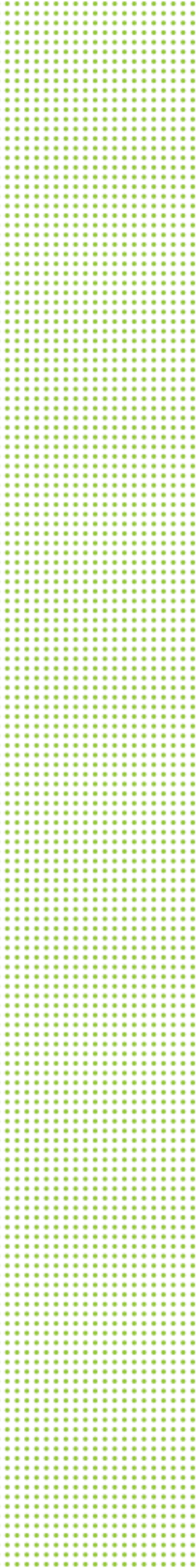




HTC CORPORATION

4Q18 RESULTS SUMMARY

March 15th 2019



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

4Q18 Financial Highlights:

- Quarterly revenue of NT\$4.1 billion with gross margin of 8.0%, up 3.3% sequentially and the fourth consecutive quarterly increase since Q4'17
- Quarterly operating loss of NT\$2.8 billion with operating margin of -68.7%
- Quarterly net loss after tax: NT\$4.4 billion, or NT\$5.31 loss per share

2018 Financial Highlights:

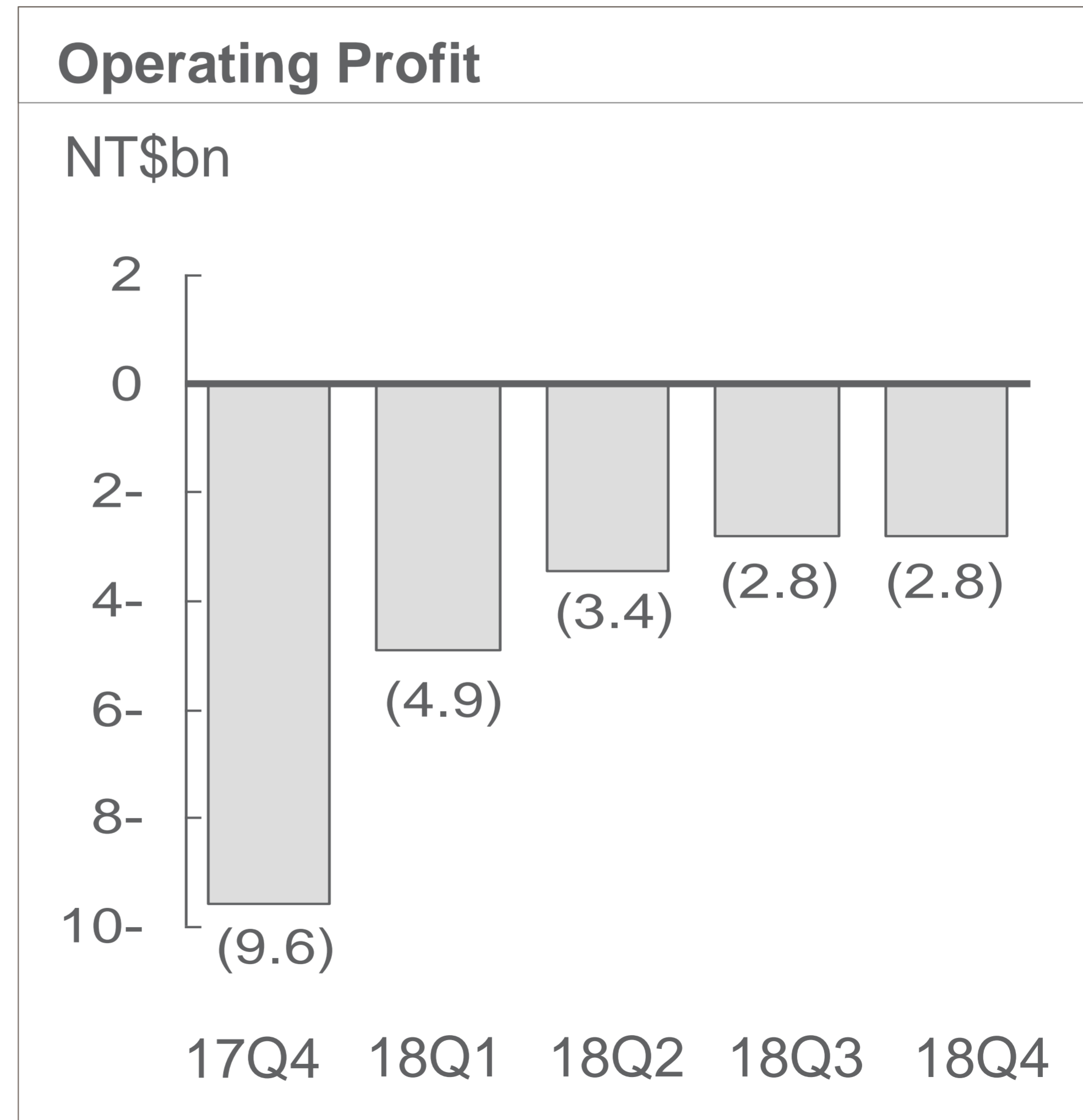
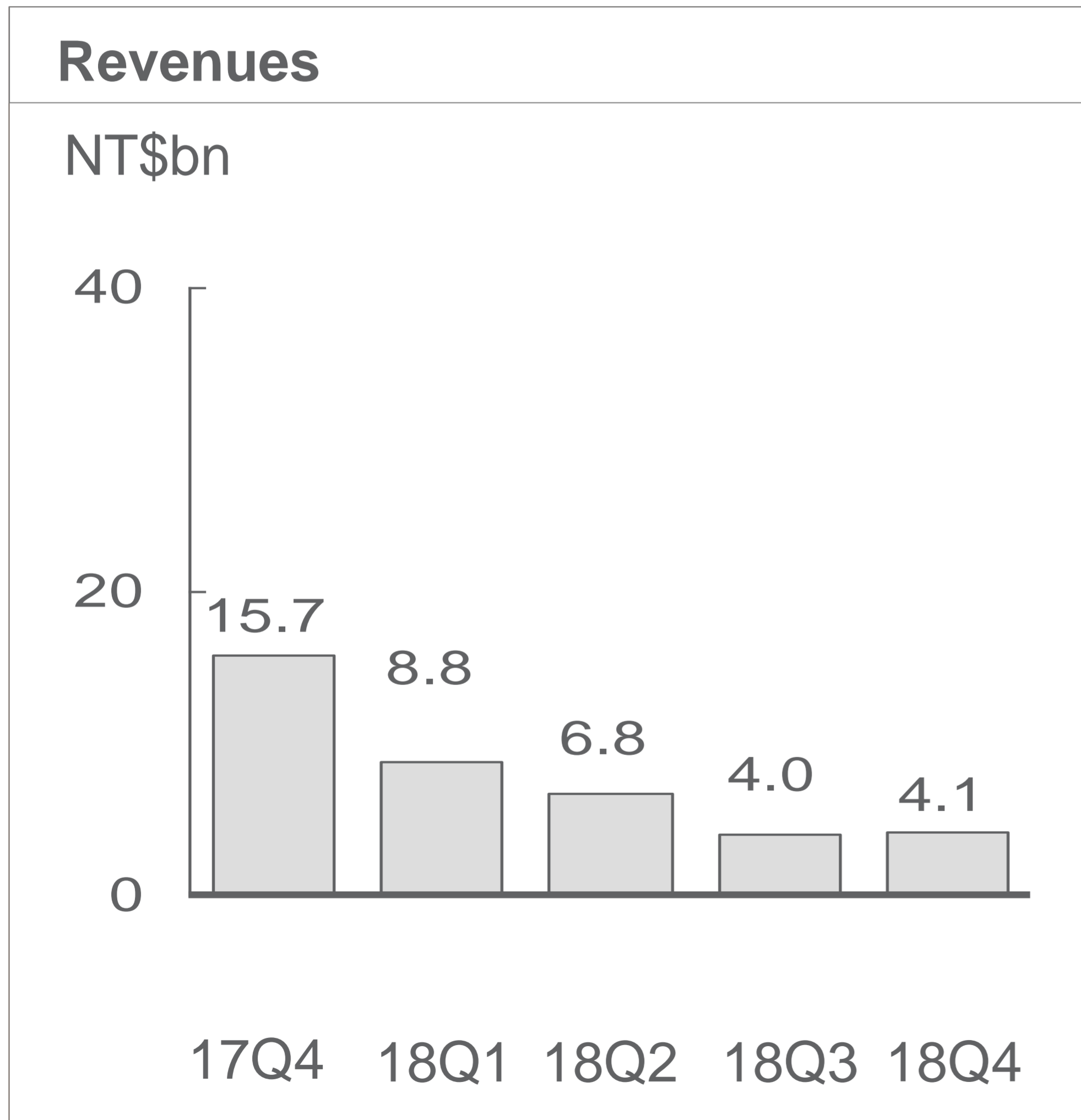
- FY2018 revenue of NT\$23.7 billion, gross profit of NT\$0.515 billion
- FY2018 after tax income of NT\$12.0 billion or NT\$14.72 earnings per share

EXECUTIVE SUMMARY

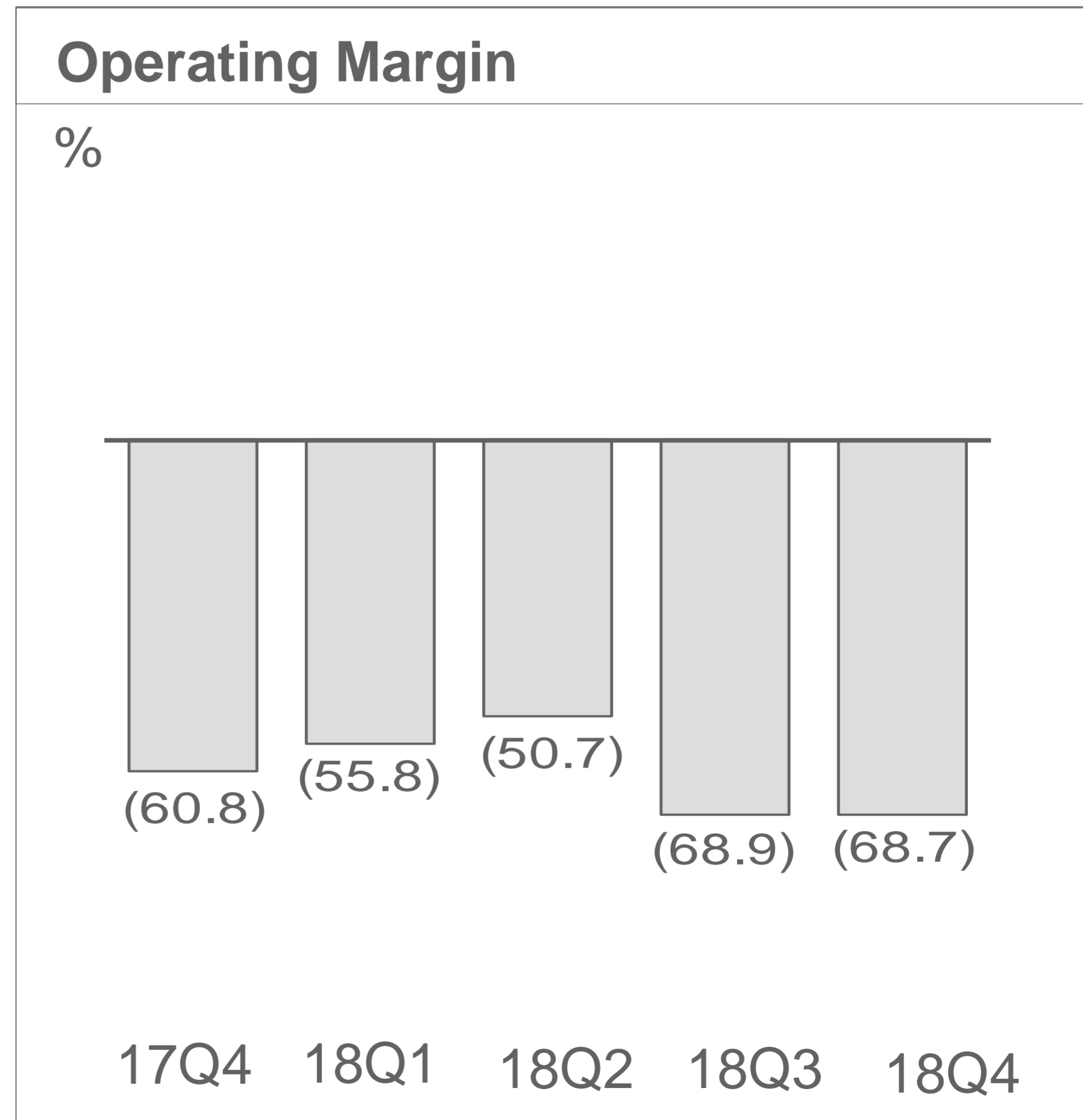
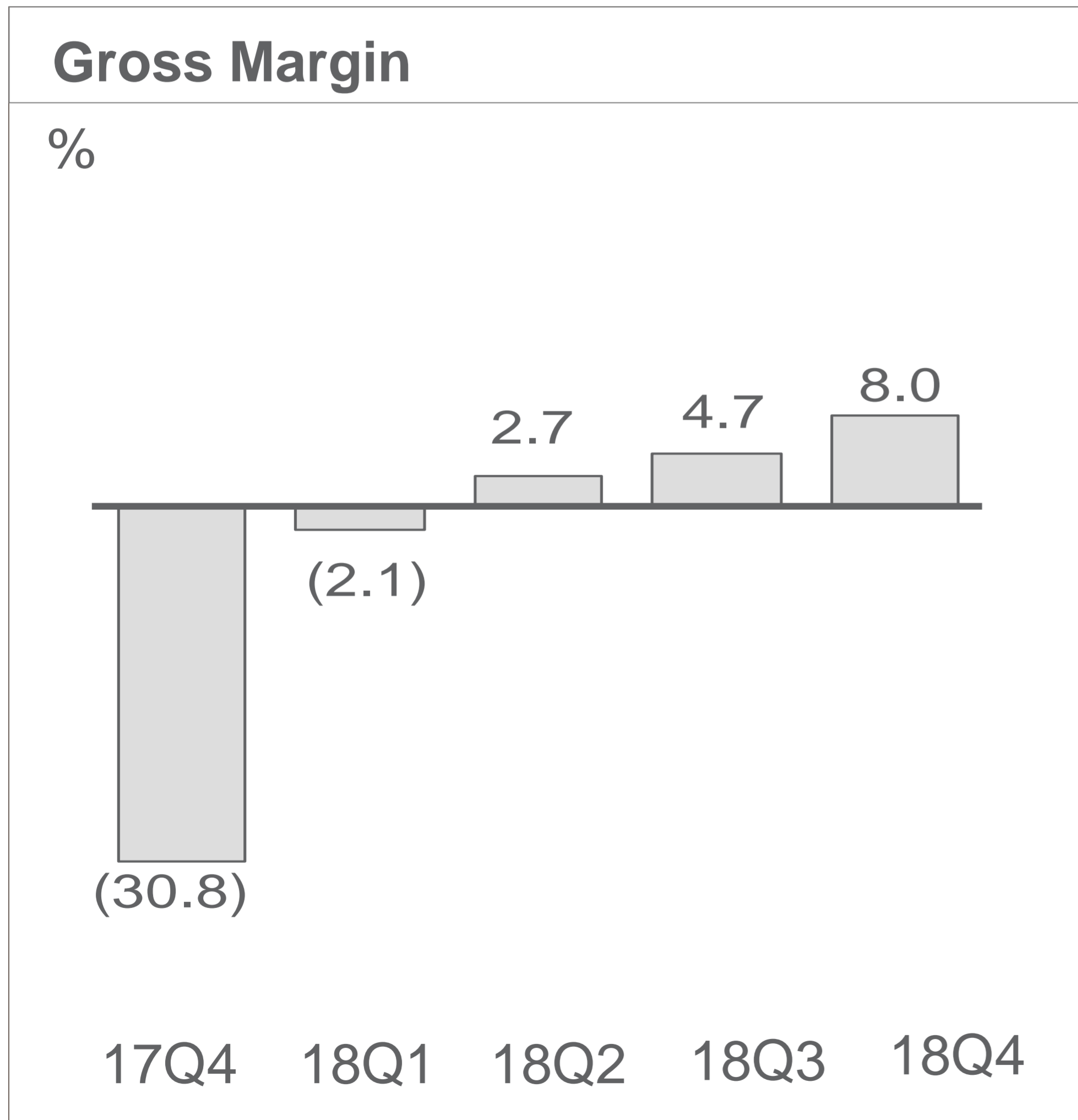
4Q18 Business Update:

- 5G Hub: joint announcements and demonstrations of the HTC 5G Hub by leading carriers Sprint, Telstra and China Mobile position HTC at the forefront of 5G innovation
- HTC VIVE: strong enterprise push in Q4'18, demonstrating VIVE's increased commitment to bringing best-in-class design and software expertise—paired with the world's best VR hardware—to businesses of all sizes. This included:
 - Global launch of the VIVE Focus for enterprise, offering the most complete and powerful standalone VR experience available for businesses on the market today.
 - Expansion of the VIVE Wave VR Platform ecosystem, with partner hardware firms including Shadow Creator building their standalone and smartphone-based head-mounted devices on the platform.
 - Launch of VIVE Sync, an intuitive collaboration tool for enterprises, where internal teams can meet in a virtual shared space, improving communication and productivity amongst organizations
- VIVE X: announced its fourth batch of 16 companies joining the accelerator program across six locations around the world, including London for the first time, with a focus on enterprise VR/AR. VIVE X has funded around a hundred companies since its inception in July 2016.
- Smartphones: HTC Desire 12s launched in December in some regions, continuing the trend in the series of affordable, high-quality, high-spec, entry-level smartphones, with dual-texture case, 13MP front and back cameras, Qualcomm octa-core CPU, and NFC and fingerprint sensor for safe payments.
- Blockchain: HTC 'Exodus 1', the early version of the blockchain phone, was launched in October, inviting cooperation from global crypto communities and developers. Preorders using Bitcoin or Ethereum opened, with delivery starting in December.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



4Q 2018 P&L (CONSOLIDATED)

NT\$bn	4Q 17	3Q 18	4Q 18
REVENUES	15.7	4.0	4.1
GROSS PROFIT	-4.8	0.2	0.3
OPERATING EXPENSE	<u>4.7</u>	<u>3.0</u>	<u>3.2</u>
SALES MKTING.	1.1	0.8	0.8
RESEARCH DEV.	2.6	1.4	1.4
GENERAL ADM.	1.0	0.8	0.9
OPERATING PROFIT	-9.6	-2.8	-2.8
NPBT	-9.8	-2.6	-4.5
NPAT ¹	-9.8	-2.6	-4.4
GROSS MARGIN (%)	-30.8%	4.7%	8.0%
OPERATING MARGIN (%)	-60.8%	-68.9%	-68.7%
EPS ² (NT\$)	-11.93	-3.18	-5.31

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

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

4Q 2018 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Dec 31, 17	Sep 30, 18	Dec 31, 18
TOTAL ASSETS	66.6	74.1	67.7
Cash ¹	18.4	43.5	41.5
AR	8.5	2.2	1.7
INVENTORY	7.4	4.4	3.3
OTHER ASSETS	32.3	24.0	21.2
TOTAL LIABILITIES	32.9	24.3	22.5
TOTAL EQUITY ²	33.7	49.7	45.2
<i>METRICS</i> ³			
DAYS SALES OUTSTANDING	67	117	93
INVENTORY TURNOVER DAYS	69	168	140
DAYS PAYABLE OUTSTANDING	74	255	237

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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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 24,449,548	36	\$ 10,443,227	16
Financial assets at fair value through profit or loss - current (Notes 7 and 35)	83,411	-	65,199	-
Financial assets at fair value through other comprehensive income - current (Note 9)	409,412	1	-	-
Available-for-sale financial assets - current (Note 35)	-	-	312,106	-
Trade receivables, net (Notes 12 and 36)	1,683,150	3	8,537,096	13
Other receivables (Note 12)	221,707	-	103,497	-
Current tax assets (Note 28)	222,387	-	131,901	-
Inventories (Note 13)	3,301,645	5	7,381,426	11
Prepayments (Note 14)	1,160,299	2	1,742,986	3
Non-current assets held for sale (Note 15)	-	-	1,647,763	3
Other current financial assets (Notes 11 and 37)	16,915,835	25	7,988,363	12
Other current assets	<u>12,812</u>	<u>-</u>	<u>135,821</u>	<u>-</u>
Total current assets	<u>48,460,206</u>	<u>72</u>	<u>38,489,385</u>	<u>58</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 35)	236,464	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 9)	2,325,020	3	-	-
Available-for-sale financial assets - non-current (Note 35)	-	-	91	-
Financial assets measured at cost - non-current (Notes 10 and 35)	-	-	3,187,240	5
Investments accounted for using equity method (Note 17)	446,133	1	413,120	1
Property, plant and equipment (Notes 18 and 36)	8,425,886	13	10,798,613	16
Investment properties, net (Note 19)	2,090,226	3	-	-
Intangible assets (Note 20)	1,181,256	2	2,315,441	3
Deferred tax assets (Note 28)	3,957,060	6	8,990,648	14
Refundable deposits (Note 35)	124,962	-	139,016	-
Net defined benefit asset - non-current (Note 24)	270,358	-	18,119	-
Other non-current financial assets (Notes 11 and 37)	153,638	-	-	-
Other non-current assets (Note 14)	<u>39,610</u>	<u>-</u>	<u>2,233,733</u>	<u>3</u>
Total non-current assets	<u>19,250,613</u>	<u>28</u>	<u>28,096,021</u>	<u>42</u>
TOTAL	<u>\$ 67,710,819</u>	<u>100</u>	<u>\$ 66,585,406</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 35)	\$ 82,156	-	\$ 75,184	-
Note and trade payables (Notes 21 and 36)	9,812,847	15	14,569,222	22
Other payables (Note 22)	9,223,293	14	11,681,890	18
Current tax liabilities (Note 28)	241,167	-	253,240	-
Provisions - current (Note 23)	2,004,190	3	3,377,201	5
Other current liabilities (Note 22)	<u>953,447</u>	<u>1</u>	<u>2,850,713</u>	<u>4</u>
Total current liabilities	<u>22,317,100</u>	<u>33</u>	<u>32,807,450</u>	<u>49</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 28)	43,451	-	47,147	-
Guarantee deposits received (Note 35)	<u>130,400</u>	<u>-</u>	<u>5,681</u>	<u>-</u>
Total non-current liabilities	<u>173,851</u>	<u>-</u>	<u>52,828</u>	<u>-</u>
Total liabilities	<u>22,490,951</u>	<u>33</u>	<u>32,860,278</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 25)				
Share capital - ordinary shares	8,188,135	12	8,208,261	12
Capital surplus	15,576,268	23	15,551,491	24
Retained earnings				
Legal reserve	18,297,655	27	18,297,655	27
Unappropriated earnings (accumulated deficits)	6,194,337	9	(6,093,403)	(9)
Other equity	<u>(3,087,557)</u>	<u>(4)</u>	<u>(2,268,428)</u>	<u>(3)</u>
Total equity attributable to owners of the parent	45,168,838	67	33,695,576	51
NON-CONTROLLING INTERESTS	<u>51,030</u>	<u>-</u>	<u>29,552</u>	<u>-</u>
Total equity	<u>45,219,868</u>	<u>67</u>	<u>33,725,128</u>	<u>51</u>
TOTAL	<u>\$ 67,710,819</u>	<u>100</u>	<u>\$ 66,585,406</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 1, 2019)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 8, 26 and 36)	\$ 23,740,610	100	\$ 62,119,814	100
OPERATING COST (Notes 13, 24, 27 and 36)	<u>23,225,592</u>	<u>98</u>	<u>60,780,122</u>	<u>98</u>
GROSS PROFIT	<u>515,018</u>	<u>2</u>	<u>1,339,692</u>	<u>2</u>
OPERATING EXPENSES (Notes 27 and 36)				
Selling and marketing	3,820,225	16	4,785,172	7
General and administrative	3,588,587	15	3,559,260	6
Research and development	<u>7,069,819</u>	<u>30</u>	<u>10,420,777</u>	<u>17</u>
Total operating expenses	<u>14,478,631</u>	<u>61</u>	<u>18,765,209</u>	<u>30</u>
OPERATING LOSS	<u>(13,963,613)</u>	<u>(59)</u>	<u>(17,425,517)</u>	<u>(28)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	1,235,879	5	673,103	1
Other gains and losses (Notes 8, 10, 14, 15, 18, 20 and 27)	29,994,218	127	(85,851)	-
Finance costs	(1,915)	-	(33,315)	-
Share of the loss of associates (Note 17)	<u>(36,087)</u>	<u>-</u>	<u>(87,255)</u>	<u>-</u>
Total non-operating income and expenses	<u>31,192,095</u>	<u>132</u>	<u>466,682</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	17,228,482	73	(16,958,835)	(27)
INCOME TAX (EXPENSE) BENEFIT (Note 28)	<u>(5,203,581)</u>	<u>(22)</u>	<u>38,476</u>	<u>-</u>
PROFIT (LOSS) FOR THE YEAR	<u>12,024,901</u>	<u>51</u>	<u>(16,920,359)</u>	<u>(27)</u>
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 24)	179,401	1	(33,129)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(857,107)	(4)	-	-
Income tax relating to items that will not be reclassified to profit or loss (Note 28)	<u>(21,529)</u>	<u>-</u>	<u>4,014</u>	<u>-</u>
	<u>(699,235)</u>	<u>(3)</u>	<u>(29,115)</u>	<u>-</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 133,388	-	\$ (1,401,328)	(2)
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>131,392</u>	<u>-</u>
	<u>133,388</u>	<u>-</u>	<u>(1,269,936)</u>	<u>(2)</u>
Other comprehensive income and loss for the year, net of income tax	<u>(565,847)</u>	<u>(3)</u>	<u>(1,299,051)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 11,459,054</u>	<u>48</u>	<u>\$ (18,219,410)</u>	<u>(29)</u>
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ 12,068,202	51	\$ (16,905,713)	(27)
Non-controlling interests	<u>(43,301)</u>	<u>-</u>	<u>(14,646)</u>	<u>-</u>
	<u>\$ 12,024,901</u>	<u>51</u>	<u>\$ (16,920,359)</u>	<u>(27)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ 11,500,096	48	\$ (18,205,286)	(29)
Non-controlling interests	<u>(41,042)</u>	<u>-</u>	<u>(14,124)</u>	<u>-</u>
	<u>\$ 11,459,054</u>	<u>48</u>	<u>\$ (18,219,410)</u>	<u>(29)</u>
EARNINGS (LOSS) PER SHARE (Note 29)				
Basic	<u>\$ 14.72</u>		<u>\$ (20.58)</u>	
Diluted	<u>\$ 14.50</u>		<u>\$ (20.58)</u>	

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

(With Deloitte & Touche audit report dated March 1, 2019)

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent												
	Retained Earnings				Other Equity						Total	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) Gains on Available-for-sale Financial Assets	Unearned Employee Benefit					
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 year ended December 31, 2017	-	-	-	(16,905,713)	-	-	-	-	(16,905,713)	(14,646)	(16,920,359)		
Other comprehensive income and loss for the year ended December 31, 2017	-	-	-	(29,115)	(1,401,850)	-	131,392	-	(1,299,573)	522	(1,299,051)		
Issuance of stock from exercise of employee stock options	100	445	-	-	-	-	-	-	545	-	545		
Share-based payments	(11,926)	(63,595)	-	-	-	-	-	204,332	128,811	-	128,811		
Non-controlling interests	-	-	-	-	-	-	-	-	-	43,676	43,676		
BALANCE, DECEMBER 31, 2017	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 (loss) for the year ended December 31, 2018	-	-	-	12,068,202	-	-	-	-	12,068,202	(43,301)	12,024,901		
Other comprehensive income and loss for the year ended December 31, 2018	-	-	-	157,872	131,129	(857,107)	-	-	(568,106)	2,259	(565,847)		
Changes in capital surplus from investments in associates accounted for using the equity method	-	60,873	-	-	-	-	-	-	60,873	-	60,873		
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	(21,616)	(42,727)	-	-	-	-	-	42,513	(21,830)	-	(21,830)		
BALANCE, DECEMBER 31, 2018	\$ 8,188,135	\$ 15,576,268	\$ 18,297,655	\$ 6,194,337	\$ (2,052,019)	\$ (1,028,461)	\$ -	\$ (7,077)	\$ 45,168,838	\$ 51,030	\$ 45,219,868		

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

(With Deloitte & Touche audit report dated March 1, 2019)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 17,228,482	\$ (16,958,835)
Adjustments for:		
Depreciation expenses	575,573	1,006,481
Amortization expenses	1,198,288	1,386,637
Expected credit loss recognized (reversed) on trade receivables	82,964	(362,870)
Finance costs	1,915	33,315
Interests income	(546,772)	(283,574)
Dividend income	-	(47,284)
Compensation costs of employee share-based payments (reversed)	(21,830)	128,811
Share of the profit or loss of associates and joint venture	36,087	87,255
Net (gain) loss on disposal of property, plant and equipment	(245,446)	80,397
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)	-
Net gain on disposal of investments	-	(24,305)
Net gain on disposal of subsidiary	(15,396)	-
Impairment loss on financial assets	-	109,779
Impairment loss on non-financial assets	3,374,551	6,048,636
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(11,240)	20,207
Decrease in trade receivables	6,767,396	7,787,609
(Increase) decrease in other receivables	(18,873)	77,814
Decrease in inventories	3,022,777	1,068,702
Decrease in prepayments	539,518	90,513
Decrease (increase) in other current assets	123,009	(67,407)
(Increase) decrease in other non-current assets	(310,074)	396,101
Decrease in note and trade payables	(4,756,375)	(11,678,506)
Decrease in other payables	(2,413,211)	(6,662,537)
Decrease in provisions	(1,373,011)	(7,110)
Decrease in other current liabilities	(520,745)	(1,595,625)
Cash used in operations	(9,645,044)	(19,365,796)
Interest received	447,435	280,246
Interest paid	(1,915)	(33,315)
Income tax (paid) return	(296,300)	109,418
Net cash used in operating activities	<u>(9,495,824)</u>	<u>(19,009,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(161,097)	-
Purchase of financial assets at fair value through profit or loss	(107,067)	-
Purchase of financial assets measured at cost	-	(218,734)
Proceeds from disposal of financial assets measured at cost	-	91,107
Acquisition of associates	-	(6,019)
Net cash inflow on acquisition of subsidiaries	-	5,974

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Net cash inflow on disposal of subsidiary	\$ 106,918	\$ -
Payments for non-current assets held for sale	-	(3,830)
Proceeds from disposal of non-current assets held of sale	2,748,931	-
Payments for property, plant and equipment	(575,465)	(262,375)
Proceeds from disposal of property, plant and equipment	385,287	17,766
(Decrease) increase in advance receipts - disposal of property	(1,374,465)	1,388,243
Decrease in refundable deposits	14,054	1,362,464
Payments for intangible assets	(53,725)	(566)
Increase in other current financial assets	(9,081,110)	(2,237,913)
Dividend received	-	47,284
Proceeds from disposal of assets and licensing income (Note 27)	<u>31,285,385</u>	<u>-</u>
Net cash generated from investing activities	<u>23,187,646</u>	<u>183,401</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	124,719	-
Refund of guarantee deposits received	-	(16,425)
Proceeds from exercise of employee share options	8,121	545
Change in non-controlling interests	<u>19,454</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>152,294</u>	<u>(15,880)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>162,205</u>	<u>(795,064)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,006,321	(19,636,990)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>10,443,227</u>	<u>30,080,217</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 24,449,548</u>	<u>\$ 10,443,227</u>

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

(With Deloitte & Touche review audit dated March 1, 2019)

(Concluded)