

Array Networks

1H FY 16 INVESTOR UPDATE

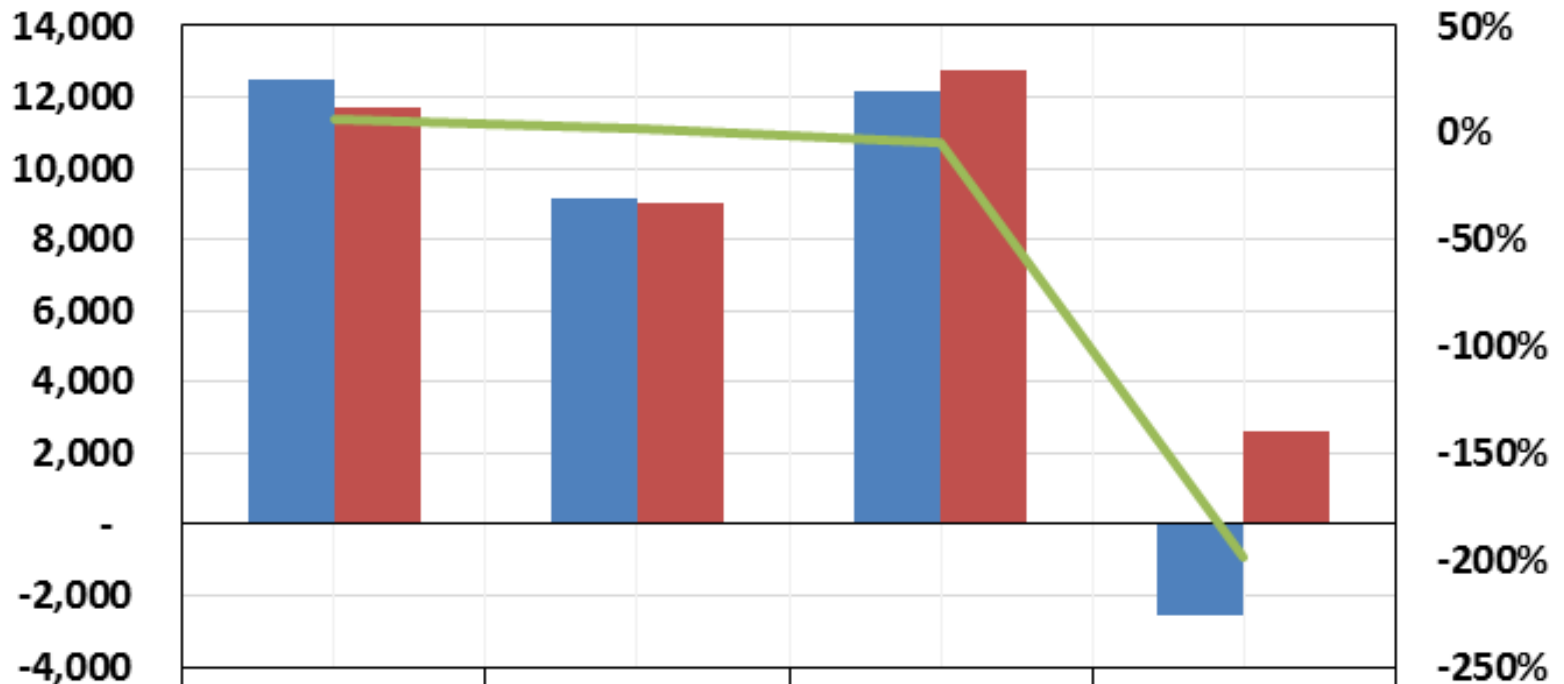
- This presentation may contain certain "forward-looking statements" concerning the business, operations and financial condition of Array, Inc. Although Array believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its 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 FY16 results

- US\$12.49M (or NT\$409.51M) in revenue
- 73% gross profit margin
- 7% revenue increase in 1H, 2016 vs. 1H, 2015
- 149% revenue growth in ROW in 1H, 2016 vs. 1H, 2015
- 22% revenue growth in China in 1H, 2016 vs. 1H, 2015
- 5% decrease in Operating Expense US\$12.15M (or NT\$398.34M)
- 29% improvement on net loss before tax US\$2.44M (or NT\$79.98M)
- Net loss US\$2.55M (or NT\$83.48M) in 1H, 2016 vs. net income US\$2.59M in 1H, 2015, due to Income from Discontinued Operations US\$6.115M (or NT\$190.65M) from Infosec in Jun., 2015

1H Performance FY16 vs. FY15

(USD1,000)



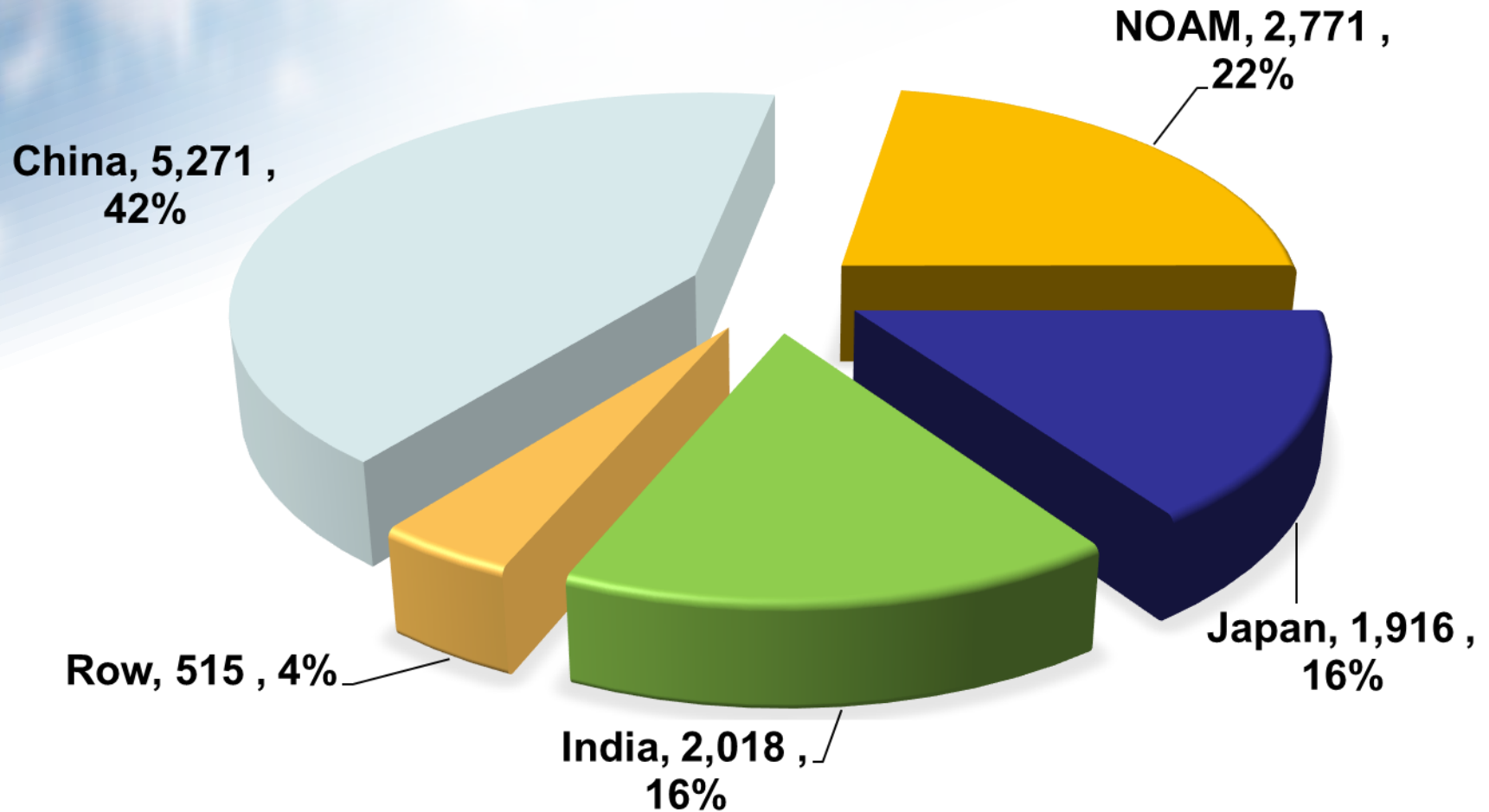
	Revenue	Gross Profit	Operating Expense	Net Income
2016	12,491	9,157	12,150	-2,546
2015	11,715	8,993	12,734	2,591
Growth	7%	2%	-5%	-198%

1H 16 vs. 1H 15 Income Statement

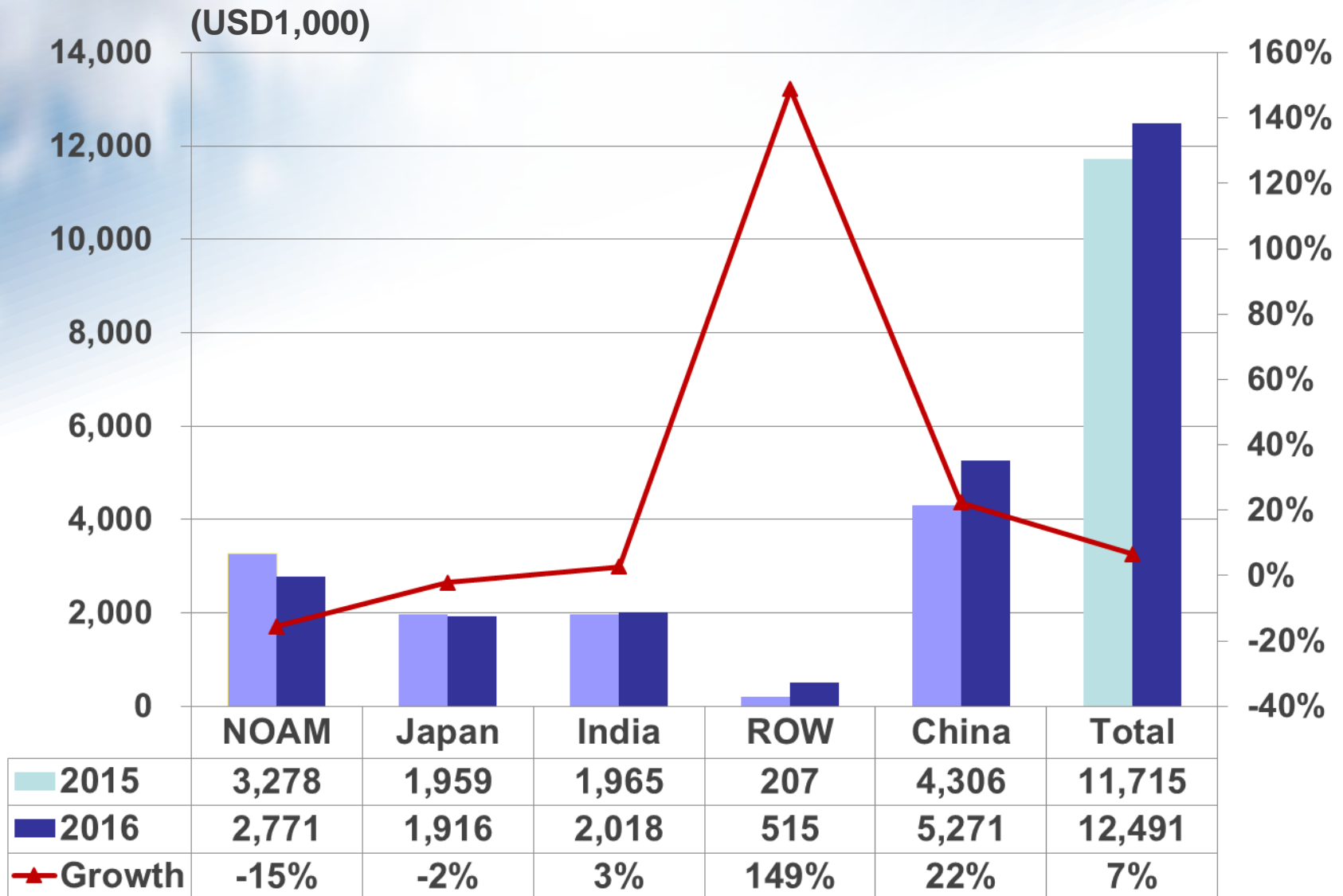
	FY16		FY15		Comparison	
	(US\$1,000)	% of Rev	(US\$1,000)	% of Rev	Diff	Y/Y Change
Net Sales	12,491		11,715		776	7%
Gross Profit	9,157	73%	8,993	77%	164	2%
Gross Margin	77%		77%			
Operating Expenses						
Sales	(5,870)	-47%	(5,990)	-51%	120	-2%
G&A	(1,826)	-14%	(2,063)	-18%	237	-11%
R&D	(4,454)	-36%	(4,681)	-40%	227	-5%
Total Operating Expenses	(12,150)	-97%	(12,734)	-109%	584	-5%
Operating Income/(Loss)	(2,993)	-24%	(3,741)	-32%	748	-20%
Other Income/(Expense)	554	4%	293	3%	261	89%
Net Income Before Tax	(2,439)	-20%	(3,448)	-29%	1,009	-29%
Income Tax Expenses	(107)	-0%	(76)	-1%	-31	41%
Income from discontinued operation	0	0%	6,115	52%	(6,115)	-100%
Net Income	(2,546)	-20%	2,591	22%	(5,137)	-198%

Revenue By Region – 1H, FY16

(USD1,000)

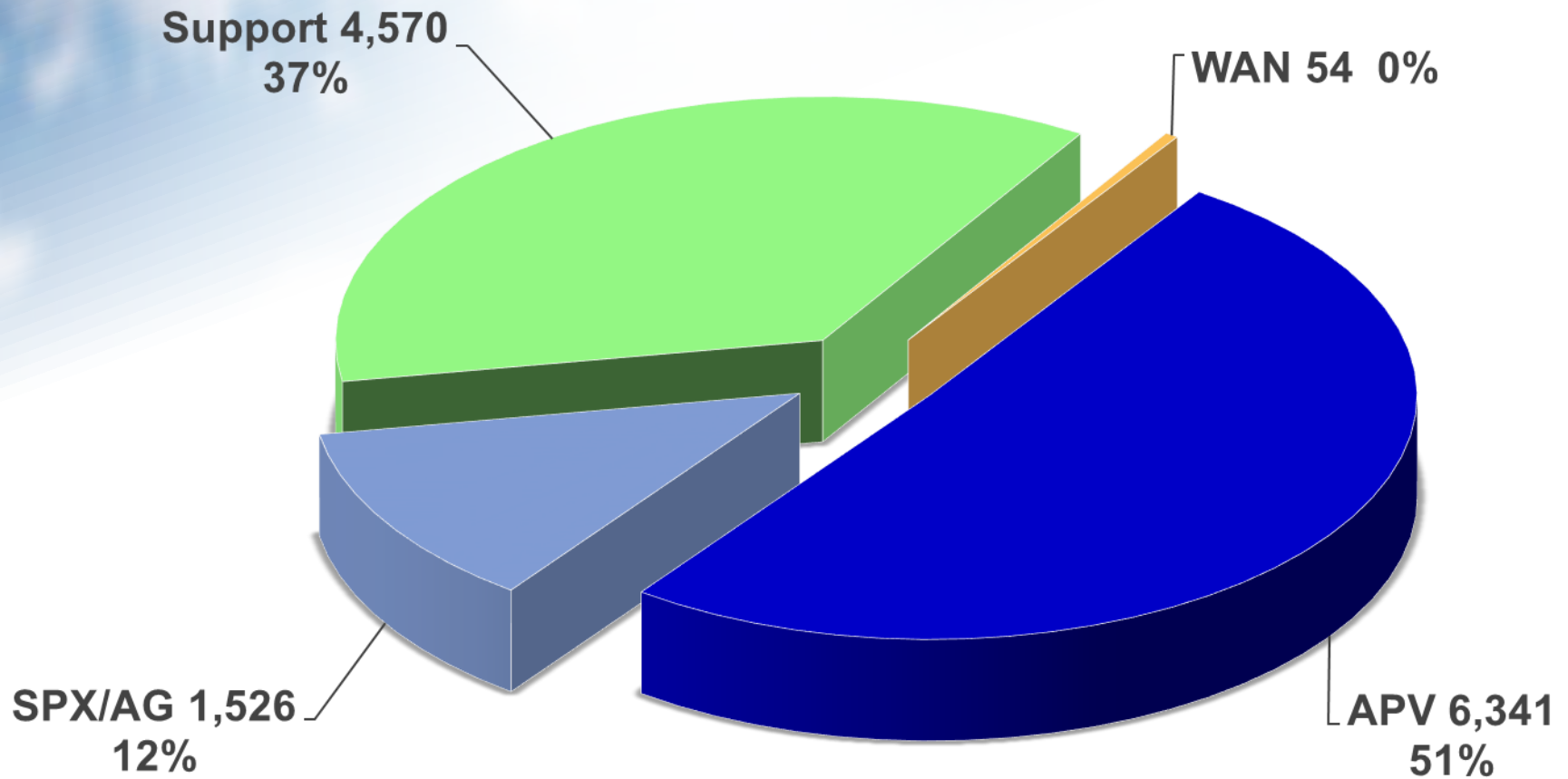


Growth by Region – 1H, FY16 vs. 1H, FY15

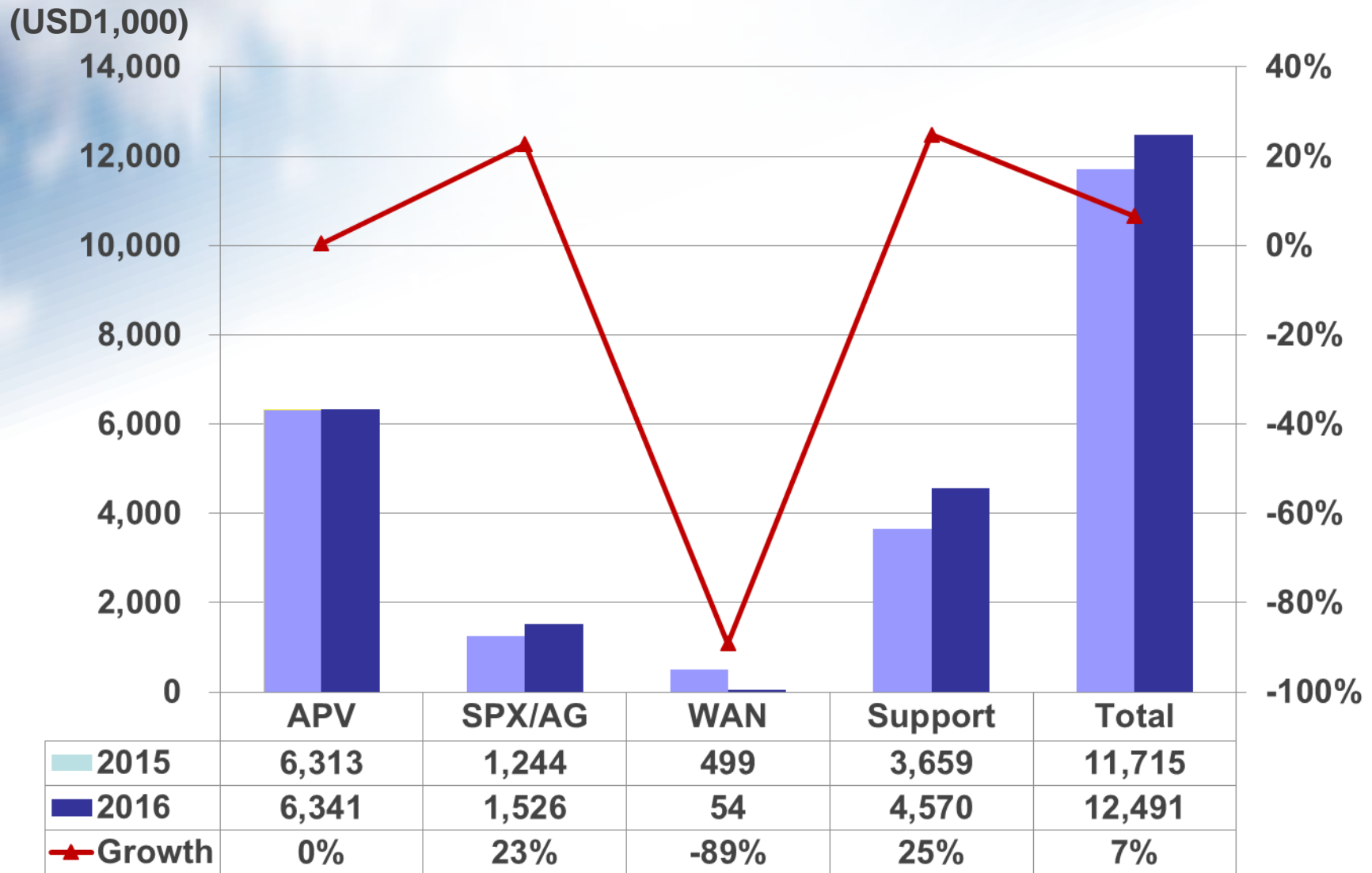


Revenue By Product – 1H, FY16

(USD1,000)



Performance By Product – 1H, FY16 vs. 1H, FY15

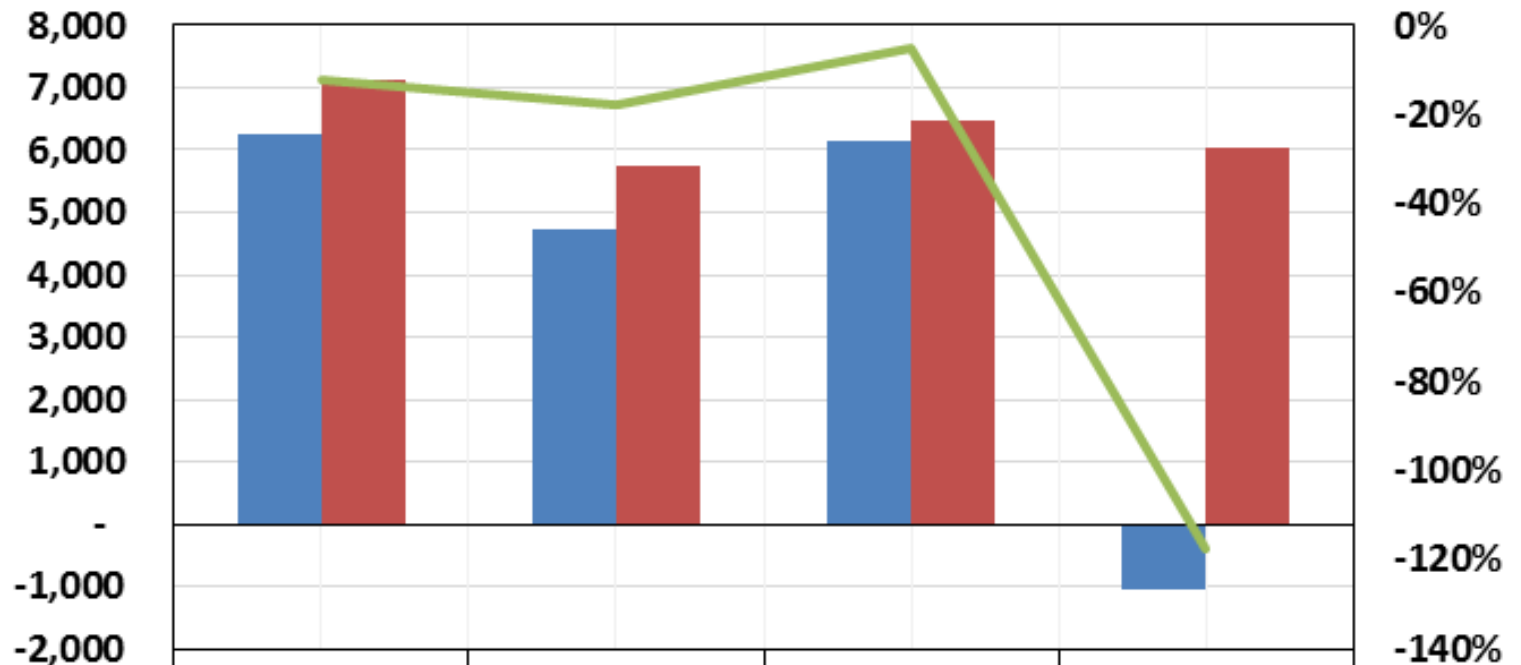


Q2 FY16 results

- US\$6.26M (or NT\$203.05M) in revenue
- 75% gross profit margin
- - 12% revenue decline in 2Q, 2016 vs. 2Q, 2015
- 193% revenue growth in ROW in Q2, 2016 vs. Q2, 2015
- 5% decrease YoY in Operating Expense US\$6.15M (or NT\$199.56M)
- Net loss before tax US\$1.02M (or NT\$33.05M)

2Q Performance FY16 vs. FY15

(USD1,000)



	Revenue	Gross Profit	Operating Expense	Net Income
2016	6,262	4,710	6,153	-1,067
2015	7,132	5,745	6,490	6,049
Growth	-12%	-18%	-5%	-118%

2Q 16 vs. 2Q 15 Income Statement

	Q2., FY16		Q2., FY15		Comparison	
	(US\$1,000)	% of Rev	(US\$1,000)	% of Rev	Diff	Y/Y Change
Net Sales	6,262		7,132		(870)	-12%
Gross Profit	4,710	75%	5,745	81%	(1,035)	-18%
Gross Margin	75%		81%			
Operating Expenses						
Sales	(3,053)	-49%	(3,072)	-43%	19	-1%
G&A	(910)	-14%	(1,190)	-17%	280	-24%
R&D	(2,190)	-35%	(2,228)	-31%	38	-2%
Total Operating Expenses	(6,153)	-98%	(6,490)	-91%	337	-5%
Operating Income/(Loss)	(1,443)	-23%	(745)	-10%	(698)	94%
Other Income/(Expense)	419	7%	254	4%	166	65%
Net Income Before Tax	(1,024)	-16%	(491)	-6%	(532)	108%
Income Tax Expenses	(43)	-1%	(54)	-1%	10	-20%
Income from discontinued operation	0	0%	6,594	93%	-6,594	-100%
Net Income	(1,067)	-17%	6,049	86%	(7,116)	-118%

Operating Expense Growth – 1H, FY16 vs. 1H, FY15

	2015	2016	Growth
Headcount	240	240	0%
IFRS Operating Expense	12,734	12,150	-5%
Option Expense	133	77	-42%
Additional AR Reserve	187	67	-64%
Operating exp. (Excluded AR reserve & Option exp.)	12,414	12,006	-3%

Balance Sheet - Assets

AR for Infosec Spin-off:
USD4.5M at AR
USD18.3 at OR

USD-TWD Ending Rate	32.275			30.860			32.825		
	2016.6.30			2015.6.30			2015.12.31		
Assets	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
Current Assets									
Cash and cash equivalents	\$30,575	\$986,815	65	\$15,679	\$483,840	28	\$36,122	\$1,185,691	68
Available-for-sale financial assets	263	8,482	1	256	7,915	1	259	8,506	0
Notes receivable	840	27,108	2	1,286	39,673	2	1,754	57,563	3
Accounts receivables	6,129	197,805	13	11,503	354,980	20	6,700	219,913	13
Other receivables	20	632	0	18,283	564,210	32	37	1,217	0
Inventory	2,592	83,650	6	2,957	91,260	5	2,027	66,525	4
Other current assets	529	17,085	1	528	16,283	1	419	13,758	1
Total of current assets	40,947	1,321,577	88	50,491	1,558,161	89	47,317	1,553,173	89
Non-current assets									
Property, plant and equipment	940	30,325	2	1,007	31,079	2	951	31,232	2
Intangible Assets									
Computer software	520	16,789	1	605	18,672	1	595	19,516	1
Goodwill	3,521	113,638	7	3,521	108,656	6	3,521	115,575	6
Brand	328	10,585	1	499	15,400	1	413	13,572	1
Deferred income tax assets	104	3,363	0	66	2,048	0	91	2,999	0
Refundable deposits	396	12,788	1	406	12,535	1	395	12,952	1
Other financial instruments	32	1,033	0	32	988	0	32	1,050	0
Total of non-current assets	5,841	188,521	12	6,137	189,378	11	5,998	196,896	11
Total Assets	\$46,788	\$1,510,098	100	\$56,628	\$1,747,539	100	\$53,315	\$1,750,069	100

Balance Sheet – Liabilities & Equity

USD-TWD Ending Rate	32.275			30.860			32.825		
	2016.6.30			2015.6.30			2015.12.31		
Liabilities and Equity	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
Current Liabilities									
Accounts payable	\$662	\$21,373	2	\$996	\$30,732	2	\$507	\$16,647	1
Income Taxes payable	53	1,714	0	66	2,045	0	48	1,591	0
Other payalbes	2,391	77,180	5	3,763	116,113	7	3,036	99,667	6
Deferred revenue - current	5,913	190,848	13	5,434	167,691	\$9	5,478	179,800	10
Other current liabilities	81	2,624	0	101	3,115	0	77	2,528	0
Total current liabilities	9,101	293,739	20	10,360	319,696	18	9,146	300,233	17
Non-current liabilities									
Deferred revenue - non-current	2,991	96,523	6	2,998	92,525	6	3,196	104,900	6
Other non-current liabilities	19	604	0	5	148	0	7	246	0
Total non-current liabilities	3,009	97,127	6	3,003	92,673	6	3,203	105,146	6
Total Liabilities	12,110	390,866	26	13,363	412,369	24	12,350	405,379	23
Equity attributable to owners of the parent									
Capital	23,013	746,593	49	23,930	776,233	44	23,986	778,043	44
Capital surplus	10,984	355,492	24	11,519	373,177	21	11,583	375,277	21
Retained earnings									
Legal reserve	339	10,535	1	190	5,743	0	190	5,743	0
Special reserve	21	134	0	21	134	0	21	134	0
Unappropriated retained earnings	3,484	99,903	6	7,152	221,035	13	6,179	188,171	11
Other Equity	-365	-4,611	0	1,494	-9,115	0	47	29,359	3
Treasury Stock	-2,797	-88,814	-6	-1,041	-32,037	-2	-1,041	-32,037	-2
Total Equity	34,678	1,119,232	74	43,265	1,335,170	76	40,965	1,344,690	77
Total 'Liabilities and Equity	\$46,788	\$1,510,098	100	\$56,628	\$1,747,539	100	\$53,315	\$1,750,069	100

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THANK YOU!