

HTC CORPORATION

3Q BUSINESS REVIEW

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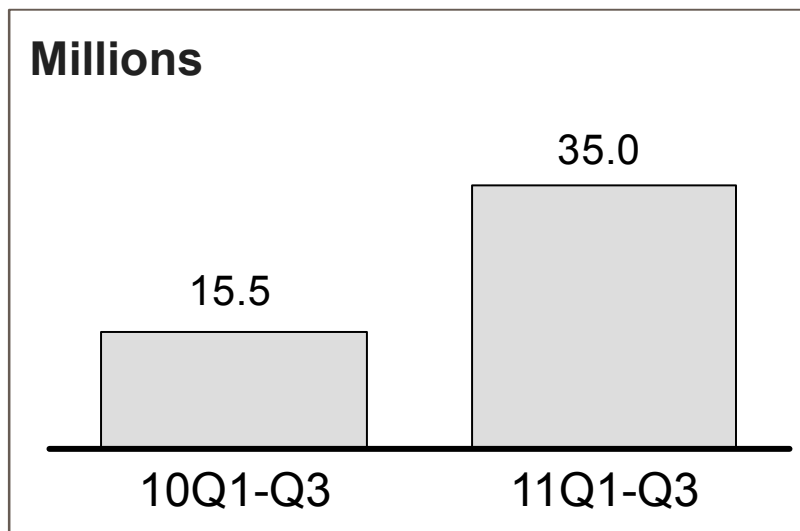
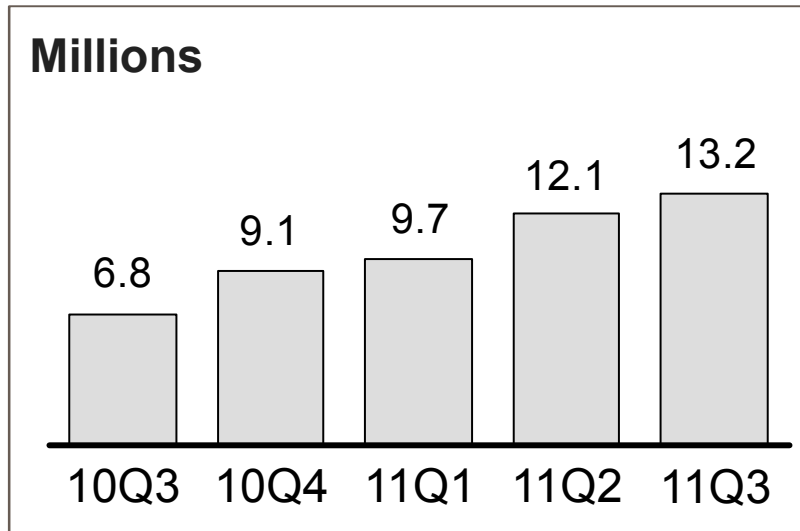
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- Financial numbers in this presentation and materials distributed herewith have been reviewed by the auditors.

EXECUTIVE SUMMARY

- 3Q financial highlights:
 - Revenue was NT\$135.8bn, up 79% yoy and in line with original guidance
 - Net income reached NT\$18.68bn, up 68% yoy, 7% qoq
 - Shipment grew 93% yoy to 13.2mn units
 - Gross margin and operating margin were 28.0% and 14.9% respectively, both within guidance range
- Key global products launched:
 - Beats co-branded products (HTC Sensation XE, and HTC Sensation XL) – to create emotional connection with the HTC brand through studio-quality music experience and Beats brand image
 - HTC Rhyme – to deliver a personal, lifestyle product integrating distinct colors, HTC Sense, and complementary accessories
- Acquisitions to build capabilities and enhance overall customer experience
 - Dashwire – incorporate Dashwire’s cloud-based sync and configuration platforms into HTC Sense
 - Zoodles – offer distinctive kid’s mode to penetrate the kids and education market
- Summary of 4Q guidance:
 - 4Q revenue expected to be around NT\$125-135bn, up 20%-30% yoy
 - 4Q shipment expected to be around 12.0-13.0mn units, up 31%-42% yoy
 - Gross margin and operating margin expected to be around 28.0%±0.5% and 14.5%±0.5% respectively

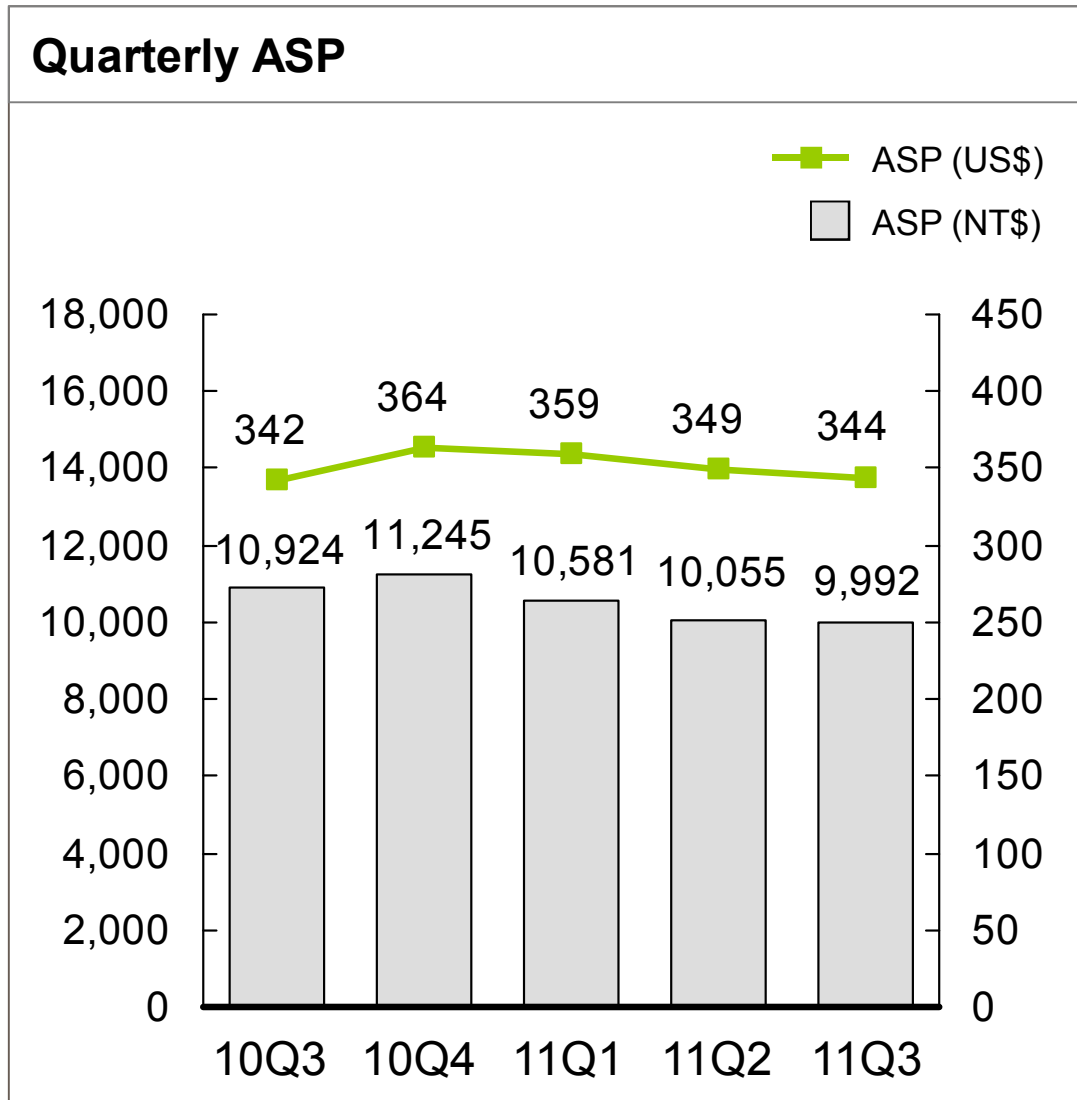
HANDSET SHIPMENT



Comments

- Handset shipment for 3Q was 13.2mn units, up 93% yoy, 9% qoq
- Handset shipment for 11Q1-Q3 grew 125% yoy due to rising share in global smart phone market
- 3Q new products include
 - HTC Sensation XE and HTC Sensation XL (Multimedia with Beats Audio),
 - HTC Rhyme (social life style), and
 - HTC Explorer (entry level)

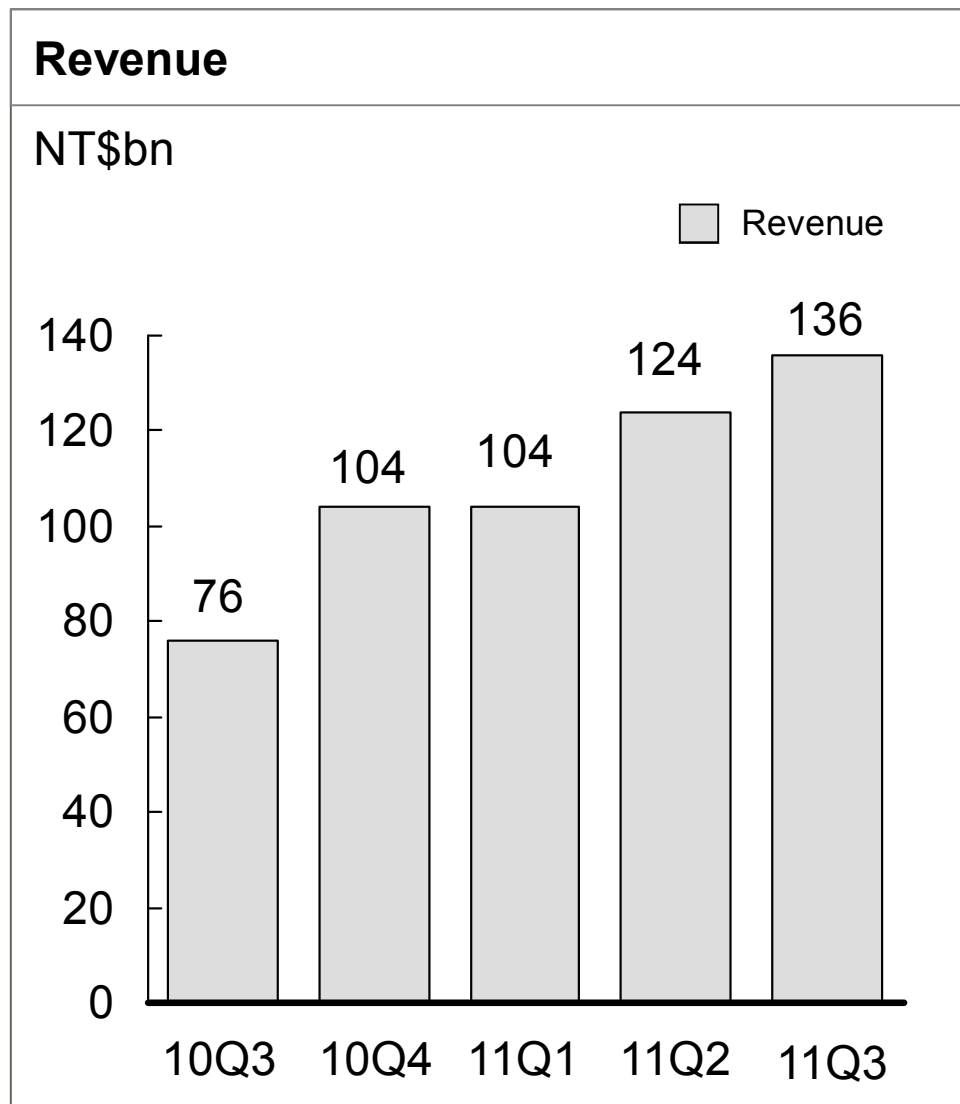
AVERAGE SELLING PRICE



Comments

- ASP (in USD) was US\$344, up 0.6% yoy, down 1.4% qoq
- ASP (in NTD) was NT\$9,992, down 8.5% yoy and 0.6% qoq
- Q3 ASP (in USD) remained flat, both yoy and qoq, indicating a balanced mix of high-end and entry level products
- Drop in NTD ASP was largely a result of a 10% NTD appreciation yoy

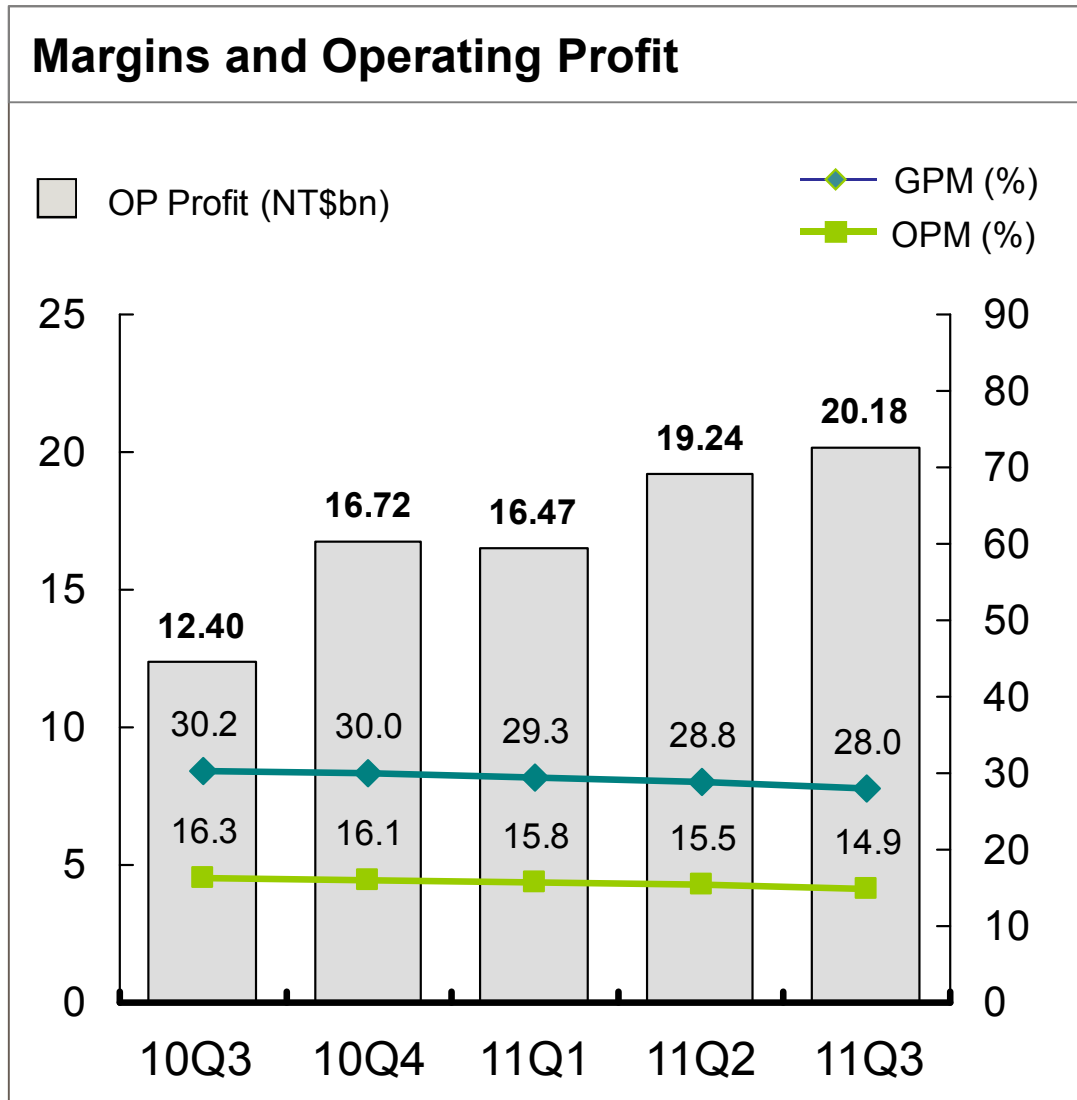
REVENUE



Comments

- Revenue for 3Q was NT\$135.8bn, up 79% yoy, 9% qoq
- Revenue reached new high again thanks to strong brand recognition, leading product portfolio, and expanded distribution channels
- Asia sales grew strongly; China reported strongest growth (3Q11 grew more than 9x from the same previous last year) among all regions

MARGINS AND OPERATING PROFIT



Comments

- Operating profit continued to go up driven by continuous revenue growth
- Gross margin came down slightly due to Euro depreciation, product mix, and price erosion
- Scale continues to drive operating leverage and helps sustain operating margin

3Q11 P&L (CONSOLIDATED)

NT\$bn	3Q 10	2Q 11	3Q 11	QOQ	YOY
REVENUES	75.85	124.40	135.82	9.2%	79.1%
<u>GROSS PROFIT</u>	<u>22.93</u>	<u>35.77</u>	<u>38.05</u>	<u>6.4%</u>	<u>65.9%</u>
<u>RSGA EXPENSE</u>	<u>10.53</u>	<u>16.53</u>	<u>17.87</u>	<u>8.1%</u>	<u>69.7%</u>
NOP	12.40	19.24	20.18	4.9%	62.7%
NPBT	12.67	19.97	21.28	6.6%	68.0%
NPAT ¹	11.10	17.52	18.68	6.6%	68.3%
GPM (%)	30.2%	28.8%	28.0%		
RSGA RATIO (%)	13.9%	13.3%	13.2%		
EPS ² (NT\$)	13.61	20.64	22.07		
<i>Profitability Metrics</i>					
ROA (%)	24	29	30		
ROE (%)	51	82	82		

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

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

3Q11 BALANCE SHEETS (CONSOLIDATED)

NT\$bn	Sept 30, 10	Jun 30, 11	Sept 30, 11	QOQ	YOY
TOTAL ASSETS	152.73	260.58	261.42	0.3%	71.2%
CASH ¹	68.88	116.44	105.78	-9.2%	53.6%
AR	45.29	69.99	74.37	6.3%	64.2%
INVENTORY	17.30	30.94	31.87	3.0%	84.2%
OTHER ASSETS	21.26	43.20	49.41	14.4%	132.4%
TOTAL LIABILITIES	88.28	177.21	170.61	-3.7%	93.3%
TOTAL EQUITY ²	64.46	83.37	90.81³	8.9%	40.9%
METRICS					
DAYS SALES OUTSTANDING	58	53	52	-1.9%	-10.3%
INVENTORY TURNOVER DAYS	33	37	35	-5.4%	6.1%
DAYS PAYABLE OUTSTANDING	82	80	81	1.3%	-1.2%

1 Includes financial assets at fair value through P&L and available-for-sale financial assets.

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

3 After the deduction of share buyback NT\$16.09bn.

3Q11 NEW PRODUCTS

HTC Rhyme

HTC Rhyme integrates sleek new design, a refreshed HTC Sense experience and a family of integrated accessories with advanced smartphone features



HTC Sensation XE, HTC Sensation XL with Beats Audio™

HTC Sensation XE and HTC Sensation XL are the first two phones with integrated Beats Audio, which come in box with custom made Beats headsets, engineered to deliver extraordinary sound

HTC Jetstream

The HTC Jetstream is the first device on AT&T's blazing fast 4G LTE network



3Q11 NEW PRODUCTS



HTC TITAN, HTC Radar

The new HTC TITAN and HTC Radar smartphones raise the bar with new advanced photography, multimedia and social capabilities that enable customers to take full advantage of the latest Windows Phone innovations

HTC 微客, HTC ChaCha (with QQ)

The first social phones with optimized Sina Weibo and QQ experience in China



HTC Explorer

HTC Explorer offers smartphone performance in an attractive and affordable phone



MANAGEMENT HIGHLIGHTS

- Maintain and extend leadership in next generation LTE 4G technology
 - LTE smart phone upgrade cycle expected to accelerate in 2012 in U.S. and key Asian markets (e.g., Japan, Korea, Hong Kong)
 - HTC is a leader in 4G with one of the highest number of 4G smart phones shipped since the end of 2009
 - HTC will continue to invest to extend its leadership in this important segment
- Deliver innovation to the mass market
 - HTC Wildfire became one of HTC's top selling products and the most iconic entry-level smart phone in the market
 - HTC Cha Cha, HTC Salsa, and HTC Explorer continue to push boundaries in driving differentiation (e.g., social networking) and attracting first-time smart phone users
- Continue to strengthen brand preference and the creation of emotional connection
 - Initial brand objectives achieved ahead of schedule – HTC became the youngest top 100 Best Global Brands by Interbrand in 2011 and achieved brand value of US\$3.6bn in less than 5 years
 - 3rd phase of brand building to focus on creating brand preference and emotional connection with customers
- Focus on acquisitions that enhance overall customer experience
 - Beats – Studio-quality audio experience
 - Dashwire – Seamless cloud-based connectivity

4Q11 BUSINESS OUTLOOK

- Despite macro-economic challenges, HTC believes its competence will enable it to continue its strong growth going forward
- The Company continues to invest in capabilities and innovation
 - Significantly expand retail presence to ~2,000 outlets in China by end of the year
 - New factory in Taoyuan to be completed beginning of next year; new facility has a maximum yearly capacity of 40mn units and will be phased in as demand increases
 - Invest in R&D to drive innovation and create differentiation
- 4Q guidance
 - 4Q revenue expected to be around NT\$125-135bn, up 20%-30% yoy
 - 4Q shipment expected to be around 12.0-13.0mn units, up 31%-42% yoy
 - Gross margin expected to be around 28.0%±0.5%
 - Operating margin expected to be in the range of 14.5%±0.5%

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