

HTC CORPORATION

4Q13 BUSINESS REVIEW

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CFO

February 10th, 2014

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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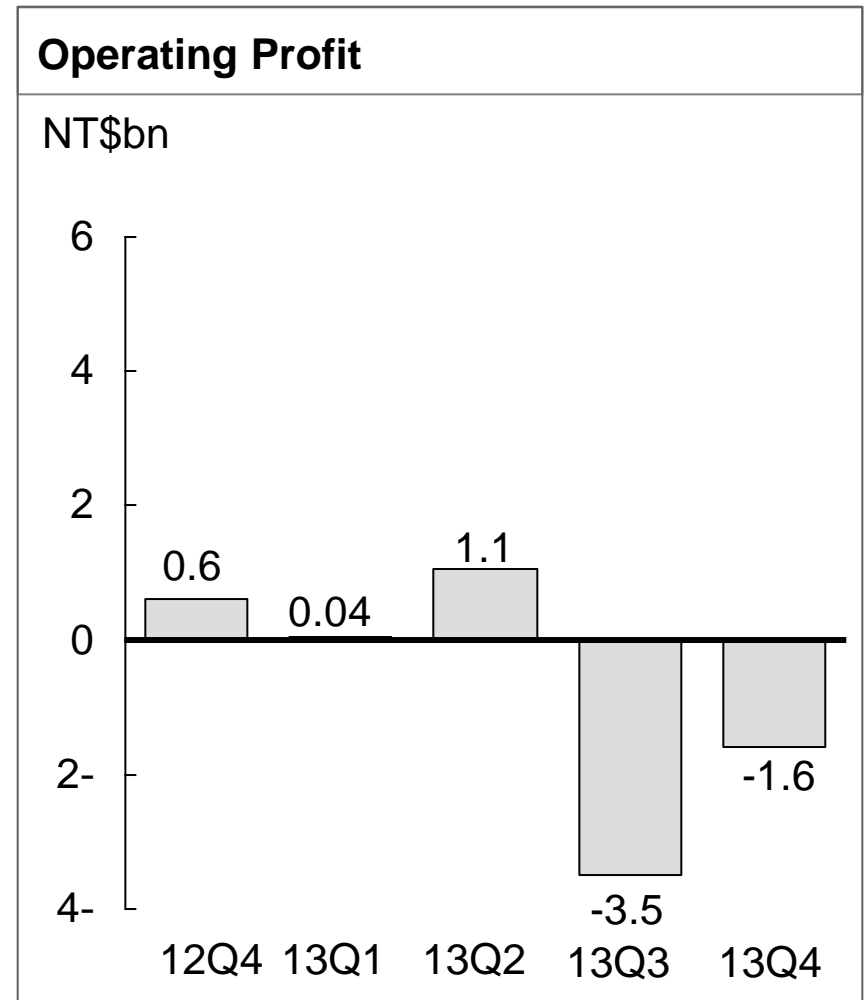
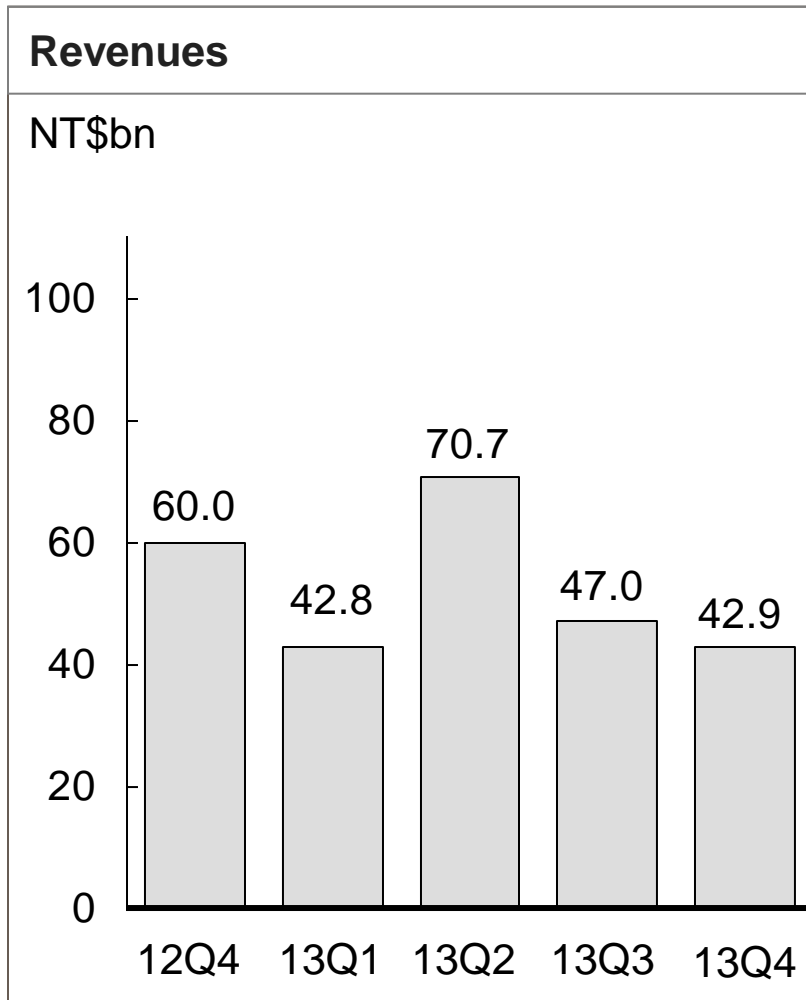
EXECUTIVE SUMMARY

- 4Q Financial Highlights
 - Revenue was NT\$42.9 billion
 - Gross margin and operating margin were 17.8% and -3.7%, respectively
 - Net profit was NT\$0.31 billion
- Product Innovation
 - In China, HTC signed the strategic partnership agreement with China Mobile to become one of its first TD-LTE devices providers.
 - Launched mid-range HTC Desire 700 dual sim, HTC Desire 601 and HTC Desire 500 across Europe, Asia and Middle East, providing unique HTC Zoe, HTC BoomSound and HTC BlinkFeed experience at affordable prices.
 - Unveiled award-winning HTC One in a sophisticated new color- Champaign Gold, available across Europe and Asia with a number of partners
 - Introduced 4G-LTE version of two flagships devices, HTC One and HTC Butterfly s, in Taiwan with three major operators, reiterated HTC's leadership in communication technology in 4G era

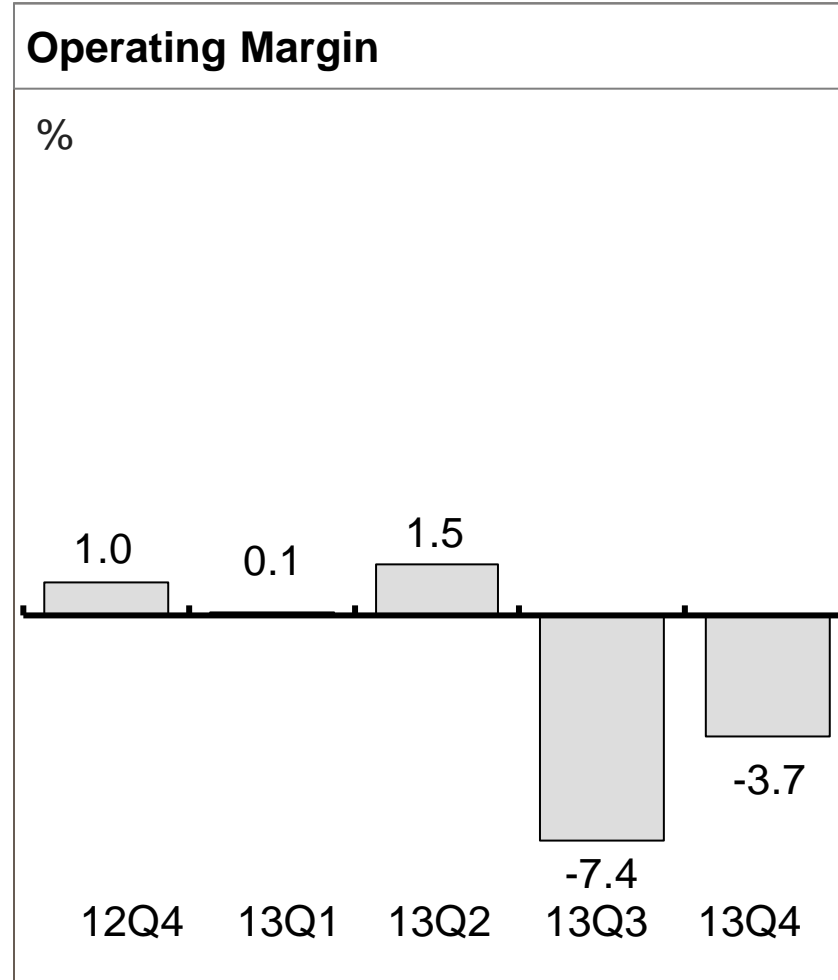
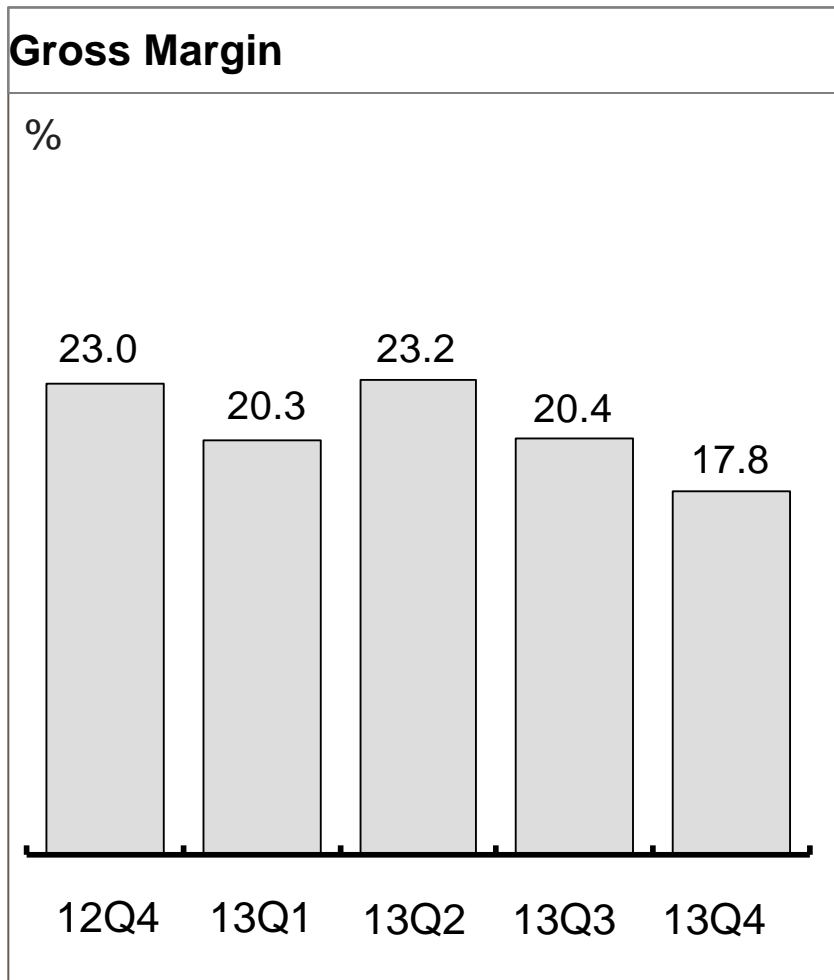
EXECUTIVE SUMMARY

- Other Updates
 - “The Most Beautiful Smartphone” campaign through an interactive outdoor billboard at Time Square in New York City, boosting digital engagement with consumers and activation through the holiday sales season.
 - “The Ultimate Smartphone Photo Booth,” consisted of 130 HTC One phones shooting from 540 degrees of actions and toured across major cities in the United States, showing off the vivid and true-to-life images captured by HTC’s groundbreaking UltraPixel Camera. The video received more than five million views on YouTube alone.
 - HTC signed a patent and technology collaboration agreement with Nokia and settled all pending patent litigation between two companies. The full terms of the agreement are confidential.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



4Q 2013 P&L (CONSOLIDATED)- UNAUDITED

NT\$bn	4Q 12	3Q 13	4Q 13
REVENUES	60.0	47.0	42.9
GROSS PROFIT	13.8	9.6	7.6
OPERATING EXPENSE	<u>13.2</u>	<u>13.1</u>	<u>9.2</u>
SALES MKTING.	8.4	7.5	4.7
RESEARCH DEV.	3.4	2.9	3.1
GENERAL ADM.	1.4	2.7	1.4
OPERATING PROFIT	0.6	-3.5	-1.6
NPBT	1.1	-3.0	1.1
NPAT ¹	1.0	-3.0	0.3
GROSS MARGIN (%)	23.0%	20.4%	17.8%
OPERATING MARGIN (%)	1.0%	-7.4%	-3.7%
EPS ² (NT\$)	1.21	-3.58	0.38

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

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

4Q 2013 BALANCE SHEET (CONSOLIDATED)- UNAUDITED

NT\$bn	Dec 31, 12	Sept 30, 13	Dec 31, 13
TOTAL ASSETS	207.2	183.5	172.6
CASH	51.0	43.1	53.3
AR	41.3	30.9	23.4
INVENTORY	23.8	26.0	23.6
OTHER ASSETS	91.1	83.5	72.3
TOTAL LIABILITIES	127.0	106.3	94.9
TOTAL EQUITY ¹	80.2	77.2	77.7
<i>METRICS²</i>			
DAYS SALES OUTSTANDING	66	83	65
INVENTORY TURNOVER DAYS	54	77	74
DAYS PAYABLE OUTSTANDING	137	146	133

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

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

1Q 2014 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$34 billion to NT\$36 billion
- Gross profit margin is expected to be 21.75% +/- 0.25%
- EPS is expected to be in the range of -NT\$2.6 to -NT\$2.1

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HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012			December 31, 2013		December 31, 2012	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 53,298,941	31	\$ 50,966,143	25	Note and trade payables	\$ 46,275,851	27	\$ 73,618,197	36
Financial assets at fair value through profit or loss- current	162,297	-	6,950	-	Other payables	37,950,309	22	39,267,173	19
Available-for-sale financial assets- current	-	-	37,902	-	Current tax liabilities	1,040,128	1	2,713,373	1
Held-to-maturity financial assets- current	-	-	101,459	-	Provisions - current	8,291,575	5	8,881,514	4
Derivative financial assets for hedging- current	-	-	204,519	-	Other current liabilities	960,153	1	1,788,106	1
Note and trade receivables, net	23,371,172	14	41,253,826	20	Total current liabilities	94,518,016	56	126,268,363	61
Other receivables	2,137,653	1	1,524,269	1					
Other receivables- related parties	-	-	6,600,093	3	NON-CURRENT LIABILITIES				
Current tax assets	238,085	-	61,532	-	Deferred tax liabilities	151,122	-	647,936	-
Inventories	23,599,558	14	23,809,377	11	Guarantee deposits received	256,415	-	59,999	-
Prepayments	5,803,744	3	4,965,814	2	Total non-current liabilities	407,537	-	707,935	-
Other current financial assets	2,771,023	2	6,561,444	3					
Other current assets	124,808	-	39,097	-	Total liabilities	94,925,553	56	126,976,298	61
Total current assets	111,507,281	65	136,132,425	65					
					EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
NON-CURRENT ASSETS					Share capital- common stock	8,423,505	5	8,520,521	4
Available-for-sale financial assets- non-current	239	-	197	-	Capital surplus	15,360,307	9	16,601,557	8
Held-to-maturity financial assets- non-current	-	-	-	-	Retained earnings				
Financial assets measured at cost- non-current	4,603,061	2	4,304,907	2	Legal reserve	18,149,350	11	16,471,254	8
Investments accounted for using equity method	227,504	-	5,892,168	3	Special reserve	854,138	-	-	-
Property, plant and equipment	25,561,399	15	25,990,766	13	Accumulated earnings	47,278,794	27	53,630,777	26
Intangible assets	8,664,066	5	11,683,170	6	Total retained earnings	66,282,282	38	70,102,031	34
Deferred tax assets	8,665,235	5	8,689,842	4	Other equity	557,698	-	885,925	-
Refundable deposits	352,894	-	190,142	-	Treasury shares	(12,920,158)	(7)	(14,065,490)	(7)
Long-term receivables	1,182,393	1	4,369,350	2	Total equity attributable to owners of the parent	77,703,634	45	80,272,694	39
Prepaid pension cost- non-current	125,715	-	119,273	-					
Other non-current assets	11,739,400	7	9,876,752	5	NON-CONTROLLING INTEREST	-	-	-	-
Total non-current assets	61,121,906	35	71,116,567	35	Total equity	77,703,634	45	80,272,694	39
TOTAL	\$ 172,629,187	100	\$ 207,248,992	100	TOTAL	\$ 172,629,187	101	\$ 207,248,992	100

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT (UNAUDITED)
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES	\$ 203,402,648	100	\$ 289,020,175	100
COST OF REVENUES	<u>161,131,897</u>	<u>79</u>	<u>216,089,326</u>	<u>75</u>
GROSS PROFIT	<u>42,270,751</u>	<u>21</u>	<u>72,930,849</u>	<u>25</u>
OPERATING EXPENSES				
Selling and marketing	26,470,397	13	32,382,563	11
General and administrative	7,232,256	4	6,227,833	2
Research and development	<u>12,543,764</u>	<u>6</u>	<u>15,493,139</u>	<u>5</u>
Total operating expenses	<u>46,246,417</u>	<u>23</u>	<u>54,103,535</u>	<u>18</u>
OPERATING (LOSS) PROFIT	<u>(3,975,666)</u>	<u>(2)</u>	<u>18,827,314</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	1,164,948	1	1,168,532	-
Other gain and loss	2,421,287	1	(923,544)	-
Finance costs	(8,405)	-	(1,715)	-
Share of the profit or loss of associates and joint ventures	<u>197,069</u>	<u>-</u>	<u>387,478</u>	<u>-</u>
Total non-operating income and expenses	<u>3,774,899</u>	<u>2</u>	<u>630,751</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	<u>(200,767)</u>	<u>-</u>	<u>19,458,065</u>	<u>7</u>
INCOME TAX	<u>1,127,044</u>	<u>1</u>	<u>1,836,272</u>	<u>1</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(\$ 1,327,811)</u>	<u>(1)</u>	<u>\$ 17,621,793</u>	<u>6</u>
ALLOCATIONS OF TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	(\$ 1,327,811)	(1)	\$ 16,813,575	6
Non-controlling interest	<u>-</u>	<u>-</u>	<u>808,218</u>	<u>-</u>
	<u>(\$ 1,327,811)</u>	<u>(1)</u>	<u>\$ 17,621,793</u>	<u>6</u>
(LOSS) EARNINGS PER SHARE				
Basic	<u>(\$ 1.60)</u>		<u>\$ 20.21</u>	
Diluted	<u>(\$ 1.60)</u>		<u>\$ 20.12</u>	

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

	<u>For the Years Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	(\$ 200,767)	\$ 19,458,065
Adjustments for:		
Depreciation	2,916,699	2,463,017
Amortization	1,968,492	2,047,681
Impairment loss recognized on trade receivables	1,010,405	531,364
Finance costs	8,405	1,715
Interest income	(554,355)	(617,635)
Dividend income	(16,282)	(22,441)
Share of the profit or loss of associates and joint ventures	(197,069)	(387,478)
Losses on disposal of property, plant and equipment	58	6,395
Transfer of property, plant and equipment to expenses	2,995	15,098
Gain on disposal of intangible assets	(108,265)	-
Gains on sale of investments	(29,735)	(49,084)
Gain on disposal of investments accounted for using equity method	(2,637,673)	-
Impairment loss recognized on financial assets measured at cost	-	1,199,045
Impairment losses on non-financial assets	1,281,518	2,268,727
(Gain) loss on disposal of subsidiaries\ Hedge ineffectiveness on cash flow hedges	(164,969)	203,801
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(155,347)	249,918
Decrease in note and trade receivables	16,845,574	19,353,654
(Increase) decrease in other receivables	(607,949)	408,075
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(207,347)	552,981
Increase in prepayments	(1,360,194)	(1,412,046)
Increase in other current assets	(96,724)	(155,932)
(Increase) decrease in other non-current assets	(1,869,090)	719,233
(Decrease) increase in note and trade payables	(27,311,669)	216,687
Decrease in other payables	(509,923)	(6,540,051)
Decrease in provisions	(589,939)	(6,251,761)
(Decrease) increase in other current liabilities	(818,463)	303,102
Cash (used in) generated from operations	(13,401,614)	34,563,096
Interest received	599,071	589,899
Interest paid	(8,405)	(1,715)
Income tax paid	(3,447,255)	(11,553,271)
Net cash (used in) generated from operating activities	(16,258,203)	23,598,009

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

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	829,071
Recovery of the principal amount of held-to-maturity investments	100,000	-
Payments to acquire financial assets measured at cost	(197,684)	(2,292,573)
Disposal of long-term investments accounted for using equity method	7,883,326	-
Net cash outflow on acquisition of subsidiaries	-	(173,926)
Net cash inflow (outflow) on disposal of subsidiaries	4,643,189	(647,609)
Payments for property, plant and equipment	(2,855,698)	(6,646,776)
Proceeds from disposal of property, plant and equipment	2,609	38,813
Increase in refundable deposits	(166,428)	(13,718)
Increase in other receivables - related parties	-	(6,554,025)
Decrease in other receivables - related parties	6,554,025	-
Payments for intangible assets	(223,008)	(556,581)
Disposal of intangible assets	117,380	-
Decrease in other current financial assets	3,790,421	18,964,300
Dividend received	661,896	22,441
Net cash generated from investing activities	20,366,766	2,969,417
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	196,416	17,053
Cash dividends	(1,662,455)	(33,249,085)
Payments for treasury shares	(1,033,846)	(3,700,346)
Change in non-controlling interest	-	(1,459,370)
Net cash used in financing activities	(2,499,885)	(38,391,748)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	724,120	763,707
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,332,798	(11,060,615)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,966,143	62,026,758
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 53,298,941	\$ 50,966,143