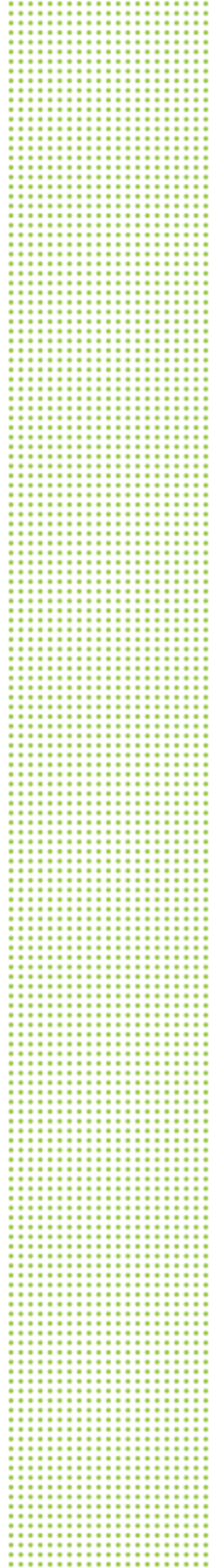




# HTC CORPORATION

## 1Q19 RESULTS SUMMARY

May 13<sup>th</sup> 2019



# 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

## 1Q19 Financial Highlights:

- Quarterly revenue of NT\$2.94 billion with gross margin of 14.7%, up 6.7% sequentially and the fifth consecutive quarterly increase since Q4'17
- Quarterly operating loss of NT\$2.73 billion with operating margin of -92.9%
- Quarterly net loss after tax: NT\$2.46 billion, or -NT\$2.98 per share

# EXECUTIVE SUMMARY

## 1Q19 Business Update:

**VIVE:** Demonstrated a commitment to providing premium VR hardware and the software and services that will power the future of Vive VR.

- **HARDWARE**

- **VIVE Pro Eye**, a new headset with built-in eye tracking, the high-end VR experience from VIVE Pro got even better. Eye tracking enhances training scenarios, user research and modeling, and offers new methods of controlling VR. Will ship shortly.
- **VIVE Focus Plus:** Launched in late March, VIVE Focus Plus with enhanced optics and dual 6DoF controllers, gives enterprise users the ability to seamlessly interact with their virtual environment with the same freedom as PC VR devices. Early shipments from April.

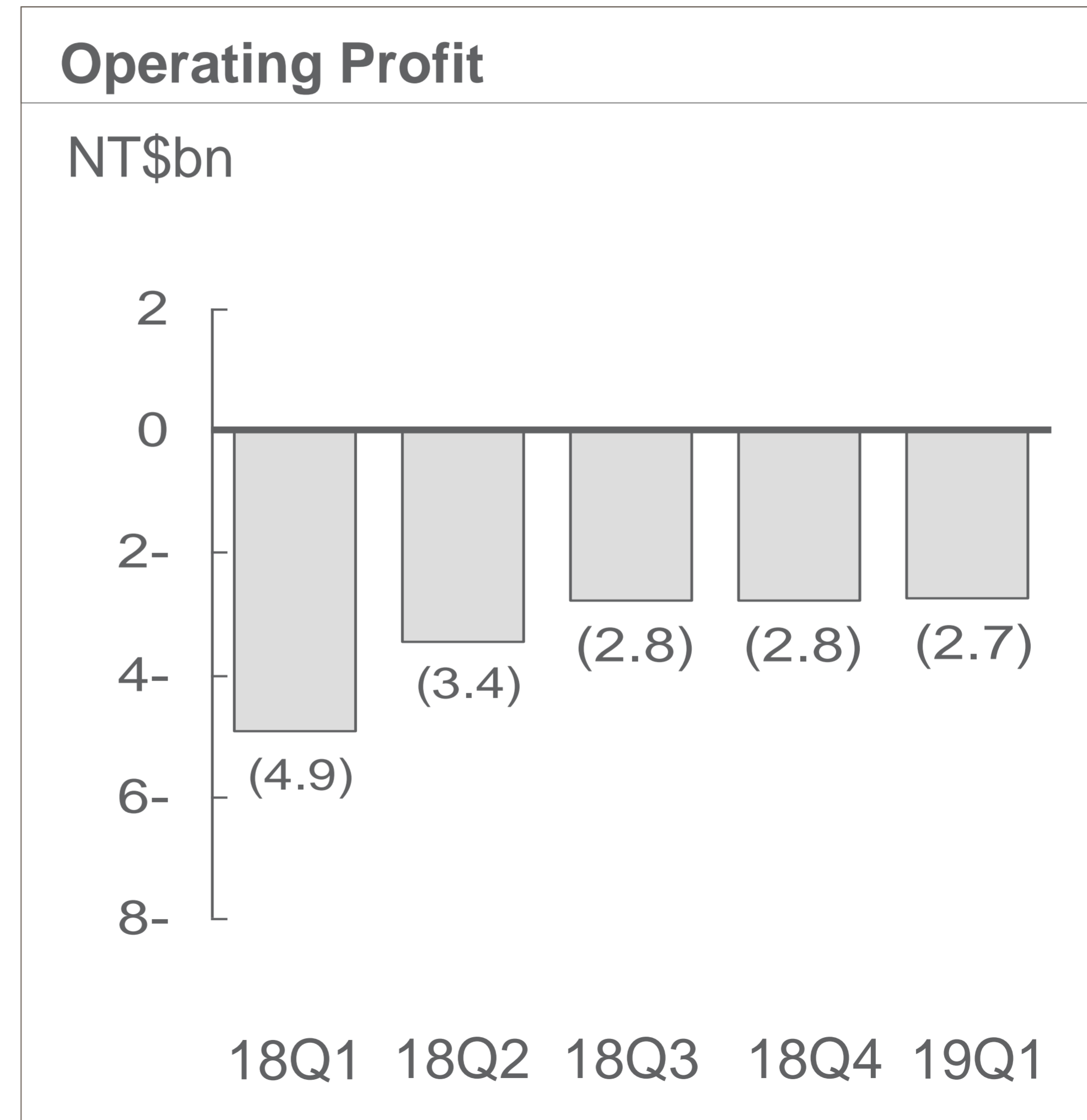
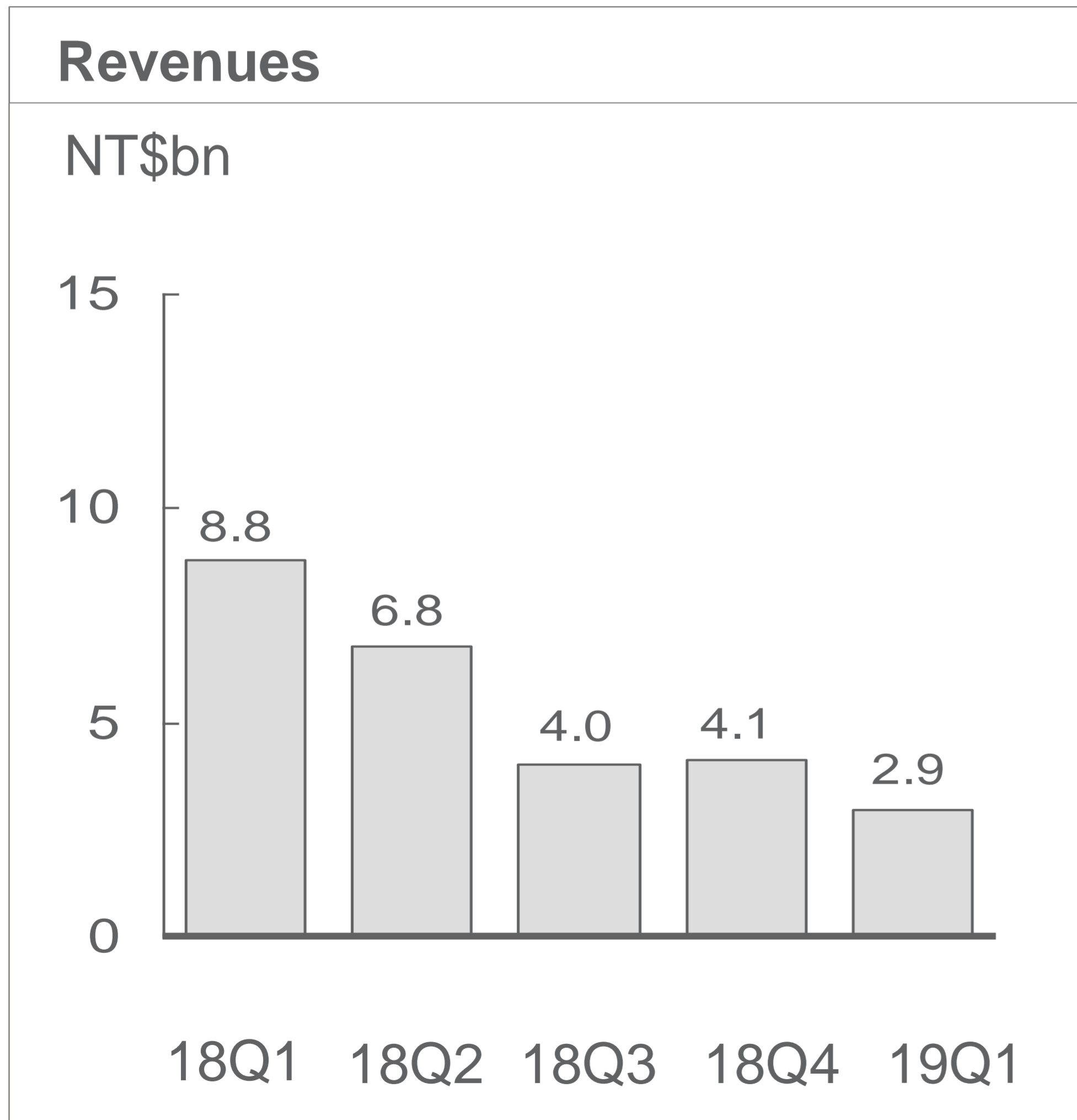
- **PLATFORM**

- **Viveport Infinity** unveiled the first unlimited subscription service for VR, greatly expanding the value of the Viveport service. Viveport Infinity will support multiple VR headsets.
- **Vive Wave with Qualcomm:** VIVE is working with Qualcomm Technologies, Inc., to pre-integrate and optimize VIVE WAVE for Qualcomm Technologies' XR Standalone and 5G Smartphone reference designs, allowing OEMs that use select Qualcomm® Snapdragon™ Mobile Platforms to rapidly bring Vive Wave-enabled devices to market with Vive Wave as the default run time.

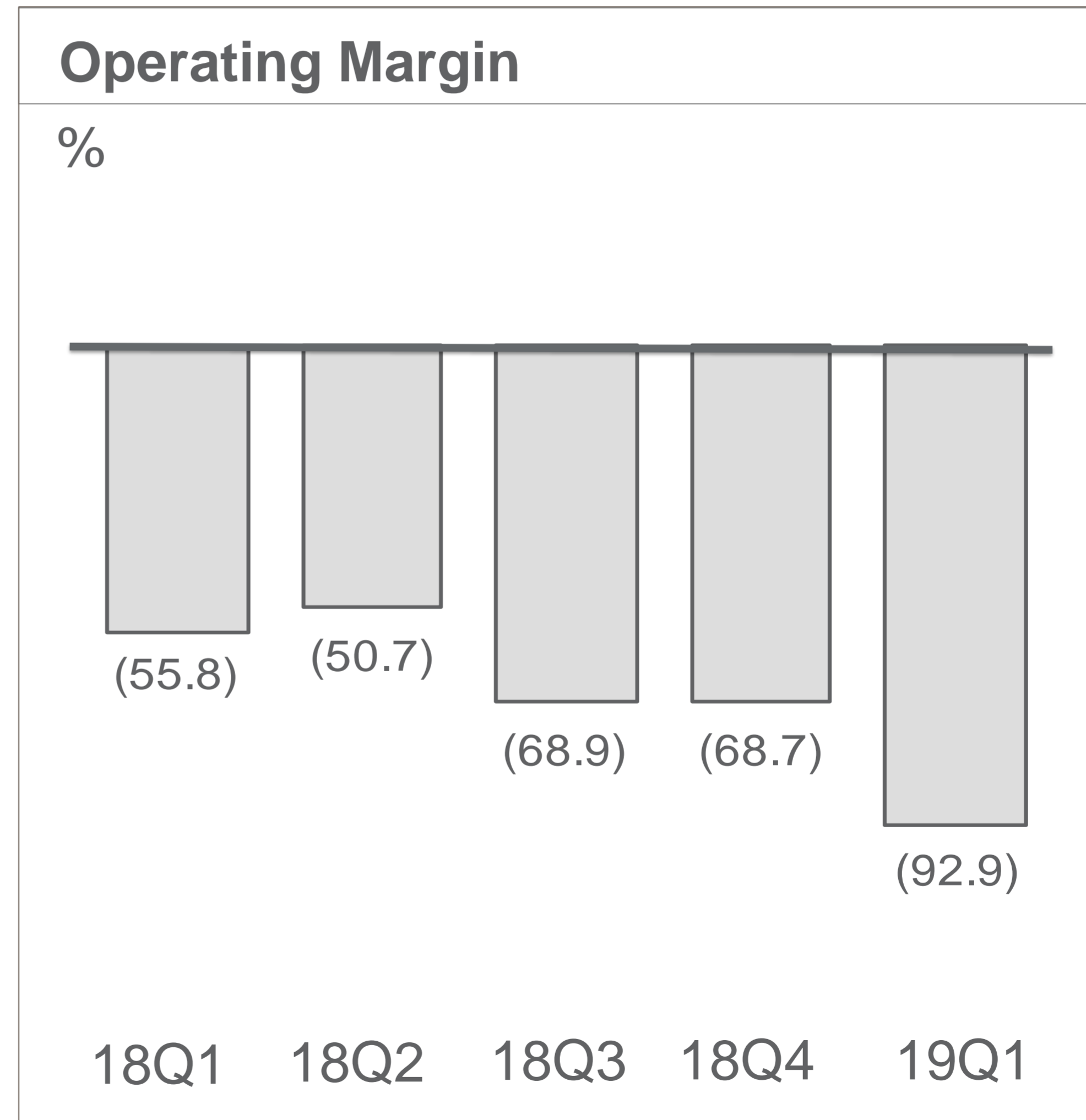
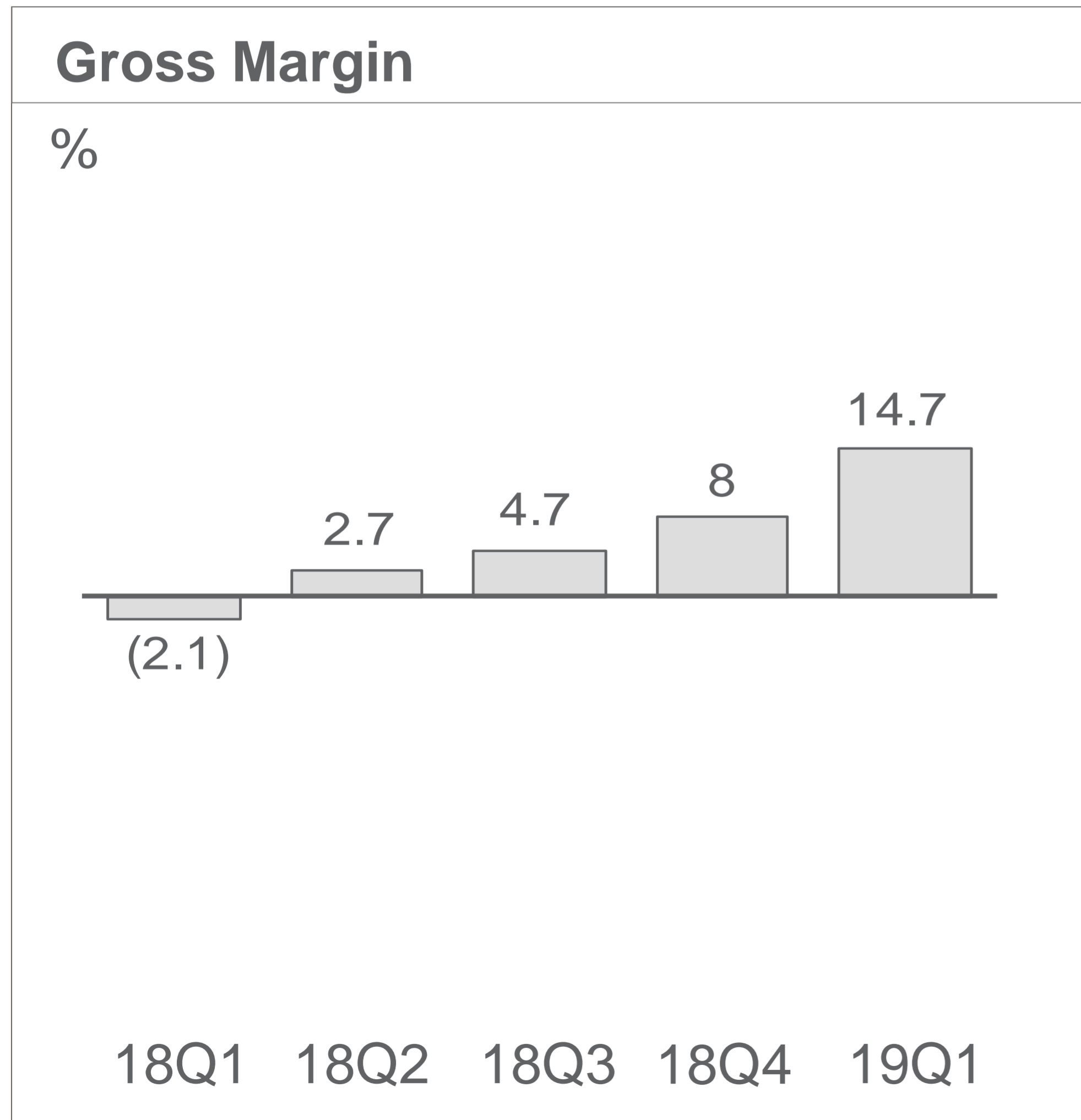
**HTC:** Unveiled the company's first 5G-centric products and continues to invest in the blockchain ecosystem through its Exodus initiative.

- Continued good momentum with the **HTC 5G Hub**, with several European carriers, including Three UK, Deutsche Telekom (Germany), Sunrise (Switzerland), and Elisa (Finland) working with HTC to bring the benefits of 5G to homes and small offices.
- Much more than a hotspot, the 5G Hub enables smooth 4K video streaming, low-latency gaming, and 5G mobile hotspot features for up to 20 users.
- **HTC Exodus 1:** HTC's blockchain-powered smartphone expanded its purchase options and boosted its portfolio of decentralized applications and partners. The Exodus project continues to chart a course for how users can recapture control of their personal data and internet use.

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



# 1Q 2019 P&L (CONSOLIDATED)

NT\$bn	1Q 18	4Q 18	1Q 19
REVENUES	8.8	4.1	2.9
GROSS PROFIT	-0.2	0.3	0.4
OPERATING EXPENSE	<u>4.7</u>	<u>3.2</u>	<u>3.2</u>
SALES MKTING.	1.3	0.8	0.8
RESEARCH DEV.	2.6	1.4	1.5
GENERAL ADM.	0.9	0.9	0.9
OPERATING PROFIT	-4.9	-2.8	-2.7
NPBT	26.4	-4.5	-2.5
NPAT <sup>1</sup>	21.1	-4.4	-2.5
GROSS MARGIN (%)	-2.1%	8.0%	14.7%
OPERATING MARGIN (%)	-55.8%	-68.7%	-92.9%
EPS <sup>2</sup> (NT\$)	25.7	-5.31	-2.98

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

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

# 1Q 2019 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Mar 31, 18	Dec 31, 18	Mar 31, 19
TOTAL ASSETS	83.1	67.7	<b>64.7</b>
Cash <sup>1</sup>	45.8	41.5	<b>38.7</b>
AR	5.0	1.7	<b>1.4</b>
INVENTORY	5.5	3.3	<b>3.2</b>
OTHER ASSETS	26.8	21.2	<b>21.4</b>
TOTAL LIABILITIES	28.4	22.5	<b>21.3</b>
TOTAL EQUITY <sup>2</sup>	54.6	45.2	<b>43.3</b>
<b><i>METRICS</i></b> <sup>3</sup>			
DAYS SALES OUTSTANDING	95	93	<b>117</b>
INVENTORY TURNOVER DAYS	108	140	<b>188</b>
DAYS PAYABLE OUTSTANDING	132	237	<b>344</b>

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

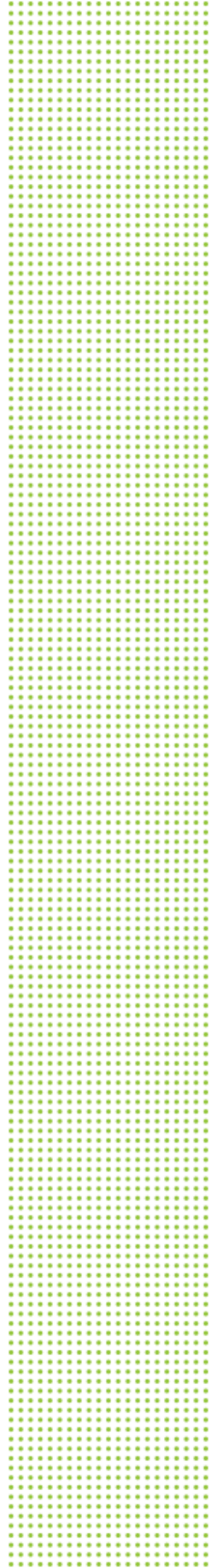
2. Attributable to stockholders of parent company, excluding minority interest.

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



htc

**thank you**\_\_\_\_\_



## HTC CORPORATION AND SUBSIDIARIES

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

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 29,337,268	46	\$ 24,449,548	36	\$ 38,558,837	46
Financial assets at fair value through profit or loss - current (Note 7)	56,267	-	83,411	-	108,518	-
Financial assets at fair value through other comprehensive income - current (Note 8)	596,471	1	409,412	1	355,614	1
Trade receivables, net (Notes 10 and 32)	1,433,875	2	1,683,150	3	4,966,966	6
Other receivables (Note 10)	225,964	-	221,707	-	282,714	-
Current tax assets	223,949	-	222,387	-	126,814	-
Inventories (Note 11)	3,201,500	5	3,301,645	5	5,487,390	7
Prepayments (Note 12)	924,046	2	1,160,299	2	1,957,640	2
Non-current assets held for sale (Note 13)	-	-	-	-	1,672,688	2
Other current financial assets (Notes 9 and 33)	9,183,839	14	16,915,835	25	7,064,944	9
Other current assets	4,096	-	12,812	-	156,126	-
Total current assets	<u>45,187,275</u>	<u>70</u>	<u>48,460,206</u>	<u>72</u>	<u>60,738,251</u>	<u>73</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Note 7)	264,747	-	236,464	-	139,782	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	2,539,527	4	2,325,020	3	2,958,177	4
Investments accounted for using equity method (Note 15)	496,200	1	446,133	1	390,314	-
Property, plant and equipment (Note 16)	8,336,668	13	8,425,886	13	8,430,444	10
Right-of-use assets (Note 17)	350,567	1	-	-	-	-
Investment properties, net (Note 18)	2,065,023	3	2,090,226	3	2,142,354	3
Intangible assets (Note 19)	884,542	1	1,181,256	2	1,960,883	2
Deferred tax assets	3,958,990	6	3,957,060	6	3,739,287	5
Refundable deposits (Note 31)	120,856	-	124,962	-	139,292	-
Net defined benefit asset - non-current	273,428	1	270,358	-	25,082	-
Other non-current financial assets (Notes 9 and 33)	154,103	-	153,638	-	145,590	-
Other non-current assets (Note 12)	53,100	-	39,610	-	2,261,994	3
Total non-current assets	<u>19,497,751</u>	<u>30</u>	<u>19,250,613</u>	<u>28</u>	<u>22,333,199</u>	<u>27</u>
<b>TOTAL</b>	<u>\$ 64,685,026</u>	<u>100</u>	<u>\$ 67,710,819</u>	<u>100</u>	<u>\$ 83,071,450</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 47,404	-	\$ 82,156	-	\$ 85,646	-
Note and trade payables (Notes 20 and 32)	9,146,021	14	9,812,847	15	11,376,093	14
Other payables (Notes 21 and 32)	8,369,125	13	9,223,293	14	10,994,507	13
Current tax liabilities	241,713	-	241,167	-	241,978	-
Provisions - current (Note 22)	2,047,304	3	2,004,190	3	2,860,882	4
Lease liabilities - current (Notes 17 and 32)	129,642	-	-	-	-	-
Other current liabilities (Notes 21)	926,456	2	953,447	1	2,693,284	3
Total current liabilities	<u>20,907,665</u>	<u>32</u>	<u>22,317,100</u>	<u>33</u>	<u>28,252,390</u>	<u>34</u>
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	44,139	-	43,451	-	74,424	-
Lease liabilities - non-current (Notes 17 and 32)	229,171	1	-	-	-	-
Guarantee deposits received (Note 31)	130,314	-	130,400	-	108,740	-
Total non-current liabilities	<u>403,624</u>	<u>1</u>	<u>173,851</u>	<u>-</u>	<u>183,164</u>	<u>-</u>
Total liabilities	<u>21,311,289</u>	<u>33</u>	<u>22,490,951</u>	<u>33</u>	<u>28,435,554</u>	<u>34</u>
<b>EQUITY (Note 23)</b>						
Share capital - ordinary shares	8,188,119	13	8,188,135	12	8,209,589	10
Capital surplus	15,564,532	24	15,576,268	23	15,558,554	19
Retained earnings						
Legal reserve	18,297,655	28	18,297,655	27	18,297,655	22
Unappropriated earnings	3,750,362	6	6,194,337	9	15,107,521	18
Other equity	(2,466,603)	(4)	(3,087,557)	(4)	(2,559,628)	(3)
Total equity attributable to owners of the parent	43,334,065	67	45,168,838	67	54,613,691	66
<b>NON-CONTROLLING INTERESTS</b>	<u>39,672</u>	<u>-</u>	<u>51,030</u>	<u>-</u>	<u>22,205</u>	<u>-</u>
Total equity	<u>43,373,737</u>	<u>67</u>	<u>45,219,868</u>	<u>67</u>	<u>54,635,896</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 64,685,026</u>	<u>100</u>	<u>\$ 67,710,819</u>	<u>100</u>	<u>\$ 83,071,450</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) Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	\$ 2,943,626	100	\$ 8,788,743	100
OPERATING COST (Notes 11, 25 and 32)	<u>2,512,197</u>	<u>85</u>	<u>8,974,207</u>	<u>102</u>
GROSS PROFIT (LOSS)	<u>431,429</u>	<u>15</u>	<u>(185,464)</u>	<u>(2)</u>
OPERATING EXPENSES (Notes 25 and 32)				
Selling and marketing	767,795	26	1,257,640	14
General and administrative	942,916	32	867,791	10
Research and development	<u>1,454,930</u>	<u>50</u>	<u>2,592,949</u>	<u>30</u>
Total operating expenses	<u>3,165,641</u>	<u>108</u>	<u>4,718,380</u>	<u>54</u>
OPERATING LOSS	<u>(2,734,212)</u>	<u>(93)</u>	<u>(4,903,844)</u>	<u>(56)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	328,349	11	284,811	3
Other gains and losses (Notes 12, 19 and 25)	(44,842)	(2)	31,027,153	353
Finance costs (Note 25)	(3,720)	-	(1)	-
Share of the loss of associate (Note 15)	<u>(2,062)</u>	<u>-</u>	<u>(13,339)</u>	<u>-</u>
Total non-operating income and expenses	<u>277,725</u>	<u>9</u>	<u>31,298,624</u>	<u>356</u>
(LOSS) PROFIT BEFORE INCOME TAX	(2,456,487)	(84)	26,394,780	300
INCOME TAX BENEFIT (EXPENSE) (Note 26)	<u>982</u>	<u>-</u>	<u>(5,305,216)</u>	<u>(60)</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(2,455,505)</u>	<u>(84)</u>	<u>21,089,564</u>	<u>240</u>

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	\$ 274,514	9	\$ 22,246	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>340,923</u>	<u>12</u>	<u>(187,118)</u>	<u>(2)</u>
Other comprehensive income and loss for the period, net of income tax	<u>615,437</u>	<u>21</u>	<u>(164,872)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (1,840,068)</u>	<u>(63)</u>	<u>\$ 20,924,692</u>	<u>238</u>
NET (LOSS) PROFIT ATTRIBUTABLE TO				
Owners of the parent	\$ (2,443,975)	(83)	\$ 21,096,192	240
Non-controlling interests	<u>(11,530)</u>	<u>-</u>	<u>(6,628)</u>	<u>-</u>
	<u>\$ (2,455,505)</u>	<u>(83)</u>	<u>\$ 21,089,564</u>	<u>240</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO				
Owners of the parent	\$ (1,828,710)	(62)	\$ 20,932,039	238
Non-controlling interests	<u>(11,358)</u>	<u>(1)</u>	<u>(7,347)</u>	<u>-</u>
	<u>\$ (1,840,068)</u>	<u>(63)</u>	<u>\$ 20,924,692</u>	<u>238</u>
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ (2.98)</u>		<u>\$ 25.70</u>	
Diluted	<u>\$ (2.98)</u>		<u>\$ 25.31</u>	

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) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent										Total Equity	
	Share Capital				Retained Earnings		Other Equity					Non-controlling Interests
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial at Fair Value Through Other Comprehensive Income	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Total			
BALANCE, JANUARY 1, 2018	\$ 8,208,261	\$ 15,551,491	\$ 18,297,655	\$ (6,093,403)	\$ (2,183,148)	\$ -	\$ (35,690)	\$ (49,590)	\$ 33,695,576	\$ 29,552	\$ 33,725,128	
Effect of retrospective application	-	-	-	104,732	-	(171,354)	35,690	-	(30,932)	-	(30,932)	
BALANCE, JANUARY 1, 2018 AS RESTATED	8,208,261	15,551,491	18,297,655	(5,988,671)	(2,183,148)	(171,354)	-	(49,590)	33,664,644	29,552	33,694,196	
Net profit for the three months ended March 31, 2018	-	-	-	21,096,192	-	-	-	-	21,096,192	(6,628)	21,089,564	
Other comprehensive income and loss for the three months ended March 31, 2018	-	-	-	-	(186,399)	22,246	-	-	(164,153)	(719)	(164,872)	
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	8,121	-	8,121	
Share-based payments	(162)	432	-	-	-	-	-	8,617	8,887	-	8,887	
BALANCE, MARCH 31, 2018	<u>\$ 8,209,589</u>	<u>\$ 15,558,554</u>	<u>\$ 18,297,655</u>	<u>\$ 15,107,521</u>	<u>\$ (2,369,547)</u>	<u>\$ (149,108)</u>	<u>\$ -</u>	<u>\$ (40,973)</u>	<u>\$ 54,613,691</u>	<u>\$ 22,205</u>	<u>\$ 54,635,896</u>	
BALANCE, JANUARY 1, 2019	\$ 8,188,135	\$ 15,576,268	\$ 18,297,655	\$ 6,194,337	\$ (2,052,019)	\$ (1,028,461)	\$ -	\$ (7,077)	\$ 45,168,838	\$ 51,030	\$ 45,219,868	
Net loss for the three months ended March 31, 2019	-	-	-	(2,443,975)	-	-	-	-	(2,443,975)	(11,530)	(2,455,505)	
Other comprehensive income and loss for the three months ended March 31, 2019	-	-	-	-	340,751	274,514	-	-	615,265	172	615,437	
Share-based payments	(16)	(11,736)	-	-	-	-	-	5,689	(6,063)	-	(6,063)	
BALANCE, MARCH 31, 2019	<u>\$ 8,188,119</u>	<u>\$ 15,564,532</u>	<u>\$ 18,297,655</u>	<u>\$ 3,750,362</u>	<u>\$ (1,711,268)</u>	<u>\$ (753,947)</u>	<u>\$ -</u>	<u>\$ (1,388)</u>	<u>\$ 43,334,065</u>	<u>\$ 39,672</u>	<u>\$ 43,373,737</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)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	\$ (2,456,487)	\$ 26,394,780
Adjustments for:		
Depreciation expenses	184,565	136,735
Amortization expenses	301,443	303,588
Finance costs	3,720	1
Interests income	(114,956)	(156,717)
Dividend income	(33)	-
Compensation costs of employee share-based payments (reversed)	(6,063)	8,887
Share of the loss of associate	2,062	13,339
Net (gain) loss on disposal of property, plant and equipment	(883)	272
Net gain on disposal of assets and licensing income (Note 25)	-	(31,285,385)
Net gain on disposal of subsidiary	-	(15,396)
Impairment loss on non-financial assets	54,836	85,186
Reversals of impairment loss on non-financial assets	(2,550)	-
Changes in operating assets and liabilities		
Increase in financial instruments held for trading	(7,608)	(32,857)
Decrease in trade receivables	249,275	3,566,544
Increase in other receivables	(37,521)	(71,545)
Decrease in inventories	45,309	1,808,850
Decrease (increase) in prepayments	236,253	(220,542)
Decrease (increase) in other current assets	8,716	(20,305)
(Increase) decrease in other non-current assets	(1,364)	12,597
Decrease in note and trade payables	(666,826)	(3,193,129)
Decrease in other payables	(849,296)	(723,855)
Increase (decrease) in provisions	43,114	(516,319)
Decrease in other current liabilities	(26,991)	(155,373)
Cash used in operating activities	(3,041,285)	(4,060,644)
Interest received	148,220	49,045
Interest paid	(3,720)	(1)
Income tax paid	(1,013)	(31,424)
Net cash used in operating activities	<u>(2,897,798)</u>	<u>(4,043,024)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(119,585)	(14,235)
Purchase of financial assets at fair value through profit or loss	(27,571)	(18,663)
Acquisition of investments accounted for using the equity method	(49,344)	-
Net cash inflow on disposal of subsidiary	-	106,918
Payments for property, plant and equipment	(37,379)	(75,923)
Proceeds from disposal of property, plant and equipment	1,025	86,859

(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	
	2019	2018
Increase in refundable deposits	\$ -	\$ (276)
Decrease in refundable deposits	4,106	-
Payments for intangible assets	(3,398)	-
Proceeds from disposal of intangible assets	4,621	-
Decrease in other current financial assets	7,731,531	777,829
Dividends received	33	-
Proceeds from disposal of assets and licensing income (Note 25)	<u>-</u>	<u>31,285,385</u>
Net cash generated from investing activities	<u>7,504,039</u>	<u>32,147,894</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	-	103,059
Refund of guarantee deposits received	(86)	-
Repayment of the principal portion of lease liabilities	(26,667)	-
Proceeds from exercise of employee share options	<u>-</u>	<u>8,121</u>
Net cash (used in) generated from financing activities	<u>(26,753)</u>	<u>111,180</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>308,232</u>	<u>(100,440)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,887,720	28,115,610
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>24,449,548</u>	<u>10,443,227</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 29,337,268</u>	<u>\$ 38,558,837</u>

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

(Concluded)