

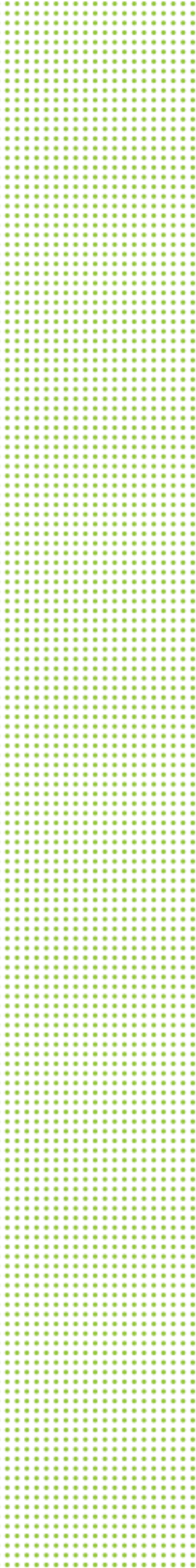


HTC CORPORATION

4Q16 BUSINESS REVIEW

Peter Shen, CFO

February 14th, 2017



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

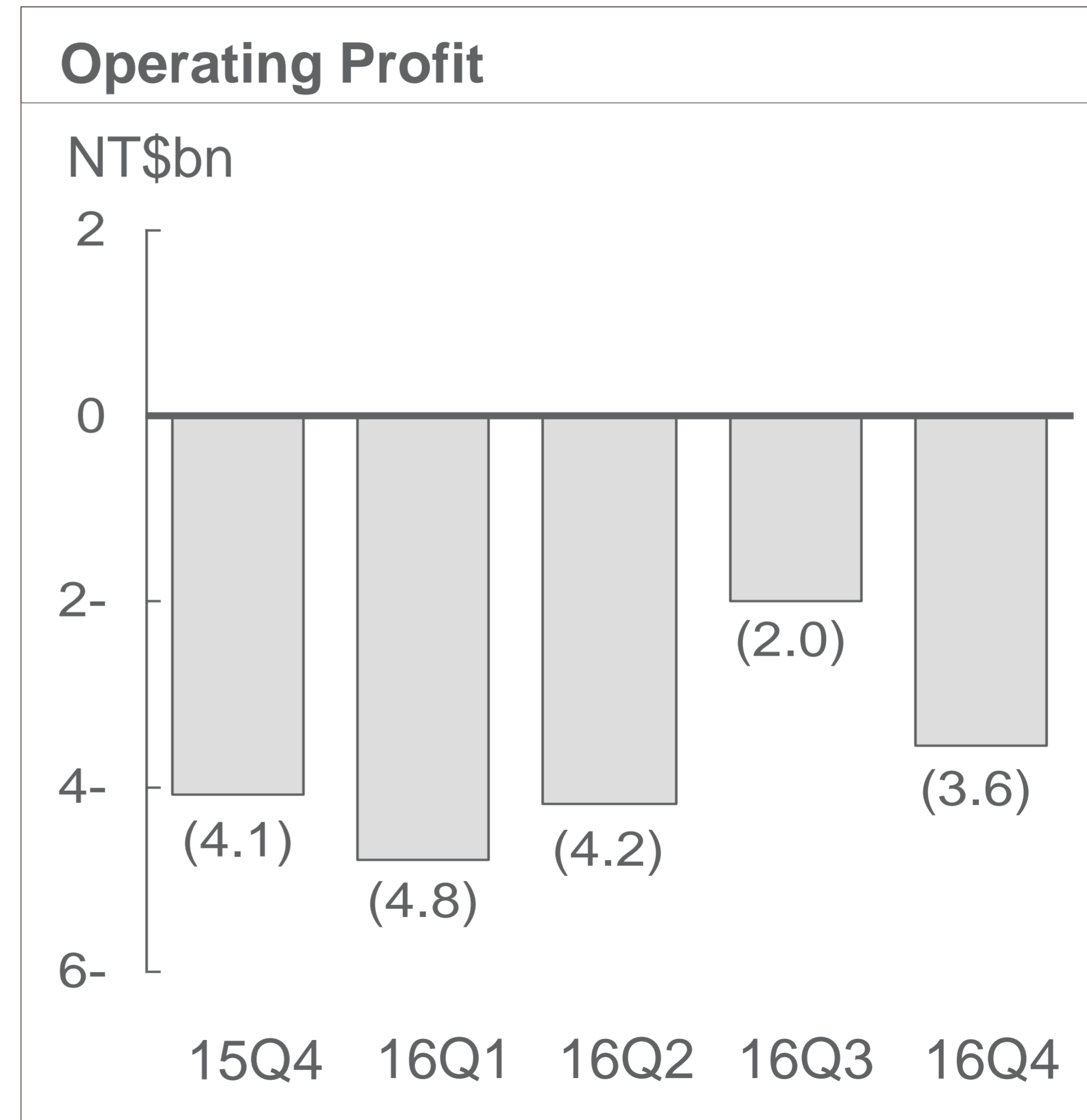
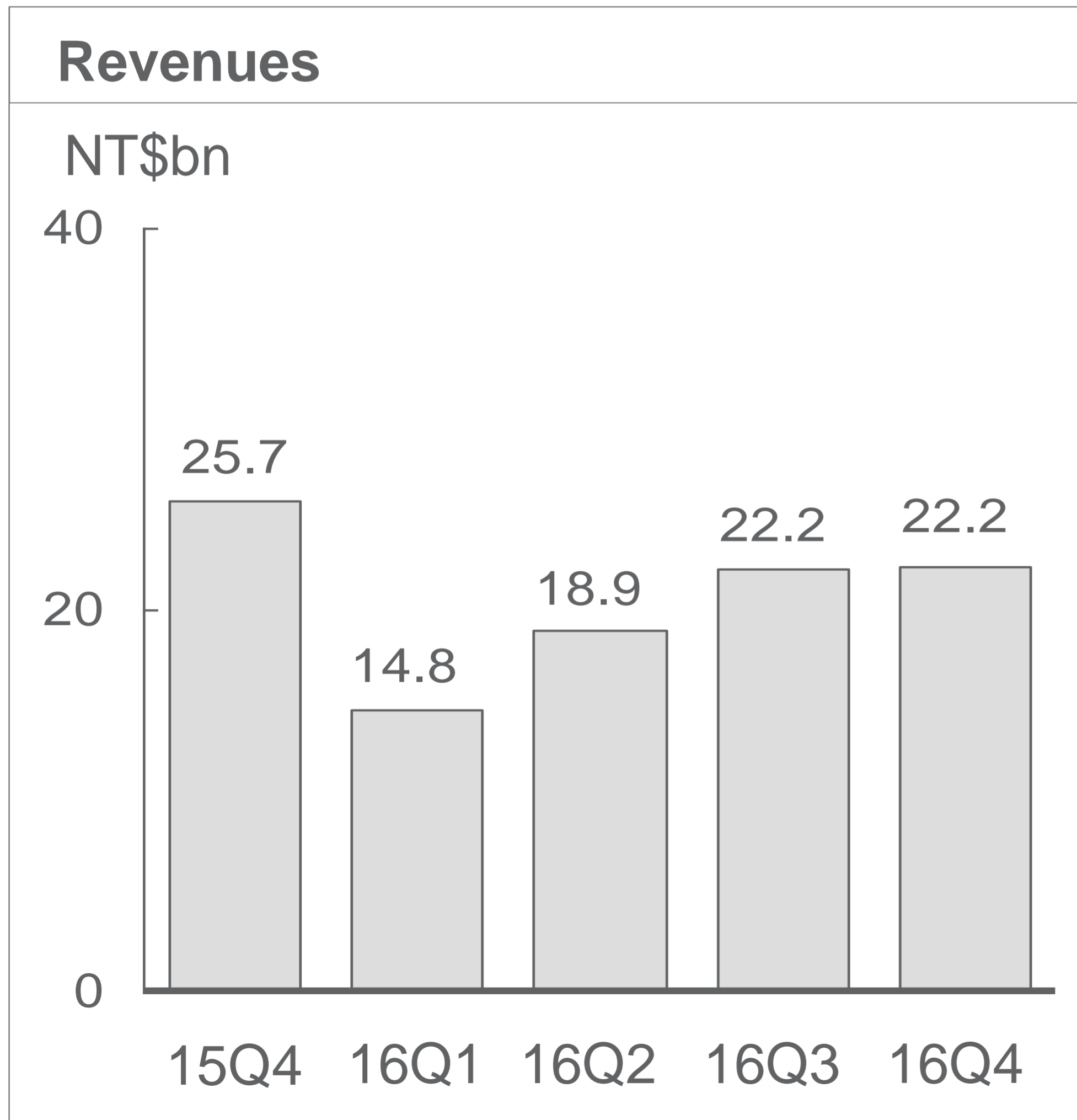
4Q16 Financial Highlights:

- Revenue of NT\$22.2 billion with gross margin of 10.5%
- Operating loss of NT\$3.6 billion with operating margin of -16.0%
- Net loss after tax of NT\$3.1 billion, or -NT\$3.77 per share

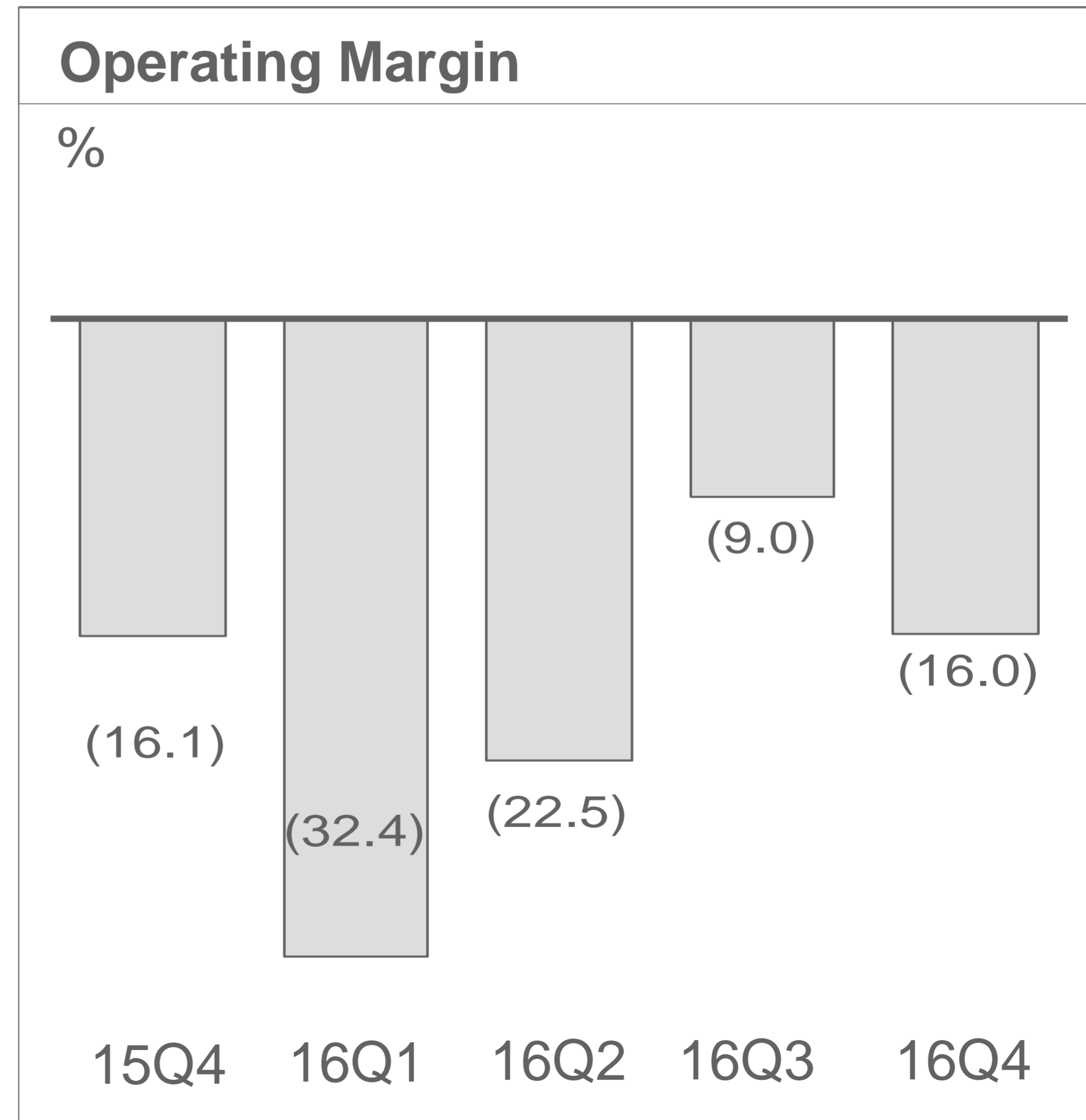
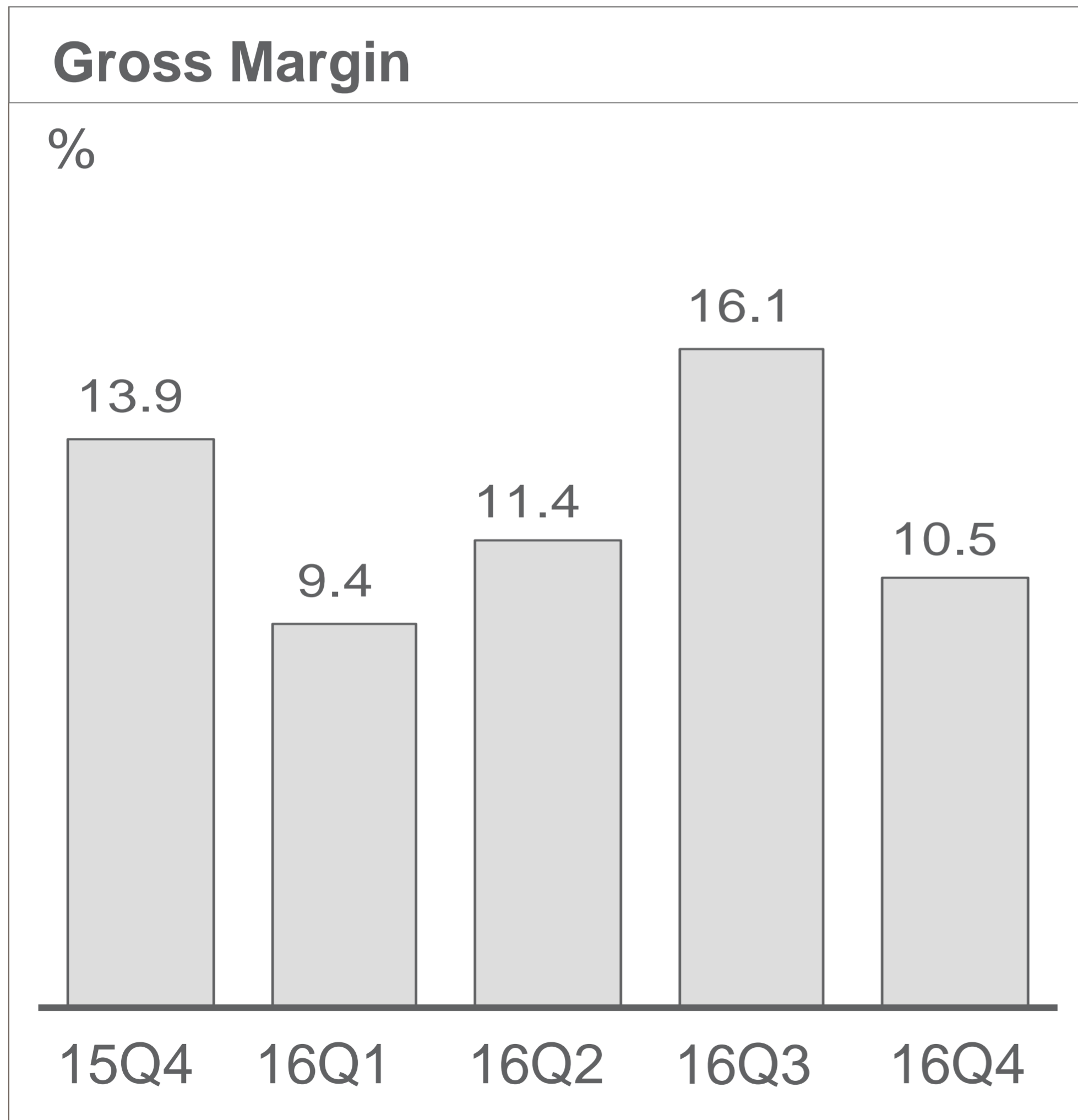
Business Update

- HTC saw robust sales performance in Q4, with quarterly revenue improving sequentially over 2016, while OPEX has been aggressively managed through enhanced resource realignment to deliver a 34% cost reduction over the year.
- Q4 saw the global launch of the HTC 10 evo in November, while HTC Desire 10 pro and lifestyle edition phones also entered select markets and have been well received.
- HTC continues to build the virtual reality ecosystem around HTC VIVE, with several events underlining the growing reach of the Vive platform, including opening the first VIVE-based arcade in Taipei, first demo days for VIVE X accelerator program in Beijing, Taipei, and San Francisco, and the launch of VIVE studios.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



4Q 2016 P&L (CONSOLIDATED)

NT\$bn	4Q 15	3Q 16	4Q 16
REVENUES	25.7	22.2	22.2
GROSS PROFIT	3.6	3.6	2.3
OPERATING EXPENSE	<u>7.7</u>	<u>5.6</u>	<u>5.9</u>
SALES MKTING.	3.5	2.2	2.1
RESEARCH DEV.	3.0	2.5	2.7
GENERAL ADM.	1.2	0.9	1.1
OPERATING PROFIT	-4.1	-2.0	-3.6
NPBT	-3.7	-1.8	-3.3
NPAT ¹	-3.4	-1.8	-3.1
GROSS MARGIN (%)	13.9%	16.1%	10.5%
OPERATING MARGIN (%)	-16.1%	-9.0%	-16.0%
EPS ² (NT\$)	-4.10	-2.18	-3.77

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

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

4Q 2016 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Dec 31, 15	Sep 30, 16	Dec 31, 16
TOTAL ASSETS	129.4	111.7	103.1
Cash ¹	39.4	34.3	35.8
AR	18.5	17.6	16.0
INVENTORY	19.1	19.3	14.2
OTHER ASSETS	52.4	40.5	37.1
TOTAL LIABILITIES	64.6	56.7	51.3
TOTAL EQUITY ²	64.8	55.0	51.8
<i>METRICS</i> ³			
DAYS SALES OUTSTANDING	74	76	80
INVENTORY TURNOVER DAYS	93	105	92
DAYS PAYABLE OUTSTANDING	122	139	128

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, 2016		December 31, 2015			December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 30,080,217	29	\$ 35,346,799	27	Financial liabilities at fair value through profit or loss - current	\$ 133,420	-	\$ 36,544	-
Financial assets at fair value through profit or loss - current	143,642	-	95,493	-	Note and trade payables	26,247,728	26	29,598,385	23
Available-for-sale financial assets - current	199,344	-	303,289	-	Other payables	18,348,734	18	24,993,276	19
Debt investments with no active market - current	8,067	-	8,266	-	Current tax liabilities	155,651	-	163,252	-
Trade receivables, net	15,961,835	15	18,518,948	14	Provisions - current	3,384,311	3	5,992,258	5
Other receivables	168,526	-	466,791	1	Other current liabilities	3,004,432	3	3,689,763	3
Current tax assets	184,817	-	212,033	-	Total current liabilities	51,274,276	50	64,473,478	50
Inventories	14,163,571	14	19,123,637	15					
Prepayments	1,833,499	2	4,400,968	4	NON-CURRENT LIABILITIES				
Non-current assets held for sale	-	-	3,768,277	3	Deferred tax liabilities	81,294	-	97,351	-
Other current financial assets	5,750,450	6	4,100,290	3	Guarantee deposits received	22,106	-	30,159	-
Other current assets	68,414	-	94,611	-	Total non-current liabilities	103,400	-	127,510	-
Total current assets	68,562,382	66	86,439,402	67					
					Total liabilities	51,377,676	50	64,600,988	50
NON-CURRENT ASSETS					EQUITY				
Available-for-sale financial assets - non-current	86	-	75	-	Share capital - ordinary shares	8,220,087	8	8,318,695	6
Financial assets measured at cost - non-current	3,363,736	3	3,396,151	3	Capital surplus	15,614,641	15	15,505,853	12
Debt investments with no active market - non-current	25,009	-	-	-	Retained earnings	18,297,655	18	18,297,655	14
Investments accounted for using equity method	531,445	1	240,237	-	Legal reserve	10,841,425	10	21,782,432	17
Property, plant and equipment	12,025,496	12	15,432,130	12	Unappropriated earnings	(1,202,302)	(1)	1,088,415	1
Investment properties, net	1,527,001	1	1,708,489	1	Other equity	-	-	(200,955)	-
Intangible assets	3,878,356	4	5,561,444	4	Treasury shares	-	-	-	-
Deferred tax assets	8,957,876	9	8,699,322	7	Total equity	51,771,506	50	64,792,095	50
Refundable deposits	1,501,480	1	1,580,342	1					
Long-term receivables	-	-	1,488,775	1					
Net defined benefit asset - non-current	40,439	-	79,470	-					
Other non-current assets	2,735,876	3	4,767,246	4					
Total non-current assets	34,586,800	34	42,953,681	33					
TOTAL	\$ 103,149,182	100	\$ 129,393,083	100	TOTAL	\$ 103,149,182	100	\$ 129,393,083	100

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

	For the Years Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 78,161,158	100	\$ 121,684,231	100
OPERATING COST	<u>68,726,567</u>	<u>88</u>	<u>99,731,124</u>	<u>82</u>
GROSS PROFIT	<u>9,434,591</u>	<u>12</u>	<u>21,953,107</u>	<u>18</u>
OPERATING EXPENSES				
Selling and marketing	8,861,758	11	17,452,673	15
General and administrative	4,223,697	6	4,975,964	4
Research and development	<u>10,957,200</u>	<u>14</u>	<u>13,727,616</u>	<u>11</u>
Total operating expenses	<u>24,042,655</u>	<u>31</u>	<u>36,156,253</u>	<u>30</u>
OPERATING LOSS	<u>(14,608,064)</u>	<u>(19)</u>	<u>(14,203,146)</u>	<u>(12)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	643,078	1	928,036	1
Other gains and losses	3,448,618	4	(2,286,659)	(2)
Finance costs	(5,298)	-	(8,123)	-
Share of the profit or loss of associates and joint venture	<u>(62,282)</u>	<u>-</u>	<u>(11,648)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,024,116</u>	<u>5</u>	<u>(1,378,394)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	<u>(10,583,948)</u>	<u>(14)</u>	<u>(15,581,540)</u>	<u>(13)</u>
INCOME TAX BENEFIT	<u>(23,845)</u>	<u>-</u>	<u>(48,472)</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(\$ 10,560,103)</u>	<u>(14)</u>	<u>(\$ 15,533,068)</u>	<u>(13)</u>
LOSS PER SHARE				
Basic	<u>(\$ 12.81)</u>		<u>(\$ 18.79)</u>	

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

	For the Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$ 10,583,948)	(\$ 15,581,540)
Adjustments for:		
Depreciation expenses	1,752,322	2,539,046
Amortization expenses	1,639,516	1,956,533
Bad debt expenses	1,175,179	-
Finance costs	5,298	8,123
Interests income	(382,550)	(419,969)
Dividend income	(138,761)	(352,074)
Compensation costs of employee share-based payments	431,996	550,688
Share of the profit or loss of associates and joint venture	62,282	11,648
Net gain on disposal of property, plant and equipment	(3,196,381)	(8,385)
Transfer of properties, plants and equipment to expense	-	8,339
Gain on sale of investments	- (327)	(327)
Impairment losses on non-financial assets	2,054,453	4,859,336
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	48,727	181,171
Decrease in trade receivables	2,857,064	10,621,336
Decrease in other receivables	312,686	112,713
Decrease (increase) in inventories	2,918,208 (3,850,023)
Decrease in prepayments	2,567,469	2,225,138
Decrease in other current assets	26,197	4,658
Decrease in other non-current assets	1,993,672	2,666,129
Decrease in note and trade payables	(3,350,657) (14,204,958)
Decrease in other payables	(6,574,405) (7,108,608)
(Decrease) increase in provisions	(2,607,947)	151,079
(Decrease) increase in other current liabilities	(685,331)	2,546,629
Cash used in operations	(9,674,911)	(13,083,318)
Interest received	336,626	334,309
Interest paid	(5,298)	(8,123)
Income tax paid	(275,927)	(295,351)
Net cash used in operating activities	(9,619,510)	(13,052,483)

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

	For the Years Ended December 31	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire debt investment with no active market	(24,548)	-
Payments to acquire financial assets measured at cost	(203,283)	(700,245)
Proceeds from disposal of financial assets measured at cost	-	327
Acquisition of associates	(363,754)	(16,531)
Proceeds from disposal of investments accounted for using equity method	182,578	-
Proceeds from disposal of non-current assets held of sale	6,060,000	-
Payments for property, plant and equipment	(601,427)	(987,329)
Proceeds from disposal of property, plant and equipment	2,935,283	345,464
Increase in refundable deposits	-	(1,317,602)
Decrease in refundable deposits	78,862	-
Payments for intangible assets	(75,455)	(93,683)
Increase in other current financial assets	(1,650,160)	(3,765,336)
Dividend received	83,844	38,166
Net cash generated from (used in) investing activities	6,421,940	(6,496,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(8,053)	(13,071)
Dividends paid to owners of the Company	-	(314,636)
Buy-back of treasury shares	(436,869)	(200,955)
Net cash used in financing activities	(444,922)	(528,662)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,624,090)	(318,845)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,266,582)	(20,396,759)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	35,346,799	55,743,558
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 30,080,217	\$ 35,346,799