



HTC CORPORATION

3Q23 RESULTS SUMMARY

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

3Q23 Financial Highlights:

- Quarterly revenue of NT\$1.10 billion with a gross margin of 41.4%.
- Quarterly operating loss of NT\$1.13 billion with an operating margin of -102.8%.
- Quarterly net loss attributable to owners of the parent was NT\$0.91 billion, or an EPS of -NT\$1.10.

EXECUTIVE SUMMARY

3Q23 Business Update:

- VIVERSE for Business offers a seamless and efficient solution for enterprises to create immersive places effortlessly through a modular approach. It provides employees and customers with immersive spatial scenes, where they can obtain assistance with remote collaboration, training, and sales opportunities. It realizes a highly realistic immersive experience that is more natural, free, and perfectly integrated into the space.
- The latest HTC smartphone U23 series has started selling on the official shopping platform and physical channels. Following "Aqua Blue" and "Roland Violet", a new color scheme "Mist Red" has been released. Paying attention to the appearance design, comfortable grip, moderate screen size, excellent camera functions, large battery capacity, and smooth video, HTC U23 provides a variety of practical and thoughtful functions.
- HTC G REIGNS has joined forces with DeepSig to revolutionize 5G signal efficiency using AI technology. The partnership integrates DeepSig's generative AI algorithm into the REIGN CORE private 5G system, which is used by enterprises for large-scale deployment of XR headsets and other 5G-connected devices. The collaboration presents a remarkable stride towards revolutionizing 5G signal efficiency, holding the promise of redefining enterprise connectivity, and sets the stage for a future where AI and 5G converge to unlock unparalleled potential.

EXECUTIVE SUMMARY

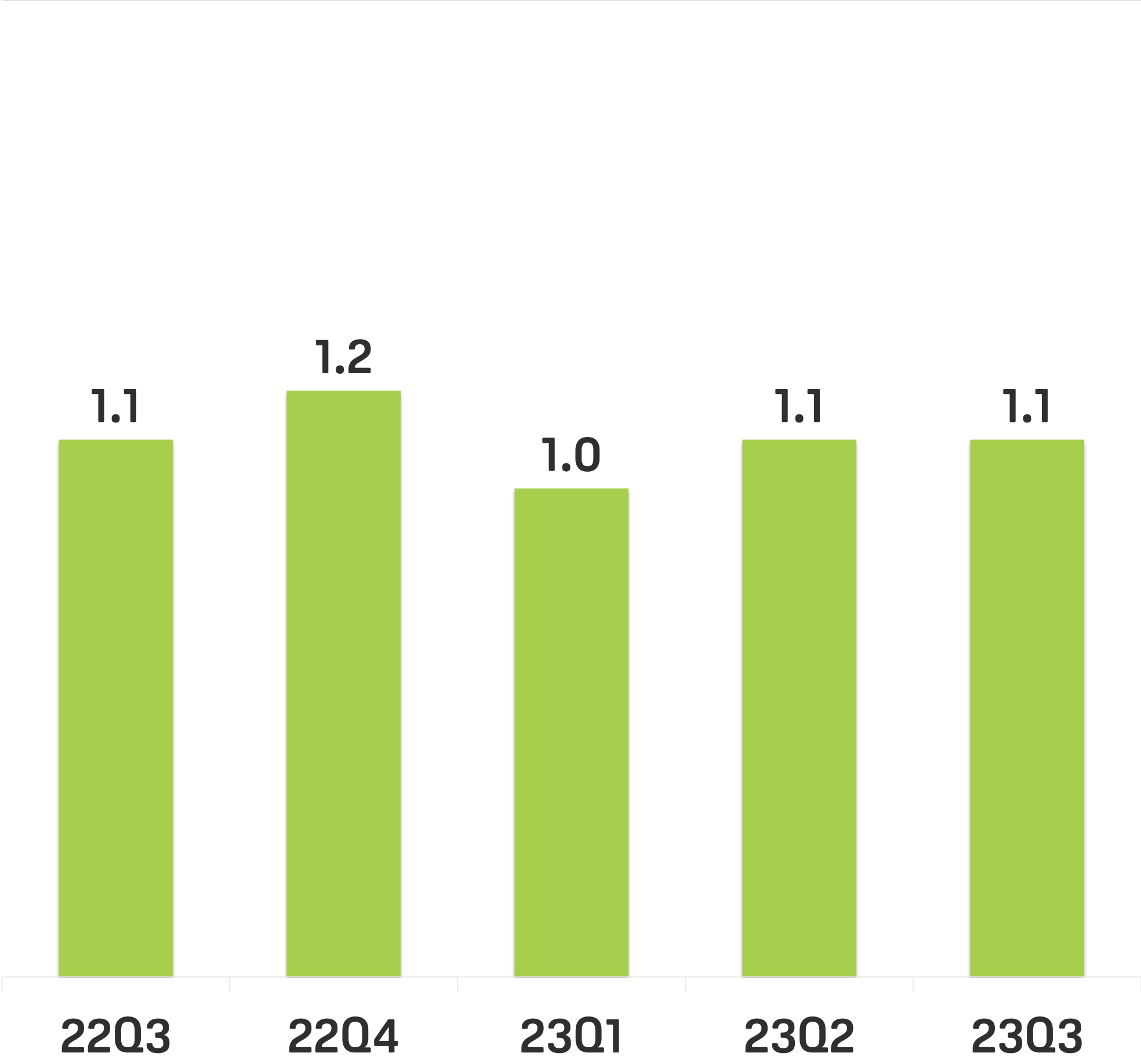
3Q23 Business Update:

- The VR immersive expedition *Eternal Notre-Dame* by VIVE Arts and Excurio of Emissive made its debut in Kaohsiung in August this year. This extraordinary journey unveils the cathedral's invaluable artifacts and artistic treasures, allowing participants to navigate freely through a 5K virtual realm of the sanctity, history, and enduring legacy of this revered sanctuary.
- VIVE ORIGINALS' holographic music platform BEATDAY in collaboration with VTubers from Springfish Studio created *Illusionary*, the first 6-degrees-of-freedom (DoF) virtual idol concert in Taiwan. The concert captured the attention of fans and received high expectations from the industry. The VTuber industry is causing a global sensation, and this is BEATDAY's first virtual performance with virtual artists, evolving the 2D world of VTubers to a full-angle concert.
- HTC announced the completion of its first stand-alone Task Force on Climate-Related Financial Disclosures (TCFD) report, providing valuable insights into the risks and opportunities brought on by climate-related issues, including financial impact, coping strategies, and short-, mid-, and long-term carbon reduction strategies, metrics, and targets. HTC has also been selected as a constituent of the FTSE4Good Index Series for the second consecutive year. HTC has consistently demonstrated its ability to meet and exceed requirements in ESG. The inclusion in this index is a testament to HTC's unwavering commitment to sustainability.

REVENUES AND OPERATING PROFIT

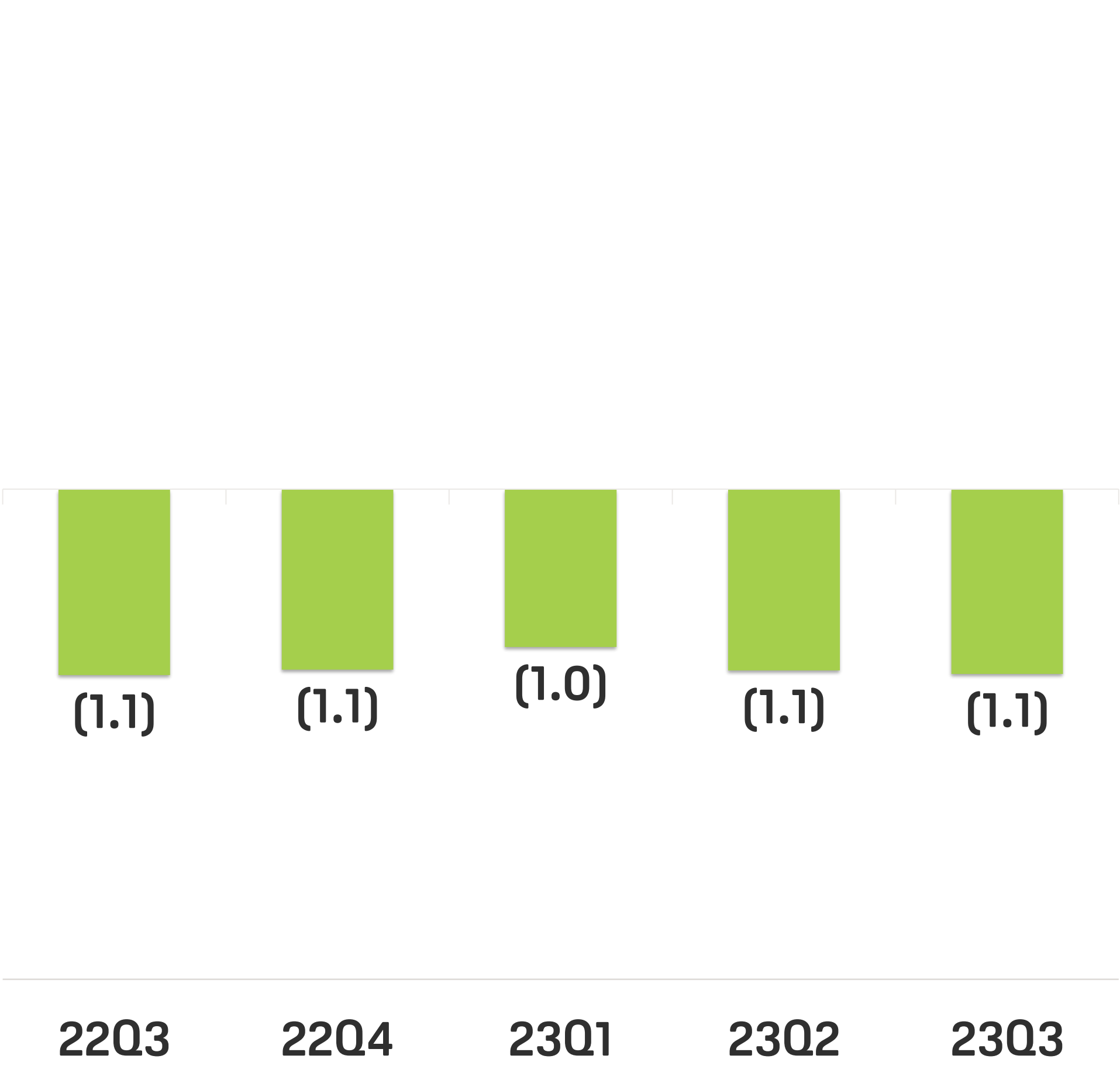
Revenues

NT\$bn



Operating Profit (Loss)

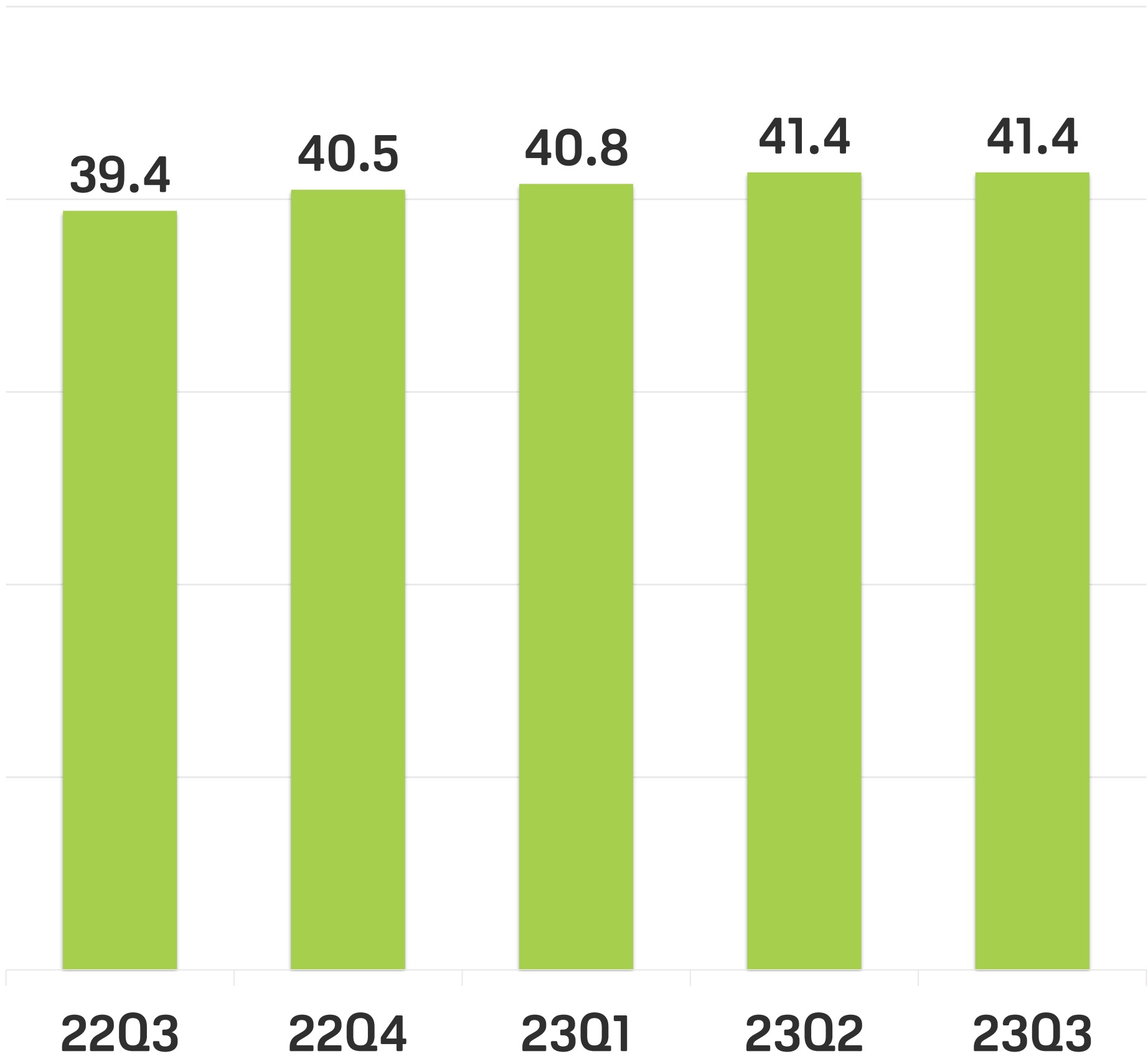
NT\$bn



GROSS AND OPERATING MARGINS

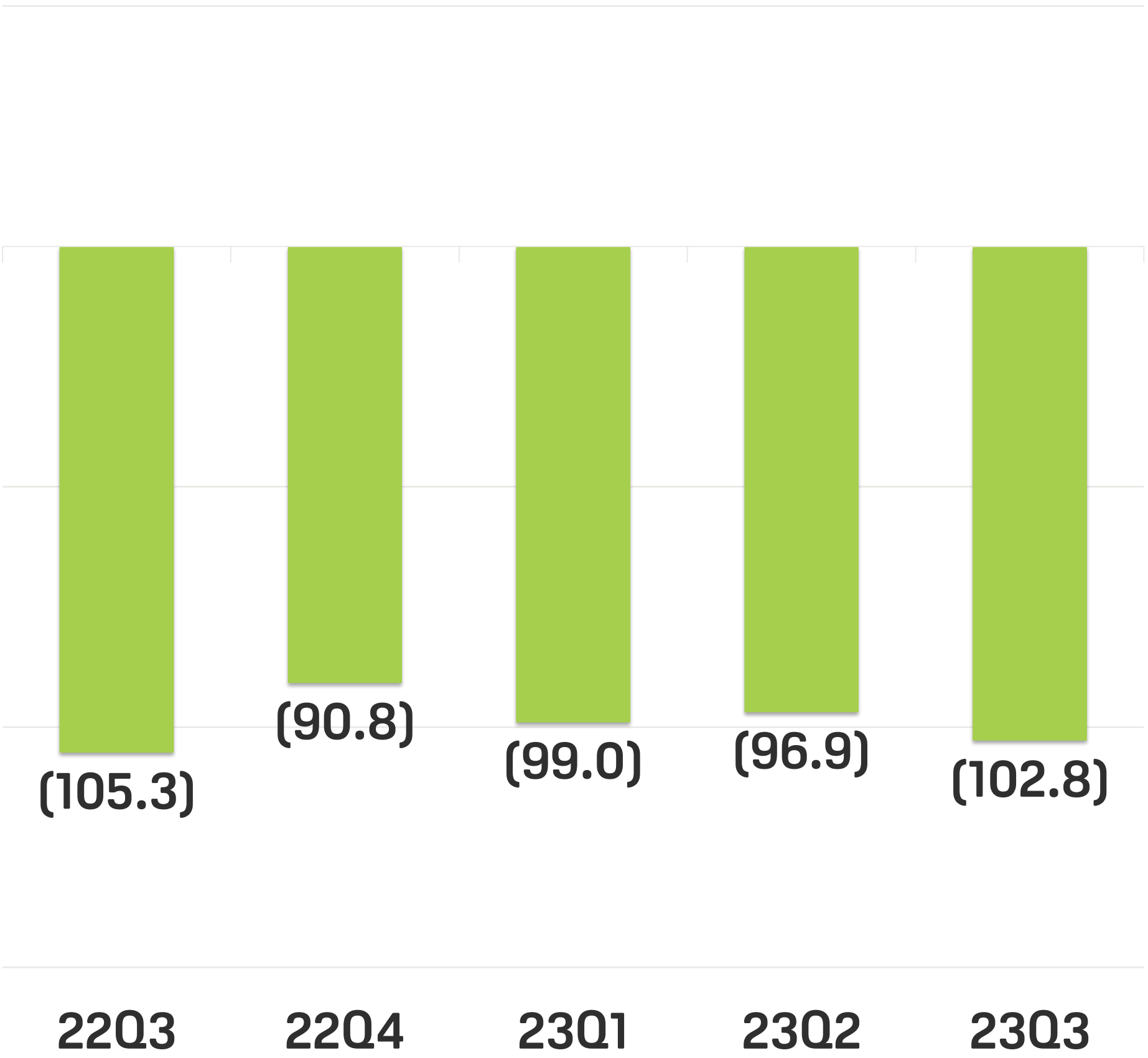
Gross Margin

%



Operating Margin

%



3Q 2023 P&L (CONSOLIDATED)

NT\$bn	3Q22	2Q23	3Q23
REVENUES	1.1	1.1	1.1
GROSS PROFIT	0.4	0.5	0.5
OPERATING EXPENSE	<u>1.5</u>	<u>1.6</u>	<u>1.6</u>
SALES MKTING.	0.5	0.5	0.5
RESEARCH DEV.	0.5	0.7	0.7
GENERAL ADM.	0.5	0.4	0.4
OPERATING PROFIT (LOSS)	-1.1	-1.1	-1.1
NPBT	-1.0	-0.9	-0.9
NPAT ¹	-1.0	-0.9	-0.9
GROSS MARGIN (%)	39.4%	41.4%	41.4%
OPERATING MARGIN (%)	-105.3%	-96.9%	-102.8%
EPS ² (NT\$)	-1.19	-1.08	-1.10

3Q 2023 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Sep 30, 22	Jun 30, 23	Sep 30, 23
TOTAL ASSETS	48.1	47.3	47.2
Cash ¹	25.0	24.5	24.8
AR	0.5	0.6	0.8
INVENTORY	1.7	1.4	1.3
OTHER ASSETS	20.9	20.8	20.3
TOTAL LIABILITIES	21.3	22.2	22.8
TOTAL EQUITY ²	26.8	25.1	24.4

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

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

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 12,839,623	27	\$ 17,945,253	39	\$ 20,315,605	42
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	45,659	-	50,051	-	292,108	1
Financial assets at fair value through other comprehensive income - current (Notes 8 and 30)	635,120	1	413,868	1	748,874	2
Notes and trade receivables (Notes 10 and 24)	834,722	2	574,547	1	526,800	1
Other receivables (Note 10)	202,149	-	136,816	-	99,752	-
Current tax assets	259,380	1	254,257	-	178,918	-
Inventories (Note 11)	1,326,635	3	1,420,449	3	1,718,309	4
Prepayments (Note 12)	428,704	1	365,673	1	449,771	1
Other current financial assets (Notes 9 and 32)	11,904,092	25	6,420,121	14	4,581,502	9
Other current assets	<u>41</u>	<u>-</u>	<u>4,574</u>	<u>-</u>	<u>3,174</u>	<u>-</u>
Total current assets	<u>28,476,125</u>	<u>60</u>	<u>27,585,609</u>	<u>59</u>	<u>28,914,813</u>	<u>60</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 7 and 30)	328,897	1	329,102	1	414,237	1
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 30)	4,082,743	9	3,897,866	9	4,039,617	8
Investments accounted for using equity method (Note 14)	917,883	2	1,106,939	2	1,245,215	3
Property, plant and equipment (Notes 15, 31 and 32)	6,759,129	14	7,036,248	15	7,209,907	15
Right-of-use assets (Note 16)	200,350	1	139,325	-	160,014	-
Investment properties, net (Notes 17 and 32)	2,726,394	6	2,582,567	6	2,457,406	5
Intangible assets (Note 18)	177,939	-	81,321	-	67,761	-
Deferred tax assets	2,895,747	6	3,026,645	7	3,093,312	7
Refundable deposits	23,313	-	73,037	-	65,488	-
Net defined benefit assets - non-current	496,407	1	494,809	1	343,956	1
Other non-current financial assets (Notes 9 and 32)	98,462	-	76,794	-	79,391	-
Other non-current assets (Note 12)	<u>14,685</u>	<u>-</u>	<u>9,974</u>	<u>-</u>	<u>8,647</u>	<u>-</u>
Total non-current assets	<u>18,721,949</u>	<u>40</u>	<u>18,854,627</u>	<u>41</u>	<u>19,184,951</u>	<u>40</u>
TOTAL	<u>\$ 47,198,074</u>	<u>100</u>	<u>\$ 46,440,236</u>	<u>100</u>	<u>\$ 48,099,764</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	\$ 3,700,000	8	\$ 2,640,000	6	\$ 2,950,000	6
Financial liabilities at fair value through profit or loss - current (Notes 7 and 30)	64,886	-	81,169	-	300,762	1
Notes and trade payables (Notes 20 and 31)	5,674,989	12	5,687,202	12	5,956,189	12
Other payables (Notes 21 and 31)	3,344,737	7	3,815,517	8	4,187,769	9
Current tax liabilities	109,764	-	208,604	1	81,547	-
Provisions - current (Note 22)	730,334	2	944,418	2	975,770	2
Lease liabilities - current (Notes 16 and 31)	68,033	-	44,637	-	52,266	-
Other current liabilities (Notes 21 and 24)	<u>342,788</u>	<u>1</u>	<u>305,576</u>	<u>1</u>	<u>413,331</u>	<u>1</u>
Total current liabilities	<u>14,035,531</u>	<u>30</u>	<u>13,727,123</u>	<u>30</u>	<u>14,917,634</u>	<u>31</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 32)	8,400,000	18	6,800,000	15	6,000,000	13
Deferred tax liabilities	41,912	-	85,210	-	94,202	-
Lease liabilities - non-current (Notes 16 and 31)	144,421	-	107,105	-	120,586	-
Guarantee deposits received	<u>145,347</u>	<u>-</u>	<u>161,638</u>	<u>-</u>	<u>171,570</u>	<u>-</u>
Total non-current liabilities	<u>8,731,680</u>	<u>18</u>	<u>7,153,953</u>	<u>15</u>	<u>6,386,358</u>	<u>13</u>
Total liabilities	<u>22,767,211</u>	<u>48</u>	<u>20,881,076</u>	<u>45</u>	<u>21,303,992</u>	<u>44</u>
EQUITY (Note 23)						
Share capital - ordinary shares	8,316,425	18	8,295,153	18	8,275,816	17
Capital surplus	16,223,045	34	16,160,271	35	16,109,251	34
Retained earnings						
Legal reserve	5,828,987	12	9,108,539	19	9,108,539	19
Special reserve	3,080,480	7	3,080,480	7	3,080,480	6
Accumulated deficits	(6,450,753)	(14)	(7,279,552)	(16)	(6,484,836)	(13)
Other equity	<u>(2,567,321)</u>	<u>(5)</u>	<u>(3,805,731)</u>	<u>(8)</u>	<u>(3,293,478)</u>	<u>(7)</u>
Total equity	<u>24,430,863</u>	<u>52</u>	<u>25,559,160</u>	<u>55</u>	<u>26,795,772</u>	<u>56</u>
TOTAL	<u>\$ 47,198,074</u>	<u>100</u>	<u>\$ 46,440,236</u>	<u>100</u>	<u>\$ 48,099,764</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)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 31)	\$ 1,099,234	100	\$ 1,080,718	100	\$ 3,218,474	100	\$ 3,193,332	100
OPERATING COSTS (Notes 11, 25 and 31)	<u>644,148</u>	<u>59</u>	<u>655,342</u>	<u>61</u>	<u>1,892,408</u>	<u>59</u>	<u>1,955,498</u>	<u>61</u>
GROSS PROFIT	<u>455,086</u>	<u>41</u>	<u>425,376</u>	<u>39</u>	<u>1,326,066</u>	<u>41</u>	<u>1,237,834</u>	<u>39</u>
OPERATING EXPENSES (Notes 25 and 31)								
Selling and marketing	538,443	49	432,460	40	1,575,035	49	1,312,250	41
General and administrative	388,686	35	527,702	49	944,752	29	1,522,986	48
Research and development	<u>658,473</u>	<u>60</u>	<u>602,807</u>	<u>55</u>	<u>2,011,143</u>	<u>63</u>	<u>1,702,888</u>	<u>53</u>
Total operating expenses	<u>1,585,602</u>	<u>144</u>	<u>1,562,969</u>	<u>144</u>	<u>4,530,930</u>	<u>141</u>	<u>4,538,124</u>	<u>142</u>
OPERATING LOSS	<u>(1,130,516)</u>	<u>(103)</u>	<u>(1,137,593)</u>	<u>(105)</u>	<u>(3,204,864)</u>	<u>(100)</u>	<u>(3,300,290)</u>	<u>(103)</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 25)	233,907	21	78,707	7	655,865	21	142,517	4
Other income (Notes 25 and 31)	229,567	21	271,978	25	784,568	24	882,845	28
Other gains and losses (Note 25)	(121,559)	(11)	(67,042)	(6)	(360,745)	(11)	(199,619)	(6)
Finance costs (Notes 25 and 31)	(65,997)	(6)	(38,983)	(4)	(180,956)	(6)	(92,450)	(3)
Share of profit or loss of associates (Note 14)	<u>(60,996)</u>	<u>(5)</u>	<u>(90,087)</u>	<u>(8)</u>	<u>(195,978)</u>	<u>(6)</u>	<u>78,959</u>	<u>2</u>
Total non-operating income and expenses	<u>214,922</u>	<u>20</u>	<u>154,573</u>	<u>14</u>	<u>702,754</u>	<u>22</u>	<u>812,252</u>	<u>25</u>
LOSS BEFORE INCOME TAX	(915,594)	(83)	(983,020)	(91)	(2,502,110)	(78)	(2,488,038)	(78)
INCOME TAX BENEFIT (Note 26)	<u>597</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>2,842</u>	<u>-</u>	<u>1,617</u>	<u>-</u>
LOSS FOR THE PERIOD	<u>(914,997)</u>	<u>(83)</u>	<u>(982,811)</u>	<u>(91)</u>	<u>(2,499,268)</u>	<u>(78)</u>	<u>(2,486,421)</u>	<u>(78)</u>
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(552,416)	(51)	81,636	8	69,983	2	359,622	11

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ 799,772	73	\$ 845,822	78	\$ 1,216,942	38	\$ 1,564,991	49
Other comprehensive income and loss for the period, net of income tax	247,356	22	927,458	86	1,286,925	40	1,924,613	60
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (667,641)	(61)	\$ (55,353)	(5)	\$ (1,212,343)	(38)	\$ (561,808)	(18)
LOSS PER SHARE (Note 27)								
Basic	\$ (1.10)		\$ (1.19)		\$ (3.01)		\$ (3.01)	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE, JANUARY 1, 2022	\$ 8,245,050	\$ 16,005,339	\$ 12,335,031	\$ 3,080,480	\$ (7,226,492)	\$ (4,360,449)	\$ (856,057)	\$ 27,222,902
Legal reserve in covering accumulated deficits	-	-	(3,226,492)	-	3,226,492	-	-	-
Net loss for the nine months ended September 30, 2022	-	-	-	-	(2,486,421)	-	-	(2,486,421)
Other comprehensive income and loss for the nine months ended September 30, 2022	-	-	-	-	-	1,564,991	359,622	1,924,613
Total comprehensive income and loss for the nine months ended September 30, 2022	-	-	-	-	(2,486,421)	1,564,991	359,622	(561,808)
Issuance of shares due to exercise of employee share options	30,766	78,453	-	-	-	-	-	109,219
Share-based payments	-	25,459	-	-	-	-	-	25,459
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	1,585	-	(1,585)	-
BALANCE, SEPTEMBER 30, 2022	<u>\$ 8,275,816</u>	<u>\$ 16,109,251</u>	<u>\$ 9,108,539</u>	<u>\$ 3,080,480</u>	<u>\$ (6,484,836)</u>	<u>\$ (2,795,458)</u>	<u>\$ (498,020)</u>	<u>\$ 26,795,772</u>
BALANCE, JANUARY 1, 2023	\$ 8,295,153	\$ 16,160,271	\$ 9,108,539	\$ 3,080,480	\$ (7,279,552)	\$ (2,795,757)	\$ (1,009,974)	\$ 25,559,160
Legal reserve in covering accumulated deficits	-	-	(3,279,552)	-	3,279,552	-	-	-
Net loss for the nine months ended September 30, 2023	-	-	-	-	(2,499,268)	-	-	(2,499,268)
Other comprehensive income and loss for the nine months ended September 30, 2023	-	-	-	-	-	1,216,942	69,983	1,286,925
Total comprehensive income and loss for the nine months ended September 30, 2023	-	-	-	-	(2,499,268)	1,216,942	69,983	(1,212,343)
Issuance of shares due to exercise of employee share options	21,272	57,434	-	-	-	-	-	78,706
Share-based payments	-	5,340	-	-	-	-	-	5,340
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	48,515	-	(48,515)	-
BALANCE, SEPTEMBER 30, 2023	<u>\$ 8,316,425</u>	<u>\$ 16,223,045</u>	<u>\$ 5,828,987</u>	<u>\$ 3,080,480</u>	<u>\$ (6,450,753)</u>	<u>\$ (1,578,815)</u>	<u>\$ (988,506)</u>	<u>\$ 24,430,863</u>

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

HTC CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (2,502,110)	\$ (2,488,038)
Adjustments for:		
Depreciation expense	255,315	292,004
Amortization expense	2,701	-
Expected credit loss reversed on trade receivables	(35,000)	-
Loss on financial assets at fair value through profit or loss	4,805	-
Finance costs	180,956	92,450
Interests income	(655,865)	(142,517)
Dividend income	(6,533)	(11,403)
Compensation costs of employee share-based payments	5,340	25,459
Share of the loss (profit) of associates	195,978	(78,959)
Net gain on disposal of property, plant and equipment	(21)	(6)
Net gain on disposal of intangible assets	-	(784)
Net loss on disposal of investments accounted for using equity method	12,957	-
Impairment loss on non-financial assets	104,246	56,586
Gain from lease modifications	(28)	-
Changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(11,891)	34,019
Increase in notes and trade receivables	(225,175)	(78,593)
Increase in other receivables	(6,126)	(12,510)
Increase in inventories	(10,640)	(124,349)
Increase in prepayments	(63,031)	(124,759)
Decrease (increase) in other current assets	4,533	(2,496)
(Increase) decrease in other non-current assets	(7,912)	3,101
(Decrease) increase in note and trade payables	(12,213)	491,651
Decrease in other payables	(479,398)	(484,350)
Decrease in provisions	(124,084)	(150,544)
Increase in other current liabilities	41,891	78,444
Cash used in operating activities	(3,331,305)	(2,625,594)
Interest received	596,658	105,334
Interest paid	(173,116)	(84,365)
Income tax paid	(101,214)	(63,267)
Net cash used in operating activities	(3,008,977)	(2,667,892)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(149,693)	(1,168,617)
Proceeds from disposal of financial assets at fair value through other comprehensive income	54,896	2,319

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HTC CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
Return of investments accounted for at fair value through other comprehensive income	\$ 21,540	\$ 16,517
Acquisition of financial assets at fair value through profit or loss	-	(27,809)
Acquisition of investments accounted for using equity method	(21,319)	-
Payments for property, plant and equipment	(29,308)	(18,183)
Proceeds from disposal of property, plant and equipment	1,323	46
Increase in refundable deposits	-	(52,398)
Decrease in refundable deposits	49,724	-
Payments for intangible assets	(85,418)	(31,591)
Proceeds from disposal of intangible assets	83	1,142
Increase in other financial assets	(5,505,639)	-
Decrease in other financial assets	-	2,430,601
Dividends received	<u>6,533</u>	<u>11,403</u>
Net cash (used in) generated from investing activities	<u>(5,657,278)</u>	<u>1,163,430</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,060,000	350,000
Increase in long-term borrowings	1,600,000	4,000,000
Increase in guarantee deposits received	-	9,506
Decrease in guarantee deposits received	(16,291)	-
Repayment of the principal portion of lease liabilities	(48,566)	(41,210)
Employee share options executed	<u>78,706</u>	<u>109,219</u>
Net cash generated from financing activities	<u>2,673,849</u>	<u>4,427,515</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>886,776</u>	<u>815,645</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,105,630)	3,738,698
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>17,945,253</u>	<u>16,576,907</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 12,839,623</u>	<u>\$ 20,315,605</u>

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

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