

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of
March 31, 2017 and 2016

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2017, December 31, 2016, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2017		December 31, 2016		March 31, 2016		
	Amount	%	Amount	%	Amount	%	
Assets							
Current assets:							
1100	Cash and cash equivalents	\$ 28,780,691	20	44,289,673	27	39,199,168	25
1110	Financial assets at fair value through profit or loss—current	444,900	-	1,577,442	1	143,178	-
1125	Available-for-sale financial assets—current	106,180	-	100,025	-	97,743	-
1147	Investments in debt instrument with no active market—current	30,336	-	32,279	-	-	-
1170	Notes and accounts receivable, net	38,963,549	27	44,230,305	27	42,916,851	28
1180	Accounts receivable from related parties	62,561	-	81,975	-	73,191	-
1200	Other receivables	1,042,727	1	738,719	-	750,048	-
1210	Other receivables from related parties	2,801	-	6,737	-	38	-
1220	Current income tax assets	596,298	-	587,864	-	1,149,027	1
130X	Inventories	41,792,085	29	39,095,487	24	30,114,376	19
1470	Other current assets	<u>3,076,035</u>	<u>2</u>	<u>3,122,630</u>	<u>2</u>	<u>2,824,765</u>	<u>2</u>
	Total current assets	<u>114,898,163</u>	<u>79</u>	<u>133,863,136</u>	<u>81</u>	<u>117,268,385</u>	<u>75</u>
Non-current assets:							
1510	Financial assets at fair value through profit or loss—non-current	25,381	-	70,340	-	-	-
1523	Available-for-sale financial assets—non-current	4,603,685	3	4,272,766	3	3,465,224	2
1546	Investments in debt instrument with no active market—non-current	181,798	-	178,238	-	-	-
1550	Investments accounted for using equity method	622,339	-	416,343	-	421,837	-
1600	Property, plant and equipment	4,182,034	3	4,321,152	3	4,739,461	3
1760	Investment property	1,176,971	1	1,180,317	1	1,190,621	1
1780	Intangible assets	17,500,205	12	18,595,922	11	25,890,418	17
1840	Deferred income tax assets	644,483	-	662,277	-	851,703	-
1900	Other non-current assets	1,278,847	1	1,152,928	1	949,271	1
1980	Other financial assets—non-current	<u>900,577</u>	<u>1</u>	<u>960,643</u>	<u>-</u>	<u>1,041,063</u>	<u>1</u>
	Total non-current assets	<u>31,116,320</u>	<u>21</u>	<u>31,810,926</u>	<u>19</u>	<u>38,549,598</u>	<u>25</u>
	Total assets	<u>\$ 146,014,483</u>	<u>100</u>	<u>165,674,062</u>	<u>100</u>	<u>155,817,983</u>	<u>100</u>

(Continued)

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Consolidated Balance Sheets

March 31, 2017, December 31, 2016, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2017		December 31, 2016		March 31, 2016		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	\$ 3,977,601	3	103,000	-	1,025,692	1	
2120	Financial liabilities at fair value through profit or loss – current	675,856	-	112,606	-	1,742,234	1
2170	Notes and accounts payable	33,817,741	23	52,866,900	32	31,882,185	21
2180	Accounts payable to related parties	2,374	-	3,514	-	3,571	-
2200	Other payables	35,084,744	24	37,104,994	22	34,870,166	22
2250	Provisions – current	5,740,240	4	6,476,306	4	6,518,651	4
2321	Current portion of bonds payable	-	-	-	-	5,987,930	4
2322	Current portion of long-term debt	900,000	1	6,000,000	4	1,800,000	1
2399	Other current liabilities	<u>3,076,456</u>	<u>2</u>	<u>2,754,355</u>	<u>2</u>	<u>3,392,856</u>	<u>2</u>
	Total current liabilities	<u>83,275,012</u>	<u>57</u>	<u>105,421,675</u>	<u>64</u>	<u>87,223,285</u>	<u>56</u>
Non-current liabilities:							
2540	Long-term debt	5,100,000	4	-	-	-	-
2550	Provisions – non-current	59,565	-	60,520	-	101,755	-
2570	Deferred income tax liabilities	705,467	-	692,713	-	1,414,089	1
2600	Other non-current liabilities	<u>1,871,431</u>	<u>1</u>	<u>1,820,676</u>	<u>1</u>	<u>1,802,206</u>	<u>1</u>
	Total non-current liabilities	<u>7,736,463</u>	<u>5</u>	<u>2,573,909</u>	<u>1</u>	<u>3,318,050</u>	<u>2</u>
	Total liabilities	<u>91,011,475</u>	<u>62</u>	<u>107,995,584</u>	<u>65</u>	<u>90,541,335</u>	<u>58</u>
Equity:							
3110	Common stock	30,807,328	21	30,807,328	19	30,854,428	20
3200	Capital surplus	34,743,105	24	34,743,105	21	36,232,755	23
Retained earnings:							
3310	Legal reserve	145,190	-	145,190	-	93,166	-
3320	Special reserve	1,306,709	1	1,306,709	1	838,498	1
3351	Unappropriated earnings (accumulated deficit)	(4,837,624)	(3)	(4,900,296)	(3)	566,342	-
3400	Other reserves	(4,249,768)	(3)	(1,512,785)	(1)	(396,648)	-
3500	Treasury stock	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>
	Equity attributable to shareholders of the Company	<u>55,000,084</u>	<u>38</u>	<u>57,674,395</u>	<u>35</u>	<u>65,273,685</u>	<u>42</u>
36XX	Non-controlling interests	<u>2,924</u>	<u>-</u>	<u>4,083</u>	<u>-</u>	<u>2,963</u>	<u>-</u>
	Total equity	<u>55,003,008</u>	<u>38</u>	<u>57,678,478</u>	<u>35</u>	<u>65,276,648</u>	<u>42</u>
	Total liabilities and equity	<u>\$ 146,014,483</u>	<u>100</u>	<u>165,674,062</u>	<u>100</u>	<u>155,817,983</u>	<u>100</u>

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ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		For the three-month periods ended March 31			
		2017		2016	
		Amount	%	Amount	%
4000	Revenue	\$ 56,052,389	100	56,315,625	100
5000	Cost of revenue	<u>50,627,787</u>	<u>90</u>	<u>49,644,504</u>	<u>88</u>
	Gross profit	<u>5,424,602</u>	<u>10</u>	<u>6,671,121</u>	<u>12</u>
	Operating expenses :				
6100	Selling expenses	3,527,462	6	4,243,122	8
6200	Administrative expenses	934,169	2	1,144,842	2
6300	Research and development expenses	535,534	1	530,864	1
	Total operating expenses	<u>4,997,165</u>	<u>9</u>	<u>5,918,828</u>	<u>11</u>
6500	Other operating income and loss — net	<u>28,120</u>	<u>-</u>	<u>114,131</u>	<u>1</u>
	Operating income	<u>455,557</u>	<u>1</u>	<u>866,424</u>	<u>2</u>
	Non-operating income and loss:				
7010	Other income	57,598	-	52,581	-
7020	Other gains and losses — net	(518,689)	(1)	(759,967)	(2)
7050	Finance costs	(44,319)	-	(83,174)	-
7060	Share of profits (losses) of associates and joint ventures	(7,302)	-	1,078	-
	Total non-operating income and loss	<u>(512,712)</u>	<u>(1)</u>	<u>(789,482)</u>	<u>(2)</u>
7900	Income (loss) before taxes	<u>(57,155)</u>	<u>-</u>	<u>76,942</u>	<u>-</u>
7950	Income tax expense (benefits)	<u>(119,760)</u>	<u>-</u>	<u>30,819</u>	<u>-</u>
	Net income	<u>62,605</u>	<u>-</u>	<u>46,123</u>	<u>-</u>
	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(3,121,444)	(6)	(672,054)	(1)
8362	Change in fair value of available-for-sale financial assets	379,330	1	44,170	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	62	-	(439)	-
	Total comprehensive loss for the period	<u>(2,742,052)</u>	<u>(5)</u>	<u>(628,323)</u>	<u>(1)</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 62,672	-	46,107	
8620	Non-controlling interests	<u>(67)</u>	<u>-</u>	<u>16</u>	<u>-</u>
	Total comprehensive loss attributable to:	<u>\$ 62,605</u>	<u>-</u>	<u>46,123</u>	
8710	Shareholders of the Company	\$ (2,678,288)	(5)	(582,793)	(1)
8720	Non-controlling interests	<u>(1,159)</u>	<u>-</u>	<u>593</u>	<u>-</u>
	Earnings per share (in New Taiwan dollars) :	<u>\$ (2,679,447)</u>	<u>(5)</u>	<u>(582,200)</u>	<u>(1)</u>
9750	Basic earnings per share	<u>\$ 0.02</u>		<u>0.02</u>	
9850	Diluted earnings per share	<u>\$ 0.02</u>		<u>0.02</u>	

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ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company													Non-controlling interests	Total equity
	Retained earnings					Other reserves									
	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	Treasury stock	Total			
Balance at January 1, 2016	\$ 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)	(2,914,856)	65,852,731	2,370	65,855,101	
Net income for the period	-	-	-	-	46,107	46,107	-	-	-	-	-	46,107	16	46,123	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(673,070)	44,170	-	-	-	(628,900)	577	(628,323)	
Total comprehensive income (loss) for the period	-	-	-	-	46,107	46,107	(673,070)	44,170	-	-	-	(628,900)	593	(582,200)	
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	3,747	-	3,747	-	3,747	
Balance at March 31, 2016	\$ 30,854,428	36,232,755	93,166	838,498	566,342	1,498,006	764,342	(1,060,395)	(64,376)	(36,219)	(2,914,856)	65,273,685	2,963	65,276,648	
Balance at January 1, 2017	\$ 30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	(347,770)	(77,257)	(26,743)	(2,914,856)	57,674,395	4,083	57,678,478	
Net income for the period	-	-	-	-	62,672	62,672	-	-	-	-	-	62,672	(67)	62,605	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,120,290)	379,330	-	-	-	(2,740,960)	(1,092)	(2,742,052)	
Total comprehensive income (loss) for the period	-	-	-	-	62,672	62,672	(3,120,290)	379,330	-	-	-	(2,740,960)	(1,159)	(2,679,447)	
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	3,977	-	3,977	-	3,977	
Balance at March 31, 2017	\$ 30,807,328	34,743,105	145,190	1,306,709	(4,837,624)	(3,385,725)	(4,181,305)	31,560	(77,257)	(22,766)	(2,914,856)	55,000,084	2,924	55,003,008	

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ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31	
	2017	2016
Cash flows from operating activities:		
Income (loss) before income taxes	\$ (57,155)	76,942
Adjustments for:		
Depreciation	131,823	164,202
Amortization	141,854	233,113
Interest expense	44,319	83,174
Interest income	(57,598)	(50,253)
Dividend income	-	(2,328)
Share-based compensation cost	3,977	3,747
Effects of exchange rate changes in investments in debt instrument with no active market	8,254	-
Share of profits (losses) of associates and joint ventures	7,302	(1,078)
Loss on disposal of property, plant and equipment	1,763	5,315
Intangible assets reclassified to expenses	83	-
Other investment loss (gain)	18,693	(183)
Total profit and loss	300,470	435,709
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial instruments	1,740,751	2,071,697
Notes and accounts receivable	5,266,756	5,256,176
Receivables from related parties	19,414	(20,442)
Inventories	(2,699,359)	3,929,222
Other receivables and other current assets	(257,024)	778,381
Net changes in operating assets	4,070,538	12,015,034
Net changes in operating liabilities:		
Notes and accounts payable	(19,049,160)	(10,854,712)
Payables to related parties	(1,140)	(7,799)
Other payables and other current liabilities	(1,646,521)	(3,906,511)
Provisions	(737,021)	(454,245)
Other non-current liabilities	50,755	23,321
Net changes in operating liabilities	(21,383,087)	(15,199,946)
Total changes in operating assets and liabilities	(17,312,549)	(3,184,912)
Cash used in operations	(17,069,234)	(2,672,261)
Interest received	44,587	49,617
Income taxes paid	(33,015)	(242,580)
Net cash used in operating activities	(17,057,662)	(2,865,224)

(Continued)

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ACER INCORPORATED AND ITS SUBSIDIARIES (Continued)

Consolidated Statements of Cash Flows

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Thousands of March 31, 2017)

	For the three-month periods ended March 31	
	2017	2016
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	-	(274,932)
Decrease in advances to related parties	3,936	238
Acquisition of investments accounted for using equity method	(233,435)	(258,256)
Additions to property, plant and equipment	(44,541)	(43,202)
Proceeds from disposal of property, plant and equipment	868	1,702
Additions to intangible assets	(1,824)	(1,075)
Increase in other non-current financial assets and other non-current assets	(2,945)	(133,510)
Dividend received	-	2,328
Net cash used in investing activities	(277,941)	(706,707)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	3,874,601	(1,558,685)
Interest paid	(42,296)	(72,367)
Net cash provided by (used in) financing activities	3,832,305	(1,631,052)
Effects of foreign exchange rate changes	(2,005,684)	(219,376)
Net decrease in cash and cash equivalents	(15,508,982)	(5,422,359)
Cash and cash equivalents at beginning of period	44,289,673	44,621,527
Cash and cash equivalents at end of period	\$ 28,780,691	39,199,168