DIONEX:

BUILT ON SOLUTIONS

DIONEX CORPORATION 2002 ANNUAL REPORT

BUILT ON SOLUTIONS: Throughout our history, we have been built on providing solutions to our customers. This tradition continues today, even though we are larger and our customer base has grown. We now have the broadest product offering in our history, expanding into exciting new areas of life sciences and bioresearch. With a deep commitment to research and development, we are poised to grow in key segments of the environmental, life sciences and industrial markets. Our instruments are known for quality and performance and are used by many of the largest companies worldwide, as well as government agencies, research institutions, and universities. Our customers see us as a company built on solutions. We see solutions as the key to growth.

CORPORATE DIRECTORY

DIRECTORS

David L. Anderson
Managing Director
Sutter Hill Ventures

James F. Battey
Independent Investor

A. Blaine Bowman
Chairman of the Board

Lukas Braunschweiler, Ph.D.
President and Chief Executive Officer

B.J. Moore
Independent Management Consultant

Riccardo Pigliucci
Chairman and Chief Executive Officer
Discovery Partners International

OFFICERS

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Chairman of the Board

Lukas Braunschweiler, Ph.D.
President and Chief Executive Officer

Barton Evans, Jr.
Executive Vice President and
Chief Operating Officer

Nebojsa Avdalovic
Vice President

Der-Min Fan
Vice President

Peter Jochum
Vice President

Craig A. McCollam
Vice President and Chief Financial Officer

Brent J. Middleton
Vice President

Christopher A. Pohl
Vice President

Jeffrey Thompson
Vice President

Chris A. Westover
Secretary
Partner, Cooley Godward LLP

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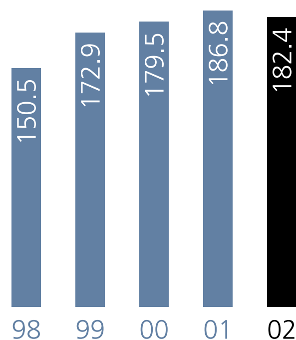
Financial Highlights

YEARS ENDED JUNE 30	2002	2001
(In thousands, except per share amounts)		
Net sales	$182,434	$186,757
Gross profit	$118,694	$122,565
As a percentage of sales	65.1%	65.6%
Net income	$ 27,608	$ 31,406
Net income per share		
Basic	$ 1.27	$ 1.42
Diluted	$ 1.24	$ 1.37

AT JUNE 30	2002	2001
(In thousands, except employees)		
Total assets	$180,718	$173,682
Stockholders' equity	$131,707	$129,858
Number of employees	906	912

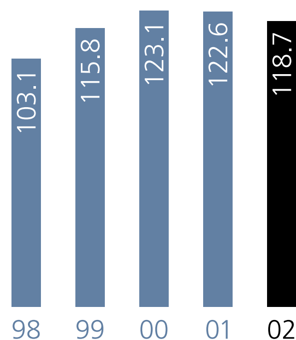
NET SALES

Dollars in millions



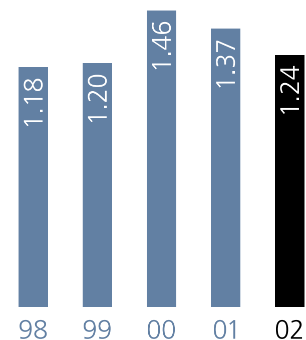
GROSS PROFIT

Dollars in millions



DILUTED EARNINGS PER SHARE

Dollars



To Our Shareholders

Fiscal 2002 was a challenging year, influenced greatly by forces that took a toll on the U.S. and foreign economies. We were unable to achieve all of our goals this year due to weak economic conditions in North America and Japan, where our customers significantly reduced their capital spending. Currency fluctuations had a negative impact on our results as the U.S. dollar strengthened for much of the year, even though the dollar did show some weakening toward the fiscal year end. Given these factors, our strategy was to work hard to manage the issues within our control. We controlled expenses, brought down inventory levels, reduced days sales outstanding, improved cash flow and grew sales in our life sciences business by over 20%. In addition, we successfully launched key products in each of our markets during the year. In light of the economic conditions we faced in 2002, we are actually quite pleased with the outcome.

We believe it is important to invest in the future through our R&D efforts. Even though we experienced weaker customer spending in some of our key markets, our R&D investment has already paid off with a number of new product introductions, positioning us for growth as economic conditions improve.

REVIEW OF FINANCIAL RESULTS We are pleased to report that we maintained a high level of profitability, despite difficult economic conditions, with operating margins in excess of 21%. Sales for the year were down approximately 2% to $182.4 million, compared with $186.8 million reported for fiscal 2001. The negative effect of currency fluctuations contributed to this decline, reducing sales by 1% for the year. Diluted earnings per share for the year were $1.24. We also experienced a very good cash flow from operations, totaling over $41 million.

At June 30, 2002, our balance sheet was strong, with cash and cash equivalents totaling over $22 million. We also increased our total assets to approximately $181 million and total stockholders' equity to almost $132 million. In addition, we were virtually debt-free. During the fiscal year, we used cash generated from operations to repurchase 1,333,870 shares of our common stock under our share repurchase program.

BUSINESS REVIEW In fiscal 2002, we strengthened our European position further, with approximately 40% of our sales coming from Europe, compared to 39% from North America. The remainder of our sales came from Asia/Pacific and other regions. Sales grew in Europe in the mid-single digits for the year. Sales in Asia, outside of Japan, grew in the double digits, while sales in North America and Japan declined due to weak economic conditions.

We saw very encouraging market reception of our HPLC products, with growth in excess of 20% for the year, driven by strong progress in Europe. We believe HPLC will continue to be an area for future growth. Our HPLC technologies allow us to be positioned more firmly in the $2+ billion HPLC market. The major portion of our HPLC customers are in pharmaceutical, biotechnology and research and academic institutions.

We introduced a new pump for the Summit™ HPLC product line. This pump is equipped with innovative features that, coupled with Summit "system wellness," reduce the cost of operation and increase the durability and life of the pump.

Augmenting our liquid chromatography offerings in the life sciences and bioresearch market, we acquired exclusive worldwide rights to the Probot™ micro fraction collector. The Probot is used as a stand-alone device or with our UltiMate™ capillary-/nano-LC system for proteomics research, drug discovery and development, and other life sciences applications.

During fiscal 2002, our traditional ion chromatography (IC) and Accelerated Solvent Extraction (ASE) markets were challenged by weakness in the industrial sectors of our business, particularly chemical/petrochemical, electronics, power, and, to a lesser extent, the environmental market. Despite the weakness in the industrial sectors, we continued to spend approximately 8% of our revenue for R&D in order to maintain our innovative edge. We introduced several new products this year that will enhance our future growth opportunities.

We strengthened our ion chromatography business by introducing the ICS-90, a new ion chromatograph for the separation of inorganic anions and cations. The ICS-90 combines a very compact unit with high performance and flexibility.

Adding to our ASE offerings, the ASE® 100 extractor was introduced as an entry-level system for single-sample extraction. Like our previously introduced ASE extractors, the ASE 100 uses increased temperature and pressure to accelerate extraction and minimize solvent use.

A highlight of this fiscal year was the success of our CHROMELEON® chromatography data management system. Several large pharmaceutical companies chose CHROMELEON to meet their future chromatography data and workflow management needs, providing us with broader access for our IC and HPLC products. Among their reasons for purchasing CHROMELEON were its capabilities in security, multiple instrument control and compliance with the U.S. FDA's 21 CFR Part 11 regulations.

We continued to introduce a number of consumable products to expand our product offerings. As an example of our innovation, we introduced our Acclaim® line of silica-based, reversed-phase columns for general purpose HPLC applications.

We also continued to make headway into the field of mass spectrometry in fiscal 2002. Through our partnership with ThermoFinnigan, we are offering the MSQ™ single quadrupole mass spectrometers. A low-mass feature designed specifically for smaller molecules expands the detector's IC capabilities. The MSQ is offered

with our LC and IC systems, and can be operated using our CHROMELEON and PeakNet® chromatography management software.

LOOKING TO THE FUTURE As fiscal 2002 came to a close, we announced that Lukas Braunschweiler, Ph.D. is assuming the role of President and Chief Executive Officer, effective August 5, 2002. Dr. Braunschweiler joins us from Mettler-Toledo International, Inc., where he headed the Laboratory and Packaging Divisions as Group Vice-President. He earned a Ph.D. in analytical chemistry at the Swiss Federal Institute of Technology in Zurich. His background for our type of business and wealth of international experience translate into management skills and technical experience that will be great assets to the Company. As Dr. Braunschweiler takes over the day-to-day chief executive responsibilities, I will spend more time focusing on longer-range development opportunities for Dionex and will remain active with the Company in the role of Chairman of the Board.

With our strengthened management team, continued emphasis on R&D, high level of profitability and cash flow and the broadest product offering in our history, we are in a strong position. We have forged inroads into new markets in life sciences, and strengthened our offerings in the areas where we have traditionally done very well. Therefore, we believe that we are well positioned to make fiscal 2003 a successful year.

We look forward to reporting our progress throughout this year. Thank you for your continued support.

A. Blaine Bowman

A. Blaine Bowman
Chairman of the Board
August 20, 2002

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Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

The following table summarizes the consolidated statement of income items as a percentage of sales.

YEARS ENDED JUNE 30	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	34.9	34.3	31.4
Revaluation of acquired inventory	—	0.1	—
Gross profit	65.1	65.6	68.6
Operating expenses:			
Selling, general and administrative	35.7	34.0	32.4
Research and product development	8.3	7.9	8.3
Write-off of in-process research and development	—	0.4	—
Total operating expenses	44.0	42.3	40.7
Operating income	21.1	23.3	27.9
Other income	1.1	1.6	—
Interest income, net	0.2	0.3	0.2
Income before taxes and cumulative effect of change in accounting principle	22.4	25.2	28.1
Taxes on income	7.3	8.2	9.1
Net income before cumulative effect of change in accounting principle	15.1	17.0	19.0
Cumulative effect of change in accounting principle	—	0.2	—
Net income	15.1%	16.8%	19.0%

Net Sales and Gross Profit In fiscal 2002, Dionex reported sales of $182.4 million, a decrease of 2% compared with $186.8 million reported in fiscal 2001. Sales in fiscal 2000 were $179.5 million. The Company is subject to the effects of foreign currency fluctuations that can have a significant impact on reported sales and gross profits. Currency fluctuations decreased reported sales by 1% in fiscal 2002 and 5% in fiscal 2001.

Sales in fiscal 2002 grew in our European and distributor markets but declined in North America and Japan due to weak economic conditions. Sales growth in fiscal 2001 was attributable to growth in our European and distributor markets. In fiscal 2001, sales in North America and Japan were flat. Sales growth in local currency was strong in both our European and Japanese markets in fiscal 2001. However, a strong U.S. dollar reduced the reported growth in both regions.

Sales outside North America accounted for 61% of net sales in fiscal 2002, 60% in fiscal 2001 and 58% in fiscal 2000. The Company sells directly through its sales forces in the United Kingdom, Germany, Italy, France, the Netherlands, Belgium, Switzerland, Austria, Denmark, Japan, China, Canada and the United States. Direct sales accounted for 90% of consolidated net sales in fiscal 2002, compared with 88% in fiscal 2001, and 91% in fiscal 2000. International distributors and representatives in Europe, Asia and other international markets accounted for the balance of the consolidated net sales. There were no significant price changes during the three-year period.

Gross profit in fiscal 2002 was 65.1% compared with 65.6% in fiscal 2001 and 68.6% in fiscal 2000. Gross profit in fiscal 2002 was lower due to the effects of foreign currency fluctuations and product mix. Gross profit in fiscal 2001 was lower due to foreign currency fluctuations, higher manufacturing costs and product mix.

Operating Expenses Selling, general and administrative ("SG&A") expenses as a percentage of net sales were 35.7% in fiscal 2002, compared with 34.0% in fiscal 2001 and 32.4% in fiscal 2000. SG&A expenses increased to $65.1 million in fiscal 2002, an increase of 3% from $63.4 million in fiscal 2001. The increase in SG&A expenses in fiscal 2002 was attributable to the inclusion of costs, for the entire year, of LC Packings Nederlands B.V. and LC Packings (U.S.A.), Inc. (collectively referred to as "LC Packings"), acquired in fiscal 2001 and Denmark and China subsidiaries. In fiscal 2001, the increase was attributable to the inclusion of LC Packings costs since the acquisition and additional costs related to two new subsidiaries started in January 2001. The Company anticipates that SG&A expenses will be in the range of 33% to 36% of sales in the near term.

Research and product development expenses were 8.3% of net sales in fiscal 2002 compared with 7.9% in fiscal 2001 and 8.3% in fiscal 2000. Research and product development expenses in fiscal 2002 of $15.1 million were up $400,000 compared with $14.7 million in fiscal 2001. Research and product development expenses in fiscal 2001 were virtually unchanged from the $14.9 million in fiscal 2000. Research and product development spending depends on both the breadth of the Company's research and product development efforts and the stage of specific product development projects. The Company anticipates that the level of research and product development expenses will remain in the range of 7% to 10% of sales in the near term.

Write-off of In-process Research and Development Acquired Write-off of in-process research and development acquired represents nonrecurring charges of $865,000, associated with the acquisition of LC Packings in October 2000 for technology that had not reached technological feasibility and had no alternative future use.

The valuation of intangibles related to the acquisition were based upon management's estimates of after-tax net cash flow using a 25% discount rate. The valuation gave consideration to the following: (i) comprehensive due diligence concerning all potential intangibles; (ii) the value of developed and core technology, ensuring that the relative allocation to core technology and in-process research and development were consistent with the contribution of each to the final product; and (iii) the allocation to in-process research and development based upon a calculation that only considered the efforts completed as of the date of the transaction, and only the cash flows associated with one generation of products currently in-process. The valuations were performed by an independent valuation group and were deemed reasonable in light of all the quantitative and qualitative information available.

The write-off of in-process research and development related to projects that were in development, had not reached technological feasibility, had no alternative future use and for which successful development was uncertain.

For LC Packings, three of the in-process projects were to design and build new liquid chromatography modules. Two projects were to design and build new columns. The sixth project was a new generation of software. The columns and software projects were completed in fiscal 2002. The three hardware projects are scheduled to be completed in fiscal 2003. At the time of the acquisition, the estimated cost to complete these products was $1.3 million. Costs incurred by the Company through June 30, 2002 were approximately $650,000.

There can be no assurances that the Company will be able to complete the development of these products on a timely basis. Failure to complete these projects could have an adverse impact on the Company's financial condition or results of operations.

Other Income Other income in fiscal 2002 and 2001 of $2.1 million and $3.0 million, respectively, primarily consisted of the gain on sale of marketable equity securities.

Interest Income Interest income in fiscal 2002 of $528,000 was lower than the $850,000 reported for fiscal 2001 due to lower interest rates despite higher average cash balances. In fiscal 2001, interest income of $850,000 was virtually unchanged from the $844,000 reported in fiscal 2000.

Interest Expense Interest expense in fiscal 2002 of $203,000 was lower than the $353,000 reported in fiscal 2001 due to lower average borrowings. In fiscal 2001, interest expense was $353,000 due to borrowings related to the acquisition of LC Packings. In fiscal 2001, the Company capitalized $221,000 of interest related to the construction of a building in Japan.

Taxes on Income The Company's effective tax rate was 32.5% for fiscal 2002, 2001 and 2000. The Company's effective tax rate is affected by the mix of taxable income among the various tax jurisdictions in which the Company does business. The Company anticipates that its effective tax rate will be in the range of 32% to 35% in the near term.

Cumulative Effect of Change in Accounting Principle Effective July 1, 2000, the Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies.

The Company's previous policy was to recognize product installation revenue upon shipment and to accrue product installation costs at the time revenue was recognized. Upon adoption of SAB 101, the Company defers installation revenue until installation has been completed and recognizes installation costs as incurred.

The cumulative effect of the change, totaling $359,000, is shown as a one-time charge to income in the consolidated statement of income for fiscal 2001. If SAB 101 had been adopted at the beginning of fiscal 2000, the effect on the results of operations for fiscal 2000 would not have been material.

Earnings per Share Diluted earnings per share were $1.24 for fiscal 2002 compared with $1.42 for fiscal 2001 excluding nonrecurring acquisition-related charges, consisting of revaluation of acquired inventory, write-off of in-process research and development, the related income tax effect of both of these items and the cumulative effect of change in accounting principle. Earnings per share in fiscal 2000 were $1.46. The number of shares used in computing diluted and basic earnings per share are affected by the Company's stock repurchase program.

Liquidity and Capital Resources At June 30, 2002, the Company had cash and cash equivalents of $22.2 million. The Company's working capital was $62.1 million at June 30, 2002, compared with $68.1 million at June 30, 2001. Working capital decreased in fiscal 2002 due to the decrease in marketable equity securities and inventory and an increase in accrued liabilities. In addition, the Company repurchased 1,333,870 shares of its common stock for $34.5 million in fiscal 2002 under its stock repurchase program. The Company repurchased 361,000 shares for $10.5 million in fiscal 2001 and 935,850 shares for $34.6 million in fiscal 2000.

Cash generated by operating activities was $41.8 million in fiscal 2002, compared with $27.3 million in fiscal 2001 and $30.6 million in fiscal 2000. The increase in operating cash flows in fiscal 2002 was due to improvements in inventory and accounts receivable as compared with the previous year, partially offset by lower net income.

Cash used for investing activities was $5.4 million in fiscal 2002, compared with $15.8 million in fiscal 2001 and $5.8 million in fiscal 2000. The decrease in cash used for investing activities was due to $2.5 million being used as part of the acquisition of LC Packings in fiscal 2002, compared with net cash of $12.4 million relating to the LC Packings acquisition in fiscal 2001 and a decrease in capital expenditures. Capital expenditures in fiscal 2002 decreased by $2.3 million to $4.8 million, compared with $7.1 million in fiscal 2001 and $5.1 million in fiscal 2000. The higher level of capital expenditures in fiscal 2001 was due primarily to the construction of a building in Japan.

Cash used for financing activities was $31.3 million in fiscal 2002, compared with $3.7 million in fiscal 2001 and $26.1 million in fiscal 2000. Financing activities for all three years consisted primarily of common stock repurchases as discussed above. Additionally, in connection with the construction of the building in Japan, the Company borrowed $2.7 million in long-term borrowings in fiscal 2001.

At June 30, 2002, the Company had outstanding borrowings of $2.0 million from bank lines of credit and $1.5 million from a foreign denominated mortgage note payable. At June 30, 2002 bank lines of credit totaled $32.7 million. The Company believes its cash flow from operations, its existing cash and cash equivalents and its bank lines of credit will be adequate to meet its cash requirements for the near term. The impact of inflation on the Company's financial position and results of operations was not significant during any of the periods presented.

The following summarizes our contractual obligations at June 30, 2002, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	AFTER 5 YEARS
Lines of Credit	$ 2,003	$2,003	$ —	$ —	$ —
Long Term Debt	1,502	500	1,002	—	—
Operating Lease Obligations	13,949	2,681	3,729	2,507	5,032
Other Obligations	9,500	3,000	6,500	—	—
Total Contractual Commitments	$26,954	$8,184	$11,231	$2,507	$5,032

At June 30, 2002, the Company had recorded $5.7 million of Other Obligations in its consolidated financial statements. Other Obligations relate to the earn-out from the acquisition of LC Packings.

Acquisition In October 2000, the Company purchased all of the issued and outstanding shares of LC Packings for total consideration, including acquisition costs, of approximately $12.4 million.

The acquisition was accounted for by the purchase method and its results of operations have been included in the Company's results of operations since the date of the acquisition.

In connection with the acquisition, the Company recorded nonrecurring charges of $865,000 in fiscal 2001 for the write-off of acquired in-process research and development. In addition, cost of sales in fiscal 2001 included $121,000 related to the sale of acquired inventory which had been revalued as a part of the purchase accounting.

Risks and Uncertainties The Company is subject to certain risks and uncertainties and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position or results of operations. Such factors include, among others: the continuation or spread of the current economic downturn; risks related to international operations, including foreign currency fluctuations; the importance of meeting customer demand for new products; competition in the analytical instrumentation market; our ability to maintain inventories; the importance of attracting and retaining key personnel; and our ability to protect our proprietary information.

Effect of New Accounting Standards In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Impairment on Disposal of Long-Lived Assets", effective for fiscal years beginning after December 31, 2001. Under SFAS No. 144, the criteria required for classifying an asset as held-for-sale have been significantly changed. Assets held-for-sale are stated at the lower of their fair values or carrying amounts, and depreciation is no longer recognized. In addition, the expected future operating losses from discontinued operations will be displayed in discontinued operations in the period in which the losses are incurred rather than as of the measurement date. More dispositions will qualify for discontinued operations treatment in the income statement under the new rules. The Company is currently evaluating the impact of SFAS No. 144 on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Summary The preparation of consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an on-going basis, including those related to product returns and allowances, bad debts, inventory valuation, goodwill and intangible assets, income taxes, warranty and installation provisions, and contingencies.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition Policy We derive revenue from the sale of products and from services rendered to our customers, including installation, training and maintenance. Generally, our products contain embedded software that is essential to their functionality.

We recognize revenue in accordance with SAB No. 101 and Statement of Position 97-2, "Software Revenue Recognition", (SOP 97-2) when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable, collection is probable and vendor specific objective evidence exists to allocate revenue to the various elements of the arrangement. Vendor specific objective evidence is based on the price charged when an element is sold separately or, if not yet sold separately, when the price is established by authorized management. Delivery is generally considered to have occurred when shipped.

We sell our equipment through our direct sales force and through distributors and resellers. Sales through distributors and resellers are recognized as revenue upon sale to the distributor or reseller as these sales are considered to be final and no right of return or price protection exists. Customer acceptance is generally limited to performance under our published product specifications. When additional customer acceptance conditions apply, all revenue related to the sale is deferred until acceptance is obtained. Our equipment typically includes a one-year warranty. The estimated cost of product warranty claims is accrued at the time the sale is recognized, based on historical experience.

Installation and training services are not considered to be essential to the functionality of our products, and revenue related to these items is recognized when the services are completed. We recognize maintenance fees ratably over the period of the related maintenance contract. Maintenance consists of product repair services, unspecified software upgrades and telephone support.

Loss Provisions on Accounts Receivable and Inventory We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We assess collectibility based on a number of factors including, but not limited to, past transaction history with the customer, the credit-worthiness of the customer, independent credit reports, industry trends and the macro-economic environment. Sales returns and allowances are estimates of future product returns related to current period revenue. Material differences may result in the amount and timing of our revenue for any period. Historically, we have not experienced significant sales returns or bad debt losses.

We value our inventory at the lower of standard cost (which approximates to cost on a first-in, first-out basis) or market. We estimate revisions to inventory valuations based on technical obsolescence, historical demand, projections of future demand and industry and market conditions. If actual future demand or market

conditions are less favorable than those projected by management, additional valuation provisions may be required. If demand or market conditions are more favorable then abnormally high margins could be realized to the extent inventory is sold which had previously been written down.

Long-Lived Assets, Intangible Assets with Finite Lives and Goodwill We assess the impairment of long-lived assets, intangible assets with finite lives and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, we assess goodwill for impairment at least annually. Factors we consider important which could trigger an impairment review include but are not limited to the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends; and
- significant changes or developments in strategic technology.

When we determine that the carrying value of long-lived assets and intangible assets with finite lives may not be recoverable based upon the existence of one or more of the above or other indicators, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Goodwill is tested for impairment by comparing the fair value of related reporting units to its carrying value. As of July 1, 2001, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) and as a result, we ceased to amortize approximately $13.2 million of goodwill at June 30, 2001. In lieu of amortization, we are required to perform an impairment review at least annually. We completed our review and no impairment was necessary.

Warranty Product warranties are recorded at the time revenue is recognized for certain product shipments based on historical experience. While the Company engages in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service costs incurred in correcting a product failure. Should actual product failure rates, material usage or service costs differ from our previous estimates, revisions to the estimated warranty liability would be required.

Taxes on Income As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and inventory reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. In the event that actual results differ from these estimates, we may need to revise the valuation allowance, which could materially impact our financial position and results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks from fluctuations in foreign currency exchange rates, interest rates and stock prices of marketable equity securities. With the exception of the stock price volatility of our marketable equity securities, we manage our exposure to these and other risks through our regular operating and financing activities and, when appropriate, through our hedging activities. Our policy is not to use hedges or other derivative financial instruments for speculative purposes. We deal with a diversified group of major financial institutions to limit the risk of nonperformance by any one institution on any financial instrument. Separate from our financial hedging activities, material changes in foreign exchange rates, interest rates and, to a lesser

extent, commodity prices could cause significant changes in the costs to manufacture and deliver our products and in our customers' buying practices. We have not substantially changed our risk management practices during fiscal 2002 and do not currently anticipate significant changes in financial market risk exposures in the near future that would require us to change our risk management practices.

Foreign Currency Exchange Revenues generated from international operations are generally denominated in foreign currencies. We enter into outright forward foreign exchange contracts to hedge against fluctuations of intercompany account balances. Market value gains and losses on these hedge contracts are substantially offset by fluctuations in the underlying balances being hedged, and the net financial impact has not been material in any of the three years presented. At June 30, 2002 and 2001, our primary net foreign currency market exposures included Euros, Yen, British pounds, Swiss francs and Canadian dollars.

A sensitivity analysis assuming a hypothetical 10% movement in foreign exchange rates applied to our hedging contracts and underlying balances being hedged at June 30, 2002 and 2001, indicated that these market movements would not have a material effect on our business, operating results or financial condition. Actual gains or losses in the future may differ materially from this analysis, depending on actual changes in the timing and amount of interest rate and foreign currency exchange rate movements and our actual balances and hedges. Foreign currency rate fluctuations can impact the U.S. dollar translation of our foreign operations in our consolidated financial statements. Currency fluctuations decreased reported sales by 1%, 5% and 1% in fiscal 2002, 2001 and 2000, respectively.

Interest and Investment Income Our interest and investment income is subject to changes in the general level of U.S. interest rates. Changes in U.S. interest rates affect the interest earned on our cash equivalents and short-term investments. A sensitivity analysis assuming a hypothetical 10% movement in interest rates applied to our investment balances at June 30, 2002 and 2001, indicated that such market movement would not have a material effect on our business, operating results or financial condition. Actual gains or losses in the future may differ materially from this analysis, depending on our actual balances and changes in the timing and amount of interest rate movements.

Marketable Equity Securities We are exposed to market price risks on our marketable equity securities. These investments are in publicly traded companies in the laboratory analytical instruments sector. We do not attempt to reduce or eliminate our market exposure on these securities. A 50% adverse change in the equity price would result in an approximate $1 million and $3 million decrease in the fair value of our marketable equity securities as of June 30, 2002 and 2001, respectively.

Debt and Interest Expense A sensitivity analysis assuming a hypothetical 10% movement in interest rates applied to our outstanding debt balance at June 30, 2002 and 2001, indicated that such market movement would not have a material effect on our business, operating results or financial condition. Actual gains or losses in the future may differ materially from this analysis, depending on changes in the timing and amount of interest rate movements.

Selected Consolidated Financial Data

OPERATING INFORMATION

YEARS ENDED JUNE 30	2002	2001	2000	1999	1998
(In thousands, except per share amounts)					
Net sales	$182,434	$186,757	$179,529	$172,940	$150,513
Cost of sales	63,740	64,071	56,462	55,216	47,390
Revaluation of acquired inventory	—	121	—	1,952	—
Gross profit	118,694	122,565	123,067	115,772	103,123
Operating expenses:					
Selling, general and administrative	65,126	63,443	58,196	53,974	47,689
Research and product development	15,094	14,742	14,850	14,812	13,284
Write-off of in-process research and development	—	865	—	4,991	—
Total operating expenses	80,220	79,050	73,046	73,777	60,973
Operating income	38,474	43,515	50,021	41,995	42,150
Other income	2,101	3,048	—	—	—
Interest income	528	850	844	917	1,374
Interest expense	(203)	(353)	(431)	(301)	(115)
Income before taxes on income and cumulative effect of change in accounting principle	40,900	47,060	50,434	42,611	43,409
Taxes on income	13,292	15,295	16,391	14,137	14,759
Net income before effect of change in accounting principle	27,608	31,765	34,043	28,474	28,650
Cumulative effect of change in accounting principle, net of tax	—	359	—	—	—
Net income	$ 27,608	$ 31,406	$ 34,043	$ 28,474	$ 28,650
Basic earnings per share	$ 1.27	$ 1.42	$ 1.54	$ 1.28	$ 1.25
Diluted earnings per share	$ 1.24	$ 1.37	$ 1.46	$ 1.20	$ 1.18
Shares used in computing earnings per share amounts:					
Basic	21,705	22,137	22,174	22,287	22,978
Diluted	22,184	22,895	23,364	23,640	24,316

All share and per share amounts have been restated to reflect the two-for-one split of the Company's common stock effective June 5, 1998. The Company has paid no cash dividends.

BALANCE SHEET INFORMATION

AT JUNE 30	2002	2001	2000	1999	1998
(In thousands)					
Working capital	$ 62,075	$ 68,071	$ 48,390	$ 34,755	$ 35,745
Total assets	180,718	173,682	163,153	146,674	107,259
Long-term debt	1,002	966	—	990	—
Stockholders' equity	131,707	129,858	118,442	95,738	70,689

Consolidated Balance Sheets

AT JUNE 30	2002	2001
(In thousands, except per share amounts)		
ASSETS		
Current assets		
Cash and equivalents (including invested cash of $12,877 in 2002 and $7,853 in 2001)	$ 22,169	$ 17,311
Marketable equity securities	2,281	5,858
Accounts receivable (net of allowance for doubtful accounts of $989 in 2002 and $890 in 2001)	45,139	45,142
Inventories	22,410	25,017
Deferred taxes	7,756	8,619
Prepaid expenses and other	2,634	2,810
Total current assets	102,389	104,757
Property, plant and equipment, net	44,895	42,327
Goodwill	19,549	13,233
Intangible assets, net	5,506	6,423
Other assets	8,379	6,942
	$180,718	$173,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ 2,503	$ 2,495
Accounts payable	5,227	6,250
Accrued liabilities	24,770	21,533
Income taxes payable	4,902	3,425
Accrued product warranty	2,912	2,983
Total current liabilities	40,314	36,686
Deferred taxes	4,949	5,837
Long-term debt	1,002	966
Other long-term liabilities	2,746	335
Commitments (Note 12)		
Stockholders' equity:		
Preferred stock (par value $.001 per share; 1,000,000 shares authorized; none outstanding)	—	—
Common stock (par value $.001 per share; 80,000,000 shares authorized; shares outstanding: 21,089,372 in 2002 and 22,177,005 in 2001)	67,626	67,282
Retained earnings	67,439	70,204
Accumulated other comprehensive loss	(3,358)	(7,628)
Total stockholders' equity	131,707	129,858
	$180,718	$173,682

See notes to consolidated financial statements.

Consolidated Statements of Income

YEARS ENDED JUNE 30	2002	2001	2000
(In thousands, except per share amounts)			
Net sales	$182,434	$186,757	$179,529
Cost of sales	63,740	64,071	56,462
Revaluation of acquired inventory	—	121	—
Gross profit	118,694	122,565	123,067
Operating expenses:			
Selling, general and administrative	65,126	63,443	58,196
Research and product development	15,094	14,742	14,850
Write-off of in-process research and development	—	865	—
Total operating expenses	80,220	79,050	73,046
Operating income	38,474	43,515	50,021
Other income	2,101	3,048	—
Interest income	528	850	844
Interest expense	(203)	(353)	(431)
Income before taxes on income	40,900	47,060	50,434
Taxes on income	13,292	15,295	16,391
Net income before cumulative effect of change in accounting principle	27,608	31,765	34,043
Cumulative effect of change in accounting principle	—	359	—
Net income	$ 27,608	$ 31,406	$ 34,043
Basic earnings per share:			
Income before cumulative effect of change in accounting principle	$ 1.27	$ 1.43	$ 1.54
Cumulative effect of change in accounting principle	—	(0.01)	—
Net income	$ 1.27	$ 1.42	$ 1.54
Diluted earnings per share:			
Income before cumulative effect of change in accounting principle	$ 1.24	$ 1.39	$ 1.46
Cumulative effect of change in accounting principle	—	(0.02)	—
Net income	$ 1.24	$ 1.37	$ 1.46
Shares used in computing earnings per share:			
Basic	21,705	22,137	22,174
Diluted	22,184	22,895	23,364

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Retained Earnings	Other Comprehensive Income (Loss)	Total	Comprehensive Income
Balance at June 30, 1999	22,314,442	$46,445	$ 46,677	$ 2,616	$ 95,738	
Comprehensive income, net of tax:						
Net income			34,043		34,043	$ 34,043
Foreign currency translation adjustments				(689)	(689)	(689)
Unrealized gain on securities				7,273	7,273	7,273
Comprehensive income						$ 40,627
Common stock issued under employee benefit plans including related tax benefits	744,271	16,699			16,699	
Repurchase of common stock	(935,850)	(2,187)	(32,435)		(34,622)	
Balance at June 30, 2000	22,122,863	60,957	48,285	9,200	118,442	
Comprehensive income, net of tax:						
Net income			31,406		31,406	$ 31,406
Foreign currency translation adjustments				(4,900)	(4,900)	(4,900)
Unrealized loss on securities				(11,928)	(11,928)	(11,928)
Comprehensive income						$ 14,578
Common stock issued under employee benefit plans including related tax benefits	415,142	7,352			7,352	
Repurchase of common stock	(361,000)	(1,027)	(9,487)		(10,514)	
Balance at June 30, 2001	22,177,005	67,282	70,204	(7,628)	129,858	
Comprehensive income, net of tax:						
Net income			27,608		27,608	$ 27,608
Foreign currency translation adjustments				5,644	5,644	5,644
Unrealized loss on securities				(1,374)	(1,374)	(1,374)
Comprehensive income						$ 31,878
Common stock issued under employee benefit plans including related tax benefits	246,237	4,468			4,468	
Repurchase of common stock	(1,333,870)	(4,124)	(30,373)		(34,497)	
Balance at June 30, 2002	21,089,372	$67,626	$ 67,439	$ (3,358)	$131,707	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30 (In thousands)	2002	2001	2000
Cash and equivalents provided by (used for):			
Cash flows from operating activities:			
Net income	$ 27,608	$ 31,406	$ 34,043
Adjustments to reconcile net income to net cash provided by operating activities:			
Write-off of in-process research and development	—	865	—
Depreciation and amortization	4,827	5,251	4,519
Gain on sale of marketable equity securities	(2,093)	(2,951)	—
Tax benefit related to stock option plans	1,225	2,688	8,555
Deferred taxes	807	1,126	499
Changes in assets and liabilities:			
Accounts receivable	3,046	(4,020)	(2,646)
Inventories	4,187	(8,825)	(4,363)
Prepaid expenses and other assets	282	505	39
Accounts payable	(1,313)	297	(351)
Accrued liabilities	2,320	1,443	(3,378)
Income taxes payable	1,187	1,037	(6,308)
Accrued product warranty	(249)	(1,504)	(6)
Net cash provided by operating activities	41,834	27,318	30,603
Cash flows from investing activities:			
Proceeds from sale of marketable equity securities	3,380	3,658	—
Purchase of property, plant and equipment	(4,790)	(7,128)	(5,128)
Acquisition, net of cash acquired	(2,500)	(12,404)	—
Investments in unaffiliated companies	(1,567)	—	—
Other	94	102	(664)
Net cash used for investing activities	(5,383)	(15,772)	(5,792)
Cash flows from financing activities:			
Net change in notes payable to banks	(80)	480	213
Proceeds from long-term debt	483	2,691	—
Principal payments on long-term debt	(475)	(1,056)	—
Sale of common stock	3,243	4,664	8,144
Repurchase of common stock	(34,497)	(10,514)	(34,622)
Other	—	—	149
Net cash used for financing activities	(31,326)	(3,735)	(26,116)
Effect of exchange rate changes on cash	(267)	114	(645)
Net increase/(decrease) in cash and equivalents	4,858	7,925	(1,950)
Cash and equivalents, beginning of year	17,311	9,386	11,336
Cash and equivalents, end of year	$ 22,169	$ 17,311	$ 9,386

See notes to consolidated financial statements.

NOTE 1 / SIGNIFICANT ACCOUNTING POLICIES

Organization Dionex Corporation (the "Company") is a leading manufacturer and marketer of chromatography systems for chemical analysis. The Company's systems are used in environmental analysis and by the pharmaceutical, life sciences, chemical, petrochemical, power generation, food and electronics industries in a variety of applications.

Principles of Consolidation The consolidated financial statements include the Company and its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

Certain Risks and Uncertainties The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of investments and trade receivables. The Company invests in high-grade instruments which it places for safekeeping with high quality financial institutions. The Company sells its products primarily to large organizations in diversified industries worldwide. Credit risk is further mitigated by the Company's credit evaluation process and the reasonably short collection terms. The Company does not require collateral or other security to support accounts receivable. The Company maintains allowances for potential credit losses.

The Company is subject to certain risks and uncertainties and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position or results of operations. Such factors include, among others: the continuation or spread of the current economic downturn; risks related to international operations, including foreign currency fluctuations; the importance of meeting customer demand for new products; competition in the analytical instrumentation market; our ability to maintain inventories; the importance of attracting and retaining key personnel; and our ability to protect our proprietary information.

Cash Equivalents Cash equivalents are highly liquid debt instruments with a maturity at date of purchase of three months or less.

Investments The Company classifies its debt and equity securities as "held to maturity" or "available for sale." Securities classified as "held to maturity" are reported at amortized cost and "available for sale" securities are reported at fair market value, with a corresponding recognition of the unrealized gains and losses (net of tax effect) as a separate component of stockholders' equity. The Company's investments in marketable equity securities have been classified as "available for sale."

Inventories Inventories are stated at the lower of standard cost (which approximates to cost on a first-in, first-out basis) or market.

Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives of 3 to 30 years. Leasehold improvements are amortized over the lesser of the useful life or the remaining term of the lease.

Purchased Technology and Goodwill Purchased technology amounts are recorded at their fair market value as of the date of acquisition and amortized over their estimated useful lives of up to seven years.

In July 2001, the Company adopted Statement of Financial Accounting Standard No. 141, "Business Combinations" (SFAS No. 141) which is effective for any business combination accounted for by the purchase method that is completed after June 30, 2001. This statement requires that the purchase method of accounting

be used for all business combinations and eliminates the pooling-of-interests method of accounting for business combinations. The Company has completed two business combinations in the previous three years and used the purchase method of accounting in each business combination.

In July 2001, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). The statement establishes that goodwill is not amortized but is tested for impairment as required. It requires that identifiable intangible assets be recognized separately from goodwill if certain criteria are met and, amortizes those assets over the useful economic life. Goodwill is to be tested on an annual basis for impairment and, if impaired, is recorded as an impairment charge in income from operations. The Company has goodwill and other intangible assets primarily from its acquisitions made in the previous three years.

Valuation of Long-Lived Assets The carrying value of the Company's long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that an asset may not be recoverable. The Company looks to current and future profitability, as well as current and future undiscounted cash flows, as primary indicators of recoverability. If impairment is determined to exist, any related impairment loss is calculated based on fair value.

Revenue Recognition Revenue is derived from the sale of products and from services rendered to our customers including installation, training and maintenance. Generally, our products contain embedded software that is essential to their functionality.

Revenue is recognized in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101) and Statement of Position 97-2, "Software Revenue Recognition" (SOP 97-2), when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable, collection is probable and vendor specific objective evidence exists to allocate revenue to the various elements of the arrangement. Vendor specific objective evidence is based on the price charged when a element is sold separately or, if not yet sold separately, when the price is established by authorized management. Delivery is generally considered to have occurred when shipped.

The Company sells equipment through its direct sales force and through distributors and resellers. Sales through distributors and resellers are recognized as revenue upon sale to the distributor or reseller as these sales are considered to be final and no right of return or price protection exists. Customer acceptance is generally limited to performance under our published product specifications. When additional customer acceptance conditions apply, all revenue related to the sale is deferred until acceptance is obtained. Equipment typically includes a one-year warranty. The estimated cost of product warranty claims is accrued at the time the sale is recognized, based on historical experience.

Installation and training services are not considered to be essential to the functionality of our products, and revenue related to these items is recognized when the services are completed. Maintenance fees are recognized ratably over the period of the related maintenance contract. Maintenance consists of product repair services, unspecified software upgrades and telephone support.

Taxes on Income The Company records income taxes using the asset and liability approach to account for deferred income taxes.

Cumulative Effect of Change in Accounting Principle Effective July 1, 2000, the Company adopted SAB 101. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies.

The Company's previous policy was to recognize product installation revenue upon shipment and to accrue product installation costs at the time revenue was recognized. Upon adoption of SAB 101, the Company defers installation revenue until installation has been completed and recognizes installation costs as incurred.

The cumulative effect of the change, totaling $359,000, is shown as a one-time charge to income in the consolidated statement of income for fiscal 2001. If SAB 101 had been adopted at the beginning of fiscal 2000, the effect on the results of operations for the year ended June 30, 2000 would not have been material.

Stock-Based Compensation Plans The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations in accounting for its stock-based compensation plans (Note 9). Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity.

Earnings per Share Basic earnings per share is computed based upon the weighted average number of shares of common stock outstanding and the net income attributable to common stockholders. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares for all dilutive potential common shares outstanding. Shares used in the calculation of diluted earnings per share during fiscal 2002, 2001 and 2000 include 479,000, 758,000 and 1,190,000, respectively, of common equivalent shares related to stock options. Antidilutive common equivalent shares related to stock options excluded from the calculation of diluted shares were 1,167,000, 1,068,000 and 11,000 for fiscal 2002, 2001 and 2000, respectively.

Common Stock Repurchases The Company repurchases shares in the open market under its ongoing stock repurchase program. For each share repurchased, the Company reduces the common stock account by the average value per share reflected in the account prior to the repurchase with the excess allocated to retained earnings. The Company currently retires all shares repurchased.

Translation of Foreign Currency The Company's foreign operations are measured using local currencies as the functional currency. Assets and liabilities are translated into U.S. dollars at year-end rates of exchange, and results of operations are translated at average rates for the year.

Derivative Securities Every derivative instrument, including certain derivative instruments embedded in other contracts, is recorded on the consolidated balance sheet at its fair value. Changes in the fair value of derivatives is recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company formally documents, designates and assesses the effectiveness of transactions that receive hedge accounting.

The Company enters into foreign exchange forward contracts with high quality financial institutions to manage its exposure to the impact of fluctuations in foreign currency exchange rates on its intercompany receivables balances. These contracts generally have maturities of approximately 30 days and require the Company to exchange foreign currencies for U.S. dollars at maturity. The Company has not designated these contracts as hedging instruments. The contracts are recorded at fair value on the consolidated balance sheet. Changes in the fair values of these derivative instruments are recognized in earnings in the period they occur.

At June 30, 2002, the Company had forward exchange contracts to sell foreign currencies totaling $16.9 million dollars, including approximately $4.8 million in Japanese Yen, $10.3 million in Euros and the remainder in British pounds, Swiss francs and Canadian dollars. At June 30, 2002 and 2001, the aggregate unrealized gains or losses on the forward exchange contracts were not material.

Comprehensive Income The Company is required to report comprehensive income in the financial statements, in addition to net income. For the Company, the primary differences between net income and comprehensive income are foreign currency translation adjustments and net unrealized gains or losses on securities available for sale. At June 30, 2002 and 2001, the components of accumulated other comprehensive loss were as follows:

(In thousands)	2002	2001
Foreign currency translation adjustments	$(4,125)	$(9,769)
Unrealized gain on securities available for sale, net	767	2,141
	$(3,358)	$(7,628)

Reclassifications Certain reclassifications have been made to the prior year financial statements to conform with the fiscal 2002 financial statements presentation.

New Accounting Pronouncements In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, "Impairment on Disposal of Long-Lived Assets" (SFAS No. 144), effective for fiscal years beginning after December 31, 2001. Under SFAS No. 144, the criteria required for classifying an asset as held-for-sale has been significantly changed. Assets held-for-sale are stated at the lower of their fair values or carrying amounts, and depreciation is no longer recognized. In addition, the expected future operating losses from discontinued operations will be displayed in discontinued operations in the period in which the losses are incurred rather than as of the measurement date. More dispositions will qualify for discontinued operations treatment in the income statement under the new rules. The Company is currently evaluating the impact of SFAS No. 144 on its consolidated financial statements.

NOTE 2 / BUSINESS COMBINATIONS

On October 17, 2000, the Company purchased all of the issued and outstanding shares of LC Packings Nederlands B.V. and LC Packings (U.S.A.), Inc. (collectively referred to as "LC Packings") for a purchase price of $12.4 million including acquisition costs. In addition, the shareholders of LC Packings have the right to receive additional contingent purchase consideration, to be paid in varying amounts at the end of calendar years 2000 through 2004, in the event LC Packings achieves certain revenue goals. If the entire additional contingent purchase consideration is achieved, the shareholders of LC Packings will be paid an additional amount not to exceed $13.0 million. At June 30, 2002, $9.2 million of the additional contingent purchase consideration had been earned and was recorded as goodwill, of which $3.5 million has been paid as of June 30, 2002, $3.0 million is included in current liabilities and the remaining amount is classified as other long-term liabilities at June 30, 2002.

The acquisition of LC Packings was accounted for using the purchase method of accounting and its results of operations have been included in the Company's results of operations since the date of acquisition.

The final purchase price allocation among the tangible and intangible assets and liabilities acquired (including acquired in-process research and development) is summarized as follows: developed and core technology, $5.0 million; assembled workforce, $241,000; goodwill, $4.4 million; in-process research and development, $865,000; and net tangible assets of $1.9 million.

In connection with the acquisition, the Company recorded a nonrecurring charge of $865,000 for the write-off of in-process research and development acquired. In addition, cost of sales in fiscal 2001 included $121,000 related to the sale of inventory acquired which has been written-up to fair market value as part of the purchase price allocation.

The write-off of in-process research and development related to six projects that were in development, had not reached technological feasibility, had no alternative future use and for which successful development was uncertain.

LC Packings, which markets its products primarily in the United States and Europe, specializes in micro, capillary and nano liquid chromatography used by proteomics and genomics researchers in pharmaceutical, biotechnology and scientific laboratories to analyze and separate proteins, glycoproteins and other complex compounds.

The following unaudited pro forma results of operations for the years ended June 30, 2001 and 2000 give effect to the acquisition as if it had occurred at the beginning of fiscal 2000. The pro forma results of operations exclude the $1.0 million in fiscal 2001 of nonrecurring pre-tax charges that were recorded in conjunction with the acquisitions.

YEARS ENDED JUNE 30	2001	2000
(In thousands, except per share amounts)		
Net sales	$188,725	$183,013
Operating income	$ 44,901	$ 49,747
Net income	$ 32,235	$ 33,885
Basic earnings per share	$ 1.46	$ 1.52
Diluted earnings per share	$ 1.41	$ 1.45

NOTE 3 / INVESTMENTS

The Company had no temporary cash investments at June 30, 2002 and 2001.

There were no sales of "held to maturity" securities for the years ended June 30, 2002, 2001 and 2000.

In December 1989, the Company invested $3.0 million in the stock of Molecular Devices Corporation (MDC). The Company's Chairman and a director serve on the Board of Directors of MDC. The Company's ownership interest in MDC is approximately 1% and has been classified as "available for sale" and is included in marketable equity securities. At June 30, 2002 and 2001, the fair value of this investment was $2.3 million and $5.9 million, respectively.

In the years ended June 30, 2002 and 2001, the Company realized gross proceeds from the sale of marketable equity securities of $3.4 million and $3.7 million, respectively, and recognized net gains on sale of $2.1 million and $3.0 million, respectively.

NOTE 4 / INVENTORIES

Inventories at June 30 consist of:

	2002	2001
(In thousands)		
Finished goods	$ 9,127	$ 9,342
Work in process	3,643	4,469
Raw materials and subassemblies	9,640	11,206
	$22,410	$25,017

NOTE 5 / PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 consist of:

	2002	2001
(In thousands)		
Land	$ 19,196	$ 18,726
Buildings and improvements	26,985	23,260
Machinery, equipment and tooling	19,786	19,004
Furniture and fixtures	6,295	5,536
	72,262	66,526
Accumulated depreciation and amortization	(27,367)	(24,199)
Property, plant and equipment, net	$ 44,895	$ 42,327

NOTE 6 / GOODWILL AND INTANGIBLE ASSSETS

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective July 1, 2001. A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of the related income tax effect follows:

YEARS ENDED JUNE 30	2002	2001
(In thousands, except per share amounts)		
Reported net income	$27,608	$31,406
Add: Goodwill amortization, net of tax	—	460
Adjusted net income	$27,608	$31,866
Diluted earnings per share:		
As reported	$ 1.24	$ 1.37
Goodwill amortization, net of tax	—	0.02
As adjusted	$ 1.24	$ 1.39

Changes in the carrying amount of goodwill for the twelve months ended June 30, 2002 are as follows (in thousands):

Balance as of July 1, 2001	$13,233
Goodwill acquired during the period	5,498
Translation adjustments and other	818
Balance as of June 30, 2002	$19,549

In connection with SFAS No. 142, the Company performed a transitional impairment test on goodwill and determined that goodwill was not impaired.

Information regarding the Company's other intangible assets having a finite life is as follows (in thousands):

	AS OF JUNE 30, 2002			AS OF JUNE 30, 2001		
	CARRYING AMOUNT	ACCUMU-LATED AMORTI-ZATION	NET	CARRYING AMOUNT	ACCUMU-LATED AMORTI-ZATION	NET
Patents and Trademarks	$ 379	$ (375)	$ 4	$ 375	$ (375)	$ —
Developed Technology	5,807	(2,455)	3,352	5,295	(1,428)	3,867
Core Technology	2,844	(694)	2,150	2,844	(288)	2,556
Total	$9,030	$(3,524)	$5,506	$8,514	$(2,091)	$6,423

The Company amortizes developed technology and core technology over a period of seven years. Amortization expense of other intangible assets was $1,214,000, $861,000 and $530,000, respectively, for the twelve months ended June 30, 2002, 2001 and 2000. The estimated amortization for each of the five fiscal years subsequent to June 30, 2002 is as follows:

YEAR ENDED JUNE 30,	AMORTIZATION EXPENSE
2003	$1,236
2004	$1,236
2005	$1,236
2006	$ 871
2007	$ 714
	$5,293

NOTE 7 / FINANCING ARRANGEMENTS

The Company has unsecured lines of credit with various domestic and foreign banks totaling approximately $32.7 million which have been used primarily to minimize the Company's exposure to foreign currency fluctuations and to fund acquisitions (Note 2). These lines of credit expire between June 30, 2002 and December 31, 2002. Borrowings in each country bear interest at the local reference rates which ranged from 0.6% to 10.5% at June 30, 2002. Amounts outstanding under these lines totaled $2.0 million at June 30, 2002.

Such line of credit agreements impose certain financial restrictions relating to cash dividends, working capital and tangible net worth. At June 30, 2002, the Company was in compliance with all such covenants.

At June 30, 2002, the Company had a mortgage note payable denominated in Japanese Yen totaling $1.5 million. This note bears interest at a rate of 1.5% per annum. Principal payments are due monthly until June 30, 2005 with a current portion totaling $500,000. During the year ended June 30, 2001, the Company capitalized interest of $221,000 related to the construction of a building in Japan.

One of the Company's foreign subsidiaries discounts trade notes receivable with banks. Total notes receivable discounted were approximately $9.3 million in fiscal 2002 and $11.7 million in fiscal 2001. The uncollected balances of notes receivable due to the discounting banks at June 30, 2002 and 2001 were approximately $2.6 million and $3.2 million, respectively. The Company is contingently liable for these unpaid balances.

Total interest paid was $118,000 in 2002, $578,000 in 2001, and $470,000 in 2000.

NOTE 8 / ACCRUED LIABILITIES

Accrued liabilities at June 30 consist of:

(In thousands)	2002	2001
Accrued payroll and related expenses	$ 9,269	$ 8,778
Deferred revenues	6,169	4,364
Accrued earn-out on acquisition	3,000	2,500
Other accrued liabilities	6,332	5,891
	$24,770	$21,533

NOTE 9 / STOCK OPTION AND PURCHASE PLANS

Stock Option Plans The Company has two stock option plans (the "Option Plans") under which incentive and nonqualified options may be granted. Options are granted at the stock's fair market value at the grant date. Options generally become exercisable in increments over a period of four years from the date of grant and expire five or ten years from the grant date.

Activity under the Option Plans for the three-year period ended June 30, 2002 is summarized below.

	2002		2001		2000	
	SHARES	WTD. AVG. EXERCISE PRICE	SHARES	WTD. AVG. EXERCISE PRICE	SHARES	WTD. AVG. EXERCISE PRICE
Options outstanding, beginning of year	2,839,047	$22.54	3,090,082	$20.66	2,869,031	$13.88
Granted	852,700	23.99	186,150	31.57	1,107,200	32.28
Exercised	(190,050)	10.22	(358,835)	9.50	(699,549)	9.84
Canceled	(82,525)	30.57	(78,350)	29.95	(186,600)	25.92
Options outstanding, end of year	3,419,172	$23.39	2,839,047	$22.54	3,090,082	$20.66
Options exercisable at year-end	1,976,010	$20.48	1,777,332	$17.33	1,620,934	$12.79
Weighted average fair value of options granted during the year		$12.79		$15.63		$17.78

Additional information regarding options outstanding and exercisable as of June 30, 2002 is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 7.94 – 13.88	564,010	2.12	$ 9.51	564,010	$ 9.51
$ 16.31 – 23.98	1,267,275	7.64	21.33	438,275	16.31
24.13 – 29.95	529,187	5.89	25.04	459,248	24.54
30.81 – 32.00	620,100	7.47	31.93	303,582	31.95
32.25 – 45.75	438,600	7.65	33.13	210,895	33.16
$ 7.94 – 45.75	3,419,172	6.43	$ 23.39	1,976,010	$ 20.48

At June 30, 2002, 1,604,733 shares were available for future grants under the Option Plans. In October 2001, the stockholders approved an amendment to one of the Option Plans to increase the number of authorized shares by 1,000,000.

Employee Stock Purchase Plan Under the Company’s Employee Stock Purchase Plan, (the “Purchase Plan”), eligible employees are permitted to have salary withholdings to purchase shares of common stock at a price equal to 85% of the lower of the market value of the stock at the beginning or end of each six-month offer period, subject to certain annual limitations. Stock issued under the Purchase Plan was 56,187, 56,307 and 44,722 shares in fiscal 2002, 2001 and 2000 at weighted average prices of $23.16, $22.31 and $28.24, respectively. The weighted average fair value of the fiscal 2002, 2001 and 2000 awards was $3.83, $7.29 and $8.69, respectively. At June 30, 2002, 1,080,716 shares were reserved for future issuances under the Purchase Plan.

Pro Forma Stock-Based Compensation Expense Statement of Financial Accounting Standard No. 123, “Accounting for Stock-Based Compensation” (SFAS No. 123) sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation costs for awards in fiscal 2002, 2001 and 2000 under the Company’s stock-based compensation plans been determined based on the fair value at the grant dates consistent with the method set forth under SFAS No. 123, the effect on the Company’s net income and earnings per share would have been as follows:

(In thousands, except per share amounts)	2002	2001	2000
Net income:			
As reported	$27,608	$31,406	$34,043
Pro forma	21,699	25,125	30,421
Basic earnings per share:			
As reported	$ 1.27	$ 1.42	$ 1.54
Pro forma	1.00	1.13	1.37
Diluted earnings per share:			
As reported	$ 1.24	$ 1.37	$ 1.46
Pro forma	0.98	1.10	1.30

The resulting pro forma compensation expense may not be representative of the amount to be expected in future years. Pro forma compensation expense for options granted is reflected over the vesting period; therefore, future pro forma compensation expense may be greater as additional options are granted. The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2002	2001	2000
Volatility	52%	45%	40%
Risk-free interest rate	3.94%	4.97%	6.13%
Expected life of options	5.9 years	5.9 years	5.6 years

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

NOTE 10 / EMPLOYEE 401(K) PLAN

The Company has a 401(k) tax deferred savings plan covering most U.S. employees. Participants may contribute up to 10% of their compensation and the Company makes matching contributions ($1,223,000 in fiscal 2002, $1,188,000 in fiscal 2001 and $1,156,000 in fiscal 2000) limited to 5% of each participant's compensation. Matching contributions vest in 25% increments each year beginning two years after the participant's date of employment.

NOTE 11 / TAXES ON INCOME

The provision for taxes on income consists of:

YEARS ENDED JUNE 30	2002	2001	2000
(In thousands)			
Current:			
Federal	$ 5,981	$ 8,302	$ 10,050
State	1,063	1,313	1,574
Foreign	5,348	4,599	4,268
Total current	12,392	14,214	15,892
Deferred:			
Federal	346	770	505
State	29	169	186
Foreign	525	142	(192)
Total deferred	900	1,081	499
	$ 13,292	$ 15,295	$ 16,391

Domestic and foreign income before taxes on income is as follows:

YEARS ENDED JUNE 30	2002	2001	2000
(In thousands)			
Domestic	$29,928	$38,357	$43,040
Foreign	10,972	8,703	7,394
	$40,900	$47,060	$50,434

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the current and noncurrent deferred tax assets and liabilities are as follows:

YEARS ENDED JUNE 30	2002	2001
(In thousands)		
Current deferred tax assets:		
Accounting accruals deductible in different periods for tax purposes	$7,309	$8,182
State income tax	301	291
Other	146	146
Total current deferred tax assets	7,756	8,619
Noncurrent deferred tax asset—Difference in tax basis from acquisition	3,145	3,454
Noncurrent deferred tax liabilities:		
Accelerated depreciation	898	897
Net unrealized gain on available for sale securities	515	1,428
Excess tax basis from acquisition	3,145	3,454
Other	391	58
Total deferred tax liabilities	4,949	5,837
Net deferred tax assets (liabilities)	$5,952	$6,236

Total income tax expense differs from the amount computed by applying the statutory Federal income tax rate to income before taxes as follows:

YEARS ENDED JUNE 30	2002	2001	2000
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax effect	1.7	1.8	2.0
FSC income not taxed	(2.4)	(3.1)	(2.8)
Taxes on foreign income	0.2	0.8	1.0
Other	(2.0)	(2.0)	(2.7)
	32.5%	32.5%	32.5%

Income taxes paid were $9,398,000 in fiscal 2002, $11,953,000 in fiscal 2001 and $11,822,000 in fiscal 2000.

The Company has not provided for Federal income taxes on approximately $38.6 million of undistributed earnings of foreign subsidiaries, which have been permanently reinvested in subsidiary operations. If these earnings were distributed to the parent company, foreign tax credits available under current law would substantially eliminate the resulting Federal income tax liability.

NOTE 12 / COMMITMENTS

Certain facilities and equipment are leased under noncancelable operating leases. The Company generally pays taxes, insurance and maintenance costs on leased facilities and equipment. Minimum annual rental commitments under these noncancelable operating leases are $2,681,000 for fiscal 2003, $2,030,000 for fiscal 2004, $1,699,000 for fiscal 2005, $1,453,0000 for fiscal 2006, $1,054,000 for fiscal 2007 and $5,032,0000 thereafter.

Total rental expense for all operating leases was $3,928,000 in fiscal 2002, $3,855,000 in fiscal 2001 and $3,713,000 in fiscal 2000.

NOTE 13 / BUSINESS SEGMENT INFORMATION

SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. The Company evaluated its business activities that are regularly reviewed by the Company's senior management and has determined that it has one reporting segment.

The Company sells products and service within this reportable segment, detailed as follows:

(In thousands)	2002	2001	2000
Products	$160,053	$165,188	$162,620
Installation and training services	6,276	6,508	957
Service	16,105	15,061	15,952
	$182,434	$186,757	$179,529

Geographic information is presented below:

(In thousands)	2002	2001	2000
Net sales to unaffiliated customers:			
United States	$ 66,585	$ 69,564	$ 69,823
Europe	72,696	68,899	63,399
Japan	22,853	29,758	29,837
Other International	20,300	18,536	16,470
Consolidated net sales to unaffiliated customers	$182,434	$186,757	$179,529
Long-lived assets:			
United States	$ 96,474	$ 91,673	
Europe	39,501	34,922	
Japan	10,149	9,522	
Other International	231	300	
Eliminations	(68,026)	(67,492)	
Consolidated assets	$ 78,329	$ 68,925	

No individual customer was greater than 10% of net sales in fiscal 2002, 2001 and 2000 or greater than 10% of consolidated accounts receivable at June 30, 2002 and 2001.

NOTE 14 / QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended June 30, 2002 and 2001.

	QUARTER			
	FIRST	SECOND	THIRD	FOURTH
(In thousands, except per share amounts)				
Fiscal 2002:				
Net sales	$42,067	$46,729	$45,060	$48,578
Gross profit	26,751	30,659	29,672	31,612
Net income	5,357	7,597	7,148	7,506
Basic earnings per share	$ 0.24	$ 0.35	$ 0.33	$ 0.35
Diluted earnings per share	$ 0.24	$ 0.34	$ 0.33	$ 0.35
Fiscal 2001:				
Net sales	$42,675	$48,540	$48,184	$47,358
Gross profit	28,142	31,665	31,972	30,786
Net income	6,600	8,399	9,154	7,253
Basic earnings per share	$ 0.30	$ 0.38	$ 0.41	$ 0.33
Diluted earnings per share	$ 0.29	$ 0.37	$ 0.40	$ 0.32

Independent Auditors' Report

The Board of Directors and Stockholders, Dionex Corporation:

We have audited the accompanying consolidated balance sheets of Dionex Corporation and its subsidiaries as of June 30, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Dionex Corporation and its subsidiaries at June 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

San Jose, California
July 29, 2002

Supplemental Stockholder Information

MARKET PRICE OF COMMON STOCK

The Company's common stock is traded in the over-the-counter market through the Nasdaq National Market under the symbol DNEX. The following table sets forth, for the periods indicated, the high and low sales prices as reported by Nasdaq.

	FISCAL 2002		FISCAL 2001	
QUARTER	HIGH	LOW	HIGH	LOW
First	$30.69	$24.00	$30.38	$25.00
Second	$27.06	$23.10	$37.50	$26.38
Third	$27.23	$24.00	$36.56	$29.50
Fourth	$26.79	$23.26	$35.08	$27.40

As of August 19, 2002 there were 1,135 holders of record of the Company's common stock as shown on the records of its transfer agent.

DIVIDENDS

The Company has paid no cash dividends on its common stock and anticipates that for the foreseeable future it will continue to retain its earnings for use in its business.

TRANSFER AGENT AND REGISTRAR

EquiServe L.P.
150 Royall Street
Canton, MA 02021
Investor Relations Number: (781) 575-3120
Internet Address: http://www.EquiServe.com

ANNUAL MEETING

The Annual Meeting of Stockholders of Dionex Corporation will be held at 501 Mercury Drive, Sunnyvale, California on Friday, October 25, 2002 at 9:30 a.m.

FORM 10-K

The Company's annual report to the Securities and Exchange Commission on Form 10-K may be obtained without charge by writing to:

Investor Relations
Dionex Corporation
1228 Titan Way
P.O. Box 3603
Sunnyvale, CA 94088-3603

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