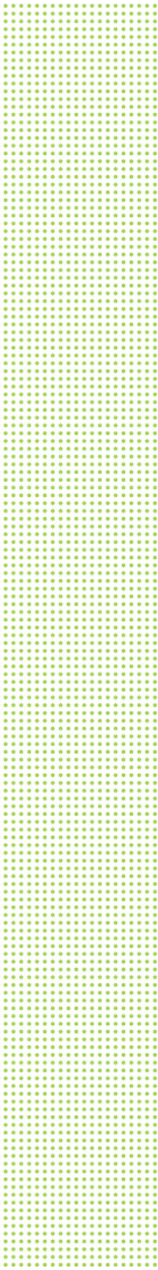


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# HTC CORPORATION

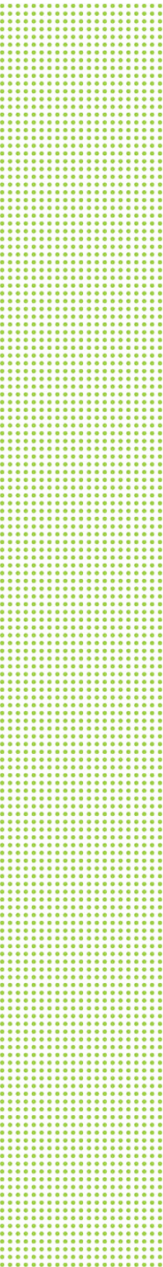
## 2Q18 RESULTS SUMMARY

August 6<sup>th</sup> 2018



# 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.

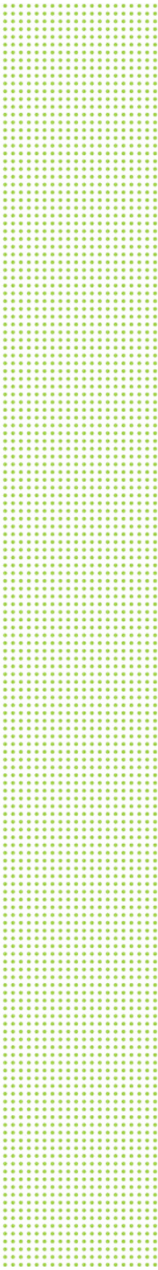




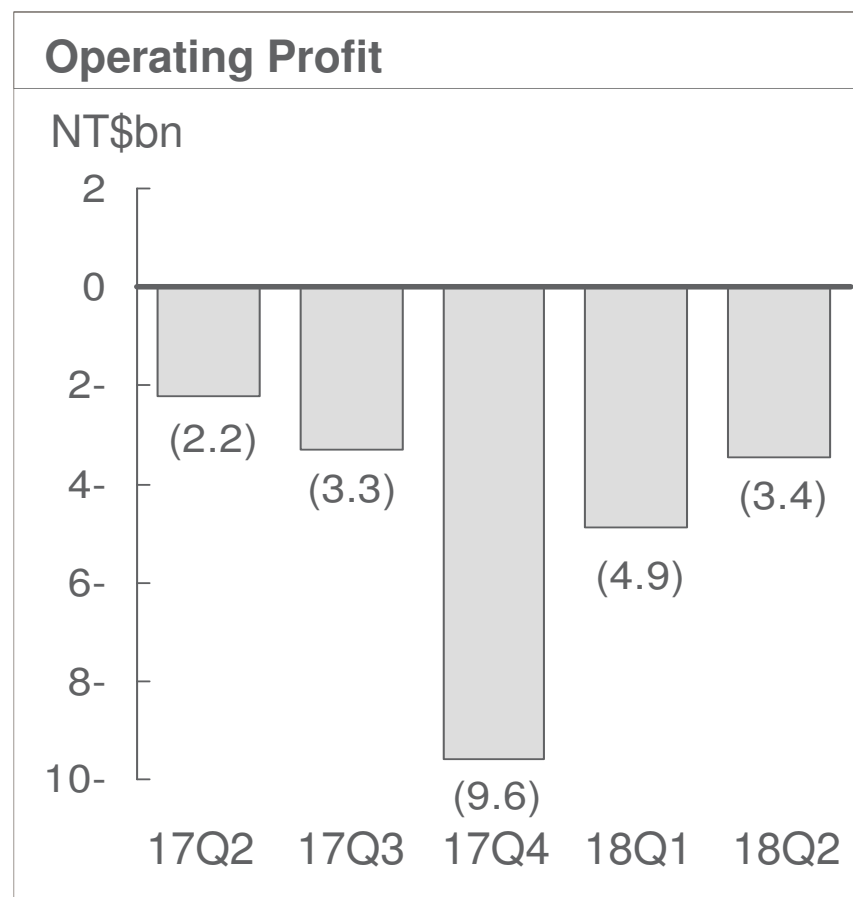
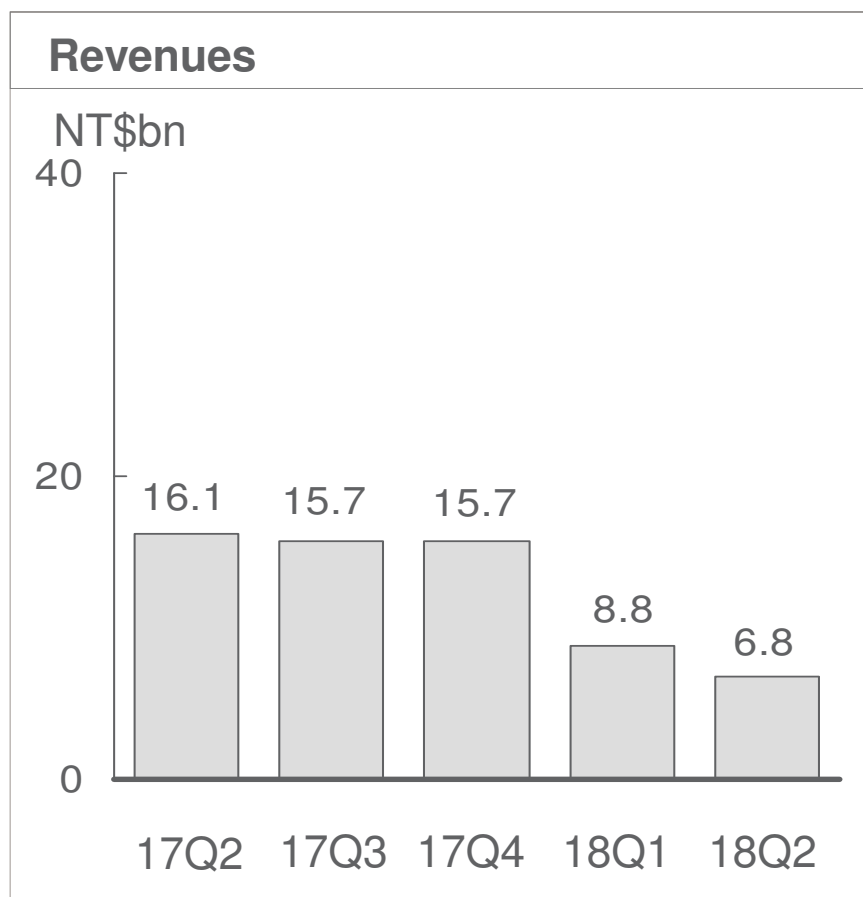
# EXECUTIVE SUMMARY

## 2Q18 Financial Highlights:

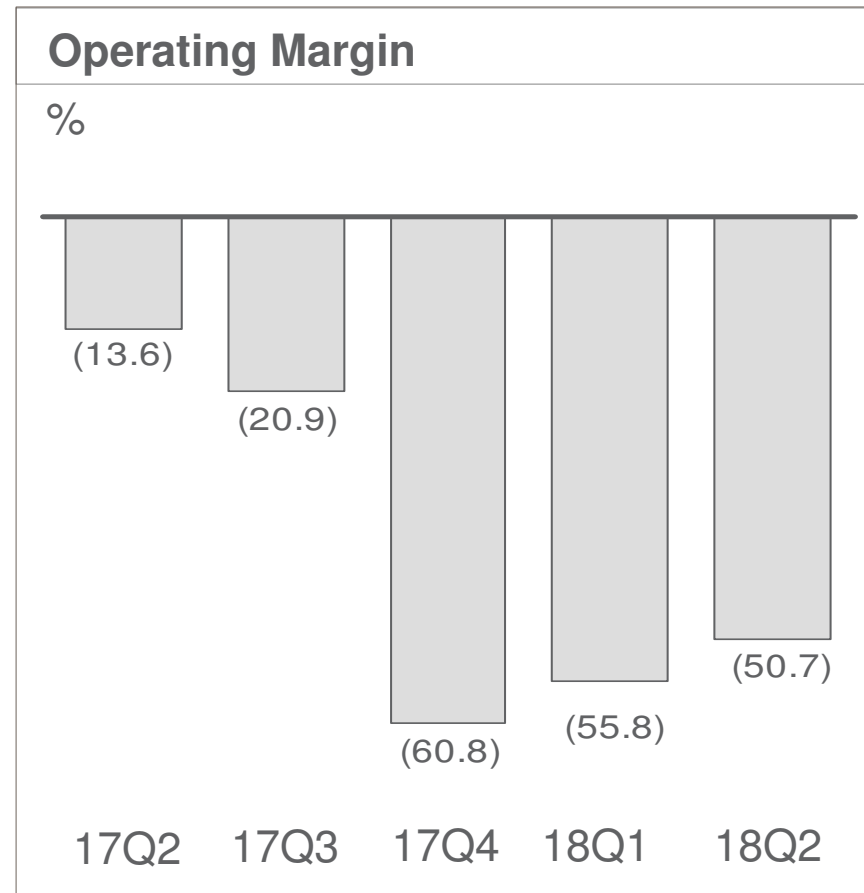
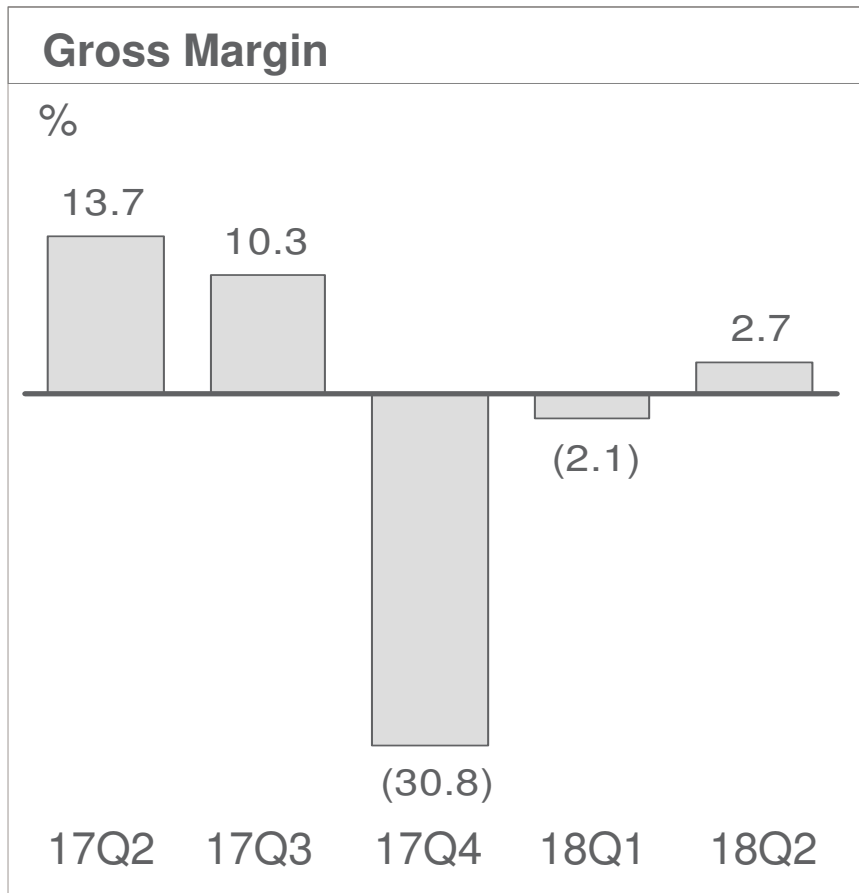
- Quarterly revenue of NT\$6.8 billion with gross margin of 2.7%
- Quarterly operating loss of NT\$3.4 billion with operating margin of -50.7%
- Quarterly net loss after tax: NT\$2.09 billion, or NT\$-2.53 per share



# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS





## 2Q 2018 P&L (CONSOLIDATED)

NT\$bn	2Q 17	1Q 18	2Q 18
REVENUES	16.1	8.8	<b>6.8</b>
GROSS PROFIT	2.2	-0.2	<b>0.2</b>
OPERATING EXPENSE	<u>4.4</u>	<u>4.7</u>	<b><u>3.6</u></b>
SALES MKTING.	1.1	1.3	<b>1.0</b>
RESEARCH DEV.	2.7	2.6	<b>1.7</b>
GENERAL ADM.	0.7	0.9	<b>1.0</b>
OPERATING PROFIT	-2.2	-4.9	<b>-3.4</b>
NPBT	-2.0	26.4	<b>-2.1</b>
NPAT <sup>1</sup>	-2.0	21.1	<b>-2.1</b>
GROSS MARGIN (%)	13.7%	-2.1%	<b>2.7%</b>
OPERATING MARGIN (%)	-13.6%	-55.8%	<b>-50.7%</b>
EPS <sup>2</sup> (NT\$)	-2.37	25.7	<b>-2.53</b>

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

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



## 2Q 2018 BALANCE SHEET (CONSOLIDATED)

NT\$bn	June 30, 17	Mar 31, 18	June 30, 18
TOTAL ASSETS	92.1	83.1	79.7
Cash <sup>1</sup>	31.0	45.8	46.2
AR	11.0	5.0	3.5
INVENTORY	15.0	5.5	5.0
OTHER ASSETS	35.1	26.8	25.0
TOTAL LIABILITIES	45.5	28.5	26.9
TOTAL EQUITY <sup>2</sup>	46.6	54.6	52.7
<b>METRICS<sup>3</sup></b>			
DAYS SALES OUTSTANDING	71	95	89
INVENTORY TURNOVER DAYS	124	108	117
DAYS PAYABLE OUTSTANDING	128	132	159

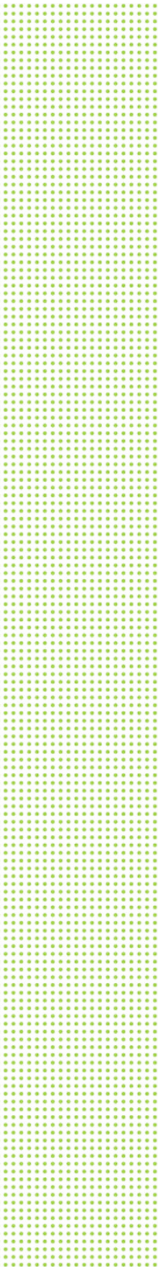
1. Includes time deposits with original maturities more than 3 months

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 (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 29,311,099	37	\$ 10,443,227	16	\$ 25,119,152	27
Financial assets at fair value through profit or loss - current (Note 7)	541,782	1	65,199	-	208,770	-
Financial assets at fair value through other comprehensive income - current (Note 9)	442,106	1	-	-	-	-
Available-for-sale financial assets - current	-	-	312,106	-	278,161	-
Trade receivables, net (Notes 12 and 36)	3,526,821	4	8,537,096	13	10,952,995	12
Other receivables (Note 12)	256,226	-	103,497	-	183,980	-
Current tax assets	131,245	-	131,901	-	149,311	-
Inventories (Note 13)	5,006,623	6	7,381,426	11	14,955,175	16
Prepayments (Note 14)	1,444,846	2	1,742,986	3	1,589,180	2
Non-current assets held for sale (Note 15)	-	-	1,647,763	3	1,592,749	2
Other current financial assets (Notes 11 and 37)	16,722,067	21	7,988,363	12	5,910,547	7
Other current assets	161,703	-	135,821	-	29,244	-
Total current assets	<u>57,544,518</u>	<u>72</u>	<u>38,489,385</u>	<u>58</u>	<u>60,969,264</u>	<u>66</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Note 7)	156,900	-	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 9)	2,770,536	3	-	-	-	-
Available-for-sale financial assets - non-current	-	-	91	-	85	-
Financial assets measured at cost - non-current (Note 10)	-	-	3,187,240	5	3,283,360	4
Investments accounted for using the equity method (Note 17)	397,903	1	413,120	1	445,205	-
Property, plant and equipment (Note 18)	8,503,733	11	10,798,613	16	11,550,121	13
Investment properties, net (Note 19)	2,117,598	3	-	-	-	-
Intangible assets (Note 20)	1,751,780	2	2,315,441	3	2,980,230	3
Deferred tax assets	3,937,116	5	8,990,648	14	8,987,568	10
Refundable deposits	132,937	-	139,016	-	1,362,163	1
Net defined benefit asset - non-current	25,955	-	18,119	-	46,420	-
Other non-current financial assets (Notes 11 and 37)	152,463	-	-	-	-	-
Other non-current assets (Note 14)	2,186,457	3	2,233,733	3	2,448,793	3
Total non-current assets	<u>22,133,378</u>	<u>28</u>	<u>28,096,021</u>	<u>42</u>	<u>31,103,945</u>	<u>34</u>
<b>TOTAL</b>	<u>\$ 79,677,896</u>	<u>100</u>	<u>\$ 66,585,406</u>	<u>100</u>	<u>\$ 92,073,209</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 21)	\$ -	-	\$ -	-	\$ 8,550,000	9
Financial liabilities at fair value through profit or loss - current (Note 7)	334,147	-	75,184	-	78,069	-
Derivative financial liabilities for hedging - current (Note 8)	-	-	-	-	8,130	-
Note and trade payables (Notes 22 and 36)	11,584,331	15	14,569,222	22	17,799,288	20
Other payables (Notes 23 and 36)	10,395,111	13	11,681,890	18	12,133,291	13
Current tax liabilities	372,805	1	253,240	-	164,450	-
Provisions - current (Note 24)	2,697,269	3	3,377,201	5	3,008,599	3
Other current liabilities (Note 23)	1,367,468	2	2,850,713	4	3,520,051	4
Total current liabilities	<u>26,751,131</u>	<u>34</u>	<u>32,807,450</u>	<u>49</u>	<u>45,261,878</u>	<u>49</u>
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	56,232	-	47,147	-	83,548	-
Guarantee deposits received	110,541	-	5,681	-	6,133	-
Other non-current liabilities (Note 23)	-	-	-	-	114,120	-
Total non-current liabilities	<u>166,773</u>	<u>-</u>	<u>52,828</u>	<u>-</u>	<u>203,801</u>	<u>-</u>
Total liabilities	<u>26,917,904</u>	<u>34</u>	<u>32,860,278</u>	<u>49</u>	<u>45,465,679</u>	<u>49</u>
<b>EQUITY (Note 25)</b>						
Share capital - ordinary shares	8,192,617	10	8,208,261	12	8,217,952	9
Capital surplus	15,575,798	20	15,551,491	24	15,638,510	17
Retained earnings						
Legal reserve	18,297,655	23	18,297,655	27	18,297,655	20
Unappropriated earnings (accumulated deficits)	12,990,038	16	(6,093,403)	(9)	6,858,309	7
Other equity	(2,373,249)	(3)	(2,268,428)	(3)	(2,404,896)	(2)
Total equity attributable to owners of the parent	52,682,859	66	33,695,576	51	46,607,530	51
<b>NON-CONTROLLING INTERESTS</b>	<u>77,133</u>	<u>-</u>	<u>29,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>52,759,992</u>	<u>66</u>	<u>33,725,128</u>	<u>51</u>	<u>46,607,530</u>	<u>51</u>
<b>TOTAL</b>	<u>\$ 79,677,896</u>	<u>100</u>	<u>\$ 66,585,406</u>	<u>100</u>	<u>\$ 92,073,209</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 27, 2018)

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 26 and 36)	\$ 6,774,460	100	\$ 16,135,909	100	\$ 15,563,203	100	\$ 30,666,732	100
OPERATING COST (Notes 13, 27 and 36)	6,594,478	97	13,921,030	86	15,568,685	100	26,088,667	85
GROSS PROFIT (LOSS)	179,982	3	2,214,879	14	(5,482)	-	4,578,065	15
OPERATING EXPENSES (Notes 27 and 36)								
Selling and marketing	955,875	14	1,068,304	7	2,213,515	14	2,339,327	8
General and administrative	1,007,436	15	691,446	4	1,875,227	12	1,566,822	5
Research and development	1,652,484	25	2,652,449	17	4,245,433	28	5,226,837	17
Total operating expenses	3,615,795	54	4,412,199	28	8,334,175	54	9,132,986	30
OPERATING LOSS	(3,435,813)	(51)	(2,197,320)	(14)	(8,339,657)	(54)	(4,554,921)	(15)
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 27)	302,572	4	130,577	1	587,383	4	402,766	1
Other gains and losses (Notes 8, 27 and 31)	1,074,564	16	144,327	1	32,101,717	206	225,858	1
Finance costs	(691)	-	(8,815)	-	(692)	-	(11,282)	-
Share of the loss of associates (Note 17)	(10,157)	-	(28,804)	-	(23,496)	-	(63,196)	-
Total non-operating income and expenses	1,366,288	20	237,285	2	32,664,912	210	554,146	2
(LOSS) PROFIT BEFORE INCOME TAX	(2,069,525)	(31)	(1,960,035)	(12)	24,325,255	156	(4,000,775)	(13)
INCOME TAX (EXPENSE) BENEFIT (Note 28)	(15,620)	-	9,464	-	(5,320,836)	(34)	17,659	-
(LOSS) PROFIT FOR THE PERIOD	(2,085,145)	(31)	(1,950,571)	(12)	19,004,419	122	(3,983,116)	(13)
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(362,536)	(5)	-	-	(340,290)	(2)	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	543,339	8	440,496	3	356,221	2	(1,365,319)	(4)
Unrealized gain on available-for-sale financial assets	-	-	40,865	-	-	-	90,909	-

(Continued)

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Cash flow hedge	\$ -	-	\$ 1,214	-	\$ -	-	\$ (11,668)	-
Other comprehensive income and loss for the period, net of income tax	180,803	3	482,575	3	15,931	-	(1,286,078)	(4)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>\$ (1,904,342)</b>	<b>(28)</b>	<b>\$ (1,467,996)</b>	<b>(9)</b>	<b>\$ 19,020,350</b>	<b>122</b>	<b>\$ (5,269,194)</b>	<b>(17)</b>
<b>NET (LOSS) PROFIT ATTRIBUTABLE TO:</b>								
Owners of the parent	\$ (2,074,417)	(31)	\$ (1,950,571)	(12)	\$ 19,021,775	122	\$ (3,983,116)	(13)
Non-controlling interests	(10,728)	-	-	-	(17,356)	-	-	-
	<b>\$ (2,085,145)</b>	<b>(31)</b>	<b>\$ (1,950,571)</b>	<b>(12)</b>	<b>\$ 19,004,419</b>	<b>122</b>	<b>\$ (3,983,116)</b>	<b>(13)</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:</b>								
Owners of the parent	\$ (1,896,750)	(28)	\$ (1,467,996)	(9)	\$ 19,035,289	122	\$ (5,269,194)	(17)
Non-controlling interests	(7,592)	-	-	-	(14,939)	-	-	-
	<b>\$ (1,904,342)</b>	<b>(28)</b>	<b>\$ (1,467,996)</b>	<b>(9)</b>	<b>\$ 19,020,350</b>	<b>122</b>	<b>\$ (5,269,194)</b>	<b>(17)</b>
<b>(LOSS) EARNINGS PER SHARE (Note 29)</b>								
Basic	\$ (2.53)		\$ (2.37)		\$ 23.19		\$ (4.85)	
Diluted	\$ (2.53)		\$ (2.37)		\$ 22.82		\$ (4.85)	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 27, 2018)

(Concluded)

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent												
	Retained Earnings				Other Equity							Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Losses on Available-for- sale Financial Assets	Cash Flow Hedge	Unearned Employee Benefit	Total			
BALANCE, JANUARY 1, 2017	\$ 8,220,087	\$ 15,614,641	\$ 18,297,655	\$ 10,841,425	\$ (781,298)	\$ -	\$ (167,082)	\$ -	\$ (253,922)	\$ 51,771,506	\$ -	\$ 51,771,506	
Net loss for the six months ended June 30, 2017	-	-	-	(3,983,116)	-	-	-	-	-	(3,983,116)	-	(3,983,116)	
Other comprehensive income and loss for the six months ended June 30, 2017	-	-	-	-	(1,365,319)	-	90,909	(11,668)	-	(1,286,078)	-	(1,286,078)	
Share-based payments	(2,135)	23,869	-	-	-	-	-	-	83,484	105,218	-	105,218	
BALANCE, JUNE 30, 2017	\$ 8,217,952	\$ 15,638,510	\$ 18,297,655	\$ 6,858,309	\$ (2,146,617)	\$ -	\$ (76,173)	\$ (11,668)	\$ (170,438)	\$ 46,607,530	\$ -	\$ 46,607,530	
BALANCE, JANUARY 1, 2018	\$ 8,208,261	\$ 15,551,491	\$ 18,297,655	\$ (6,093,403)	\$ (2,183,148)	\$ -	\$ (35,690)	\$ -	\$ (49,590)	\$ 33,695,576	\$ 29,552	\$ 33,725,128	
Effect of retrospective application	-	-	-	104,732	-	(171,354)	35,690	-	-	(30,932)	-	(30,932)	
BALANCE, JANUARY 1, 2018 AS RESTATED	8,208,261	15,551,491	18,297,655	(5,988,671)	(2,183,148)	(171,354)	-	-	(49,590)	33,664,644	29,552	33,694,196	
Net profit for the six months ended June 30, 2018	-	-	-	19,021,775	-	-	-	-	-	19,021,775	(17,356)	19,004,419	
Other comprehensive income and loss for the six months ended June 30, 2018	-	-	-	-	353,804	(340,290)	-	-	-	13,514	2,417	15,931	
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	-	8,121	-	8,121	
Changes in percentage of ownership interests in subsidiaries	-	-	-	(43,066)	-	-	-	-	-	(43,066)	62,520	19,454	
Share-based payments	(17,134)	17,676	-	-	-	-	-	-	17,329	17,871	-	17,871	
BALANCE, JUNE 30, 2018	\$ 8,192,617	\$ 15,575,798	\$ 18,297,655	\$ 12,990,038	\$ (1,829,344)	\$ (511,644)	\$ -	\$ -	\$ (32,261)	\$ 52,682,859	\$ 77,133	\$ 52,759,992	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 27, 2018)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 24,325,255	\$ (4,000,775)
Adjustments for:		
Depreciation expenses	276,032	531,914
Amortization expenses	594,348	700,662
Expected credit loss reversed on trade receivables	-	(362,870)
Finance costs	692	11,282
Interest income	(311,543)	(150,970)
Dividend income	-	(15,862)
Compensation costs of employee share-based payments	17,871	105,218
Share of the loss of associates	23,496	63,196
Net loss on disposal of property, plant and equipment	2,491	4,930
Net gain on disposal of assets and licensing income (Note 27)	(31,285,385)	-
Net gain on disposal of non-current assets held for sale	(1,077,246)	-
Gain on disposal of investments	-	(24,305)
Net gain on disposal of subsidiary	(15,396)	-
Impairment loss on non-financial assets	590,490	2,238,027
Ineffective portion of cash flow hedges	-	(3,538)
Changes in operating assets and liabilities		
Increase in financial instruments held for trading	-	(120,479)
Increase in financial assets mandatorily classified as at fair value through profit or loss	(217,620)	-
Decrease in trade receivables	5,006,689	5,371,710
(Increase) decrease in other receivables	(128,042)	13,687
Decrease (increase) in inventories	1,784,313	(3,029,631)
Decrease in prepayments	292,252	244,319
(Increase) decrease in other current assets	(25,882)	39,170
Decrease in other non-current assets	18,259	152,163
Decrease in note and trade payables	(2,984,891)	(8,448,440)
Decrease in other payables	(1,250,120)	(6,197,299)
Decrease in provisions	(679,932)	(375,712)
Decrease in other current liabilities	(106,724)	(898,385)
Increase in other operating liabilities	-	114,120
Cash used in operations	(5,150,593)	(14,037,868)
Interest received	286,856	121,829
Interest paid	(692)	(6,697)
Income taxes (paid) refunded	(133,055)	16,938
Net cash used in operating activities	<u>(4,997,484)</u>	<u>(13,905,798)</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
Purchase of financial assets at fair value through other comprehensive income	\$ (144,463)	\$ -
Purchase of debt investment with no active market	-	(32,918)
Purchase of financial assets measured at cost	-	(73,229)
Proceeds from sale of financial assets measured at cost	-	85,169
Acquisition of associates	-	(6,019)
Net cash inflow on disposal of subsidiary	106,918	-
Proceeds from disposal of non-current assets held for sale	2,748,931	-
Payments for property, plant and equipment	(283,379)	(95,728)
Proceeds from disposal of property, plant and equipment	81,649	2,168
(Decrease) increase in advance receipts - disposal of property	(1,374,465)	1,388,243
Decrease in refundable deposits	6,079	139,317
Increase in other current financial assets	(8,886,167)	(160,097)
Dividends received	-	15,862
Proceeds from disposal of assets and licensing income (Note 27)	<u>31,285,385</u>	<u>-</u>
Net cash generated from investing activities	<u>23,540,488</u>	<u>1,262,768</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	8,550,000
Proceeds from guarantee deposits received	104,860	-
Refund of guarantee deposits received	-	(15,973)
Proceeds from exercise of employee share options	8,121	-
Change in non-controlling interests	<u>19,454</u>	<u>-</u>
Net cash generated from financing activities	<u>132,435</u>	<u>8,534,027</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>192,433</u>	<u>(852,062)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	18,867,872	(4,961,065)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>10,443,227</u>	<u>30,080,217</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 29,311,099</u>	<u>\$ 25,119,152</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 27, 2018)

(Concluded)