



# HTC CORPORATION

## 1Q15 BUSINESS REVIEW

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APRIL 28th, 2015

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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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- 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

## 1Q Financial Highlights:

- Revenue: NT\$41.5 billion
- Gross margin and operating margin: 19.7% and 0.05%, respectively
- Net profit after tax: NT\$0.36 billion, or NT\$0.43 per share

## 1Q Overview:

- Revenue was up 25% year-on-year, boosted by tailored portfolios for individual markets and targeted marketing efforts. The US saw the strongest growth since 2011, while markets in Europe and the Middle East continued momentum for flagship and Desire family. Taiwan continued market share gains in mid-end segment on top of sustained momentum in high-end. India consolidated HTC's brand preference in our target segment.
- Successful launch of HTC One (M9) with major carriers and distributor partners globally. Introduced M9+ for certain emerging markets, with larger 5.2" display and fingerprint sensor.
- Partnered with Under Armour and Valve to capture growth in fitness and virtual reality fields respectively.

# EXECUTIVE SUMMARY

## Recent appointments

- Cher Wang, Chairwoman and co-founder of HTC, appointed CEO.
- Peter Chou appointed head of HTC Future Labs.

## Product Innovation

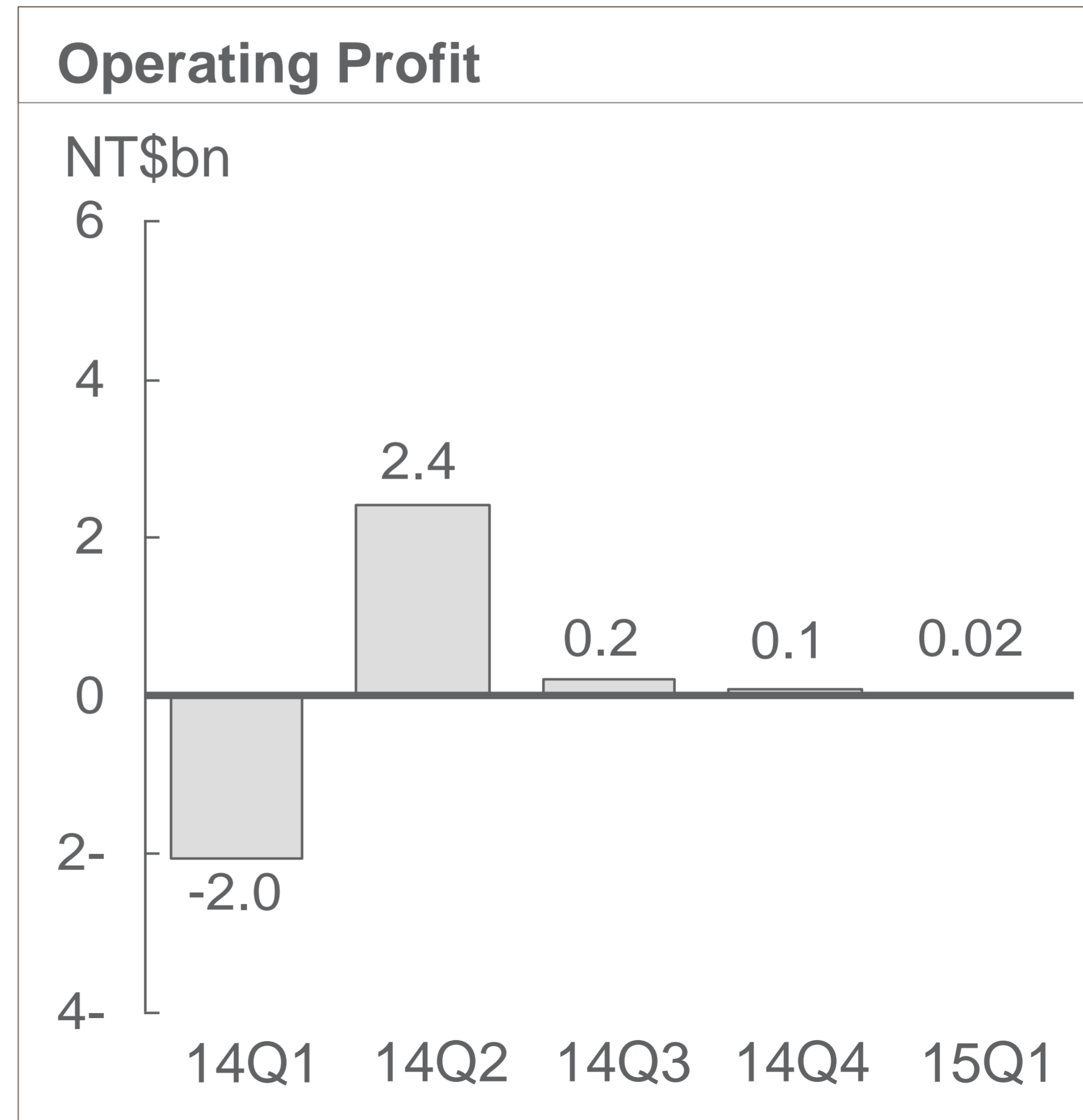
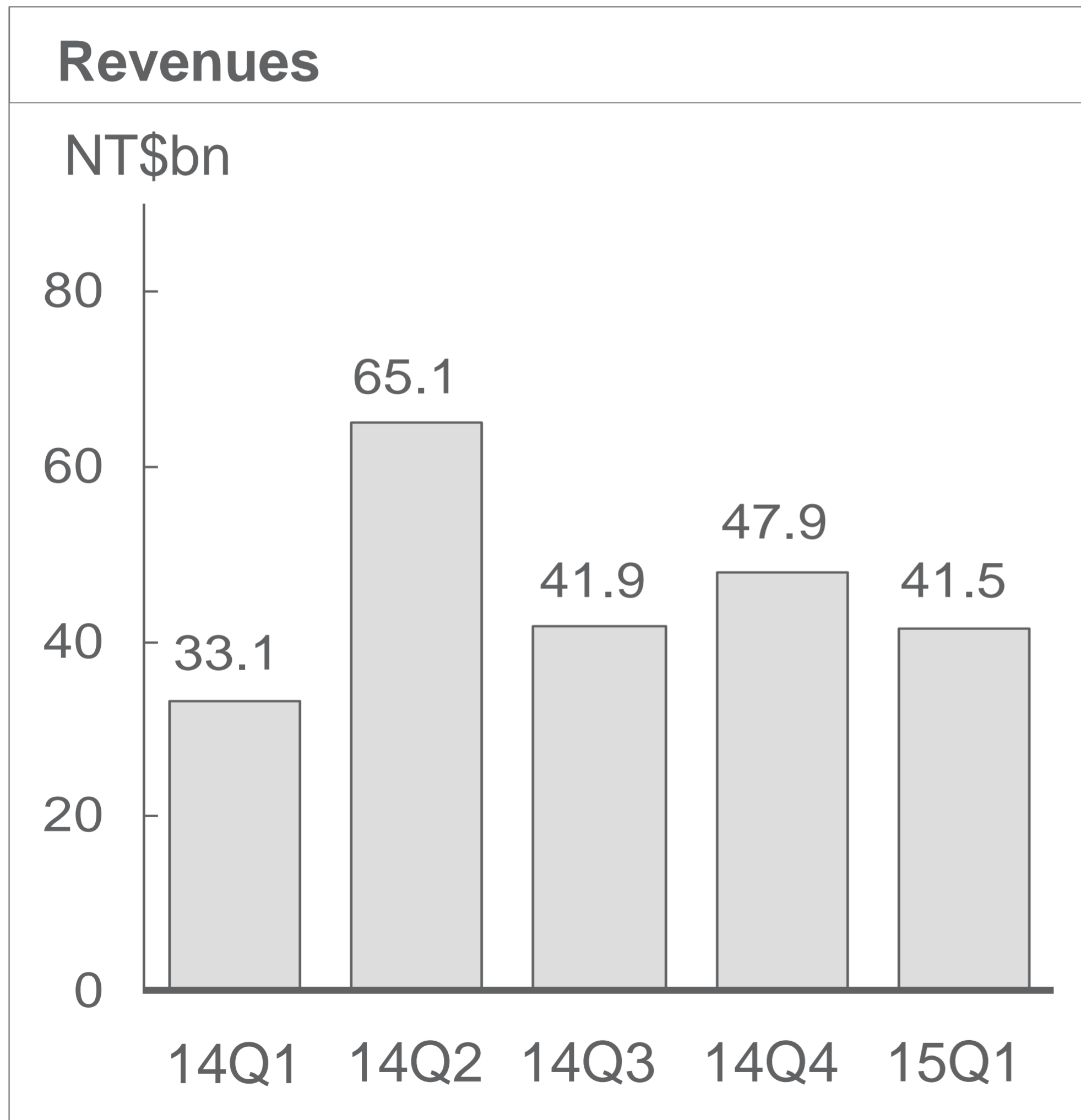
- HTC One M9 features jewelry-grade dual-tone metal unibody, the all-new Sense 7, HTC BoomSound with Dolby surround sound simulation, beautiful design and stunning quality.
- HTC Grip empowers athletes pursuing peak performance. GPS-integrated and powered by UA Record, Grip allows users to stay connected and is compatible with both Android and iOS devices.
- HTC Vive, in partnership with Valve, offers the most advanced and immersive virtual reality experience, conveying HTC's vision to forever transform the ways in which people interact with the world.

# EXECUTIVE SUMMARY

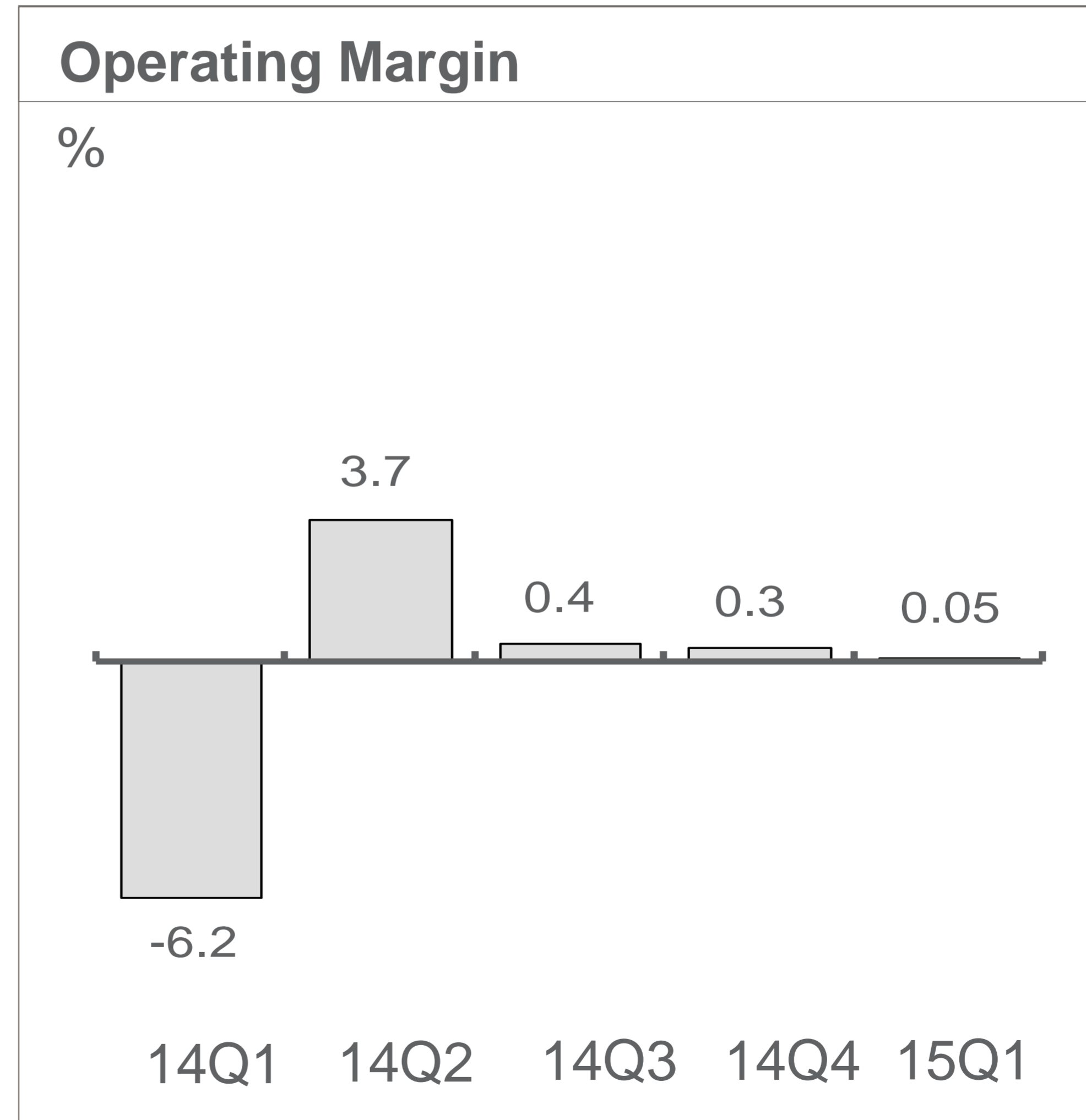
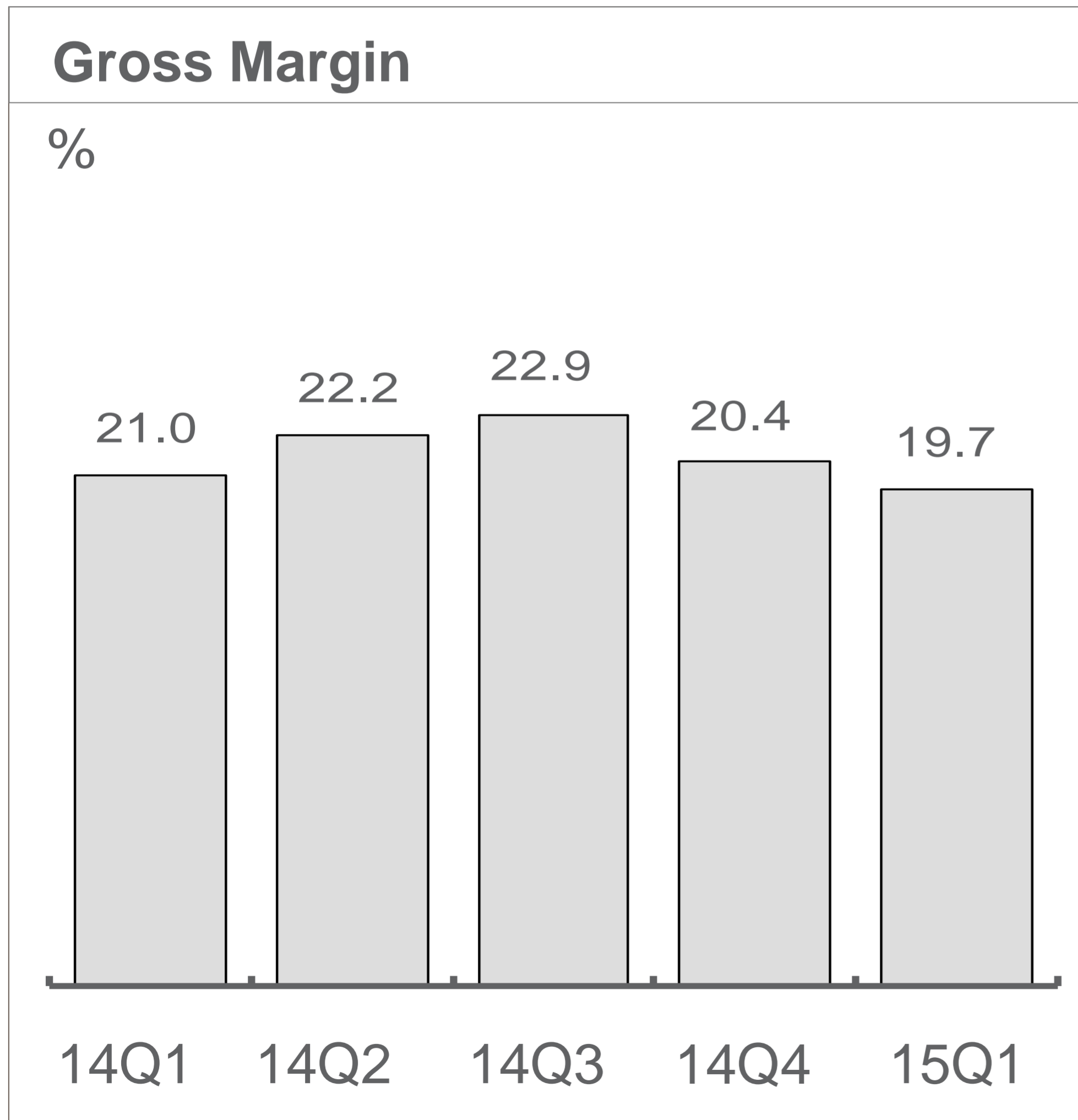
## Awards and Honors:

- HTC One M9 received editor's choice and top rating stamp awards from numerous publications around the world, and was ranked among the best products or smartphones at MWC 2015 by Yahoo! Tech, PC Mag, Engadget, and Pocket Lint.
- The HTC Grip garnered Best Fitness Wearable by both Chip Chick and TechnoBuffalo.
- The HTC Vive attracted many "Best in show" awards at MWC, from TechRadar, Gizmodo, Digital Trends, Mashable, Tom's Guide, and Ubergizmo, amongst others.

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



# 1Q 2015 P&L (CONSOLIDATED)

NT\$bn	1Q 14	4Q 14	1Q 15
REVENUES	33.1	47.9	<b>41.5</b>
GROSS PROFIT	7.0	9.7	<b>8.2</b>
OPERATING EXPENSE	<u>9.0</u>	<u>9.6</u>	<u><b>8.1</b></u>
SALES MKTING.	4.5	4.9	<b>3.5</b>
RESEARCH DEV.	3.0	3.8	<b>3.4</b>
GENERAL ADM.	1.5	0.9	<b>1.2</b>
OPERATING PROFIT	-2.0	0.1	<b>0.02</b>
NPBT	-1.88	0.5	<b>0.5</b>
NPAT <sup>1</sup>	-1.88	0.5	<b>0.36</b>
GROSS MARGIN (%)	21.0%	20.4%	<b>19.7%</b>
OPERATING MARGIN (%)	-6.2%	0.3%	<b>0.05%</b>
EPS <sup>2</sup> (NT\$)	-2.28	0.57	<b>0.43</b>

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

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



# 1Q 2015 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Mar 31, 14	Dec 31, 14	Mar 31, 15
TOTAL ASSETS	165.5	163.8	<b>165.5</b>
CASH	43.9	55.7	<b>51.7</b>
AR	22.9	29.1	<b>32.9</b>
INVENTORY	25.1	17.2	<b>21.7</b>
OTHER ASSETS	73.6	61.8	<b>59.2</b>
TOTAL LIABILITIES	89.0	83.5	<b>85.8</b>
TOTAL EQUITY <sup>1</sup>	76.5	80.3	<b>79.7</b>
<b><i>METRICS</i></b> <sup>2</sup>			
DAYS SALES OUTSTANDING	72	58	<b>75</b>
INVENTORY TURNOVER DAYS	96	54	<b>58</b>
DAYS PAYABLE OUTSTANDING	156	104	<b>126</b>

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

2. Financial metrics are calculated based on quarterly numbers, starting from 2Q 2012

## 2Q 2015 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$46 billion to NT\$51 billion
- Gross profit margin is expected to be 23% to 23.5%
- EPS is expected to be in the range of NT\$0.06 to NT\$0.34

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**thank you**\_\_\_\_\_

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

	March 31, 2015		March 31, 2014			March 31, 2015		March 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	\$ 51,715,168	31	\$ 43,930,278	27	Short-term borrowings	\$ -	-	\$ 2,518,268	2
Financial assets at fair value through profit or loss - current	75,490	-	97,386	-	Financial liabilities at fair value through profit or loss - current	49,883	-	-	-
Derivative financial assets for hedging - current	5,604	-	-	-	Note and trade payables	48,056,405	29	43,211,781	26
Debt investments with no active market - current	7,849	-	-	-	Other payables	28,100,046	17	34,929,759	21
Trade receivables, net	32,896,611	20	22,936,333	14	Current tax liabilities	163,762	-	659,692	-
Other receivables	411,476	-	2,107,931	1	Provisions - current	7,419,070	5	6,311,041	4
Current tax assets	255,625	-	213,059	-	Other current liabilities	1,746,102	1	952,823	1
Inventories	21,700,178	13	25,122,403	15	Total current liabilities	85,535,268	52	88,583,364	54
Prepayments	6,351,849	4	6,773,141	4					
Other current financial assets	585,477	1	2,601,678	2	<b>NON-CURRENT LIABILITIES</b>				
Other current assets	89,945	-	126,076	-	Deferred tax liabilities	208,102	-	158,793	-
Total current assets	114,095,272	69	103,908,285	63	Guarantee deposits received	37,305	-	264,494	-
					Total non-current liabilities	245,407	-	423,287	-
<b>NON-CURRENT ASSETS</b>					Total liabilities	85,780,675	52	89,006,651	54
Available-for-sale financial assets - non-current	76	-	208	-					
Financial assets measured at cost - non-current	2,629,422	2	5,062,511	3	<b>EQUITY</b>				
Investments accounted for using the equity method	231,956	-	224,645	-	Share capital - common stock	8,280,381	5	8,403,521	5
Property, plant and equipment	22,838,389	14	24,910,603	15	Capital surplus	15,110,690	9	14,742,307	9
Intangible assets	6,736,526	4	8,459,667	5	Retained earnings				
Deferred tax assets	8,358,477	5	8,727,935	5	Legal reserve	18,149,350	11	18,149,350	11
Refundable deposits	268,340	-	275,570	-	Special reserve	-	-	854,138	-
Long-term receivables	1,338,632	1	1,206,060	1	Unappropriated earnings	38,180,902	23	44,494,871	27
Prepaid pension cost - non-current	113,484	-	129,776	-	Total retained earnings	56,330,252	34	63,498,359	38
Other non-current assets	8,864,346	5	12,571,093	8	Other equity	(27,078)	-	1,152,333	1
Total non-current assets	51,379,648	31	61,568,068	37	Treasury shares	-	-	(11,326,818)	(7)
					Total equity	79,694,245	48	76,469,702	46
<b>TOTAL</b>	<b>\$ 165,474,920</b>	<b>100</b>	<b>\$ 165,476,353</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 165,474,920</b>	<b>100</b>	<b>\$ 165,476,353</b>	<b>100</b>

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

	Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
REVENUES	\$ 41,524,272	100	\$ 33,120,843	100
COST OF REVENUES	<u>33,361,502</u>	<u>80</u>	<u>26,157,178</u>	<u>79</u>
GROSS PROFIT	<u>8,162,770</u>	<u>20</u>	<u>6,963,665</u>	<u>21</u>
OPERATING EXPENSES				
Selling and marketing	3,499,419	9	4,464,754	13
General and administrative	1,199,454	3	1,539,892	5
Research and development	<u>3,443,424</u>	<u>8</u>	<u>3,006,710</u>	<u>9</u>
Total operating expenses	<u>8,142,297</u>	<u>20</u>	<u>9,011,356</u>	<u>27</u>
OPERATING PROFIT (LOSS)	<u>20,473</u>	<u>-</u>	<u>( 2,047,691)</u>	<u>( 6)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	125,594	-	106,962	-
Other gains and losses	372,246	1	67,188	-
Finance costs	( 1,489)	-	( 4,863)	-
Share of the profit or loss of associates and joint ventures	<u>( 2,568)</u>	<u>-</u>	<u>( 2,859)</u>	<u>-</u>
Total non-operating income and expenses	<u>493,783</u>	<u>1</u>	<u>166,428</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	514,256	1	( 1,881,263)	( 6)
INCOME TAX	<u>154,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT (LOSS) FOR THE PERIOD	<u>\$ 360,058</u>	<u>1</u>	<u>(\$ 1,881,263)</u>	<u>( 6)</u>
EARNINGS (LOSS) PER SHARE				
Basic	<u>\$ 0.43</u>		<u>(\$ 2.28)</u>	
Diluted	<u>\$ 0.43</u>		<u>(\$ 2.28)</u>	

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

	Three Months Ended March 31	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 514,256	(\$ 1,881,263)
Adjustments for:		
Depreciation expenses	713,244	785,083
Amortization expenses	482,011	464,673
Finance costs	1,489	4,863
Interests income	( 96,174)	( 62,173)
Dividend income	-	( 3,680)
Compensation cost of employee share-based payments	157,936	48,670
Share of the profit or loss of associates and joint ventures	2,568	2,859
Losses on disposal of property, plant and equipment	2,103	751
Impairment loss on non-financial assets	-	80,657
Ineffective portion of cash flow hedges	( 88)	-
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	214,513	64,911
(Increase) decrease in trade receivables	( 3,756,327)	434,839
Decrease in other receivables	175,911	26,576
Increase in inventories	( 4,487,118)	( 1,603,502)
Decrease (increase) in prepayments	274,257	( 969,397)
Decrease (increase) in other current assets	9,324	( 1,268)
Decrease (increase) in other non-current assets	1,049,644	( 764,343)
Increase (decrease) in note and trade payables	4,253,062	( 3,064,070)
Decrease in other payables	( 4,055,364)	( 2,840,701)
Increase (decrease) in provisions	1,577,891	( 1,897,844)
Increase (decrease) in other current liabilities	602,968	( 3,304)
Cash used in operations	( 2,363,894)	( 11,177,663)
Interest received	86,989	65,319
Interest paid	( 1,489)	( 3,378)
Income tax paid	( 91,000)	( 410,439)
Net cash used in operating activities	( 2,369,394)	( 11,526,161)

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

	Three Months Ended March 31	
	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire financial assets measured at cost	(\$ 60,233)	(\$ 383,349)
Payments for property, plant and equipment	( 277,892)	( 477,451)
Proceeds from disposal of property, plant and equipment	6,704	2,511
Increase in refundable deposits	( 5,600)	-
Decrease in refundable deposits	-	77,324
Payments for intangible assets	( 59,358)	( 132,557)
Increase in other current financial assets	( 250,523)	-
Decrease in other current financial assets	-	169,345
Dividends received	-	3,680
Net cash used in investing activities	<u>( 646,902)</u>	<u>( 740,497)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	2,518,268
Increase in guarantee deposits received	-	8,079
Refund of guarantee deposits	( 5,925)	-
Net cash (used in) generated from financing activities	<u>( 5,925)</u>	<u>2,526,347</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>( 1,006,169)</u>	<u>371,648</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>( 4,028,390)</u>	<u>( 9,368,663)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>55,743,558</u>	<u>53,298,941</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 51,715,168</u>	<u>\$ 43,930,278</u>