

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

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

Assets	2015.9.30	2014.12.31 (Restated)	2014.9.30 (Restated)
Current assets:			
Cash and cash equivalents	\$ 36,374,829	47,558,651	39,245,209
Financial assets at fair value through profit or loss – current	622,370	1,899,626	1,794,368
Available-for-sale financial assets – current	142,318	146,479	151,440
Notes and accounts receivable, net	57,733,736	59,167,731	66,759,726
Accounts receivables from related parties	44,268	23,837	51,941
Other receivables	1,128,838	1,261,631	1,732,959
Other receivables from related parties	38	9	26
Current income tax assets	1,171,273	1,244,873	1,434,122
Inventories	37,327,056	36,600,487	39,794,555
Other current assets	<u>2,839,196</u>	<u>2,981,846</u>	<u>2,885,729</u>
Total current assets	<u>137,383,922</u>	<u>150,885,170</u>	<u>153,850,075</u>
Non-current assets:			
Available-for-sale financial assets – non-current	3,024,151	3,859,807	3,792,956
Investments in associates	124,080	142,461	183,567
Property, plant and equipment	4,904,300	5,484,061	5,603,561
Investment property	1,202,257	1,113,067	1,128,440
Intangible assets	26,985,073	26,727,547	26,056,676
Deferred income tax assets	968,619	1,018,564	1,994,520
Other non-current assets	823,917	701,834	619,212
Other financial assets – non-current	<u>1,024,198</u>	<u>1,162,526</u>	<u>1,127,129</u>
Total non-current assets	<u>39,056,595</u>	<u>40,209,867</u>	<u>40,506,061</u>
Total assets	\$ <u>176,440,517</u>	<u>191,095,037</u>	<u>194,356,136</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

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

Liabilities and Equity	2015.9.30	2014.12.31 (Restated)	2014.9.30 (Restated)
Current liabilities:			
Short-term borrowings	\$ 492,004	317,000	209,992
Financial liabilities at fair value through profit or loss — current	193,376	624,227	658,977
Notes and accounts payable	42,271,712	54,824,412	58,923,821
Accounts payables to related parties	3,578	13,961	809
Other payables	41,519,478	42,165,243	41,063,620
Other payables to related parties	-	788	-
Current income tax liabilities	1,194,760	927,296	1,165,297
Provisions — current	6,836,997	8,972,446	9,120,883
Current portion of bonds payable	5,944,933	3,634,818	3,392,278
Current portion of long-term debt	3,600,000	3,600,000	3,600,000
Other current liabilities	<u>3,317,742</u>	<u>2,675,700</u>	<u>3,335,787</u>
Total current liabilities	<u>105,374,580</u>	<u>117,755,891</u>	<u>121,471,464</u>
Non-current liabilities:			
Bonds payable	-	5,880,437	5,901,353
Long-term debt	1,800,000	3,600,000	5,400,000
Provisions — non-current	110,786	127,752	136,245
Deferred income tax liabilities	1,435,184	1,397,284	1,983,505
Other non-current liabilities	<u>1,573,069</u>	<u>1,703,823</u>	<u>1,511,778</u>
Total non-current liabilities	<u>4,919,039</u>	<u>12,709,296</u>	<u>14,932,881</u>
Total liabilities	<u>110,293,619</u>	<u>130,465,187</u>	<u>136,404,345</u>
Equity:			
Common stock	30,854,428	27,965,678	27,965,678
Capital surplus	36,304,464	34,098,396	34,008,228
Retained earnings:			
Legal reserve	93,166	-	-
Special reserve	838,498	-	-
Unappropriated earnings	283,177	903,649	249,444
Other reserves	685,935	845,908	(1,087,847)
Treasury stock	<u>(2,914,856)</u>	<u>(3,186,038)</u>	<u>(3,186,038)</u>
Equity attributable to shareholders of the Company	<u>66,144,812</u>	<u>60,627,593</u>	<u>57,949,465</u>
Non-controlling interests	<u>2,086</u>	<u>2,257</u>	<u>2,326</u>
Total equity	<u>66,146,898</u>	<u>60,629,850</u>	<u>57,951,791</u>
Total liabilities and equity	<u>\$ 176,440,517</u>	<u>191,095,037</u>	<u>194,356,136</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

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

	July 1, 2015 ~ September 30, 2015	July 1, 2014 ~ September 30, 2014	January 1, 2015 ~ September 30, 2015	January 1, 2014 ~ September 30, 2014
Revenue	\$ 67,239,030	85,686,365	195,392,331	243,747,167
Cost of revenue	<u>61,768,663</u>	<u>78,007,646</u>	<u>176,940,525</u>	<u>222,166,467</u>
Gross profit	<u>5,470,367</u>	<u>7,678,719</u>	<u>18,451,806</u>	<u>21,580,700</u>
Operating expenses:				
Selling expenses	4,614,591	4,727,995	12,986,801	14,163,348
Administrative expenses	1,157,357	1,304,973	3,547,608	3,901,832
Research and development expenses	<u>564,140</u>	<u>574,269</u>	<u>1,670,353</u>	<u>1,862,439</u>
Total operating expenses	<u>6,336,088</u>	<u>6,607,237</u>	<u>18,204,762</u>	<u>19,927,619</u>
Other operating income and loss – net	<u>161,425</u>	<u>32,309</u>	<u>242,597</u>	<u>240,350</u>
Operating income (loss)	<u>(704,296)</u>	<u>1,103,791</u>	<u>489,641</u>	<u>1,893,431</u>
Non-operating income and loss:				
Other income	294,447	186,691	448,179	311,969
Other gains and losses – net	799,957	(220,680)	52,834	13,324
Finance costs	(63,057)	(21,908)	(293,479)	(502,599)
Share of profits (losses) of associates and joint venture	<u>439</u>	<u>2,314</u>	<u>(1,855)</u>	<u>7,800</u>
Total non-operating income and loss	<u>1,031,786</u>	<u>(53,583)</u>	<u>205,679</u>	<u>(169,506)</u>
Income before taxes	327,490	1,050,208	695,320	1,723,925
Income tax expenses	<u>136,596</u>	<u>399,548</u>	<u>328,842</u>	<u>587,439</u>
Net income for the period	<u>190,894</u>	<u>650,660</u>	<u>366,478</u>	<u>1,136,486</u>
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	3,336,739	(251,305)	791,501	(397,061)
Change in fair value of available-for-sale financial assets	(591,200)	466,906	(1,112,014)	946,031
Income taxes related to items that may be subsequently reclassified to profit or loss	<u>335</u>	<u>781</u>	<u>1,035</u>	<u>46</u>
Total amounts of items that may be subsequently reclassified to profit or loss	<u>2,745,874</u>	<u>216,382</u>	<u>(319,478)</u>	<u>549,016</u>
Other comprehensive income for the period, net of taxes	<u>2,745,874</u>	<u>216,382</u>	<u>(319,478)</u>	<u>549,016</u>
Total comprehensive income for the period	\$ <u><u>2,936,768</u></u>	\$ <u><u>867,042</u></u>	\$ <u><u>47,000</u></u>	\$ <u><u>1,685,502</u></u>
Profits attributable to:				
Shareholders of the Company	\$ 190,855	650,666	366,622	1,136,485
Non-controlling interests	<u>39</u>	<u>(6)</u>	<u>(144)</u>	<u>1</u>
	\$ <u><u>190,894</u></u>	\$ <u><u>650,660</u></u>	\$ <u><u>366,478</u></u>	\$ <u><u>1,136,486</u></u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ 2,936,773	867,042	47,171	1,685,565
Non-controlling interests	<u>(5)</u>	<u>-</u>	<u>(171)</u>	<u>(63)</u>
	\$ <u><u>2,936,768</u></u>	\$ <u><u>867,042</u></u>	\$ <u><u>47,000</u></u>	\$ <u><u>1,685,502</u></u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	\$ <u><u>0.06</u></u>	<u><u>0.24</u></u>	<u><u>0.12</u></u>	<u><u>0.42</u></u>
Diluted earnings per share	\$ <u><u>0.06</u></u>	<u><u>0.23</u></u>	<u><u>0.12</u></u>	<u><u>0.40</u></u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 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	-	-	-	-	-	-	-	-	-	-
Issuance of restricted shares of stock to employees	174,600	136,374	-	-	-	-	-	-	-	(310,974)	(310,974)	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	14,919	14,919	-	14,919	-	14,919
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	-	2,868,248	-	-	-
Net income for the period	-	-	-	-	1,136,485	1,136,485	-	-	-	-	-	-	1,136,485	1	1,136,486
Other comprehensive income for the period	-	-	-	-	-	-	(396,951)	946,031	-	-	549,080	-	549,080	(64)	549,016
Total comprehensive income for the period	-	-	-	-	1,136,485	1,136,485	(396,951)	946,031	-	-	549,080	-	1,685,565	(63)	1,685,502
Restated Balance at September 30, 2014	<u>\$ 27,965,678</u>	<u>34,008,228</u>	<u>-</u>	<u>-</u>	<u>249,444</u>	<u>249,444</u>	<u>(659,182)</u>	<u>(217,614)</u>	<u>85,004</u>	<u>(296,055)</u>	<u>(1,087,847)</u>	<u>(3,186,038)</u>	<u>57,949,465</u>	<u>2,326</u>	<u>57,951,791</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
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-	-	
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-	-	
Compensation cost arising from restricted shares of stock issued to employees	-	(85,675)	-	-	-	-	-	-	-	159,478	159,478	-	73,803	-	73,803
Net income for the period	-	-	-	-	366,622	366,622	-	-	-	-	-	-	366,622	(144)	366,478
Other comprehensive income for the period	-	-	-	-	-	-	792,563	(1,112,014)	-	-	(319,451)	-	(319,451)	(27)	(319,478)
Total comprehensive income for the period	-	-	-	-	366,622	366,622	792,563	(1,112,014)	-	-	(319,451)	-	47,171	(171)	47,000
Balance at September 30, 2015	<u>\$ 30,854,428</u>	<u>36,304,464</u>	<u>93,166</u>	<u>838,498</u>	<u>283,177</u>	<u>1,214,841</u>	<u>1,976,371</u>	<u>(1,226,219)</u>	<u>28,015</u>	<u>(92,232)</u>	<u>685,935</u>	<u>(2,914,856)</u>	<u>66,144,812</u>	<u>2,086</u>	<u>66,146,898</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2015 and 2014

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2015~ September 30, 2015	January 1, 2014~ September 30, 2014
Cash flows from operating activities:		
Income before taxes	\$ <u>695,320</u>	<u>1,723,925</u>
Adjustments for:		
Depreciation	524,343	607,343
Amortization	751,626	942,823
Valuation loss (gain) on derivative financial assets and liabilities	1,346,911	(1,848,503)
Interest expense	293,479	502,599
Interest income	(207,998)	(187,138)
Dividend income	(240,181)	(124,831)
Share-based compensation cost	149,697	164,821
Effects of exchange rate changes on bonds payable	(103,634)	53,297
Share of losses (profits) of associates and joint ventures	1,855	(7,800)
Loss (gain) on disposal of property, plant and equipment and investment property, net	3,714	(64,938)
Loss on disposal of subsidiaries	-	13,291
Gain on disposal of investments in associates	-	(41,495)
Gain on purchase of bonds payable	(446,429)	-
Other investments loss (gain)	(21,801)	7,131
Intangible assets charged to cost of sales	-	2,167,141
	<u>2,051,582</u>	<u>2,183,741</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	1,433,995	(4,678,697)
Receivables from related parties	(20,431)	(29,229)
Inventories	(741,020)	(4,270,829)
Other receivables and other current assets	286,827	162,150
Non-current accounts receivable	45,894	(1,256)
Net changes in operating assets	<u>1,005,265</u>	<u>(8,817,861)</u>
Net changes in operating liabilities:		
Notes and accounts payable	(12,552,700)	3,706,460
Payables to related parties	(11,171)	(512)
Other payables and other current liabilities	14,013	(270,198)
Provisions	(2,152,415)	(1,391,389)
Other non-current liabilities	(130,754)	(88,134)
Net changes in operating liabilities	<u>(14,833,027)</u>	<u>1,956,227</u>
Total changes in operating assets and liabilities	<u>(13,827,762)</u>	<u>(6,861,634)</u>
Cash used in operations	(11,080,860)	(2,953,968)
Interest received	196,276	187,166
Income taxes paid	(214,899)	(549,919)
Net cash used in operating activities	<u>(11,099,483)</u>	<u>(3,316,721)</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods end September 30, 2015 and 2014

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2015~ September 30, 2015	January 1, 2014~ September 30, 2014
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(335,640)	(70,000)
Proceeds from disposal of available-for-sale financial assets	11,948	-
Proceeds from capital return of available-for-sale investment	110,635	90,568
Additions to investments in associates	-	(6,000)
Proceeds from disposal of investments in associates	-	41,495
Additions to property, plant and equipment	(172,761)	(153,399)
Proceeds from disposal of property, plant and equipment and investment property	56,777	568,580
Increase in advances to related parties	(29)	(9)
Additions to intangible assets	(55,302)	(11,521)
Decrease (increase) in other non-current financial assets and other non-current assets	(50,635)	136,000
Dividend received	<u>240,181</u>	<u>133,545</u>
Net cash (used in) provided by investing activities	<u>(194,826)</u>	<u>729,259</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	175,004	(179,997)
Purchase of bonds payable	(3,677,046)	-
Repayment of long-term debt	(1,800,000)	-
Issuance of new shares for cash	5,400,000	-
Interest paid	<u>(144,359)</u>	<u>(208,031)</u>
Net cash used in financing activities	<u>(46,401)</u>	<u>(388,028)</u>
Effects of foreign exchange rate changes	<u>156,888</u>	<u>(762,964)</u>
Net decrease in cash and cash equivalents	(11,183,822)	(3,738,454)
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>36,374,829</u>	<u>39,245,209</u>