

HTC CORPORATION

1Q13 BUSINESS REVIEW

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CFO

May 2nd, 2013

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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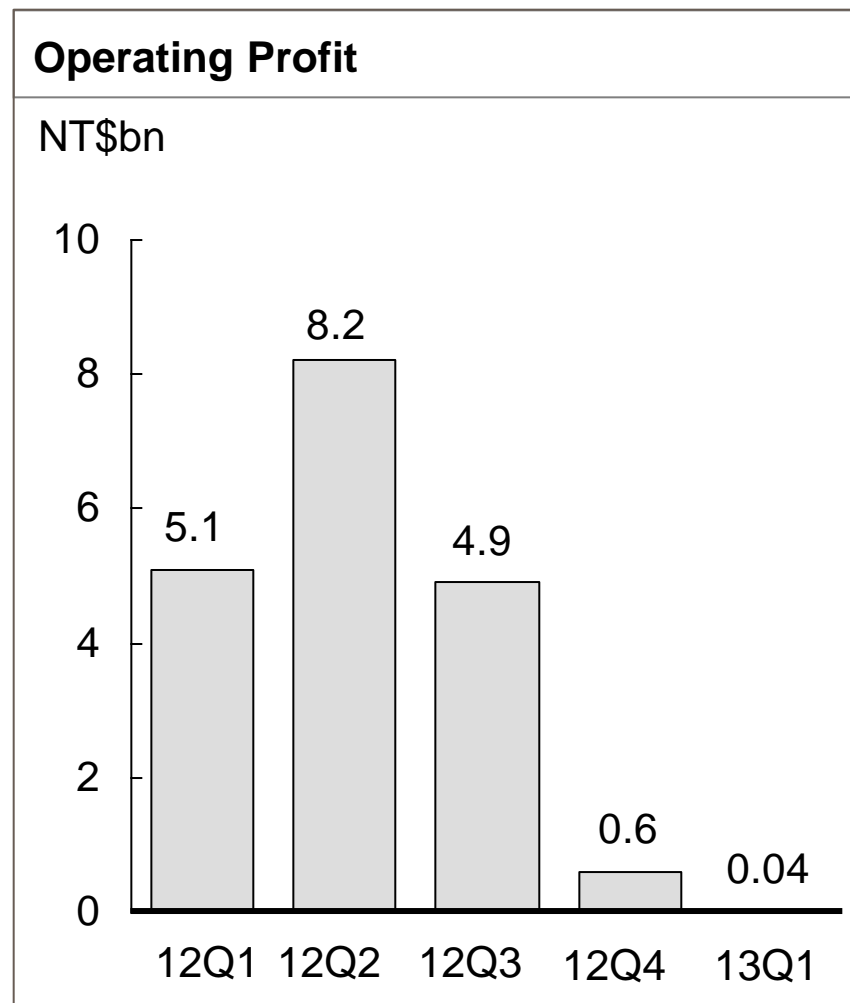
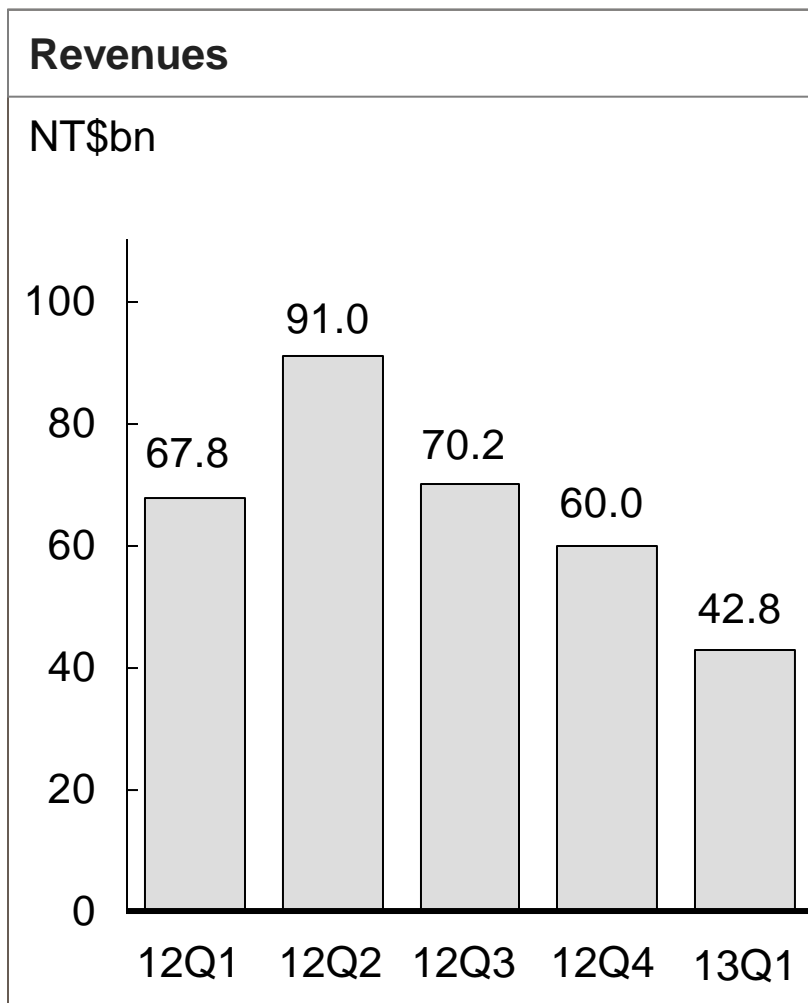
EXECUTIVE SUMMARY

- 1Q financial highlights
 - Revenue was NT\$42.8bn
 - Gross margin and operating margin were 20.3% and 0.1%, respectively
 - Net income was NT\$85mn
- Unveiled on Feb. 19, the **new HTC One** introduced a new perspective on smartphones
 - Crafted with distinct all aluminum unibody casing and a full HD 1080p (468ppi) screen, the **new HTC One** raised the bar for smartphone craftsmanship
 - Loaded with high-end features, **HTC BlinkFeed** live home screen, **HTC BoomSound** dual frontal stereo speakers, HTC Sense TV, and the UltraPixel camera with '**HTC Zoe**,' brings photos to life
 - Received overwhelmingly positive reviews from experts, critics, media, and fans, full support from operators, and demand from consumers across the world since launch
 - We will continue to monitor sales trends through Q2

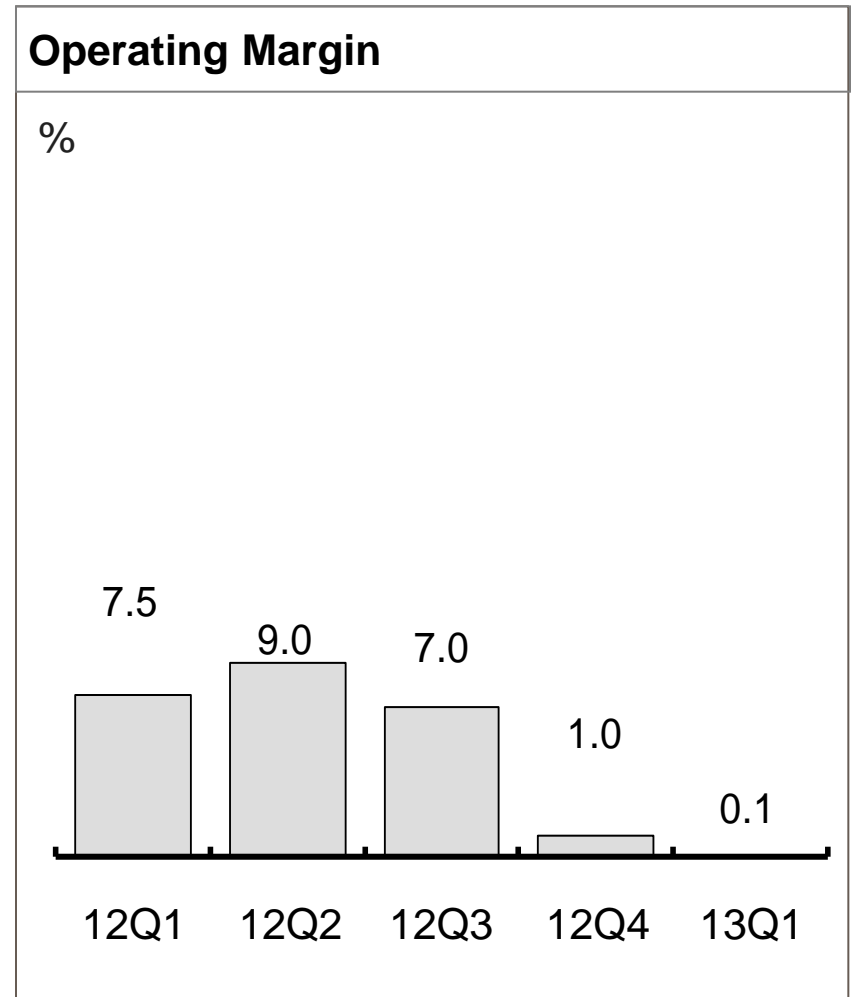
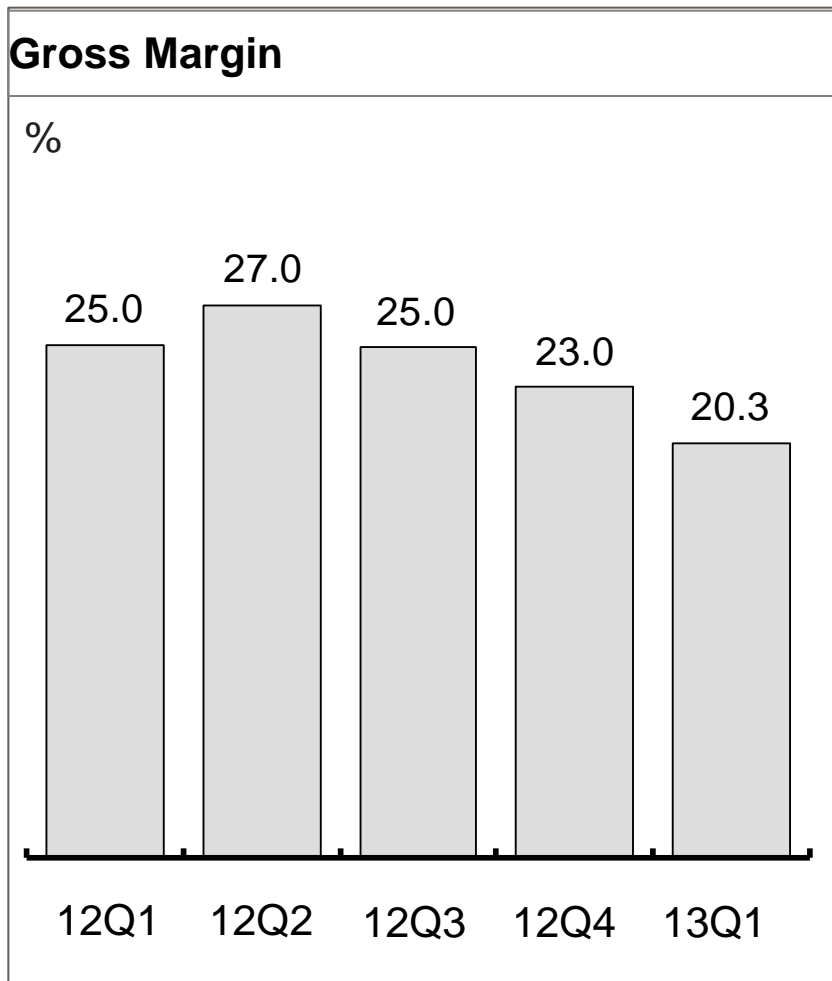
EXECUTIVE SUMMARY

- Awards and honors
 - The **new HTC One** was awarded “The Best Mobile Handset, Device, or Tablet” by GSMA. “MWC's Best Phone”, and “Best in Show” by Tech Radar, and “Best Smartphone” by Mobile Geeks.
 - Windows Phone 8X by HTC was also honored with the prestigious “red dot award: product design 2013®.”

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



1Q 2013 P&L (CONSOLIDATED)

NT\$bn	1Q 12	4Q 12	1Q 13
REVENUES	67.8	60.0	42.8
GROSS PROFIT	17.0	13.8	8.7
OPERATING EXPENSE	<u>11.9</u>	<u>13.2</u>	<u>8.6</u>
SALES MKTING.	6.8	8.4	3.9
RESEARCH DEV.	3.4	3.4	3.2
GENERAL ADM.	1.7	1.4	1.5
OPERATING PROFIT	5.1	0.6	0.04
NPBT	5.6	1.1	0.10
NPAT ¹	4.5	1.0	0.09
GROSS MARGIN (%)	25.0%	23.0%	20.3%
OPERATING MARGIN (%)	7.5%	1.0%	0.10%
EPS ² (NT\$)	5.35	1.21	0.10

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

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

1Q 2013 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Mar 31, 12	Dec 31, 12	Mar 31, 13
TOTAL ASSETS	236.3	207.2	204.1
CASH	53.1	51.0	47.4
AR	52.3	41.3	28.5
INVENTORY	29.0	23.8	38.1
OTHER ASSETS	101.9	91.1	90.1
TOTAL LIABILITIES	133.8	127.0	123.2
TOTAL EQUITY ¹	101.5	80.3	80.9
<i>METRICS</i>²			
DAYS SALES OUTSTANDING	81	66	79
INVENTORY TURNOVER DAYS	60	54	96
DAYS PAYABLE OUTSTANDING	133	137	199

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

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

2Q 2013 BUSINESS OUTLOOK

- Revenue is expected to be around NT\$70bn
- Gross margin is expected to be 22-24%
- Operating margin is expected to be 1-3%

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HTC CORPORATION AND SUBSIDIARIES

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

ASSETS	March 31, 2013	March 31, 2012	LIABILITIES AND EQUITY	March 31, 2013	March 31, 2012
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 47,452,141	\$ 53,095,923	Financial liabilities at fair value through profit or loss - current	-	210,837
Financial assets at fair value through profit or loss - current	228,702	-	Note and trade payables	75,253,626	69,159,037
Available-for-sale financial assets - current	-	737,392	Other payables	35,168,299	37,095,747
Held-to-maturity financial assets - current	101,036	-	Current tax liabilities	2,538,455	10,438,543
Note and trade receivables, net	28,542,304	52,325,059	Provisions - current	7,649,765	14,879,493
Other receivables	1,436,943	1,430,089	Other current liabilities	<u>2,185,362</u>	<u>1,487,306</u>
Other receivables - related parties	6,788,707	-	Total current liabilities	<u>122,795,507</u>	<u>133,270,963</u>
Current tax assets	319,482	248,530			
Inventories	38,103,851	28,993,944	NON-CURRENT LIABILITIES		
Prepayments	5,838,434	6,383,271	Deferred tax liabilities	365,047	449,233
Other current financial assets	4,179,754	26,534,203	Guarantee deposits received	<u>53,136</u>	<u>43,014</u>
Other current assets	<u>54,280</u>	<u>77,174</u>	Total non-current liabilities	<u>418,183</u>	<u>492,247</u>
Total current assets	<u>133,045,634</u>	<u>169,825,585</u>	Total liabilities	<u>123,213,690</u>	<u>133,763,210</u>
NON-CURRENT ASSETS			EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Available-for-sale financial assets - non-current	173	186,856	Share capital - common stock	8,520,521	8,520,521
Held-to-maturity financial assets - non-current	-	203,764	Capital surplus		
Financial assets measured at cost - non-current	4,444,000	3,472,035	Additional paid-in capital - issuance of shares in excess of par	14,809,608	14,809,608
Investments accounted for using the equity method	5,316,819	316,145	Treasury stock transactions	1,730,458	1,730,458
Property, plant and equipment	25,840,345	22,689,799	Merger	24,423	24,423
Intangible assets	11,677,252	22,139,555	Expired stock options	<u>37,068</u>	<u>37,068</u>
Deferred tax assets	8,577,968	6,035,485	Total capital surplus	<u>16,601,557</u>	<u>16,601,557</u>
Refundable deposits	181,926	199,327	Retained earnings		
Long-term receivables	4,479,375	-	Legal reserve	16,471,254	10,273,674
Prepaid pension cost - non-current	125,230	106,515	Special reserve	-	580,856
Other non-current assets	<u>10,463,896</u>	<u>11,120,367</u>	Accumulated earnings	<u>53,715,903</u>	<u>80,153,693</u>
Total non-current assets	<u>71,106,984</u>	<u>66,469,848</u>	Total retained earnings	<u>70,187,157</u>	<u>91,008,223</u>
			Other equity		
			Accumulated balances of exchange differences on translating foreign operations	(302,729)	(696,264)
			Unrealized gains or losses from available-for-sale financial assets	(2,088)	117,091
			Effective portion of gain on hedging instruments in a cash flow hedge	-	-
			Total other equity	<u>(304,817)</u>	<u>(579,173)</u>
			Treasury shares	<u>(14,065,490)</u>	<u>(14,065,490)</u>
			Total equity attributable to owners of the parent	80,938,928	101,485,638
			NON-CONTROLLING INTEREST	-	1,046,585
			Total equity	<u>80,938,928</u>	<u>102,532,223</u>
TOTAL	\$ 204,152,618	\$ 236,295,433	TOTAL	\$ 204,152,618	\$ 236,295,433

HTC CORPORATION AND SUBSIDIARIES
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	<u>Three Months Ended March 31</u>	
	<u>2013</u>	<u>2012</u>
REVENUES	\$ 42,788,517	\$ 67,789,581
COST OF REVENUES	<u>34,106,365</u>	<u>50,810,385</u>
GROSS PROFIT	<u>8,682,152</u>	<u>16,979,196</u>
OPERATING EXPENSES		
Selling and marketing	3,922,834	6,722,248
General and administrative	1,547,885	1,714,073
Research and development	<u>3,168,075</u>	<u>3,422,309</u>
Total operating expenses	<u>8,638,794</u>	<u>11,858,630</u>
OPERATING PROFIT	<u>43,358</u>	<u>5,120,566</u>
NON-OPERATING INCOME AND EXPENSES		
Other income	258,308	255,217
Other gains and losses	(242,554)	201,361
Finance costs	(48)	(320)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	<u>43,681</u>	<u>(4,470)</u>
Total non-operating income and expenses	<u>59,387</u>	<u>451,788</u>
PROFIT BEFORE INCOME TAX	102,745	5,572,354
INCOME TAX	<u>17,619</u>	<u>768,357</u>
PROFIT FOR THE PERIOD	<u>85,126</u>	<u>4,803,997</u>
ALLOCATIONS OF PROFIT OR LOSS FOR THE PERIOD		
ATTRIBUTABLE TO		
Owners of the parent	\$ 85,126	\$ 4,466,215
Non-controlling interest	<u>-</u>	<u>337,782</u>
	<u>\$ 85,126</u>	<u>\$ 4,803,997</u>
EARNINGS PER SHARE		
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ 5.35</u>
Diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 5.35</u>

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HTC CORPORATION AND SUBSIDIARIES
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 102,745	\$ 5,572,354
Adjustments for:		
Depreciation	694,689	542,213
Amortization	494,060	467,576
Impairment loss recognized on trade and other receivables	575,816	505,078
Finance costs	48	320
Interests income	(159,635)	(167,214)
Dividend income	(10,005)	(764)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(43,681)	4,470
Losses on disposal of property, plant and equipment	1,558	5
Gain on sale of investments	(29,735)	-
Impairment losses on non-financial assets	542,152	73,993
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets classified as held for trading	(221,752)	467,705
Decrease in derivative financial instruments for hedging	204,519	-
Decrease in note and trade receivables	12,313,606	11,889,654
(Increase) decrease in other receivables	(63,616)	518,437
Decrease in other receivables - related parties	-	966
Increase in inventories	(14,494,140)	(637,347)
(Increase) decrease in prepayments	(1,382,330)	124,245
(Increase) decrease in other current assets	(15,183)	172,470
Increase in other non-current assets	(593,101)	(471,105)
Increase (decrease) in note and trade payables	1,635,429	(9,314,093)
Decrease in other payables	(3,677,970)	(10,459,136)
Decrease in provisions	(1,231,749)	(253,782)
Increase (decrease) in other current liabilities	<u>397,256</u>	<u>(173,834)</u>
Cash used in operations	(4,961,019)	(1,137,789)
Interest received	132,677	166,472
Interest paid	(48)	(320)
Income tax paid	<u>(621,502)</u>	<u>(492,445)</u>
Net cash used in operating activities	<u>(5,449,892)</u>	<u>(1,464,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the sale of available-for-sale financial assets	56,738	-
Payments to acquire financial assets measured at cost	(48,382)	(209,546)
Net cash outflow on acquisition of subsidiaries	-	(55,252)
Payments for property, plant and equipment	(964,837)	(1,886,609)
Proceeds from disposal of property, plant and equipment	126,199	7,151
Increase in refundable deposits	-	(14,021)

(Continued)

HTC CORPORATION AND SUBSIDIARIES
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2013	2012
Decrease in refundable deposits	8,216	-
Payments for intangible assets	(127,150)	(25,624)
Increase in other current financial assets	-	(990,753)
Decrease in other current financial assets	2,381,690	-
Increase in prepayments for equipment in transit	(188,238)	(4,487)
Dividends received	655,619	764
Loss of a subsidiary	-	(501,425)
	<u>1,899,855</u>	<u>(3,679,802)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for treasury shares	-	(3,700,346)
Increase in guarantee deposits received	-	68
Refund of guarantee deposits	(6,863)	-
Change in non-controlling interest	-	(33,232)
	<u>(6,863)</u>	<u>(3,733,510)</u>
Net cash used in financing activities		
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>42,898</u>	<u>(53,441)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,514,002)	(8,930,835)
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>\$ 47,452,141</u>	<u>\$ 53,095,923</u>

(Concluded)