

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2015, December 31, 2014, and June 30, 2014
(June 30, 2015 and 2014 are reviewed, not audited)
(in thousands of New Taiwan dollars)

Assets	2015.6.30	2014.12.31 (Restated)	2014.6.30 (Restated)
Current assets:			
Cash and cash equivalents	\$ 36,400,657	47,558,651	40,545,933
Financial assets at fair value through profit or loss — current	440,739	1,899,626	227,173
Available-for-sale financial assets — current	164,443	146,479	146,570
Notes and accounts receivable, net	48,384,039	59,167,731	66,788,966
Accounts receivables from related parties	40,834	23,837	29,288
Other receivables	1,061,440	1,261,631	1,563,110
Other receivables from related parties	-	9	39
Current income tax assets	1,056,771	1,244,873	1,277,987
Inventories	38,931,716	36,600,487	33,360,616
Other current assets	<u>2,834,859</u>	<u>2,981,846</u>	<u>3,003,318</u>
Total current assets	<u>129,315,498</u>	<u>150,885,170</u>	<u>146,943,000</u>
Non-current assets:			
Financial assets at fair value through profit or loss — non-current	-	-	600
Available-for-sale financial assets — non-current	3,421,137	3,859,807	3,398,816
Investments in associates	130,702	142,461	188,741
Property, plant and equipment	4,988,668	5,484,061	5,804,167
Investment property	1,205,723	1,113,067	1,392,537
Intangible assets	25,712,419	26,727,547	25,963,236
Deferred income tax assets	910,848	1,018,564	2,102,790
Other non-current assets	776,709	701,834	698,831
Other financial assets — non-current	<u>1,102,618</u>	<u>1,162,526</u>	<u>1,295,738</u>
Total non-current assets	<u>38,248,824</u>	<u>40,209,867</u>	<u>40,845,456</u>
Total assets	\$ <u>167,564,322</u>	<u>191,095,037</u>	<u>187,788,456</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2015, December 31, 2014, and June 30, 2014

(June 30, 2015 and 2014 are reviewed, not audited)

(in thousands of New Taiwan dollars)

Liabilities and Equity	2015.6.30	2014.12.31 (Restated)	2014.6.30 (Restated)
Current liabilities:			
Short-term borrowings	\$ -	317,000	374,333
Financial liabilities at fair value through profit or loss — current	872,684	624,227	483,221
Notes and accounts payable	42,225,920	54,824,412	50,634,706
Accounts payables to related parties	12,568	13,961	395
Other payables	36,055,079	42,165,243	42,774,965
Other payables to related parties	-	788	394
Current income tax liabilities	868,237	927,296	900,618
Provisions — current	6,910,635	8,972,446	9,539,416
Current portion of bonds payable	6,398,045	3,634,818	-
Current portion of long-term debt	3,600,000	3,600,000	3,600,000
Other current liabilities	<u>2,569,089</u>	<u>2,675,700</u>	<u>3,742,983</u>
Total current liabilities	<u>99,512,257</u>	<u>117,755,891</u>	<u>112,051,031</u>
Non-current liabilities:			
Financial liabilities at fair value through profit or loss			
— non-current	-	-	489,864
Bonds payable	-	5,880,437	9,151,295
Long-term debt	1,800,000	3,600,000	5,400,000
Provisions — non-current	105,947	127,752	144,684
Deferred income tax liabilities	1,379,184	1,397,284	1,954,410
Other non-current liabilities	<u>1,581,451</u>	<u>1,703,823</u>	<u>1,527,342</u>
Total non-current liabilities	<u>4,866,582</u>	<u>12,709,296</u>	<u>18,667,595</u>
Total liabilities	<u>104,378,839</u>	<u>130,465,187</u>	<u>130,718,626</u>
Equity:			
Common stock	30,965,678	27,965,678	27,791,078
Capital surplus	36,408,966	34,098,396	33,871,854
Retained earnings:			
Legal reserve	93,166	-	-
Special reserve	838,498	-	-
Unappropriated earnings (accumulated deficit)	147,752	903,649	(401,222)
Other reserves	(2,084,630)	845,908	(1,008,168)
Treasury stock	<u>(3,186,038)</u>	<u>(3,186,038)</u>	<u>(3,186,038)</u>
Equity attributable to shareholders of the Company	<u>63,183,392</u>	<u>60,627,593</u>	<u>57,067,504</u>
Non-controlling interests	<u>2,091</u>	<u>2,257</u>	<u>2,326</u>
Total equity	<u>63,185,483</u>	<u>60,629,850</u>	<u>57,069,830</u>
Total liabilities and equity	<u>\$ 167,564,322</u>	<u>191,095,037</u>	<u>187,788,456</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended June 30, 2015 and 2014, and
for the six-month periods ended June 30, 2015 and 2014
(in thousands of New Taiwan dollars, except earnings per share data)
Reviewed, Not Audited

	April 1, 2015 ~ June 30, 2015	April 1, 2014 ~ June 30, 2014	January 1, 2015 ~ June 30, 2015	January 1, 2014 ~ June 30, 2014
Revenue	\$ 60,205,753	81,336,578	128,153,301	158,060,802
Cost of revenue	<u>53,887,582</u>	<u>73,809,020</u>	<u>115,171,862</u>	<u>144,158,821</u>
Gross profit	<u>6,318,171</u>	<u>7,527,558</u>	<u>12,981,439</u>	<u>13,901,981</u>
Operating expenses:				
Selling expenses	3,831,143	4,887,280	8,372,210	9,435,353
Administrative expenses	1,128,366	1,433,703	2,390,251	2,596,859
Research and development expenses	<u>518,955</u>	<u>615,352</u>	<u>1,106,213</u>	<u>1,288,170</u>
Total operating expenses	<u>5,478,464</u>	<u>6,936,335</u>	<u>11,868,674</u>	<u>13,320,382</u>
Other operating income and loss – net	<u>50,120</u>	<u>71,173</u>	<u>81,172</u>	<u>208,041</u>
Operating income	<u>889,827</u>	<u>662,396</u>	<u>1,193,937</u>	<u>789,640</u>
Non-operating income and loss:				
Other income	81,143	67,892	153,732	125,278
Other gains and losses – net	(837,869)	120,543	(747,123)	234,004
Finance costs	(100,118)	(326,952)	(230,422)	(480,691)
Share of profits (losses) of associates and joint venture	<u>1,119</u>	<u>3,894</u>	<u>(2,294)</u>	<u>5,486</u>
Total non-operating income and loss	<u>(855,725)</u>	<u>(134,623)</u>	<u>(826,107)</u>	<u>(115,923)</u>
Income before taxes	34,102	527,773	367,830	673,717
Income tax expenses	<u>31,652</u>	<u>43,074</u>	<u>192,246</u>	<u>187,891</u>
Net income for the period	<u>2,450</u>	<u>484,699</u>	<u>175,584</u>	<u>485,826</u>
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(205,661)	(1,281,669)	(2,545,238)	(145,756)
Change in fair value of available-for-sale financial assets	(389,589)	216,264	(520,814)	479,125
Income taxes related to items that may be subsequently reclassified to profit or loss	<u>(27)</u>	<u>20</u>	<u>700</u>	<u>(735)</u>
Total amounts of items that may be subsequently reclassified to profit or loss	<u>(595,277)</u>	<u>(1,065,385)</u>	<u>(3,065,352)</u>	<u>332,634</u>
Other comprehensive income for the period, net of taxes	<u>(595,277)</u>	<u>(1,065,385)</u>	<u>(3,065,352)</u>	<u>332,634</u>
Total comprehensive income for the period	<u>\$ (592,827)</u>	<u>(580,686)</u>	<u>(2,889,768)</u>	<u>818,460</u>
Profits attributable to:				
Shareholders of the Company	\$ 2,447	484,701	175,767	485,819
Non-controlling interests	<u>3</u>	<u>(2)</u>	<u>(183)</u>	<u>7</u>
	<u>\$ 2,450</u>	<u>484,699</u>	<u>175,584</u>	<u>485,826</u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ (592,824)	(580,626)	(2,889,602)	818,523
Non-controlling interests	<u>(3)</u>	<u>(60)</u>	<u>(166)</u>	<u>(63)</u>
	<u>\$ (592,827)</u>	<u>(580,686)</u>	<u>(2,889,768)</u>	<u>818,460</u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	\$ <u>-</u>	<u>0.18</u>	<u>0.06</u>	<u>0.18</u>
Diluted earnings per share	\$ <u>-</u>	<u>0.17</u>	<u>0.06</u>	<u>0.18</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2015 and 2014

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	Attributable to shareholders of the Company														
	Retained earnings						Other reserves						Treasury stock	Non-controlling interests	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	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total				
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
Effects of retrospective restatements	-	-	-	-	(85,004)	(85,004)	-	-	85,004	-	85,004	-	-	-	-
Restated balance at January 1, 2014	<u>28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(24,549,798)</u>	<u>(8,410,856)</u>	<u>(262,231)</u>	<u>(1,163,645)</u>	<u>85,004</u>	<u>-</u>	<u>(1,340,872)</u>	<u>(6,054,286)</u>	<u>56,248,981</u>	<u>2,389</u>	<u>56,251,370</u>
Appropriation approved by the stockholders:															
Decrease in capital surplus to offset accumulated deficits	-	(8,325,852)	-	-	8,325,852	8,325,852	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(3,460,642)	3,460,642	-	-	-	-	-	-	-	-	-	-
Decrease in legal reserve to offset accumulated deficits	-	-	(10,012,168)	-	10,012,168	-	-	-	-	-	-	-	-	-	-
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 income 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	(146,421)	479,125	-	-	332,704	-	818,523	(63)	818,460
Restated Balance at June 30, 2014	<u>\$ 27,791,078</u>	<u>33,871,854</u>	<u>-</u>	<u>-</u>	<u>(401,222)</u>	<u>(401,222)</u>	<u>(408,652)</u>	<u>(684,520)</u>	<u>85,004</u>	<u>-</u>	<u>(1,008,168)</u>	<u>(3,186,038)</u>	<u>57,067,504</u>	<u>2,326</u>	<u>57,069,830</u>
Balance at January 1, 2015	\$ 27,965,678	34,098,396	-	-	931,664	931,664	1,183,808	(114,205)	-	(251,710)	817,893	(3,186,038)	60,627,593	2,257	60,629,850
Effects of retrospective restatements	-	-	-	-	(28,015)	(28,015)	-	-	28,015	-	28,015	-	-	-	-
Restated balance at January 1, 2015	<u>27,965,678</u>	<u>34,098,396</u>	<u>-</u>	<u>-</u>	<u>903,649</u>	<u>903,649</u>	<u>1,183,808</u>	<u>(114,205)</u>	<u>28,015</u>	<u>(251,710)</u>	<u>845,908</u>	<u>(3,186,038)</u>	<u>60,627,593</u>	<u>2,257</u>	<u>60,629,850</u>
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 for cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Compensation cost arising from restricted shares of stock issued 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 income for the period	-	-	-	-	-	-	(2,544,555)	(520,814)	-	-	(3,065,369)	-	(3,065,369)	17	(3,065,352)
Total comprehensive income for the period	-	-	-	-	175,767	175,767	(2,544,555)	(520,814)	-	-	(3,065,369)	-	(2,889,602)	(166)	(2,889,768)
Balance at June 30, 2015	<u>\$ 30,965,678</u>	<u>36,408,966</u>	<u>93,166</u>	<u>838,498</u>	<u>147,752</u>	<u>1,079,416</u>	<u>(1,360,747)</u>	<u>(635,019)</u>	<u>28,015</u>	<u>(116,879)</u>	<u>(2,084,630)</u>	<u>(3,186,038)</u>	<u>63,183,392</u>	<u>2,091</u>	<u>63,185,483</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2015 and 2014

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2015~ June 30, 2015	January 1, 2014~ June 30, 2014
Cash flows from operating activities:		
Income before taxes	\$ <u>367,830</u>	<u>673,717</u>
Adjustments for:		
Depreciation	349,876	429,528
Amortization	501,985	657,394
Valuation loss on derivative financial assets and liabilities	2,162,644	32,200
Interest expense	230,422	480,691
Interest income	(153,672)	(124,410)
Dividend income	(60)	(868)
Share-based compensation cost	124,401	100,154
Effects of exchange rate changes on bonds payable	(45,126)	(5,436)
Share of losses (profits) of associates and joint ventures	2,294	(5,486)
Loss (gain) on disposal of property, plant and equipment and investment property, net	3,506	(64,168)
Loss on disposal of subsidiaries	-	13,291
Gain on disposal of investments in associates	-	(41,495)
Gain on purchase of bonds payable	(385,706)	-
Other investments loss (gain)	(41,317)	7,131
Intangible assets charged to cost of sales	-	2,167,141
Total profit and loss	<u>2,749,247</u>	<u>3,645,667</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	10,783,692	(4,707,937)
Receivables from related parties	(16,997)	(6,576)
Inventories	(2,342,241)	2,172,977
Other receivables and other current assets	354,858	215,755
Non-current accounts receivable	45,065	(1,716)
Net changes in operating assets	<u>8,824,377</u>	<u>(2,327,497)</u>
Net changes in operating liabilities:		
Notes and accounts payable	(12,598,492)	(4,582,655)
Payables to related parties	(2,181)	(532)
Other payables and other current liabilities	(6,191,791)	1,725,493
Provisions	(2,083,616)	(964,417)
Other non-current liabilities	(122,372)	(72,570)
Net changes in operating liabilities	<u>(20,998,452)</u>	<u>(3,894,681)</u>
Total changes in operating assets and liabilities	<u>(12,174,075)</u>	<u>(6,222,178)</u>
Cash used in operations	(9,056,998)	(1,902,794)
Interest received	145,767	123,086
Income taxes paid	(181,628)	(318,529)
Net cash used in operating activities	<u>(9,092,859)</u>	<u>(2,098,237)</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods end June 30, 2015 and 2014

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2015~ June 30, 2015	January 1, 2014~ June 30, 2014
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(187,755)	(70,000)
Proceeds from capital return of available-for-sale investment	113,287	19,950
Proceeds from disposal of available-for-sale financial assets	11,948	-
Additions to investments in associates	-	(6,000)
Proceeds from disposal of investments in associates	-	41,495
Additions to property, plant and equipment	(74,687)	(101,951)
Proceeds from disposal of property, plant and equipment and investment property	5,634	301,423
Decrease in advances to related parties	9	-
Additions to intangible assets	(19,353)	(11,521)
Increase in other non-current financial assets and other non-current assets	(80,331)	(126,169)
Dividend received	<u>60</u>	<u>6,528</u>
Net cash (used in) provided by investing activities	<u>(231,188)</u>	<u>53,755</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(317,000)	(15,656)
Purchase of bonds payable	(3,196,658)	-
Repayment of long-term debt	(1,800,000)	-
Issuance of new shares for cash	5,400,000	-
Interest paid	<u>(117,437)</u>	<u>(150,400)</u>
Net cash used in financing activities	<u>(31,095)</u>	<u>(166,056)</u>
Effects of foreign exchange rate changes	<u>(1,802,852)</u>	<u>(227,192)</u>
Net decrease in cash and cash equivalents	(11,157,994)	(2,437,730)
Cash and cash equivalents at beginning of period	<u>47,558,651</u>	<u>42,983,663</u>
Cash and cash equivalents at end of period	\$ <u>36,400,657</u>	<u>40,545,933</u>