

HTC CORPORATION

1Q14 BUSINESS REVIEW

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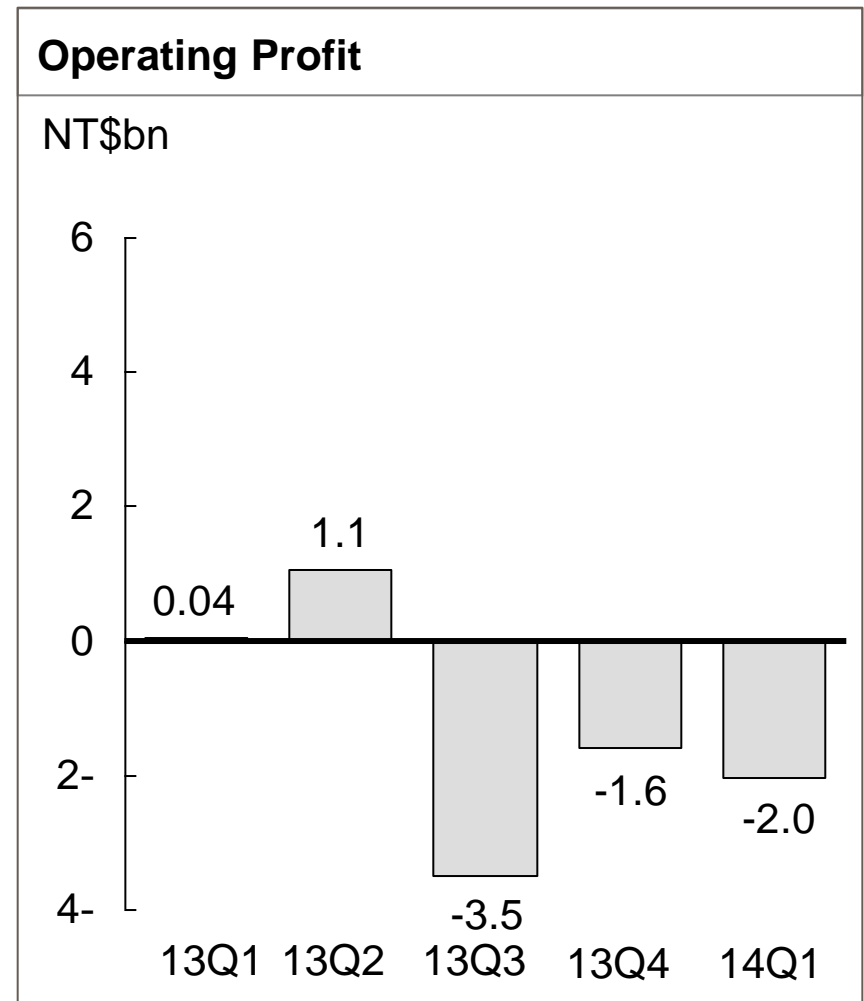
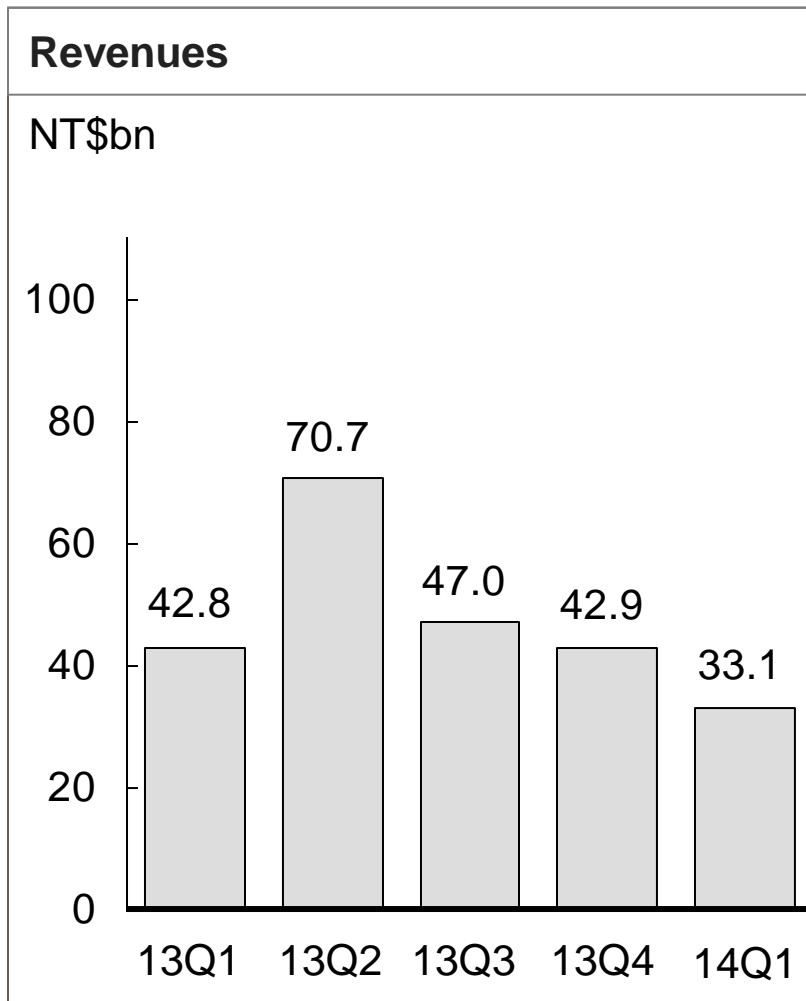
EXECUTIVE SUMMARY

- 1Q Financial Highlights
 - Revenue was NT\$33.1 billion
 - Gross margin and operating margin were 21.0% and -6.2%, respectively
 - Net lost after tax was NT\$1.88 billion
- Business Overview
 - For the first time, the HTC One (M8) was launched with all four major carriers in the US, and Sprint selected HTC to partner with an exclusive music edition called the HTC One (M8) Harman Kardon edition.
 - EMEA sales remained sound, largely due to continuous momentum from in-life products including the HTC One (M7), HTC One mini and HTC Desire 500, coupled with the successful launch of the new flagship - HTC One (M8).
 - In China, strong momentum for the HTC One (M8) and the HTC Desire 816, both are 4G-LTE enabled. Since its launch, the HTC Desire 816 has seen solid momentum in China and is now starting to rollout to additional markets.
 - The HTC One (M8) dominates in Taiwan.
 - Momentum in India for HTC One (M8) and Desire family products remain strong.

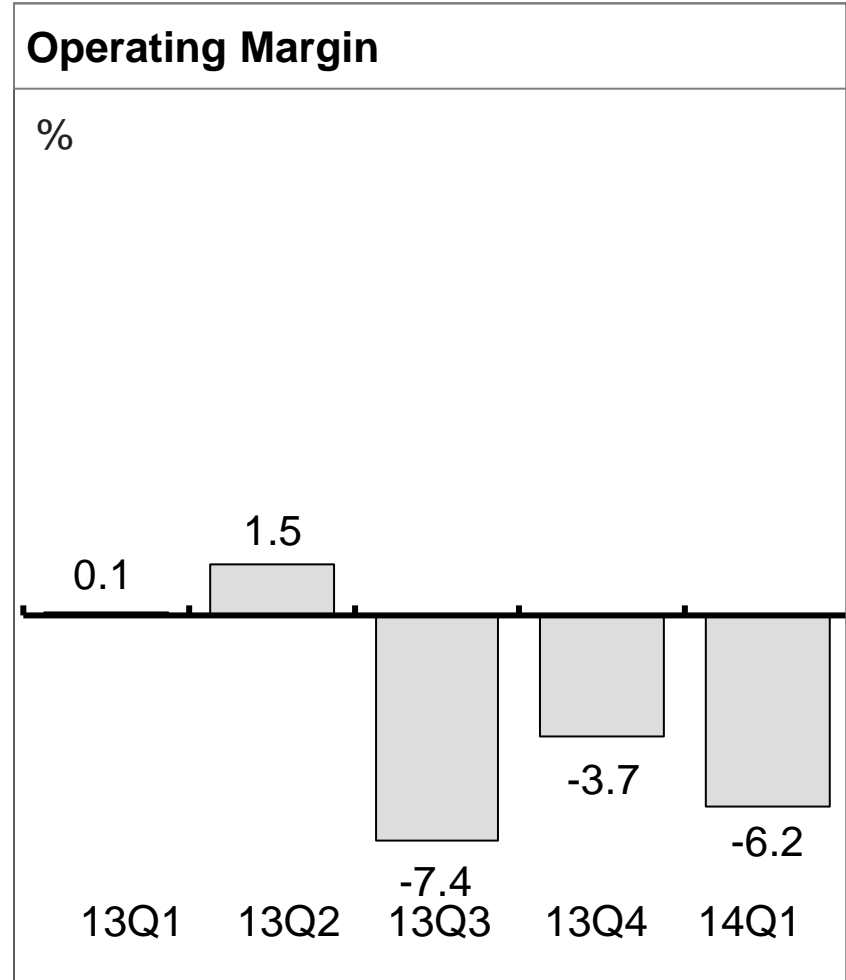
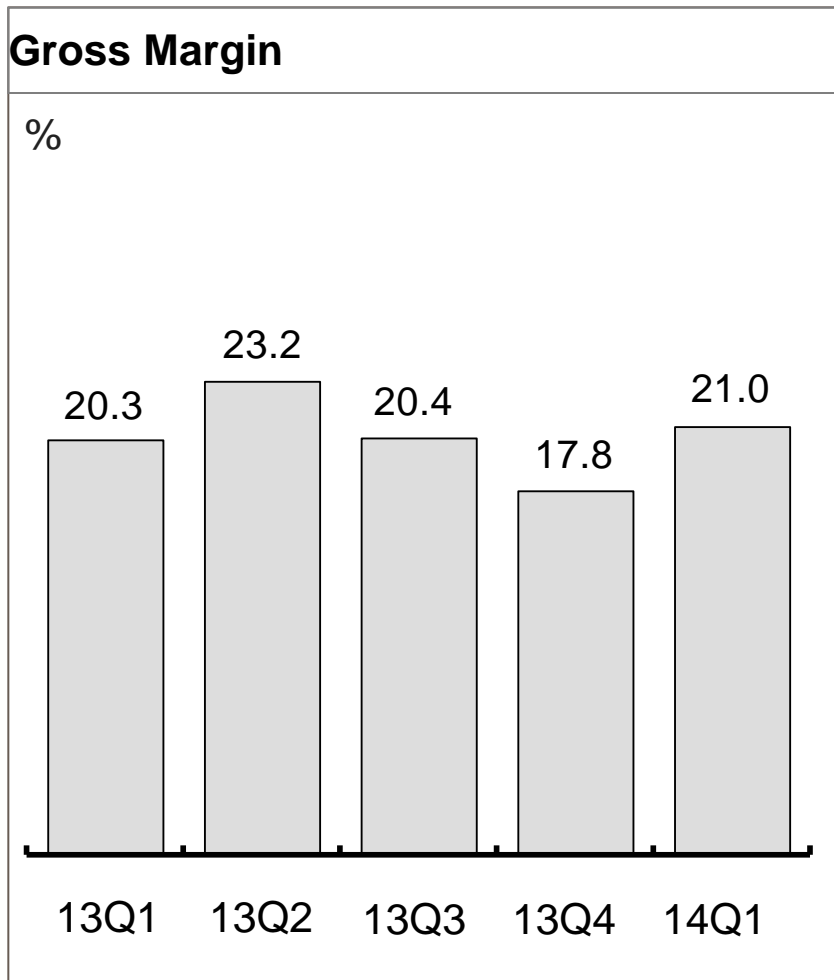
EXECUTIVE SUMMARY

- Product Innovation
 - HTC One (M8) features all-new HTC Sense 6, boasts a high quality metal unibody, new Duo Camera technology that delivers creative, professional-looking photos and amazing effects, and HTC BoomSound again sets new standards for audio quality on a smartphone. The new HTC Dot View casing protects the screen with retro dot-matrix style, amused end-user.
 - The HTC Desire line distils design elements from the HTC One family, and uses quality materials and an advanced feature set that makes it one of the best value line of smartphones ever introduced by HTC.
- Awards and Honors
 - The HTC One (M8) is continuing in the footsteps of the original HTC One (M7), garnering incredibly positive reviews from experts, partners and customers.
 - *"The HTC One (M8) is the best Android phone the world has ever seen. Period. Full stop. Of this, there is no doubt. In many ways, in fact, it is the best smartphone the world has ever seen."* – from BGR
 - *"Pictures don't do it justice: I only really understood how well-made the new One is when I held it in my hands."* – from The Verge
 - The HTC One (M7) was awarded "Best Smartphone of 2014" from the GSMA at MWC, and was also honored with the coveted Gold Design award from iF Design
 - The HTC Desire 816 has garnered positive attention and has been named "Best Mid-Range Phone" from Android Authority

REVENUES AND OPERATING PROFIT



GROSS AND OPERATING MARGINS



1Q 2014 P&L (CONSOLIDATED)

| NT\$bn | 1Q 13 | 4Q 13 | 1Q 14 |
|-------------------------|------------|------------|-------------------|
| REVENUES | 42.8 | 42.9 | 33.1 |
| GROSS PROFIT | 8.7 | 7.6 | 7.0 |
| OPERATING EXPENSE | <u>8.6</u> | <u>9.2</u> | <u>9.0</u> |
| SALES MKTING. | 3.9 | 4.7 | 4.5 |
| RESEARCH DEV. | 3.2 | 3.1 | 3.0 |
| GENERAL ADM. | 1.5 | 1.4 | 1.5 |
| OPERATING PROFIT | 0.04 | -1.6 | -2.0 |
| NPBT | 0.10 | 1.15 | -1.88 |
| NPAT ¹ | 0.09 | 0.32 | -1.88 |
| GROSS MARGIN (%) | 20.3% | 17.8% | 21.0% |
| OPERATING MARGIN (%) | 0.1% | -3.7% | -6.2% |
| EPS ² (NT\$) | 0.10 | 0.38 | -2.28 |

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

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

1Q 2014 BALANCE SHEET (CONSOLIDATED)

| NT\$bn | Mar 31, 13 | Dec 31, 13 | Mar 31, 14 |
|-----------------------------------|-------------------|-------------------|-------------------|
| TOTAL ASSETS | 204.1 | 172.6 | 165.5 |
| CASH | 47.4 | 53.3 | 43.9 |
| AR | 28.5 | 23.4 | 22.9 |
| INVENTORY | 38.1 | 23.6 | 25.1 |
| OTHER ASSETS | 90.1 | 72.3 | 73.6 |
| TOTAL LIABILITIES | 123.2 | 94.9 | 89.0 |
| TOTAL EQUITY ¹ | 80.9 | 77.7 | 76.5 |
| <i>METRICS</i>² | | | |
| DAYS SALES OUTSTANDING | 79 | 65 | 72 |
| INVENTORY TURNOVER DAYS | 96 | 74 | 96 |
| DAYS PAYABLE OUTSTANDING | 199 | 130 | 156 |

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

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

2Q 2014 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$65 billion to NT\$70 billion
- Gross profit margin is expected to be 21.30% to 22.00%
- EPS is expected to be in the range of NT\$2.21 to NT\$3.00

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quietly brilliant

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HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNREVIEWED)
(In Thousands of New Taiwan Dollars)

| | March 31, 2014 | | March 31, 2013 | | | March 31, 2014 | | March 31, 2013 | |
|---|-----------------------|------------|-----------------------|------------|--------------------------------|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| ASSETS | | | | | LIABILITIES AND EQUITY | | | | |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents | \$ 43,930,278 | 27 | \$ 47,452,141 | 23 | Short-term borrowings | \$ 2,518,268 | 2 | \$ - | - |
| Financial assets at fair value through profit or loss - current | 97,386 | - | 228,702 | - | Note and trade payables | 43,211,781 | 26 | 75,253,626 | 37 |
| Held-to-maturity financial assets - current | - | - | 101,036 | - | Other payables | 34,929,759 | 21 | 35,168,299 | 17 |
| Trade receivables, net | 22,936,333 | 14 | 28,542,304 | 14 | Current tax liabilities | 659,692 | - | 2,538,455 | 1 |
| Other receivables | 2,107,931 | 1 | 1,436,943 | 1 | Provisions - current | 6,311,041 | 4 | 7,649,765 | 4 |
| Other receivables - related parties | - | - | 6,788,707 | 3 | Other current liabilities | 952,823 | 1 | 2,185,362 | 1 |
| Current tax assets | 213,059 | - | 319,482 | - | Total current liabilities | 88,583,364 | 54 | 122,795,507 | 60 |
| Inventories | 25,122,403 | 15 | 38,103,851 | 19 | | | | | |
| Prepayments | 6,773,141 | 4 | 5,838,434 | 3 | NON-CURRENT LIABILITIES | | | | |
| Other current financial assets | 2,601,678 | 2 | 4,179,754 | 2 | Deferred tax liabilities | 158,793 | - | 365,047 | - |
| Other current assets | 126,076 | - | 54,280 | - | Guarantee deposits received | 264,494 | - | 53,136 | - |
| Total current assets | 103,908,285 | 63 | 133,045,634 | 65 | Total non-current liabilities | 423,287 | - | 418,183 | - |
| | | | | | Total liabilities | 89,006,651 | 54 | 123,213,690 | 60 |
| NON-CURRENT ASSETS | | | | | EQUITY | | | | |
| Available-for-sale financial assets - non-current | 208 | - | 173 | - | Share capital - common stock | 8,403,521 | 5 | 8,520,521 | 4 |
| Financial assets measured at cost - non-current | 5,062,511 | 3 | 4,444,000 | 2 | Capital surplus | 14,742,307 | 9 | 16,601,557 | 8 |
| Investments accounted for using the equity method | 224,645 | - | 5,316,819 | 3 | Retained earnings | | | | |
| Property, plant and equipment | 24,910,603 | 15 | 25,840,345 | 13 | Legal reserve | 18,149,350 | 11 | 16,471,254 | 8 |
| Intangible assets | 8,459,667 | 5 | 11,677,252 | 6 | Special reserve | 854,138 | - | - | - |
| Deferred tax assets | 8,727,935 | 5 | 8,577,968 | 4 | Accumulated earnings | 44,494,871 | 27 | 53,715,903 | 27 |
| Refundable deposits | 275,570 | - | 181,926 | - | Total retained earnings | 63,498,359 | 38 | 70,187,157 | 35 |
| Long-term receivables | 1,206,060 | 1 | 4,479,375 | 2 | Other equity | 1,152,333 | 1 | 304,817 | - |
| Prepaid pension cost - non-current | 129,776 | - | 125,230 | - | Treasury shares | (11,326,818) | (7) | (14,065,490) | (7) |
| Other non-current assets | 12,571,093 | 8 | 10,463,896 | 5 | Total equity | 76,469,702 | 46 | 80,938,928 | 40 |
| Total non-current assets | 61,568,068 | 37 | 71,106,984 | 35 | | | | | |
| TOTAL | \$ 165,476,353 | 100 | \$ 204,152,618 | 100 | TOTAL | \$ 165,476,353 | 100 | \$ 204,152,618 | 100 |

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

| | Three Months Ended March 31 | | | |
|--|-----------------------------|-------------|-------------------|-----------|
| | 2014 | | 2013 | |
| | Amount | % | Amount | % |
| REVENUES | \$ 33,120,843 | 100 | \$ 42,788,517 | 100 |
| COST OF REVENUES | <u>26,157,178</u> | <u>79</u> | <u>34,106,365</u> | <u>80</u> |
| GROSS PROFIT | <u>6,963,665</u> | <u>21</u> | <u>8,682,152</u> | <u>20</u> |
| OPERATING EXPENSES | | | | |
| Selling and marketing | 4,464,754 | 13 | 3,922,834 | 9 |
| General and administrative | 1,539,892 | 5 | 1,547,885 | 4 |
| Research and development | 3,006,710 | 9 | 3,168,075 | 7 |
| Total operating expenses | <u>9,011,356</u> | <u>27</u> | <u>8,638,794</u> | <u>20</u> |
| OPERATING (LOSS) PROFIT | <u>(2,047,691)</u> | <u>(6)</u> | <u>43,358</u> | <u>-</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income | 106,962 | - | 258,308 | 1 |
| Other gains and losses | 67,188 | - | (242,554) | (1) |
| Finance costs | (4,863) | - | (48) | - |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | (2,859) | - | 43,681 | - |
| Total non-operating income and expenses | <u>166,428</u> | <u>-</u> | <u>59,387</u> | <u>-</u> |
| (LOSS) PROFIT BEFORE INCOME TAX | <u>(1,881,263)</u> | <u>(6)</u> | <u>102,745</u> | <u>-</u> |
| INCOME TAX | <u>-</u> | <u>-</u> | <u>17,619</u> | <u>-</u> |
| (LOSS) PROFIT FOR THE PERIOD | <u>(\$ 1,881,263)</u> | <u>(6)</u> | <u>\$ 85,126</u> | <u>-</u> |
| ALLOCATIONS OF (LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO | | | | |
| Owners of the parent | <u>(\$ 1,881,263)</u> | <u>(6)</u> | <u>\$ 85,126</u> | <u>-</u> |
| (LOSS) EARNINGS PER SHARE | | | | |
| Basic | <u>(\$ 2.28)</u> | | <u>\$ 0.10</u> | |
| Diluted | <u>(\$ 2.28)</u> | | <u>\$ 0.10</u> | |

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

| | Three Months Ended March 31 | |
|---|-----------------------------|---------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) profit before income tax | (\$ 1,881,263) | \$ 102,745 |
| Adjustments for: | | |
| Depreciation | 785,083 | 694,689 |
| Amortization | 464,673 | 494,060 |
| Impairment loss recognized on trade and other receivables | - | 575,816 |
| Finance costs | 4,863 | 48 |
| Interests income | (62,173) | (159,635) |
| Dividend income | (3,680) | (10,005) |
| Compensation cost of employee share options | 48,670 | - |
| Share of the profit or loss of associates and joint ventures | 2,859 | (43,681) |
| Losses on disposal of property, plant and equipment | 751 | 1,558 |
| Gain on sale of investments | - | (29,735) |
| Impairment losses on non-financial assets | 80,657 | 542,152 |
| Net changes in operating assets and liabilities | | |
| Decrease (increase) in financial instruments held for trading | 64,911 | (221,752) |
| Decrease in derivative financial instruments for hedging | - | 204,519 |
| Decrease in trade receivables | 434,839 | 12,313,606 |
| Decrease (increase) in other receivables | 26,576 | (63,616) |
| Increase in inventories | (1,603,502) | (14,494,140) |
| Increase in prepayments | (969,397) | (1,382,330) |
| Increase in other current assets | (1,268) | (15,183) |
| Increase in other non-current assets | (764,343) | (593,101) |
| (Decrease) increase in note and trade payables | (3,064,070) | 1,635,429 |
| Decrease in other payables | (2,840,701) | (3,677,970) |
| Decrease in provisions | (1,897,844) | (1,231,749) |
| (Decrease) increase in other current liabilities | (3,304) | 397,256 |
| Cash used in operations | (11,177,663) | (4,961,019) |
| Interest received | 65,319 | 132,677 |
| Interest paid | (3,378) | 48 |
| Income tax paid | (410,439) | (621,502) |
| Net cash used in operating activities | (11,526,161) | (5,449,892) |

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

| | Three Months Ended March 31 | |
|---|-----------------------------|---------------|
| | 2014 | 2013 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds of the sale of available-for-sale financial assets | - | 56,738 |
| Payments to acquire financial assets measured at cost | (383,349) | (48,382) |
| Payments for property, plant and equipment | (477,451) | (1,153,075) |
| Proceeds from disposal of property, plant and equipment | 2,511 | 126,199 |
| Decrease in refundable deposits | 77,324 | 8,216 |
| Payments for intangible assets | (132,557) | (127,150) |
| Decrease in other current financial assets | 169,345 | 2,381,690 |
| Dividends received | 3,680 | 655,619 |
| Net cash (used in) generated from investing activities | (740,497) | 1,899,855 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 2,518,268 | - |
| Increase in guarantee deposits received | 8,079 | - |
| Refund of guarantee deposits | - | (6,863) |
| Net cash generated from (used in) financing activities | 2,526,347 | (6,863) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 371,648 | 42,898 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (9,368,663) | (3,514,002) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 53,298,941 | 50,966,143 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 43,930,278 | \$ 47,452,141 |