

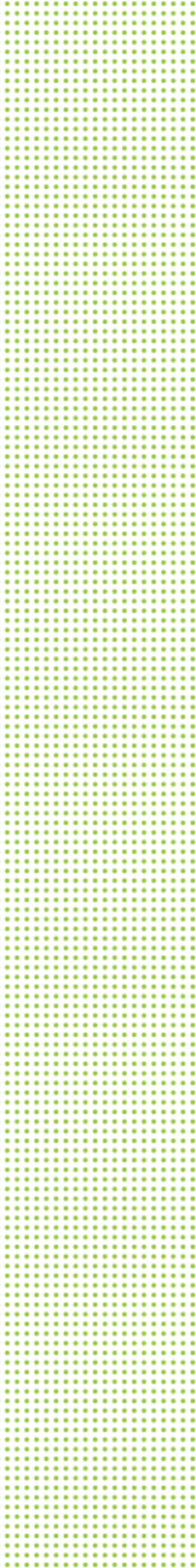


HTC CORPORATION

2Q16 BUSINESS REVIEW

Peter Shen, CFO

August 2nd, 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

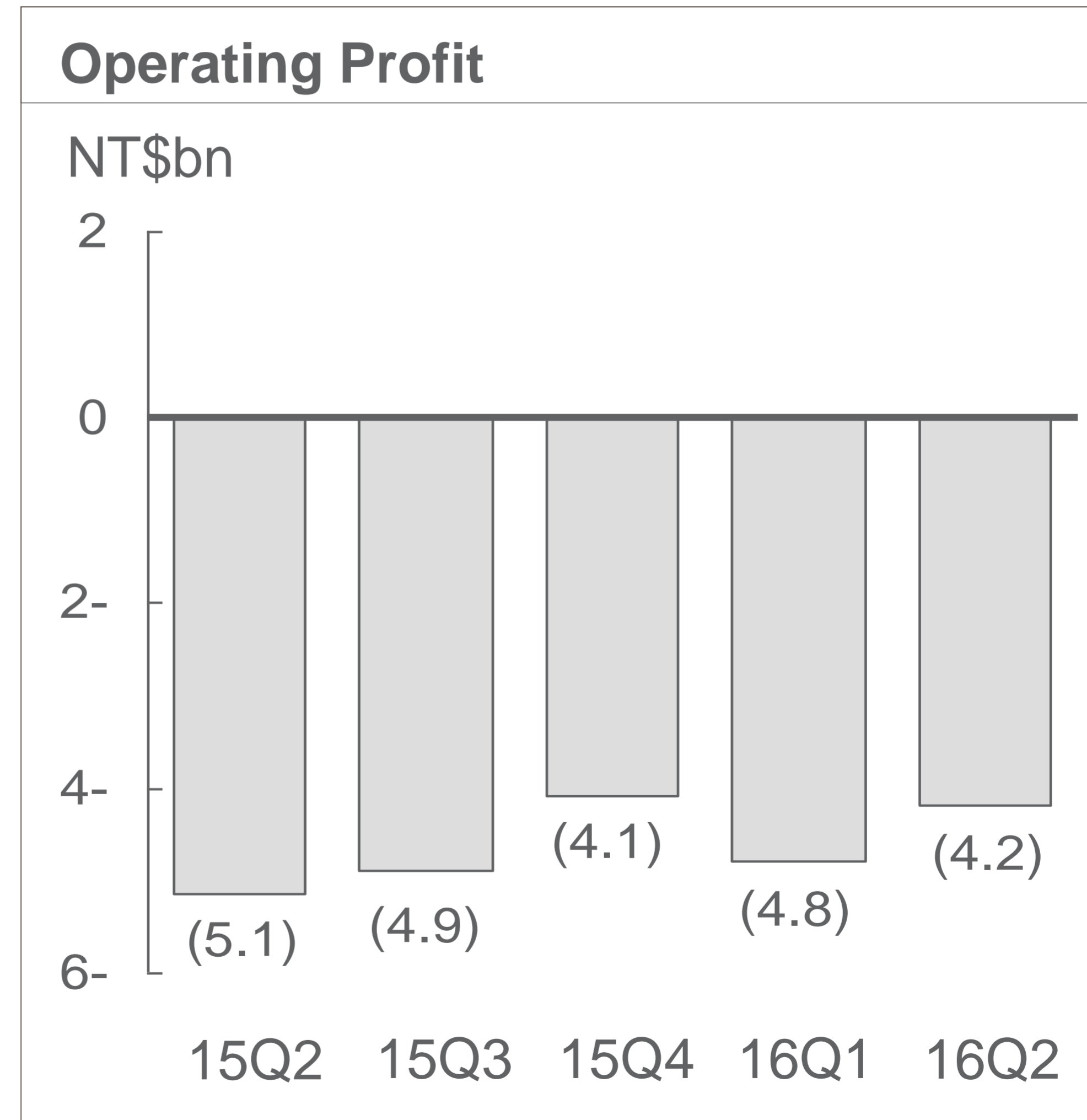
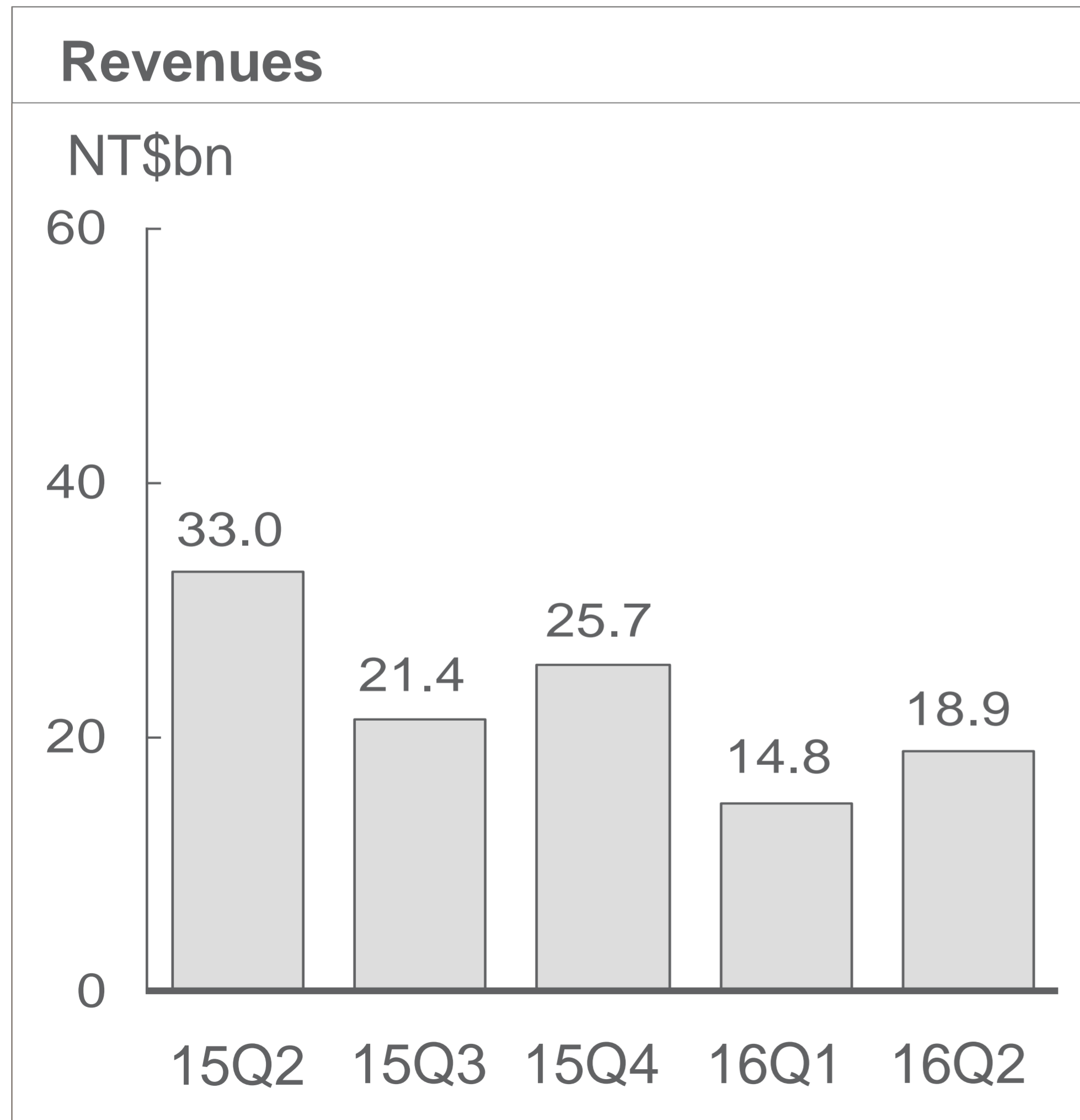
2Q16 Financial Highlights:

- Revenue of NT\$18.9 billion with gross margin of 11.4%
- Operating loss of NT\$4.2 billion with operating margin of –22.5%
- Disposal gain of NT\$1.0 billion from the sales of land in Taoyuan
- Net loss after tax of NT\$3.1 billion, or -NT\$3.71 per share

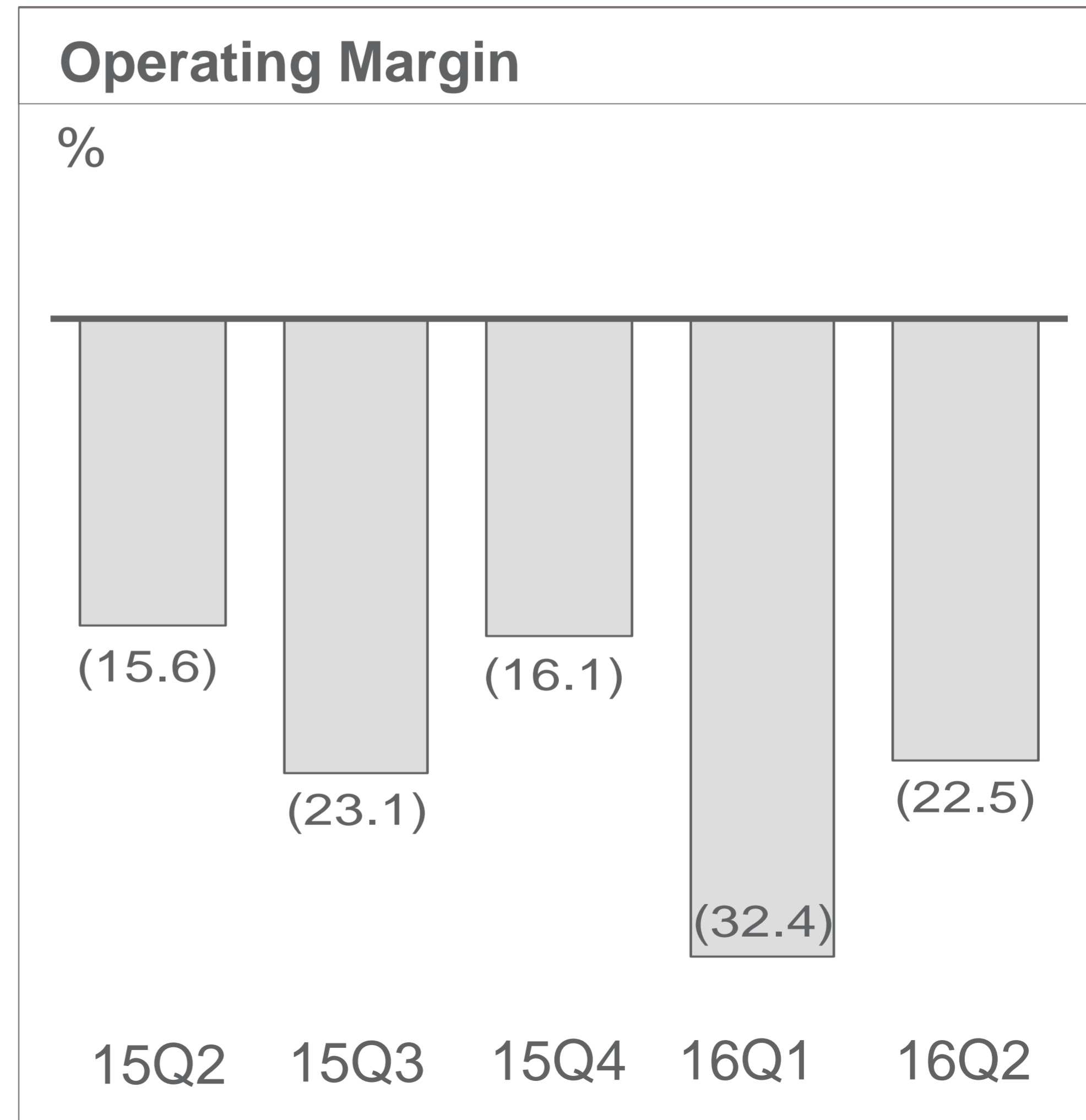
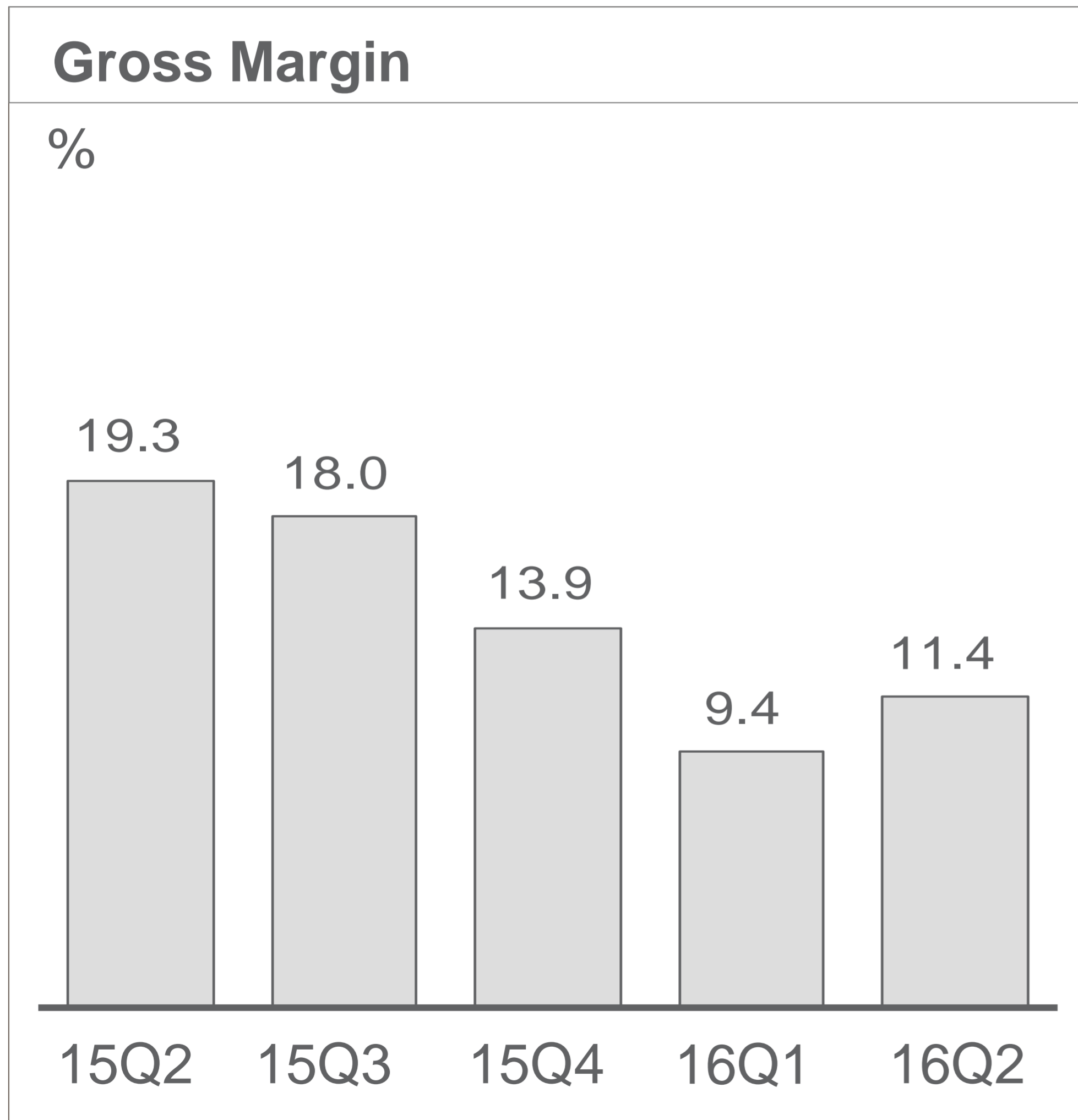
Business Update

- Revenue in 2Q rose 27% quarter-on-quarter, boosted by HTC 10 and HTC Vive.
- We anticipate sales momentum of the HTC 10 to continue into 2H.
- HTC continues to build a robust VR ecosystem through regional and channel expansion and collaboration with developers to create contents in diverse categories and verticals.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



2Q 2016 P&L (CONSOLIDATED)

NT\$bn	2Q 15	1Q 16	2Q 16
REVENUES	33.0	14.8	18.9
GROSS PROFIT	6.4	1.4	2.1
OPERATING EXPENSE	<u>11.5</u>	<u>6.2</u>	<u>6.4</u>
SALES MKTING.	6.5	2.0	2.6
RESEARCH DEV.	3.6	3.0	2.9
GENERAL ADM.	1.4	1.2	0.9
OPERATING PROFIT	-5.1	-4.8	-4.2
NPBT	-7.9	-2.5	-3.0
NPAT ¹	-8.0	-2.6	-3.1
GROSS MARGIN (%)	19.3%	9.4%	11.4%
OPERATING MARGIN (%)	-15.6%	-32.4%	-22.5%
EPS ² (NT\$)	-9.70	-3.16	-3.71

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

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

2Q 2016 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Jun 30, 15	Mar 31, 16	Jun 30, 16
TOTAL ASSETS	154.0	119.2	115.3
Cash ¹	47.5	41.7	41.5
AR	28.5	11.5	14.1
INVENTORY	23.5	19.2	16.9
OTHER ASSETS	54.5	46.8	42.8
TOTAL LIABILITIES	82.5	57.4	57.4
TOTAL EQUITY ²	71.5	61.8	57.9
<i>METRICS</i> ³			
DAYS SALES OUTSTANDING	93	111	76
INVENTORY TURNOVER DAYS	83	149	115
DAYS PAYABLE OUTSTANDING	153	188	145

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

htc

thank you_____

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

	June 30, 2016		June 30, 2015			June 30, 2016		June 30, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 37,150,047	32	\$ 47,232,931	31	Financial liabilities at fair value through profit or loss - current	\$ 160,272	-	\$ 92,628	-
Financial assets at fair value through profit or loss - current	70,238	-	147,194	-	Note and trade payables	27,244,271	24	41,180,747	27
Available-for-sale financial assets - current	222,914	-	-	-	Other payables	20,610,503	18	29,548,950	19
Derivative financial assets for hedging - current	-	-	4,442	-	Current tax liabilities	169,021	-	159,973	-
Debt investments with no active market - current	8,069	-	7,766	-	Provisions - current	5,221,755	4	7,679,275	5
Trade receivables, net	14,111,697	12	28,476,127	19	Other current liabilities	3,112,825	3	2,903,144	2
Other receivables	390,630	-	272,434	-	Total current liabilities	<u>56,518,647</u>	<u>49</u>	<u>81,564,717</u>	<u>53</u>
Current tax assets	184,763	-	186,676	-					
Inventories	16,903,706	15	23,543,560	15	NON-CURRENT LIABILITIES				
Prepayments	2,942,285	3	5,496,302	4	Deferred tax liabilities	83,378	-	193,767	-
Other current financial assets	4,382,307	4	235,884	-	Guarantee deposits received	27,783	-	30,055	-
Other current assets	46,078	-	97,682	-	Other non-current liabilities	807,025	1	776,600	1
Total current assets	<u>76,412,734</u>	<u>66</u>	<u>105,700,998</u>	<u>69</u>	Total non-current liabilities	<u>918,186</u>	<u>1</u>	<u>1,000,422</u>	<u>1</u>
					Total liabilities	<u>57,436,833</u>	<u>50</u>	<u>82,565,139</u>	<u>54</u>
NON-CURRENT ASSETS					EQUITY				
Available-for-sale financial assets - non-current	107	-	44	-	Share capital - ordinary shares	8,274,191	7	8,279,889	5
Financial assets measured at cost - non-current	3,387,336	3	2,608,395	2	Capital surplus	15,542,083	13	15,202,192	10
Investments accounted for using equity method	381,077	-	228,308	-	Retained earnings				
Property, plant and equipment	12,737,095	11	21,634,590	14	Legal reserve	18,297,655	16	18,297,655	12
Investment properties, net	1,622,275	2	-	-	Unappropriated earnings	16,018,257	14	29,683,715	19
Intangible assets	4,639,101	4	6,212,101	4	Other equity	155,468	-	(5,276)	-
Deferred tax assets	8,791,229	8	8,324,510	5	Treasury shares	(436,869)	-	-	-
Refundable deposits	1,507,421	1	1,506,693	1	Total equity	<u>57,850,785</u>	<u>50</u>	<u>71,458,175</u>	<u>46</u>
Long-term receivables	1,195,947	1	1,346,854	1					
Net defined benefit asset - non-current	79,452	-	118,293	-					
Other non-current assets	4,533,844	4	6,342,528	4					
Total non-current assets	<u>38,874,884</u>	<u>34</u>	<u>48,322,316</u>	<u>31</u>					
TOTAL	<u>\$ 115,287,618</u>	<u>100</u>	<u>\$ 154,023,314</u>	<u>100</u>	TOTAL	<u>\$ 115,287,618</u>	<u>100</u>	<u>\$ 154,023,314</u>	<u>100</u>

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

	For the Six Months Ended June 30			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 33,683,106	100	\$ 74,533,970	100
OPERATING COSTS	<u>30,147,462</u>	<u>90</u>	<u>60,009,586</u>	<u>81</u>
GROSS PROFIT	<u>3,535,644</u>	<u>10</u>	<u>14,524,384</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing	4,559,094	14	10,040,738	14
General and administrative	2,197,932	6	2,550,870	3
Research and development	<u>5,822,157</u>	<u>17</u>	<u>7,053,444</u>	<u>9</u>
Total operating expenses	<u>12,579,183</u>	<u>37</u>	<u>19,645,052</u>	<u>26</u>
OPERATING LOSS	(9,043,539)	(27)	(5,120,668)	(7)
NON-OPERATING INCOME AND EXPENSES				
Other income	395,635	1	251,805	-
Other gains and losses	3,234,260	10	(2,524,479)	(3)
Finance costs	(4,235)	-	(4,342)	-
Share of the profit or loss of associates and joint venture	(29,503)	-	(6,049)	-
Total non-operating income and expenses	<u>3,596,157</u>	<u>11</u>	<u>(2,283,065)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	(5,447,382)	(16)	(7,403,733)	(10)
INCOME TAX EXPENSE	<u>227,947</u>	<u>1</u>	<u>270,455</u>	<u>-</u>
LOSS FOR THE PERIOD	<u>(\$ 5,675,329)</u>	<u>(17)</u>	<u>(\$ 7,674,188)</u>	<u>(10)</u>
LOSS PER SHARE				
Basic	<u>(\$ 6.87)</u>		<u>(\$ 9.27)</u>	

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

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$ 5,447,382)	(\$ 7,403,733)
Adjustments for:		
Depreciation expenses	1,009,638	1,380,776
Amortization expenses	891,826	964,739
Bad debt expenses	49	-
Finance costs	4,235	4,342
Interests income	(226,187)	(205,667)
Dividend income	(106,477)	-
Compensation cost of employee share-based payments	233,775	317,628
Share of the profit or loss of associates and joint venture	29,503	6,049
Net gain on disposal of property, plant and equipment	(3,194,738)	(17,138)
Impairment loss on non-financial assets	1,024,072	3,291,702
Ineffective portion of cash flow hedges	- (163)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	148,983	185,554
Decrease in trade receivables	4,707,202	664,157
Decrease in other receivables	82,150	313,538
Decrease (increase) in inventories	1,195,859 (6,702,312)
Decrease in prepayments	1,458,683	1,129,804
Decrease in other current assets	48,533	1,587
Decrease in other non-current assets	193,200	1,156,186
Decrease in note and trade payables	(2,354,114)	(2,622,596)
Decrease in other payables	(4,359,652)	(2,892,265)
(Decrease) increase in provisions	(770,503)	1,838,096
(Decrease) increase in other current liabilities	(576,938)	1,760,010
Increase in other non-current liabilities	807,025	776,600
Cash used in operations	(5,201,258)	(6,053,106)
Interest received	186,264	176,552
Interest paid	(4,235)	(4,342)
Income tax paid	(332,467)	(144,606)
Net cash used in operating activities	(5,351,696)	(6,025,502)

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

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets measured at cost	(\$ 66,081)	(\$ 60,233)
Acquisition of associates	(161,893)	-
Proceeds from disposal of non-current assets held for sale	6,060,000	-
Payments for property, plant and equipment	(389,776)	(568,735)
Proceeds from disposal of property, plant and equipment	2,905,128	311,551
Increase in refundable deposits	-	(1,243,953)
Decrease in refundable deposits	72,921	-
Payments for intangible assets	(75,456)	(77,804)
Increase in other current financial assets	(282,017)	-
Decrease in other current financial assets	-	99,070
Dividends received	106,477	-
Net cash generated from (used in) investing activities	8,169,303	(1,540,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Buy-back of treasury shares	(436,869)	-
Refund of guarantee deposits received	(2,376)	(13,175)
Net cash used in financing activities	(439,245)	(13,175)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(575,114)	(931,846)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,803,248	(8,510,627)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	35,346,799	55,743,558
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 37,150,047	\$ 47,232,931