

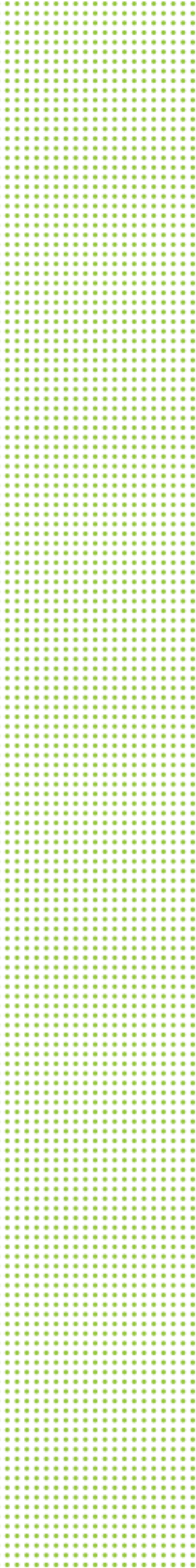


HTC CORPORATION

3Q16 BUSINESS REVIEW

Peter Shen, CFO

October 25th, 2016



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

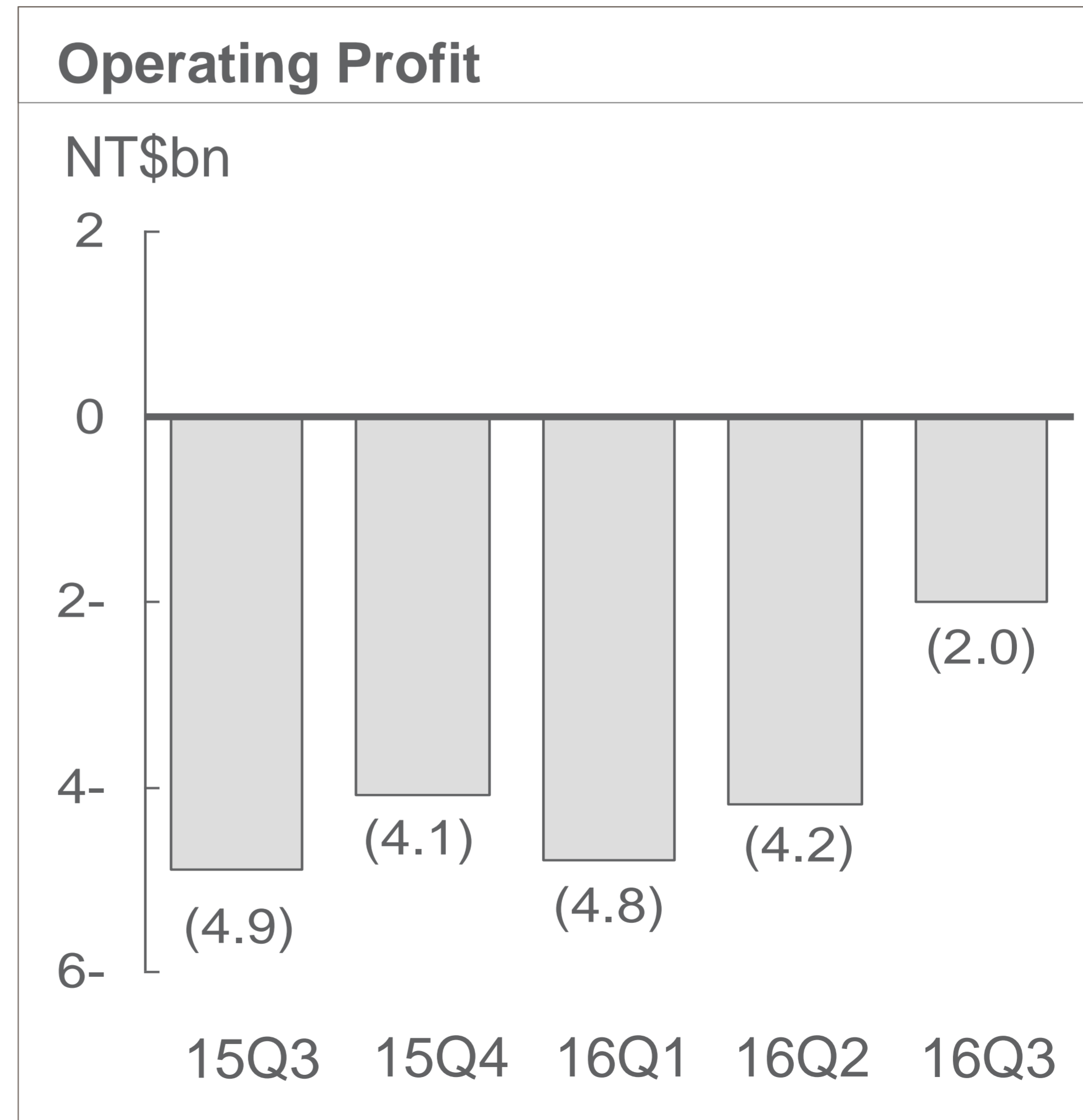
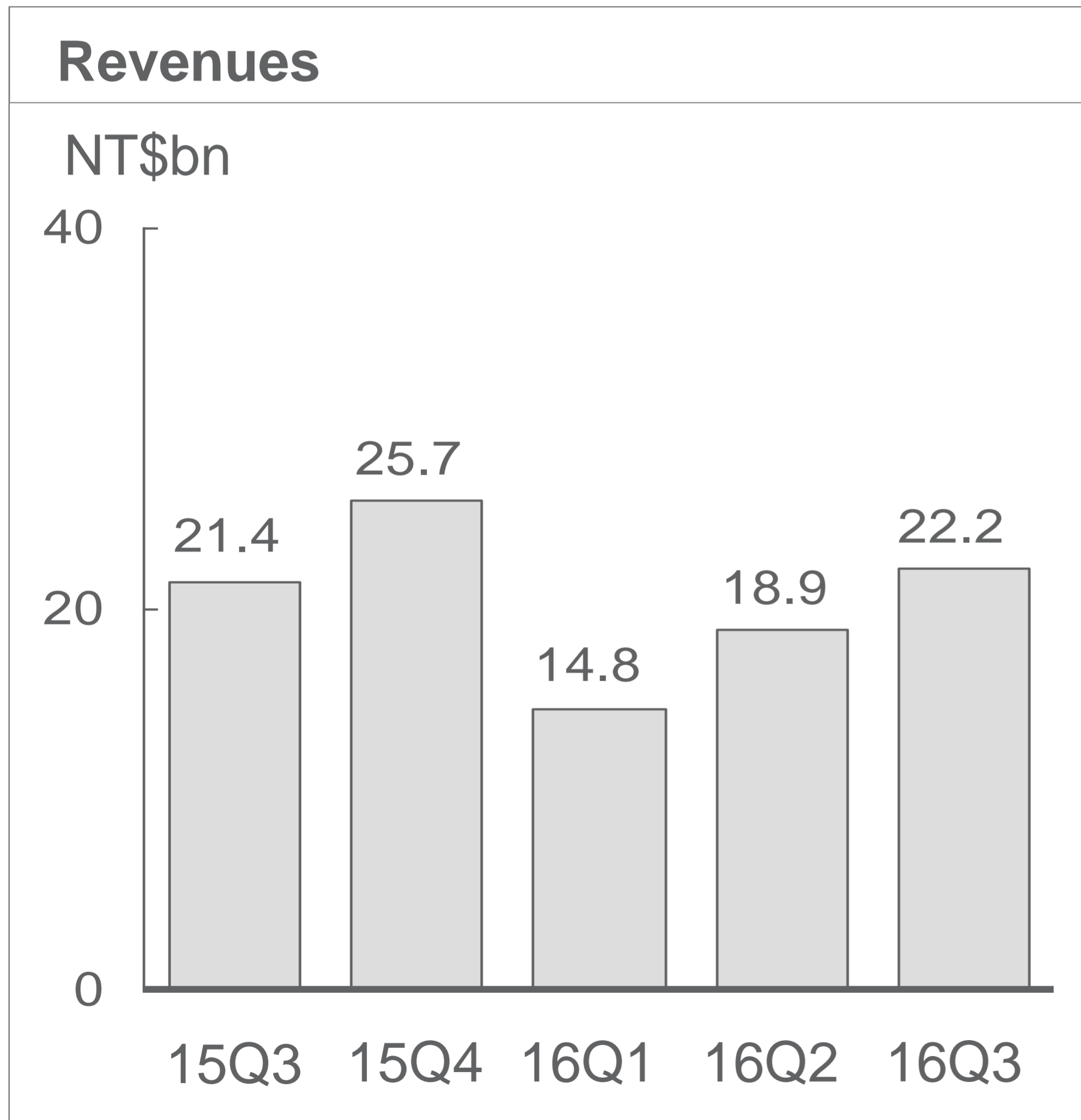
3Q16 Financial Highlights:

- Revenue of NT\$22.2 billion with gross margin of 16.1%
- Operating loss of NT\$2.0 billion with operating margin of –9.0%
- Net loss after tax of NT\$1.8 billion, or -NT\$2.18 per share

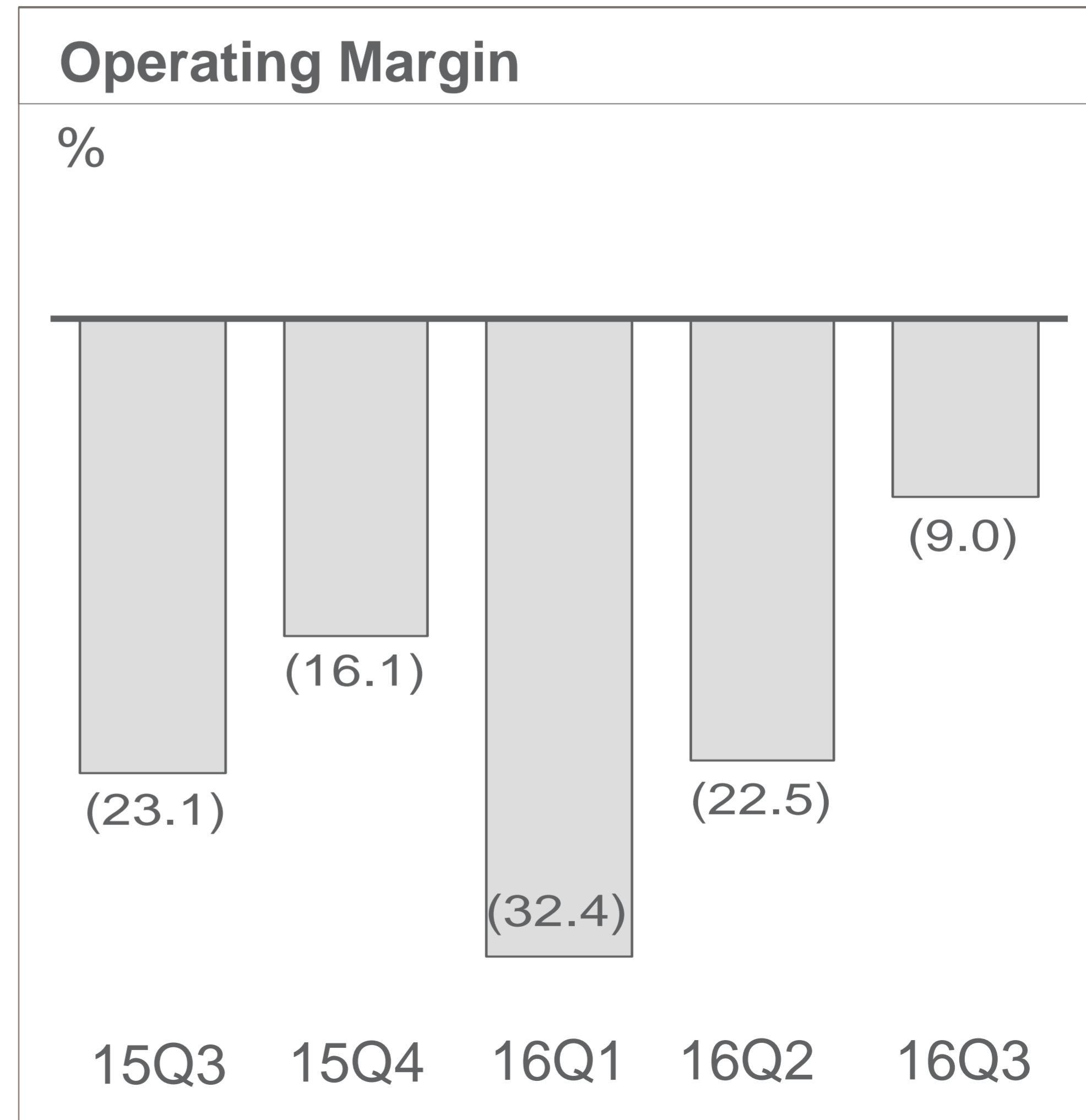
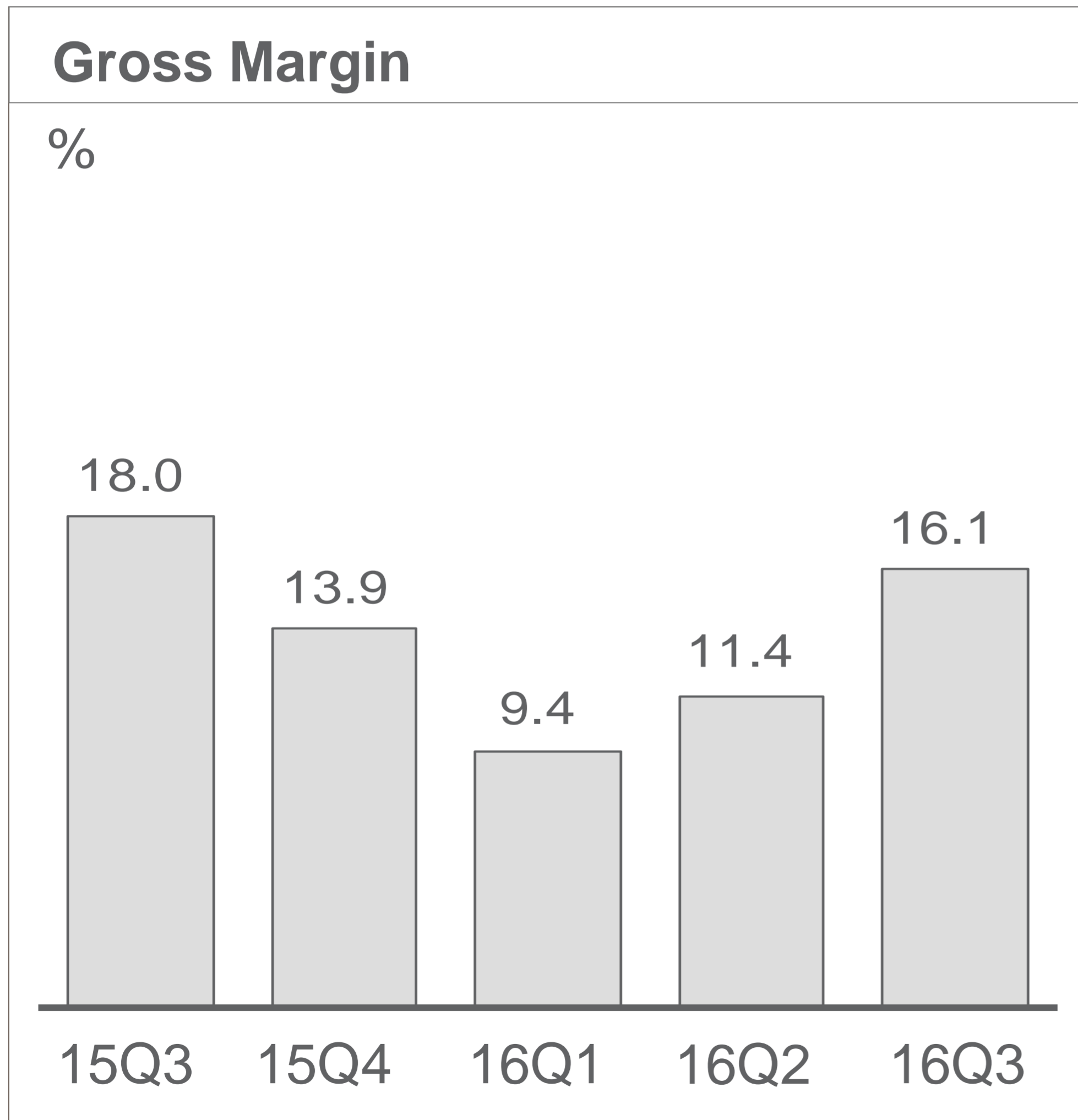
Business Update

- 3Q result saw strong improvement, with continued momentum across smartphone and VR, in addition to prudent cost control resulting in lowered operating expense.
- HTC saw continued sales momentum for the HTC VIVE systems across both consumer and enterprise markets, while the virtual reality content store, VIVEPORT, launched in late September, aims to bring the most diverse selection of virtual reality experiences to VIVE owners.

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



3Q 2016 P&L (CONSOLIDATED)

NT\$bn	3Q 15	2Q 16	3Q 16
REVENUES	21.4	18.9	22.2
GROSS PROFIT	3.9	2.1	3.6
OPERATING EXPENSE	<u>8.8</u>	<u>6.4</u>	<u>5.6</u>
SALES MKTING.	3.9	2.6	2.2
RESEARCH DEV.	3.6	2.9	2.5
GENERAL ADM.	1.3	0.9	0.9
OPERATING PROFIT	-4.9	-4.2	-2.0
NPBT	-4.5	-3.0	-1.8
NPAT ¹	-4.5	-3.1	-1.8
GROSS MARGIN (%)	18.0%	11.4%	16.1%
OPERATING MARGIN (%)	-23.1%	-22.5%	-9.0%
EPS ² (NT\$)	-5.41	-3.71	-2.18

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

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

3Q 2016 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Sep 30, 15	Jun 31, 16	Sep 30, 16
TOTAL ASSETS	136.3	115.3	111.7
Cash ¹	44.0	41.5	34.3
AR	17.0	14.1	17.6
INVENTORY	20.8	16.9	19.3
OTHER ASSETS	54.5	42.8	40.5
TOTAL LIABILITIES	67.5	57.4	56.7
TOTAL EQUITY ²	68.8	57.9	55.0
<i>METRICS</i> ³			
DAYS SALES OUTSTANDING	110	76	76
INVENTORY TURNOVER DAYS	126	115	105
DAYS PAYABLE OUTSTANDING	184	145	139

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 (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

	September 30, 2016		September 30, 2015			September 30, 2016		September 30, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 30,243,330	27	\$ 43,279,478	32	Financial liabilities at fair value through profit or loss - current	\$ 167,137	-	\$ 250,246	-
Financial assets at fair value through profit or loss - current	18,017	-	254,358	-	Note and trade payables	29,433,794	26	29,747,168	22
Available-for-sale financial assets - current	277,464	-	-	-	Other payables	18,737,270	17	26,180,345	19
Debt investments with no active market - current	7,841	-	8,280	-	Current tax liabilities	145,466	-	146,414	-
Trade receivables, net	17,588,035	16	17,025,863	13	Provisions - current	4,883,012	4	7,303,576	5
Other receivables	342,391	-	278,346	-	Other current liabilities	2,849,280	3	3,324,058	3
Current tax assets	109,990	-	319,933	-	Total current liabilities	56,215,959	50	66,951,807	49
Inventories	19,257,388	17	20,823,090	15					
Prepayments	2,623,415	3	5,190,349	4	NON-CURRENT LIABILITIES				
Non-current assets held for sale	-	-	1,771,623	1	Deferred tax liabilities	65,971	-	96,330	-
Other current financial assets	4,105,821	4	752,947	1	Guarantee deposits received	23,362	-	25,987	-
Other current assets	66,876	-	140,739	-	Other non-current liabilities	392,037	1	414,019	1
Total current assets	74,640,568	67	89,845,006	66	Total non-current liabilities	481,370	1	536,336	1
					Total liabilities	56,697,329	51	67,488,143	50
NON-CURRENT ASSETS					EQUITY				
Available-for-sale financial assets - non-current	92	-	59	-	Share capital - ordinary shares	8,228,499	7	8,282,722	6
Financial assets measured at cost - non-current	3,221,504	3	3,348,441	3	Capital surplus	15,606,473	14	15,311,375	11
Debt investments with no active market - non-current	8,625	-	-	-	Retained earnings				
Investments accounted for using equity method	521,370	-	227,157	-	Legal reserve	18,297,655	16	18,297,655	13
Property, plant and equipment	12,300,145	11	17,901,257	13	Unappropriated earnings	13,984,261	13	25,206,761	19
Investment properties, net	1,560,744	1	1,785,175	1	Other equity	(1,150,545)	(1)	1,872,792	1
Intangible assets	4,145,869	4	6,065,893	5	Treasury shares	-	-	(200,955)	-
Deferred tax assets	8,808,502	8	8,318,264	6	Total equity	54,966,343	49	68,770,350	50
Refundable deposits	1,466,192	1	1,600,231	1					
Long-term receivables	749,433	1	1,471,773	1					
Net defined benefit asset - non-current	90,435	-	123,038	-					
Other non-current assets	4,150,193	4	5,572,199	4					
Total non-current assets	37,023,104	33	46,413,487	34					
TOTAL	\$ 111,663,672	100	\$ 136,258,493	100	TOTAL	\$ 111,663,672	100	\$ 136,258,493	100

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

	For the Nine Months Ended September 30			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 55,913,440	100	\$ 95,936,081	100
OPERATING COST	<u>48,804,829</u>	<u>87</u>	<u>77,556,202</u>	<u>81</u>
GROSS PROFIT	<u>7,108,611</u>	<u>13</u>	<u>18,379,879</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing	6,736,763	12	13,988,385	15
General and administrative	3,127,905	6	3,780,671	4
Research and development	<u>8,284,522</u>	<u>15</u>	<u>10,674,996</u>	<u>11</u>
Total operating expenses	<u>18,149,190</u>	<u>33</u>	<u>28,444,052</u>	<u>30</u>
OPERATING LOSS	(11,040,579)	(20)	(10,064,173)	(11)
NON-OPERATING INCOME AND EXPENSES				
Other income	536,618	1	439,105	-
Other gains and losses	3,318,417	6	(2,253,688)	(2)
Financial costs	(4,369)	-	(4,642)	-
Share of the profit or loss of associates and joint venture	(46,076)	-	(8,229)	-
Total non-operating income and expenses	<u>3,804,590</u>	<u>7</u>	<u>(1,827,454)</u>	<u>(2)</u>
LOSS BEFORE INCOME TAX	(7,235,989)	(13)	(11,891,627)	(13)
INCOME TAX EXPENSE	<u>228,727</u>	<u>-</u>	<u>259,515</u>	<u>-</u>
LOSS FOR THE PERIOD	<u>(\$ 7,464,716)</u>	<u>(13)</u>	<u>(\$ 12,151,142)</u>	<u>(13)</u>
LOSS PER SHARE				
Basic	<u>(\$ 9.05)</u>		<u>(\$ 14.68)</u>	

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

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$ 7,235,989)	(\$ 11,891,627)
Adjustments for:		
Depreciation expenses	1,417,405	1,964,936
Amortization expenses	1,269,074	1,457,394
Bad debt expenses	400,049	-
Finance costs	4,369	4,642
Interests income	(305,967)	(303,048)
Dividend income	(138,761)	(37,932)
Compensation cost of employee share-based payments	363,131	481,389
Share of the profit or loss of associates and joint venture	46,076	8,229
Net gain on disposal of property, plant and equipment	(3,198,367)	(17,092)
Transfer of properties, plants and equipment to expense	-	8,339
Impairment loss on non-financial assets	2,518,889	4,370,426
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	208,069	236,008
Decrease in trade receivables	1,230,864	12,114,421
Decrease in other receivables	133,609	304,121
Increase in inventories	(2,652,640)	(5,060,566)
Decrease in prepayments	1,777,553	1,435,757
Decrease (increase) in other current assets	27,735	(41,470)
Decrease in other non-current assets	574,424	1,871,611
Decrease in note and trade payables	(164,591)	(14,056,175)
Decrease in other payables	(6,202,945)	(5,994,053)
(Decrease) increase in provisions	(1,109,246)	1,462,397
(Decrease) increase in other current liabilities	(840,483)	2,180,924
Increase in other non-current liabilities	392,037	414,019
Cash used in operations	(11,485,705)	(9,087,350)
Interest received	268,989	233,781
Interest paid	(4,369)	(4,642)
Income tax paid	(346,241)	(303,184)
Net cash used in operating activities	(11,567,326)	(9,161,395)

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

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire debt investment with no active market	(8,665)	-
Payments to acquire financial assets measured at cost	(136,616)	(645,449)
Acquisition of associates	(352,231)	-
Proceeds from disposal of investments accounted for using equity method	182,578	-
Proceeds from disposal of non-current assets held for sale	6,060,000	-
Payments for property, plant and equipment	(477,582)	(728,320)
Proceeds from disposal of property, plant and equipment	2,926,777	312,597
Increase in refundable deposits	-	(1,337,491)
Decrease in refundable deposits	114,150	-
Payments for intangible assets	(75,146)	(86,543)
Increase in other current financial assets	(5,531)	(417,993)
Dividends received	83,844	37,932
Net cash generated from (used in) investing activities	8,311,578	(2,865,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(6,797)	(17,243)
Dividends paid to owners of the Company	-	(314,636)
Buy-back of treasury shares	(436,869)	(200,955)
Net cash used in financing activities	(443,666)	(532,834)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,404,055)	95,416
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,103,469)	(12,464,080)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	35,346,799	55,743,558
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 30,243,330	\$ 43,279,478