



HTC CORPORATION

4Q19 RESULTS SUMMARY

March 20th 2020

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

4Q19 Financial Highlights:

- Quarterly revenue of NT\$1.81 billion with gross margin of 25.7%, up 2.8% sequentially, and the eighth consecutive quarterly increase since Q4'17
- Quarterly operating loss of NT\$2.22 billion with operating margin of -122.1%
- Quarterly net loss after tax was NT\$2.37 billion, or -NT\$2.87 per share

2019 Financial Highlights :

- FY2019 revenue of NT\$10.01 billion, gross profit of NT\$2.03 billion
- FY2019 net loss after tax was NT\$9.41 billion, or -NT\$11.43 per share

EXECUTIVE SUMMARY

VIVE VIRTUAL REALITY

During Q4, demonstrated commitment to providing premium VR hardware, software and experiences to power the future of Vive VR.

VIVE VIRTUAL REALITY

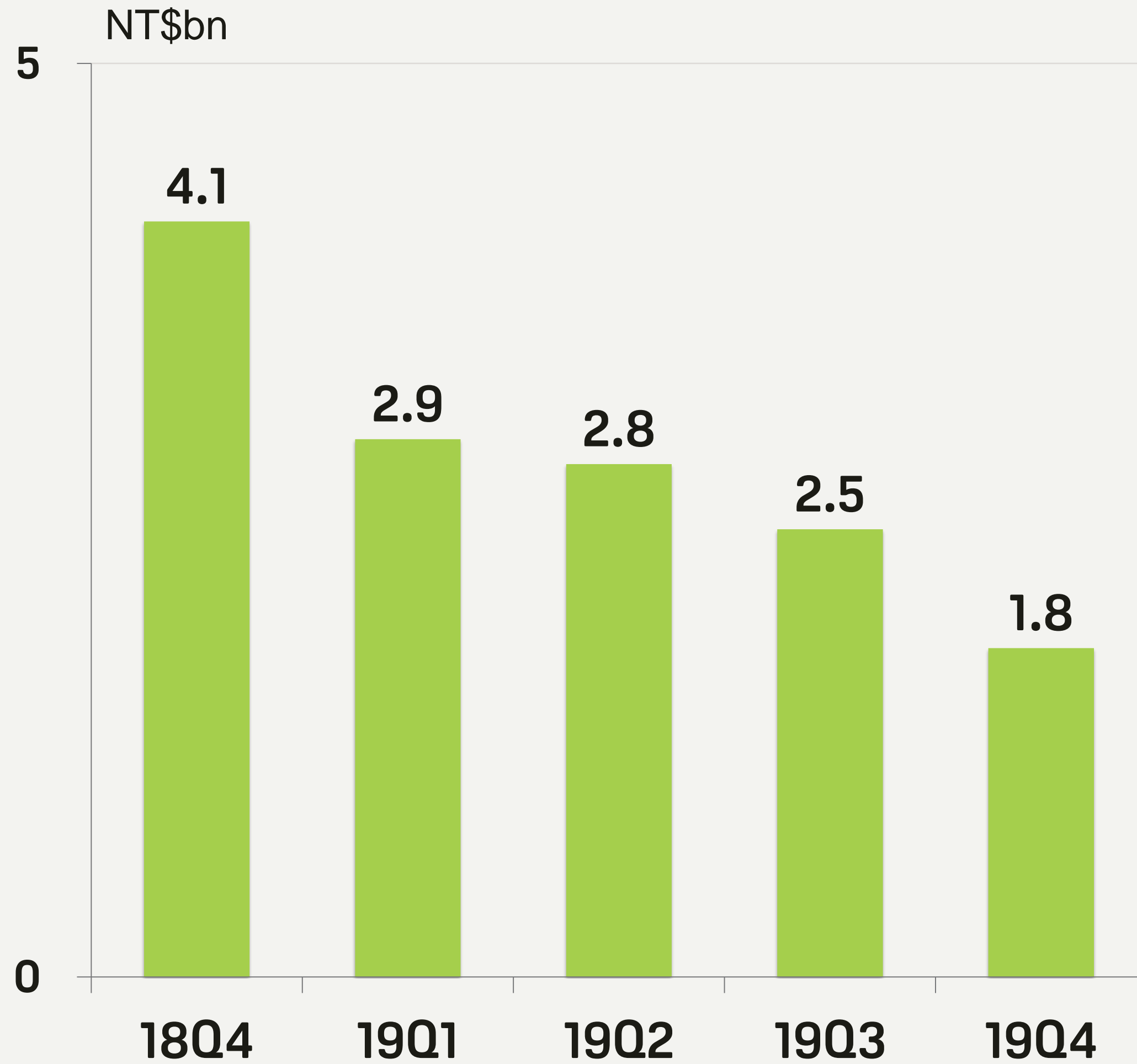
- After months of anticipation, the VIVE COSMOS headset was launch in Q4 worldwide. Vive Cosmos creates a new level of accessibility and ease of use and offers a headset that grows with the user over time thanks to modular faceplate functionality.
- VIVE Cosmos was deployed in the Louvre museum for “Mona Lisa: Beyond the Glass,” a VR experience that was developed as part of the museum’s commemoration of the 500-year anniversary of Leonardo Da Vinci’s death.
- The VIVEPORT platform offered several holiday promotions for consumers through the second half of Q4, providing even greater value of VR content to audiences around the world. In addition, Viveport Streaming launched in beta for the Vive Focus Plus headset, which allowed PCVR titles to be played on the stand-alone headset for the first time.
- Furthering the store’s goal of serving diverse VR audiences, Viveport Infinity was also made available to for the beta of the Oculus Link product.

HTC Smartphones and Connected Devices

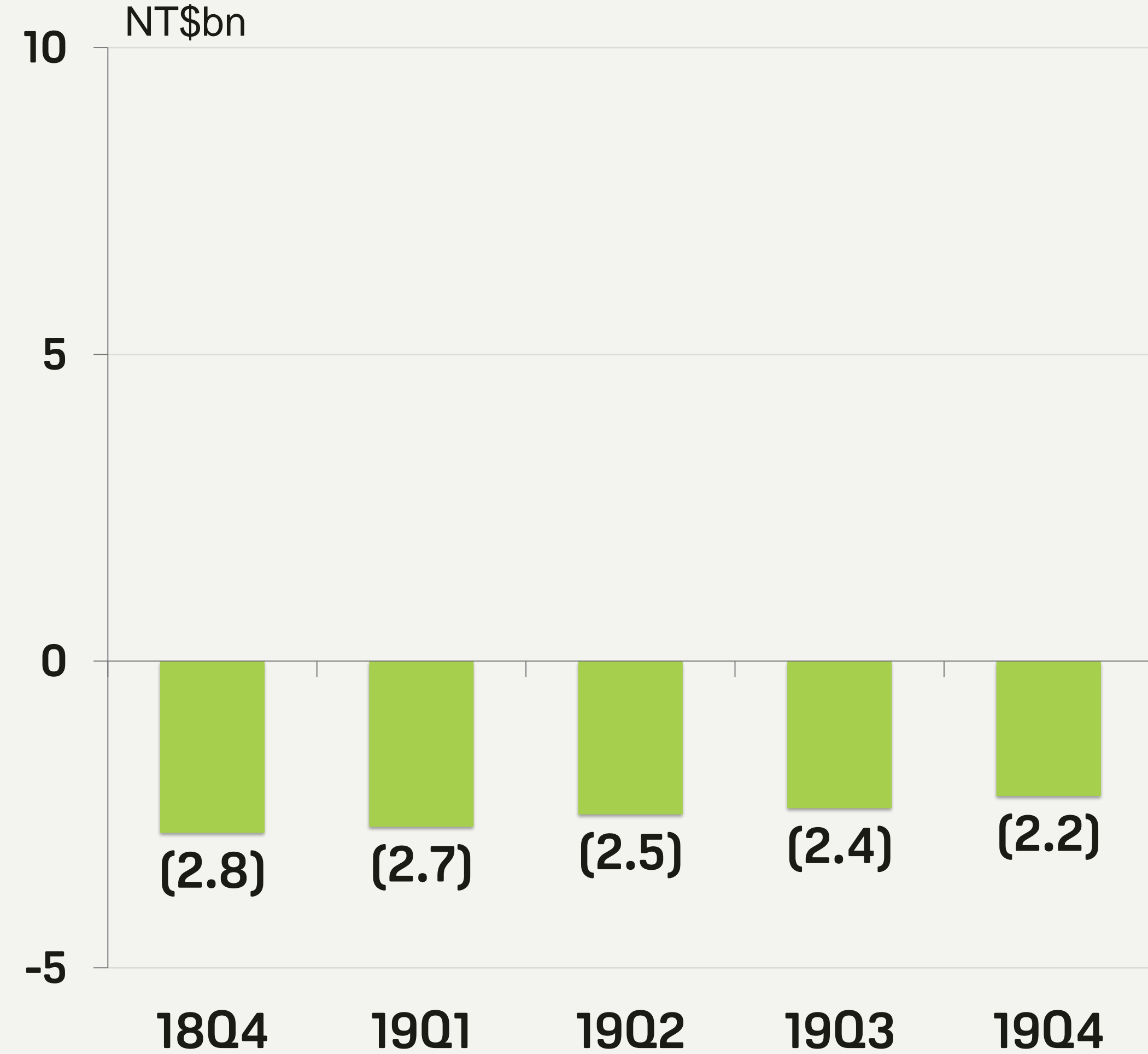
- The first ever mobile device with Bitcoin Full Node support, the Exodus 1s is a one-of-a-kind bank in your hand. The entry-level version of the Exodus was unveiled during Q4 and announced to ship to Europe, Taiwan, Saudi Arabia and the United Arab Emirates, with other markets to come.
- HTC Desire 19s follows the iconic design of Desire series, this budget-friendly smartphone comes equipped with a large 6.2-inch IPS LCD display, large-size battery of 3,850mAh capacity and a triple camera system that consists of main camera with HDR, ultrawide lens, and features a front-facing camera of 16 megapixel.

REVENUES AND OPERATING PROFIT

Revenues

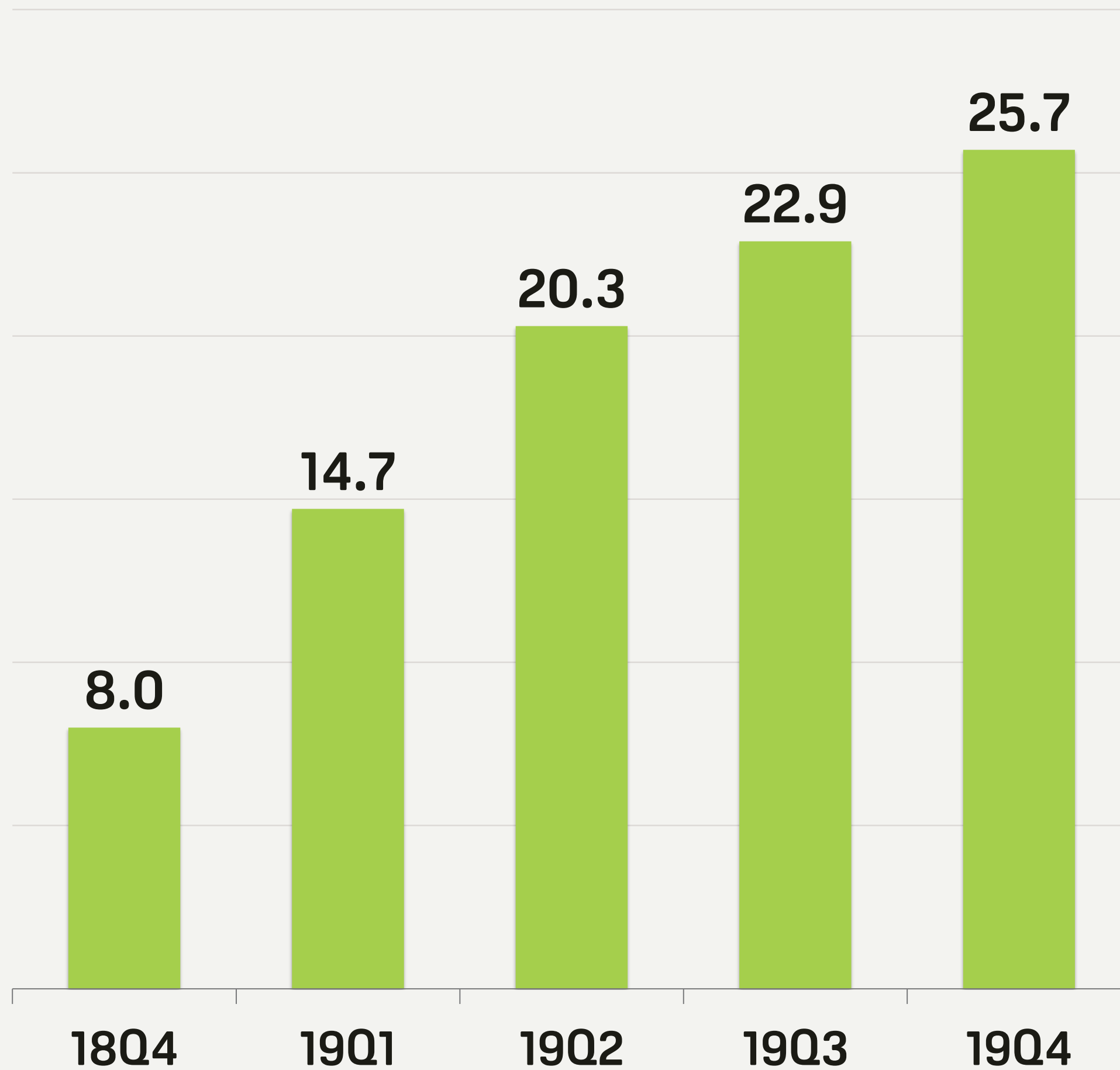


Operating Profit (Loss)

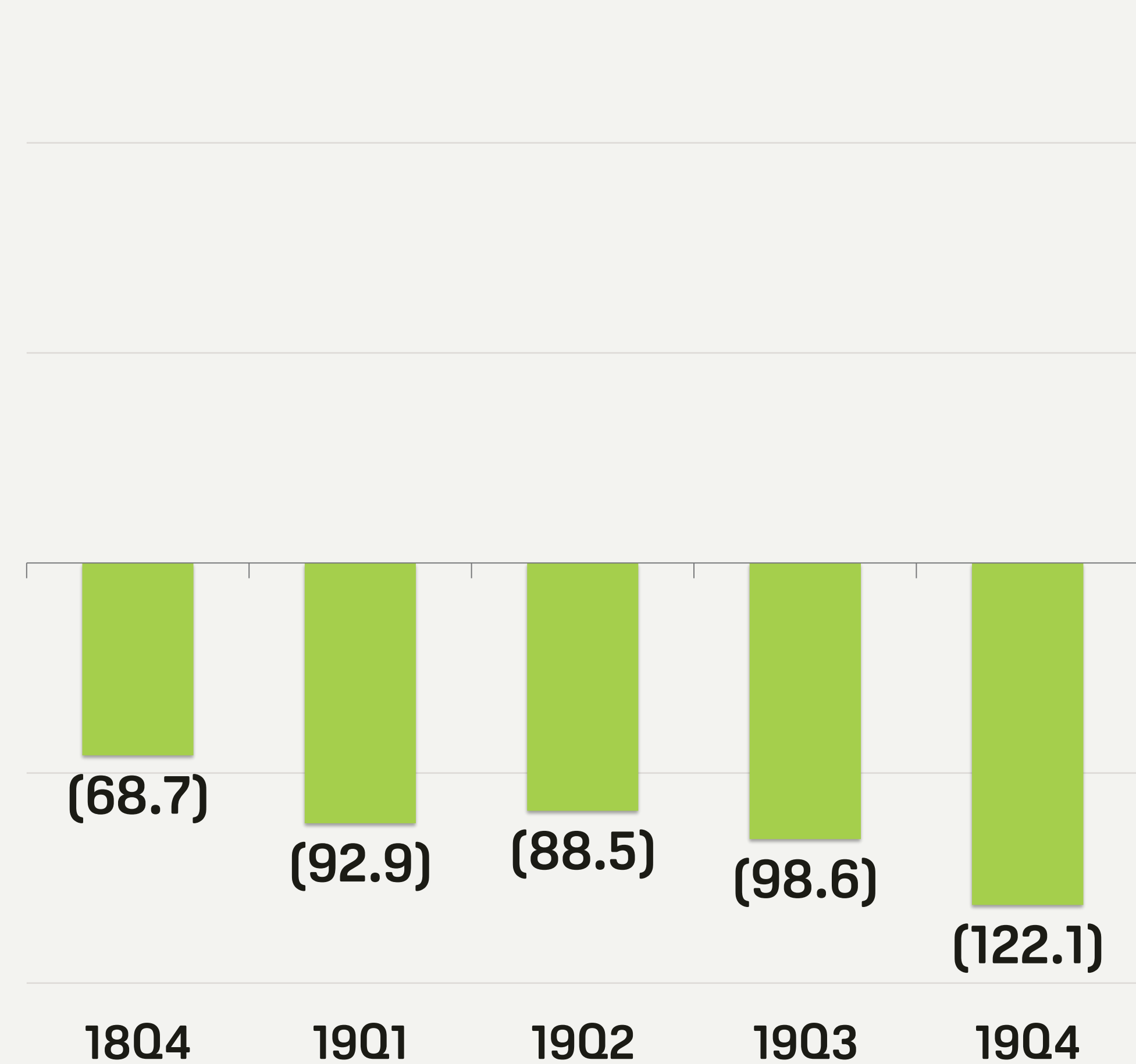


GROSS AND OPERATING MARGINS

Gross Margin
%



Operating Margin
%



4Q 2019 P&L (CONSOLIDATED)

	NT\$bn	4Q18	3Q19	4Q19
REVENUES		4.1	2.5	1.8
GROSS PROFIT		0.3	0.6	0.5
OPERATING EXPENSE		<u>3.2</u>	<u>3.0</u>	<u>2.7</u>
SALES MKTING.		0.8	0.7	0.6
RESEARCH DEV.		1.4	1.4	1.3
GENERAL ADM.		0.9	0.9	0.8
OPERATING PROFIT (LOSS)		-2.8	-2.4	-2.2
NPBT		-4.5	-2.4	-2.4
NPAT ¹		-4.4	-2.4	-2.4
GROSS MARGIN (%)		8.0%	22.9%	25.7%
OPERATING MARGIN (%)		-68.7%	-98.6%	-122.1%
EPS ² (NT\$)		-5.31	-2.86	-2.87

4Q 2019 BALANCE SHEET (CONSOLIDATED)

	NT\$bn	Dec 31, 18	Sep 30, 19	Dec 31, 19
TOTAL ASSETS		67.7	57.6	52.7
Cash ¹		41.5	34.0	31.1
AR		1.7	1.4	0.4
INVENTORY		3.3	2.7	2.4
OTHER ASSETS		21.2	19.5	18.8
TOTAL LIABILITIES		22.5	19.9	17.7
TOTAL EQUITY ²		45.2	37.7	34.9
CASH CONVERSION CYCLE		-4	-67	-120

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 28,143,761	53	\$ 24,449,548	36
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	69,055	-	83,411	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	1,069,433	2	409,412	1
Trade receivables, net (Notes 10 and 32)	422,378	1	1,683,150	3
Other receivables (Note 10)	108,823	-	221,707	-
Current tax assets (Note 26)	231,198	1	222,387	-
Inventories (Note 11)	2,359,780	5	3,301,645	5
Prepayments (Note 12)	425,332	1	1,160,299	2
Other current financial assets (Notes 9 and 33)	2,837,350	5	16,915,835	25
Other current assets	1,643	-	12,812	-
Total current assets	<u>35,668,753</u>	<u>68</u>	<u>48,460,206</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 31)	361,307	1	236,464	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	1,665,744	3	2,325,020	3
Investments accounted for using equity method (Note 14)	477,956	1	446,133	1
Property, plant and equipment (Notes 15 and 32)	7,888,181	15	8,425,886	13
Right-of-use assets (Note 16)	311,581	1	-	-
Investment properties, net (Note 17)	2,068,531	4	2,090,226	3
Intangible assets (Note 18)	108,877	-	1,181,256	2
Deferred tax assets (Note 26)	3,604,075	7	3,957,060	6
Refundable deposits	110,525	-	124,962	-
Net defined benefit asset - non-current (Note 22)	289,464	-	270,358	-
Other non-current financial assets (Notes 9 and 33)	150,505	-	153,638	-
Other non-current assets (Note 12)	29,328	-	39,610	-
Total non-current assets	<u>17,066,074</u>	<u>32</u>	<u>19,250,613</u>	<u>28</u>
TOTAL	<u>\$ 52,734,827</u>	<u>100</u>	<u>\$ 67,710,819</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	\$ 119,755	-	\$ 82,156	-
Note and trade payables (Notes 19 and 32)	6,888,171	13	9,812,847	15
Other payables (Notes 20 and 32)	7,215,158	14	9,223,293	14
Current tax liabilities (Note 26)	150,381	-	241,167	-
Provisions - current (Note 21)	1,794,236	4	2,004,190	3
Lease liabilities - current (Notes 16 and 32)	102,784	-	-	-
Other current liabilities (Note 20)	1,005,586	2	953,447	1
Total current liabilities	<u>17,276,071</u>	<u>33</u>	<u>22,317,100</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 26)	70,674	-	43,451	-
Lease liabilities - non-current (Notes 16 and 32)	225,930	1	-	-
Guarantee deposits received (Note 31)	164,869	-	130,400	-
Total non-current liabilities	<u>461,473</u>	<u>1</u>	<u>173,851</u>	<u>-</u>
Total liabilities	<u>17,737,544</u>	<u>34</u>	<u>22,490,951</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Share capital - ordinary shares	8,188,086	15	8,188,135	12
Capital surplus	15,594,766	30	15,576,268	23
Retained earnings				
Legal reserve	18,895,136	36	18,297,655	27
Special reserve	3,080,480	6	-	-
(Accumulated deficits) unappropriated earnings	(7,169,626)	(14)	6,194,337	9
Other equity	(3,735,072)	(7)	(3,087,557)	(4)
Total equity attributable to owners of the parent	34,853,770	66	45,168,838	67
NON-CONTROLLING INTERESTS	<u>143,513</u>	<u>-</u>	<u>51,030</u>	<u>-</u>
Total equity	<u>34,997,283</u>	<u>66</u>	<u>45,219,868</u>	<u>67</u>
TOTAL	<u>\$ 52,734,827</u>	<u>100</u>	<u>\$ 67,710,819</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 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	\$ 10,014,966	100	\$ 23,740,610	100
OPERATING COST (Notes 11, 25 and 32)	<u>7,986,855</u>	<u>80</u>	<u>23,225,592</u>	<u>98</u>
GROSS PROFIT	<u>2,028,111</u>	<u>20</u>	<u>515,018</u>	<u>2</u>
OPERATING EXPENSES (Notes 25 and 32)				
Selling and marketing	2,719,938	27	3,820,225	16
General and administrative	3,506,120	35	3,588,587	15
Research and development	<u>5,652,309</u>	<u>56</u>	<u>7,069,819</u>	<u>30</u>
Total operating expenses	<u>11,878,367</u>	<u>118</u>	<u>14,478,631</u>	<u>61</u>
OPERATING LOSS	<u>(9,850,256)</u>	<u>(98)</u>	<u>(13,963,613)</u>	<u>(59)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,255,925	13	1,235,879	5
Other gains and losses (Notes 12, 14, 15, 18 and 25)	(755,161)	(8)	29,994,218	127
Finance costs (Note 25)	(19,208)	-	(1,915)	-
Share of the loss of associates (Note 14)	<u>(50,729)</u>	<u>(1)</u>	<u>(36,087)</u>	<u>-</u>
Total non-operating income and expenses	<u>430,827</u>	<u>4</u>	<u>31,192,095</u>	<u>132</u>
(LOSS) PROFIT BEFORE INCOME TAX	(9,419,429)	(94)	17,228,482	73
INCOME TAX BENEFIT (EXPENSE) (Note 26)	<u>6,359</u>	<u>-</u>	<u>(5,203,581)</u>	<u>(22)</u>
(LOSS) PROFIT FOR THE YEAR	<u>(9,413,070)</u>	<u>(94)</u>	<u>12,024,901</u>	<u>51</u>
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	15,552	-	179,401	1
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	32,246	1	(857,107)	(4)
Income tax relating to items that will not be reclassified to profit or loss (Note 26)	<u>(1,866)</u>	<u>-</u>	<u>(21,529)</u>	<u>-</u>
	<u>45,932</u>	<u>1</u>	<u>(699,235)</u>	<u>(3)</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (693,346)	(7)	\$ 133,388	-
Other comprehensive loss for the year, net of income tax	(647,414)	(6)	(565,847)	(3)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	\$ (10,060,484)	(100)	\$ 11,459,054	48
NET (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (9,358,078)	(93)	\$ 12,068,202	51
Non-controlling interests	(54,992)	(1)	(43,301)	-
	<u>\$ (9,413,070)</u>	<u>(94)</u>	<u>\$ 12,024,901</u>	<u>51</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (9,998,984)	(100)	\$ 11,500,096	48
Non-controlling interests	(61,500)	-	(41,042)	-
	<u>\$ (10,060,484)</u>	<u>(100)</u>	<u>\$ 11,459,054</u>	<u>48</u>
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	\$ (11.43)		\$ 14.72	
Diluted	\$ (11.43)		\$ 14.50	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity					Total	Non-controlling Interests	Total Equity
			Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Losses on Available-for-sale Financial Assets			
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 of accounting standards	-	-	-	-	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 (loss) for the year ended December 31, 2018	-	-	-	-	12,068,202	-	-	-	-	12,068,202	(43,301)	12,024,901	
Other comprehensive income and loss for the year ended December 31, 2018	-	-	-	-	157,872	131,129	(857,107)	-	-	(568,106)	2,259	(565,847)	
Changes in capital surplus from investments in associates accounted for using the equity method	-	60,873	-	-	-	-	-	-	-	60,873	-	60,873	
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	-	8,121	-	8,121	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(43,066)	-	-	-	-	(43,066)	62,520	19,454	
Share-based payments	(21,616)	(42,727)	-	-	-	-	-	-	42,513	(21,830)	-	(21,830)	
BALANCE, DECEMBER 31, 2018	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	
Appropriation of 2018 earnings													
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	-	-	-	
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(311,148)	-	-	-	-	(311,148)	-	(311,148)	
Net loss for the year ended December 31, 2019	-	-	-	-	(9,358,078)	-	-	-	-	(9,358,078)	(54,992)	(9,413,070)	
Other comprehensive income and loss for the year ended December 31, 2019	-	-	-	-	13,686	(686,838)	32,246	-	-	(640,906)	(6,508)	(647,414)	
Changes in capital surplus from investments in associates accounted for using the equity method	-	(34,121)	-	-	(21,702)	-	-	-	-	(55,823)	-	(55,823)	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,760)	-	-	-	-	(8,760)	153,983	145,223	
Share-based payments	(49)	52,619	-	-	-	-	-	-	7,077	59,647	-	59,647	
BALANCE, DECEMBER 31, 2019	\$ 8,188,086	\$ 15,594,766	\$ 18,895,136	\$ 3,080,480	\$ (7,169,626)	\$ (2,738,857)	\$ (996,215)	\$ -	\$ -	\$ 34,853,770	\$ 143,513	\$ 34,997,283	

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (9,419,429)	\$ 17,228,482
Adjustments for:		
Depreciation expense	720,434	575,573
Amortization expense	1,083,946	1,198,288
Expected credit (reversed gain) loss recognized on trade receivables	(30,000)	82,964
Finance costs	19,208	1,915
Interests income	(439,066)	(546,772)
Dividend income	(160)	-
Compensation cost of employee share-based payments (reversed)	59,647	(21,830)
Share of the loss of associates	50,729	36,087
Net gain on disposal of property, plant and equipment	(82,033)	(245,446)
Net gain on disposal of assets and licensing income (Note 25)	-	(31,285,385)
Net gain on disposal of non-current assets held for sale	-	(1,077,246)
Net gain on disposal of subsidiary	-	(15,396)
Impairment loss on non-financial assets	389,283	3,374,551
Gain from lease modification	(473)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	51,955	(11,240)
Decrease in trade receivables	1,290,772	6,767,396
Decrease (increase) in other receivables	20,428	(18,873)
Decrease in inventories	725,387	3,022,777
Decrease in prepayments	650,652	539,518
Decrease in other current assets	11,169	123,009
Decrease (increase) in other non-current assets	3,610	(310,074)
Decrease in note and trade payables	(2,724,676)	(4,756,375)
Decrease in other payables	(1,988,723)	(2,413,211)
Decrease in provisions	(209,954)	(1,373,011)
Increase (decrease) in other current liabilities	<u>52,139</u>	<u>(520,745)</u>
Cash used in operations	(9,765,155)	(9,645,044)
Interest received	531,522	447,435
Interest paid	(19,208)	(1,915)
Income tax refund (paid)	<u>82,793</u>	<u>(296,300)</u>
Net cash used in operating activities	<u>(9,170,048)</u>	<u>(9,495,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(153,254)	(161,097)
Return of investments accounted for fair value through other comprehensive income	137,736	-
Purchase of financial assets at fair value through profit or loss	(134,347)	(107,067)
Acquisition of investments accounted for using the equity method	(171,767)	-
Net cash inflow on disposal of subsidiary	-	106,918

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of non-current assets held of sale	\$ -	\$ 2,748,931
Payments for property, plant and equipment	(150,198)	(575,465)
Proceeds from disposal of property, plant and equipment	108,544	385,287
Decrease in advance receipts - disposal of property	-	(1,374,465)
Decrease in refundable deposits	14,437	14,054
Payments for intangible assets	(6,536)	(53,725)
Proceeds from disposal of intangible assets	5,048	-
Increase in other financial assets	-	(9,081,110)
Decrease in other financial assets	14,081,618	-
Dividend received	160	-
Proceeds from disposal of assets and licensing income (Note 25)	<u>-</u>	<u>31,285,385</u>
Net cash generated from investing activities	<u>13,731,441</u>	<u>23,187,646</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	34,469	124,719
Repayment of the principal portion of lease liabilities	(123,574)	-
Dividends paid to owners of the Company	(311,148)	-
Proceeds from exercise of employee share options	-	8,121
Change in non-controlling interests	<u>145,223</u>	<u>19,454</u>
Net cash (used in) generated from financing activities	<u>(255,030)</u>	<u>152,294</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(612,150)</u>	<u>162,205</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,694,213	14,006,321
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>24,449,548</u>	<u>10,443,227</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 28,143,761</u>	<u>\$ 24,449,548</u>

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

(Concluded)