

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2016, December 31, 2015 and June 30, 2015**  
**(June 30, 2016 and 2015 are reviewed, not audited)**  
**(in thousands of New Taiwan dollars)**

<b>Assets</b>	<b>2016.6.30</b>	<b>2015.12.31</b>	<b>2015.6.30</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 41,667,016	44,621,527	36,400,657
Financial assets at fair value through profit or loss – current	772,962	791,575	440,739
Available-for-sale financial assets – current	92,079	93,313	164,443
Notes and accounts receivable, net	42,326,693	48,173,027	48,384,039
Accounts receivable from related parties	62,427	52,749	40,834
Other receivables	805,691	1,309,972	1,061,440
Other receivables from related parties	54	276	-
Current income tax assets	767,766	818,938	1,056,771
Inventories	29,589,470	34,043,598	38,931,716
Other current assets	<u>3,060,915</u>	<u>3,044,802</u>	<u>2,834,859</u>
<b>Total current assets</b>	<b><u>119,145,073</u></b>	<b><u>132,949,777</u></b>	<b><u>129,315,498</u></b>
<b>Non-current assets:</b>			
Available-for-sale financial assets – non-current	3,712,917	3,159,771	3,421,137
Investments in associates	412,903	155,992	130,702
Property, plant and equipment	4,597,040	4,827,412	4,988,668
Investment property	1,188,543	1,192,699	1,205,723
Intangible assets	25,577,155	26,609,427	25,712,419
Deferred income tax assets	824,502	838,146	910,848
Other non-current assets	1,303,440	1,065,370	776,709
Other financial assets – non-current	<u>1,008,590</u>	<u>943,609</u>	<u>1,102,618</u>
<b>Total non-current assets</b>	<b><u>38,625,090</u></b>	<b><u>38,792,426</u></b>	<b><u>38,248,824</u></b>
<b>Total assets</b>	<b>\$ <u>157,770,163</u></b>	<b><u>171,742,203</u></b>	<b><u>167,564,322</u></b>

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2016, December 31, 2015 and June 30, 2015**

**(June 30, 2016 and 2015 are reviewed, not audited)**

**(in thousands of New Taiwan dollars)**

<b>Liabilities and Equity</b>	<b>2016.6.30</b>	<b>2015.12.31</b>	<b>2015.6.30</b>
<b>Current liabilities:</b>			
Short-term borrowings	\$ 19,999	2,584,377	-
Financial liabilities at fair value through profit or loss – current	531,287	318,934	872,684
Notes and accounts payable	35,682,450	42,736,897	42,225,920
Accounts payables to related parties	4,604	10,285	12,568
Other payables	38,729,295	38,793,970	36,055,079
Other payables to related parties	-	1,085	-
Current income tax liabilities	752,669	738,507	868,237
Provisions – current	6,369,839	6,979,705	6,910,635
Current portion of bonds payable	-	5,966,431	6,398,045
Current portion of long-term debt	-	1,800,000	3,600,000
Other current liabilities	<u>2,478,244</u>	<u>2,645,901</u>	<u>2,569,089</u>
<b>Total current liabilities</b>	<b><u>84,568,387</u></b>	<b><u>102,576,092</u></b>	<b><u>99,512,257</u></b>
<b>Non-current liabilities:</b>			
Long-term debt	6,000,000	-	1,800,000
Provisions – non-current	96,791	94,946	105,947
Deferred income tax liabilities	1,415,967	1,437,179	1,379,184
Other non-current liabilities	<u>1,788,435</u>	<u>1,778,885</u>	<u>1,581,451</u>
<b>Total non-current liabilities</b>	<b><u>9,301,193</u></b>	<b><u>3,311,010</u></b>	<b><u>4,866,582</u></b>
<b>Total liabilities</b>	<b><u>93,869,580</u></b>	<b><u>105,887,102</u></b>	<b><u>104,378,839</u></b>
<b>Equity:</b>			
Common stock	30,810,028	30,854,428	30,965,678
Capital surplus	34,722,342	36,232,755	36,408,966
Retained earnings:			
Legal reserve	145,190	93,166	93,166
Special reserve	1,306,709	838,498	838,498
Unappropriated earnings	584,584	520,235	147,752
Other reserves	(756,409)	228,505	(2,084,630)
Treasury stock	<u>(2,914,856)</u>	<u>(2,914,856)</u>	<u>(3,186,038)</u>
<b>Equity attributable to shareholders of the Company</b>	<b><u>63,897,588</u></b>	<b><u>65,852,731</u></b>	<b><u>63,183,392</u></b>
<b>Non-controlling interests</b>	<b><u>2,995</u></b>	<b><u>2,370</u></b>	<b><u>2,091</u></b>
<b>Total equity</b>	<b><u>63,900,583</u></b>	<b><u>65,855,101</u></b>	<b><u>63,185,483</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 157,770,163</u></b>	<b><u>171,742,203</u></b>	<b><u>167,564,322</u></b>

## ACER INCORPORATED AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income

**For the three-month periods ended June 30, 2016 and 2015, and  
For the six-month periods ended June 30, 2016 and 2015  
(in thousands of New Taiwan dollars, except earnings per share data)  
Reviewed, Not Audited**

	April 1, 2016 ~ June 30, 2016	April 1, 2015 ~ June 30, 2015	January 1, 2016 ~ June 30, 2016	January 1, 2015 ~ June 30, 2015
<b>Revenue</b>	\$ 56,162,218	60,205,753	112,477,843	128,153,301
<b>Cost of revenue</b>	<u>50,761,778</u>	<u>53,887,582</u>	<u>100,406,282</u>	<u>115,171,862</u>
<b>Gross profit</b>	<u>5,400,440</u>	<u>6,318,171</u>	<u>12,071,561</u>	<u>12,981,439</u>
<b>Operating expenses:</b>				
Selling expenses	4,005,868	3,831,143	8,248,990	8,372,210
Administrative expenses	1,166,022	1,128,366	2,310,864	2,390,251
Research and development expenses	<u>551,966</u>	<u>518,955</u>	<u>1,082,830</u>	<u>1,106,213</u>
<b>Total operating expenses</b>	<u>5,723,856</u>	<u>5,478,464</u>	<u>11,642,684</u>	<u>11,868,674</u>
<b>Other operating income and loss – net</b>	<u>44,905</u>	<u>50,120</u>	<u>159,036</u>	<u>81,172</u>
<b>Operating income (loss)</b>	<u>(278,511)</u>	<u>889,827</u>	<u>587,913</u>	<u>1,193,937</u>
<b>Non-operating income and loss:</b>				
Other income	94,447	81,143	147,028	153,732
Other gains and losses – net	1,008,894	(837,869)	248,927	(747,123)
Finance costs	(47,700)	(100,118)	(130,874)	(230,422)
Share of profits (losses) of associates and joint venture	<u>(2,104)</u>	<u>1,119</u>	<u>(1,026)</u>	<u>(2,294)</u>
<b>Total non-operating income and loss</b>	<u>1,053,537</u>	<u>(855,725)</u>	<u>264,055</u>	<u>(826,107)</u>
<b>Income before taxes</b>	775,026	34,102	851,968	367,830
<b>Income tax expenses</b>	<u>236,506</u>	<u>31,652</u>	<u>267,325</u>	<u>192,246</u>
<b>Net income for the period</b>	<u>538,520</u>	<u>2,450</u>	<u>584,643</u>	<u>175,584</u>
<b>Other comprehensive income (loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation of foreign operations	(607,421)	(205,661)	(1,279,475)	(2,545,238)
Change in fair value of available-for-sale financial assets	244,135	(389,589)	288,305	(520,814)
Income tax (expense) benefit related to items that may be reclassified subsequently to profit or loss	<u>322</u>	<u>(27)</u>	<u>(117)</u>	<u>700</u>
<b>Total amounts of items that may be subsequently reclassified to profit or loss</b>	<u>(362,964)</u>	<u>(595,277)</u>	<u>(991,287)</u>	<u>(3,065,352)</u>
<b>Other comprehensive loss for the period, net of taxes</b>	<u>(362,964)</u>	<u>(595,277)</u>	<u>(991,287)</u>	<u>(3,065,352)</u>
<b>Total comprehensive income (loss) for the period</b>	<u>\$ 175,556</u>	<u>(592,827)</u>	<u>(406,644)</u>	<u>(2,889,768)</u>
<b>Net income attributable to:</b>				
Shareholders of the Company	538,477	2,447	584,584	175,767
Non-controlling interests	<u>43</u>	<u>3</u>	<u>59</u>	<u>(183)</u>
	<u>\$ 538,520</u>	<u>2,450</u>	<u>584,643</u>	<u>175,584</u>
<b>Total comprehensive income (loss) attributable to:</b>				
Shareholders of the Company	175,524	(592,824)	(407,269)	(2,889,602)
Non-controlling interests	<u>32</u>	<u>(3)</u>	<u>625</u>	<u>(166)</u>
	<u>\$ 175,556</u>	<u>(592,827)</u>	<u>(406,644)</u>	<u>(2,889,768)</u>
<b>Earnings per share (in New Taiwan dollars):</b>				
Basic earnings per share	<u>\$ 0.18</u>	<u>-</u>	<u>0.19</u>	<u>0.06</u>
Diluted earnings per share	<u>\$ 0.17</u>	<u>-</u>	<u>0.19</u>	<u>0.06</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2016 and 2015  
(in thousands of New Taiwan dollars)  
Reviewed, Not Audited

	Attributable to shareholders of the Company														
	Retained earnings						Other reserves						Non-controlling interests	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock			Total
<b>Balance at January 1, 2015</b>	\$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:															
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(3,755)	-	-	-	-	-	-	-	-	-	-	(3,755)	-	(3,755)
Issuance of new shares of cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Compensation cost arising from restricted shares of stock issues to employees	-	(85,675)	-	-	-	-	-	-	-	134,831	134,831	-	49,156	-	49,156
Net income for the period	-	-	-	-	175,767	175,767	-	-	-	-	-	-	175,767	(183)	175,584
Other comprehensive loss for the period	-	-	-	-	-	-	(2,544,555)	(520,814)	-	-	(3,065,369)	-	(3,065,369)	17	(3,065,352)
Total comprehensive loss for the period	-	-	-	-	175,767	175,767	(2,544,555)	(520,814)	-	-	(3,065,369)	-	(2,889,602)	(166)	(2,889,768)
<b>Balance at June 30, 2015</b>	<b>\$ 30,965,678</b>	<b>36,408,966</b>	<b>93,166</b>	<b>838,498</b>	<b>147,752</b>	<b>1,079,416</b>	<b>(1,360,747)</b>	<b>(635,019)</b>	<b>28,015</b>	<b>(116,879)</b>	<b>(2,084,630)</b>	<b>(3,186,038)</b>	<b>63,183,392</b>	<b>2,091</b>	<b>63,185,483</b>
<b>Balance at January 1, 2016</b>	\$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Cash distributed from capital surplus	-	(1,540,501)	-	-	-	-	-	-	-	-	-	-	(1,540,501)	-	(1,540,501)
Change in equity of investments in associates	-	(14,312)	-	-	-	-	-	-	-	-	-	-	(14,312)	-	(14,312)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	6,939	6,939	-	6,939	-	6,939
Retirement of restricted shares of stock issued to employees	(44,400)	44,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	584,584	584,584	-	-	-	-	-	-	584,584	59	584,643
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(1,280,158)	288,305	-	-	(991,853)	-	(991,853)	566	(991,287)
Total comprehensive income (loss) for the period	-	-	-	-	584,584	584,584	(1,280,158)	288,305	-	-	(991,853)	-	(407,269)	625	(406,644)
<b>Balance at June 30, 2016</b>	<b>\$ 30,810,028</b>	<b>34,722,342</b>	<b>145,190</b>	<b>1,306,709</b>	<b>584,584</b>	<b>2,036,483</b>	<b>157,254</b>	<b>(816,260)</b>	<b>(64,376)</b>	<b>(33,027)</b>	<b>(756,409)</b>	<b>(2,914,856)</b>	<b>63,897,588</b>	<b>2,995</b>	<b>63,900,583</b>

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2016 and 2015**

**(in thousands of New Taiwan dollars)**

**Reviewed, Not Audited**

	<b>January 1, 2016 ~ June 30, 2016</b>	<b>January 1, 2015 ~ June 30, 2015</b>
<b>Cash flows from operating activities:</b>		
<b>Income before taxes</b>	\$ <u>851,968</u>	<u>367,830</u>
<b>Adjustments for:</b>		
Depreciation	320,514	349,876
Amortization	449,876	501,985
Interest expense	130,874	230,422
Interest income	(97,220)	(153,672)
Dividend income	(49,808)	(60)
Share-based compensation cost	6,939	124,401
Effects of exchange rate changes on bonds payable	-	(45,126)
Share of profits (loss) of associates and joint venture	1,026	2,294
Loss on disposal of property, plant and equipment	5,267	3,506
Gain on purchase of payable	-	(385,706)
Other investment gain	(644)	(41,317)
Total profit and loss	<u>766,824</u>	<u>586,603</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Derivative financial assets and liabilities	230,966	2,162,644
Notes and accounts receivable	5,846,334	10,783,692
Receivables from related parties	(9,678)	(16,997)
Inventories	4,444,580	(2,342,241)
Other receivables and other current assets	487,422	354,858
Non-current accounts receivable	-	45,065
Net changes in operating assets	<u>10,999,624</u>	<u>10,987,021</u>
<b>Net changes in operating liabilities:</b>		
Notes and accounts payable	(7,054,447)	(12,598,492)
Payables to related parties	(6,766)	(2,181)
Other payables and other current liabilities	(1,743,305)	(6,191,791)
Provisions	(608,021)	(2,083,616)
Other non-current liabilities	9,550	(122,372)
Net changes in operating liabilities	<u>(9,402,989)</u>	<u>(20,998,452)</u>
Total changes in operating assets and liabilities	<u>1,596,635</u>	<u>(10,011,431)</u>
Cash provided by (used in) operations	3,215,427	(9,056,998)
Interest received	95,656	145,767
Income taxes paid	(438,565)	(181,628)
<b>Net cash provided by (used in) operating activities</b>	<u>2,872,518</u>	<u>(9,092,859)</u>

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2016 and 2015**

**(in thousands of New Taiwan dollars)**

**Reviewed, Not Audited**

	<b>January 1, 2016 ~ June 30, 2016</b>	<b>January 1, 2015 ~ June 30, 2015</b>
<b>Cash flows from investing activities:</b>		
Purchase of available-for-sale financial assets	(314,408)	(187,755)
Proceeds from disposal of available-for-sale financial assets	-	11,948
Proceeds from capital return of available-for-sale investments	41,380	113,287
Additions to investments in associates	(258,256)	-
Additions to property, plant and equipment	(83,347)	(74,687)
Proceeds from disposal of property, plant and equipment	3,663	5,634
Decrease in advances to related parties	222	9
Additions to intangible assets	(3,542)	(19,353)
Increase in other non-current financial assets and other non-current assets	(156,772)	(80,331)
Dividend received	<u>49,808</u>	<u>60</u>
<b>Net cash used in investing activities</b>	<u>(721,252)</u>	<u>(231,188)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(2,564,378)	(317,000)
Purchase of bonds payable	(6,000,000)	(3,196,658)
Increase in long-term debt	6,000,000	-
Repayment of long-term debt	(1,800,000)	(1,800,000)
Issuance of new shares for cash	-	5,400,000
Interest paid	<u>(119,783)</u>	<u>(117,437)</u>
<b>Net cash used in financing activities</b>	<u>(4,484,161)</u>	<u>(31,095)</u>
<b>Effects of foreign exchange rate changes</b>	<u>(621,616)</u>	<u>(1,802,852)</u>
<b>Net decrease in cash and cash equivalents</b>	(2,954,511)	(11,157,994)
<b>Cash and cash equivalents at beginning of period</b>	<u>44,621,527</u>	<u>47,558,651</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 41,667,016</b></u>	<u><b>36,400,657</b></u>