

HTC CORPORATION

2Q BUSINESS REVIEW

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DISCLAIMER STATEMENT

- This presentation and release contains “forward-looking statements” which may include our future results of operations, financial condition or business prospects, are based on our own information and from 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 and HTC undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

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2Q10 BUSINESS REVIEW

- 2Q unit was 5.4mn which grew 80% yoy.
- 2Q revenue reached NT\$60.5bn which grew 58.5% yoy, better than original guidance.
- 2Q GPM was 29.5% (would be 30.3% excludes currency impact*).
- 2Q OPEX ratio came better than original guidance at 14.4%; therefore, 2Q operating margin reached 15.2%.

* Compared to the currency assumption from last earning call on April 28th

** All the numbers above are based on unconsolidated financial statements.

STRATEGIC REVIEWS

- **Scale expansion:** Growth momentum continues to accelerate and record high quarterly sales is achieved amid a rapidly growing smart phone industry.
 - Robust demand, coming across the board globally, drove our record high unit momentum and substantially exceeded our original guidance; We see very strong sequential unit growth from both US and Europe for the quarter.
 - Sequentially improved operating margin evidences how scale help us gains operating leverage on marketing spending and overall operation efficiency.
 - Strong and record sell through shows consumer preference of HTC brand and HTC Sense user experience of all major 1H new products such as Desire, Droid Incredible, EVO 4G, HD2, Legend, and myTouch 3G Slide; supply chain and capacity management was implemented to aim for continuous scale expansion in 2H.

STRATEGIC REVIEWS

- **Scale expansion:**
 - Broad range of hero products are supporting our scale growth at present, and each of our hero product portfolio is capable to deliver multi-million unit on its own market segment; which provides a strong and sustainable growth engine for our scale strategy today compared to our historic niche scale level where we had only limited hero products at most per year and unit run rate per product is capped at sub million scale on average.
 - The pattern of current scale expansion is less volatile because we are not relying on one single hero product nor is our go-to-market push is constrained to only a few operator customers; on contrast, we are ahead of competition to deliver a cutting-edge portfolio to maximize our market share of operator shelf space globally. We are confident to continue drive scale by staying on top of technology curve, offering the best user experience and creating attractive product design innovation along with growing brand awareness.

STRATEGIC REVIEWS

- **Ramping brand awareness:** Brand preference has rapidly grown where we are in the top 3 for smart phone consideration in many of the major markets (top 4 overall). This is driven by our brand awareness which has sharply increased to 40% from barely 10% globally last year.
- “Quietly Brilliant” global brand positioning is really resonating with new consumers to HTC brand via substantially increased marketing investment on YOU-Campaign worldwide.
- HTC sense user experience truly differentiates and enriches our brand value and we are consistently being rewarded as the top 2 most recommended brands by independent reviews from major media across the board.
- Strong global operator partnership has further strengthened HTC brand investment by hero product-driven joint marketing campaigns at both media and retail store front levels.
- Expanding retail coverage has also mirrored our growing brand impact – with our store presence growing daily in 24 countries, where we have specific programs aimed at retail engagement and effectiveness - taking place at the store level.

STRATEGIC REVIEWS

- **Successful Brand Launch in China**
- HTC is established as an innovator of smartphone brand.
- HTC Brand Experience
 - Started in Europe/Asia
 - Successfully rolled out to North America
 - Now is the time to enter China
- China Market is a critical market for the future.
 - 2010 is the year HTC lays the ground work for the Brand
 - We have exciting Products and HTC Sense

MATERIAL BOARD RESOLUTIONS

- Dividend announcement: The ex-dividend date is July 28th, 2010 and the cash dividend payout date will be August 27th, 2010.
- The board appreciated employee effort to deliver an excellent 2010 performance year to date from a suffering 2009, and decided to offer an incentive package to reward employee and encourage morale. The incentive program will be used to compensate employee's lower bonus level from 2009 and it is in addition to 2010 bonus sharing program which will be paid out in 2011.
- In order to prepare this additional compensation program, therefore the board approved a maximum 10 million shares treasury share buyback program from July 13th till Sept.12th, and the cap of buyback amount is NT\$6.31 billion.
- To expand business in Europe for future growth, the board approved HTC Europe Co., Ltd., to purchase an office building in UK within a budget of GBP 11.3 million.

MANAGEMENT INITIATIVES

- Strengthening organization for further company growth by inviting and promoting following executive officers and regional presidents :
 - Ron Louks Chief Strategy Officer
 - 9+ years from Sony Ericsson
 - focus on technical, innovation, strategy
 - Kouji Koderu Chief Product Officer
 - 8+ years from Sony Ericsson
 - extensive product expertise
 - David Chen Chief Engineering Officer
 - founding member of HTC since 1997
 - leading engineering design & excellence
 - architect behind most of HTC key products
 - Jason Mackenzie President – North America & Latin America
 - founding member of HTC N. America since 2005
 - extensive sales experience, Siemens, Denso
 - Florian Seiche President – EMEA Region
 - founding member of HTC Europe since 2005
 - extensive sales experience, Siemens, Orange

MANAGEMENT INITIATIVES

- US business model was changed from cost-plus basis to buy-sell basis where local affiliates will record revenues, costs and expenses on their books. China business model has also started to use buy-sell structure as well.
- Starting from this earning call, guidance will be given based upon consolidated basis to provide better transparency; consolidated financial metrics such as Revenue, Gross Margin, Operating Expenses and Tax would be higher than the ones on unconsolidated basis, but the Net Profit should be the same on both reporting methodologies.

3Q10 BUSINESS OUTLOOK

- 3Q unit expects to grow around 132% yoy to reach 6.5mn.
- 3Q revenue expects to hit record high to approach NT\$70bn, up 106% yoy.
- GPM expects to be around 29.5%~30%.
- OPEX ratio expects to be at the range from 14.5%± 0.5%.

*All the numbers above are based on consolidated financial statements.

2Q10 P&L (UNCONSOLIDATED)

<u>(NT\$ Billion)</u>	<u>2Q 09</u>	<u>1Q 10</u>	<u>2Q 10</u>	<u>QOQ</u>	<u>YOY</u>
REVENUES	38.20	37.70	60.53	60.6%	58.5%
<u>GROSS PROFIT</u>	<u>12.24</u>	<u>11.44</u>	<u>17.86</u>	<u>56.1%</u>	<u>45.9%</u>
<u>RSGA EXPENSE</u>	<u>5.28</u>	<u>5.90</u>	<u>8.70</u>	<u>47.6%</u>	<u>64.7%</u>
NOP	6.89	5.51	9.17	66.4%	33.1%
NPBT	7.11	5.72	9.69	69.3%	36.1%
NPAT	6.50	5.00	8.64	72.8%	32.8%
GPM(%)	32.0%	30.3%	29.5%		
RSGA RATIO(%)	13.8%	15.6%	14.4%		
EPS*(NT\$)	8.30	6.38	11.16 (before ex-rights)		

*The EPS was calculated based on the weighted average number of common shares outstanding during each period.

2Q10 P&L (CONSOLIDATED)

<u>(NT\$ Billion)</u>	<u>2Q 09</u>	<u>1Q 10</u>	<u>2Q 10</u>	<u>QOQ</u>	<u>YOY</u>
REVENUES	38.14	37.95	60.96	60.6%	59.8%
<u>GROSS PROFIT</u>	<u>12.05</u>	<u>11.60</u>	<u>18.13</u>	<u>56.2%</u>	<u>50.5%</u>
<u>RSGA EXPENSE</u>	<u>5.17</u>	<u>5.94</u>	<u>8.77</u>	<u>47.7%</u>	<u>69.6%</u>
NOP	6.88	5.66	9.35	65.1%	36.1%
NPBT	7.13	5.76	9.75	69.2%	36.6%
NPAT*1	6.50	5.00	8.64	72.8%	32.8%
GPM(%)	31.6%	30.6%	29.7%		
RSGA RATIO(%)	13.6%	15.6%	14.4%		
EPS*2(NT\$)	8.30	6.38	11.16 (before ex-rights)		

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

*2 The EPS was calculated based on the weighted average number of common shares outstanding during each period.

2Q10 KEY FINANCIALS (UNCONSOLIDATED)

<u>(NT\$ Billion)</u>	<u>June 30, 09</u>	<u>Mar 31, 10</u>	<u>June 30, 10</u>	<u>QOQ</u>	<u>YOY</u>
CASH* ¹	68.50	68.22	73.69	8.0%	7.6%
AR	29.83	26.95	39.25	45.6%	31.6%
INVENTORY	4.46	7.16	10.83	51.4%	143.1%
NET WORTH	56.93	65.77	56.34 * ²	-14.3%	-1.0%
INVENTORY PROVISION	2.79	3.02	2.97	-1.4%	6.4%
AR PROVISION	0.75	1.01	1.01	0.0%	35.0%
WARRANTY PROVISION	5.28	6.01	6.64	10.5%	25.8%

*1Includes cash equivalents.

*2After the deduction of cash dividend NT\$20.12bn (NT\$26 per share).

2Q10 KEY FINANCIALS (CONSOLIDATED)

<u>(NT\$ Billion)</u>	<u>June 30, 09</u>	<u>Mar 31, 10</u>	<u>June 30, 10</u>	<u>QOQ</u>	<u>YOY</u>
CASH* ¹	70.57	71.89	78.90	9.8%	11.8%
AR	29.40	26.73	38.98	45.8%	32.6%
INVENTORY	5.58	8.21	11.47	39.7%	105.5%
NET WORTH* ²	56.93	65.77	56.34*³	-14.3%	-1.0%
INVENTORY PROVISION	2.98	3.16	3.07	-2.8%	2.9%
AR PROVISION	0.79	1.01	1.01	0.0%	27.1%
WARRANTY PROVISION	5.28	6.01	6.64	10.5%	25.8%

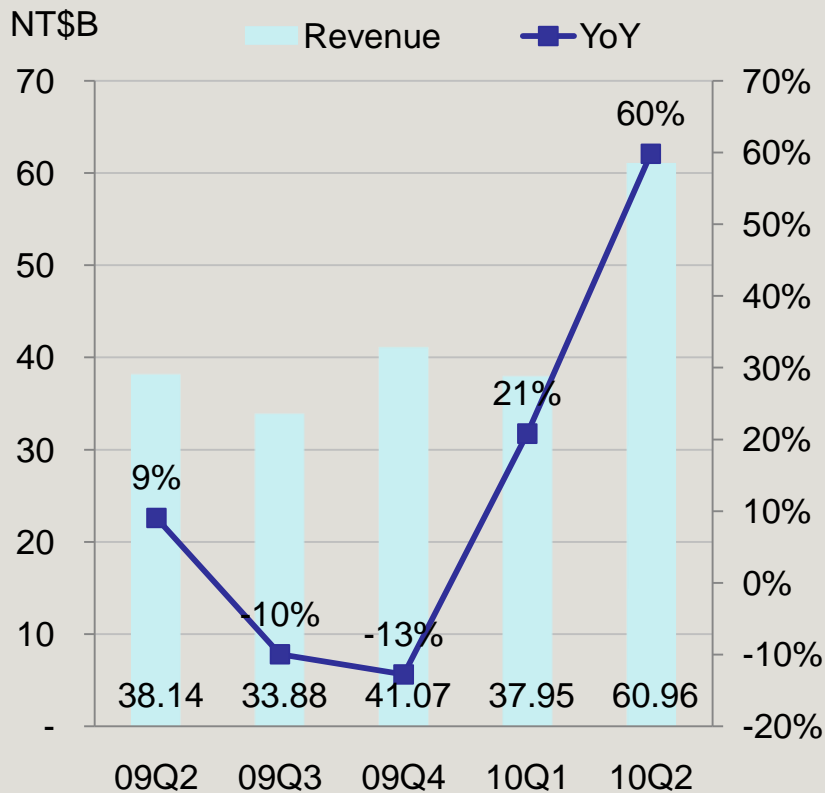
*1 Includes cash equivalents.

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

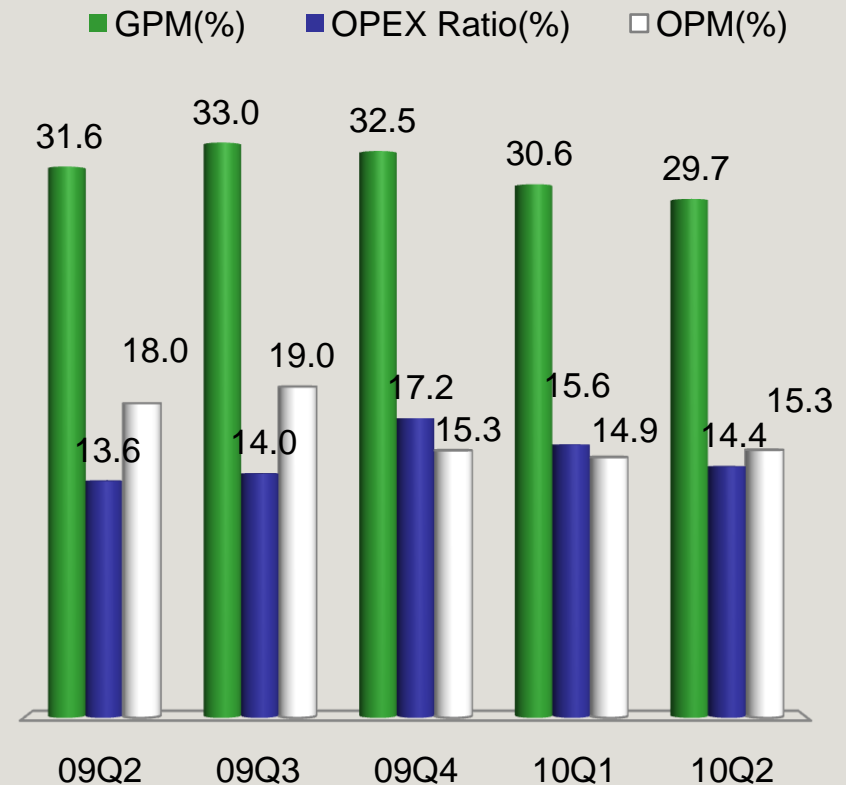
*3 After the deduction of cash dividend NT\$20.12bn (NT\$26 per share).

FACT SHEET UPDATE-BUSINESS STATUS

• Revenue



• Margin

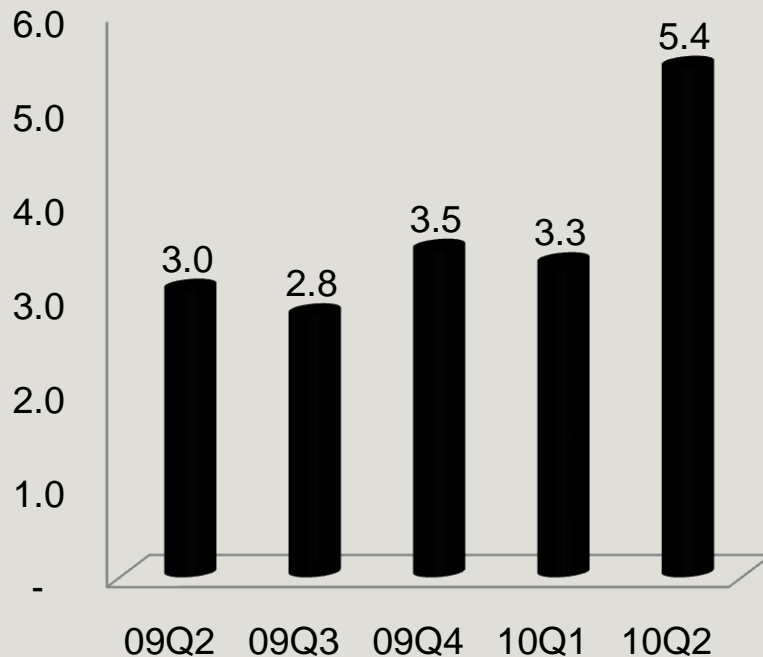


*All the numbers above are based on consolidated financial statements.

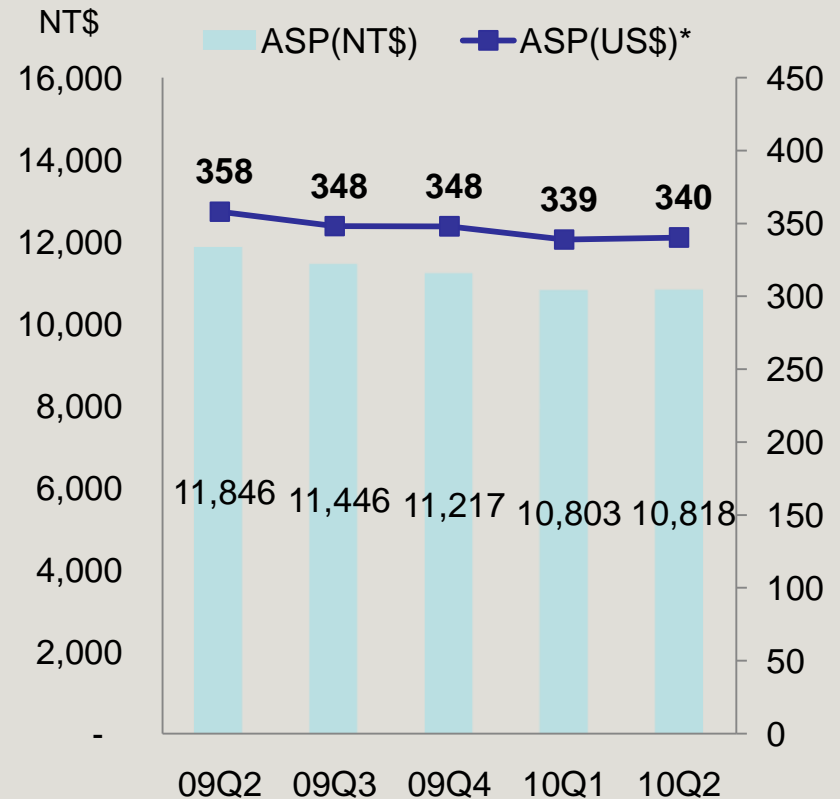
FACT SHEET UPDATE-BUSINESS STATUS

• SHIPMENT

Unit: Million



• AVERAGE SELLING PRICE



*The ASP(US\$) is translated to the US dollar at average exchange rate for each quarter. The exchange rates for 2Q09 to 2Q10 are 33.08, 32.87, 32.22, 31.86 and 31.77 respectively.

**All the numbers above are on a consolidated basis.

FAQs

Q: What is your capacity plan to match your rising demand in the future ?

A: We have two production bases, one is located at Taoyuan, Taiwan, which current rate is up to 2mn unit per month in Taiwan and continue increasing; another factory is located at Shanghai, China, and we plan to increase our China capacity up to 1mn monthly run rate from 3Q10. Therefore, our total capacity can go up to more than 3mn per month from 4Q10.

Q: Please comment the component constrain situation encountered in 1H10 ?

A: There is always some component tightness in smart phone industry as the industry is at its initial stage but it is also usually manageable from our history. Because the demand has come up to too fast and largely over our original forecast expected early of the year, that is why we get temporary hiccup of some component supply in 1H 10. We have communicated to our suppliers and asked them to prepare our 2H10 demand, therefore, we see component tightness should be largely alleviated from 3Q10.

Q: What is the product mix trend as the reported ASP seem to be stable despite Euro impact?

A: As we have highlighted already from last earning call that our scale growth strategy is based upon full product portfolio not a specific product behavior. Our product mix has stayed at mid-high end focus along with recent growth momentum and we believe that is current smart phone trend amid operator subsidy for great high end smart phone to fight for market share on data subscribers . Longer term, we do believe the mid tier expansion in order to bring smart phone penetration to mass market, and we are making initial investment on mid tier device already such as Wildfire, AT&T Aria, and HTC Smart.

FAQs

Q: How should we foresee OPEX ratio trend after better than expected 1H number and 3Q guidance?

A: Better than expected 1H OPEX ratio largely comes from operating leverage as the benefit of scale expansion, we do see continued operating leverage if we succeed on growing our scale in the future.

Q: What will be the corporate operating margin trend along with ASP and currency trend?

A: The better than expected operating margin is achieved through benefited OPEX ratio due to scale as well as better product mix which largely offset the Euro impact. In the future, our industry landscape positioning and underlining smart phone market growth rate will determine our scale and product mix, therefore our operating margin trend in large. So far, we are confident on accelerated smart phone market growth and we are still ahead of competition on technology, innovation and product design. There will be always ongoing balance amid operation excellence, profitability and market competency.

Q: What will be the role of Dopod once we launch HTC brand in China?

A: Dopod is our channel partner in China. We will continue our business corporation and distribution with Dopod. Independently, as we accelerate our investment and business development in China, and we can leverage existing HTC brand asset to speed up our brand awareness in China.

FAQs

Q: Will potential 2nd economy slowdown hit HTC growth momentum?

A: Our business momentum is less sensitive from macro environment because smart phone industry is just about to explode from low penetration.

Q: When will HTC start shipping Windows Phone 7 based products?

A: HTC view Microsoft strategic partner and Windows Phone 7 a promising smart phone operating system platform; and we plan to rollout our first Windows Phone 7 based smart phone before the end of year.

Q: What is the market recognition ever since HTC largely increases branding campaign and recent successful products launch?

A: Both HTC brand and products are growing attention in the market. We are getting talked about as a serious smartphone player among major media across the board evidenced by many top headlines reports – refer to next page for the quoted headlines in media reports.

The New York Times

HTC Incredible Review

The New York Times, May 2010

“Designating your phone “Incredible,” by the way, takes chutzpah. Unless it’s a truly magnificent machine, you’re setting yourself up for ridicule. Give us speed, polish and good design, though, and maybe you can lay claim to a name like Incredible. Actually, HTC pretty much pulls it off.” – David Pogue, May 2010

THE WALL STREET JOURNAL.

HTC EVO 4G Hits New Speeds

The Wall Street Journal, May 2010

“The HTC EVO 4G offers the highest consistent downstream data speeds I have ever seen on a cellular network.”- Walt Mossberg, May 2010

HTC Draws Growing Attention in Smartphones

The Wall Street Journal, June 2010

“..the company is building a reputation for sleek design and solid hardware, and now makes the flagship phones for three of the top four U.S. wireless operators.”

Forbes

The Future By Design: Horace Luke on Design As Storytelling

Forbes, June 2010

“Horace Luke is chief innovation officer at HTC, the Taiwan-based maker of smartphones that is gathering more fans with the release of each new phone.”

FierceWireless

THE WIRELESS INDUSTRY'S DAILY MONITOR

Peter Chou – Most Powerful People in Wireless

FierceWireless, April 2010

“Peter Chou has built HTC into a leader in not one but two smartphone platforms. Long the leading supporter of Microsoft’s Windows Mobile, HTC recently has expanded support to Google’s Android smartphone platform--and the company appears well-poised to ride the coming smartphone wave.”

25 Most Influential People in Mobile Tech: #5 Peter Chou

Laptop Magazine, July 2010

“The company that used to be known for just making hardware for other companies has evolved into a software powerhouse. Under Chou's direction HTC has developed Sense technology, found on hot new Android phones such as the Droid Incredible and Evo 4G”



The Stuff Cool List: The top 15 must-have gadgets (and people) that will change your life

Daily Mail online, June 2010

“The Android-based HTC Legend was named the year's coolest phone for being a 'stylish super-soldier' competitor to the iPhone.”



HTC has risen to become an iPhone beater. T3 asks how it got here and whether things can get even better for the Taiwanese upstart

T3, June 2010

“This Taiwanese company is now the owner of an awards cabinet creaking under the weight of accolades-including a T3 Award – for killer smartphones such as the Hero.”



HTC Desire helps revenues hit record high

MSN UK, May 2010

“..the HTC Desire has easily sparked the most interest, being one of the first smartphones to appear on all five major networks in the UK. The HTC Legend and HD Mini have garnered similar plaudits on a slightly smaller scale, while the HTC Smart is coming soon, aimed at the more budget end of the market while still offering the same HTC Sense UI.”



Must-own Gadget: The Social Animal

ShortList, July 2010

“The HTC Wildfire makes you king of the social-networking jungle”



htc
quietly brilliant