

# HTC CORPORATION

## 4Q14 BUSINESS REVIEW

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- 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

- **4Q Financial Highlights:**

- Revenue: NT\$47.9 billion
- Gross margin and operating margin: 20.4% and 0.4%, respectively
- Net profit after tax: NT\$0.5 billion, or NT\$0.57 per share

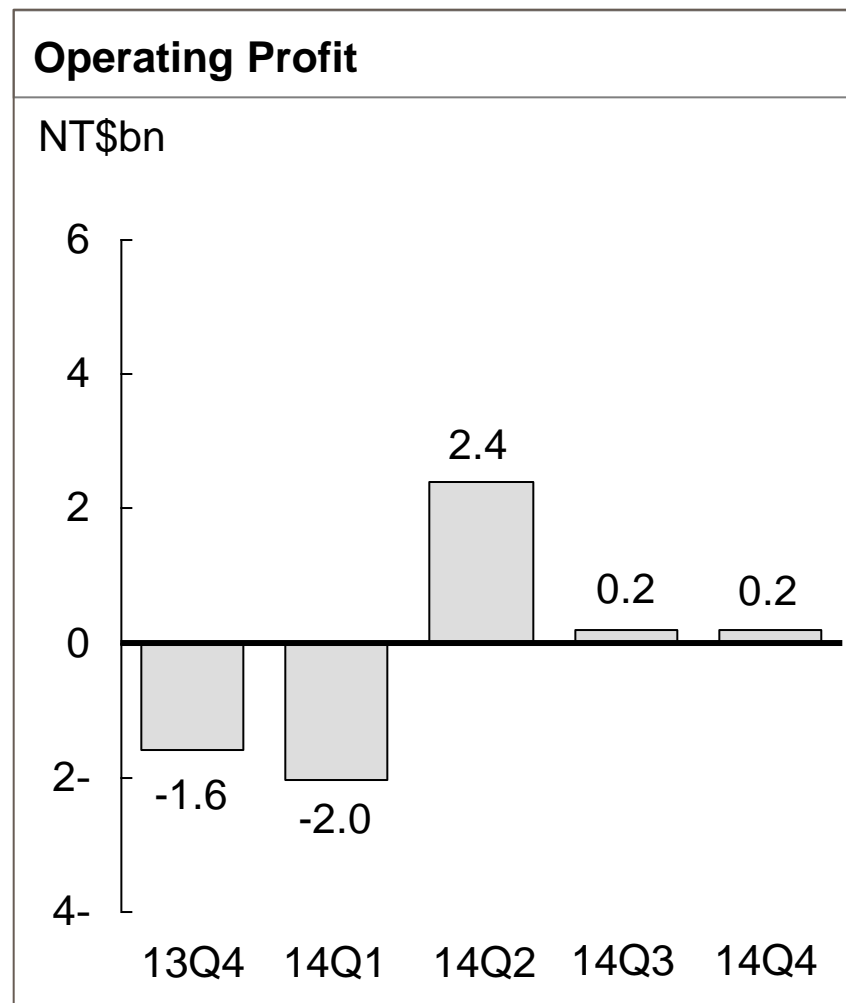
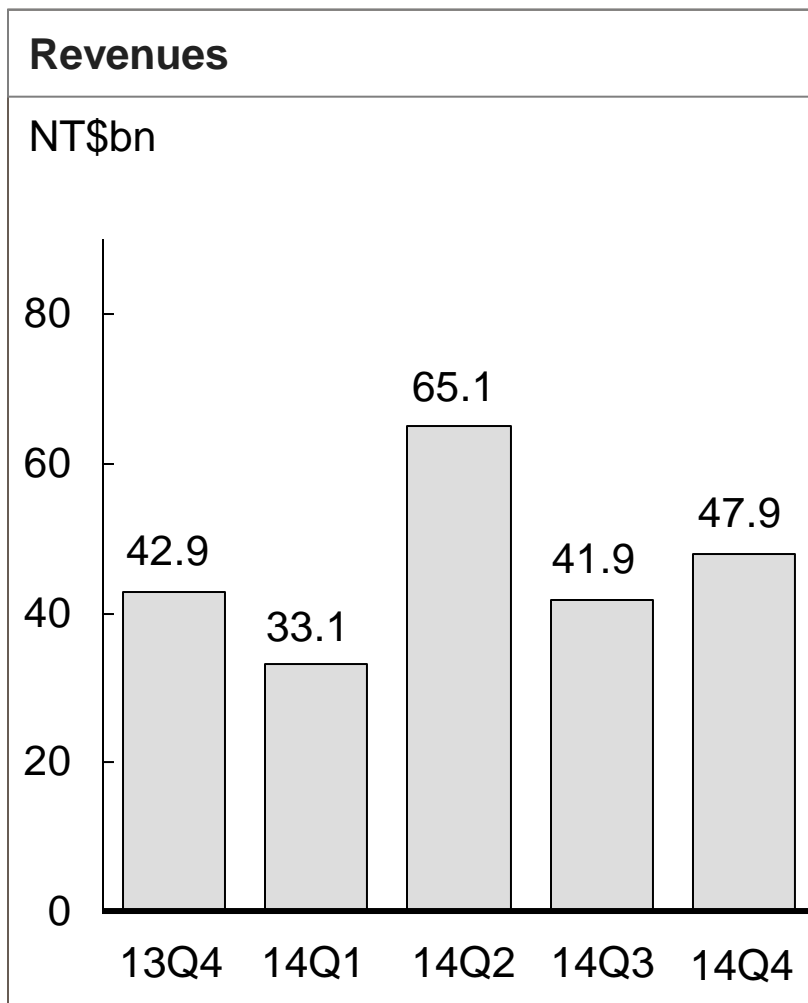
- **4Q Overview:**

- Revenues up 12% YoY and 14% QoQ in 4Q'14, due to the ability to offer tailored product mixes at suitable price points, which enables us to closely address the needs of specific markets
- Collaboration with Under Armour aimed at bringing a line of connected health and fitness-related device for athletes of all levels
- HTC RE camera redefined lifestyle photography, enabling people to step out from behind the viewfinder and capture the moment

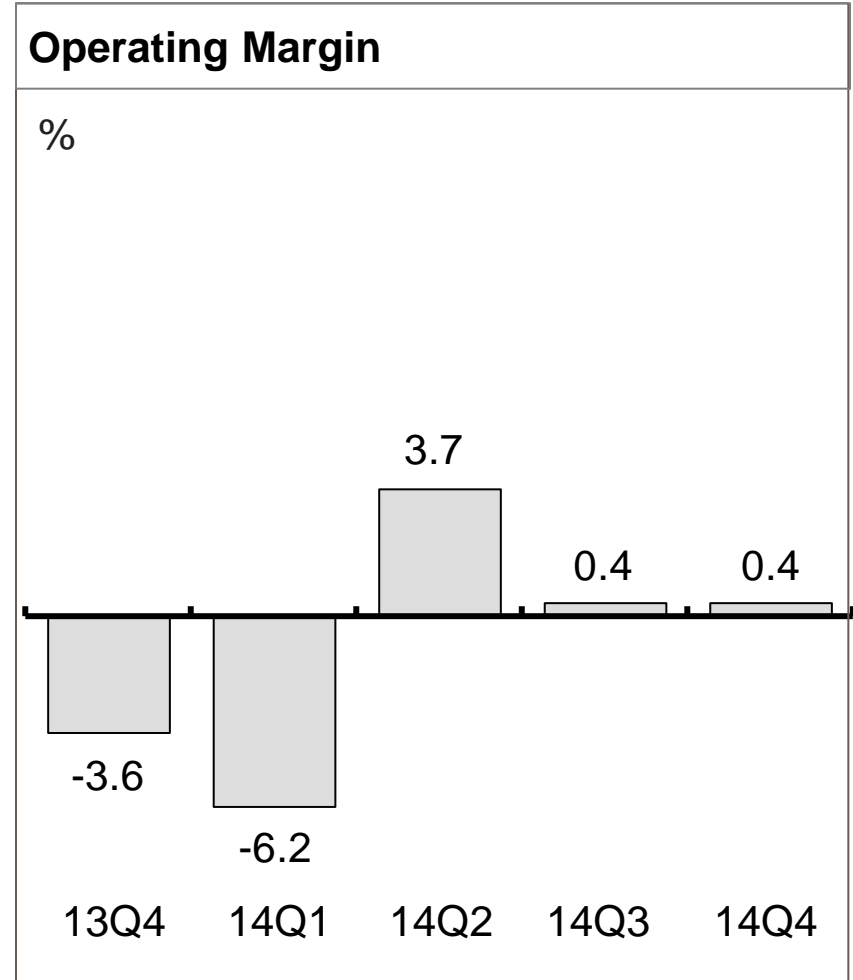
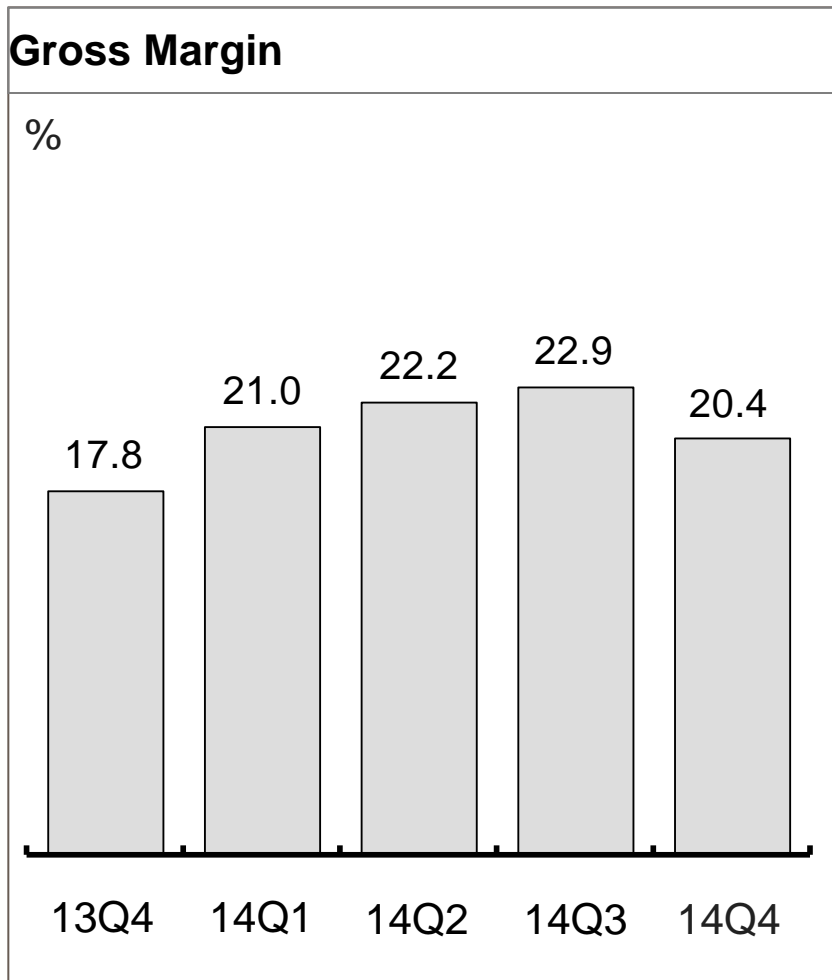
- **Awards and Honors:**

- HTC One (M8): “Best Android Phone You Can Buy” – Business Insider  
“Best Smartphone of 2014” – TechCentral  
“Phone of the Year” – T3, and Travel and Leisure
- DotView case: Wireless Handsets Accessories Honoree - CES Innovation Awards
- REcamera: Gold medal for Design – Spark Awards

# REVENUES AND OPERATING PROFIT



# GROSS AND OPERATING MARGINS



# 4Q 2014 P&L (CONSOLIDATED)

NT\$bn	4Q 13	3Q 14	4Q 14
REVENUES	42.9	41.9	<b>47.9</b>
GROSS PROFIT	7.6	9.6	<b>9.8</b>
OPERATING EXPENSE	<u>9.2</u>	<u>9.4</u>	<u><b>9.6</b></u>
SALES MKTING.	4.7	4.8	<b>4.9</b>
RESEARCH DEV.	3.1	3.2	<b>3.8</b>
GENERAL ADM.	1.4	1.4	<b>0.9</b>
OPERATING PROFIT	-1.6	0.2	<b>0.2</b>
NPBT	1.1	0.6	<b>0.5</b>
NPAT <sup>1</sup>	0.3	0.6	<b>0.5</b>
GROSS MARGIN (%)	17.8%	22.9%	<b>20.4%</b>
OPERATING MARGIN (%)	-3.6%	0.4%	<b>0.4%</b>
EPS <sup>2</sup> (NT\$)	0.38	0.78	<b>0.57</b>

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

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

# 4Q 2014 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Dec 31, 13	Sep 30, 14	Dec 31, 14
TOTAL ASSETS	172.6	165.4	<b>163.8</b>
CASH	53.3	54.7	<b>55.7</b>
AR	23.4	25.2	<b>29.1</b>
INVENTORY	23.6	23.2	<b>17.2</b>
OTHER ASSETS	72.3	62.3	<b>61.8</b>
TOTAL LIABILITIES	94.9	86.6	<b>83.5</b>
TOTAL EQUITY <sup>1</sup>	77.7	78.8	<b>80.3</b>
<b><i>METRICS</i></b> <sup>2</sup>			
DAYS SALES OUTSTANDING	65	74	<b>58</b>
INVENTORY TURNOVER DAYS	74	77	<b>54</b>
DAYS PAYABLE OUTSTANDING	130	132	<b>105</b>

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

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

# 1Q 2015 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$41.5 billion to NT\$45 billion
- Gross profit margin is expected to be 19.5% to 20%
- EPS is expected to be in the range of NT\$0.08 to NT\$0.47



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

	December 31, 2014		December 31, 2013			December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 55,743,558	34	\$ 53,298,941	31	Financial liabilities at fair value through profit or loss - current	\$ 22,424	-	\$ -	-
Financial assets at fair value through profit or loss - current	262,544	-	162,297	-	Note and trade payables	43,803,343	27	46,275,851	27
Debt investments with no active market - current	7,918	-	-	-	Other payables	32,237,945	20	38,032,999	22
Trade receivables, net	29,140,284	18	23,371,172	14	Current tax liabilities	210,714	-	1,040,128	1
Other receivables	584,936	-	2,137,653	1	Provisions - current	5,841,179	3	8,208,885	5
Current tax assets	274,321	-	238,085	-	Other current liabilities	1,143,134	1	956,127	-
Inventories	17,213,060	11	23,599,558	14	Total current liabilities	<u>83,258,739</u>	<u>51</u>	<u>94,513,990</u>	<u>55</u>
Prepayments	6,626,106	4	5,803,744	3					
Other current financial assets	334,954	-	2,771,023	2	<b>NON-CURRENT LIABILITIES</b>				
Other current assets	99,269	-	124,808	-	Deferred tax liabilities	202,932	-	151,122	-
Total current assets	<u>110,286,950</u>	<u>67</u>	<u>111,507,281</u>	<u>65</u>	Guarantee deposits received	43,230	-	256,415	-
					Total non-current liabilities	<u>246,162</u>	<u>-</u>	<u>407,537</u>	<u>-</u>
<b>NON-CURRENT ASSETS</b>					Total liabilities	<u>83,504,901</u>	<u>51</u>	<u>94,921,527</u>	<u>55</u>
Available-for-sale financial assets - non-current	93	-	239	-					
Financial assets measured at cost - non-current	2,586,478	2	4,603,061	2	<b>EQUITY</b>				
Investments accounted for using the equity method	234,661	-	227,504	-	Share capital - common stock	8,349,521	5	8,423,505	5
Property, plant and equipment	23,435,556	14	25,561,399	15	Capital surplus	15,140,687	9	15,360,307	9
Intangible assets	7,209,291	5	8,664,066	5	Retained earnings				
Deferred tax assets	8,452,707	5	8,665,235	5	Legal reserve	18,149,350	11	18,149,350	11
Refundable deposits	262,740	-	352,894	-	Special reserve	-	-	854,138	-
Long-term receivables	1,342,813	1	1,182,393	1	Unappropriated earnings	41,385,539	25	47,282,820	27
Prepaid pension cost - non-current	109,138	-	125,715	-	Total retained earnings	<u>59,534,889</u>	<u>36</u>	<u>66,286,308</u>	<u>38</u>
Other non-current assets	9,917,847	6	11,739,400	7	Other equity	1,058,332	1	557,698	-
Total non-current assets	<u>53,551,324</u>	<u>33</u>	<u>61,121,906</u>	<u>35</u>	Treasury shares	( 3,750,056)	( 2)	( 12,920,158)	( 7)
					Total equity	<u>80,333,373</u>	<u>49</u>	<u>77,707,660</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 163,838,274</u>	<u>100</u>	<u>\$ 172,629,187</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 163,838,274</u>	<u>100</u>	<u>\$ 172,629,187</u>	<u>100</u>

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

	2014		2013	
	Amount	%	Amount	%
REVENUES	\$ 187,911,201	100	\$ 203,402,648	100
COST OF REVENUES	147,112,546	78	161,131,895	79
GROSS PROFIT	40,798,655	22	42,270,753	21
OPERATING EXPENSES				
Selling and marketing	21,829,595	12	26,467,742	13
General and administrative	5,212,925	3	7,230,081	4
Research and development	13,042,091	7	12,543,452	6
Total operating expenses	40,084,611	22	46,241,275	23
OPERATING PROFIT (LOSS)	714,044	-	( 3,970,522)	( 2)
NON-OPERATING INCOME AND EXPENSES				
Other income	834,124	1	1,164,948	1
Other gains and losses	464,380	-	2,421,266	1
Finance costs	( 16,983)	-	( 8,405)	-
Share of the profit or loss of associates and joint ventures	( 8,679)	-	197,069	-
Total non-operating income and expenses	1,272,842	1	3,774,878	2
PROFIT (LOSS) BEFORE INCOME TAX	1,986,886	1	( 195,644)	-
INCOME TAX	500,054	-	1,128,141	1
PROFIT (LOSS) FOR THE PERIOD	\$ 1,486,832	1	(\$ 1,323,785)	\$ 1
EARNINGS (LOSS) PER SHARE				
Basic	\$ 1.80		(\$ 1.60)	
Diluted	\$ 1.80		(\$ 1.60)	

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

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 1,986,886	(\$ 195,644)
Adjustments for:		
Depreciation expense	2,952,892	2,916,699
Amortization expense	1,868,817	1,968,492
Impairment losses recognized on trade receivables	3,875	1,010,405
Finance costs	16,983	8,405
Interest income	( 403,155)	( 554,355)
Dividend income	( 26,381)	( 16,282)
Compensation costs of employee share - based payments	269,013	26,742
Share of the profit or loss of associates and joint ventures	8,679	( 197,069)
Losses on disposal of property, plant and equipment	153,493	58
Transfer of property, plant and equipment to expenses	-	2,995
Gain on disposal of intangible assets	-	( 108,265)
Gains on sale of investments	( 157,995)	( 29,735)
Gain on disposal of investments accounted for using equity method	-	( 2,637,673)
Impairment loss recognized on financial assets measured at cost	373,257	-
Impairment losses on non-financial assets	695,945	1,281,518
Gain on disposal of subsidiaries/ Ineffective portion of cash flow hedges	-	( 164,969)
Changes in operating assets and liabilities		
Increase in financial instruments held for trading	( 77,823)	( 155,347)
(Increase) decrease in trade receivables	( 5,772,987)	16,845,574
Decrease (increase) in other receivables	1,552,870	( 607,949)
Decrease (increase) in inventories	5,864,806	( 207,347)
Increase in prepayments	( 822,362)	( 1,360,194)
Decrease (increase) in other current assets	25,539	( 96,724)
Decrease (increase) in other non-current assets	1,779,567	( 1,869,090)
Decrease in note and trade payables	( 2,472,508)	( 27,311,669)
Decrease in other payables	( 5,279,307)	( 427,233)
Decrease in provisions	( 2,367,706)	( 672,629)
Increase (decrease) in other current liabilities	187,007	( 822,489)
Cash generated (used in) from operations	359,405	( 13,373,775)
Interest received	311,262	599,071
Interest paid	( 16,983)	( 8,405)
Income tax paid	( 990,083)	( 3,448,352)

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

	2014	2013
Net cash used in operating activities	( 336,399)	( 16,231,461)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of available-for-sale financial assets	-	56,738
Purchase of debt investments with no active market	( 7,918)	-
Recovery of the principal amount of held-to-maturity investments	-	100,000
Payments to acquire financial assets measured at cost	( 432,463)	( 197,684)
Proceeds from disposal of financial assets measured at cost	2,358,135	-
Payments to acquire investments accounted for using equity method	( 15,836)	-
Disposal of investments accounted for using equity method	-	7,883,326
Net cash inflow on disposal of subsidiaries	-	4,643,189
Payments for property, plant and equipment	( 1,372,934)	( 2,855,698)
Proceeds from disposal of property, plant and equipment	16,017	2,609
Increase in refundable deposits	-	( 166,428)
Decrease in refundable deposits	90,154	-
Decrease in other receivables - related parties	-	6,554,025
Payments for intangible assets	( 244,588)	( 223,008)
Disposal of intangible assets	-	117,380
Decrease in other current financial assets	2,436,069	3,790,421
Dividend received	26,381	661,896
Net cash generated from investing activities	2,853,017	20,366,766
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits received	-	196,416
Decrease in guarantee deposits paid	( 213,185)	-
Cash dividends	-	( 1,662,455)
Payments for treasury shares	-	( 1,033,846)
Net cash used in financing activities	( 213,185)	( 2,499,885)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>141,184</b>	<b>697,378</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,444,617</b>	<b>2,332,798</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>53,298,941</b>	<b>50,966,143</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 55,743,558</b>	<b>\$ 53,298,941</b>