



# HTC CORPORATION

## 3Q15 BUSINESS REVIEW

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October 30<sup>th</sup> , 2015

# 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

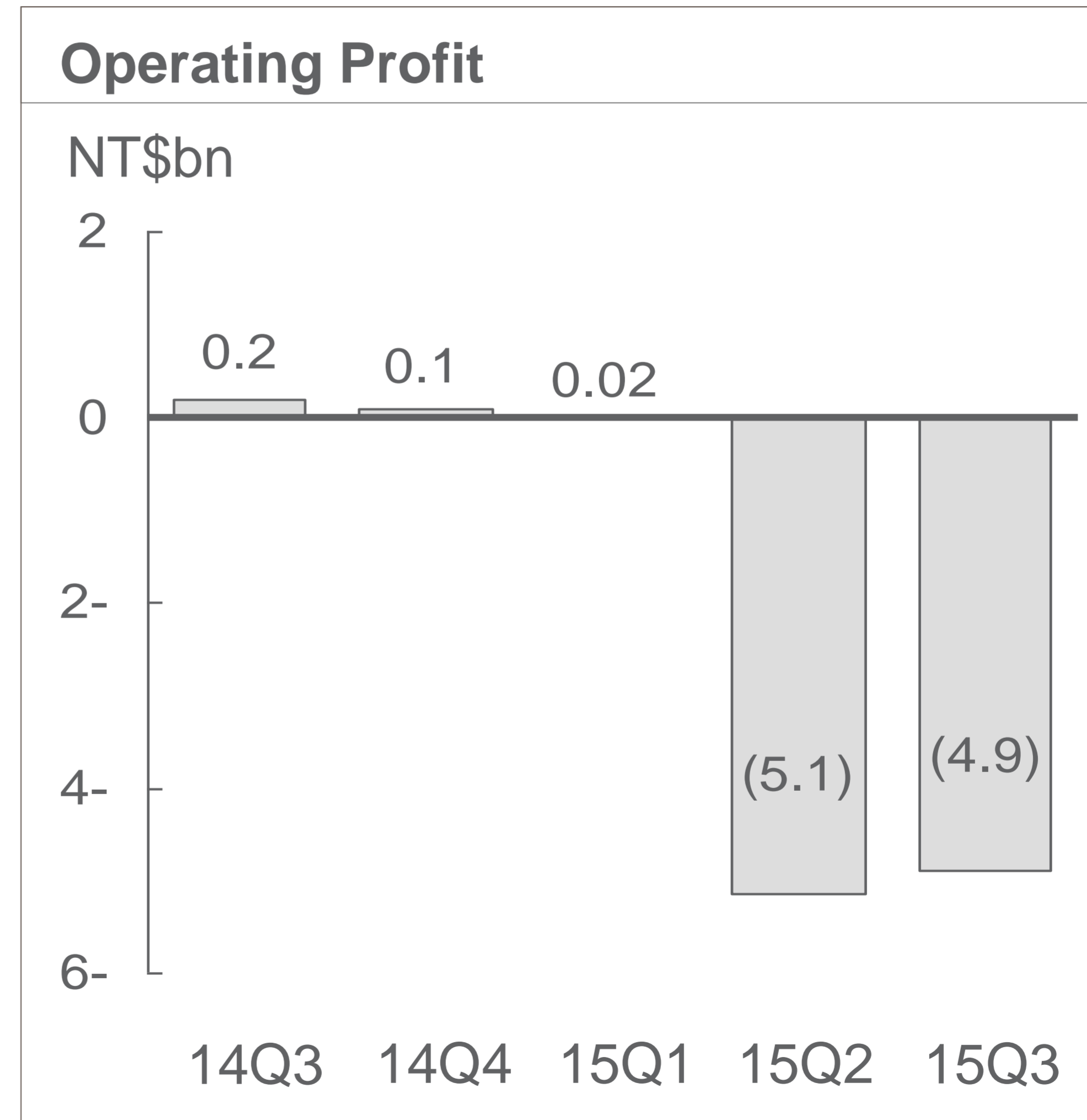
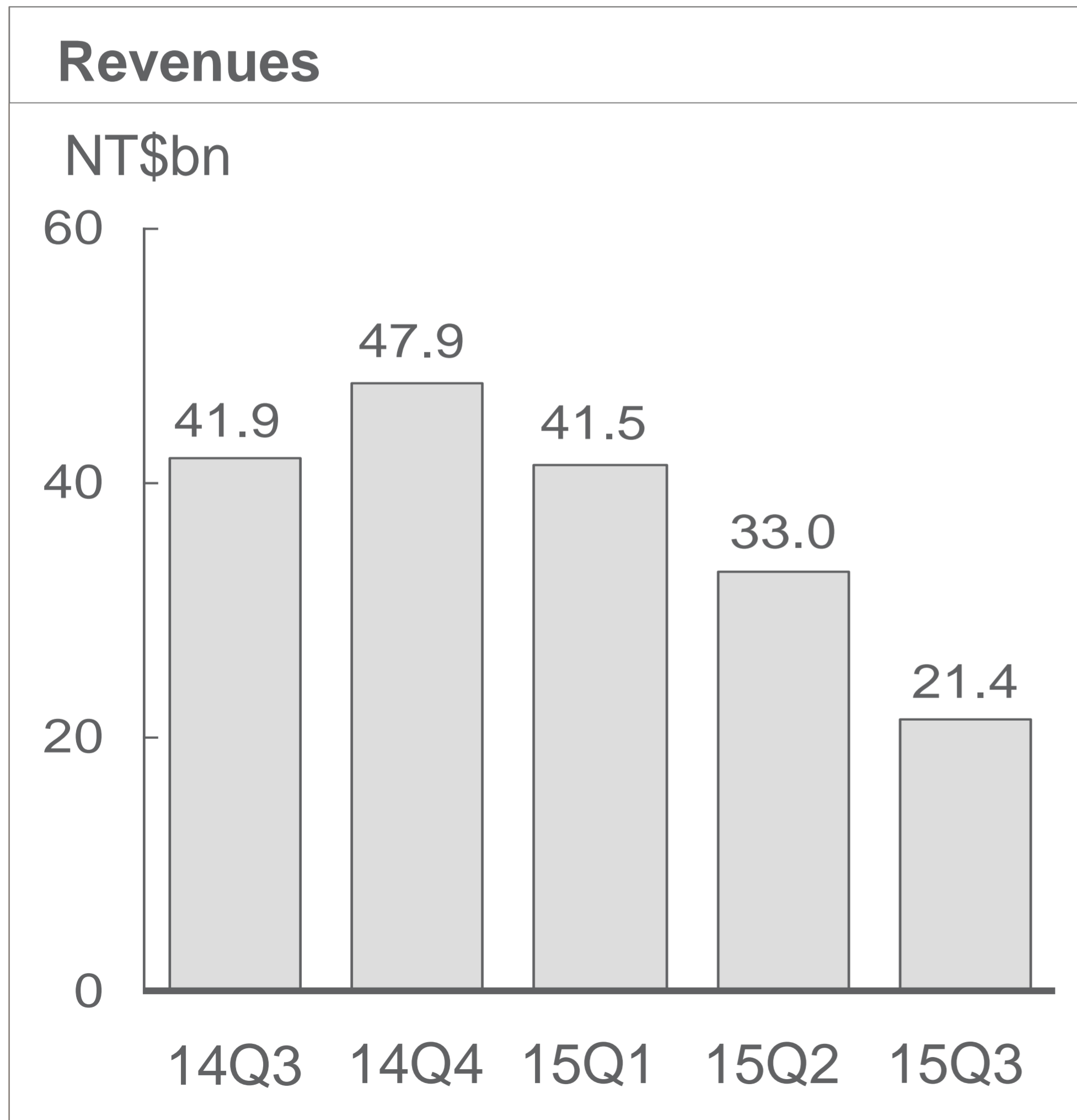
## 3Q Financial Highlights:

- Revenue of NT\$21.4 billion with gross margin of 18.0%
- Operating loss of NT\$4.9 billion with operating margin of -23.1%
- Net loss after tax: NT\$4.5 billion, or -NT\$5.41 per share

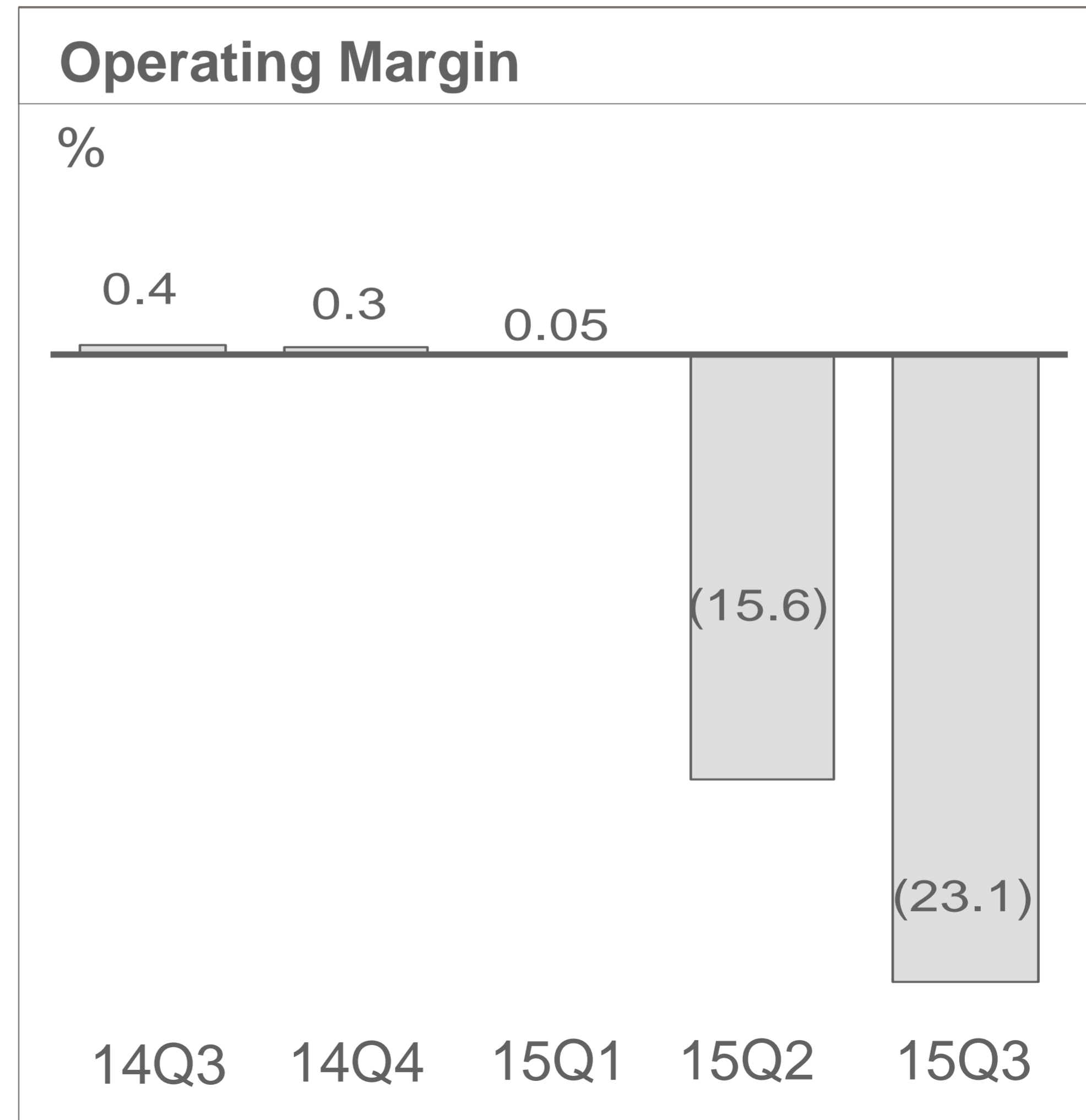
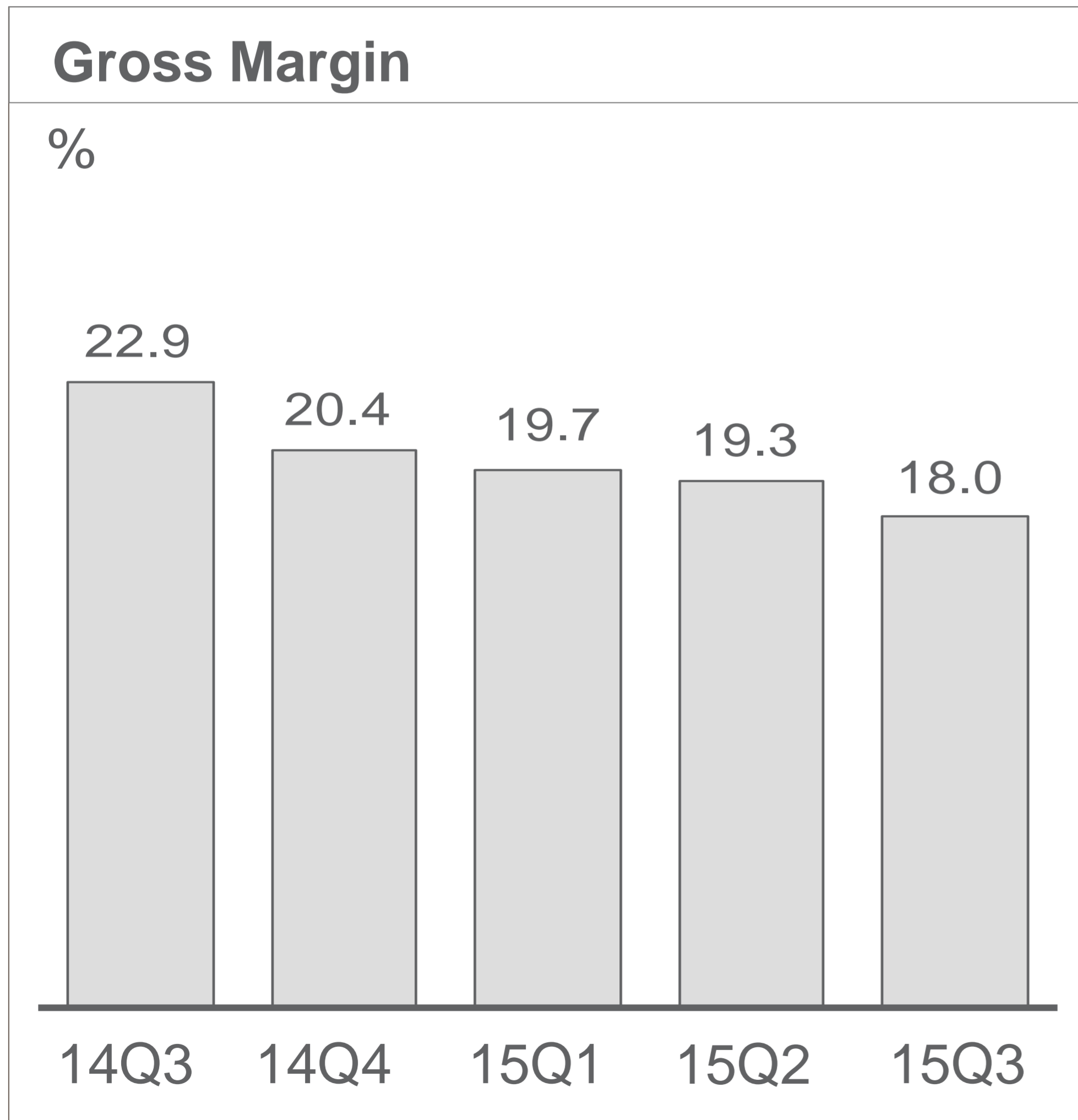
## Business Overview

- While demand at the high end remained soft, Q3 results came in at the higher end of expectations
- HTC's comprehensive program of restructuring and streamlining resulted in significant reduction in operating expenditure across the organization and a sequential reduction in operating expense
- The HTC One A9 was launched in October 2015 to critical acclaim

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



## 3Q 2015 P&L (CONSOLIDATED)

NT\$bn	3Q 14	2Q 15	3Q 15
REVENUES	41.9	33.0	<b>21.4</b>
GROSS PROFIT	9.6	6.4	<b>3.9</b>
OPERATING EXPENSE	<u>9.4</u>	<u>11.5</u>	<b><u>8.8</u></b>
SALES MKTING.	4.8	6.5	<b>3.9</b>
RESEARCH DEV.	3.2	3.6	<b>3.6</b>
GENERAL ADM.	1.4	1.4	<b>1.3</b>
OPERATING PROFIT	0.2	-5.1	<b>-4.9</b>
NPBT	0.6	-7.9	<b>-4.5</b>
NPAT <sup>1</sup>	0.6	-8.0	<b>-4.5</b>
GROSS MARGIN (%)	22.9%	19.3%	<b>18.0%</b>
OPERATING MARGIN (%)	0.4%	-15.6%	<b>-23.1%</b>
EPS <sup>2</sup> (NT\$)	0.78	-9.70	<b>-5.41</b>

<sup>1</sup> Attributable to stockholders of parent company, excluding minority interest.

<sup>2</sup> EPS was calculated based on number of outstanding shares at that time.

# 3Q 2015 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Sep 30, 14	Jun 30, 15	Sep 30, 15
TOTAL ASSETS	165.4	154.0	<b>136.3</b>
CASH	54.7	47.2	<b>43.3</b>
AR	25.2	28.5	<b>17.0</b>
INVENTORY	23.2	23.5	<b>20.8</b>
OTHER ASSETS	62.3	54.8	<b>55.2</b>
TOTAL LIABILITIES	86.6	82.5	<b>67.5</b>
TOTAL EQUITY <sup>1</sup>	78.8	71.5	<b>68.8</b>
<b><i>METRICS</i></b> <sup>2</sup>			
DAYS SALES OUTSTANDING	74	93	<b>110</b>
INVENTORY TURNOVER DAYS	77	83	<b>126</b>
DAYS PAYABLE OUTSTANDING	132	153	<b>184</b>

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

2. 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 (UNREVIEWED)  
(In Thousands of New Taiwan Dollars)

	September 30, 2015		September 30, 2014			September 30, 2015		September 30, 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	\$ 43,279,478	32	\$ 54,672,202	33	Financial liabilities at fair value through profit or loss - current	\$ 250,246	-	\$ 13,290	-
Financial assets at fair value through profit or loss - current	254,358	-	275,725	-	Note and trade payables	29,747,168	22	43,421,932	26
Derivative financial assets for hedging - current	-	-	29,445	-	Other payables	26,180,345	19	34,565,203	21
Debt investments with no active market - current	8,280	-	-	-	Current tax liabilities	146,414	-	277,357	-
Trade receivables, net	17,025,863	13	25,234,361	15	Provisions - current	7,303,576	5	6,550,061	4
Other receivables	278,346	-	773,967	1	Other current liabilities	3,324,058	3	1,525,493	1
Current tax assets	319,933	-	247,383	-	Total current liabilities	66,951,807	49	86,353,336	52
Inventories	20,823,090	15	23,209,305	14					
Prepayments	5,190,349	4	6,389,171	4	<b>NON-CURRENT LIABILITIES</b>				
Non-current assets held for sale	1,771,623	1	-	-	Deferred tax liabilities	96,330	-	195,519	-
Other current financial assets	752,947	1	666	-	Guarantee deposits received	25,987	-	40,091	-
Other current assets	140,739	-	50,982	-	Other non-current liabilities	414,019	1	-	-
Total current assets	89,845,006	66	110,883,207	67	Total non-current liabilities	536,336	1	235,610	-
					Total liabilities	67,488,143	50	86,588,946	52
<b>NON-CURRENT ASSETS</b>					<b>EQUITY</b>				
Available-for-sale financial assets - non-current	59	-	183	-	Share capital - ordinary shares	8,282,722	6	8,403,521	5
Financial assets measured at cost - non-current	3,348,441	3	2,808,821	2	Capital surplus	15,311,375	11	14,840,181	9
Investments accounted for using the equity method	227,157	-	219,320	-	Retained earnings				
Property, plant and equipment	17,901,257	13	23,727,490	14	Legal reserve	18,297,655	13	18,149,350	11
Investment properties, net	1,785,175	1	-	-	Unappropriated earnings	25,206,764	19	48,247,109	29
Intangible assets	6,065,893	5	7,603,306	5	Total retained earnings	43,504,419	32	66,396,459	40
Deferred tax assets	8,318,264	6	8,429,894	5	Other equity	1,872,789	1	466,498	1
Refundable deposits	1,600,231	1	264,723	-	Treasury shares	(200,955)	-	(11,326,818)	(7)
Long-term receivables	1,471,773	1	1,275,703	1	Total equity	68,770,350	50	78,779,841	48
Prepaid pension cost - non-current	123,038	-	138,008	-					
Other non-current assets	5,572,199	4	10,018,132	6					
Total non-current assets	46,413,487	34	54,485,580	33					
<b>TOTAL</b>	<b>\$ 136,258,493</b>	<b>100</b>	<b>\$ 165,368,787</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 136,258,493</b>	<b>100</b>	<b>\$ 165,368,787</b>	<b>100</b>

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

	For the Nine Months Ended September 30			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 95,936,081	100	\$ 140,045,152	100
OPERATING COSTS	<u>77,556,201</u>	<u>81</u>	<u>109,033,501</u>	<u>78</u>
GROSS PROFIT	<u>18,379,880</u>	<u>19</u>	<u>31,011,651</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing	13,988,386	15	16,942,246	12
General and administrative	3,780,671	4	4,252,072	3
Research and development	<u>10,674,995</u>	<u>11</u>	<u>9,281,986</u>	<u>7</u>
Total operating expenses	<u>28,444,052</u>	<u>30</u>	<u>30,476,304</u>	<u>22</u>
(LOSS) PROFIT FROM OPERATIONS	<u>( 10,064,172)</u>	<u>( 11)</u>	<u>535,347</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	439,105	-	478,981	-
Other gains and losses	( 2,253,686)	( 2)	527,010	1
Finance costs	( 4,642)	-	( 16,263)	-
Share of the profit or loss of associates and joint ventures	<u>( 8,229)</u>	<u>-</u>	<u>( 8,184)</u>	<u>-</u>
Total non-operating income and expenses	<u>( 1,827,452)</u>	<u>( 2)</u>	<u>981,544</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	<u>( 11,891,624)</u>	<u>( 13)</u>	<u>1,516,891</u>	<u>1</u>
INCOME TAX	<u>259,515</u>	<u>-</u>	<u>500,054</u>	<u>-</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(\$ 12,151,139)</u>	<u>( 13)</u>	<u>\$ 1,016,837</u>	<u>1</u>
(LOSS) EARNINGS PER SHARE				
Basic	<u>(\$ 14.68)</u>		<u>\$ 1.23</u>	
Diluted	<u>(\$ 14.68)</u>		<u>\$ 1.23</u>	

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

	For the Nine Months Ended September 30	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	(\$ 11,891,624)	\$ 1,516,891
Adjustments for:		
Depreciation expenses	1,964,936	2,312,234
Amortization expenses	1,457,394	1,394,663
Finance costs	4,642	16,263
Interests income	( 303,048)	( 283,912)
Dividend income	( 37,932)	( 22,765)
Compensation cost of employee share-based payments	481,389	146,544
Share of loss of associates and joint ventures	8,229	8,184
(Gain) loss on disposal of property, plant and equipment	( 17,092)	57,217
Transfer of properties, plants and equipments to expenses	8,339	-
Gain on sale of investment	-	( 157,226)
Impairment loss recognized on financial assets measured at cost	-	66,905
Impairment losses on non-financial assets	4,370,426	168,979
Ineffective portion of cash flow hedges	-	( 218)
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	236,008	( 100,138)
Decrease (increase) in trade receivables	12,114,421	( 1,863,189)
Decrease in other receivables	304,121	1,363,691
(Increase) decrease in inventories	( 5,060,566)	221,274
Decrease (increase) in prepayments	1,435,757	( 585,427)
(Increase) decrease in other current assets	( 41,470)	73,826
Decrease in other non-current assets	1,871,611	1,525,210
Decrease in notes and trade payables	( 14,056,175)	( 2,853,919)
Decrease in other payables	( 5,994,053)	( 2,914,319)
Increase (decrease) in provisions	1,462,397	( 1,658,824)
Increase in other current liabilities	2,180,924	569,366
Increase in other non-current liabilities	414,019	-
Cash used in operations	( 9,087,347)	( 998,690)
Interest received	233,781	210,319
Interest paid	( 4,642)	( 16,263)
Income tax paid	( 303,184)	( 991,239)
Net cash used in operating activities	( 9,161,392)	( 1,795,873)

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

	For the Nine Months Ended September 30	
	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire financial assets measured at cost	(\$ 645,449)	(\$ 432,463)
Proceeds on sale of financial assets measured at cost	-	2,357,366
Payments for property, plant and equipment	( 728,320)	( 920,733)
Proceeds from disposal of property, plant and equipment	312,597	10,103
Increase in refundable deposits	( 1,337,491)	-
Decrease in refundable deposits	-	88,171
Payments for intangible assets	( 86,543)	( 227,947)
Increase in other current financial assets	( 417,993)	-
Decrease in other current financial assets	-	2,770,357
Dividends received	37,932	22,765
Net cash (used in) generated from investing activities	<u>( 2,865,267)</u>	<u>3,667,619</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of guarantee deposits received	( 17,243)	( 216,324)
Dividends paid to owners of the Company	( 314,636)	-
Payments for buy-back of treasury shares	( 200,955)	-
Net cash used in financing activities	<u>( 532,834)</u>	<u>( 216,324)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>95,413</u>	<u>( 282,161)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 12,464,080)	1,373,261
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>55,743,558</u>	<u>53,298,941</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 43,279,478</u>	<u>\$ 54,672,202</u>