

HTC CORPORATION

2Q BUSINESS REVIEW

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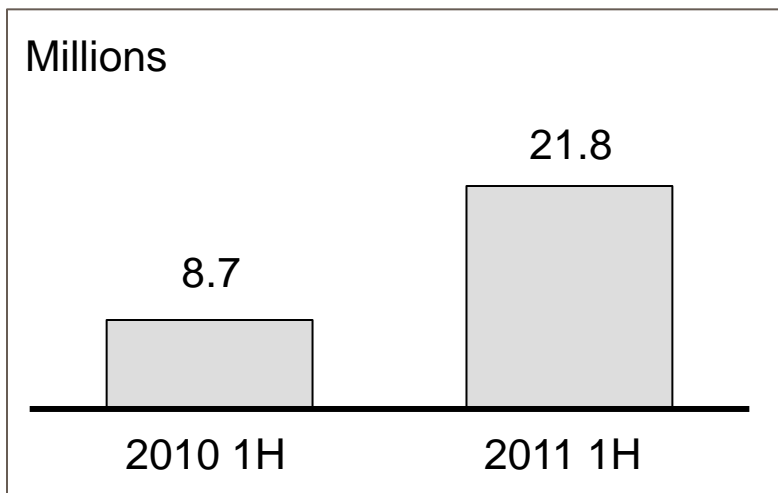
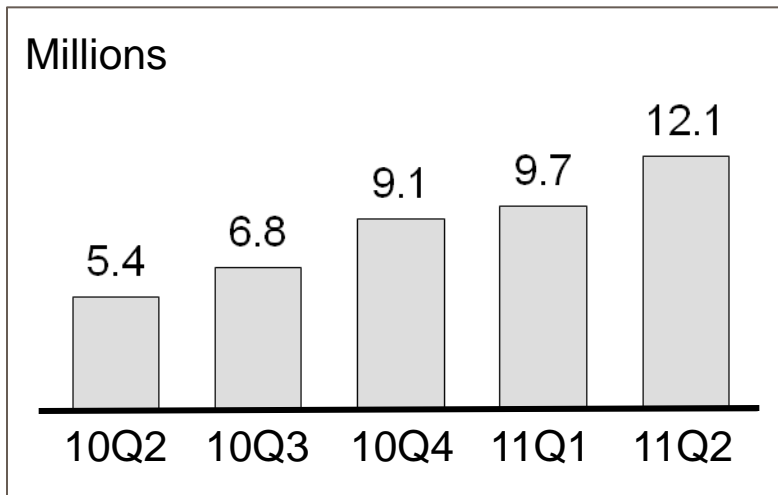
2Q11 BUSINESS REVIEW

- 2Q revenue was NT\$124.40bn, up 104% yoy, better than original guidance
- 2Q net income reached NT\$17.52bn, up 103% yoy and 18% qoq
- 2Q shipment grew 124% yoy to 12.1mn units
- 2Q GPM in line with original guidance at 28.8%
- 2Q OPEX ratio was 13.3%; 2Q operating margin was 15.5%, within the guidance range

EXECUTIVE SUMMARY

- 2Q new products (Sensation, EVO 3D, Wildfire S, ChaCha, Salsa, and Flyer) continue to show HTC's leadership in innovation and global brand recognition
- Incorporated HTC Watch video platform into HTC Sense starting from Sensation and Flyer. Digital content capability greatly enriches mobile lifestyle of HTC users
- Announced OpenSense to build HTC developer community, thereby broadening Sense user experience, via proprietary HTC APIs such as 3D display and tablet pen
- EVO 3D marks another technological breakthrough to bring 3D content to mobile devices and enable next generation mobile internet experience
- Sprint's EVO family and Verizon's Thunderbolt continue to drive mobile broadband to 4G speed
- Phase III brand development to focus on strengthening brand preference and creating emotion connection to consumers. Global brand momentum has been going up which indicates HTC is now firmly established in consumer minds as a "brand of the future"

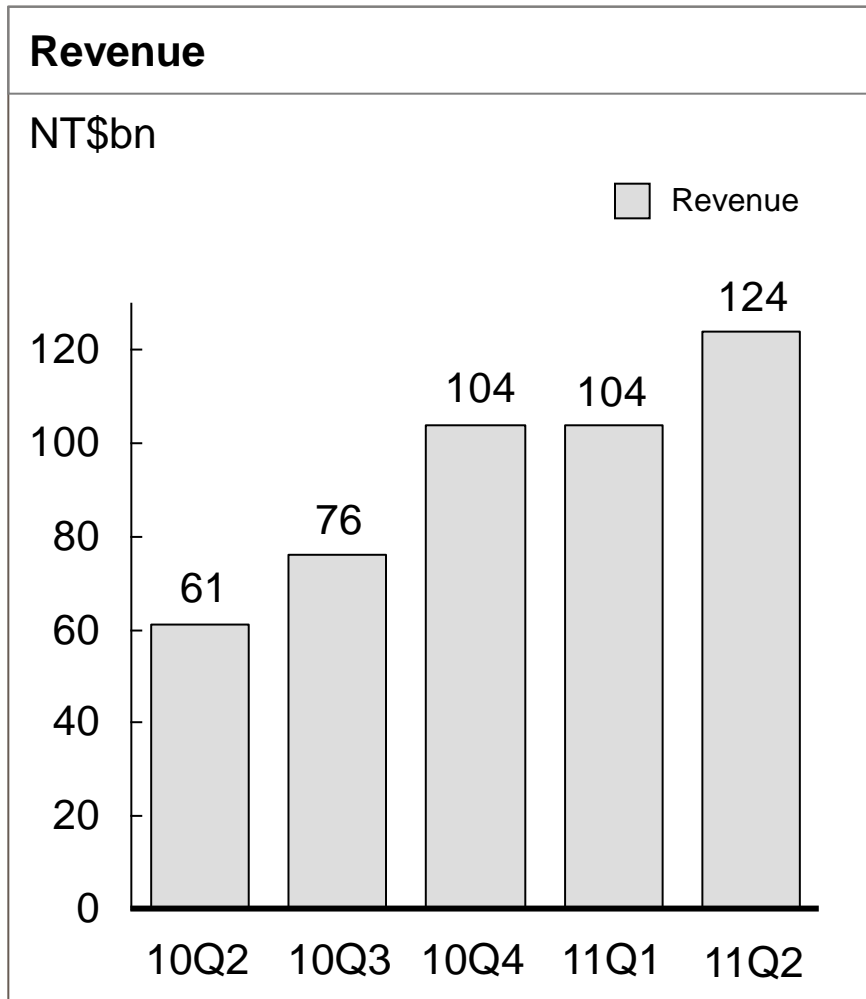
HANDSET SHIPMENT



Comments

- Handset shipment for 2Q was 12.1mn units, up 124% yoy, 25% qoq
- Newly launched Sensation and EVO 3D further strengthen HTC's leadership in the super-phone segment
- Entry-level models, such as Wildfire S and ChaCha, bring smart phones within reach of a wider market

REVENUE

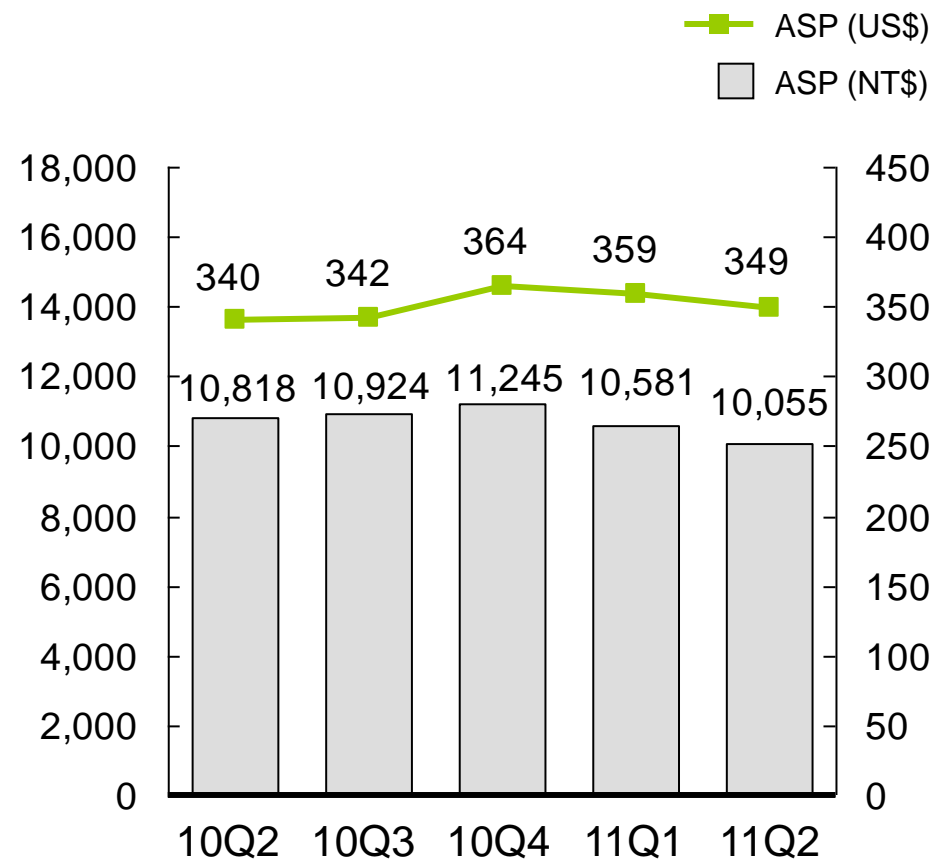


Comments

- Revenue for 2Q was NT\$124.4bn, up 104% yoy, 19% qoq
- Revenue reached new high again thanks to strong brand recognition and new product cycles
- Americas and Europe continue to show solid growth while Asia grew particularly strongly

AVERAGE SELLING PRICE

Quarterly ASP



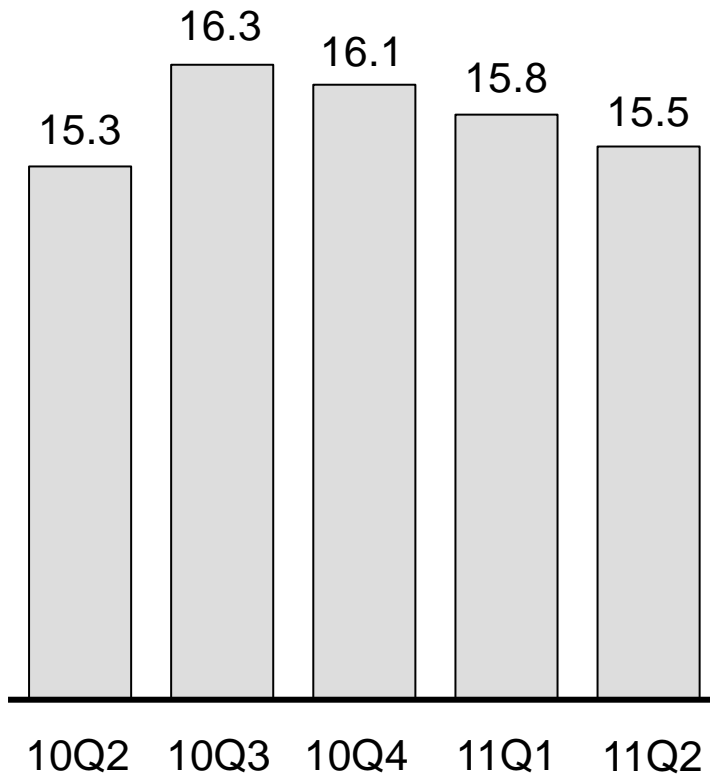
Comments

- ASP (in USD) was US\$349, up 2.6% yoy, down 2.8% qoq
- ASP (in NTD) was NT\$10,055, down 7.1% yoy and 5.0% qoq
- A number of entry-level models ramped in 2Q and slightly lowered overall ASP

MARGINS

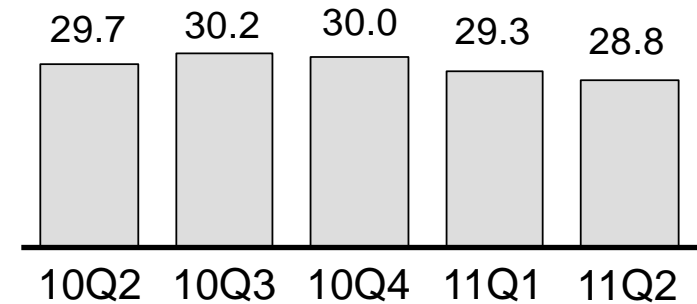
Operating Margin

%



Gross Margin

%



Comments

- Margins came down slightly due to product mix changes
- Will continue to enhance operation efficiency to sustain operating margin

2Q11 P&L (CONSOLIDATED)

NT\$bn	2Q 10	1Q 11	2Q 11	QOQ	YOY
REVENUES	60.96	104.16	124.40	19.4%	104.1%
<u>GROSS PROFIT</u>	<u>18.13</u>	<u>30.47</u>	<u>35.77</u>	<u>17.4%</u>	<u>97.4%</u>
<u>RSGA EXPENSE</u>	<u>8.77</u>	<u>14.00</u>	<u>16.53</u>	<u>18.1%</u>	<u>88.4%</u>
NOP	9.35	16.47	19.24	16.8%	105.7%
NPBT	9.75	17.05	19.97	17.1%	104.9%
NPAT ¹	8.64	14.83	17.52	18.1%	102.9%
GPM (%)	29.7%	29.3%	28.8%		
RSGA RATIO (%)	14.4%	13.4%	13.3%		
EPS ² (NT\$)	10.56	18.36	21.69 (before ex-rights)		
<i>Profitability Metrics</i>					
ROA (%)	20	29	29		
ROE (%)	45	72	82		

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

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

2Q11 BALANCE SHEETS (CONSOLIDATED)

NT\$bn	June 30, 10	Mar 31, 11	June 30, 11	QOQ	YOY
TOTAL ASSETS	148.48	221.68	260.58	17.5%	75.5%
CASH ¹	78.90	95.27	116.44	22.2%	47.6%
AR	38.98	61.76	69.99	13.3%	79.6%
INVENTORY	11.98	29.72	30.94	4.1%	158.2%
OTHER ASSETS	18.62	34.93	43.20	23.7%	132.0%
TOTAL LIABILITIES	92.13	131.85	177.21	34.4%	92.4%
TOTAL EQUITY ²	56.34	89.83	83.37 ³	-7.2%	48.0%
METRICS					
DAYS SALES OUTSTANDING	63	55	53		
INVENTORY TURNOVER DAYS	31	39	37		
DAYS PAYABLE OUTSTANDING	84	81	80		

1 Includes cash equivalents.

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

3 After the deduction of cash dividend NT\$29.89bn (NT\$37 per share).

MANAGEMENT INITIATIVES

- Appointed Jason Mackenzie as President for Global Sales and Marketing to drive HTC's sales strategies and go-to-market execution
- Acquired 235 issued patents and patent applications from S3 Graphics for US\$300 million – to strengthen patent portfolio and enhance royalty cost structure
- Approved two share buyback tranches at price range from NT\$900 to NT\$1,100
 - Maximum 10 million treasury shares buyback program for employee incentive purpose from July 18th to Aug .17th.
 - Maximum 10 million treasury share buyback program for cancellation from Aug.18th to Sep. 17th.
- China was our “standout” market on brand development – brand awareness, preference, and ownership all increased 10% showing very strong conversion through the brand funnel
- Launched, together with SINA WeiBo (China’s most influential Social Network Service), China’s first optimized SNS smart phone “HTC微客”; aim to develop dedicated Chinese mobile internet user experience

3Q11 BUSINESS OUTLOOK

- 3Q revenue expected to be around NT\$137bn, up 10% qoq and 80% yoy
- 3Q shipment expected to be around 13.5mn units, up 98% yoy
- GPM expected to be around 28%±0.5%
- OPM expected to be in the range of 15%±0.5%

htc
quietly brilliant