

HTC CORPORATION

2Q13 BUSINESS REVIEW

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CFO

July 30th, 2013

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.
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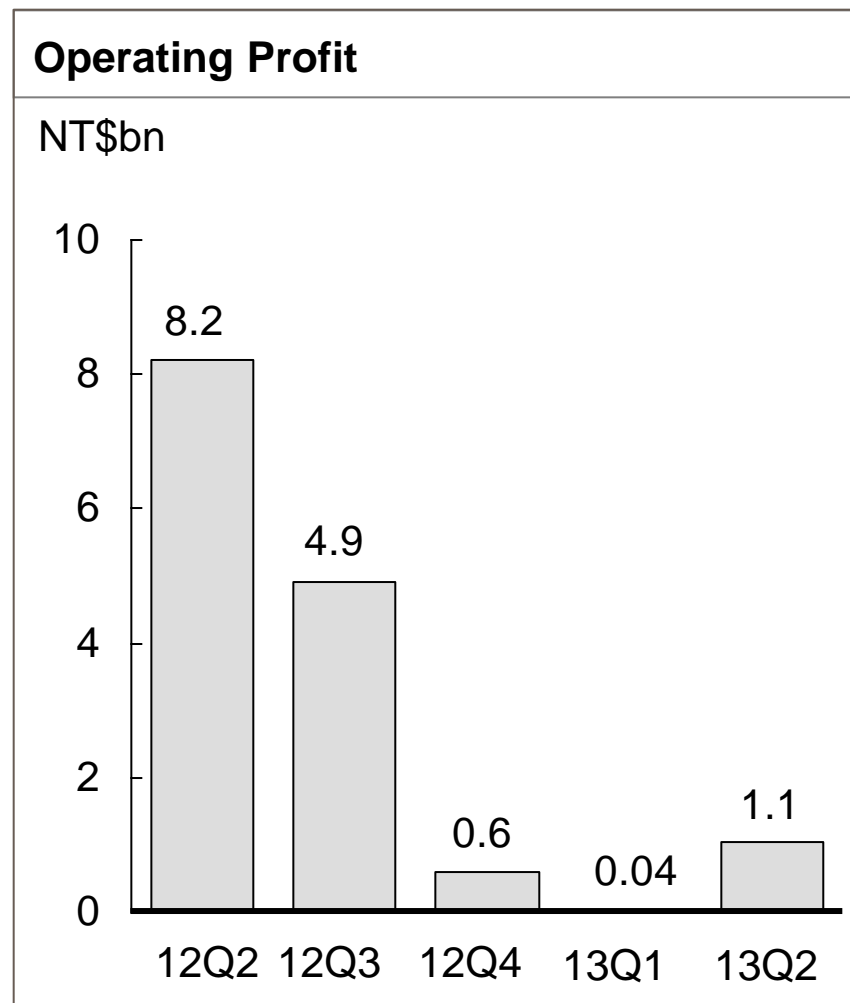
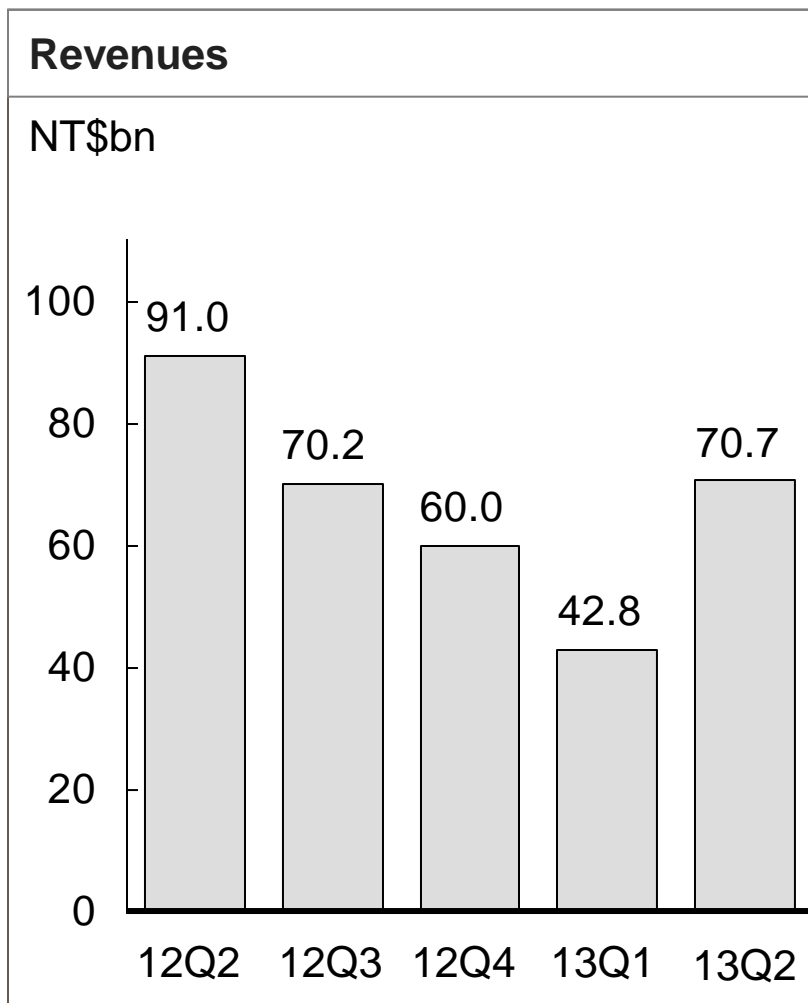
EXECUTIVE SUMMARY

- 2Q financial highlights
 - Revenue was NT\$70.7bn
 - Gross margin and operating margin were 23.2% and 1.5%, respectively
 - Net income was NT\$1.25bn
- Business update
 - As manufacturing ramped up, the US saw sequential growth in 2Q, as well as expansion in retail channels
 - EMEA saw renewed strength in major Western European markets and emerging countries
 - In North Asia, HTC gained market share in Taiwan, showing an improved presence in Hong Kong and warm reception of its products by consumers in Japan
 - In China, sales of HTC's high-end models improved, while competition at the mid-tier and affordable intensified
 - In South Asia, the improvement of key operator relationships provides optimism about the region

EXECUTIVE SUMMARY

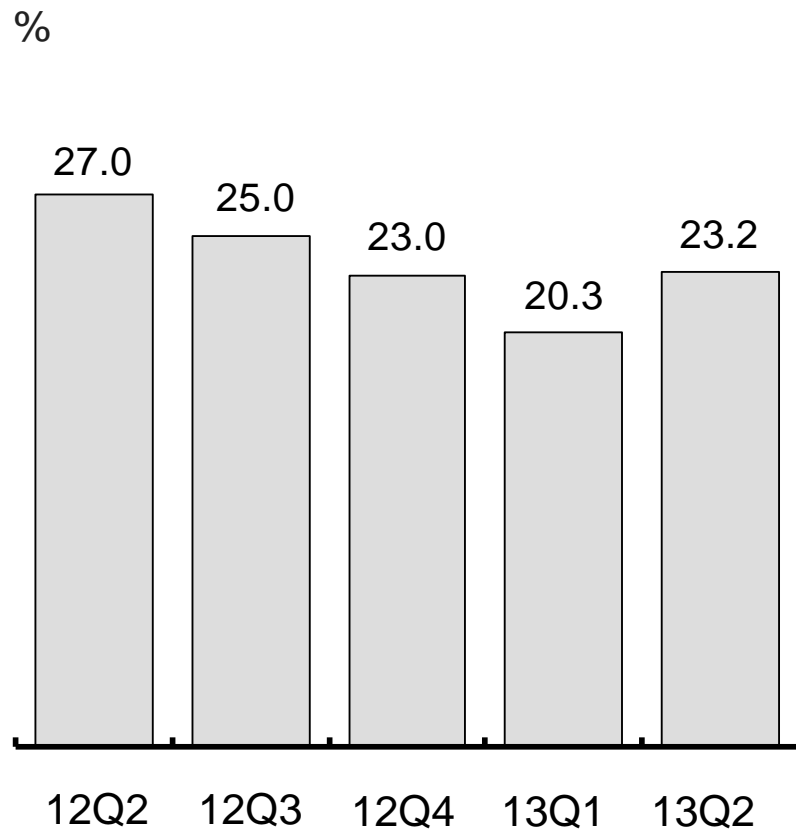
- Recent appointment
 - Appointed Jack Yang President of South Asia (previously Head of iPhone and iPad Sales in Southeast Asia for Apple Inc.)
 - Appointed Sirpa Ikola Senior Director of Marketing for South Asia (previously Head of Smart Devices Business in Southeast Asia, Nokia)
 - Appointed Lorain Wong as Vice President of Global PR, Corporate and Internal Communications (previously Senior Vice President, Marketing & Communications for Pacnet and earlier Director of Partnership Marketing for AT&T)

REVENUES AND OPERATING PROFIT

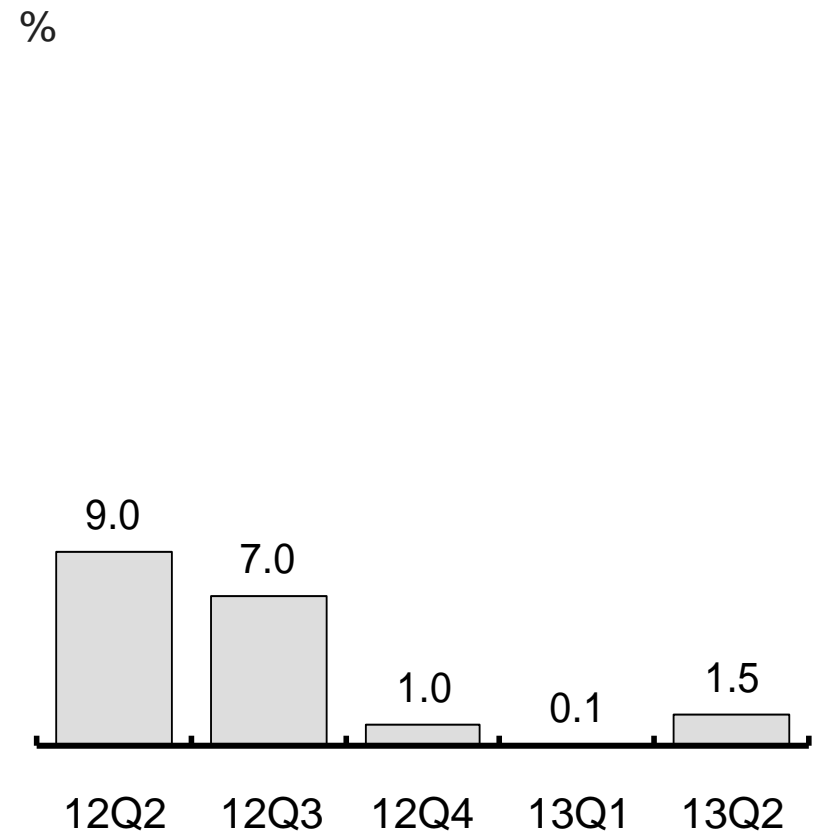


GROSS AND OPERATING MARGINS

Gross Margin



Operating Margin



2Q 2013 P&L (CONSOLIDATED)

NT\$bn	2Q 12	1Q 13	2Q 13
REVENUES	91.0	42.8	70.7
GROSS PROFIT	24.6	8.7	16.4
OPERATING EXPENSE	<u>16.4</u>	<u>8.6</u>	<u>15.3</u>
SALES MKTING.	10.0	3.9	10.3
RESEARCH DEV.	4.7	3.2	3.4
GENERAL ADM.	1.7	1.5	1.6
OPERATING PROFIT	8.2	0.04	1.1
NPBT	8.8	0.10	1.5
NPAT ¹	7.4	0.09	1.2
GROSS MARGIN (%)	27.0%	20.3%	23.2%
OPERATING MARGIN (%)	9.0%	0.10%	1.5%
EPS ² (NT\$)	8.90	0.10	1.50

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

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

2Q 2013 BALANCE SHEET (CONSOLIDATED)

NT\$bn	Jun 30, 12	Mar 31, 13	Jun 30, 13
TOTAL ASSETS	255.2	204.1	209.9
CASH	55.5	47.4	48.1
AR	66.1	28.5	48.2
INVENTORY	26.7	38.1	28.1
OTHER ASSETS	106.9	90.1	85.5
TOTAL LIABILITIES	178.3	123.2	128.9
TOTAL EQUITY ¹	75.7	80.9	81.0
<i>METRICS²</i>			
DAYS SALES OUTSTANDING	61	79	53
INVENTORY TURNOVER DAYS	44	96	63
DAYS PAYABLE OUTSTANDING	102	199	119

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

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

3Q 2013 BUSINESS OUTLOOK

- Revenue is expected to be in the range of NT\$50bn to NT\$60bn
- Gross profit margin is expected to be in the range of 18% to 21%
- Operating margin is expected to be in the range of 0% to -8%

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNREVIEWED)

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2013	June 30, 2012	LIABILITIES AND EQUITY	June 30, 2013	June 30, 2012
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 48,115,859	\$ 55,521,118	Short-term borrowings	\$ 9,936,630	\$ -
Financial assets at fair value through profit or loss - current	48,502	181,288	Derivative financial liabilities for hedging - current	-	15,871
Available-for-sale financial assets - current	-	794,213	Note and trade payables	65,760,801	79,222,932
Held-to-maturity financial assets - current	100,612	-	Other payables	44,723,615	80,164,184
Note and trade receivables, net	48,203,254	66,125,253	Current tax liabilities	347,900	2,056,643
Other receivables	1,845,947	1,959,611	Provisions - current	5,601,489	14,310,954
Current tax assets	360,743	142,484	Other current liabilities	<u>1,633,504</u>	<u>1,968,971</u>
Inventories	28,052,138	26,658,855	Total current liabilities	<u>128,003,939</u>	<u>177,739,555</u>
Prepayments	6,569,646	9,442,543			
Other current financial assets	4,140,566	26,128,610	NON-CURRENT LIABILITIES		
Other current assets	<u>33,547</u>	<u>53,235</u>	Deferred tax liabilities	670,638	463,475
Total current assets	<u>137,470,814</u>	<u>187,007,210</u>	Guarantee deposits received	<u>183,014</u>	<u>98,879</u>
			Total non-current liabilities	<u>853,652</u>	<u>562,354</u>
			Total liabilities	<u>128,857,591</u>	<u>178,301,909</u>
NON-CURRENT ASSETS			EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Available-for-sale financial assets - non-current	152	189	Share capital - common stock	<u>8,520,521</u>	<u>8,520,521</u>
Held-to-maturity financial assets - non-current	-	202,922	Capital surplus	<u>16,601,557</u>	<u>16,601,557</u>
Financial assets measured at cost - non-current	4,547,521	3,690,929	Retained earnings		
Investments accounted for using equity method	5,551,231	309,374	Legal reserve	18,149,350	16,471,254
Property, plant and equipment	25,908,958	25,685,355	Special reserve	854,138	-
Intangible assets	11,304,591	21,878,629	Accumulated earnings	<u>50,770,725</u>	<u>48,669,552</u>
Deferred tax assets	9,002,443	6,459,667	Total retained earnings	<u>69,774,213</u>	<u>65,140,806</u>
Refundable deposits	175,723	186,988	Other equity	<u>228,899</u>	<u>(526,073)</u>
Long-term receivables	4,516,650	-	Treasury shares	<u>(14,065,490)</u>	<u>(14,065,490)</u>
Prepaid pension cost - non-current	131,469	112,298	Total equity attributable to owners of the parent	81,059,700	75,671,321
Other non-current assets	<u>11,307,739</u>	<u>9,635,240</u>	NON-CONTROLLING INTEREST	-	1,195,571
Total non-current assets	<u>72,446,477</u>	<u>68,161,591</u>	Total equity	<u>81,059,700</u>	<u>76,866,892</u>
TOTAL	<u>\$ 209,917,291</u>	<u>\$ 255,168,801</u>	TOTAL	<u>\$ 209,917,291</u>	<u>\$ 255,168,801</u>

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (UNREVIEWED)

(In Thousands of New Taiwan Dollars)

	<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
REVENUES	\$113,455,432	\$158,830,457
COST OF REVENUES	<u>88,396,606</u>	<u>117,277,592</u>
GROSS PROFIT	<u>25,058,826</u>	<u>41,552,865</u>
OPERATING EXPENSES		
Selling and marketing	14,191,385	16,761,340
General and administrative	3,164,649	3,439,393
Research and development	<u>6,609,543</u>	<u>8,078,390</u>
Total operating expenses	<u>23,965,577</u>	<u>28,279,123</u>
OPERATING PROFIT	<u>1,093,249</u>	<u>13,273,742</u>
NON-OPERATING INCOME AND EXPENSES		
Other income	509,536	588,663
Other gains and losses	(145,047)	546,856
Finance costs	(1,873)	(499)
Share of the profit or loss of associates and joint ventures	<u>171,722</u>	<u>(12,069)</u>
Total non-operating income and expenses	<u>534,338</u>	<u>1,122,951</u>
PROFIT BEFORE INCOME TAX	1,627,587	14,396,693
INCOME TAX	<u>292,950</u>	<u>1,943,241</u>
PROFIT FOR THE PERIOD	<u>\$ 1,334,637</u>	<u>\$12,453,452</u>
ALLOCATIONS OF PROFIT FOR THE PERIOD ATTRIBUTABLE TO		
Owners of the parent	\$ 1,334,637	\$11,847,883
Non-controlling interest	<u>-</u>	<u>605,569</u>
	<u>\$ 1,334,637</u>	<u>\$12,453,452</u>
EARNINGS PER SHARE		
Basic earnings per share	<u>\$1.60</u>	<u>\$14.23</u>
Diluted earnings per share	<u>\$1.60</u>	<u>\$14.17</u>

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNREVIEWED) (In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,627,587	\$ 14,396,693
Adjustments for:		
Depreciation	1,408,280	1,117,339
Amortization	1,002,080	1,013,002
Impairment loss recognized on trade receivables	1,009,364	507,441
Finance costs	1,873	499
Interest income	(347,759)	(327,491)
Dividend income	(13,232)	(1,427)
Share of the profit or loss of associates and joint ventures	(171,722)	12,069
Losses on disposal of property, plant and equipment	1,563	120
Transfer of property, plant and equipment to expenses	-	4,630
Gain on sale of investments	(29,735)	(39,656)
Impairment losses on non-financial assets	1,123,441	286,674
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(41,552)	75,580
Decrease in derivative financial instruments for hedging	204,519	15,871
Increase in note and trade receivables	(7,958,792)	(1,912,903)
Increase in other receivables	(367,888)	(7,485)
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(4,999,538)	1,485,061
Increase in prepayments	(2,113,542)	(2,935,027)
Decrease in other current assets	5,550	196,409
(Increase) decrease in other non-current assets	(1,443,183)	1,008,239
(Decrease) increase in note and trade payables	(7,857,396)	749,802
Increase (decrease) in other payables	4,407,900	(2,327,489)
Decrease in provisions	(3,280,025)	(822,321)
(Decrease) increase in other current liabilities	(154,602)	307,831
Cash (used in) generated from operations	(17,986,809)	12,804,427
Interest received	393,969	323,149
Interest paid	(642)	(499)
Income tax paid	(3,247,533)	(10,353,123)
Net cash (used in) generated from operating activities	<u>(20,841,015)</u>	<u>2,773,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	85,938
Payments to acquire financial assets measured at cost	(120,244)	(390,948)
Net cash outflow on acquisition of subsidiaries	-	(55,252)
Payments for property, plant and equipment	(1,696,188)	(3,754,335)
Proceeds from disposal of property, plant and equipment	-	7,107
Increase in refundable deposits	-	(1,682)
Decrease in refundable deposits	14,419	-

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNREVIEWED) (In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	2012
Decrease in other receivables - related parties	\$ 6,600,093	\$ -
Payments for intangible assets	(193,761)	(107,996)
Increase in other current financial assets	-	(585,160)
Decrease in other current financial assets	2,420,878	-
Increase in prepayments for equipment in transit	-	(181,429)
Decrease in prepayments for equipment in transit	24,046	-
Dividend received	658,846	1,427
Loss of a subsidiary	-	(501,425)
	<u>7,764,827</u>	<u>(5,483,755)</u>
Net cash generated from (used in) investing activities		
	<u>7,764,827</u>	<u>(5,483,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	9,936,630	-
Payments for treasury shares	-	(3,700,346)
Increase in guarantee deposits received	123,015	55,933
Change in non-controlling interest	-	(152,033)
	<u>10,059,645</u>	<u>(3,796,446)</u>
Net cash generated from (used in) financing activities		
	<u>10,059,645</u>	<u>(3,796,446)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>166,259</u>	<u>607</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,850,284)	(6,505,640)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>50,966,143</u>	<u>62,026,758</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 48,115,859</u>	<u>\$ 55,521,118</u>

(Concluded)