



# HTC CORPORATION

## 4Q15 BUSINESS REVIEW

CHIALIN CHANG, CFO & PRESIDENT OF GLOBAL SALES

EDWARD WANG, VP OF FINANCE

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- 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.
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# EXECUTIVE SUMMARY

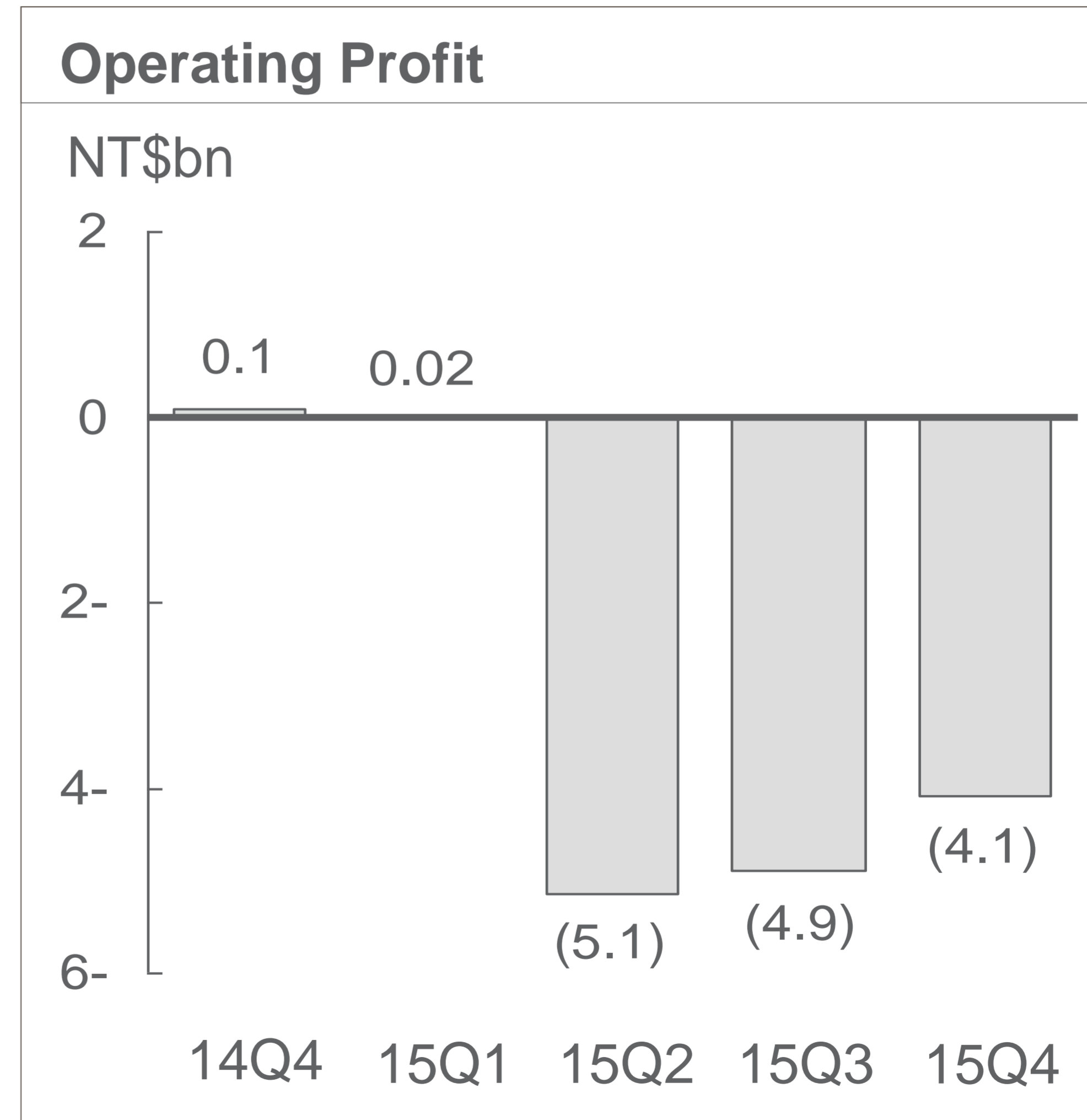
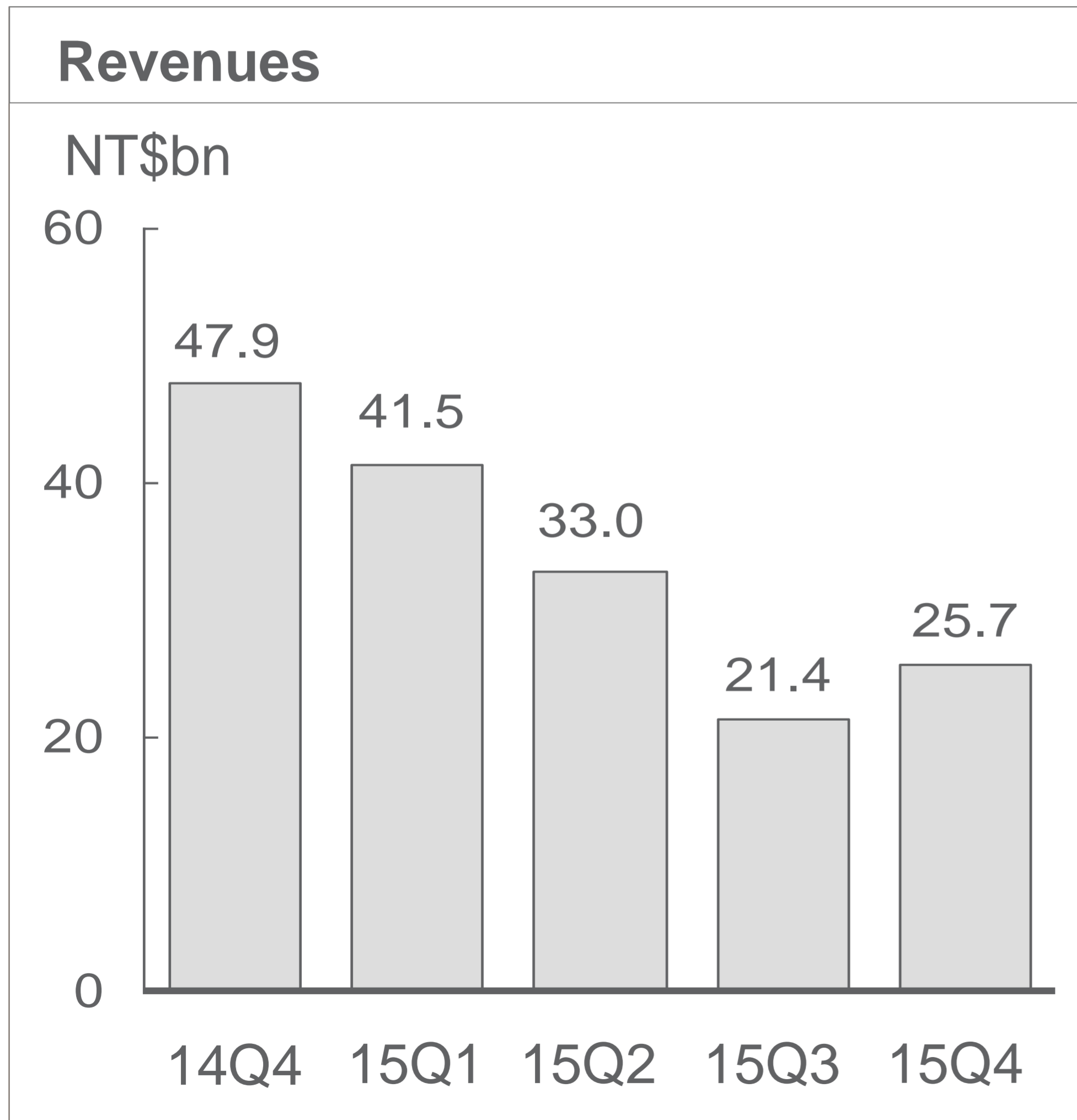
## 4Q15 Financial Highlights:

- Revenue of NT\$25.7 billion with gross margin of 13.9%
- Operating loss of NT\$4.1 billion with operating margin of -16.1%
- Net loss after tax of NT\$3.4 billion, or -NT\$4.1 per share

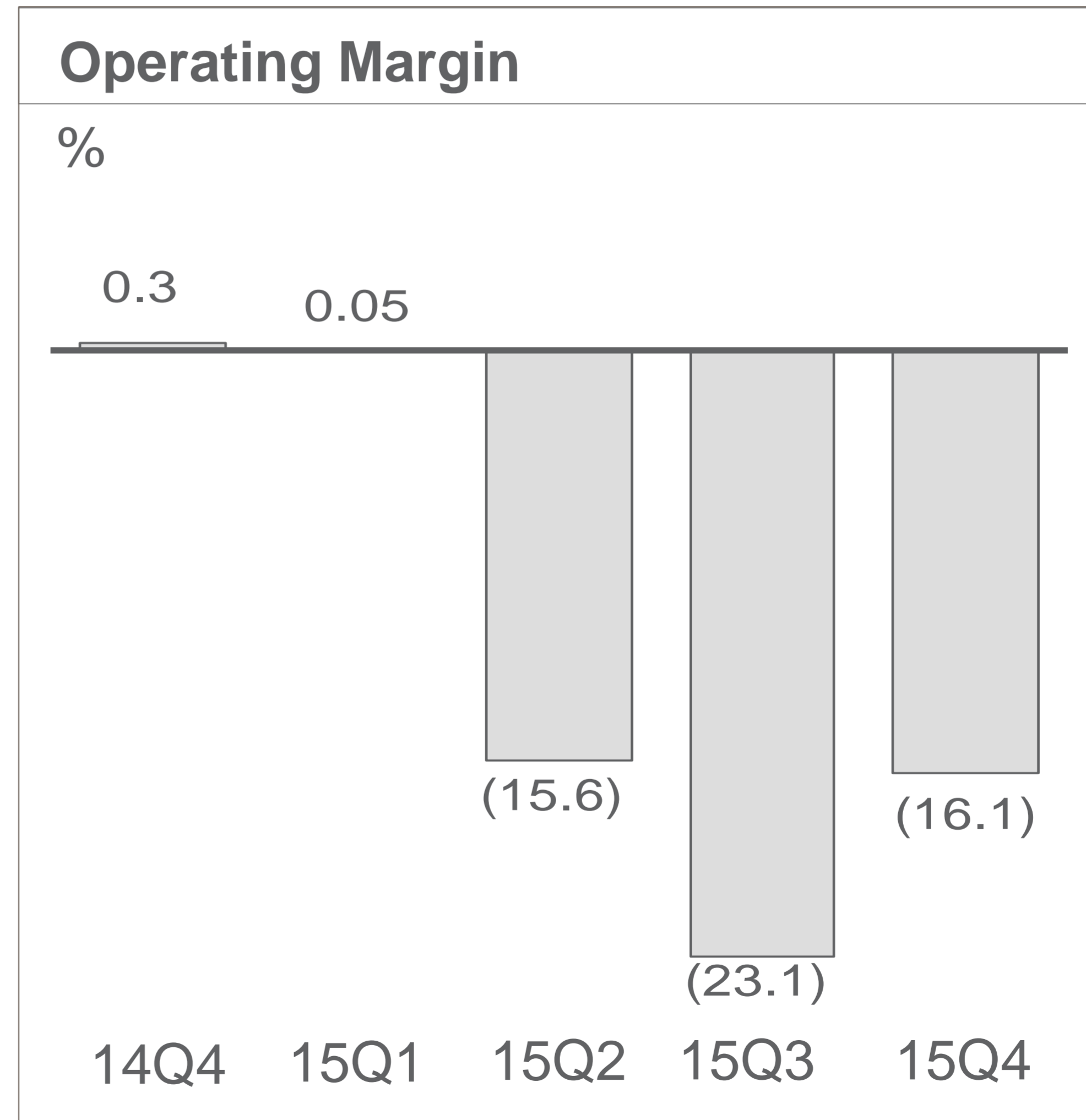
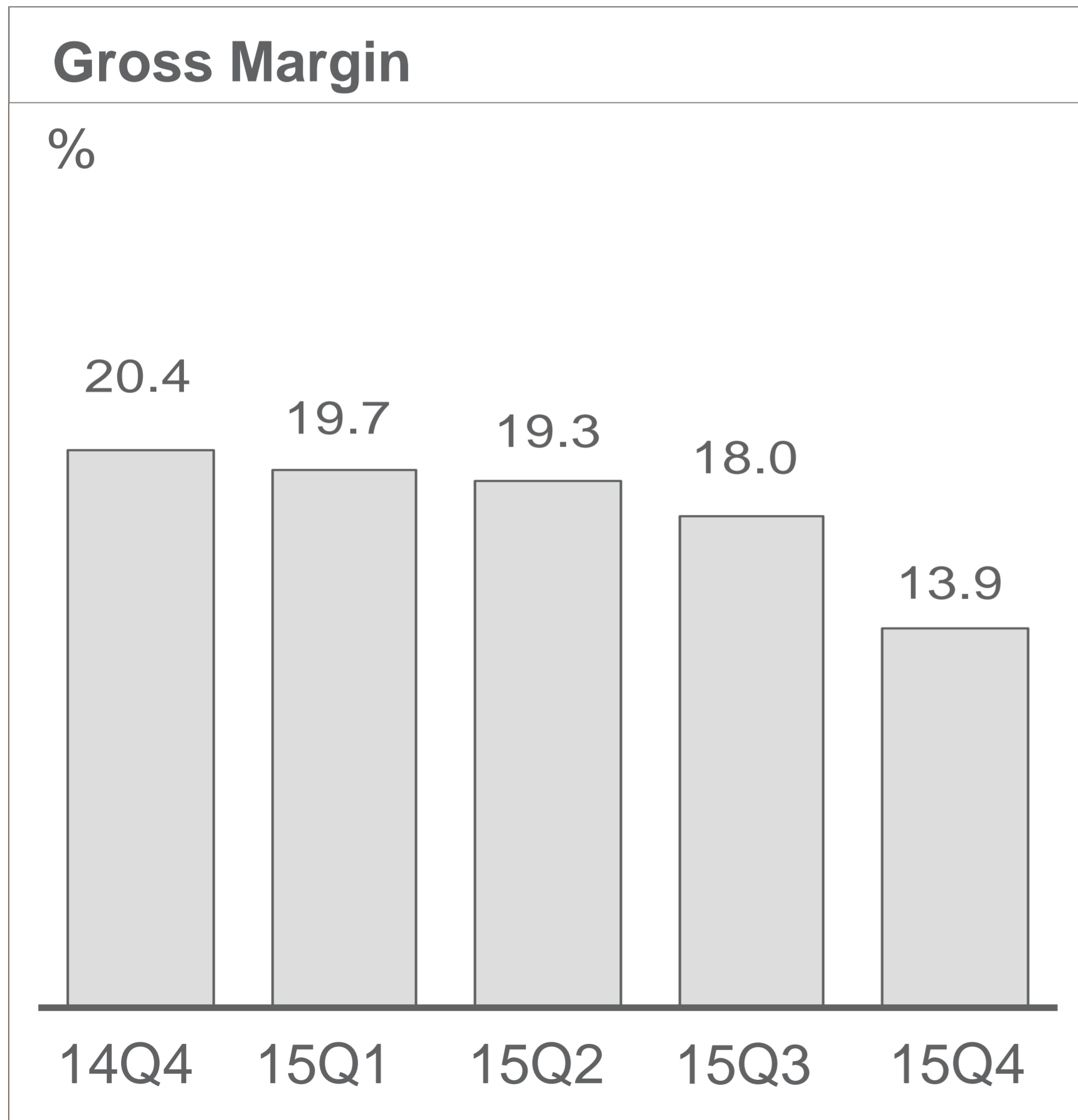
## Business Overview

- Revenue and net income saw sequential improvement in Q4.
- HTC Desire series experienced good momentum over the Q4 holiday season, while The HTC One A9 was well received across Asia, the US, and Europe.
- UA HealthBox™, launched with Under Armour, and Vive virtual reality system together garnered more than twenty awards at the Consumer Electronics Show (CES) in January 2016.
- The Vive Unbound developer conference in Beijing in December 2015 has brought together experts from the virtual reality ecosystem and hundreds of Chinese content developers.

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



# 4Q 2015 P&L (CONSOLIDATED)

NT\$bn	4Q 14	3Q 15	4Q 15
REVENUES	47.9	21.4	<b>25.7</b>
GROSS PROFIT	9.7	3.9	<b>3.6</b>
OPERATING EXPENSE	<u>9.6</u>	<u>8.8</u>	<u><b>7.7</b></u>
SALES MKTING.	4.9	3.9	<b>3.5</b>
RESEARCH DEV.	3.8	3.6	<b>3.0</b>
GENERAL ADM.	0.9	1.3	<b>1.2</b>
OPERATING PROFIT	0.1	-4.9	<b>-4.1</b>
NPBT	0.5	-4.5	<b>-3.7</b>
NPAT <sup>1</sup>	0.5	-4.5	<b>-3.4</b>
GROSS MARGIN (%)	20.4%	18.0%	<b>13.9%</b>
OPERATING MARGIN (%)	0.3%	-23.1%	<b>-16.1%</b>
EPS <sup>2</sup> (NT\$)	0.57	-5.41	<b>-4.10</b>

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

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

# 4Q 2015 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Dec 31, 14	Sep 30, 15	Dec 31, 15
TOTAL ASSETS	163.8	136.3	<b>129.4</b>
Cash <sup>1</sup>	56.1	44.0	<b>39.4</b>
AR	29.1	17.0	<b>18.5</b>
INVENTORY	17.2	20.8	<b>19.1</b>
OTHER ASSETS	61.4	54.5	<b>52.4</b>
TOTAL LIABILITIES	83.5	67.5	<b>64.6</b>
TOTAL EQUITY <sup>2</sup>	80.3	68.8	<b>64.8</b>
<b><i>METRICS</i></b> <sup>3</sup>			
DAYS SALES OUTSTANDING	58	110	<b>74</b>
INVENTORY TURNOVER DAYS	54	126	<b>93</b>
DAYS PAYABLE OUTSTANDING	104	184	<b>122</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 (UNAUDITED)  
(In Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014			December 31, 2015		December 31, 2014	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 35,346,799	27	\$ 55,743,558	34	Financial liabilities at fair value through profit or loss - current	\$ 36,544	-	\$ 22,424	-
Financial assets at fair value through profit or loss - current	95,493	-	262,544	-	Note and trade payables	29,598,385	23	43,803,343	27
Available-for-sale financial assets - current	303,289	-	-	-	Other payables	24,993,276	19	32,237,945	20
Debt investments with no active market - current	8,266	-	7,918	-	Current tax liabilities	163,252	-	210,714	-
Trade receivables, net	18,518,948	14	29,140,284	18	Provisions - current	5,992,258	5	5,841,179	3
Other receivables	466,791	1	584,936	-	Other current liabilities	3,689,763	3	1,143,134	1
Current tax assets	212,033	-	274,321	-	Total current liabilities	64,473,478	50	83,258,739	51
Inventories	19,123,637	15	17,213,060	11					
Prepayments	4,400,968	4	6,626,106	4	<b>NON-CURRENT LIABILITIES</b>				
Non-current assets held for sale	3,768,277	3	-	-	Deferred tax liabilities	97,351	-	202,932	-
Other current financial assets	4,100,290	3	334,954	-	Guarantee deposits received	30,159	-	43,230	-
Other current assets	94,611	-	99,269	-	Total non-current liabilities	127,510	-	246,162	-
Total current assets	86,439,402	67	110,286,950	67					
					Total liabilities	64,600,988	50	83,504,901	51
<b>NON-CURRENT ASSETS</b>					<b>EQUITY</b>				
Available-for-sale financial assets - non-current	75	-	93	-	Share capital - ordinary shares	8,318,695	6	8,349,521	5
Financial assets measured at cost - non-current	3,396,151	3	2,586,478	2	Capital surplus	15,505,853	12	15,140,687	9
Investments accounted for using equity method	240,237	-	234,661	-	Retained earnings	18,297,655	14	18,149,350	11
Property, plant and equipment	15,432,130	12	23,435,556	14	Unappropriated earnings	21,782,432	17	41,381,753	25
Investment properties, net	1,708,489	1	-	-	Other equity	1,088,415	1	1,062,118	1
Intangible assets	5,561,444	4	7,209,291	5	Treasury shares	(200,955)	-	(3,750,056)	(2)
Deferred tax assets	8,699,322	7	8,452,707	5	Total equity	64,792,095	50	80,333,373	49
Refundable deposits	1,580,342	1	262,740	-					
Long-term receivables	1,488,775	1	1,342,813	1					
Prepaid pension cost - non-current	79,470	-	109,138	-					
Other non-current assets	4,767,246	4	9,917,847	6					
Total non-current assets	42,953,681	33	53,551,324	33					
<b>TOTAL</b>	<b>\$ 129,393,083</b>	<b>100</b>	<b>\$ 163,838,274</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 129,393,083</b>	<b>100</b>	<b>\$ 163,838,274</b>	<b>100</b>

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

	For the Years Ended December 31			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 121,684,231	100	\$ 187,911,200	100
OPERATING COSTS	<u>99,731,124</u>	<u>82</u>	<u>147,156,105</u>	<u>78</u>
GROSS PROFIT	<u>21,953,107</u>	<u>18</u>	<u>40,755,095</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing	17,452,673	15	21,834,286	12
General and administrative	4,975,964	4	5,204,788	3
Research and development	<u>13,727,616</u>	<u>11</u>	<u>13,047,251</u>	<u>7</u>
Total operating expenses	<u>36,156,253</u>	<u>30</u>	<u>40,086,325</u>	<u>22</u>
(LOSS) PROFIT FROM OPERATIONS	<u>( 14,203,146)</u>	<u>( 12)</u>	<u>668,770</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	928,036	1	834,124	1
Other gains and losses	<u>( 2,286,659)</u>	<u>( 2)</u>	<u>506,194</u>	<u>-</u>
Finance costs	<u>( 8,123)</u>	<u>-</u>	<u>( 16,983)</u>	<u>-</u>
Share of the profit or loss of associates and joint ventures	<u>( 11,648)</u>	<u>-</u>	<u>( 8,679)</u>	<u>-</u>
Total non-operating income and expenses	<u>( 1,378,394)</u>	<u>( 1)</u>	<u>1,314,656</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	<u>( 15,581,540)</u>	<u>( 13)</u>	<u>1,983,426</u>	<u>1</u>
INCOME (BENEFIT) TAX	<u>( 48,472)</u>	<u>-</u>	<u>500,380</u>	<u>-</u>
(LOSS) PROFIT FOR THE YEAR	<u>(\$ 15,533,068)</u>	<u>( 13)</u>	<u>\$ 1,483,046</u>	<u>1</u>
(LOSS) EARNINGS PER SHARE				
Basic	<u>(\$ 18.79)</u>		<u>\$ 1.80</u>	
Diluted	<u>(\$ 18.79)</u>		<u>\$ 1.80</u>	

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

	For the Years Ended December 31	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	(\$ 15,581,540)	\$ 1,983,426
Adjustments for:		
Depreciation expense	2,539,046	2,952,892
Amortization expense	1,956,533	1,868,817
Impairment losses recognized on trade receivables	-	3,875
Finance costs	8,123	16,983
Interest income	( 419,969)	( 403,155)
Dividend income	( 352,074)	( 26,381)
Compensation costs of employee share - based payments	550,688	269,013
Share of the loss of associates and joint ventures	11,648	8,679
(Gain) loss on disposal of property, plant and equipment	( 8,385)	153,493
Transfer of property, plant and equipment to expenses	8,339	-
Gains on sale of investments	( 327)	( 157,995)
Impairment loss recognized on financial assets measured at cost	-	373,257
Impairment losses on non-financial assets	4,859,336	695,945
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	181,171	( 77,823)
Decrease (increase) in trade receivables	10,621,336	( 5,772,987)
Decrease in other receivables	112,713	1,552,870
(Increase) decrease in inventories	( 3,850,023)	5,864,806
Decrease (increase) in prepayments	2,225,138	( 822,362)
Decrease in other current assets	4,658	25,539
Decrease in other non-current assets	2,666,129	1,779,567
Decrease in note and trade payables	( 14,204,958)	( 2,472,508)
Decrease in other payables	( 7,108,608)	( 5,279,307)
Increase (decrease) in provisions	151,079	( 2,367,706)
Increase in other current liabilities	2,546,629	187,007
Cash (used in) generated from operations	( 13,083,318)	355,945
Interest received	334,309	311,262
Interest paid	( 8,123)	( 16,983)
Income tax paid	( 295,351)	( 990,083)
Net cash used in operating activities	( 13,052,483)	( 339,859)

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

	For the Years Ended December 31	
	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	-	( 7,918)
Payments to acquire financial assets measured at cost	( 700,245)	( 432,463)
Proceeds from disposal of financial assets measured at cost	327	2,358,135
Payments to acquire investments accounted for using equity method	( 16,531)	( 15,836)
Payments for property, plant and equipment	( 987,329)	( 1,372,934)
Proceeds from disposal of property, plant and equipment	345,464	16,017
Increase in refundable deposits	( 1,317,602)	-
Decrease in refundable deposits	-	90,154
Payments for intangible assets	( 93,683)	( 244,588)
Increase in other current financial assets	( 3,765,336)	-
Decrease in other current financial assets	-	2,436,069
Dividend received	38,166	26,381
Net cash (used in) generated from investing activities	( 6,496,769)	2,853,017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of guarantee deposits received	( 13,071)	( 213,185)
Dividends paid to owners of the company	( 314,636)	-
Buy-back of treasury shares	( 200,955)	-
Net cash used in financing activities	( 528,662)	( 213,185)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	( 318,845)	144,644
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 20,396,759)	2,444,617
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	55,743,558	53,298,941
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 35,346,799	\$ 55,743,558