



# 2006 Q2 Investor Conference

*August 2, 2006*

**ALPHA**<sup>®</sup>  
明泰科技  
Alpha Networks Inc.

# Safe Harbor Statement

Except for statement in respect of historical matters, the statement 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 Alpha Networks Inc. to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

# Agenda

- Financial Review
- Business Updates
- Market & Business
- Q&A

Mason Liu

Wonder Wang

John Lee

# Financial Review

Presented by

Mason Liu

Vice President

Finance/Accounting Division

# 2Q/2006 QoQ Income Statement Comparison

Amount: NT\$ million	2Q/2006		1Q/2006		QoQ% Change
Net Sales	5,281	100%	4,624	100%	14%
Cost of Goods Sold	4,572	87%	3,918	85%	17%
Gross Profit	707	13%	709	15%	0%
Operating Expenses	476	9%	421	9%	13%
Operating Income	231	4%	287	6%	-20%
Total Non-Op. Inc. (Loss)	(51)	-1%	(27)	-1%	88%
Income Before Tax	180	3%	260	5%	-31%
Income Tax Expense	36	-	62	1%	-42%
Net Income	144	3%	212	4%	-32%
Earnings Per Share (NT\$)	0.43		0.64		-33%

## 2Q/2006 YoY Income Statement Comparison

Amount: NT\$ million	2Q/2006		2Q/2005		YoY % Change
Net Sales	5,281	100%	3,962	100%	33%
Cost of Goods Sold	4,572	87%	3,326	84%	37%
Gross Profit	707	13%	636	16%	11%
Operating Expenses	476	9%	411	10%	16%
Operating Income	231	4%	225	6%	3%
Total Non-Op. Inc. (Loss)	(51)	-1%	(6)	0%	850%
Income Before Tax	180	3%	220	6%	-18%
Income Tax Expense	36	-	36	1%	0%
Net Income	144	3%	184	5%	-22%
Earnings Per Share (NT\$)	0.43		0.59		-27%

# Non-op Income / Loss Breakdown

Amount: NT\$ million

	2Q/06	1Q/06	4Q/05
L.T. Investment Income / (Loss)	(25)	(15)	(89)
FX Gain / (Loss)	(32)	5	(36)
Inventory Gain / (Loss)	(16)	(19)	25
Financial Income / (Exp.) & Others	22	2	11
<b>Total</b>	<b>(51)</b>	<b>(27)</b>	<b>(89)</b>

# 6/30/2006 Balance Sheet QoQ Comparison

Amount: NT\$ million	6/30/2006		3/31/2006		QoQ % Change
Cash	2,122	18%	2,487	21%	-15%
S-T Investments	-	-	-	-	-
Account Receivable	5,108	43%	4,096	35%	25%
Inventory	2,345	20%	2,808	24%	-16%
L-T Investments	1,139	9%	1,046	9%	9%
Fixed Assets	1,052	9%	1,079	9%	-3%
Total Assets	11,935	100%	11,683	100%	2%
Account Payable	3,123	26%	3,527	30%	-11%
Current Liabilities	5,846	49%	5,315	46%	10%
L-T Liabilities	1,094	9%	1,086	9%	1%
Common Stock	3,314	28%	2,829	24%	17%
Shareholders' Equity	4,927	41%	5,215	45%	-6%

# 6/30/2006 Balance Sheet YoY Comparison

Amount: NT\$ million	6/30/2006		6/30/2005		YoY % Change
Cash	2,122	18%	474	6%	348%
S-T Investments	-	-	737	10%	-
Account Receivable	5,108	43%	2,918	37%	75%
Inventory	2,345	20%	1,596	20%	47%
L-T Investments	1,139	9%	955	12%	19%
Fixed Assets	1,052	9%	1,144	14%	-8%
Total Assets	11,935	100%	7,999	100%	50%
Account Payable	3,123	26%	2,287	29%	37%
Current Liabilities	5,846	49%	3,897	50%	50%
L-T Liabilities	1,094	9%	-	-	-
Common Stock	3,314	28%	2,500	31%	33%
Shareholders' Equity	4,927	41%	4,041	50%	22%

# Key Financial Ratios - Liquidity / Leverage

Unit %, days	6/30/2006	3/31/2006
Days A/R	82	77
Days Inventory	45	54
Days A/P	62	72
Cash Cycle	65	59
Current Ratio	165	178
Debt/Equity Ratio	142	124

# Key Financial Ratios - Profitability (%)

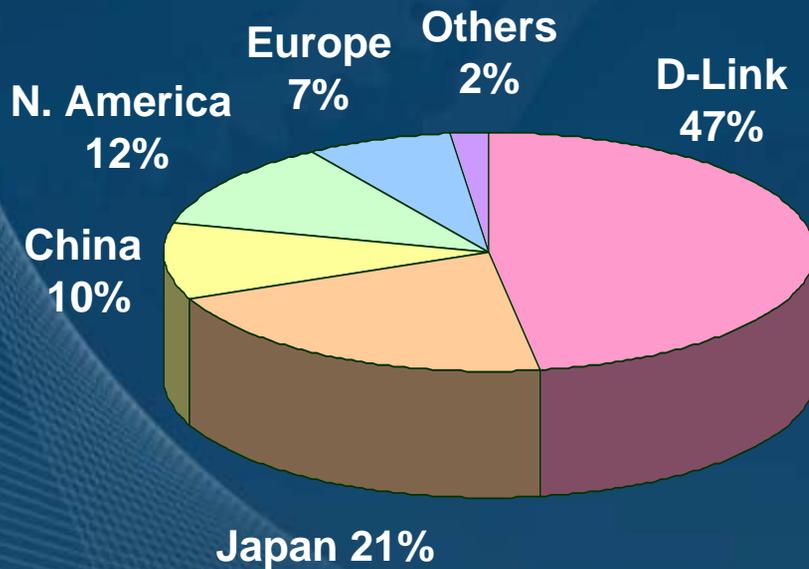
	6/30/2006	3/31/2006
Net Income/Sales	4%	4%
Net Income/Total Assets	7%	9%
Operating Profit/Sales	5%	6%
Return on Equity	15%	17%
EPS (NT\$)	1.07	0.64

# Business Updates

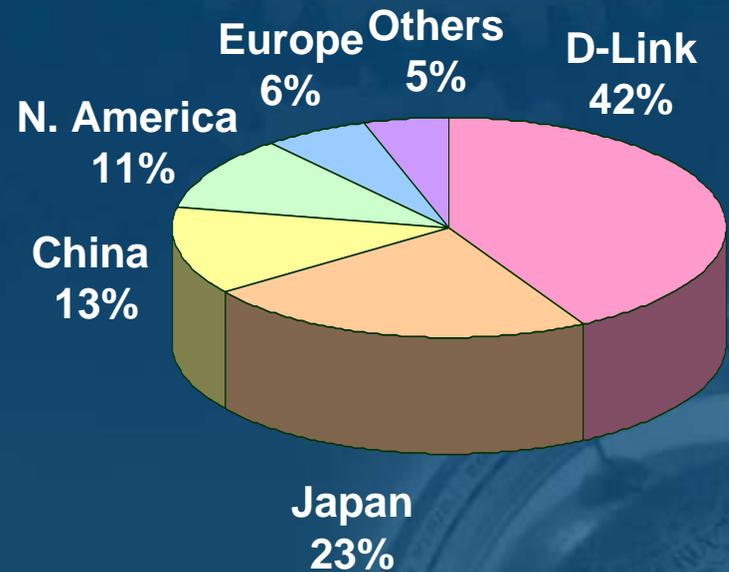
Presented by  
Wonder Wang  
President

# Revenue Breakdown By Business Unit 2Q/2006 vs. 1Q/2006

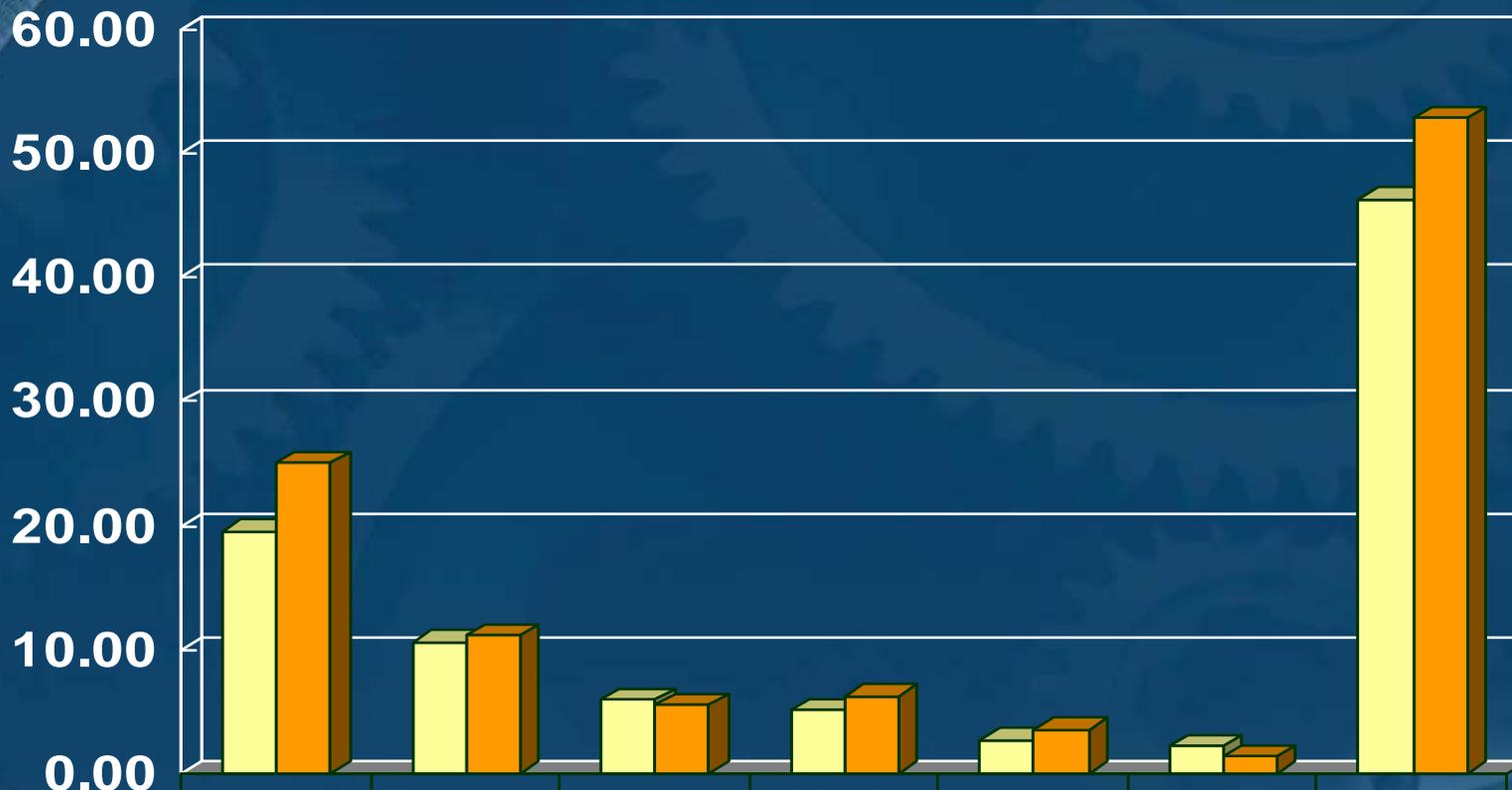
**2Q/2006**



**1Q/2006**



# Revenue Growth By Business Unit 2Q/2006 vs. 1Q/2006

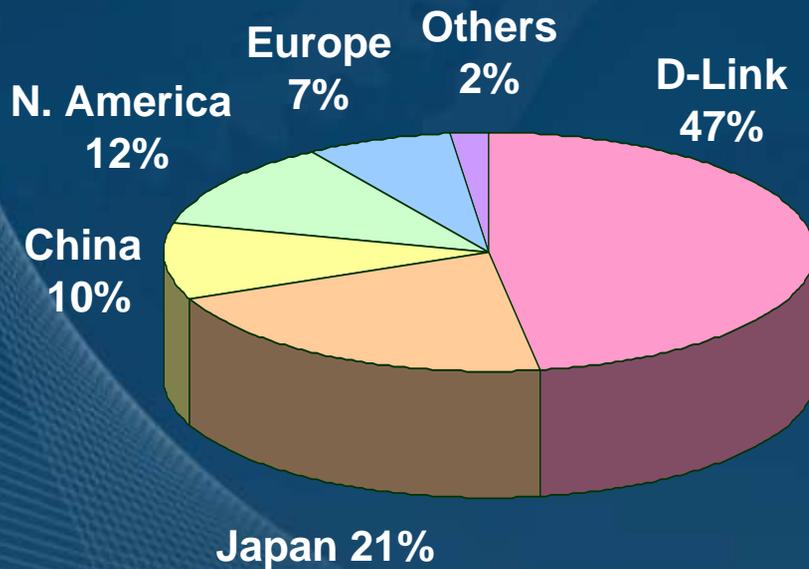


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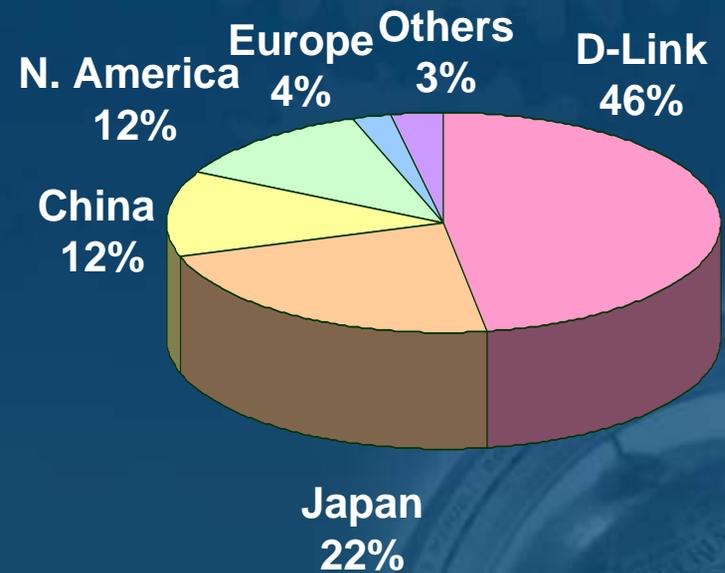
	D-Link	Japan	China	North America	Europe	Others	Total
2006Q1	19.58	10.62	5.95	5.13	2.74	2.21	46.24
2006Q2	25.01	11.13	5.51	6.22	3.53	1.41	52.81
<b>Growth</b>	<b>28%</b>	<b>5%</b>	<b>-7%</b>	<b>21%</b>	<b>29%</b>	<b>-36%</b>	<b>14%</b>

# Revenue Breakdown By Business Unit 2Q/2006 vs. 2Q/2005

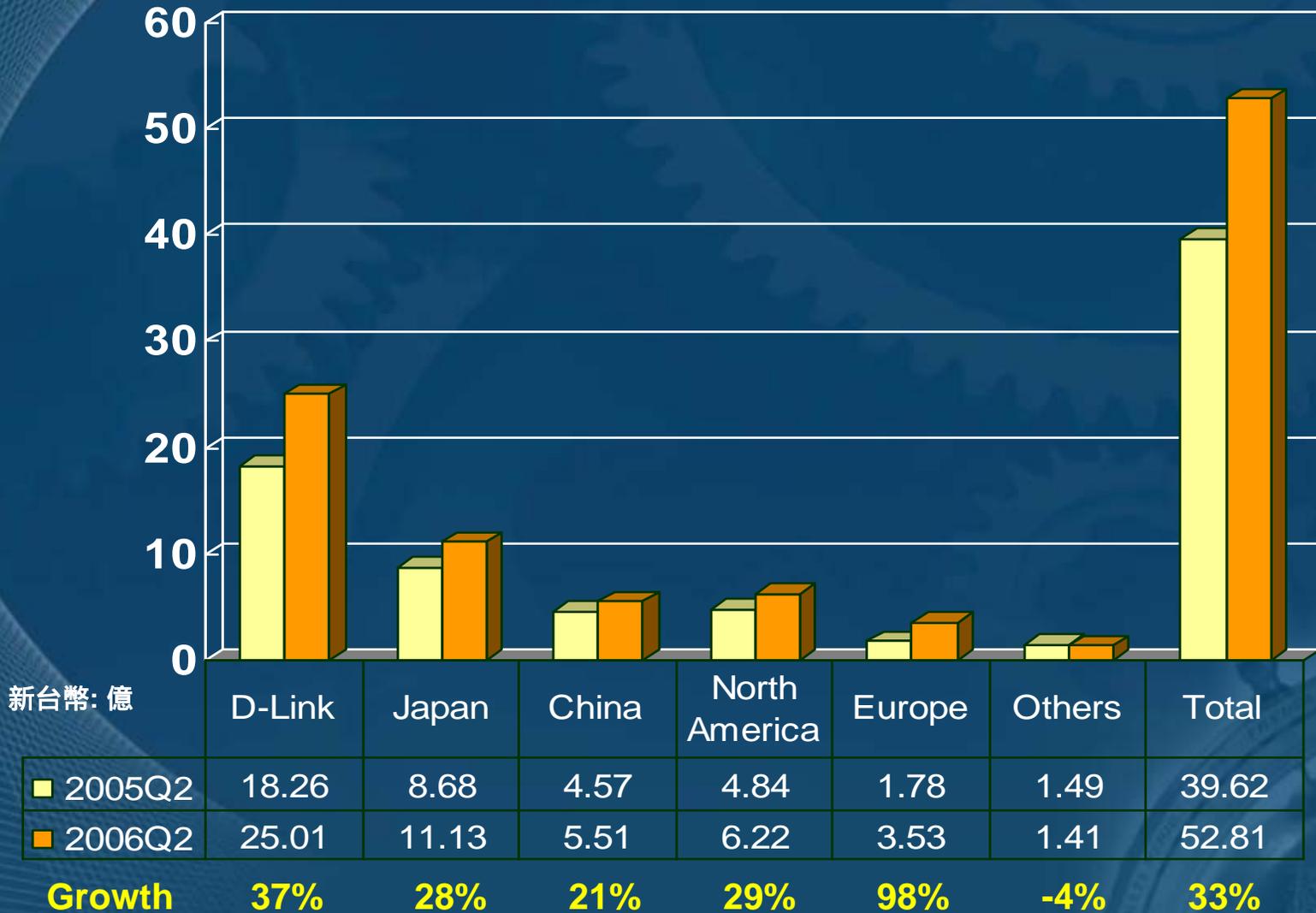
**2Q/2006**



**2Q/2005**

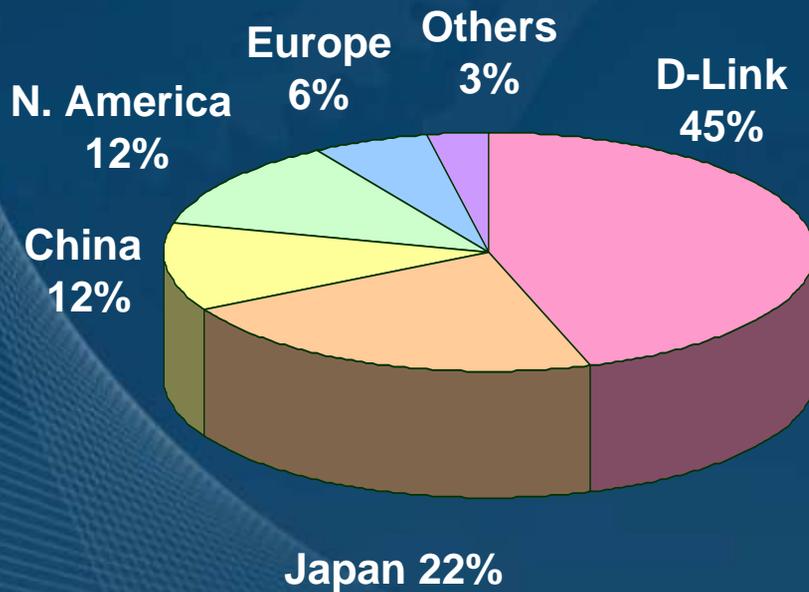


# Revenue Growth By Business Unit 2Q/2006 vs. 2Q/2005

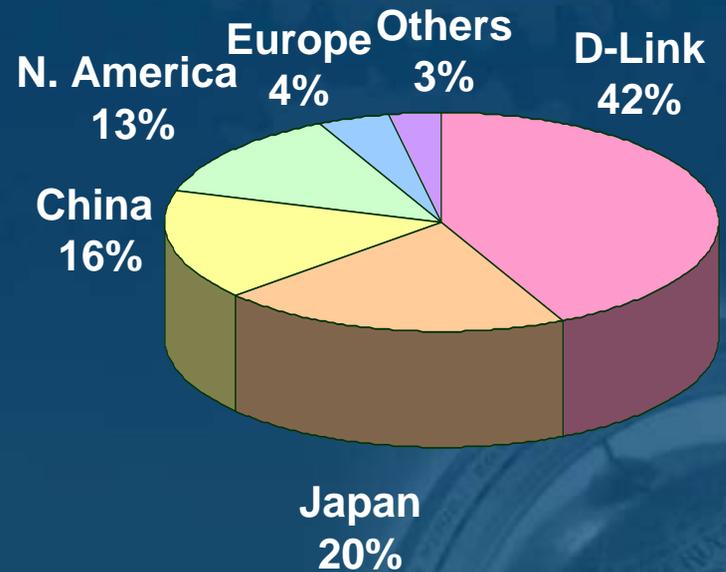


# Revenue Breakdown By Business Unit 1H/2006 vs. 1H/2005

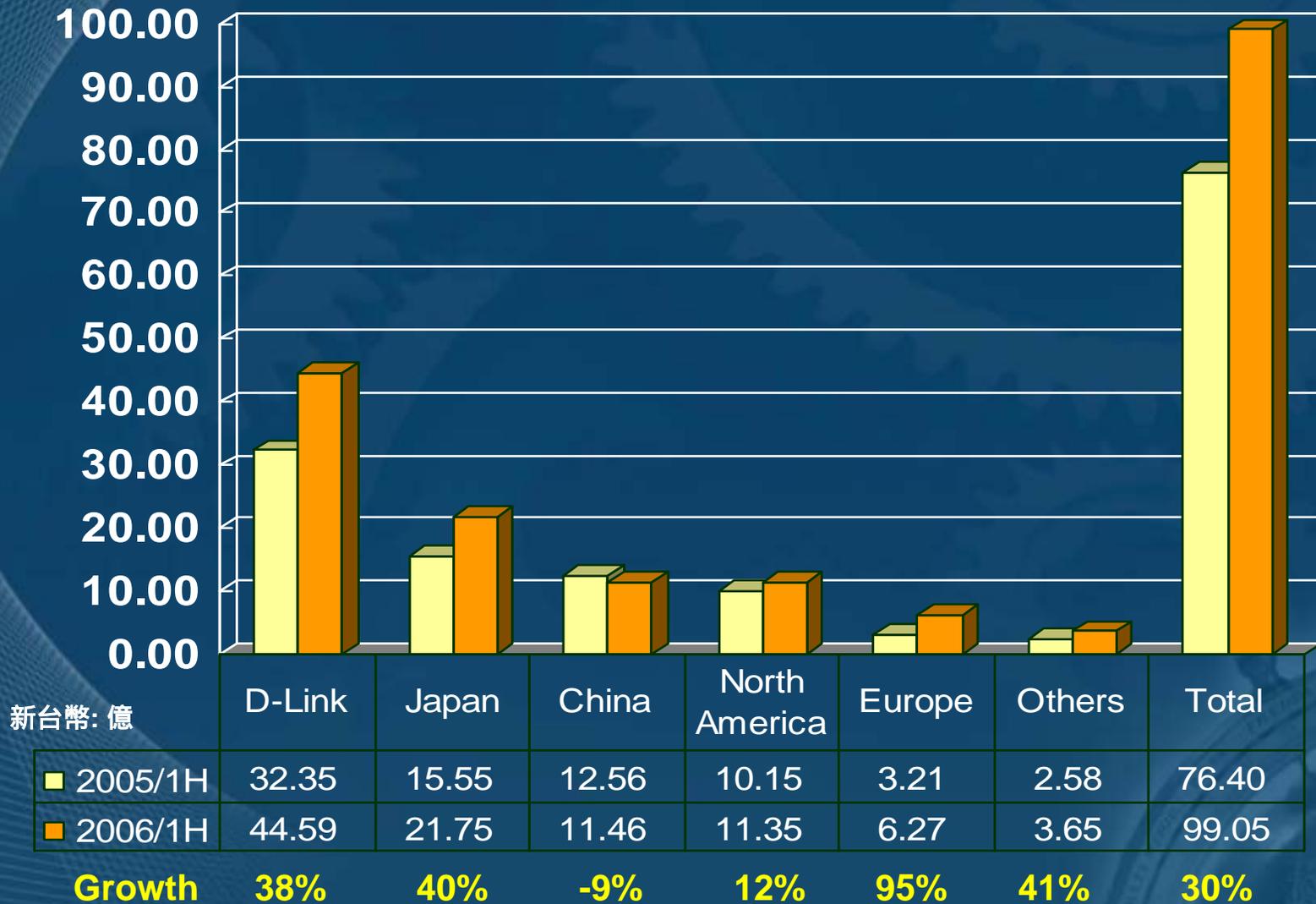
## 1H/2006



## 1H/2005

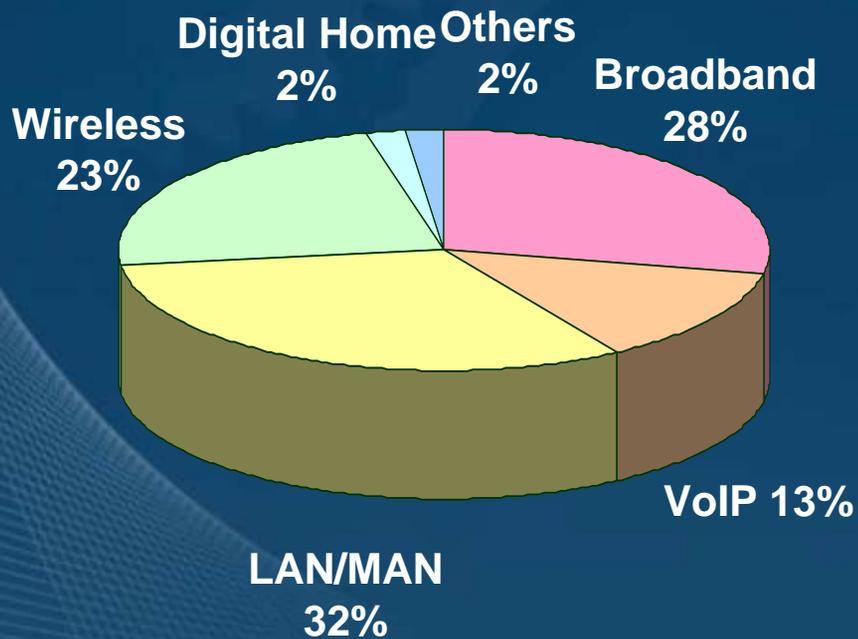


# Revenue Growth By Business Unit 1H/2006 vs. 1H/2005

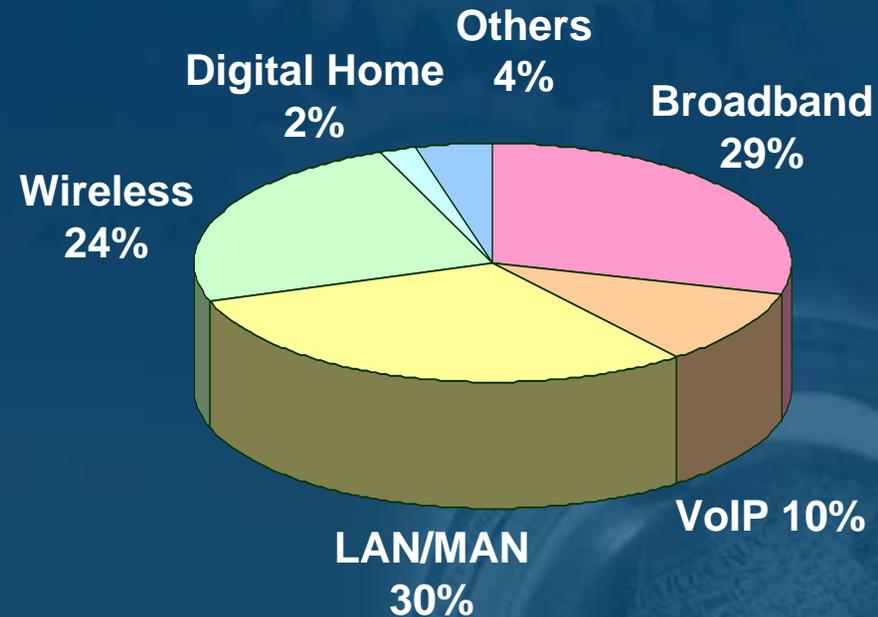


# Revenue Breakdown By Product Line 2Q/2006 vs. 1Q/2006

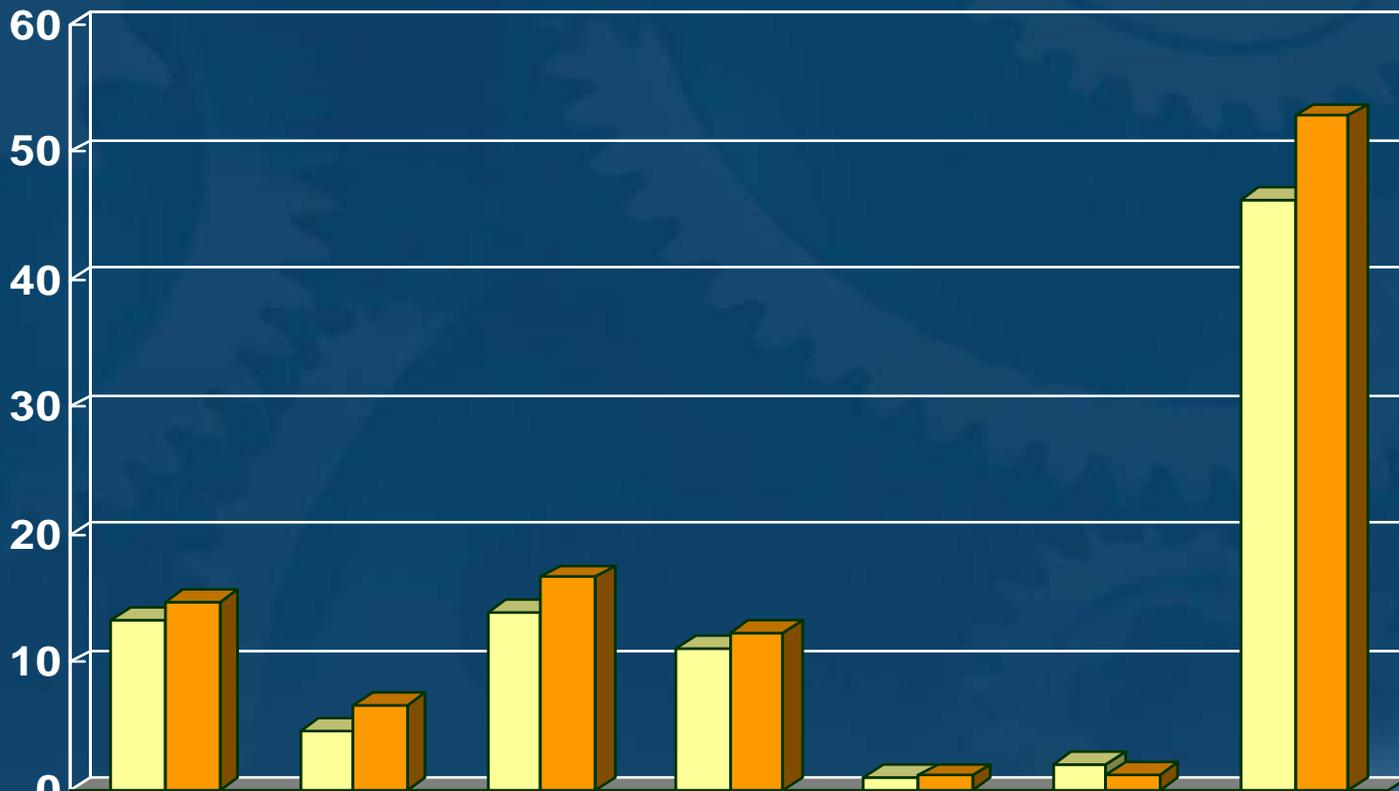
**2Q/2006**



**1Q/2006**



# Revenue Growth By Product Line 2Q/2006 vs. 1Q/2006



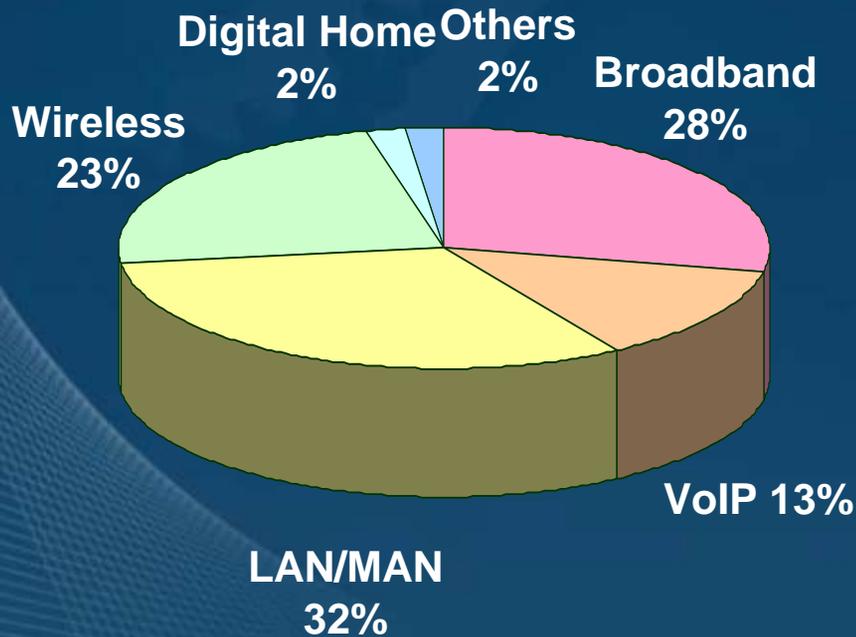
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	BB	VoIP	LAN	Wireless	Digital Home	Others	Total
■ 2006Q1	13.37	4.73	13.99	11.11	1.06	1.98	46.24
■ 2006Q2	14.81	6.73	16.68	12.25	1.14	1.20	52.81

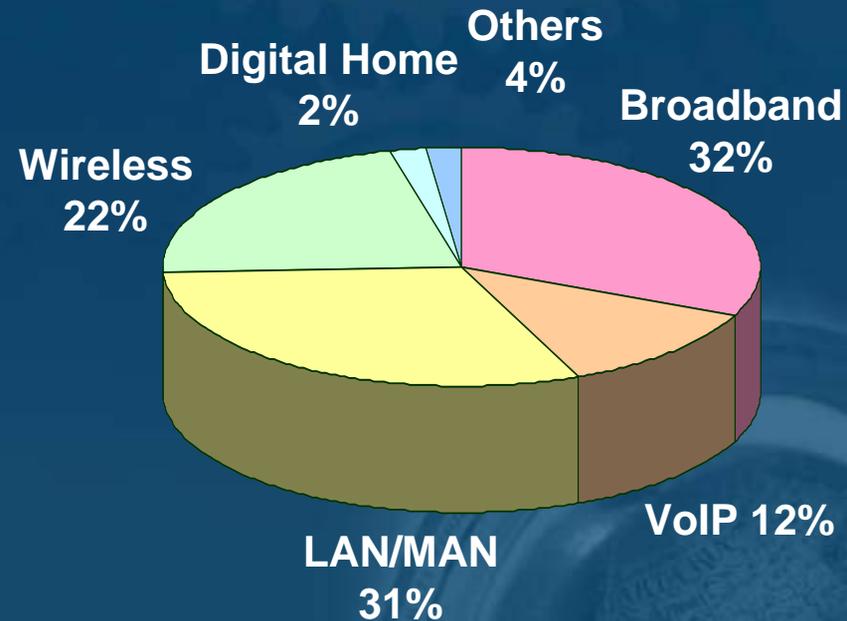
**Growth**      **11%**      **42%**      **19%**      **23%**      **2%**      **-40%**      **14%**

# Revenue Breakdown By Product Line 2Q/2006 vs. 2Q/2005

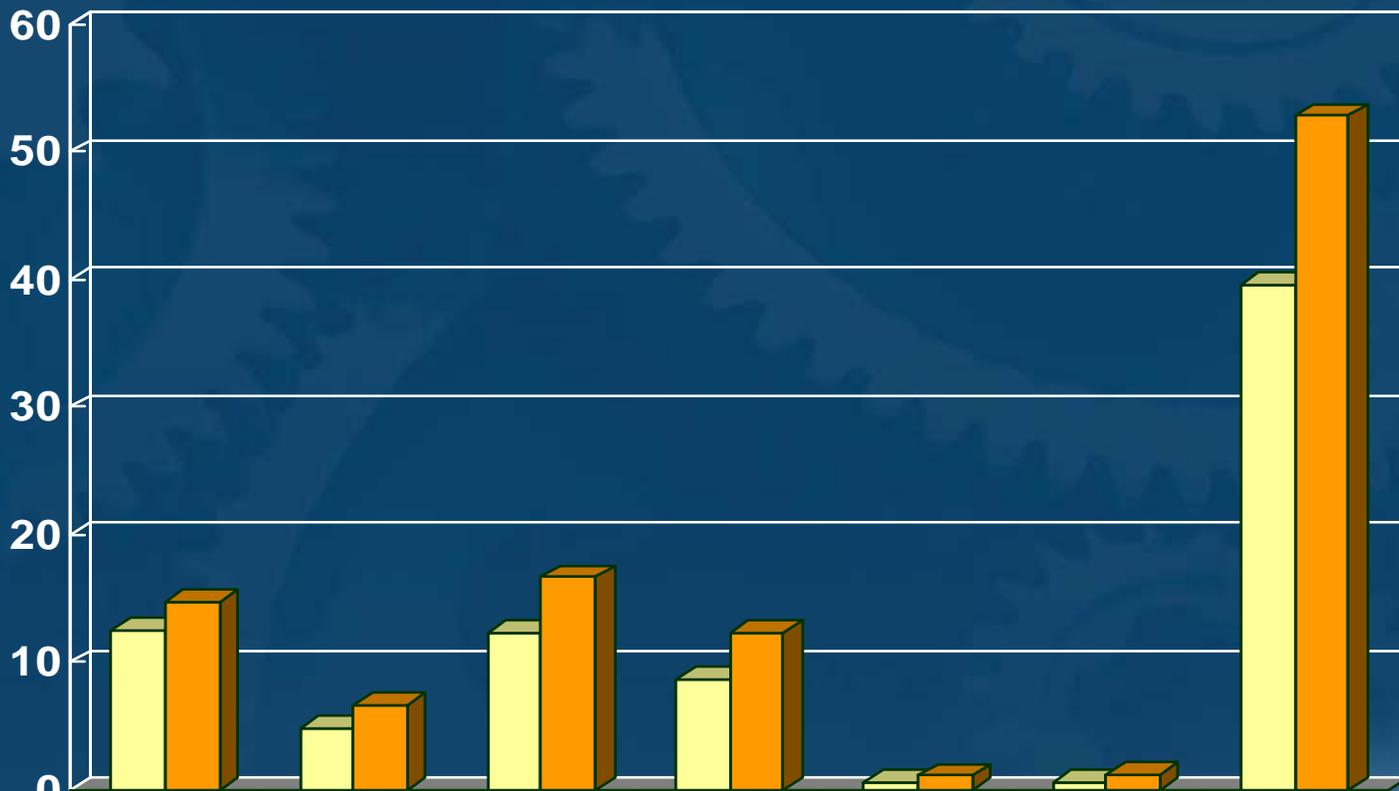
**2Q/2006**



**2Q/2005**



# Revenue Growth By Product Line 2Q/2006 vs. 2Q/2005



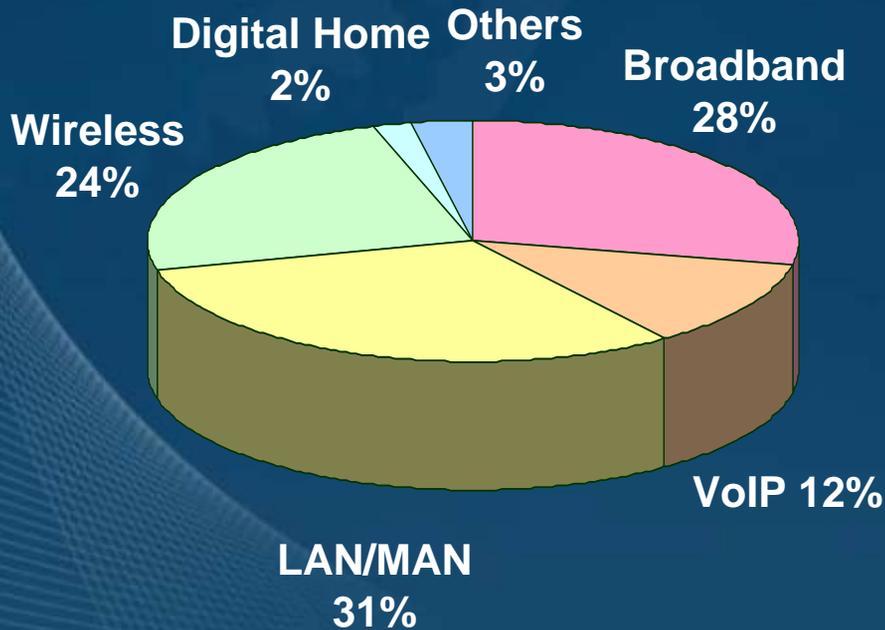
新台幣: 億

	BB	VoIP	LAN	Wireless	Digital Home	Others	Total
■ 2005Q2	12.51	4.93	12.29	8.62	0.63	0.62	39.61
■ 2006Q2	14.81	6.73	16.68	12.25	1.14	1.20	52.81

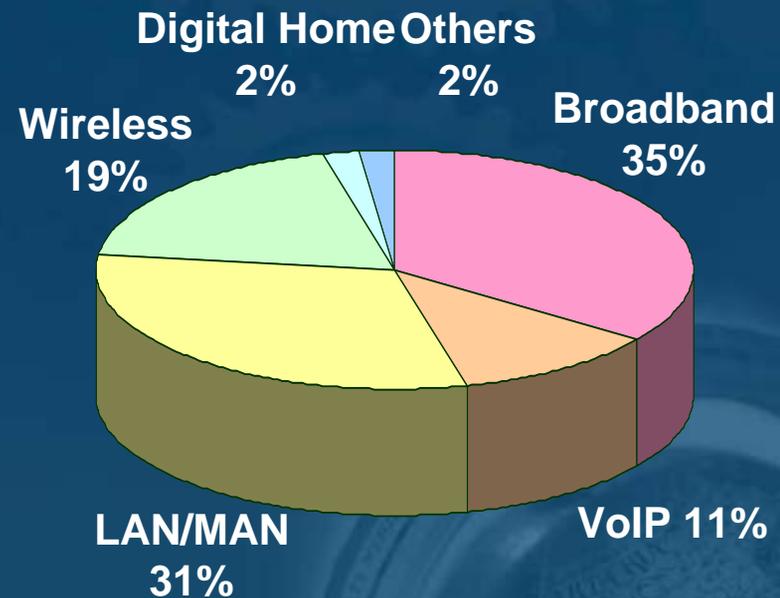
**Growth**      **18%**      **37%**      **36%**      **42%**      **81%**      **94%**      **33%**

# Revenue Breakdown By Product Line 1H/2006 vs. 1H/2005

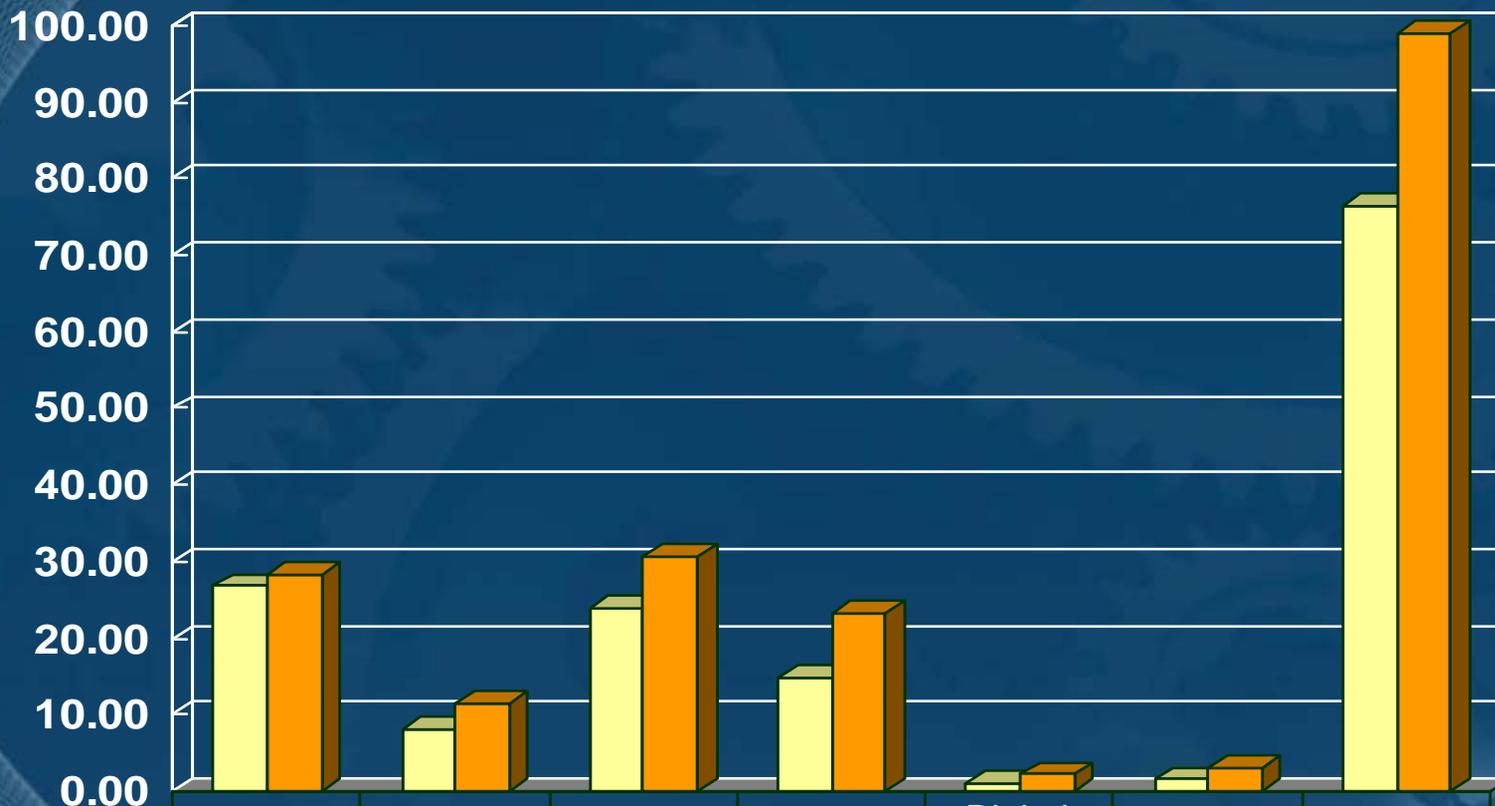
## 1H/2006



## 1H/2005



# Revenue Growth By Product Line 1H/2006 vs. 1H/2005



新台幣: 億

	BB	VoIP	LAN	Wireless	Digital Home	Others	Total
■ 20051H	26.80	8.19	23.90	14.78	1.16	1.56	76.40
■ 20061H	28.18	11.46	30.67	23.36	2.20	3.18	99.05

**Growth**      **5%**      **40%**      **28%**      **58%**      **90%**      **204%**      **30%**

# Market & Business

Presented by

John Lee

CEO

# Market Trend- Broadband

- ADSL2+ is being required on all new tenders
- IADs will replace modems
- VDSL1 is currently being deployed in Korea and Japan. VDSL2 will be booming in Japan and Europe.
- E-PON is being deployed in Asia while North American and European providers are deploying FTTH services based on G-PON.

# Market Trend- Switch

- High-end (10G+/ Fiber) switches are adopted by Telcos for NGN infrastructure construction
- SMB expenditures on stackable switches
- Wireless switch introduction

# Market Trend- Wireless

- EWC expedites 802.11n adoption
- Wi-Fi mesh as a transition before WiMAX becomes popular
- Business wireless use increases

# Market Trend- Digital Home

- DVB-C, DVB-T and IPTV (VoD)
- High Definition TVs drive the demands of higher bandwidth and more efficient video compression techniques
- IP Cams are widely deployed for surveillance and security

# Alpha Business Outlook

- Broaden technology spectrum
- Increase business with current customers
- Establish presence in consumer electronics market
- Acquire, develop, and integrate more technologies and IPs
- Maintain the leading position in Networking DMS
- Transfer 20% production capacity to China
- **2H/2006 Guidance:**

Revenue to grow: 15%~25% compared to 1H/2006



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