

HTC CORPORATION

3Q13 BUSINESS REVIEW

CHIALIN CHANG
CFO

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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

- 3Q financial highlights
 - Revenue was NT\$47.0 billion
 - Gross margin and operating margin were 20.4% and -7.4%, respectively
 - Net loss was NT\$3.0 billion
- Product Innovation
 - Building on the success of the award winning HTC One, in the third quarter the company introduced the HTC One mini and the HTC One max completed the HTC One family's product offering. The flagship HTC One was also made available in Vivid Blue HTC One in selective markets for a fresh and unique look.
 - The launch of the new mid-range HTC Desire 601 and entry-level HTC Desire 300 allow consumers to enjoy premium HTC experience at any price point.
 - Limited edition HTC Butterfly s Hello Kitty phone, bringing a fresh and unique approach to product design and innovation.

EXECUTIVE SUMMARY

- **Here's To Change** campaign
 - To affirm HTC's role as the change-maker challenging the status quo since the dawn of the mobile phone industry, as well as our mission of continuing to bring change into the hands of people around the world
- Awards and honor
 - HTC One continued to receive recognitions from some of the most influential consumer technology titles, including "Phone of the Year in 2013" by T3 Gadget Awards, Pocket Lint, Tech Radar and Mobile Geeks
 - HTC One was also named "best European advanced smartphone 2013 – 2014" by EISA (European Imaging and Sound Association) after several awards granted since its launch in February 2013, including the GSMA's "Best Mobile Handset, Device, or Tablet" at MWC 2013, and Computex Taipei's Gold Medal award for Design & Innovation
 - HTC's Change campaign featuring Robert Downey Jr. also significantly ramped up consumer engagement and positive sentiments, increasing advertising awareness by 12% and brand momentum by 15%, in the markets that the campaign was aired

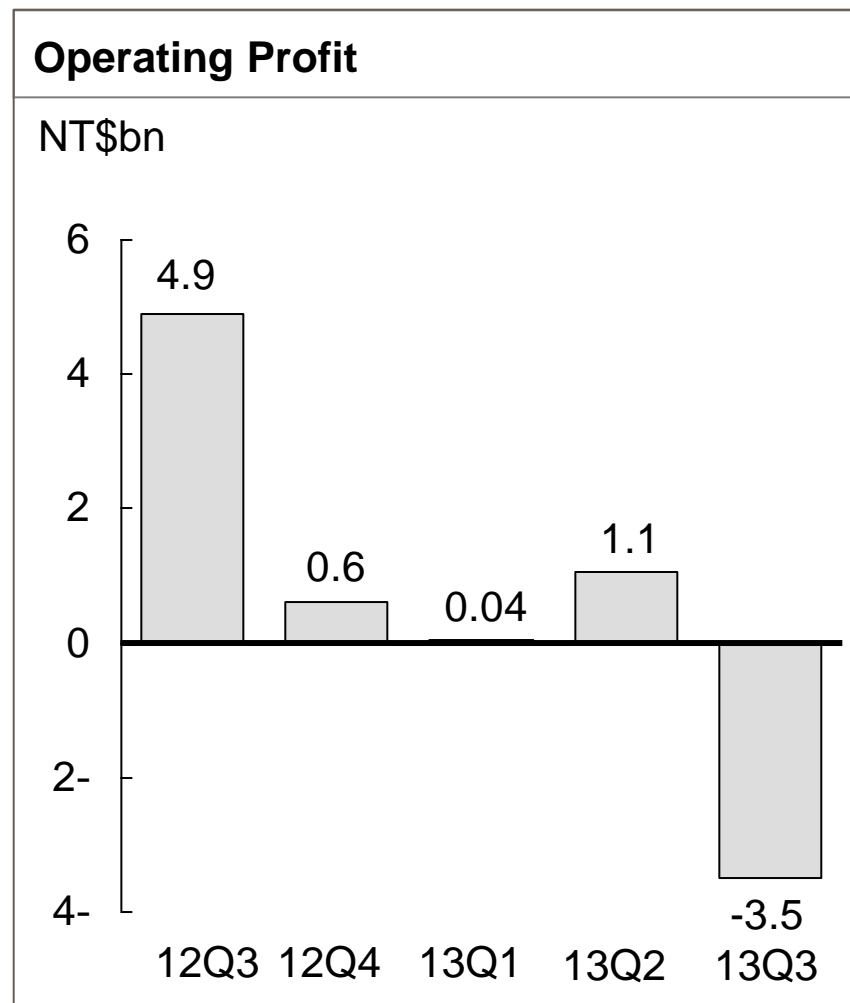
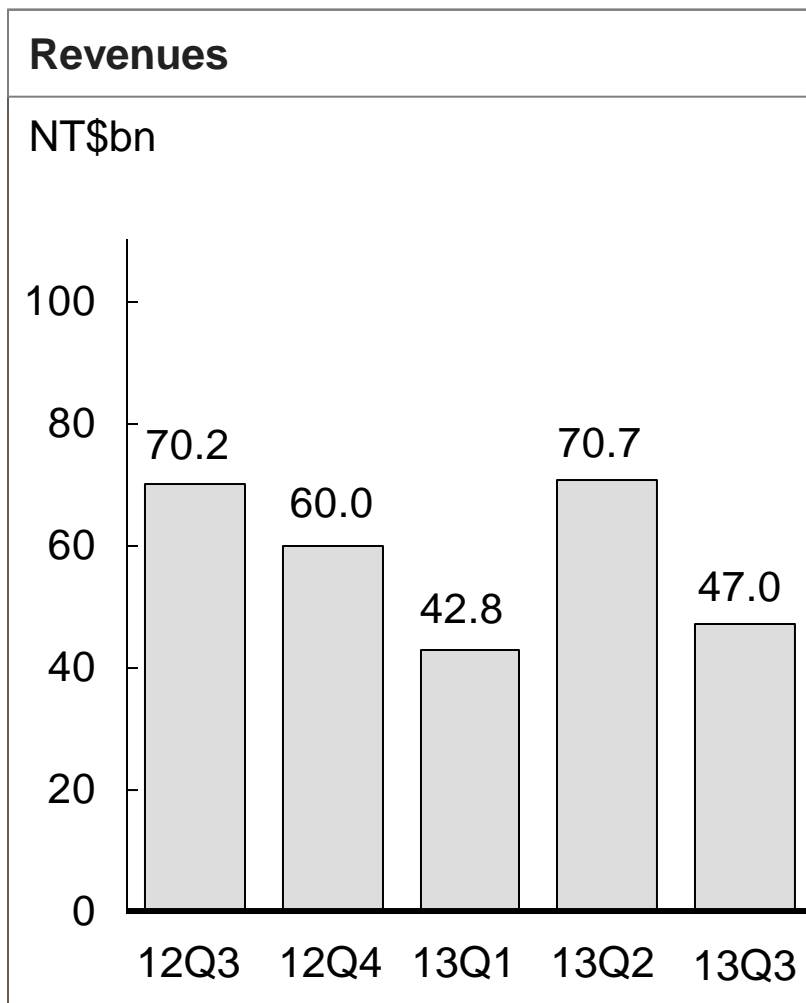
EXECUTIVE SUMMARY

- Investment recaps
 - After two years of working together, HTC sold back the remaining 24.85% stake in Beats Audio for a total payment of US\$415 million and focused on the development of its own proprietary sound technology. HTC BoomSound which is already receiving positive industry feedback, seamlessly integrates hardware and software algorithms, delivering the ultimate audio experience to consumers
 - HTC sold 100% of its stake in digital content provider Saffron Digital for US\$47 million, while retaining permanent royalty-free license to its world-wide media services

EXECUTIVE SUMMARY

- Regional Update
 - EMEA, the New HTC One sales remained solid across the region. Newly launched HTC One mini and New Desire series enjoy the halo effects
 - In Asia, HTC continues to maintain #1 share in Taiwan
 - With the launch of HTC One by Verizon in 3Q, HTC is now available across all four major US carriers for the first time; helped sustain HTC One momentum and life cycle
 - In China, the HTC One max is expected to be market's first wave of TD-LTE products, marking yet another milestone for leadership in global 4G technology innovation

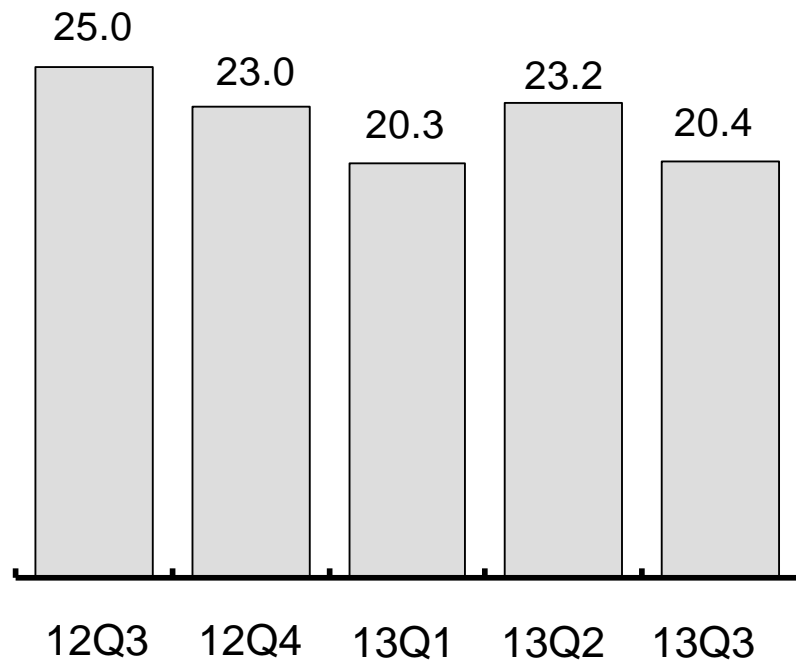
REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS

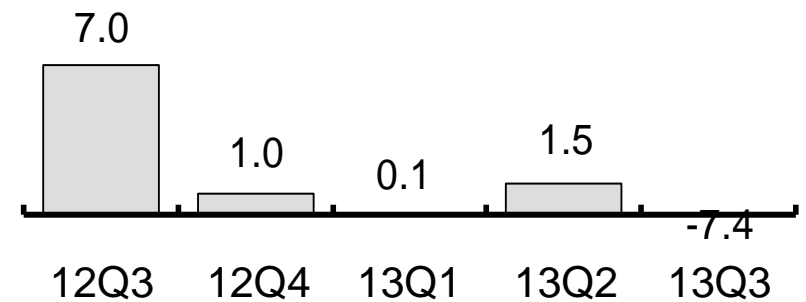
Gross Margin

%



Operating Margin

%



3Q 2013 P&L (CONSOLIDATED)

NT\$bn	3Q 12	2Q 13	3Q 13
REVENUES	70.2	70.7	47.0
GROSS PROFIT	17.6	16.4	9.6
OPERATING EXPENSE	<u>12.6</u>	15.3	<u>13.1</u>
SALES MKTING.	7.2	10.3	7.5
RESEARCH DEV.	4.0	3.4	2.9
GENERAL ADM.	1.4	1.6	2.7
OPERATING PROFIT	4.9	1.1	-3.5
NPBT	3.9	1.5	-3.0
NPAT ¹	3.9	1.2	-3.0
GROSS MARGIN (%)	25.0%	23.2%	20.4%
OPERATING MARGIN (%)	7.0%	1.5%	-7.4%
EPS ² (NT\$)	4.70	1.50	-3.58

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

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

3Q 2013 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Sep 30, 12	Jun 30, 13	Sep 30, 13
TOTAL ASSETS	202.3	209.9	183.5
CASH	45.3	48.1	43.1
AR	40.8	48.2	30.9
INVENTORY	21.4	28.1	26.0
OTHER ASSETS	94.8	85.5	83.5
TOTAL LIABILITIES	123.3	128.9	106.3
TOTAL EQUITY ¹	79.0	81.0	77.2
<i>METRICS</i> ²			
DAYS SALES OUTSTANDING	72	53	83
INVENTORY TURNOVER DAYS	48	63	77
DAYS PAYABLE OUTSTANDING	125	119	146

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

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

4Q 2013 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$40 billion to NT\$45 billion
- Gross profit margin is expected to be 20% +/-1%
- EPS is expected to be in the range of NT\$0.1 to NT\$1.7

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNREVIEWED)

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2013	September 30, 2012	LIABILITIES AND EQUITY	September 30, 2013	September 30, 2012
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 43,119,840	\$ 45,287,862	Financial liabilities at fair value through profit or loss - current	\$ 19,871	\$ 137,633
Available-for-sale financial assets - current	-	50,520	Derivative financial liabilities for hedging - current	-	82,213
Held-to-maturity financial assets - current	100,185	-	Note and trade payables	54,374,041	64,776,187
Note and trade receivables, net	30,933,802	40,798,544	Other payables	42,473,734	39,687,249
Other receivables	2,167,035	1,657,611	Current tax liabilities	138,292	3,895,103
Other receivables - related parties	-	6,619,951	Provisions - current	6,449,212	11,847,666
Current tax assets	391,628	104,405	Other current liabilities	1,933,535	2,412,944
Inventories	26,022,627	21,396,402	Total current liabilities	<u>105,388,685</u>	<u>122,838,995</u>
Prepayments	6,350,136	5,741,555			
Other current financial assets	2,805,927	8,878,513	NON-CURRENT LIABILITIES		
Other current assets	133,524	3,333	Deferred tax liabilities	683,091	345,148
Total current assets	<u>112,024,704</u>	<u>130,538,696</u>	Guarantee deposits received	261,320	122,830
			Total non-current liabilities	944,411	467,978
NON-CURRENT ASSETS			Total liabilities	<u>106,333,096</u>	<u>123,306,973</u>
Available-for-sale financial assets - non-current	214	183			
Held-to-maturity financial assets - non-current	-	202,070	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Financial assets measured at cost - non-current	4,520,429	3,962,435	Share capital - common stock	8,501,395	8,520,521
			Capital surplus	15,475,351	16,601,557
Investments accounted for using equity method	5,477,519	5,663,059	Retained earnings		
Property, plant and equipment	25,551,795	25,798,488	Legal reserve	18,149,350	16,471,254
Intangible assets	9,381,477	12,296,512	Special reserve	854,138	-
Deferred tax assets	8,830,166	8,847,589	Accumulated earnings	47,796,989	52,610,975
Refundable deposits	174,859	185,409	Total retained earnings	66,800,477	69,082,229
Long-term receivables	5,645,128	4,397,025	Other equity	(298,498)	(1,106,860)
Prepaid pension cost - non-current	137,535	118,632	Treasury shares	(13,329,182)	(14,065,490)
Other non-current assets	11,738,813	10,328,832			
Total non-current assets	<u>71,457,935</u>	<u>71,800,234</u>	Total equity attributable to owners of the parent	<u>77,149,543</u>	<u>79,031,957</u>
			Total equity	<u>77,149,543</u>	<u>79,031,957</u>
TOTAL	<u>\$ 183,482,639</u>	<u>\$ 202,338,930</u>	TOTAL	<u>\$ 183,482,639</u>	<u>\$ 202,338,930</u>

HTC CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30	
	2013	2012
REVENUES	\$ 160,502,999	\$ 229,007,295
COST OF REVENUES	<u>125,868,182</u>	<u>169,897,951</u>
GROSS PROFIT	<u>34,634,817</u>	<u>59,109,344</u>
OPERATING EXPENSES		
Selling and marketing	21,745,830	23,935,405
General and administrative	5,833,096	4,862,501
Research and development	<u>9,466,735</u>	<u>12,108,699</u>
Total operating expenses	<u>37,045,661</u>	<u>40,906,605</u>
OPERATING (LOSS) PROFIT	<u>(2,410,844)</u>	<u>18,202,739</u>
NON-OPERATING INCOME AND EXPENSES		
Other income	956,771	846,578
Other gains and losses	(31,063)	(857,368)
Finance costs	(8,393)	(1,555)
Share of the profit or loss of associates and joint ventures	<u>146,795</u>	<u>125,656</u>
Total non-operating income and expenses	<u>1,064,110</u>	<u>113,311</u>
(LOSS) PROFIT BEFORE INCOME TAX	(1,346,734)	18,316,050
INCOME TAX	<u>292,365</u>	<u>1,718,526</u>
(LOSS) PROFIT FOR THE PERIOD	<u>\$ (1,639,099)</u>	<u>\$ 16,597,524</u>
ALLOCATIONS OF (LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO		
Owners of the parent	\$ (1,639,099)	\$ 15,789,306
Non-controlling interest	<u>-</u>	<u>808,218</u>
	<u>\$ (1,639,099)</u>	<u>\$ 16,597,524</u>
(LOSS) EARNINGS PER SHARE		
Basic (loss) earnings per share	<u>\$(1.97)</u>	<u>\$18.97</u>
Diluted (loss) earnings per share	<u>\$(1.97)</u>	<u>\$18.88</u>

HTC CORPORATION AND SUBSIDIARIES

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

	<u>Nine Months Ended September 30</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (1,346,734)	\$ 18,316,050
Adjustments for:		
Depreciation	2,163,076	1,773,410
Amortization	1,497,393	1,539,792
Impairment loss recognized on trade receivables	1,009,364	507,486
Finance costs	8,393	1,555
Interest income	(409,458)	(449,127)
Dividend income	(16,282)	(19,918)
Share of the profit or loss of associates and joint ventures	(146,795)	(125,656)
Losses on disposal of property, plant and equipment	2,555	1,634
Transfer of property, plant and equipment to expenses	-	8,471
Gains on sale of investments	(29,735)	(49,084)
Impairment loss recognized on financial assets measured at cost	-	1,199,045
Impairment losses on non-financial assets	1,424,478	1,135,243
(Gain) loss on disposal of subsidiaries	(175,436)	214,268
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	26,821	394,501
Decrease in derivative financial instruments for hedging	204,519	82,213
Decrease in note and trade receivables	9,283,985	19,832,814
(Increase) decrease in other receivables	(683,523)	306,843
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(3,109,103)	3,997,736
Increase in prepayments	(1,906,586)	(2,039,166)
Increase in other current assets	(105,440)	(120,168)
(Increase) decrease in other non-current assets	(1,880,323)	267,794
Decrease in note and trade payables	(19,213,479)	(8,773,944)
Increase (decrease) in other payables	3,886,917	(6,522,930)
Decrease in provisions	(2,432,302)	(3,285,609)
Increase in other current liabilities	<u>154,919</u>	<u>927,940</u>
Cash (used in) generated from operations	(11,792,776)	29,122,159
Interest received	452,839	432,211
Interest paid	(8,393)	(1,555)
Income tax paid	<u>(3,302,711)</u>	<u>(10,758,118)</u>
Net cash (used in) generated from operating activities	<u>(14,651,041)</u>	<u>18,794,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	829,071
Payments to acquire financial assets measured at cost	(153,789)	(1,927,162)
Net cash outflow on acquisition of subsidiaries	-	(10,485)
Net cash inflow (outflow) on disposal of subsidiaries	144,266	(647,609)
Payments for property, plant and equipment	(2,116,148)	(5,434,424)

HTC CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30	
	2013	2012
Proceeds from disposal of property, plant and equipment	\$ 856	\$ 36,866
Increase in refundable deposits	-	(8,985)
Decrease in refundable deposits	11,607	-
Increase in other receivables - related parties	-	(6,600,093)
Decrease in other receivables - related parties	6,600,093	-
Payments for intangible assets	(199,017)	(555,474)
Decrease in other current financial assets	3,755,517	16,647,231
Increase in prepayments for equipment in transit	(37,572)	(151,617)
Dividend received	<u>661,896</u>	<u>19,918</u>
Net cash generated from investing activities	<u>8,724,447</u>	<u>2,197,237</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(1,662,455)	(33,249,085)
Payments for treasury shares	(409,024)	(3,700,346)
Increase in guarantee deposits received	201,321	79,884
Change in non-controlling interest	<u>-</u>	<u>(1,800,942)</u>
Net cash used in financing activities	<u>(1,870,158)</u>	<u>(38,670,489)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(49,551)</u>	<u>939,659</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,846,303)	(16,738,896)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>50,966,143</u>	<u>62,026,758</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 43,119,840</u>	<u>\$ 45,287,862</u>