost of Goods Sold	13,626	81.85	13,364	84.24	2%
Gross Profit	3,022	18.15	2,500	15.76	21%
Operating Expenses	1,802	10.82	1,564	9.86	15%
Operating Income	1,220	7.33	936	5.90	30%
Total Non-Op. Inc. (Loss)	(148)	-0.89	(67)	-0.43	121%
Income Before Tax	1,072	6.44	869	5.48	23%
Income Tax Expense	168	-1.01	171	-1.16	-9%
Net Income	904	5.43	698	4.40	30%
Earnings Per Share (NT\$)	2.31		2.10		

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