

**Array Networks**

# **1H FY19 INVESTOR UPDATE**

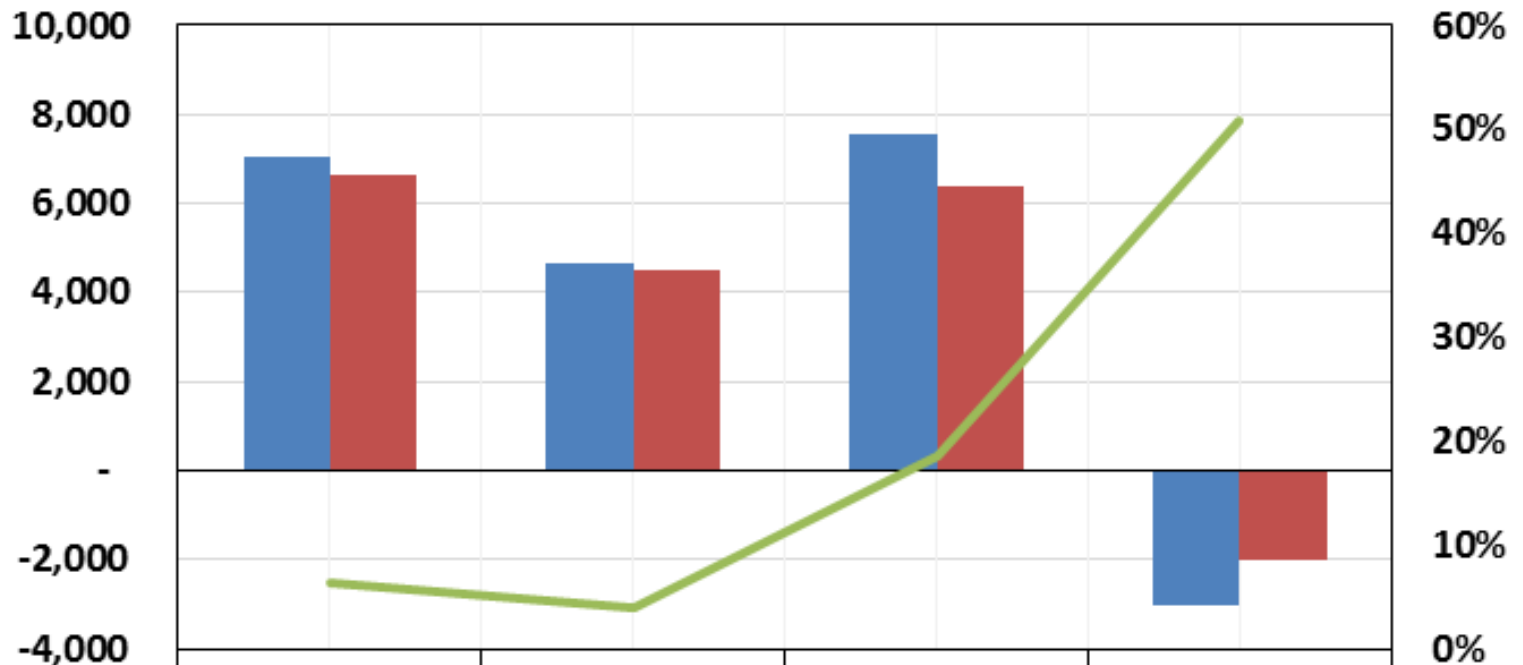
- **This presentation may contain certain "forward-looking statements" concerning the business, operations and financial condition of Array, Inc. Although Array believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that 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.**

## Year-to-date results

- **US\$7.06M (NT\$219M) in revenue**
- **66% gross profit margin**
- **6% revenue growth vs. 1H, 2018**
- **61% revenue growth in Japan vs. 1H, 2018**
- **84% revenue growth in China vs. 1H, 2018**
- **-11% revenue growth in India vs. 1H, 2018**
- **Headcount increase 11% vs. 1H, 2018**
- **Net Loss is US\$3.01M (NT\$93M)**

# 1H - Growth Trends FY19 vs. FY18

(US\$1,000)



	Revenue	Gross Profit	Operating Expense	Net Income
2019	7,062	4,674	7,541	-3,013
2018	6,646	4,492	6,360	-1,999
Growth	6%	4%	19%	51%

# Statements of Comprehensive Income



USD-TWD Average Rate	2019/6/30 30.983			2018/6/30 29.537			Comparison (US\$ base)	
	1H, 2019			1H, 2018			2019 vs 2018	Y/Y Change
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.		
<b>Operating Revenues</b>	7,062	218,808	100	6,646	196,306	100	416	6%
Sales Returns and Allowances	0	0	-	0	0	-	0	0%
<b>Operating Revenue, Net</b>	7,062	218,808	100	6,646	196,306	100	416	6%
Operating Cost	-2,388	-73,989	-34	-2,154	-63,633	-32	-234	11%
<b>Gross profit</b>	4,674	144,819	66	4,492	132,673	68	182	4%
<b>Operating Expenses</b>								
Sales expenses	-4,365	-135,247	-62	-4,129	-121,941	-62	-237	6%
Administrative expenses	-1,344	-41,629	-19	-1,409	-41,610	-21	65	-5%
R&D expenses	-1,369	-42,410	-19	-811	-23,950	-12	-558	69%
Expected credit impairment loss	-463	-14,343	-7	-12	-343	0	-451	3891%
<b>Total operating Expenses</b>	-7,541	-233,629	-107	-6,360	-187,844	-96	-1,181	19%
<b>Operating (Loss) Income</b>	-2,866	-88,810	-41	-1,868	-55,171	-28	-998	53%
Non-operating Income & Expenses								
Other income	20	628	0	4	106	0	17	462%
Interest income	108	3,333	2	45	1,319	1	63	141%
Exchange gain (loss), net	-33	-1,009	0	-21	-631	0	-11	52%
(Loss) Income on Financial assets at fair value through profit or loss	18	561	0	-0	-1	0	18	-52197%
Finance Costs	-56	-1,721	-1	0	0	0	-56	0%
Other expense	-3	-105	0	-16	-467	0	12	-79%
<b>Total Non-operating Income &amp; (Exp)</b>	54	1,687	1	11	326	0	43	394%
<b>(Loss) Income before income tax</b>	-2,812	-87,123	-40	-1,857	-54,845	-28	-955	51%
Income tax expense	-201	-6,235	-3	-142	-4,189	-2	-59	42%
<b>Consolidated Net (Loss) Income</b>	-3,013	-93,358	-43	-1,999	-59,034	-30	-1,014	51%
<b>EPS - Basic (NT\$)</b>		-1.83			-1.16			

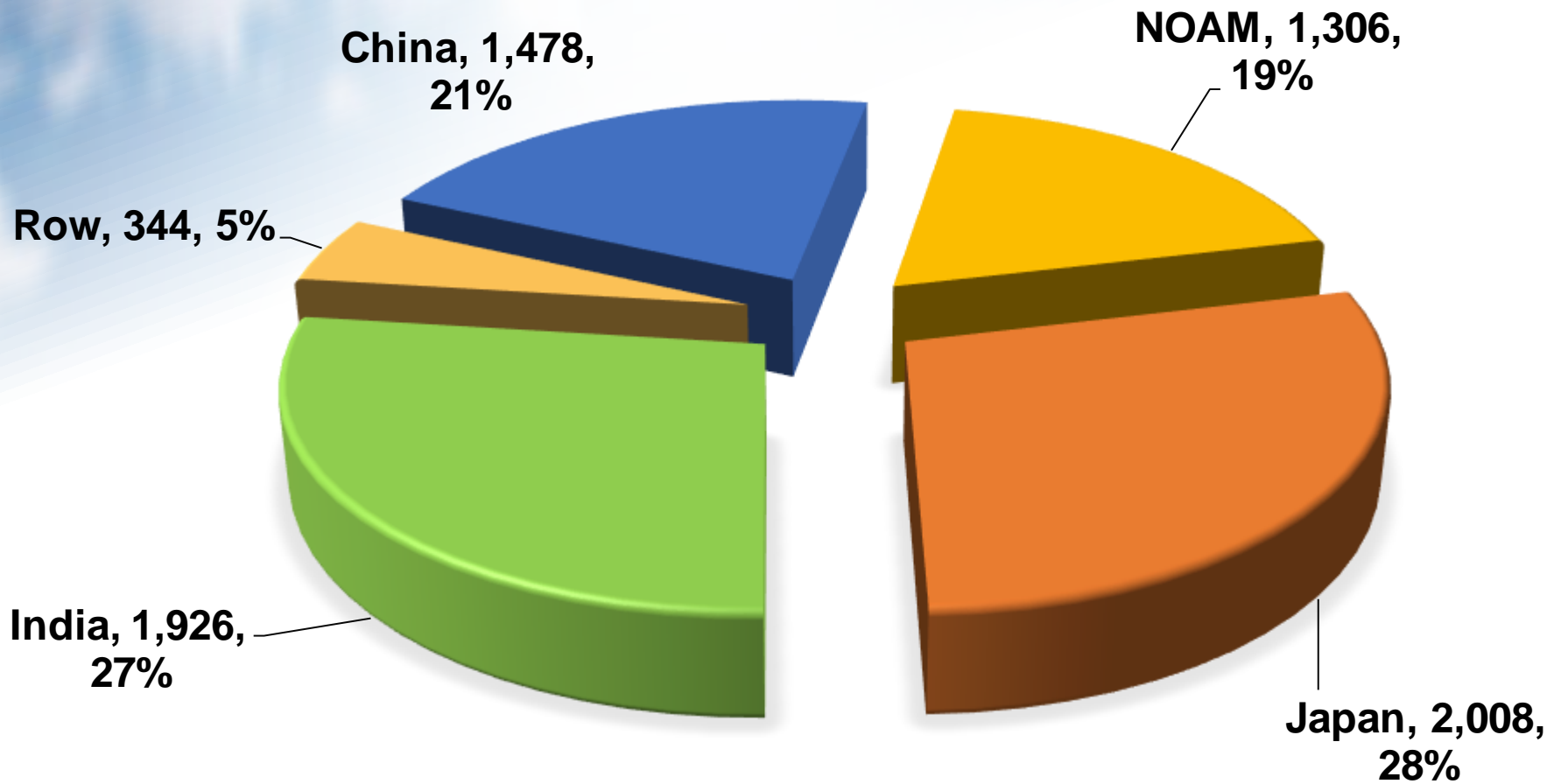
# Q2 Statements of Comprehensive Income



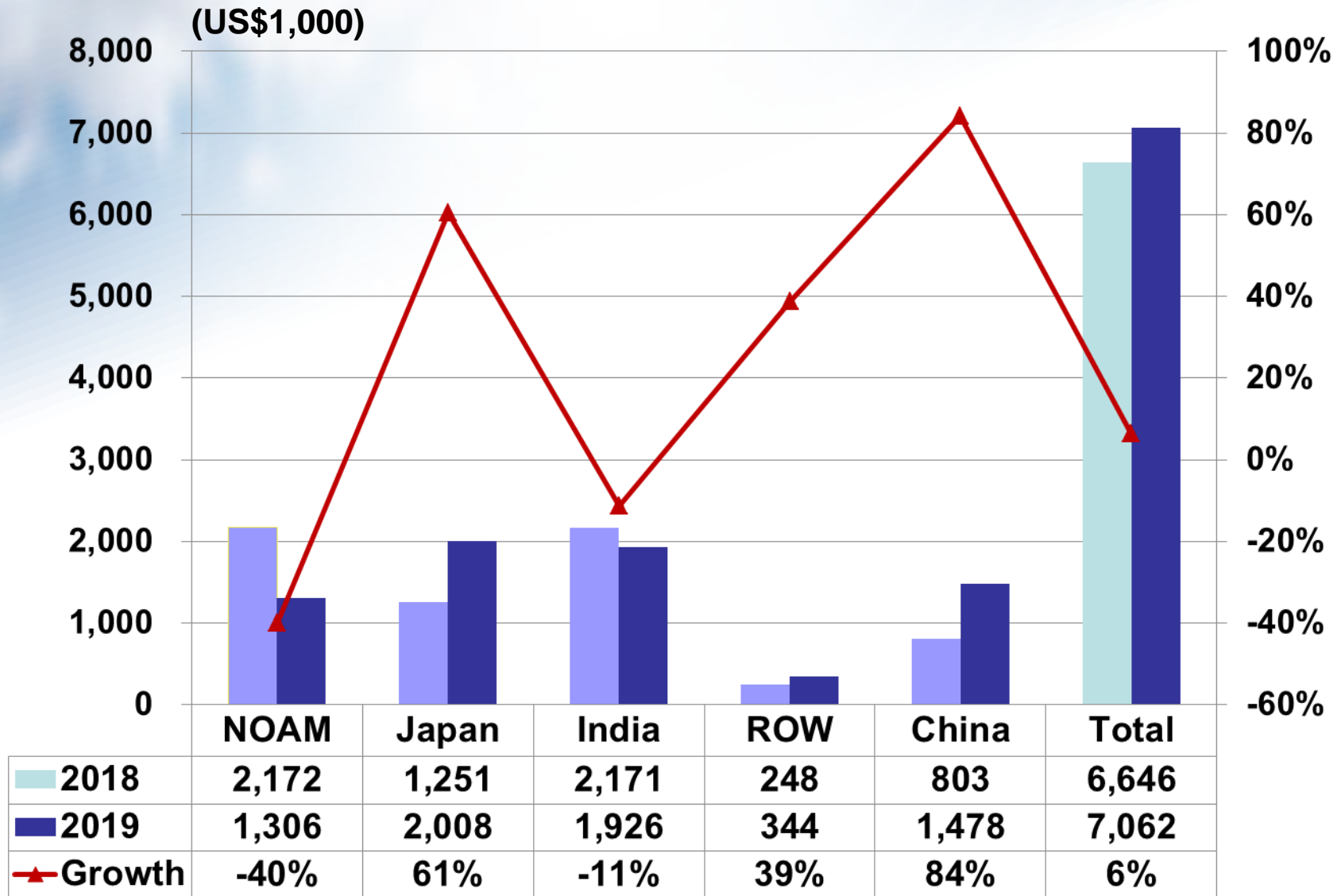
USD-TWD Average Rate	2019/6/30 30.983			2018/6/30 29.537			Comparison (US\$ base)	
	Q2, 2019			Q2, 2018			Q2 19 vs Q2 18	Q/Q Change
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.		
<b>Operating Revenues</b>	3,641	113,337	100	3,293	98,069	100	348	11%
Sales Returns and Allowances	0	0	-	0	0	-	0	0%
<b>Operating Revenue, Net</b>	3,641	113,337	100	3,293	98,069	100	348	11%
Operating Cost	-1,334	-41,484	-37	-1,077	-32,070	-33	-257	24%
<b>Gross profit</b>	2,307	71,853	63	2,216	65,999	67	91	4%
<b>Operating Expenses</b>								
Sales expenses	-2,209	-68,783	-61	-2,239	-66,574	-68	29	-1%
Administrative expenses	-600	-18,694	-16	-763	-22,698	-23	164	-21%
R&D expenses	-667	-20,777	-18	-405	-12,052	-12	-262	65%
Expected credit impairment loss	-463	-14,343	-13	8	217	0	-470	-6273%
<b>Total operating Expenses</b>	-3,939	-122,597	-108	-3,400	-101,107	-103	-540	16%
<b>Operating (Loss) Income</b>	-1,632	-50,744	-45	-1,183	-35,108	-36	-448	38%
Non-operating Income & Expenses								
Other income	10	305	0	0	4	0	10	7278%
Interest income	61	1,886	2	22	646	1	39	180%
Exchange gain (loss), net	-17	-525	0	-5	-165	0	-11	208%
(Loss) Income on Financial assets at fair value through profit or loss	9	283	0	1	34	0	8	686%
Finance Costs	-33	-1,018	-1	0	0	0	-33	0%
Other expense	-2	-66	0	-10	-291	0	8	-78%
<b>Total Non-operating Income &amp; (Exp)</b>	28	865	1	8	228	0	20	262%
<b>(Loss) Income before income tax</b>	-1,604	-49,879	-44	-1,176	-34,880	-36	-428	36%
Income tax expense	-140	-4,344	-4	-73	-2,187	-2	-66	90%
<b>Consolidated Net (Loss) Income</b>	-1,744	-54,223	-48	-1,249	-37,067	-38	-495	40%
EPS - Basic (NT\$)		-1.06			-0.73			

# Revenue By Region – 1H, FY19

(US\$1,000)



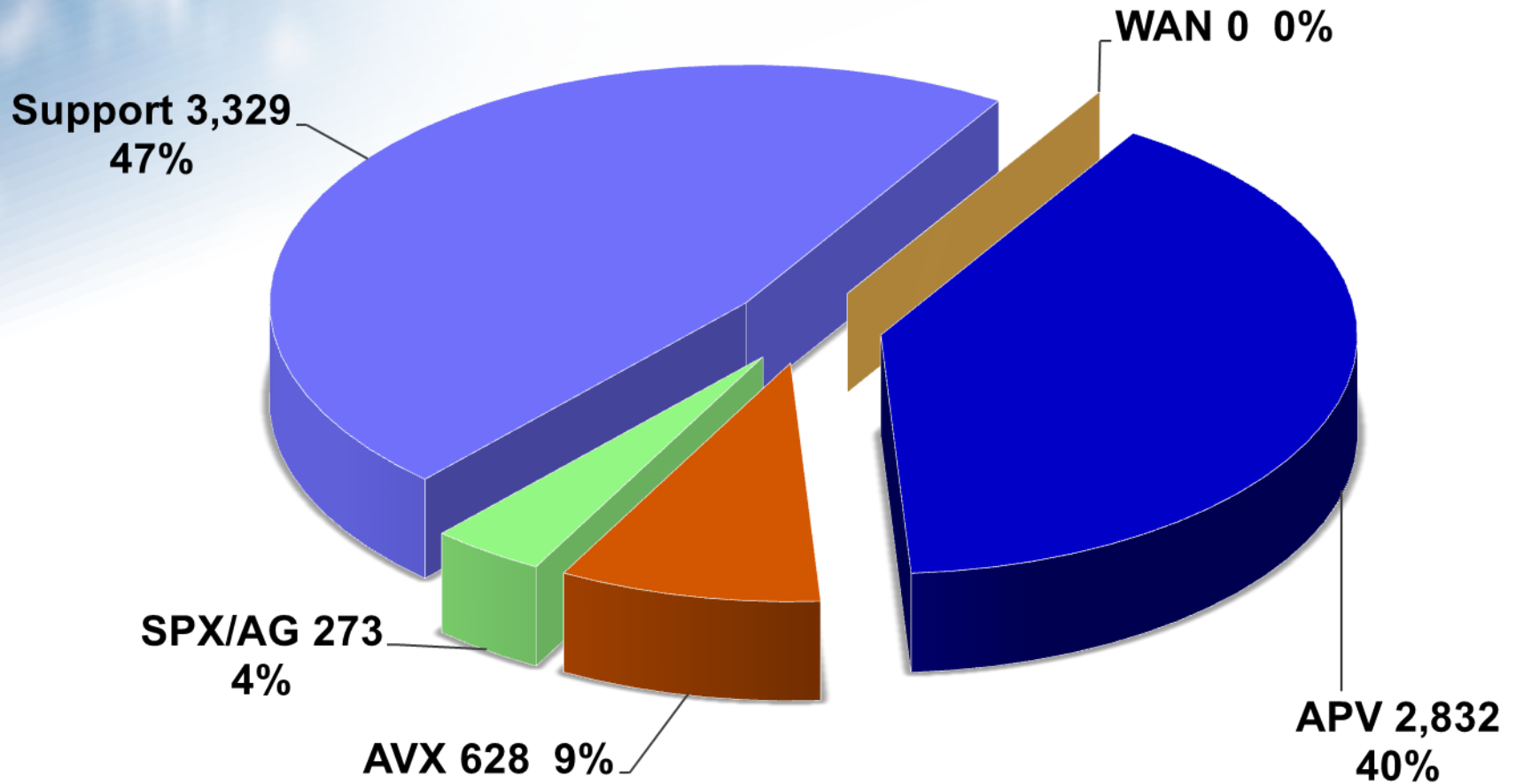
# Growth by Region – 1H, FY19 vs. 1H, FY18





# Revenue By Product – 1H, FY19

(US\$1,000)



# Performance By Product – 1H, FY19 vs. 1H, FY18



(US\$1,000)



2018	2,163	706	546	28	3,203	6,646
2019	2,832	628	273	0	3,329	7,062
Growth	31%	-11%	-50%	-100%	4%	6%

# Operating Expense Growth – 1H, FY19 vs. 1H, FY18



	2018	2019	Growth
Headcount	81	90	11%
IFRS Operating Expense	6,360	7,541	19%
Option Expense	1	63	4040%
Additional AR Reserve	12	463	3891%
Operating exp. (Excluded AR reserve & Option exp.)	6,347	7,015	11%

# Balance Sheet - Assets



USD-TWD Ending Rate	31.060			30.715			30.460		
	2019.6.30			2018.12.31			2018.6.30		
	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	\$13,753	427,180	42	\$11,149	342,455	32	\$14,533	442,682	43
Financial assets at fair value through profit or loss-current	1,643	51,033	5	1,625	49,911	5	262	7,993	1
Accounts receivables	4,714	146,420	14	7,923	243,348	22	3,470	105,699	10
Accounts receivables-related parties	2,129	66,142	6	1,836	56,405	5	2,026	61,716	6
Other receivables	0	0	0	4,982	153,027	14	4,965	151,247	15
Inventory	1,822	56,588	5	1,274	39,118	4	2,266	69,018	7
Other current assets	516	16,026	2	382	11,718	1	507	15,433	1
<b>Total of current assets</b>	<b>24,578</b>	<b>763,389</b>	<b>74</b>	<b>29,171</b>	<b>895,982</b>	<b>83</b>	<b>28,030</b>	<b>853,788</b>	<b>83</b>
<b>Non-current assets</b>									
Financial assets at fair value through other comprehensive income – non-current	1,260	39,136	4	1,260	38,701	4	1,260	38,380	4
Property, plant and equipment	907	28,156	3	869	26,694	2	504	15,341	2
Right-of-use asset	2,409	74,825	7	0	0	0	0	0	0
<b>Intangible Assets</b>									
Computer software	166	5,142	1	263	8,066	1	308	9,367	1
Goodwill	3,521	109,361	11	3,521	108,146	10	3,521	107,248	10
Deferred income tax assets	151	4,685	0	148	4,552	0	132	4,013	0
Other non-current assets	66	2,059	0	73	2,251	0	33	1,016	0
<b>Total of non-current assets</b>	<b>8,479</b>	<b>263,364</b>	<b>26</b>	<b>6,134</b>	<b>188,410</b>	<b>17</b>	<b>5,789</b>	<b>176,340</b>	<b>17</b>
<b>Total Assets</b>	<b>\$33,057</b>	<b>\$1,026,753</b>	<b>100</b>	<b>\$35,305</b>	<b>\$1,084,392</b>	<b>100</b>	<b>\$33,819</b>	<b>\$1,030,128</b>	<b>100</b>

# Balance Sheet – Liabilities & Equity



USD-TWD Ending Rate	31.060			30.715			30.460		
	2019.6.30			2018.12.31			2018.6.30		
	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
<b>Current Liabilities</b>									
Accounts payable	\$807	\$25,051	3	\$895	\$27,482	3	\$439	\$13,361	1
Contract liability- current	3,439	106,829	10	4,324	132,819	12	4,802	146,272	14
Income Taxes payable	28	858	0	0	0	0	121	3,686	\$1
Lease liabilities- current	345	10,726	1	0	0	0	0	0	0
Other payables	1,181	36,668	4	1,475	45,297	4	1,054	32,108	3
Other current liabilities	94	2,925	0	165	5,073	1	81	2,463	0
<b>Total current liabilities</b>	<b>5,894</b>	<b>183,057</b>	<b>18</b>	<b>6,859</b>	<b>210,671</b>	<b>20</b>	<b>6,497</b>	<b>197,890</b>	<b>19</b>
<b>Non-current liabilities</b>									
Contract liability non-current	2,525	78,413	8	2,724	83,644	8	2,444	74,432	8
Lease liabilities non-current	2,174	67,516	6	0	0	0	0	0	0
Other non-current liabilities	105	3,270	0	169	5,189	0	36	1,087	0
<b>Total non-current liabilities</b>	<b>4,804</b>	<b>149,199</b>	<b>14</b>	<b>2,893</b>	<b>88,833</b>	<b>8</b>	<b>2,480</b>	<b>75,519</b>	<b>8</b>
<b>Total Liabilities</b>	<b>10,697</b>	<b>332,256</b>	<b>32</b>	<b>9,752</b>	<b>299,504</b>	<b>28</b>	<b>8,976</b>	<b>273,409</b>	<b>27</b>
<b>Equity attributable to owners of the parent</b>									
Capital	15,769	510,983	50	16,207	525,224	48	16,208	525,224	51
Capital surplus	9,915	337,341	33	10,122	344,498	32	10,088	343,488	33
Retained earnings									
Legal reserve	339	10,535	1	339	10,535	1	339	10,535	1
Special reserve	21	134	0	20	134	0	21	134	0
Unappropriated retained earnings	(3,473)	(110,578)	(11)	(399)	(15,696)	(2)	(1,083)	(35,051)	(3)
Other Equity	51	(45,670)	(4)	33	(54,928)	(5)	38	(62,732)	(6)
Treasury Stock	(262)	(8,248)	(1)	(769)	(24,879)	(2)	(769)	(24,879)	(3)
<b>Total Equity</b>	<b>22,360</b>	<b>694,497</b>	<b>68</b>	<b>25,553</b>	<b>784,888</b>	<b>72</b>	<b>24,843</b>	<b>756,719</b>	<b>73</b>
<b>Total 'Liabilities and Equity</b>	<b>\$33,057</b>	<b>\$1,026,753</b>	<b>100</b>	<b>\$35,305</b>	<b>\$1,084,392</b>	<b>100</b>	<b>\$33,819</b>	<b>\$1,030,128</b>	<b>100</b>

**Array Networks**

**THANK YOU!**