

# ACER INCORPORATED

## Balance Sheets

December 31, 2014 and 2013

(In thousands of New Taiwan dollars)

Assets	2014.12.31	2013.12.31
<b>Current assets:</b>		
Cash and cash equivalents	\$ 25,624,848	20,960,475
Financial assets at fair value through profit or loss — current	698,713	12,067
Available-for-sale financial assets — current	95,479	77,684
Notes and accounts receivable, net	4,796,199	4,958,635
Accounts receivables from related parties	19,802,924	19,554,304
Other receivables	932,861	1,091,173
Other receivables from related parties	1,191,059	332,234
Current tax assets	133,300	127,792
Inventories	10,703,379	12,436,092
Other current assets	<u>513,832</u>	<u>805,314</u>
<b>Total current assets</b>	<u>64,492,594</u>	<u>60,355,770</u>
<b>Non-current assets:</b>		
Available-for-sale financial assets — non-current	2,919,472	2,164,512
Investments accounted for using equity method	74,278,673	72,923,024
Property, plant and equipment	1,679,960	1,703,498
Investment property	1,234,365	1,699,264
Intangible assets	666,744	781,218
Other non-current assets	250,048	387,871
Other financial assets — non-current	<u>238,837</u>	<u>483,684</u>
<b>Total non-current assets</b>	<u>81,268,099</u>	<u>80,143,071</u>
<b>Total assets</b>	<u>\$ 145,760,693</u>	<u>140,498,841</u>

(Continued)

# ACER INCORPORATED

## Balance Sheets

December 31, 2014 and 2013

(In thousands of New Taiwan dollars)

Liabilities and Equity	2014.12.31	2013.12.31
<b>Current liabilities:</b>		
Financial liabilities at fair value through profit or loss—current	\$ 593,322	265,663
Notes and accounts payable	45,825,757	44,620,889
Accounts payables to related parties	119,258	138,933
Other payables	19,220,725	17,657,290
Other payables to related parties	212,790	230,465
Provisions—current	996,355	1,474,168
Current tax liabilities	195,970	195,970
Current portion of bonds payable	3,634,818	-
Current portion of long-term debt	3,600,000	1,800,000
Other current liabilities	38,307	323,790
<b>Total current liabilities</b>	<u>74,437,302</u>	<u>66,707,168</u>
<b>Non-current liabilities:</b>		
Financial liabilities at fair value through profit or loss—non-current	-	496,143
Bonds payable	5,880,437	8,974,513
Long-term debt	3,600,000	7,200,000
Deferred income tax liabilities	515,181	252,063
Other non-current liabilities	700,180	619,973
<b>Total non-current liabilities</b>	<u>10,695,798</u>	<u>17,542,692</u>
<b>Total liabilities</b>	<u>85,133,100</u>	<u>84,249,860</u>
<b>Equity:</b>		
Common stock	27,965,678	28,347,268
Capital surplus	34,098,396	43,707,727
Retained earnings:		
Legal reserve	-	10,012,168
Special reserve	-	6,126,774
Unappropriated earnings (accumulated deficit)	931,664	(24,464,794)
Other reserves	817,893	(1,425,876)
Treasury stock	(3,186,038)	(6,054,286)
<b>Total equity</b>	<u>60,627,593</u>	<u>56,248,981</u>
<b>Total liabilities and equity</b>	<u>\$ 145,760,693</u>	<u>140,498,841</u>

**ACER INCORPORATED**

**Statements of Comprehensive Income**

**For the years ended December 31, 2014 and 2013**

**(In thousands of New Taiwan dollars, except earnings (losses) per share data)**

	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	\$ 246,625,093	273,910,017
<b>Cost of sales</b>	<u>239,132,261</u>	<u>270,721,685</u>
<b>Gross profit</b>	7,492,832	3,188,332
Less: Unrealized profit on intercompany sales	<u>30,833</u>	<u>25,146</u>
<b>Realized gross profit</b>	<u>7,461,999</u>	<u>3,163,186</u>
<b>Operating expenses:</b>		
Selling expenses	4,713,967	5,481,642
Administrative expenses	997,501	2,167,633
Research and development expenses	1,741,319	1,937,028
Other expenses	<u>-</u>	<u>82,000</u>
	<u>7,452,787</u>	<u>9,668,303</u>
<b>Other operating income and losses – net</b>	<u>89,205</u>	<u>88,928</u>
<b>Operating income (losses)</b>	<u>98,417</u>	<u>(6,416,189)</u>
<b>Non-operating income and loss:</b>		
Other income	153,992	96,724
Other gains and losses – net	124,420	1,066,020
Finance costs	(500,143)	(678,947)
Share of profits (losses) of subsidiaries and associates	2,191,206	(11,693,557)
Loss on impairment of investment property	-	(1,523)
Loss on impairment of intangible assets	<u>-</u>	<u>(4,025,173)</u>
	<u>1,969,475</u>	<u>(15,236,456)</u>
<b>Income (losses) before taxes</b>	2,067,892	(21,652,645)
<b>Income tax expense (benefit)</b>	<u>277,202</u>	<u>(1,133,217)</u>
<b>Net income (losses)</b>	<u>1,790,690</u>	<u>(20,519,428)</u>
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations	1,445,664	1,966,989
Change in fair value of available-for-sale financial assets	845,730	(318,799)
Change in fair value of cash flow hedges	-	341,824
Actuarial gain (losses) from defined benefit plans	2,031	(536)
Share of other comprehensive income of subsidiaries and associates	145,035	271,215
Less: Income tax related to components of other comprehensive income	<u>(30)</u>	<u>(1,836)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>2,438,490</u>	<u>2,262,529</u>
<b>Total comprehensive income for the year</b>	<u>\$ <u>4,229,180</u></u>	<u><u>(18,256,899)</u></u>
<b>Earnings (losses) per share (in New Taiwan dollars):</b>		
<b>Basic earnings (losses) per share</b>	\$ <u><u>0.66</u></u>	<u><u>(7.54)</u></u>
<b>Diluted earnings (losses) per share</b>	\$ <u><u>0.63</u></u>	<u><u>(7.54)</u></u>

**ACER INCORPORATED**

**Statements of Changes in Equity**

**For the years ended December 31, 2014 and 2013**

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

	Retained earnings						Other reserves				Treasury stock	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedges reserve	Other equity—unearned compensation cost arising from restricted stock issued to employees			Total
<b>Balance at January 1, 2013</b>	\$ 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
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
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	-	261,000
Net losses in 2013	-	-	-	-	(20,519,428)	(20,519,428)	-	-	-	-	-	-	(20,519,428)
Other comprehensive income in 2013	-	-	-	-	165,509	165,509	1,968,734	(274,147)	402,433	-	2,097,020	-	2,262,529
Total comprehensive income in 2013	-	-	-	-	(20,353,919)	(20,353,919)	1,968,734	(274,147)	402,433	-	2,097,020	-	(18,256,899)
<b>Balance at December 31, 2013</b>	<u>28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(24,464,794)</u>	<u>(8,325,852)</u>	<u>(262,231)</u>	<u>(1,163,645)</u>	<u>-</u>	<u>-</u>	<u>(1,425,876)</u>	<u>(6,054,286)</u>	<u>56,248,981</u>
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	-	-	-	-	-	-	-	-
Other changes in capital surplus:													
Adjustments from investments in subsidiaries	-	168	-	-	-	-	-	-	-	-	-	-	168
Compensation cost arising from cash injection subscribed by employees upon issuance of new shares	-	90,000	-	-	-	-	-	-	-	-	-	-	90,000
Issuance of restricted stock to employees	174,600	136,374	-	-	-	-	-	-	-	(310,974)	(310,974)	-	-
Compensation cost arising from restricted stock issued to employees	-	-	-	-	-	-	-	-	-	59,264	59,264	-	59,264
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	-	2,868,248	-
Net income in 2014	-	-	-	-	1,790,690	1,790,690	-	-	-	-	-	-	1,790,690
Other comprehensive income in 2014	-	-	-	-	(56,989)	(56,989)	1,446,039	1,049,440	402,433	-	2,495,479	-	2,438,490
Total comprehensive income in 2014	-	-	-	-	1,733,701	1,733,701	1,446,039	1,049,440	402,433	-	2,495,479	-	4,229,180
<b>Balance at December 31, 2014</b>	<u>\$ 27,965,678</u>	<u>34,098,396</u>	<u>-</u>	<u>-</u>	<u>931,664</u>	<u>931,664</u>	<u>1,183,808</u>	<u>(114,205)</u>	<u>-</u>	<u>(251,710)</u>	<u>817,893</u>	<u>(3,186,038)</u>	<u>60,627,593</u>

# ACER INCORPORATED

## Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In thousands of New Taiwan dollars)

	2014	2013
<b>Cash flows from operating activities:</b>		
<b>Income (losses) before taxes</b>	\$ <u>2,067,892</u>	<u>(21,652,645)</u>
<b>Adjustments for:</b>		
Non-cash profit and loss:		
Depreciation	207,863	262,861
Amortization	233,563	364,338
Valuation gain on derivative financial assets and liabilities	(855,130)	(440,247)
Interest expense	500,143	678,947
Interest income	(56,129)	(16,703)
Dividend income	(97,863)	(80,021)
Share-based compensation cost	149,264	43,194
Effects of exchange rate changes on bonds payable	200,218	236,923
Share of losses (profits) of subsidiaries and associates	(2,191,206)	11,693,557
Gain on disposal of property, plant and equipment and investment property, net	(52,527)	(113,593)
Gain on disposal of available-for-sale financial assets	-	(121,691)
Impairment loss on non-financial assets	-	4,026,696
Unrealized profit on intercompany sales	30,833	25,146
Loss on purchase and redemption of bonds payable	-	<u>73,972</u>
Total non-cash profit and loss	<u>(1,930,971)</u>	<u>16,633,379</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	162,436	3,166,205
Receivables from related parties	(248,620)	9,051,578
Inventories	1,679,761	7,093,773
Other receivables and other current assets	<u>450,309</u>	<u>(247,488)</u>
Net changes in operating assets	<u>2,043,886</u>	<u>19,064,068</u>
Net changes in operating liabilities:		
Notes and accounts payable	1,204,868	(15,512,108)
Payables to related parties	(37,350)	(306,783)
Other payables and other current liabilities	1,270,244	2,337,006
Provisions	(477,813)	1,033,763
Other non-current liabilities	<u>5,670</u>	<u>(51,906)</u>
Net changes in operating liabilities	<u>1,965,619</u>	<u>(12,500,028)</u>
Total changes in operating assets and liabilities	<u>4,009,505</u>	<u>6,564,040</u>
Cash provided by operations	4,146,426	1,544,774
Interest received	55,614	16,320
Income taxes paid	<u>(19,562)</u>	<u>(221,592)</u>
<b>Net cash provided by operating activities</b>	<u>4,182,478</u>	<u>1,339,502</u>

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# ACER INCORPORATED

## Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In thousands of New Taiwan dollars)

	2014	2013
<b>Cash flows from investing activities:</b>		
Proceeds from sale of available-for-sale financial assets	-	167,031
Proceeds from capital return of available-for-sale investment	72,975	109,183
Additions to investments in subsidiaries and associates	(706,400)	(2,885,400)
Proceeds from capital return of investments in subsidiaries and associates	375,779	291,000
Additions to property, plant and equipment	(20,342)	(153,666)
Proceeds from disposal of property, plant and equipment and investment property	381,220	667,311
Decrease (increase) in advances to related parties	(606,820)	1,037,564
Additions to intangible assets	(93,914)	(146,437)
Decrease in other non-current financial assets and other non-current assets	116,565	82,439
Dividend received	<u>2,900,643</u>	<u>1,855,075</u>
<b>Net cash provided by investing activities</b>	<u>2,419,706</u>	<u>1,024,100</u>
<b>Cash flows from financing activities:</b>		
Issuance of bonds payable	-	6,000,000
Purchase and redemption of bonds payable	-	(6,669,074)
Repayment of long-term debt	(1,800,000)	-
Interest paid	<u>(137,811)</u>	<u>(170,278)</u>
<b>Net cash used in financing activities</b>	<u>(1,937,811)</u>	<u>(839,352)</u>
<b>Net increase in cash and cash equivalents</b>	4,664,373	1,524,250
<b>Cash and cash equivalents at beginning of year</b>	<u>20,960,475</u>	<u>19,436,225</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ <u>25,624,848</u></u>	<u><u>20,960,475</u></u>