

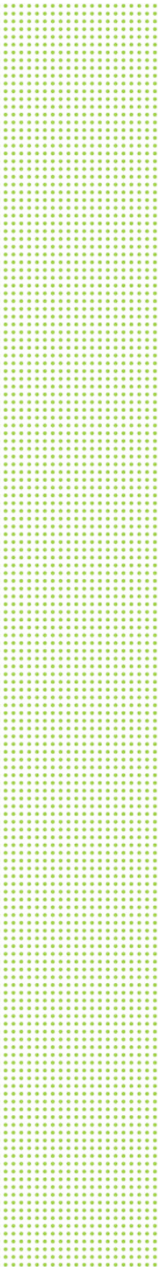
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HTC CORPORATION

1Q17 BUSINESS REVIEW

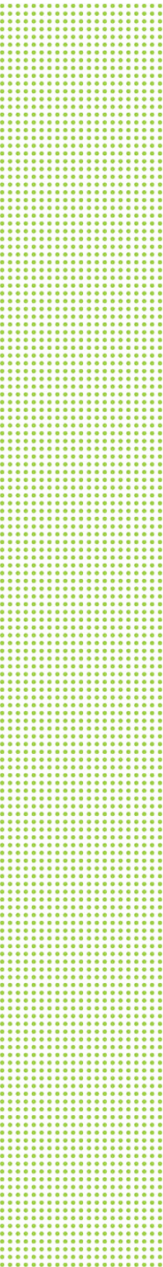
Peter Shen, CFO

May 9th, 2017



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.
- Our actual results of operations, financial condition or business prospects may differ from those expressed or implied in these forward-looking statements for a variety of reasons, including but not limited to market demand, price fluctuations, competition, international economic conditions, supply chain issues, exchange rate fluctuations and other risks and factors beyond our control.
- 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

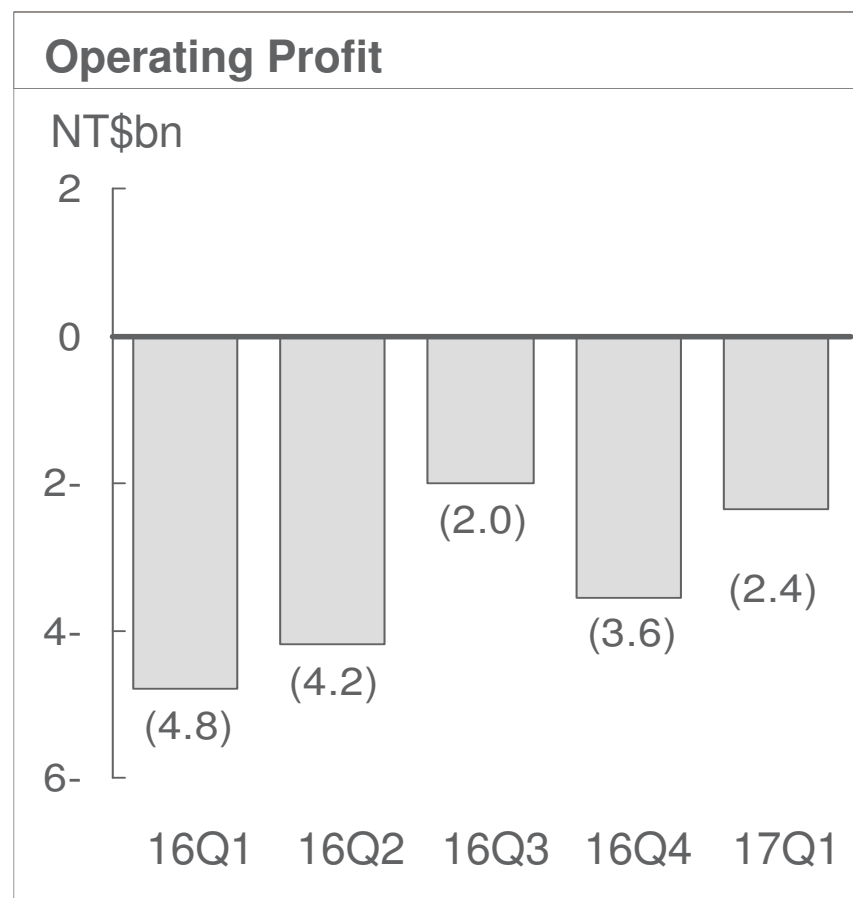
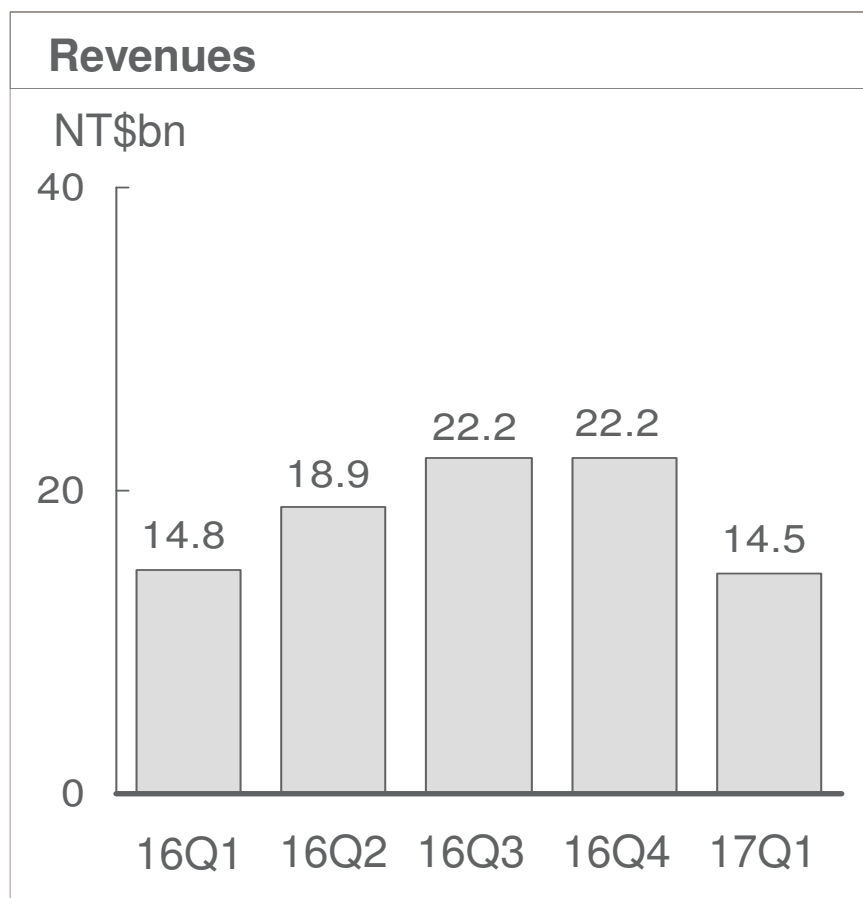
1Q17 Financial Highlights:

- Revenue of NT\$14.5 billion with gross margin of 16.3%
- Operating loss of NT\$2.4 billion with operating margin of -16.2%
- Net loss after tax of NT\$2.0 billion, or -NT\$2.47 per share

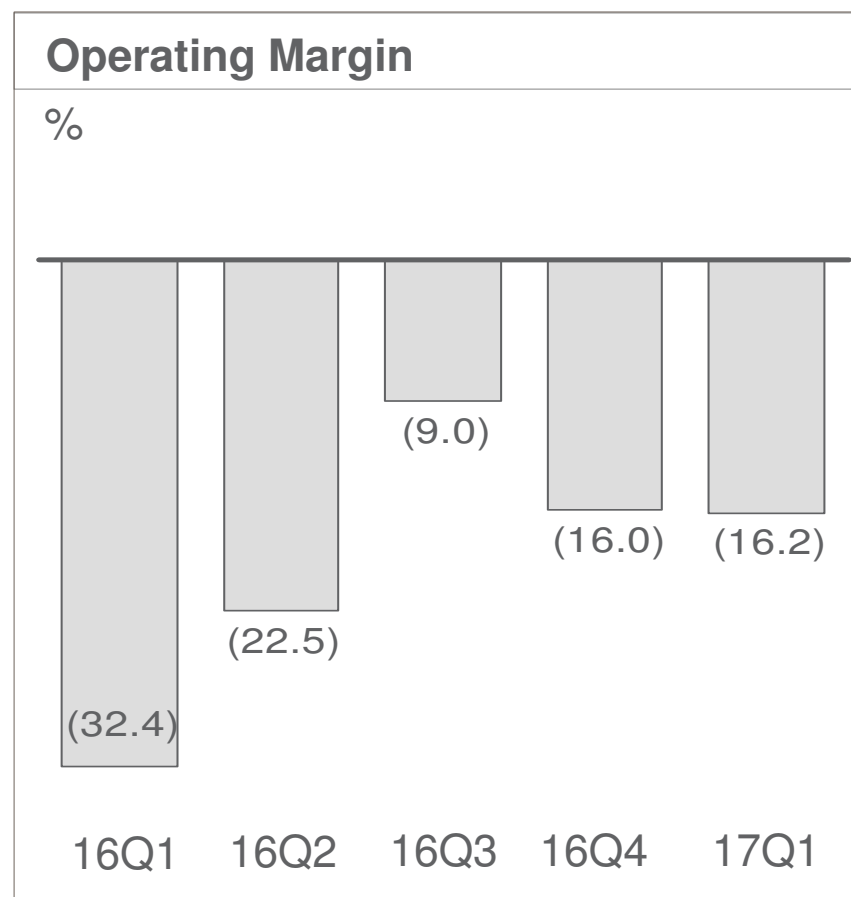
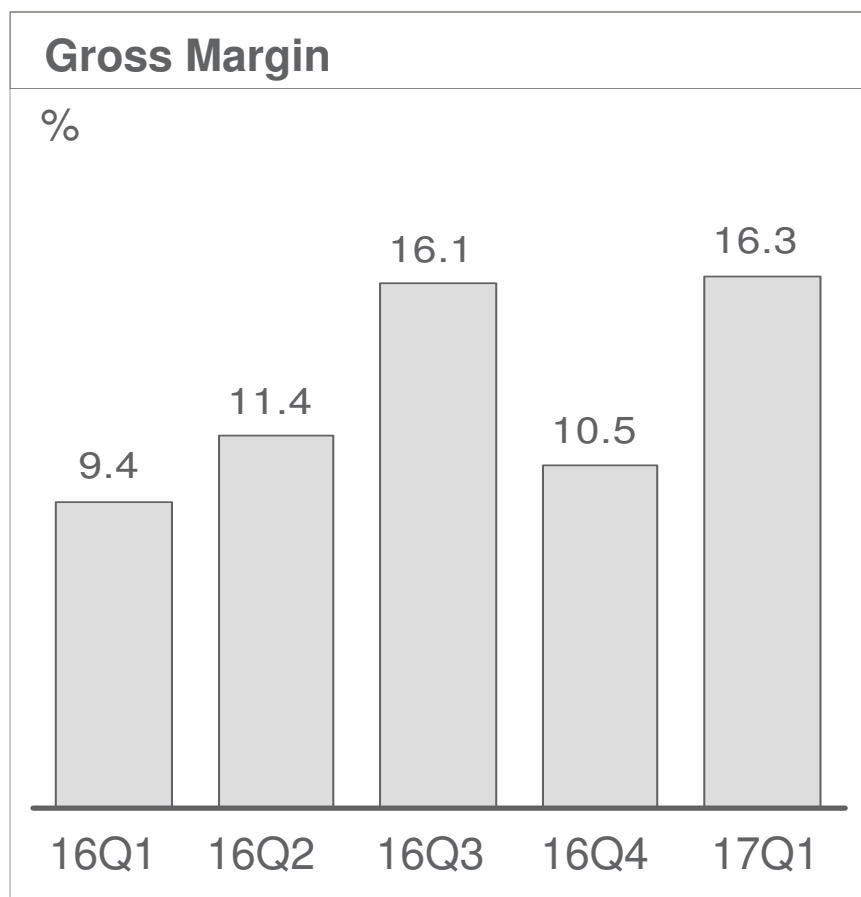
Business Update

- HTC's continued program of resource realignment and process streamlining resulted in a 20% operating expenses saving and an increase in gross margin of 16.3% over the quarter.
- The HTC U Ultra and U Play premium smartphones were launched in January, boasting unique design, adaptive audio and new HTC Sense Companion AI features.
- High demand was seen for the HTC VIVE Tracker, which was launched in January and enables developers to easily add functionality for a whole range of accessories into their VR experiences.
- As part of the Dynamical Biomarkers Group, HTC's Health research division was awarded first finalist in the prestigious Qualcomm Tricorder XPRIZE to develop a medical diagnostics kit for remote regions.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



1Q 2017 P&L (CONSOLIDATED)

NT\$bn	1Q 16	4Q 16	1Q 17
REVENUES	14.8	22.2	14.5
GROSS PROFIT	1.4	2.3	2.4
OPERATING EXPENSE	<u>6.2</u>	<u>5.9</u>	<u>4.7</u>
SALES MKTING.	2.0	2.1	1.3
RESEARCH DEV.	3.0	2.7	2.6
GENERAL ADM.	1.2	1.1	0.9
OPERATING PROFIT	-4.8	-3.6	-2.4
NPBT	-2.5	-3.3	-2.0
NPAT ¹	-2.6	-3.1	-2.0
GROSS MARGIN (%)	9.4%	10.5%	16.3%
OPERATING MARGIN (%)	-32.4%	-16.0%	-16.2%
EPS ² (NT\$)	-3.16	-3.77	-2.47

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

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

1Q 2017 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Mar 31, 16	Dec 31, 16	Mar 31, 17
TOTAL ASSETS	119.2	103.1	92.8
Cash ¹	41.7	35.8	33.1
AR	11.5	16.0	9.0
INVENTORY	19.2	14.2	14.9
OTHER ASSETS	46.8	37.1	35.8
TOTAL LIABILITIES	57.4	51.3	44.8
TOTAL EQUITY ²	61.8	51.8	48.0
METRICS³			
DAYS SALES OUTSTANDING	111	80	96
INVENTORY TURNOVER DAYS	149	92	137
DAYS PAYABLE OUTSTANDING	188	128	178

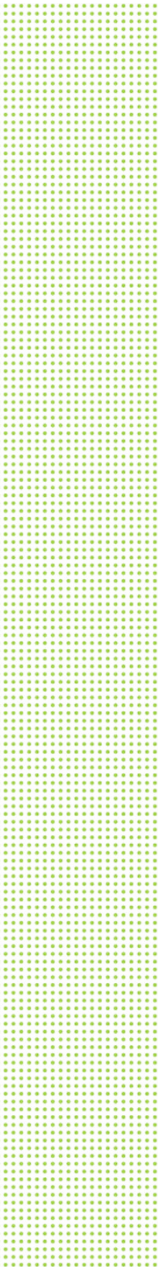
1. Includes time deposits with original maturities more than 3 months

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

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

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thank you_____



HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 26,565,598	29	\$ 30,080,217	29	\$ 39,031,628	33
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	77,332	-	143,642	-	127,521	-
Available-for-sale financial assets - current (Note 31)	236,144	-	199,344	-	249,575	-
Derivative financial assets for hedging - current (Notes 8 and 31)	-	-	-	-	1,100	-
Debt investments with no active market - current (Note 31)	7,582	-	8,067	-	8,069	-
Trade receivables, net (Notes 11 and 32)	9,046,951	10	15,961,835	15	11,525,883	10
Other receivables (Note 11)	231,759	-	168,526	-	645,546	1
Current tax assets	137,458	-	184,817	-	172,703	-
Inventories (Note 12)	14,923,347	16	14,163,571	14	19,210,735	16
Prepayments (Note 13)	1,593,590	2	1,833,499	2	3,726,028	3
Non-current assets held for sale (Note 14)	1,563,732	2	-	-	-	-
Other current financial assets (Notes 10 and 33)	6,576,255	7	5,750,450	6	2,684,493	2
Other current assets	70,367	-	68,414	-	76,504	-
Total current assets	<u>61,030,115</u>	<u>66</u>	<u>68,562,382</u>	<u>66</u>	<u>77,459,785</u>	<u>65</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 31)	96	-	86	-	86	-
Financial assets measured at cost - non-current (Notes 9 and 31)	3,266,107	3	3,363,736	3	3,330,763	3
Debt investments with no active market (Note 31)	29,570	-	25,009	-	-	-
Investments accounted for using equity method (Note 16)	466,341	-	531,445	1	211,122	-
Property, plant and equipment (Note 17)	11,712,682	13	12,025,496	12	14,943,270	13
Investment properties, net (Note 18)	-	-	1,527,001	1	1,680,709	2
Intangible assets (Note 19)	3,316,074	4	3,878,356	4	5,022,059	4
Deferred tax assets	8,996,321	10	8,957,876	9	8,735,824	7
Refundable deposits (Note 31)	1,360,583	1	1,501,480	1	1,617,463	1
Long-term receivables (Note 11)	-	-	-	-	1,472,529	1
Net defined benefit asset - non-current	45,231	-	40,439	-	81,201	-
Other non-current assets (Note 13)	2,568,848	3	2,735,876	3	4,623,867	4
Total non-current assets	<u>31,761,853</u>	<u>34</u>	<u>34,586,800</u>	<u>34</u>	<u>41,718,893</u>	<u>35</u>
TOTAL	<u>\$ 92,791,968</u>	<u>100</u>	<u>\$ 103,149,182</u>	<u>100</u>	<u>\$ 119,178,678</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 20)	\$ 2,756,560	3	\$ -	-	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	194,631	-	133,420	-	264,718	-
Derivative financial liability for hedging - current (Notes 8 and 31)	12,110	-	-	-	3,309	-
Note and trade payables (Notes 21 and 32)	21,109,467	23	26,247,728	26	25,778,172	22
Other payables (Notes 22 and 32)	13,569,654	15	18,348,734	18	21,597,135	18
Current tax liabilities	143,595	-	155,651	-	136,316	-
Provisions - current (Note 23)	3,143,478	3	3,384,311	3	5,298,140	4
Other current liabilities (Notes 14 and 22)	3,747,735	4	3,004,432	3	3,032,395	3
Total current liabilities	<u>44,677,230</u>	<u>48</u>	<u>51,274,276</u>	<u>50</u>	<u>56,110,185</u>	<u>47</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	85,823	-	81,294	-	79,057	-
Guarantee deposits received (Note 31)	6,289	-	22,106	-	27,613	-
Other non-current liabilities (Notes 14 and 22)	-	-	-	-	1,210,369	1
Total non-current liabilities	<u>92,112</u>	<u>-</u>	<u>103,400</u>	<u>-</u>	<u>1,317,039</u>	<u>1</u>
Total liabilities	<u>44,769,342</u>	<u>48</u>	<u>51,377,676</u>	<u>50</u>	<u>57,427,224</u>	<u>48</u>
EQUITY (Note 24)						
Share capital - ordinary shares	8,219,042	9	8,220,087	8	8,276,415	7
Capital surplus	15,626,493	17	15,614,641	15	15,487,941	13
Retained earnings						
Legal reserve	18,297,655	20	18,297,655	18	18,297,655	15
Unappropriated earnings	8,808,880	9	10,841,425	10	19,077,139	16
Other equity	(2,929,444)	(3)	(1,202,302)	(1)	612,304	1
Total equity	<u>48,022,626</u>	<u>52</u>	<u>51,771,506</u>	<u>50</u>	<u>61,751,454</u>	<u>52</u>
TOTAL	<u>\$ 92,791,968</u>	<u>100</u>	<u>\$ 103,149,182</u>	<u>100</u>	<u>\$ 119,178,678</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 25 and 32)	\$ 14,530,823	100	\$ 14,820,982	100
OPERATING COST (Notes 12, 26 and 32)	<u>12,167,637</u>	<u>84</u>	<u>13,433,886</u>	<u>90</u>
GROSS PROFIT	<u>2,363,186</u>	<u>16</u>	<u>1,387,096</u>	<u>10</u>
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing	1,271,023	9	1,984,328	13
General and administrative	875,376	6	1,248,618	9
Research and development	<u>2,574,388</u>	<u>17</u>	<u>2,957,261</u>	<u>20</u>
Total operating expenses	<u>4,720,787</u>	<u>32</u>	<u>6,190,207</u>	<u>42</u>
OPERATING LOSS	<u>(2,357,601)</u>	<u>(16)</u>	<u>(4,803,111)</u>	<u>(32)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	272,189	2	237,979	1
Other gains and losses (Notes 8, 14 and 26)	81,531	-	2,101,768	14
Finance costs	(2,467)	-	(4,235)	-
Share of the profit or loss of associate and joint venture (Note 16)	<u>(34,392)</u>	<u>-</u>	<u>(28,362)</u>	<u>-</u>
Total non-operating income and expenses	<u>316,861</u>	<u>2</u>	<u>2,307,150</u>	<u>15</u>
LOSS BEFORE INCOME TAX	(2,040,740)	(14)	(2,495,961)	(17)
INCOME TAX BENEFIT (EXPENSE) (Note 27)	<u>8,195</u>	<u>-</u>	<u>(120,486)</u>	<u>(1)</u>
LOSS FOR THE PERIOD	<u>(2,032,545)</u>	<u>(14)</u>	<u>(2,616,447)</u>	<u>(18)</u>
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,805,815)	(12)	(434,730)	(3)
Unrealized gain (loss) on available-for-sale financial assets	50,044	-	(103,724)	-
Cash flow hedge	<u>(12,882)</u>	<u>-</u>	<u>(2,627)</u>	<u>-</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
Other comprehensive loss for the period, net of income tax	\$ (1,768,653)	(12)	\$ (541,081)	(3)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (3,801,198)	(26)	\$ (3,157,528)	(21)
NET LOSS ATTRIBUTABLE TO Owners of the parent	\$ (2,032,545)	(14)	\$ (2,616,447)	(18)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO Owners of the parent	\$ (3,801,198)	(26)	\$ (3,157,528)	(21)
LOSS PER SHARE (Note 28) Basic	\$ (2.47)		\$ (3.16)	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (2,040,740)	\$ (2,495,961)
Adjustments for:		
Depreciation expense	275,763	520,531
Amortization expense	355,370	505,104
Finance costs	2,467	4,235
Interests income	(75,181)	(123,227)
Dividend income	(7,420)	(78,453)
Compensation cost of employee share-based payments	52,318	116,887
Share of the loss of associate and joint venture	34,392	28,362
Net loss (gain) on disposal of property, plant and equipment	129	(2,089,417)
Impairment loss on non-financial assets	1,385,920	471,594
Ineffective portion of cash flow hedges	(772)	(418)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	127,521	196,146
Decrease in trade receivables	6,914,884	6,993,065
Increase in other receivables	(59,561)	(171,290)
Increase in inventories	(2,145,696)	(558,692)
Decrease in prepayments	239,909	674,940
(Increase) decrease in other current assets	(1,953)	18,107
Decrease in other non-current assets	43,312	132,152
Decrease in note and trade payables	(5,138,261)	(3,820,213)
Decrease in other payables	(4,767,172)	(3,560,887)
Decrease in provisions	(240,833)	(694,118)
Decrease in other current liabilities	(644,940)	(657,368)
Increase in other operating liabilities	-	1,210,369
Cash used in operations	(5,690,544)	(3,378,552)
Interest received	71,509	100,982
Interest paid	(2,467)	(4,235)
Income tax paid	(12,612)	(174,064)
Net cash used in operating activities	<u>(5,634,114)</u>	<u>(3,455,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire debt investment with no active market	(6,139)	-
Payments to acquire financial assets measured at cost	(68,372)	-
Proceeds from disposal of non-current assets held for sale	-	6,060,000
Payments for property, plant and equipment	(30,705)	(125,449)
Proceeds from disposal of property, plant and equipment	1,384	28,095
Increase in advance receipts - disposal of property	1,388,243	-
Increase in refundable deposits	-	(37,121)
Decrease in refundable deposits	140,897	-

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2017	2016
Payments for intangible assets	\$ -	\$ (72,763)
(Increase) decrease in other current financial assets	(825,805)	1,415,797
Dividends received	<u>7,420</u>	<u>23,537</u>
Net cash generated from investing activities	<u>606,923</u>	<u>7,292,096</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,756,560	-
Refund of guarantee deposits received	<u>(15,817)</u>	<u>(2,546)</u>
Net cash generated from (used in) financing activities	<u>2,740,743</u>	<u>(2,546)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,228,171)</u>	<u>(148,852)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,514,619)	3,684,829
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>30,080,217</u>	<u>35,346,799</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 26,565,598</u>	<u>\$ 39,031,628</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)