



**Array Networks**

# **1H FY 17 INVESTOR UPDATE**

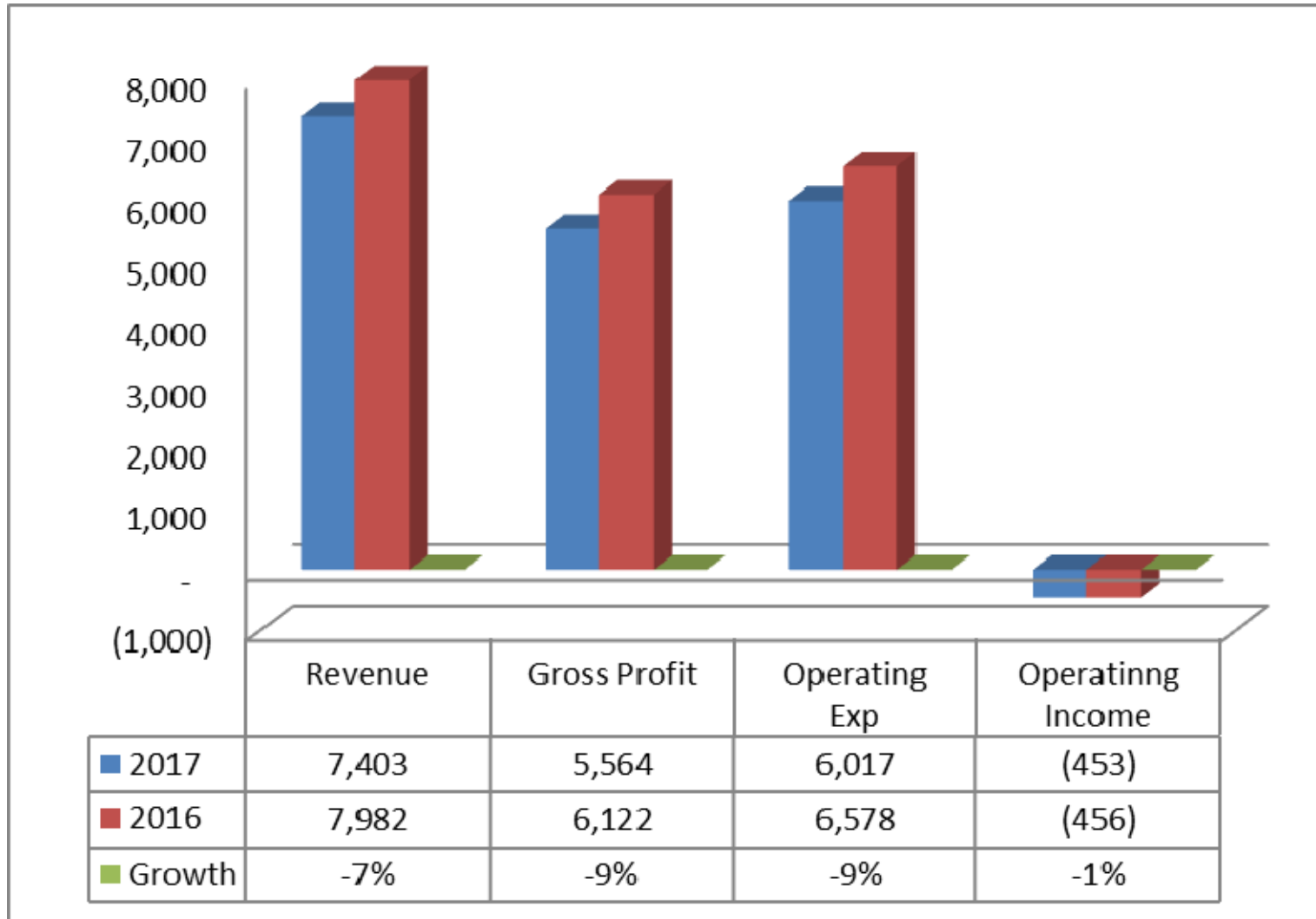
- This presentation may contain certain "forward-looking statements" concerning the business, operations and financial condition of Array, Inc. Although Array believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its expectations will be realized.
- "Forward-looking statements" consist of all non-historical information, including the statements referring to the prospects and future performance of Array. Actual results could differ materially from those projected in Array forward-looking statements due to numerous known and unknown risks and uncertainties.
- Array does not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

## 1H FY17 Financial Highlights

- **US\$7.403M (NT\$227.099M) in revenue**
- **75% gross profit margin**
- **-7% revenue increase in 1H, 2017 vs. 1H, 2016**
- **108% revenue growth in China in 1H, 2017 vs. 1H, 2016**
- **63.27% growth in revenue from AG product line**
- **9% decrease in Operating Expense US\$6.017M (NT\$184.58M)**
- **Operating loss US\$453K (NT\$13.892M) remains the same as 1H, 2016 at USD\$456K (NT\$14.955M)**
- **Net loss US\$3.458M (or NT\$106.073M) in 1H, 2017 vs. net loss US\$2.546M (or NT\$106.073M) in 1H, 2016**

# 1H Performance FY17 vs. FY16

(USD1,000)

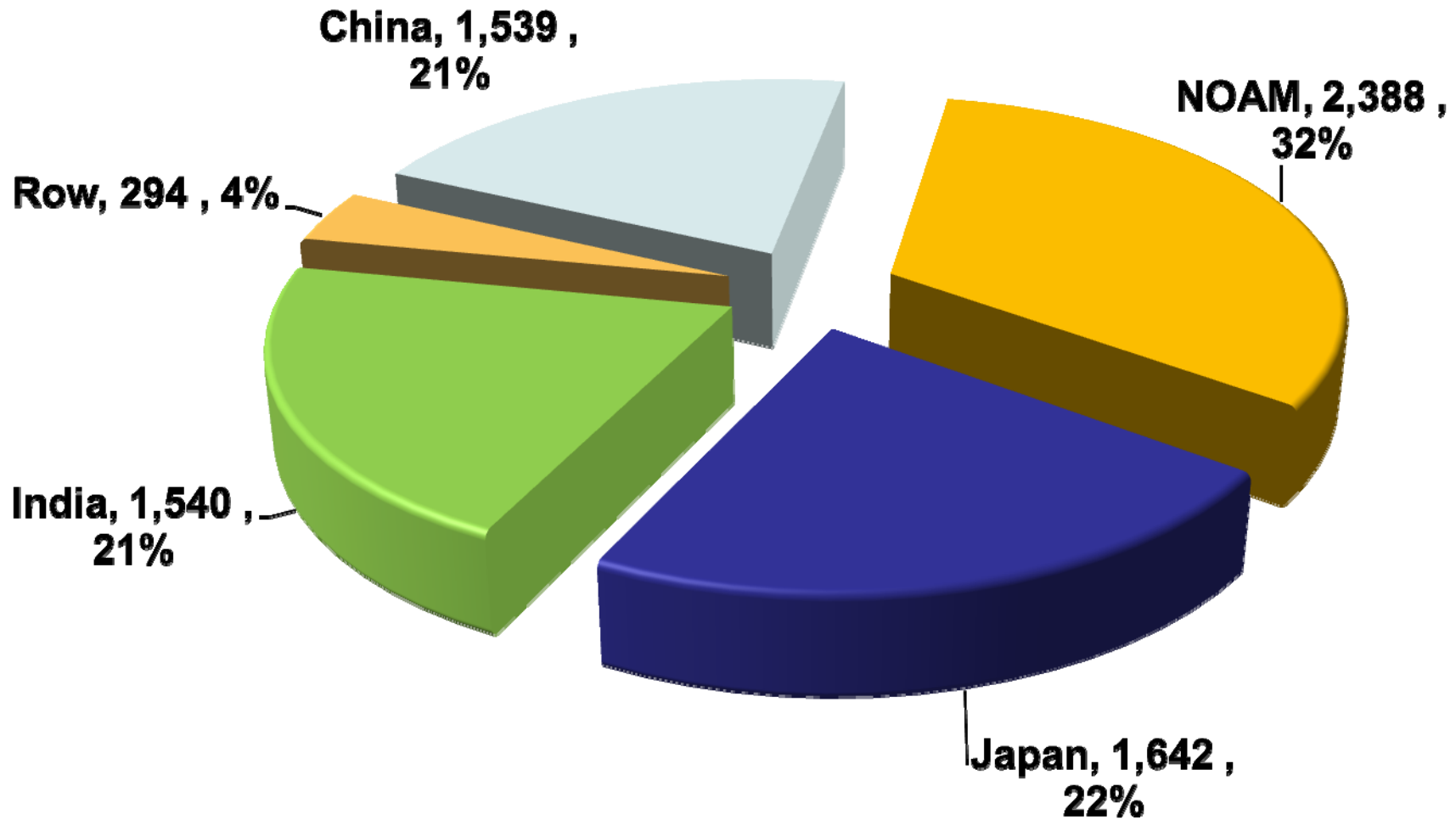


# Statements of Comprehensive Income

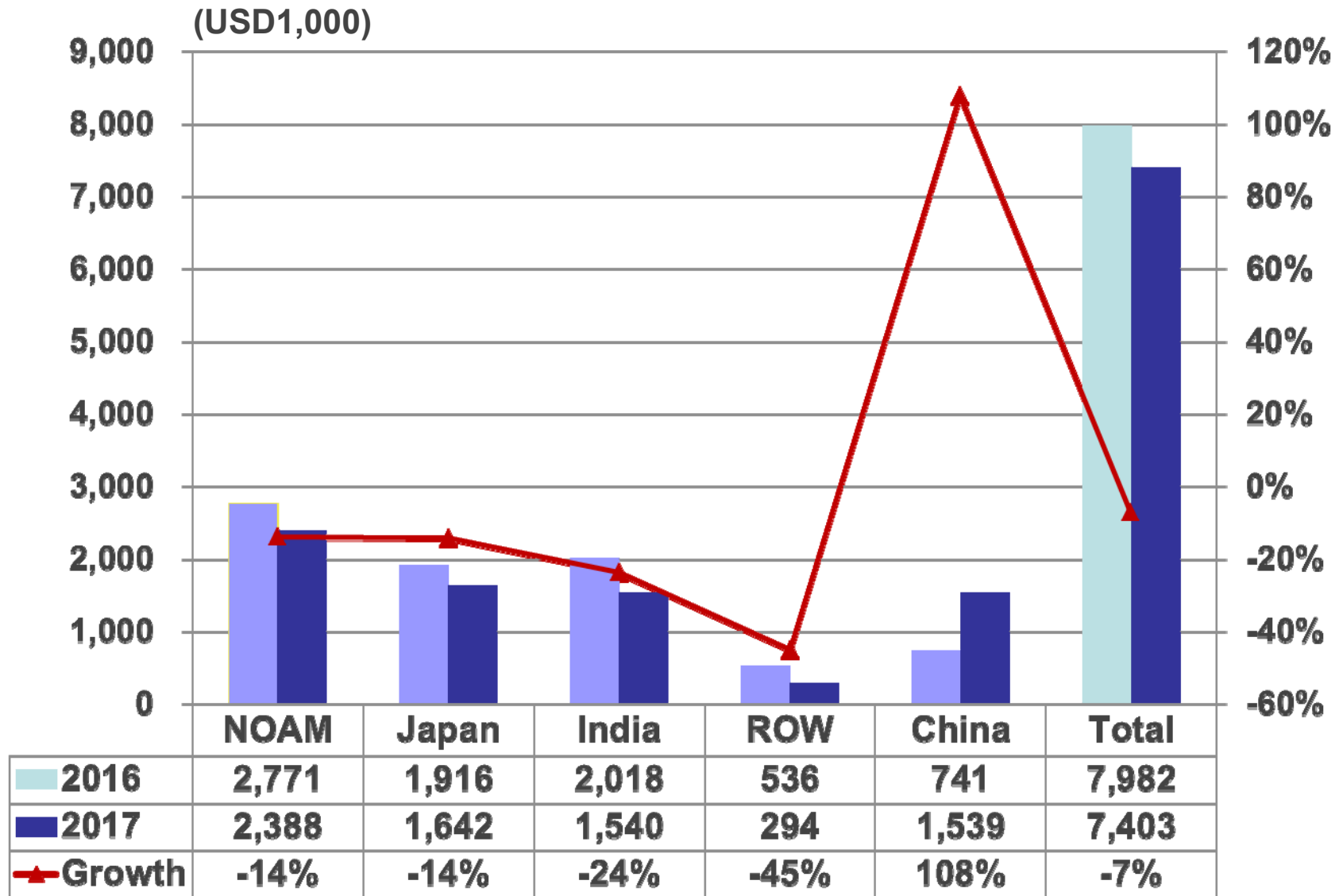
USD-TWD Average Rate	2017/6/30	30.675		2016/6/30	32.784		Comparison (US\$ base)	
	1H, 2017			1H, 2016			2017 vs 2016	Y/Y Change
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.		
Operating Revenues	7,403	227,099	100	7,982	261,667	100	-578	-7%
Sales Returns and Allowances	0	0	-	0	0	-	0	0%
<b>Operating Revenue, Net</b>	<b>7,403</b>	<b>227,099</b>	<b>100</b>	<b>7,982</b>	<b>261,667</b>	<b>100</b>	<b>-578</b>	<b>-7%</b>
Operating Cost	-1,839	-56,411	-25	-1,860	-60,978	-23	21	-1%
<b>Gross profit</b>	<b>5,564</b>	<b>170,688</b>	<b>75</b>	<b>6,122</b>	<b>200,689</b>	<b>77</b>	<b>-557</b>	<b>-9%</b>
<b>Operating Expenses</b>								
Sales expenses	-3,747	-114,929	-51	-3,883	-127,308	-49	137	-4%
Administrative expenses	-1,410	-43,258	-19	-1,414	-46,367	-18	4	0%
R&D expenses	-860	-26,393	-12	-1,280	-41,969	-16	420	-33%
<b>Total operating Expenses</b>	<b>-6,017</b>	<b>-184,580</b>	<b>-81</b>	<b>-6,578</b>	<b>-215,644</b>	<b>-82</b>	<b>560</b>	<b>-9%</b>
<b>Operating (Loss) Income</b>	<b>-453</b>	<b>-13,892</b>	<b>-6</b>	<b>-456</b>	<b>-14,955</b>	<b>-6</b>	<b>3</b>	<b>-1%</b>
Non-operating Income & Expenses								
Other income	3	91	0	25	817	0	-22	-88%
Interest income	56	1,717	1	44	1,433	1	12	28%
Exchange gain (loss), net	-21	-637	0	-82	-2,698	-1	61	-75%
Finance expense	-14	-426	0	-13	-419	0	-1	9%
<b>Total Non-operating Income &amp; (Exp)</b>	<b>24</b>	<b>745</b>	<b>0</b>	<b>-26</b>	<b>-867</b>	<b>0</b>	<b>51</b>	<b>-192%</b>
(Loss) Income before income tax	-429	-13,147	-6	-483	-15,822	-6	54	-11%
Income tax expense	-134	-4,117	-2	-107	-3,497	-1	-28	26%
<b>Income from discontinued operations</b>	<b>-2,895</b>	<b>-88,809</b>	<b>-39</b>	<b>-1,957</b>	<b>-64,157</b>	<b>-25</b>	<b>-938</b>	<b>48%</b>
<b>Consolidated Net (Loss) Income</b>	<b>-3,458</b>	<b>-106,073</b>	<b>-47</b>	<b>-2,546</b>	<b>-83,476</b>	<b>-32</b>	<b>-912</b>	<b>36%</b>
Exchange differences resulting from translating the financial statements of a foreign operation	275	-53,232	-23	-415	-34,044	-13		
Unrealized gain on available-for-sale financial assets	3	117	0	2	74	0		
Total other comprehensive income and expense	278	-53,115	-23	-413	-33,970	-13		
<b>Total Comprehensive (Loss) income</b>	<b>-3,180</b>	<b>-159,188</b>	<b>-70</b>	<b>-2,959</b>	<b>-117,446</b>	<b>-45</b>		
<b>EPS - Basic (NT\$)</b>		<b>-1.42</b>			<b>-1.07</b>			

# Revenue By Region – 1H, FY17

(USD1,000)

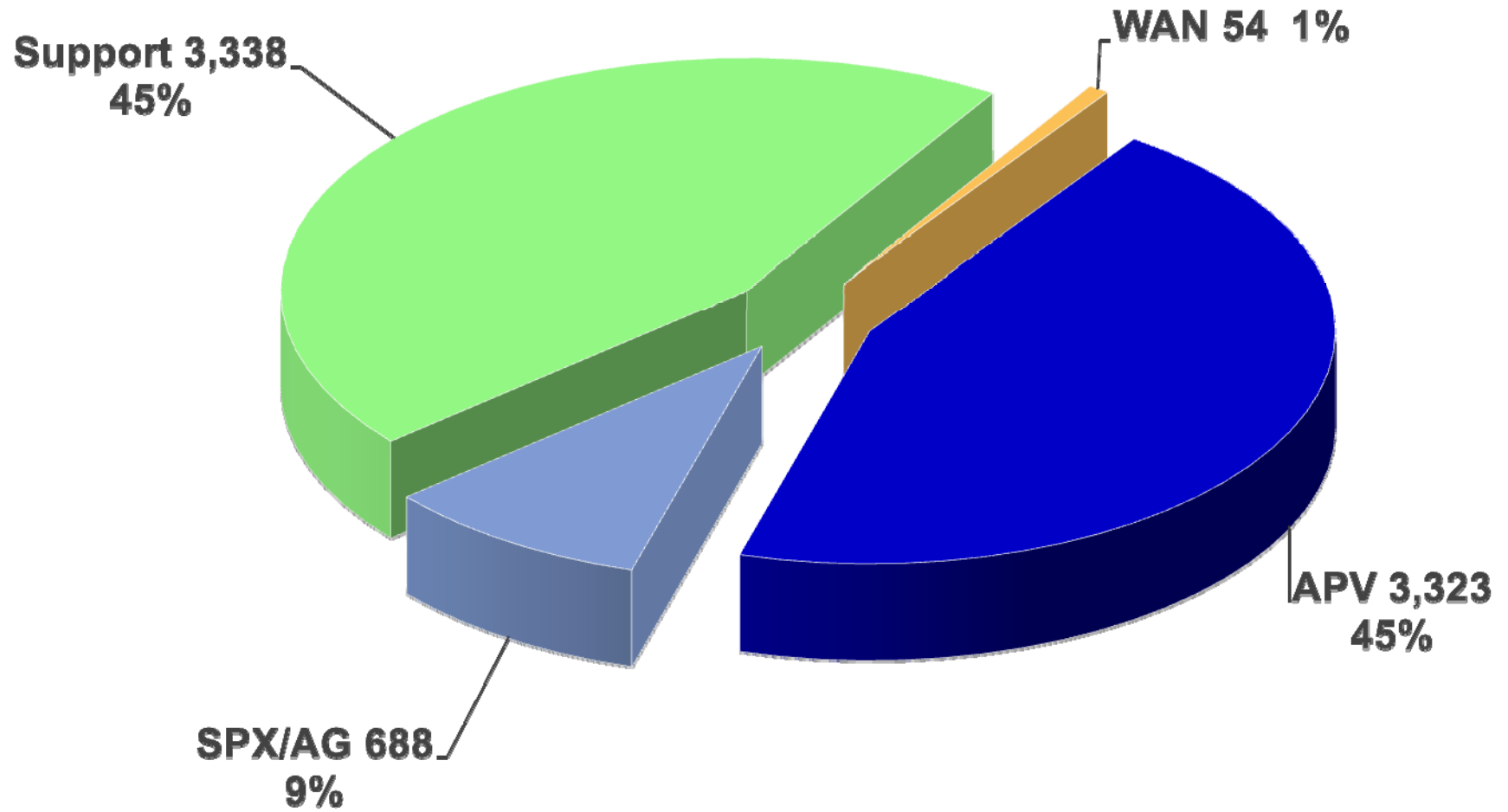


# Growth by Region – 1H, FY17 vs. 1H, FY16



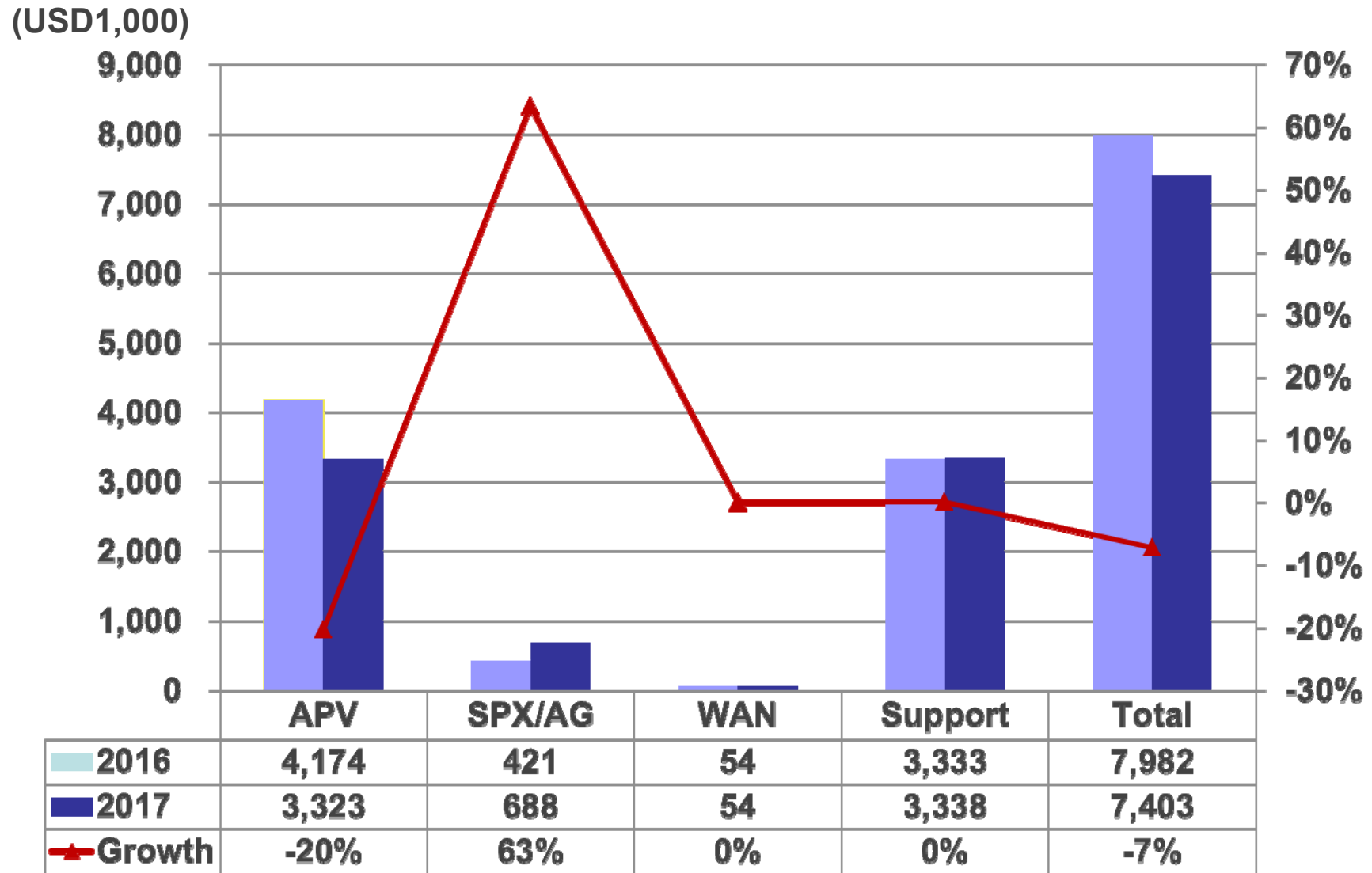
# Revenue By Product – 1H, FY17

(USD1,000)





# Performance By Product – 1H, FY17 vs. 1H, FY16



# Q2 Statements of Comprehensive Income

USD-TWD Average Rate	2017/6/30 30.675			2016/6/30 32.784			Comparison (US\$ base)	
	Q2, 2017			Q2, 2016			Q2 17 vs Q2 16	Q/Q Change
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.		
Operating Revenues	3,265	98,409	100	3,870	125,401	100	-605	-16%
Sales Returns and Allowances	0	0	-	0	0	-	0	0%
<b>Operating Revenue, Net</b>	<b>3,265</b>	<b>98,409</b>	<b>100</b>	<b>3,870</b>	<b>125,401</b>	<b>100</b>	<b>-605</b>	<b>-16%</b>
Operating Cost	-729	-21,897	-22	-887	-28,728	-23	158	-18%
<b>Gross profit</b>	<b>2,536</b>	<b>76,512</b>	<b>78</b>	<b>2,983</b>	<b>96,673</b>	<b>77</b>	<b>-447</b>	<b>-15%</b>
<b>Operating Expenses</b>								
Sales expenses	-1,920	-58,137	-59	-1,998	-64,824	-52	78	-4%
Administrative expenses	-695	-21,004	-21	-719	-23,327	-19	25	-3%
R&D expenses	-476	-14,441	-15	-590	-19,080	-15	114	-19%
<b>Total operating Expenses</b>	<b>-3,091</b>	<b>-93,582</b>	<b>-95</b>	<b>-3,307</b>	<b>-107,231</b>	<b>-86</b>	<b>216</b>	<b>-7%</b>
<b>Operating (Loss) Income</b>	<b>-555</b>	<b>-17,070</b>	<b>-17</b>	<b>-324</b>	<b>-10,558</b>	<b>-8</b>	<b>-232</b>	<b>72%</b>
Non-operating Income & Expenses								
Other income	2	60	0	1	23	0	1	104%
Interest income	27	827	1	23	759	1	4	17%
Exchange gain (loss), net	-8	-253	0	-59	-1,927	-2	51	-86%
Finance expense	-10	-299	0	-5	-171	0	-4	84%
<b>Total Non-operating Income &amp; (Exp)</b>	<b>11</b>	<b>335</b>	<b>0</b>	<b>-40</b>	<b>-1,316</b>	<b>-1</b>	<b>51</b>	<b>-128%</b>
(Loss) Income before income tax	-544	-16,735	-17	-364	-11,874	-9	-180	50%
Income tax expense	-88	-2,692	-3	-43	-1,391	-1	-45	105%
<b>Income from discontinued operations</b>	<b>-1,494</b>	<b>-45,240</b>	<b>-46</b>	<b>-660</b>	<b>-21,173</b>	<b>-17</b>	<b>-834</b>	<b>126%</b>
<b>Consolidated Net (Loss) Income</b>	<b>-2,126</b>	<b>-64,667</b>	<b>-66</b>	<b>-1,067</b>	<b>-34,438</b>	<b>-27</b>	<b>-1,060</b>	<b>99%</b>
Exchange differences resulting from translating the financial statements of a foreign operation	123	6,689	7	-548	-13,447	-11		
Unrealized gain on available-for-sale financial assets	1	37	0	1	47	0		
Total other comprehensive income and expense	124	6,726	7	-547	-13,400	-11		
<b>Total Comprehensive (Loss) income</b>	<b>-2,002</b>	<b>-57,941</b>	<b>-59</b>	<b>-1,613</b>	<b>-47,838</b>	<b>-38</b>		
<b>EPS - Basic (NT\$)</b>		<b>-0.86</b>			<b>-0.44</b>			

## Operating Expense Growth – 1H, FY17 vs. 1H, FY16



	2016	2017	Growth
Headcount	67	74	10%
IFRS Operating Expense	6,578	6,017	-9%
Option Expense	57	38	-33%
Additional AR Reserve	84	-32	-138%
Operating exp. (Excluded AR reserve & Option exp.)	6,438	6,012	-7%

# Balance Sheet - Assets

USD-TWD Ending Rate	30.420			32.275			32.250		
	2017.6.30			2016.6.30			2016.12.31		
	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
<b>Current Assets</b>									
Cash and cash equivalents	\$24,341	\$740,447	57	\$30,575	\$986,815	65	\$23,049	\$743,317	50
Available-for-sale financial assets	262	7,965	1	263	8,482	1	257	8,292	1
Notes receivable	61	1,856	0	840	27,108	2	0	0	0
Accounts receivables	2,851	86,719	7	6,129	197,805	13	3,349	108,006	7
Other receivables	0	0	0	20	632	0	18	570	0
Inventory	1,882	57,263	4	2,592	83,650	6	2,128	68,631	5
<b>Non-current Assets Held for Sale</b>	<b>8,720</b>	<b>265,271</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,338</b>	<b>397,905</b>	<b>27</b>
Other current assets	169	5,141	1	529	17,085	1	181	5,827	0
<b>Total of current assets</b>	<b>38,286</b>	<b>1,164,662</b>	<b>90</b>	<b>40,947</b>	<b>1,321,577</b>	<b>88</b>	<b>41,320</b>	<b>1,332,548</b>	<b>90</b>
<b>Non-current assets</b>									
Property, plant and equipment	379	11,540	1	940	30,325	2	418	13,488	1
Intangible Assets									
Computer software	389	11,823	1	520	16,789	1	455	14,707	1
Goodwill	3,521	107,107	8	3,521	113,638	7	3,521	113,550	8
Brand	157	4,771	0	328	10,585	1	243	7,817	\$0
Deferred income tax assets	112	3,400	0	104	3,363	0	107	3,452	0
Refundable deposits	33	1,015	0	396	12,788	1	33	1,076	0
Other financial instruments	32	973	0	32	1,033	0	32	1,032	0
<b>Total of non-current assets</b>	<b>4,623</b>	<b>140,629</b>	<b>10</b>	<b>5,841</b>	<b>188,521</b>	<b>12</b>	<b>4,809</b>	<b>155,122</b>	<b>10</b>
<b>Total Assets</b>	<b>\$42,909</b>	<b>\$1,305,291</b>	<b>100</b>	<b>\$46,788</b>	<b>\$1,510,098</b>	<b>100</b>	<b>\$46,129</b>	<b>\$1,487,670</b>	<b>100</b>

# Balance Sheet – Liabilities & Equity

USD-TWD Ending Rate	30.420			32.275			32.250		
	2017.6.30			2016.6.30			2016.12.31		
	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
<b>Current Liabilities</b>									
Accounts payable	\$385	\$11,716	1	\$662	\$21,373	2	\$753	\$24,286	2
Income Taxes payable	56	1,717	0	53	1,714	0	74	2,374	0
Other payalbes	1,150	34,979	3	2,391	77,180	5	1,215	39,170	3
Liabilities Directly Associated with Non-Current Assets Held for Sale	2,869	87,266	7	0	0	0	3,443	111,043	7
Deferred revenue - current	4,623	140,629	11	5,913	190,848	13	3,975	128,185	9
Other current liabilities	87	2,651	0	81	2,624	0	94	3,028	0
<b>Total current liabilities</b>	<b>9,170</b>	<b>278,958</b>	<b>22</b>	<b>9,101</b>	<b>293,739</b>	<b>20</b>	<b>9,554</b>	<b>308,086</b>	<b>21</b>
<b>Non-current liabilities</b>									
Deferred revenue - non-current	2,658	80,854	6	2,991	96,523	6	2,432	78,446	5
Other non-current liabilities	33	989	0	19	604	0	26	853	0
Total non-current liabilities	2,690	81,843	6	3,009	97,127	6	2,458	79,299	5
<b>Total Liabilities</b>	<b>11,861</b>	<b>360,801</b>	<b>28</b>	<b>12,110</b>	<b>390,866</b>	<b>26</b>	<b>12,012</b>	<b>387,385</b>	<b>26</b>
<b>Equity attributable to owners of the parent</b>									
Capital	23,089	748,945	57	23,013	746,593	49	23,036	747,345	50
Capital surplus	11,202	362,417	28	10,984	355,492	24	11,162	361,215	24
Retained earnings									
Legal reserve	339	10,535	1	339	10,535	1	339	10,535	1
Special reserve	21	134	0	21	134	0	21	134	0
Unappropriated retained earnings	430	8,188	0	3,484	99,903	6	3,888	114,261	8
Other Equity	(1,254)	(97,506)	(7)	(365)	(4,611)	0	(1,532)	(44,391)	(3)
Treasury Stock	(2,778)	(88,223)	(7)	(2,797)	(88,814)	(6)	(2,797)	(88,814)	(6)
<b>Total Equity</b>	<b>31,048</b>	<b>944,490</b>	<b>72</b>	<b>34,678</b>	<b>1,119,232</b>	<b>74</b>	<b>34,117</b>	<b>1,100,285</b>	<b>74</b>
<b>Total 'Liabilities and Equity</b>	<b>\$42,909</b>	<b>\$1,305,291</b>	<b>100</b>	<b>\$46,788</b>	<b>\$1,510,098</b>	<b>100</b>	<b>\$46,129</b>	<b>\$1,487,670</b>	<b>100</b>



**Array Networks**

**THANK YOU!**