



Convening of an investor conference concerning Q4 07 Business Review

January 30, 2008

- 1.Date of the investor/press conference/2008/01/30
- 2.Location of the investor/press conference/Conference call
- 3.Financial and business related information¹⁾

EXECUTIVE SUMMARY:

- (1)HTC implemented a successful transition in Y07 in terms of business mix change, creation of friendly user interface (TouchFLO™), penetration into mass consumer market, technology migration and build up of operational platform for brand business.
- (2)HTC has been practicing best practices to improve governance since the election of new board in last June in risk management and financial disclosure transparency. The board has approved an investment to build a production facility in China to meet the business growth in Y08.
- (3)The Y07 revenue reached NT\$ 118.56 bil., representing 131.3% YOY growth. The Non-GM business YOY growth was over 30%. The M&AT YOY growth was 14.6%. Annual avg. RSGA expense ratio, excluding a one time warranty provision adjustment, was 11.3%.
- (4)The operational results of the 4th Q exceeded the business guidance provided achieving a YOY revenue growth of 34.7%²⁾. The non-GM business grew over 60% YOY.
- (5)The business momentum of the 1st Q remains strong despite of the global economic weakness.
- ¹⁾The 4th Q revenue as a base of comparison is NT\$19.95 billion, not NT\$28.48 billion shown in the formal financial statement which deducted M&A and M&P for the whole Y07 year and was underestimated to reflect the actual revenue situation.

BUSINESS ENVIRONMENT:

- (1)Converging devices experience strong business growth, including the US market, despite of signs of global economic weakness. The strong demand confirms our observation that converging devices penetrate into the mass consumer market replacing some feature phones and enter into the inflexion point of growth.
- (2)Components supply situation eased/A9, Qualcomm chip, etc.
- (3)Devices with either 3D bandwidth, GPS or TouchFLO™ interface will be prevalent.
- (4)Qualcomm IP issue has no impact to HTC business.

Y08 BUSINESS OBJECTIVES:

- (1)Business strategy – Balancing growth and OPEX spending
- "Business growth" Total revenue expects to grow around 20% to 30%
- "OPEX spending" OPEX as investment to build long term competence and support growth
- (2)Brand strategy – Year of TRANSFORMATION
- "Brand Image – Innovation and leader in user interface and Touch Devices
- "Brand Awareness – One brand plus co-brand business percentage of total volume increase
- "Brand Value – Client royalty and brand recognition

MANAGEMENT INITIATIVES:

- (1)R&D Product plan – Drive innovative products, position in mass market with volume and create new category product line.
- (2)Culture change – Exchange initiative, communication, accountability, creativity and excellence.
- (3)Operational excellence – Expand the bandwidth in sales and marketing professional, build brand awareness cross regions, enhance product launch effectiveness and benchmark competitors' cost structure and technology development.
- (4)Risk management – Channel credit and inventory control.
- (5)Technology development – Android platform, T2000 and R300K etc.

4th Q, 07' BUSINESS REVIEW:

- (1)Quarterly revenue reached NT\$ 31.01 bil, representing a 34.7% YOY growth rate, exceeding business guidance provided. Non-GM business growth rate was 60% plus on YOY basis.
- (2)3D devices account for 65% of shipment.
- (3)The strong business momentum reflects:
- "The strong industry growth in the converging device market space especially in 3D platform and
- "HTC's competitive new product offering in the 4th Q, 07'
- (4)Stabilized OPM, excluding the NT\$ 1.67 bil. one time IP provision recovery, was 38.0% sustained at the same level of last quarter.
- The stable OPM was due to the product mix change which offset the upside of lesser GM business.

4th Q, 07' BUSINESS REVIEW:

- (1)The warranty service expenses, including the quarterly actual expenses plus the incremental warranty service expenses, will be reclassified into the COGS to be in consistent with industry practice effectively from the 1st quarter, 08'. The relevant quarterly P&Mpt adjustment and warranty service expenses was provided in the following slide for comparison.
- (2)The warranty service provision was beefed up to NT\$ 1.47 bil, reflecting a one time M&P 1.25 bil, incremental increase in this quarter. Bad debt provision was NT\$ 271 mil, based on internal provision policy newly established in this quarter.
- (3)RSGA expense ratio, including the regular warranty service expenses but excluding the one time warranty provision adjustment, was 12.1% of revenues. The higher RSGA expense ratio was due to (1) higher R&D and M&P expenses and (2) simultaneous one time expense. Higher R&D expenses paved the core competence of HTC products and brand value.

4th Q, 07' KEY FINANCIALS:

- (1)The OPEX adjustment summary:
"Y07 – one time IP provision adjustment in the 4th Q reflecting the OPM of the 4th Q from actual operation is 38.0% and the Y07 avg OPM is 37.1%
 - "Y08 – the comparison base of Y07 OPEX and OPM is to reclassify the warranty service expenses from the RSGA to COGS by each quarter
 - (2)The RSGA expense adjustment summary:
"Y07 – one time warranty service expense provision adjustment in the 4th Q reflecting the RSGA of the 4th Q from the actual operation is 12.1% and the Y07 avg RSGA expense ratio is 11.3%
 - "Y08 – the comparison base of Y07 RSGA expenses and expense ratio is to reclassify the warranty service expenses from the RSGA to COGS by each quarter
- *The numbers were revised by CPA but not approved by the board
**Both gross profit and RSGA expense were overstated by one time IP provision recovery and one time warranty service expense provision respectively
**The EPS use for whole year of 2007 based on weighted average number of common shares outstanding during 2007

4th Q, 08' BUSINESS OUTLOOK:

- (1)The 1st Q revenue expects to grow around 30% on YOY basis.
- Non-GM business expects to grow around 70% plus on YOY basis.
- (2)OPM, including warranty service expenses on the COGS, expects to decline slightly from the 4th Q, 07' level due to higher percentage of warranty service expenses. The warranty service expense ratio expects to be 4% of revenue due to lower revenue base in this quarter.
- (3)RSGA expense ratio, excluding warranty service expenses, expects to be around 10%.

4.Any other matters that need to be specified=None