



HTC CORPORATION

2Q15 BUSINESS REVIEW

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AUGUST 6th, 2015

DISCLAIMER STATEMENT

- This presentation and release contain “forward-looking statements” which may include projections of future results of operations, financial condition or business prospects based on our own information and other sources.
- Our actual results of operations, financial condition or business prospects may differ from those expressed or implied in these forward-looking statements for a variety of reasons, including but not limited to market demand, price fluctuations, competition, international economic conditions, supply chain issues, exchange rate fluctuations and other risks and factors beyond our control.
- The forward-looking statements in this release reflect the current belief of HTC as of the date of this release. HTC undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

EXECUTIVE SUMMARY

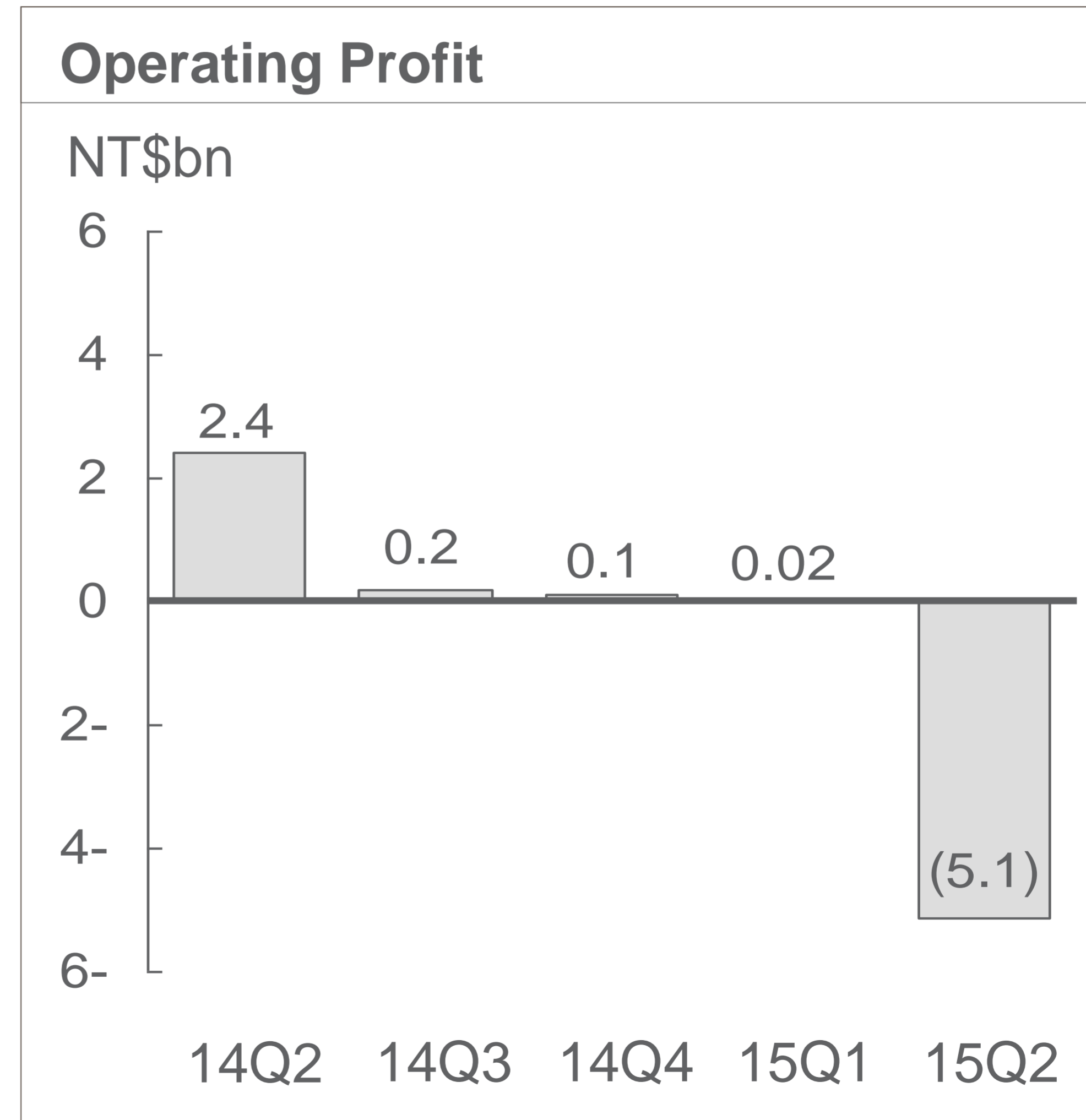
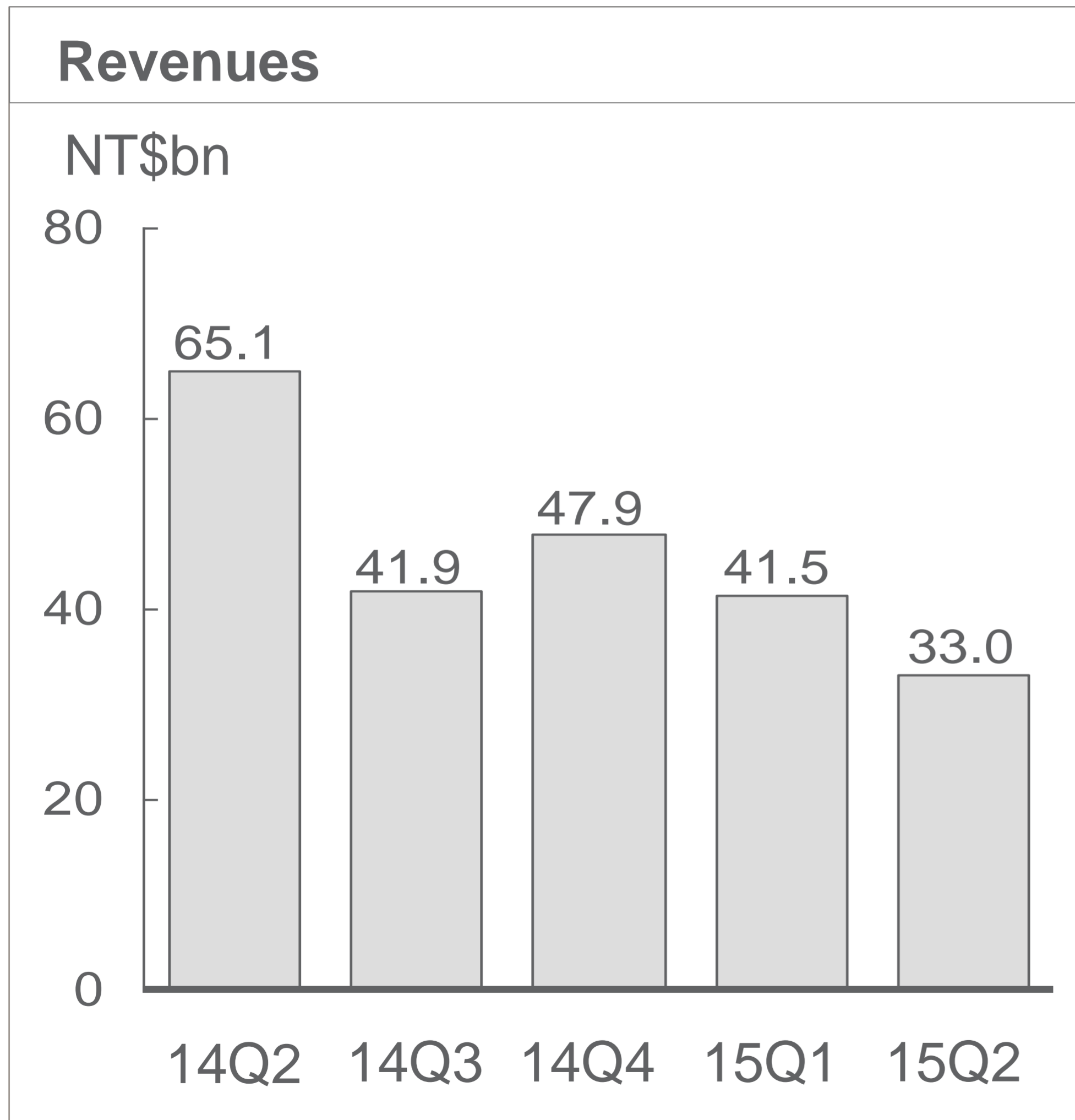
2Q Financial Highlights:

- Revenue of NT\$33.0 billion with gross margin of 19.3%
- Operating loss of NT\$5.1 billion with operating margin of -15.6%
- One-time charge for idled assets, prepaid expenses: NT\$2.9 billion
- Net loss after tax: NT\$8.0 billion, or -NT\$9.7 per share

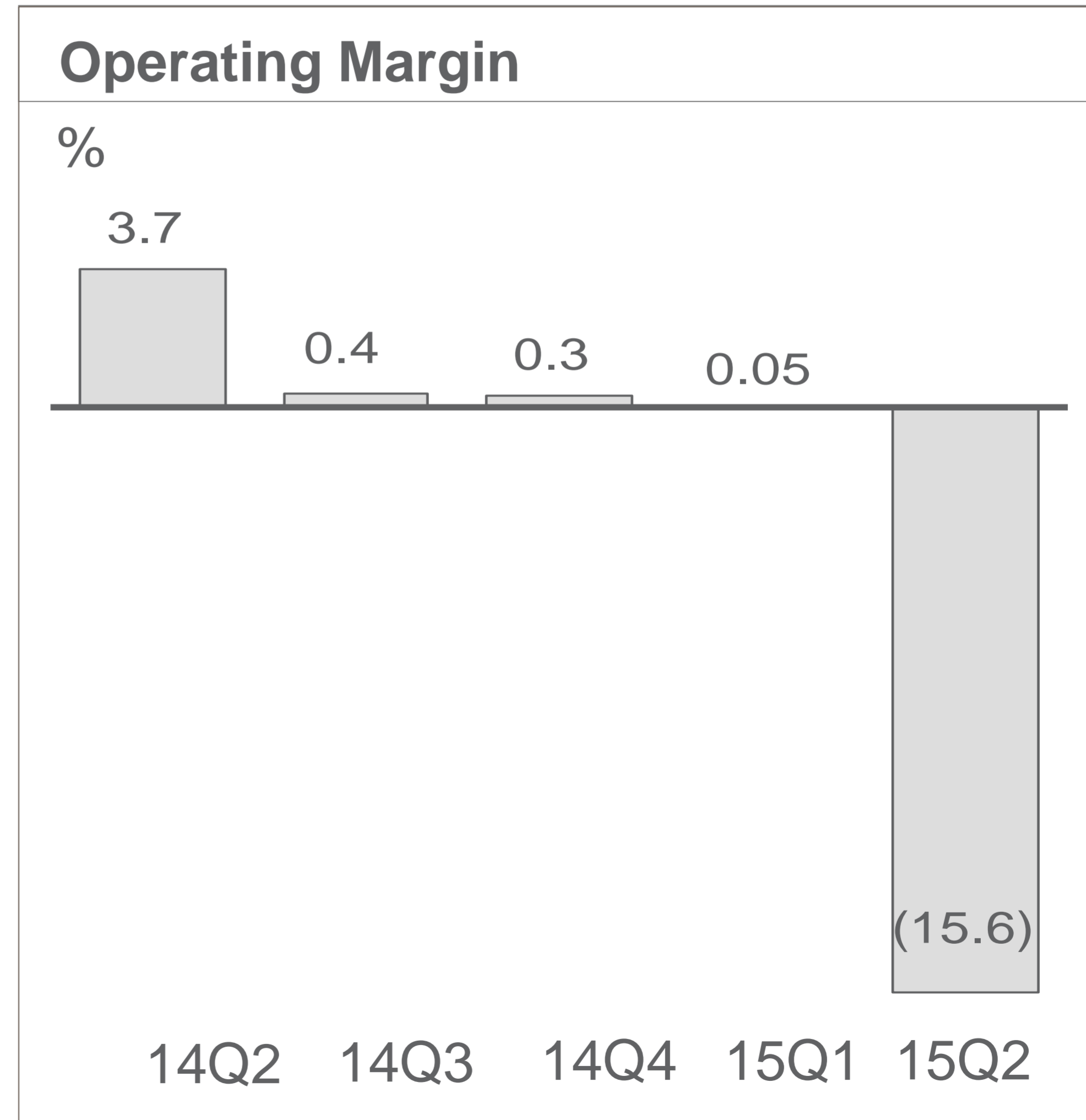
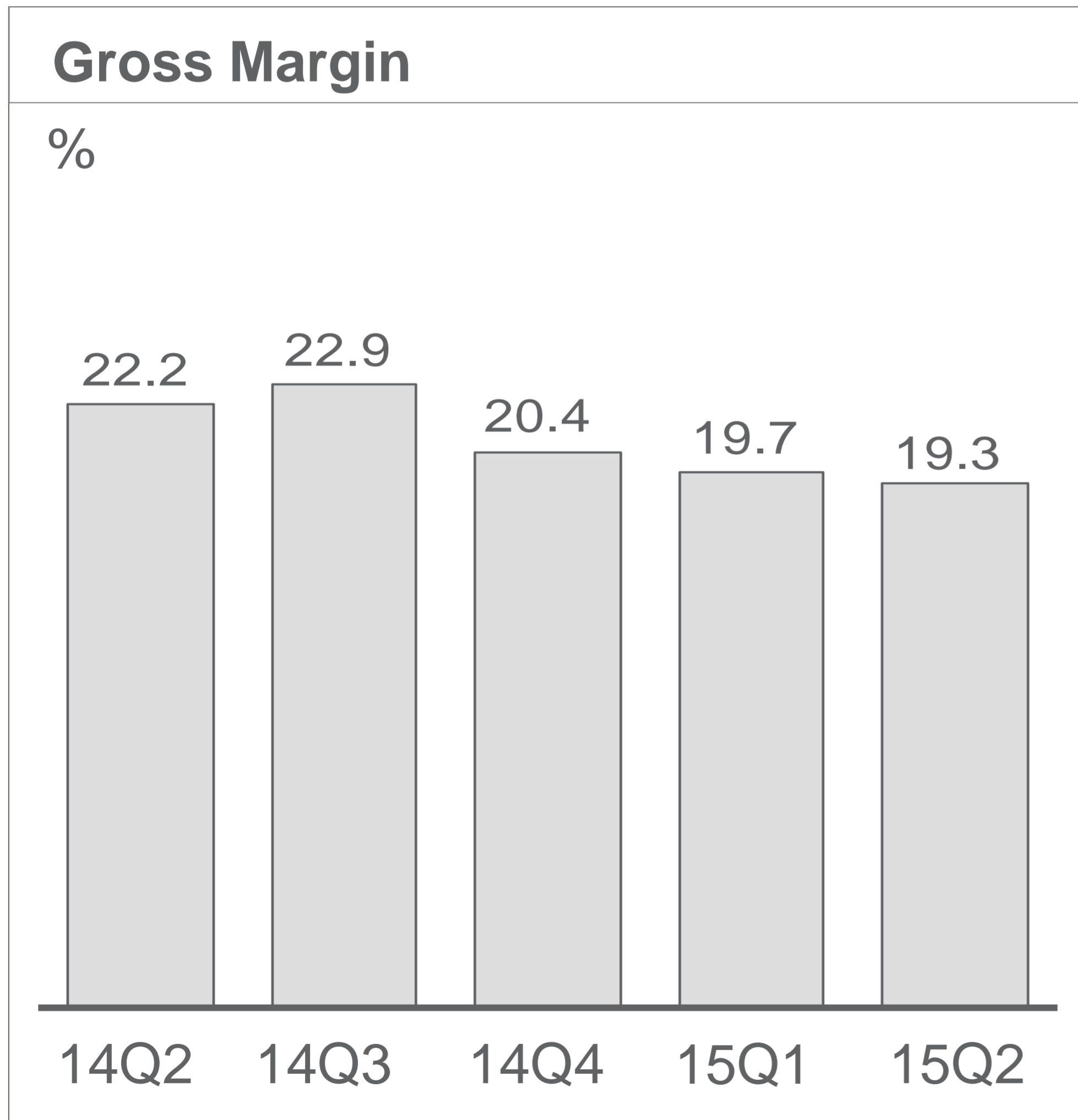
Key Points in Q2'15

- Weaker than expected demand at the high end, consistent with Android market, along with weak sales in China, lead to a year on year fall in the second quarter. Meanwhile, year-on-year shipment volume increases were seen across select key emerging markets.
- HTC has begun to implement company-wide efficiency measures to reduce operating costs across the organization and ensure resources are appropriately allocated to future growth.
- HTC continues to invest in promising new product areas such as virtual reality, where the Company is working with over a thousand developers on content creation over a wide spectrum of applications including gaming, entertainment and education, to ensure a compelling ecosystem ahead of the highly anticipated launch of HTC Vive at the end of the year.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



2Q 2015 P&L (CONSOLIDATED)

NT\$bn	2Q 14	1Q 15	2Q 15
REVENUES	65.1	41.5	33.0
GROSS PROFIT	14.4	8.2	6.4
OPERATING EXPENSE	<u>12.0</u>	<u>8.1</u>	<u>11.5</u>
SALES MKTING.	7.6	3.5	6.5
RESEARCH DEV.	3.1	3.4	3.6
GENERAL ADM.	1.3	1.2	1.4
OPERATING PROFIT	2.4	0.02	-5.1
NPBT	2.8	0.5	-7.9
NPAT ¹	2.3	0.36	-8.0
GROSS MARGIN (%)	22.2%	19.7%	19.3%
OPERATING MARGIN (%)	3.7%	0.05%	-15.6%
EPS ² (NT\$)	2.74	0.43	-9.70

¹ Attributable to stockholders of parent company, excluding minority interest.

² EPS was calculated based on number of outstanding shares at that time.

2Q 2015 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Jun 30, 14	Mar 31, 15	Jun 30, 15
TOTAL ASSETS	178.7	165.5	154.0
CASH	48.4	51.7	47.2
AR	36.3	32.9	28.5
INVENTORY	25.9	21.7	23.5
OTHER ASSETS	68.1	59.2	54.8
TOTAL LIABILITIES	100.5	85.8	82.5
TOTAL EQUITY ¹	78.2	79.7	71.5
<i>METRICS</i> ²			
DAYS SALES OUTSTANDING	46	75	93
INVENTORY TURNOVER DAYS	52	58	83
DAYS PAYABLE OUTSTANDING	84	126	153

1 Attributable to stockholders of parent company, excluding minority interest.

2. Financial metrics are calculated based on quarterly numbers, starting from 2Q 2012

3Q 2015 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$19 billion to NT\$22 billion
- Gross profit margin is expected to be 19% to 19.5%
- EPS is expected to be in the range of -NT\$5.85 to -NT\$5.51

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HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	June 30, 2015		June 30, 2014			June 30, 2015		June 30, 2014	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 47,232,931	31	\$ 48,437,642	27	Financial liabilities at fair value through profit or loss - current	\$ 92,628	-	\$ 62,185	-
Financial assets at fair value through profit or loss - current	147,194	-	84,055	-	Derivative financial liabilities for hedging - current	-	-	1,683	-
Derivative financial assets for hedging - current	4,442	-	6,525	-	Note and trade payables	41,180,747	27	50,031,814	28
Debt investments with no active market - current	7,766	-	-	-	Other payables	29,548,950	19	39,984,859	22
Trade receivables, net	28,476,127	19	36,313,574	20	Current tax liabilities	159,973	-	236,817	-
Other receivables	272,434	-	2,242,387	1	Provisions - current	7,679,275	5	8,650,366	5
Current tax assets	186,676	-	138,498	-	Other current liabilities	2,903,144	2	1,181,390	1
Inventories	23,543,560	15	25,904,240	15	Total current liabilities	<u>81,564,717</u>	<u>53</u>	<u>100,149,114</u>	<u>56</u>
Prepayments	5,496,302	4	6,653,053	4					
Other current financial assets	235,884	-	2,528,414	1	NON-CURRENT LIABILITIES				
Other current assets	<u>97,682</u>	<u>-</u>	<u>77,862</u>	<u>-</u>	Deferred tax liabilities	193,767	-	149,602	-
Total current assets	<u>105,700,998</u>	<u>69</u>	<u>122,386,250</u>	<u>68</u>	Guarantee deposits received	30,055	-	264,111	-
					Other non-current liabilities	<u>776,600</u>	<u>1</u>	<u>-</u>	<u>-</u>
NON-CURRENT ASSETS					Total non-current liabilities	<u>1,000,422</u>	<u>1</u>	<u>413,713</u>	<u>-</u>
Available-for-sale financial assets - non-current	44	-	206	-					
Financial assets measured at cost - non-current	2,608,395	2	2,786,544	2	Total liabilities	<u>82,565,139</u>	<u>54</u>	<u>100,562,827</u>	<u>56</u>
Investments accounted for using the equity method	228,308	-	221,675	-					
Property, plant and equipment	21,634,590	14	24,232,069	14	EQUITY				
Intangible assets	6,212,101	4	7,956,346	4	Share capital - common stock	<u>8,279,889</u>	<u>5</u>	<u>8,403,521</u>	<u>5</u>
Deferred tax assets	8,324,510	5	8,331,551	5	Capital surplus	<u>15,202,192</u>	<u>10</u>	<u>14,790,977</u>	<u>8</u>
Refundable deposits	1,506,693	1	268,636	-	Retained earnings				
Long-term receivables	1,346,854	1	1,240,724	1	Legal reserve	18,297,655	12	18,149,350	10
Prepaid pension cost - non-current	118,293	-	133,942	-	Unappropriated earnings	<u>29,683,712</u>	<u>19</u>	<u>47,606,426</u>	<u>27</u>
Other non-current assets	<u>6,342,528</u>	<u>4</u>	<u>11,181,076</u>	<u>6</u>	Total retained earnings	<u>47,981,367</u>	<u>31</u>	<u>65,755,776</u>	<u>37</u>
Total non-current assets	<u>48,322,316</u>	<u>31</u>	<u>56,352,769</u>	<u>32</u>	Other equity	<u>(5,273)</u>	<u>-</u>	<u>552,736</u>	<u>-</u>
					Treasury shares	<u>-</u>	<u>-</u>	<u>(11,326,818)</u>	<u>(6)</u>
					Total equity	<u>71,458,175</u>	<u>46</u>	<u>78,176,192</u>	<u>44</u>
TOTAL	<u>\$ 154,023,314</u>	<u>100</u>	<u>\$ 178,739,019</u>	<u>100</u>	TOTAL	<u>\$ 154,023,314</u>	<u>100</u>	<u>\$ 178,739,019</u>	<u>100</u>

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT (UNREVIEWED)
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Six Months Ended June 30			
	2015		2014	
	Amount	%	Amount	%
REVENUES	\$ 74,533,970	100	\$ 98,181,238	100
COST OF REVENUES	<u>60,009,587</u>	<u>81</u>	<u>76,753,544</u>	<u>78</u>
GROSS PROFIT	<u>14,524,383</u>	<u>19</u>	<u>21,427,694</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing	10,040,738	14	12,106,714	13
General and administrative	2,550,870	3	2,878,635	3
Research and development	<u>7,053,444</u>	<u>9</u>	<u>6,064,205</u>	<u>6</u>
Total operating expenses	<u>19,645,052</u>	<u>26</u>	<u>21,049,554</u>	<u>22</u>
OPERATING (LOSS) PROFIT	<u>(5,120,669)</u>	<u>(7)</u>	<u>378,140</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	251,805	-	312,759	1
Other gains and losses	(2,524,482)	(3)	204,637	-
Finance costs	(4,342)	-	(13,498)	-
Share of the profit or loss of associates and joint ventures	<u>(6,049)</u>	<u>-</u>	<u>(5,830)</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,283,068)</u>	<u>(3)</u>	<u>498,068</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	<u>(7,403,737)</u>	<u>(10)</u>	<u>876,208</u>	<u>1</u>
INCOME TAX	<u>270,454</u>	<u>-</u>	<u>500,054</u>	<u>1</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(\$ 7,674,191)</u>	<u>(10)</u>	<u>\$ 376,154</u>	<u>-</u>
(LOSS) EARNINGS PER SHARE				
Basic	<u>(\$ 9.27)</u>		<u>\$ 0.46</u>	
Diluted	<u>(\$ 9.27)</u>		<u>\$ 0.46</u>	

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	(\$ 7,403,737)	\$ 876,208
Adjustments for:		
Depreciation expenses	1,380,776	1,560,013
Amortization expenses	964,739	925,882
Finance costs	4,342	13,498
Interests income	(205,667)	(195,577)
Dividend income	-	(6,982)
Compensation cost of employee share-based payments	317,628	97,340
Share of the profit or loss of associates and joint ventures	6,049	5,830
(Gain) loss on disposal of property, plant and equipment	(17,138)	747
Gain on sale of investment	-	(103,525)
Impairment loss recognized on financial assets measured at cost	-	66,905
Impairment loss on non-financial assets	3,291,702	257,109
Ineffective portion of cash flow hedges	(163)	-
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	185,554	140,427
Decrease (increase) in trade receivables	664,157	(12,942,402)
Decrease (increase) in other receivables	313,538	(109,219)
Increase in inventories	(6,702,312)	(2,561,791)
Decrease (increase) in prepayments	1,129,804	(849,309)
Decrease in other current assets	1,587	46,946
Decrease in other non-current assets	1,156,186	657,150
(Decrease) increase in note and trade payables	(2,622,596)	3,755,963
(Decrease) increase in other payables	(2,892,265)	2,265,897
Increase in provisions	1,838,096	441,481
Increase in other current liabilities	1,760,010	225,263
Increase in other non-current liabilities	776,600	-
Cash used in operations	(6,053,110)	(5,432,146)
Interest received	176,552	140,831
Interest paid	(4,342)	(13,498)
Income tax paid	(144,606)	(871,614)
Net cash used in operating activities	(6,025,506)	(6,176,427)

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets measured at cost	(\$ 60,233)	(\$ 426,937)
Proceeds on sale of financial assets measured at cost	-	2,289,731
Payments for property, plant and equipment	(568,735)	(743,795)
Proceeds from disposal of property, plant and equipment	311,551	10,482
Increase in refundable deposits	(1,243,953)	-
Decrease in refundable deposits	-	84,258
Payments for intangible assets	(77,804)	(217,381)
Decrease in other current financial assets	99,070	242,609
Dividends received	-	6,982
Net cash (used in) generated from investing activities	<u>(1,540,104)</u>	<u>1,245,949</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	7,696
Decrease in guarantee deposits received	(13,175)	-
Net cash (used in) generated from financing activities	<u>(13,175)</u>	<u>7,696</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(931,842)</u>	<u>61,483</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,510,627)	(4,861,299)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>55,743,558</u>	<u>53,298,941</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 47,232,931</u>	<u>\$ 48,437,642</u>