

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2014, December 31, 2013, and June 30, 2013

(June 30, 2014 and 2013 are reviewed, not audited)

(In thousands of New Taiwan dollars)

Assets	2014.6.30	2013.12.31	2013.6.30
Current assets:			
Cash and cash equivalents	\$ 40,545,933	42,983,663	52,046,266
Financial assets at fair value through profit or loss—current	227,173	246,295	454,407
Hedging derivative financial assets—current	-	12,161	632,751
Available-for-sale financial assets—current	146,570	123,130	107,761
Notes and accounts receivable, net	66,788,966	62,081,029	66,477,907
Accounts receivables from related parties	29,288	22,712	26,937
Other receivables	1,563,110	1,701,702	2,482,403
Other receivables from related parties	39	17	17
Current income tax assets	1,277,987	1,272,678	1,257,928
Inventories	33,360,616	35,566,324	50,110,686
Other current assets	<u>3,003,318</u>	<u>3,079,144</u>	<u>3,011,020</u>
Total current assets	<u>146,943,000</u>	<u>147,088,855</u>	<u>176,608,083</u>
Non-current assets:			
Financial assets at fair value through profit or loss—non-current	600	-	1,200
Available-for-sale financial assets—non-current	3,398,816	2,900,334	3,077,364
Investments in associates	188,741	176,334	179,024
Property, plant and equipment	5,804,167	6,133,729	6,477,712
Investment property	1,392,537	1,590,433	1,652,164
Intangible assets	25,963,236	28,720,088	39,464,926
Deferred income tax assets	2,102,790	1,903,883	3,476,569
Other non-current assets	698,831	820,243	1,010,665
Other financial assets—non-current	<u>1,295,738</u>	<u>1,165,811</u>	<u>1,167,932</u>
Total non-current assets	<u>40,845,456</u>	<u>43,410,855</u>	<u>56,507,556</u>
Total assets	\$ <u>187,788,456</u>	<u>190,499,710</u>	<u>233,115,639</u>

(Continued)

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Consolidated Balance Sheets

June 30, 2014, December 31, 2013, and June 30, 2013

(June 30, 2014 and 2013 are reviewed, not audited)

(In thousands of New Taiwan dollars)

Liabilities and Equity	2014.6.30	2013.12.31	2013.6.30
Current liabilities:			
Short-term borrowings	\$ 374,333	389,989	70,000
Financial liabilities at fair value through profit or loss — current	483,221	475,425	213,006
Hedging derivative financial liabilities — current	-	-	66,481
Notes and accounts payable	50,634,706	55,217,361	69,631,402
Accounts payables to related parties	395	665	-
Other payables	42,774,965	41,371,865	41,907,998
Other payables to related parties	394	656	14
Current income tax liabilities	900,618	847,385	1,730,149
Provisions — current	9,539,416	10,305,579	10,016,542
Current portion of bonds payable	-	-	5,018,694
Current portion of long-term debt	3,600,000	1,800,000	-
Other current liabilities	<u>3,742,983</u>	<u>3,279,566</u>	<u>3,261,908</u>
Total current liabilities	<u>112,051,031</u>	<u>113,688,491</u>	<u>131,916,194</u>
Non-current liabilities:			
Financial liabilities at fair value through profit or loss — non-current	489,864	496,143	713,859
Bonds payable	9,151,295	8,974,513	9,953,432
Long-term debt	5,400,000	7,200,000	9,000,000
Provisions — non-current	144,684	342,938	120,142
Deferred income tax liabilities	1,954,410	1,946,343	3,119,278
Other non-current liabilities	<u>1,527,342</u>	<u>1,599,912</u>	<u>1,561,502</u>
Total non-current liabilities	<u>18,667,595</u>	<u>20,559,849</u>	<u>24,468,213</u>
Total liabilities	<u>130,718,626</u>	<u>134,248,340</u>	<u>156,384,407</u>
Equity:			
Common stock	27,791,078	28,347,268	28,347,268
Capital surplus	33,871,854	43,707,727	43,707,727
Retained earnings:			
Legal reserve	-	10,012,168	10,012,168
Special reserve	-	6,126,774	6,126,774
Accumulated deficit	(316,218)	(24,464,794)	(3,927,618)
Other reserves	(1,093,172)	(1,425,876)	(1,483,013)
Treasury stock	<u>(3,186,038)</u>	<u>(6,054,286)</u>	<u>(6,054,286)</u>
Equity attributable to shareholders of the Company	<u>57,067,504</u>	<u>56,248,981</u>	<u>76,729,020</u>
Non-controlling interests	<u>2,326</u>	<u>2,389</u>	<u>2,212</u>
Total equity	<u>57,069,830</u>	<u>56,251,370</u>	<u>76,731,232</u>
Total liabilities and equity	<u>\$ 187,788,456</u>	<u>190,499,710</u>	<u>233,115,639</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended June 30, 2014 and 2013, and
for the six-month periods ended June 30, 2014 and 2013
(In thousands of New Taiwan dollars, except earnings per share data)
Reviewed, Not Audited

	April 1, 2014 ~ June 30, 2014	April 1, 2013 ~ June 30, 2013	January 1, 2014 ~ June 30, 2014	January 1, 2013 ~ June 30, 2013
Revenue	\$ 81,336,578	89,377,739	158,060,802	181,350,736
Cost of sales	<u>73,809,020</u>	<u>81,899,561</u>	<u>144,158,821</u>	<u>166,040,221</u>
Gross profit	<u>7,527,558</u>	<u>7,478,178</u>	<u>13,901,981</u>	<u>15,310,515</u>
Operating expenses:				
Selling expenses	4,887,280	5,996,672	9,435,353	11,628,424
Administrative expenses	1,433,703	1,399,903	2,596,859	2,769,469
Research and development expenses	615,352	736,259	1,288,170	1,483,641
Other expenses	<u>-</u>	<u>(1,312)</u>	<u>-</u>	<u>88,704</u>
Total operating expenses	<u>6,936,335</u>	<u>8,131,522</u>	<u>13,320,382</u>	<u>15,970,238</u>
Other operating income and loss – net	<u>71,173</u>	<u>40,064</u>	<u>208,041</u>	<u>75,156</u>
Operating income	<u>662,396</u>	<u>(613,280)</u>	<u>789,640</u>	<u>(584,567)</u>
Non-operating income and loss:				
Other income	67,892	99,576	125,278	177,217
Other gains and losses – net	120,543	171,405	234,004	704,846
Finance costs	(326,952)	(193,285)	(480,691)	(386,077)
Share of profits of associates	<u>3,894</u>	<u>2,142</u>	<u>5,486</u>	<u>5,136</u>
Total non-operating income and loss	<u>(134,623)</u>	<u>79,838</u>	<u>(115,923)</u>	<u>501,122</u>
Earnings (losses) before taxes	<u>527,773</u>	<u>(533,442)</u>	<u>673,717</u>	<u>(83,445)</u>
Income tax	<u>(43,074)</u>	<u>189,988</u>	<u>(187,891)</u>	<u>254,561</u>
Net profits (losses) for the period	<u>484,699</u>	<u>(343,454)</u>	<u>485,826</u>	<u>171,116</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	(1,281,669)	397,580	(145,756)	1,786,430
Change in fair value of available-for-sale financial assets	216,264	(231,609)	479,125	(217,872)
Change in fair value of cash flow hedges	-	(88,813)	-	469,531
Actuarial gain from defined benefit plans	-	884	-	25,388
Less: Income taxes related to components of other comprehensive income	<u>(20)</u>	<u>(29,062)</u>	<u>735</u>	<u>11,575</u>
Other comprehensive income for the period, net of taxes	<u>(1,065,385)</u>	<u>107,104</u>	<u>332,634</u>	<u>2,051,902</u>
Total comprehensive income for the period	<u>\$ (580,686)</u>	<u>(236,350)</u>	<u>818,460</u>	<u>2,223,018</u>
Profits attributable to:				
Shareholders of the Company	\$ 484,701	(343,490)	485,819	171,061
Non-controlling interests	<u>(2)</u>	<u>36</u>	<u>7</u>	<u>55</u>
	<u>\$ 484,699</u>	<u>(343,454)</u>	<u>485,826</u>	<u>171,116</u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ (580,626)	(236,067)	818,523	2,223,140
Non-controlling interests	<u>(60)</u>	<u>(283)</u>	<u>(63)</u>	<u>(122)</u>
	<u>\$ (580,686)</u>	<u>(236,350)</u>	<u>818,460</u>	<u>2,223,018</u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	\$ <u>0.18</u>	<u>(0.13)</u>	<u>0.18</u>	<u>0.06</u>
Diluted earnings per share	\$ <u>0.17</u>	<u>(0.13)</u>	<u>0.18</u>	<u>0.06</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2014 and 2013

(In thousands of New Taiwan dollars)

Reviewed, Not Audited

	Attributable to shareholders of the Company													Non-controlling interests	Total equity
	Retained earnings						Other reserves					Treasury stock	Total		
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedges reserve	Total					
Balance at January 1, 2013	\$ 28,347,268	43,403,533	12,607,933	6,126,774	(6,706,640)	12,028,067	(2,230,965)	(889,498)	(402,433)	(3,522,896)	(6,054,286)	74,201,686	2,334	74,204,020	
Appropriation approved by the stockholders:															
Decrease in legal reserve to offset accumulated deficit	-	-	(2,595,765)	-	2,595,765	-	-	-	-	-	-	-	-	-	
Other changes in capital surplus:															
Share-based compensation cost	-	43,194	-	-	-	-	-	-	-	-	-	43,194	-	43,194	
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	261,000	-	261,000	
Net profits for the period	-	-	-	-	171,061	171,061	-	-	-	-	-	171,061	55	171,116	
Other comprehensive income for the period	-	-	-	-	12,196	12,196	1,787,973	(217,872)	469,782	2,039,883	-	2,052,079	(177)	2,051,902	
Total comprehensive income for the period	-	-	-	-	183,257	183,257	1,787,973	(217,872)	469,782	2,039,883	-	2,223,140	(122)	2,223,018	
Balance at June 30, 2013	<u>\$ 28,347,268</u>	<u>43,407,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(3,927,618)</u>	<u>12,211,324</u>	<u>(442,992)</u>	<u>(1,107,370)</u>	<u>67,349</u>	<u>(1,483,013)</u>	<u>(6,054,286)</u>	<u>76,729,020</u>	<u>2,212</u>	<u>76,731,232</u>	
Balance at January 1, 2014	\$ 28,347,268	43,707,727	10,012,168	6,126,774	(24,464,794)	(8,325,852)	(262,231)	(1,163,645)	-	(1,425,876)	(6,054,286)	56,248,981	2,389	56,251,370	
Appropriation approved by the stockholders:															
Decrease in capital surplus to offset accumulated deficit	-	(8,325,852)	-	-	8,325,852	8,325,852	-	-	-	-	-	-	-	-	
Decrease in legal reserve to offset accumulated deficit	-	-	(10,012,168)	-	10,012,168	-	-	-	-	-	-	-	-	-	
Decrease in special reserve to offset accumulated deficit	-	-	-	(3,460,642)	3,460,642	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(2,666,132)	2,666,132	-	-	-	-	-	-	-	-	-	
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	2,868,248	-	-	-	
Net profits for the period	-	-	-	-	485,819	485,819	-	-	-	-	-	485,819	7	485,826	
Other comprehensive income for the period	-	-	-	-	-	-	(146,421)	479,125	-	332,704	-	332,704	(70)	332,634	
Total comprehensive income for the period	-	-	-	-	485,819	485,819	(146,621)	479,125	-	332,704	-	818,523	(63)	818,460	
Balance at June 30, 2014	<u>\$ 27,791,078</u>	<u>33,871,854</u>	<u>-</u>	<u>-</u>	<u>(316,218)</u>	<u>(316,218)</u>	<u>(408,652)</u>	<u>(684,520)</u>	<u>-</u>	<u>(1,093,172)</u>	<u>(3,186,038)</u>	<u>57,067,504</u>	<u>2,326</u>	<u>57,069,830</u>	

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2014 and 2013

(In thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2014~ June 30, 2014	January 1, 2013~ June 30, 2013
Cash flows from operating activities:		
Profits (losses) before taxes	\$ <u>673,717</u>	<u>(83,445)</u>
Adjustments for:		
Non-cash profit and loss:		
Depreciation	429,528	466,142
Amortization	657,394	913,510
Valuation loss (gain) on derivative financial assets and liabilities	32,200	(1,621,900)
Interest expense	480,691	386,077
Interest income	(124,410)	(173,711)
Dividend income	(868)	-
Share-based compensation cost	100,154	184,181
Effects of exchange rate changes on bonds payable	(5,436)	298,763
Share of profits of associates	(5,486)	(5,136)
Gain on disposal of property, plant and equipment and investment property, net	(64,168)	(100,393)
Gain on disposal of available-for-sale financial assets	-	(187,208)
Loss on disposal of subsidiaries	13,291	-
Gain on disposal of investments in associates	(41,495)	-
Other investments loss	7,131	-
Intangible assets charged to cost of sales	<u>2,167,141</u>	<u>-</u>
Total non-cash profit and loss	<u>3,645,667</u>	<u>160,325</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	(4,707,937)	2,264,993
Receivables from related parties	(6,576)	14,346
Inventories	2,172,977	(6,801,454)
Other receivables and other current assets	215,755	(751,584)
Non-current accounts receivables	<u>(1,716)</u>	<u>17,771</u>
Net changes in operating assets	<u>(2,327,497)</u>	<u>(5,255,928)</u>
Net changes in operating liabilities:		
Notes and accounts payable	(4,582,655)	(2,007,326)
Payables to related parties	(532)	(1,900)
Other payables and other current liabilities	1,725,493	3,010,282
Provisions	(964,417)	(1,056,181)
Other non-current liabilities	<u>(72,570)</u>	<u>159,346</u>
Net changes in operating liabilities	<u>(3,894,681)</u>	<u>104,221</u>
Total changes in operating assets and liabilities	<u>(6,222,178)</u>	<u>(5,151,707)</u>
Cash used in operations	(1,902,794)	(5,074,827)
Interest received	123,086	173,840
Income taxes paid	<u>(318,529)</u>	<u>(569,697)</u>
Net cash used in operating activities	<u>(2,098,237)</u>	<u>(5,470,684)</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods end June 30, 2014 and 2013

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2014~ June 30, 2014	January 1, 2013~ June 30, 2013
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(70,000)	-
Proceeds from sale of available-for-sale financial assets	-	232,548
Proceeds from capital return of available-for-sale investment	19,950	82,900
Additions to investments in associates	(6,000)	-
Proceeds from sale of investment in associates	41,495	-
Additions to property, plant and equipment	(101,951)	(164,231)
Proceeds from disposal of property, plant and equipment and investment property	301,423	607,729
Additions to intangible assets	(11,521)	(79,939)
Decrease (increase) in other non-current financial assets and other non-current assets	(126,169)	8,275
Dividend received	<u>6,528</u>	<u>-</u>
Net cash provided by investing activities	<u>53,755</u>	<u>687,282</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(15,656)	(279,974)
Issuance of bonds payable	-	6,000,000
Interest paid	<u>(150,400)</u>	<u>(186,426)</u>
Net cash provided by (used in) financing activities	<u>(166,056)</u>	<u>5,533,600</u>
Effects of foreign exchange rate changes	<u>(227,192)</u>	<u>683,504</u>
Net increase (decrease) in cash and cash equivalents	(2,437,730)	1,433,702
Cash and cash equivalents at beginning of period	<u>42,983,663</u>	<u>50,612,564</u>
Cash and cash equivalents at end of period	\$ <u>40,545,933</u>	<u>52,046,266</u>