

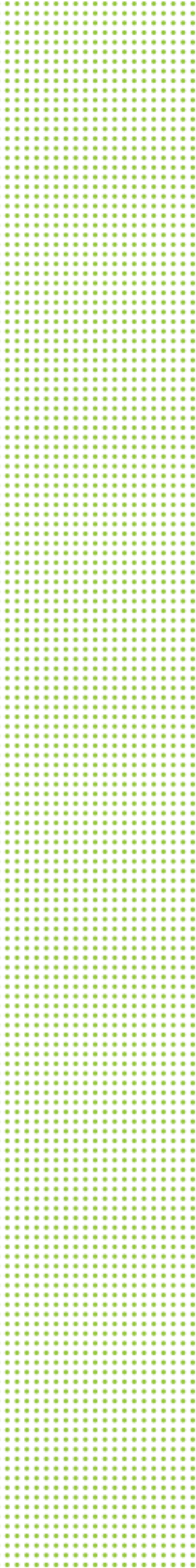


# HTC CORPORATION

## 1Q16 BUSINESS REVIEW

CHIALIN CHANG, CFO & PRESIDENT OF GLOBAL SALES

May 9, 2016



# 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

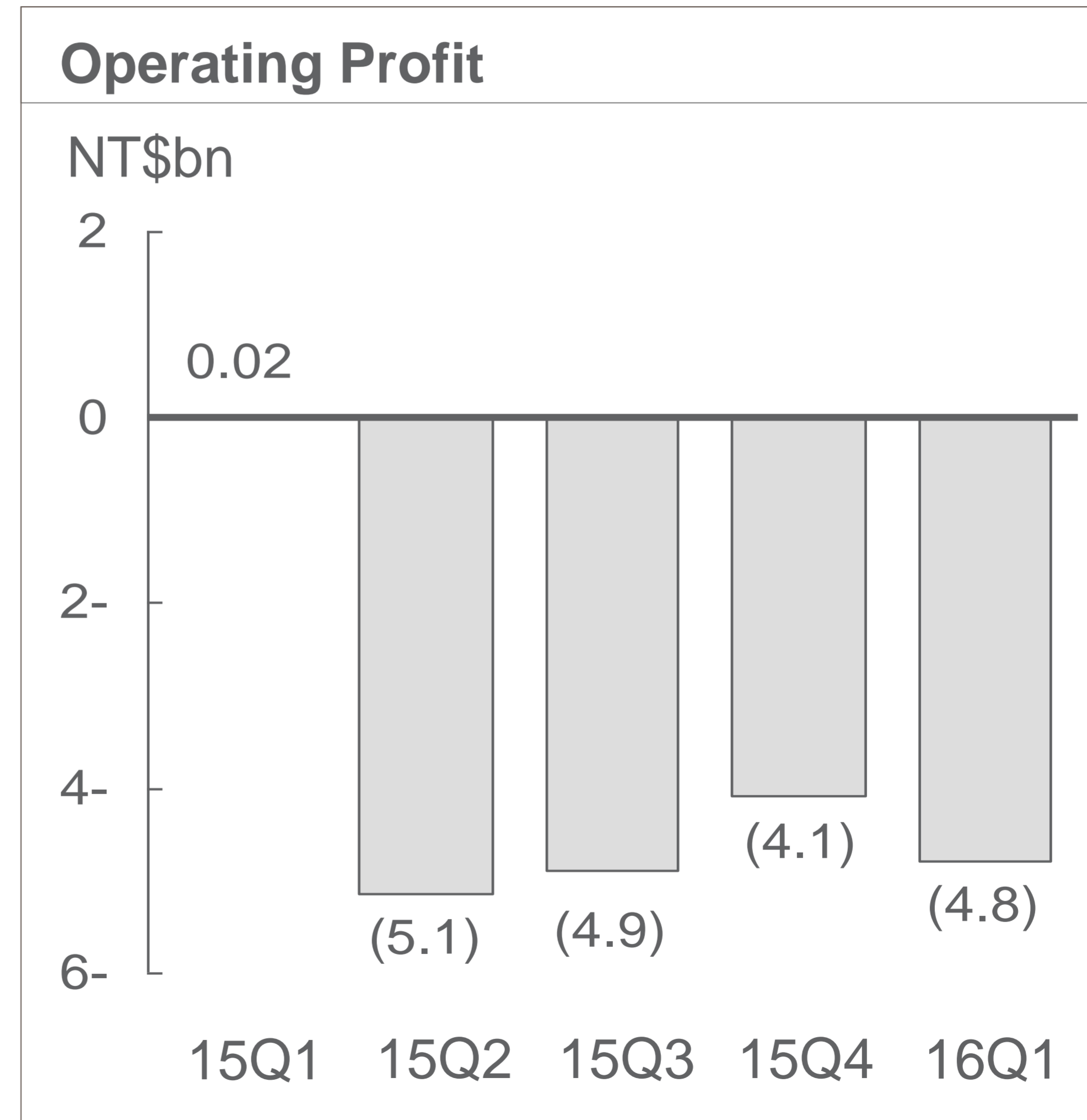
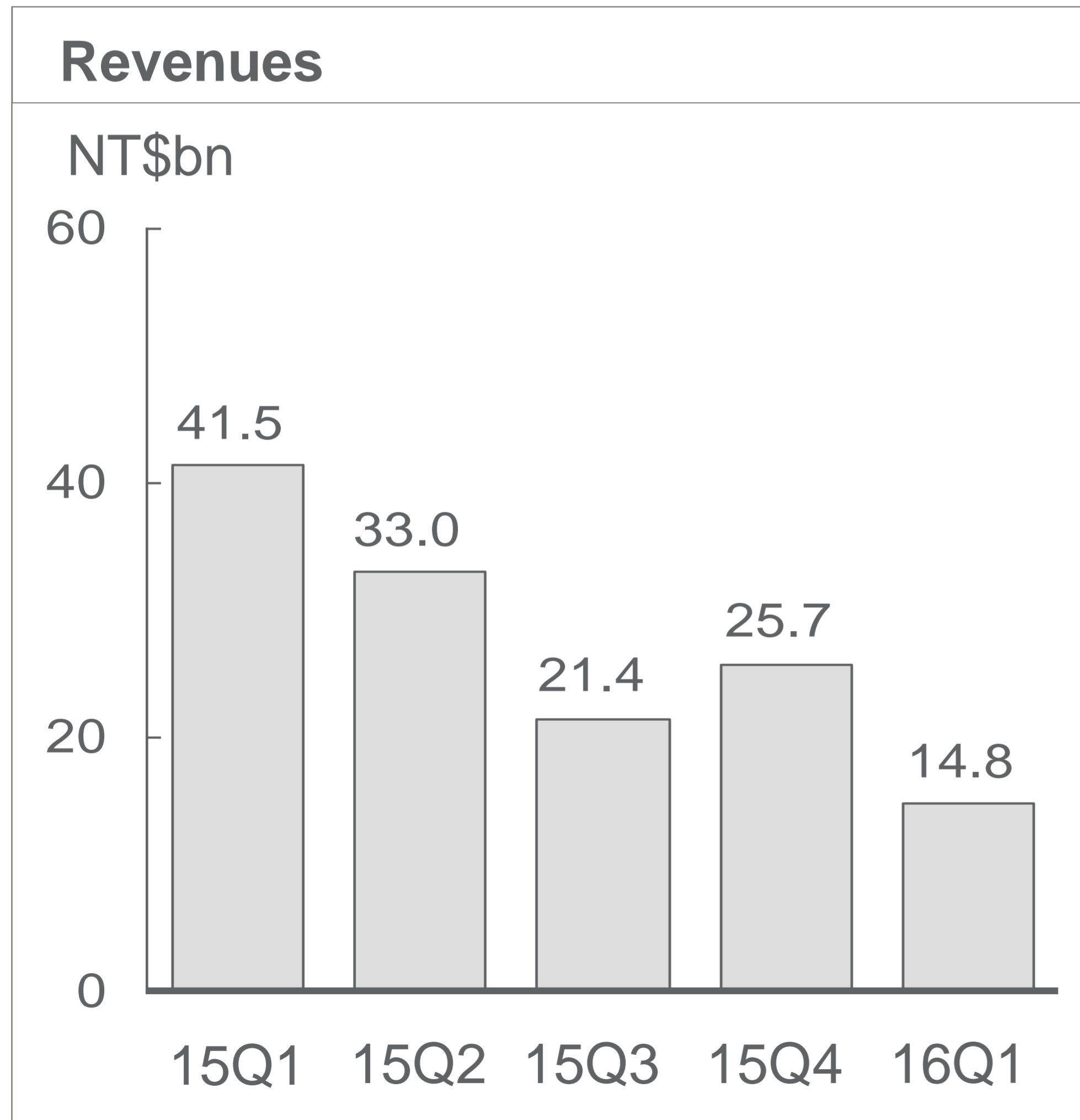
## 1Q16 Financial Highlights:

- Revenue of NT\$14.8 billion with gross margin of 9.4%
- Operating loss of NT\$4.8 billion with operating margin of -32.4%
- Disposal gain of NT\$2.1 billion from the sales of land and building in Taoyuan
- Net loss after tax of NT\$2.6 billion, or -NT\$3.16 per share

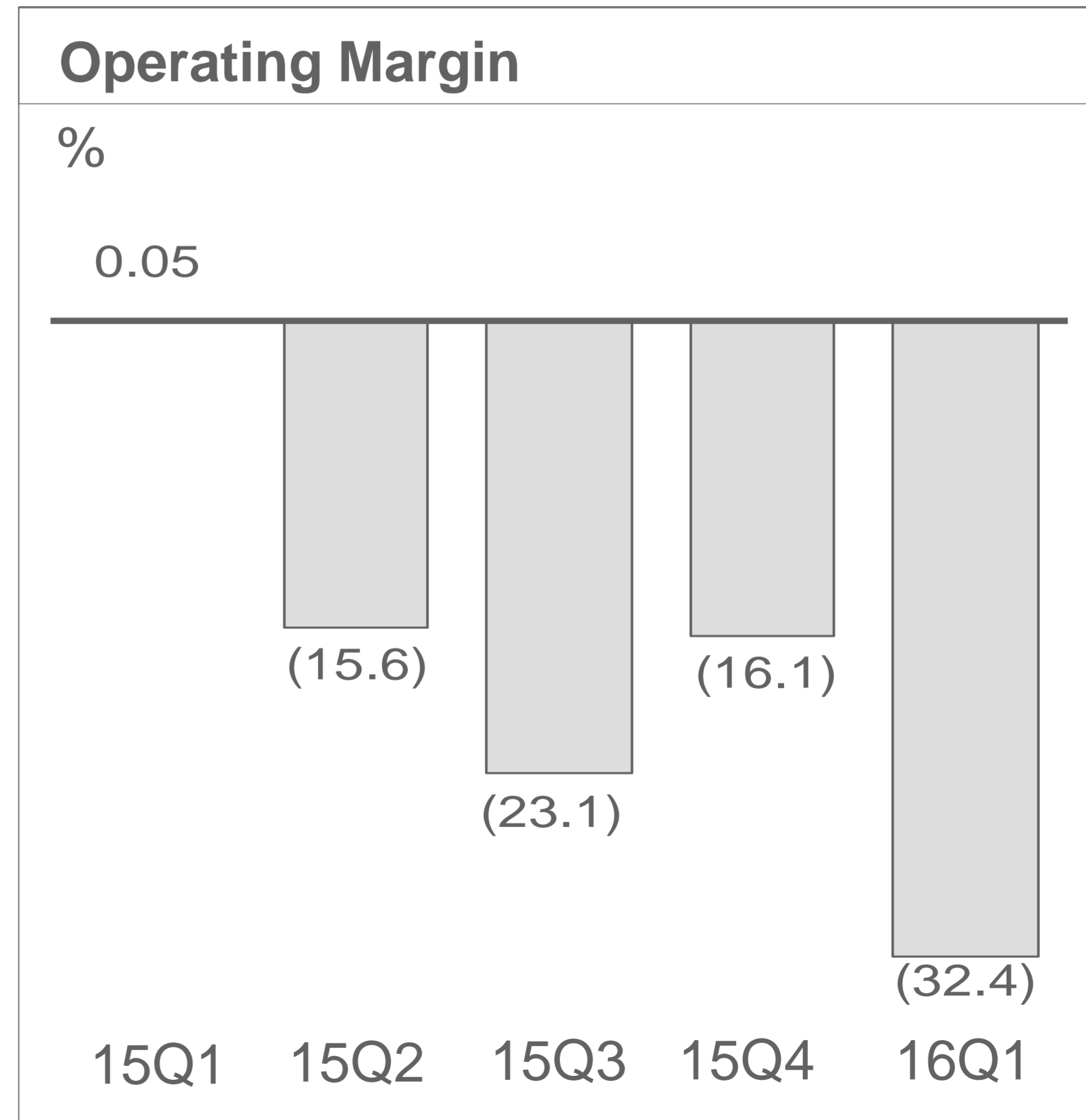
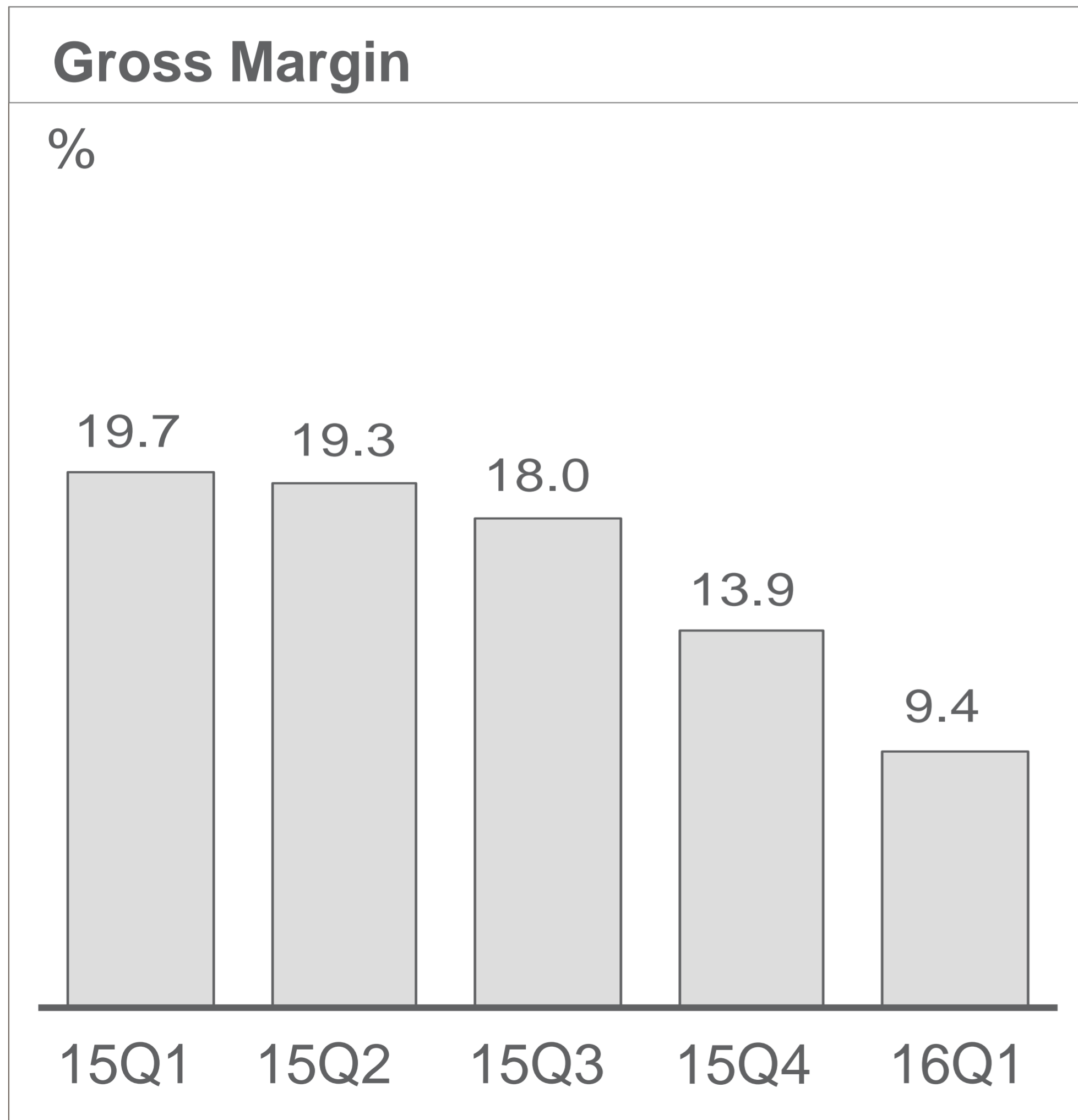
## Business Overview

- HTC gained critical acclaim across its entire portfolio, the HTC Vive virtual reality system, the UA Healthbox, the HTC One X9 and the new Desire smartphone models, over the course of Q1 2016.
- Looking forward, HTC has seen strong launches in early Q2'16 for both the new flagship smartphone, the HTC 10, and the HTC Vive virtual reality system, and anticipate good momentum over the year.
- HTC will continue to streamline processes and optimize resources to develop products in the most effective way.

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



# 1Q 2016 P&L (CONSOLIDATED)

NT\$bn	1Q 15	4Q 15	1Q 16
REVENUES	41.5	25.7	14.8
GROSS PROFIT	8.2	3.6	1.4
OPERATING EXPENSE	<u>8.1</u>	<u>7.7</u>	<u>6.2</u>
SALES MKTING.	3.5	3.5	2.0
RESEARCH DEV.	3.4	3.0	3.0
GENERAL ADM.	1.2	1.2	1.2
OPERATING PROFIT	0.02	-4.1	-4.8
NPBT	0.5	-3.7	-2.5
NPAT <sup>1</sup>	0.36	-3.4	-2.6
GROSS MARGIN (%)	19.7%	13.9%	9.4%
OPERATING MARGIN (%)	0.05%	-16.1%	-32.4%
EPS <sup>2</sup> (NT\$)	0.43	-4.10	-3.16

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

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

# 1Q 2016 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Mar 31, 15	Dec 31, 15	Mar 31, 16
TOTAL ASSETS	165.5	129.4	<b>119.2</b>
Cash <sup>1</sup>	52.3	39.4	<b>41.7</b>
AR	32.9	18.5	<b>11.5</b>
INVENTORY	21.7	19.1	<b>19.2</b>
OTHER ASSETS	58.6	52.4	<b>46.8</b>
TOTAL LIABILITIES	85.8	64.6	<b>57.4</b>
TOTAL EQUITY <sup>2</sup>	79.7	64.8	<b>61.8</b>
<b><i>METRICS</i></b> <sup>3</sup>			
DAYS SALES OUTSTANDING	75	74	<b>111</b>
INVENTORY TURNOVER DAYS	58	93	<b>149</b>
DAYS PAYABLE OUTSTANDING	126	122	<b>188</b>

1. Includes time deposits with original maturities more than 3 months

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

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

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**thank you**\_\_\_\_\_



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

	March 31, 2016		March 31, 2015			March 31, 2016		March 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 39,031,628	33	\$ 51,715,168	31	Financial liabilities at fair value through profit or loss - current	\$ 264,718	-	\$ 49,883	-
Financial assets at fair value through profit or loss - current	127,521	-	75,490	-	Derivative financial liability for hedging - current	3,309	-	-	-
Available-for-sale financial assets - current	249,575	-	-	-	Note and trade payables	25,778,172	22	48,056,405	29
Derivative financial assets for hedging - current	1,100	-	5,604	-	Other payables	21,597,135	18	28,100,046	17
Debt investments with no active market - current	8,069	-	7,849	-	Current tax liabilities	136,316	-	163,762	-
Trade receivables, net	11,525,883	10	32,896,611	20	Provisions - current	5,298,140	4	7,419,070	5
Other receivables	645,546	1	411,476	-	Other current liabilities	3,032,395	3	1,746,102	1
Current tax assets	172,703	-	255,625	-	Total current liabilities	56,110,185	47	85,535,268	52
Inventories	19,210,735	16	21,700,178	13					
Prepayments	3,726,028	3	6,351,849	4	<b>NON-CURRENT LIABILITIES</b>				
Other current financial assets	2,684,493	2	585,477	1	Deferred tax liabilities	79,057	-	208,102	-
Other current assets	76,504	-	89,945	-	Guarantee deposits received	27,613	-	37,305	-
Total current assets	77,459,785	65	114,095,272	69	Other non-current liabilities	1,210,369	1	-	-
					Total non-current liabilities	1,317,039	1	245,407	-
<b>NON-CURRENT ASSETS</b>									
Available-for-sale financial assets - non-current	86	-	76	-	Total liabilities	57,427,224	48	85,780,675	52
Financial assets measured at cost - non-current	3,330,763	3	2,629,422	2					
Investments accounted for using equity method	211,122	-	231,956	-	<b>EQUITY</b>				
Property, plant and equipment	14,943,270	13	22,838,389	14	Share capital - ordinary shares	8,276,415	7	8,280,381	5
Investment properties, net	1,680,709	2	-	-	Capital surplus	15,487,941	13	15,110,690	9
Intangible assets	5,022,059	4	6,736,526	4	Retained earnings	18,297,655	15	18,149,350	11
Deferred tax assets	8,735,824	7	8,358,477	5	Legal reserve	19,077,139	16	38,180,901	23
Refundable deposits	1,617,463	1	268,340	-	Unappropriated earnings	612,304	1	(27,077)	-
Long-term receivables	1,472,529	1	1,338,632	1	Other equity	61,751,454	52	79,694,245	48
Net defined benefit asset - non-current	81,201	-	113,484	-	Total equity				
Other non-current assets	4,623,867	4	8,864,346	5					
Total non-current assets	41,718,893	35	51,379,648	31					
<b>TOTAL</b>	\$ 119,178,678	100	\$ 165,474,920	100	<b>TOTAL</b>	\$ 119,178,678	100	\$ 165,474,920	100

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

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 14,820,982	100	\$ 41,524,272	100
OPERATING COSTS	<u>13,433,886</u>	<u>90</u>	<u>33,361,501</u>	<u>80</u>
GROSS PROFIT	<u>1,387,096</u>	<u>10</u>	<u>8,162,771</u>	<u>20</u>
OPERATING EXPENSES				
Selling and marketing	1,984,327	13	3,499,418	9
General and administrative	1,248,618	9	1,199,455	3
Research and development	<u>2,957,261</u>	<u>20</u>	<u>3,443,425</u>	<u>8</u>
Total operating expenses	<u>6,190,206</u>	<u>42</u>	<u>8,142,298</u>	<u>20</u>
(LOSS) PROFIT FROM OPERATIONS	<u>( 4,803,110)</u>	<u>( 32)</u>	<u>20,473</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	237,979	1	125,593	-
Other gains and losses	2,101,767	14	372,246	1
Finance costs	( 4,235)	-	( 1,489)	-
Share of the profit or loss of associates and joint venture	<u>( 28,362)</u>	<u>-</u>	<u>( 2,568)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,307,149</u>	<u>15</u>	<u>493,782</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	<u>( 2,495,961)</u>	<u>( 17)</u>	<u>514,255</u>	<u>1</u>
INCOME TAX EXPENSE	<u>120,486</u>	<u>1</u>	<u>154,198</u>	<u>-</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(\$ 2,616,447)</u>	<u>( 18)</u>	<u>\$ 360,057</u>	<u>1</u>
(LOSS) EARNINGS PER SHARE				
Basic	<u>(\$ 3.16)</u>		<u>\$ 0.43</u>	
Diluted	<u>(\$ 3.16)</u>		<u>\$ 0.43</u>	

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

	For the Three Months Ended March 31	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	(\$ 2,495,961)	\$ 514,255
Adjustments for:		
Depreciation expense	520,531	713,244
Amortization expense	505,104	482,011
Finance costs	4,235	1,489
Interests income	( 123,227)	( 96,174)
Dividend income	( 78,453)	-
Compensation cost of employee share-based payments	116,887	157,936
Share of the loss of associate and joint venture	28,362	2,568
Net (gain) loss on disposal of property, plant and equipment	( 2,089,417)	2,103
Impairment loss on non-financial assets	471,594	-
Ineffective portion of cash flow hedges	( 418)	( 88)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	196,146	214,513
Decrease (increase) in trade receivables	6,993,065	( 3,756,327)
(Increase) decrease in other receivables	( 171,290)	175,911
Increase in inventories	( 558,692)	( 4,487,118)
Decrease in prepayments	674,940	274,257
Decrease in other current assets	18,107	9,324
Decrease in other non-current assets	132,152	1,049,644
(Decrease) increase in note and trade payables	( 3,820,213)	4,253,062
Decrease in other payables	( 3,560,887)	( 4,055,364)
(Decrease) increase in provisions	( 694,118)	1,577,891
(Decrease) increase in other current liabilities	( 657,368)	602,968
Increase in other operating liabilities	1,210,369	-
Cash used in operations	( 3,378,552)	( 2,363,895)
Interest received	100,982	86,989
Interest paid	( 4,235)	( 1,489)
Income tax paid	( 174,064)	( 91,000)
Net cash used in operating activities	( 3,455,869)	( 2,369,395)

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

	For the Three Months Ended March 31	
	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire financial assets measured at cost	\$ -	(\$ 60,233)
Proceeds from disposal of non-current assets held for sale	6,060,000	-
Payments for property, plant and equipment	( 125,449)	( 277,892)
Proceeds from disposal of property, plant and equipment	28,095	6,704
Increase in refundable deposits	( 37,121)	( 5,600)
Payments for intangible assets	( 72,763)	( 59,358)
Increase in other current financial assets	-	( 250,523)
Decrease in other current financial assets	1,415,797	-
Dividends received	23,537	-
Net cash generated from (used in) investing activities	7,292,096	( 646,902)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of guarantee deposits received	( 2,546)	( 5,925)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	( 148,852)	( 1,006,168)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,684,829	( 4,028,390)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	35,346,799	55,743,558
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 39,031,628	\$ 51,715,168