HTC CORPORATION

2Q13 BUSINESS REVIEW

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CFO

July 30th, 2013

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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.

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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

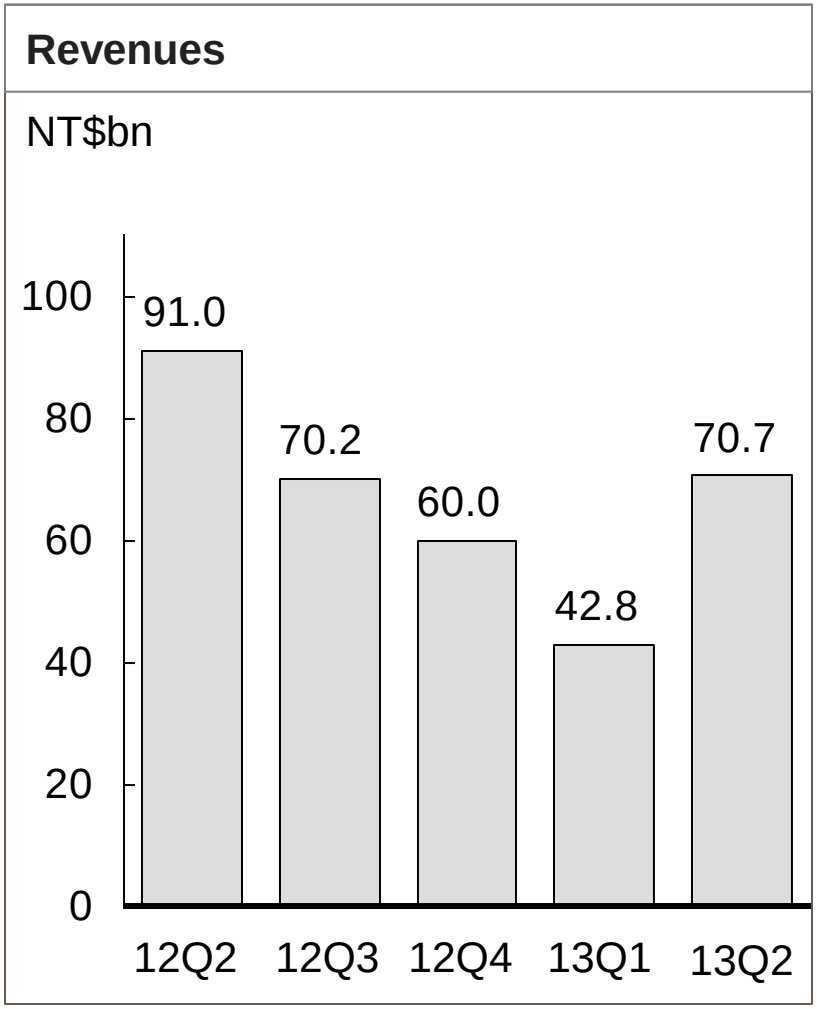
- 2Q financial highlights
  - Revenue was NT$70.7bn
  - Gross margin and operating margin were 23.2% and 1.5%, respectively
  - Net income was NT$1.25bn

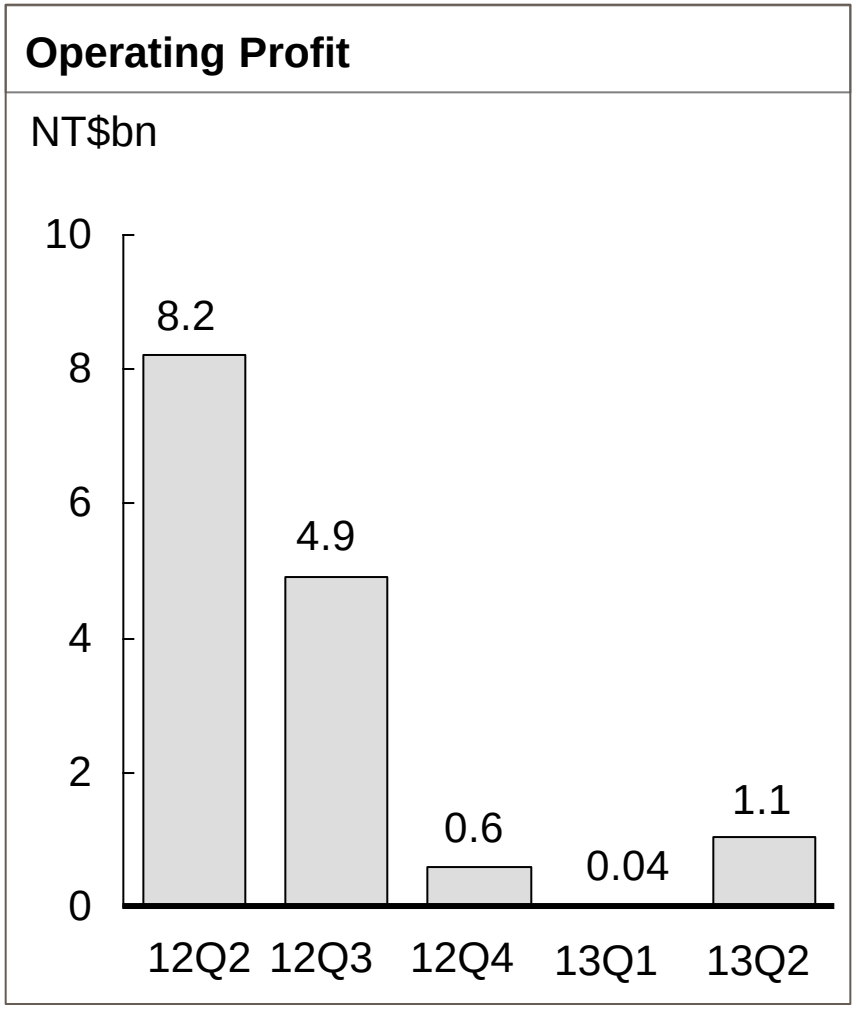
- Business update
  - As manufacturing ramped up, the US saw sequential growth in 2Q, as well as expansion in retail channels
  - EMEA saw renewed strength in major Western European markets and emerging countries
  - In North Asia, HTC gained market share in Taiwan, showing an improved presence in Hong Kong and warm reception of its products by consumers in Japan
  - In China, sales of HTC's high-end models improved, while competition at the mid-tier and affordable intensified
  - In South Asia, the improvement of key operator relationships provides optimism about the region

EXECUTIVE SUMMARY

- Recent appointment
  - Appointed Jack Yang President of South Asia (previously Head of iPhone and iPad Sales in Southeast Asia for Apple Inc.)
  - Appointed Sirpa Ikola Senior Director of Marketing for South Asia (previously Head of Smart Devices Business in Southeast Asia, Nokia)
  - Appointed Lorain Wong as Vice President of Global PR, Corporate and Internal Communications (previously Senior Vice President, Marketing & Communications for Pacnet and earlier Director of Partnership Marketing for AT&T)

REVENUES AND OPERATING PROFIT





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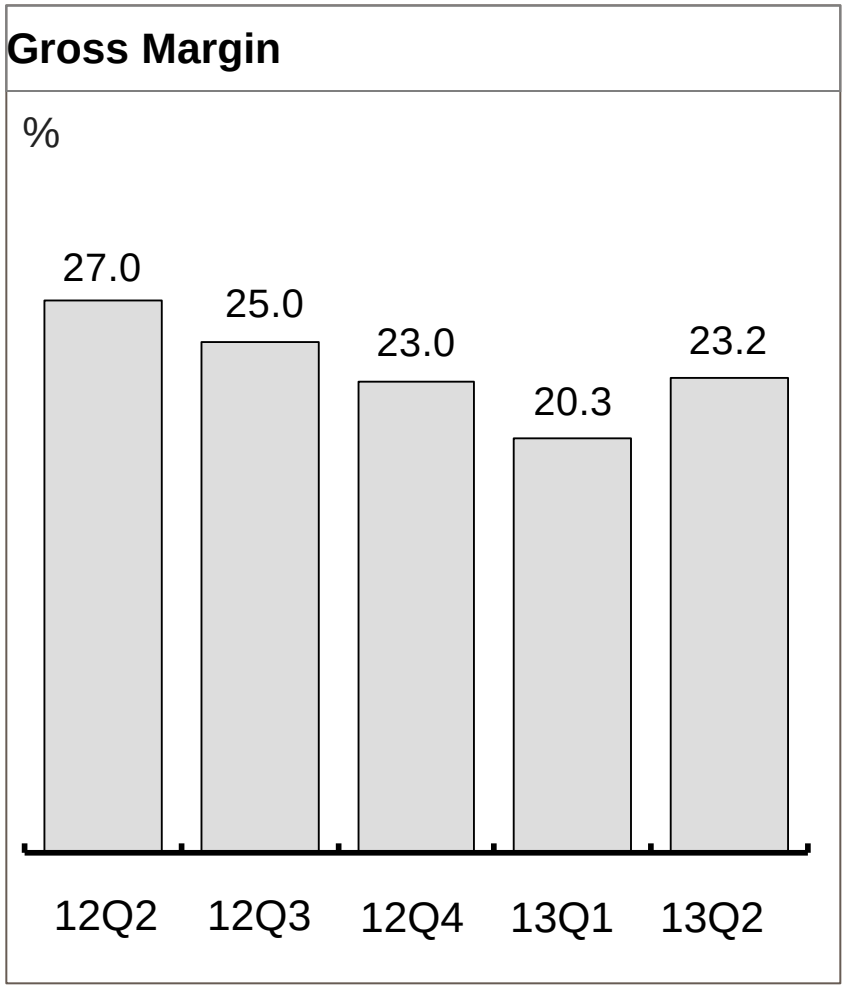
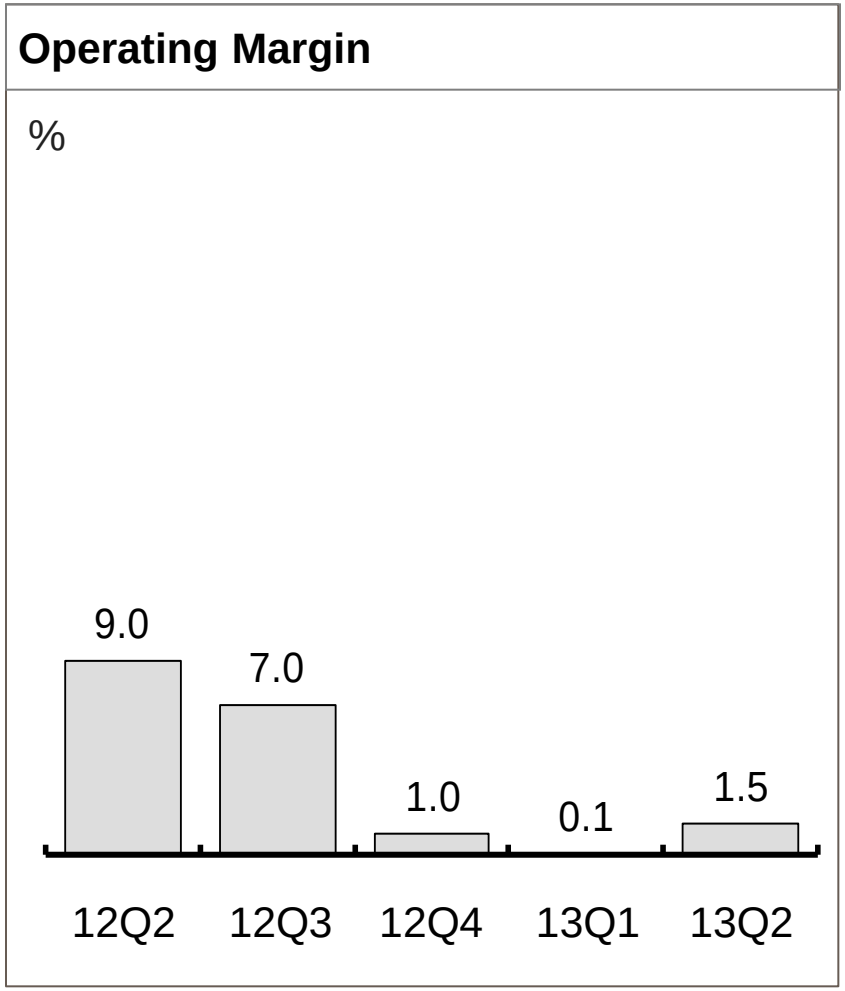
GROSS AND OPERATING MARGINS





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2Q 2013 P&L (CONSOLIDATED)

NT$bn	2Q 12	1Q 13	2Q 13
REVENUES	91.0	42.8	**70.7**
GROSS PROFIT	24.6	8.7	**16.4**
OPERATING EXPENSE	16.4	8.6	**15.3**
SALES MKTING.	10.0	3.9	**10.3**
RESEARCH DEV.	4.7	3.2	**3.4**
GENERAL ADM.	1.7	1.5	**1.6**
OPERATING PROFIT	8.2	0.04	**1.1**
NPBT	8.8	0.10	**1.5**
NPAT[1]	7.4	0.09	**1.2**
GROSS MARGIN (%)	27.0%	20.3%	**23.2%**
OPERATING MARGIN (%)	9.0%	0.10%	**1.5%**
EPS[2] (NT$)	8.90	0.10	**1.50**

1 Attributable to stockholders of parent company, excluding minority interest.
2 EPS was calculated based on number of outstanding shares at that time.

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2Q 2013 BALANCE SHEET (CONSOLIDATED)

NT$bn	Jun 30, 12	Mar 31, 13	Jun 30, 13
TOTAL ASSETS	255.2	204.1	**209.9**
CASH	55.5	47.4	**48.1**
AR	66.1	28.5	**48.2**
INVENTORY	26.7	38.1	**28.1**
OTHER ASSETS	106.9	90.1	**85.5**
TOTAL LIABILITIES	178.3	123.2	**128.9**
TOTAL EQUITY[1]	75.7	80.9	**81.0**
METRICS[2]			
DAYS SALES OUTSTANDING	61	79	**53**
INVENTORY TURNOVER DAYS	44	96	**63**
DAYS PAYABLE OUTSTANDING	102	199	**119**

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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3Q 2013 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT$50bn to NT$60bn
- Gross profit margin is expected to be in the range of 18% to 21%
- Operating margin is expected to be in the range of 0% to -8%

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2013	June 30, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 48,115,859	$ 55,521,118
Financial assets at fair value through profit or loss - current	48,502	181,288
Available-for-sale financial assets - current	-	794,213
Held-to-maturity financial assets - current	100,612	-
Note and trade receivables, net	48,203,254	66,125,253
Other receivables	1,845,947	1,959,611
Current tax assets	360,743	142,484
Inventories	28,052,138	26,658,855
Prepayments	6,569,646	9,442,543
Other current financial assets	4,140,566	26,128,610
Other current assets	33,547	53,235
Total current assets	137,470,814	187,007,210
NON-CURRENT ASSETS		
Available-for-sale financial assets - non-current	152	189
Held-to-maturity financial assets - non-current	-	202,922
Financial assets measured at cost - non-current	4,547,521	3,690,929
Investments accounted for using equity method	5,551,231	309,374
Property, plant and equipment	25,908,958	25,685,355
Intangible assets	11,304,591	21,878,629
Deferred tax assets	9,002,443	6,459,667
Refundable deposits	175,723	186,988
Long-term receivables	4,516,650	-
Prepaid pension cost - non-current	131,469	112,298
Other non-current assets	11,307,739	9,635,240
Total non-current assets	72,446,477	68,161,591
TOTAL	$ 209,917,291	$ 255,168,801

LIABILITIES AND EQUITY	June 30, 2013	June 30, 2012
CURRENT LIABILITIES		
Short-term borrowings	$ 9,936,630	$ -
Derivative financial liabilities for hedging - current	-	15,871
Note and trade payables	65,760,801	79,222,932
Other payables	44,723,615	80,164,184
Current tax liabilities	347,900	2,056,643
Provisions - current	5,601,489	14,310,954
Other current liabilities	1,633,504	1,968,971
Total current liabilities	128,003,939	177,739,555
NON-CURRENT LIABILITIES		
Deferred tax liabilities	670,638	463,475
Guarantee deposits received	183,014	98,879
Total non-current liabilities	853,652	562,354
Total liabilities	128,857,591	178,301,909
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital - common stock	8,520,521	8,520,521
Capital surplus	16,601,557	16,601,557
Retained earnings		
Legal reserve	18,149,350	16,471,254
Special reserve	854,138	-
Accumulated earnings	50,770,725	48,669,552
Total retained earnings	69,774,213	65,140,806
Other equity	228,899	(526,073)
Treasury shares	(14,065,490)	(14,065,490)
Total equity attributable to owners of the parent	81,059,700	75,671,321
NON-CONTROLLING INTEREST	-	1,195,571
Total equity	81,059,700	76,866,892
TOTAL	$ 209,917,291	$ 255,168,801

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	**2012**
REVENUES	$113,455,432	$158,830,457
COST OF REVENUES	88,396,606	117,277,592
GROSS PROFIT	25,058,826	41,552,865
OPERATING EXPENSES		
Selling and marketing	14,191,385	16,761,340
General and administrative	3,164,649	3,439,393
Research and development	6,609,543	8,078,390
Total operating expenses	23,965,577	28,279,123
OPERATING PROFIT	1,093,249	13,273,742
NON-OPERATING INCOME AND EXPENSES		
Other income	509,536	588,663
Other gains and losses	(145,047)	546,856
Finance costs	(1,873)	(499)
Share of the profit or loss of associates and joint ventures	171,722	(12,069)
Total non-operating income and expenses	534,338	1,122,951
PROFIT BEFORE INCOME TAX	1,627,587	14,396,693
INCOME TAX	292,950	1,943,241
PROFIT FOR THE PERIOD	$ 1,334,637	$12,453,452
ALLOCATIONS OF PROFIT FOR THE PERIOD ATTRIBUTABLE TO		
Owners of the parent	$ 1,334,637	$11,847,883
Non-controlling interest	-	605,569
	$ 1,334,637	$12,453,452
EARNINGS PER SHARE	$1.60	$14.23
Basic earnings per share	$1.60	$14.17
Diluted earnings per share		

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,627,587	$ 14,396,693
Adjustments for:		
Depreciation	1,408,280	1,117,339
Amortization	1,002,080	1,013,002
Impairment loss recognized on trade receivables	1,009,364	507,441
Finance costs	1,873	499
Interest income	(347,759)	(327,491)
Dividend income	(13,232)	(1,427)
Share of the profit or loss of associates and joint ventures	(171,722)	12,069
Losses on disposal of property, plant and equipment	1,563	120
Transfer of property, plant and equipment to expenses	-	4,630
Gain on sale of investments	(29,735)	(39,656)
Impairment losses on non-financial assets	1,123,441	286,674
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(41,552)	75,580
Decrease in derivative financial instruments for hedging	204,519	15,871
Increase in note and trade receivables	(7,958,792)	(1,912,903)
Increase in other receivables	(367,888)	(7,485)
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(4,999,538)	1,485,061
Increase in prepayments	(2,113,542)	(2,935,027)
Decrease in other current assets	5,550	196,409
(Increase) decrease in other non-current assets	(1,443,183)	1,008,239
(Decrease) increase in note and trade payables	(7,857,396)	749,802
Increase (decrease) in other payables	4,407,900	(2,327,489)
Decrease in provisions	(3,280,025)	(822,321)
(Decrease) increase in other current liabilities	(154,602)	307,831
Cash (used in) generated from operations	(17,986,809)	12,804,427
Interest received	393,969	323,149
Interest paid	(642)	(499)
Income tax paid	(3,247,533)	(10,353,123)
Net cash (used in) generated from operating activities	(20,841,015)	2,773,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	85,938
Payments to acquire financial assets measured at cost	(120,244)	(390,948)
Net cash outflow on acquisition of subsidiaries	-	(55,252)
Payments for property, plant and equipment	(1,696,188)	(3,754,335)
Proceeds from disposal of property, plant and equipment	-	7,107
Increase in refundable deposits	-	(1,682)
Decrease in refundable deposits	14,419	-

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	**2012**
Decrease in other receivables - related parties	$ 6,600,093	$ -
Payments for intangible assets	(193,761)	(107,996)
Increase in other current financial assets	-	(585,160)
Decrease in other current financial assets	2,420,878	-
Increase in prepayments for equipment in transit	-	(181,429)
Decrease in prepayments for equipment in transit	24,046	-
Dividend received	658,846	1,427
Loss of a subsidiary	-	(501,425)
Net cash generated from (used in) investing activities	7,764,827	(5,483,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	9,936,630	-
Payments for treasury shares	-	(3,700,346)
Increase in guarantee deposits received	123,015	55,933
Change in non-controlling interest	-	(152,033)
Net cash generated from (used in) financing activities	10,059,645	(3,796,446)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	166,259	607
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,850,284)	(6,505,640)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,966,143	62,026,758
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 48,115,859	$ 55,521,118

(Concluded)