

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER INCORPORATED AND ITS SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2017, December 31, 2016, and June 30, 2016****(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)		
	Amount	%	Amount	%	Amount	%	
Assets							
Current assets:							
1100	Cash and cash equivalents	\$ 21,116,994	14	44,289,673	27	41,667,016	27
1110	Financial assets at fair value through profit or loss—current	109,055	-	1,577,442	1	772,962	-
1125	Available-for-sale financial assets—current	127,024	-	100,025	-	92,079	-
1147	Investments in debt instrument without an active market—current	4,565	-	32,279	-	-	-
1170	Notes and accounts receivable, net	42,369,144	29	44,230,305	27	42,326,693	27
1180	Accounts receivable from related parties	84,842	-	81,975	-	62,427	-
1200	Other receivables	661,402	-	738,719	-	805,691	1
1210	Other receivables from related parties	604	-	6,737	-	54	-
1220	Current income tax assets	515,971	-	587,864	-	767,766	-
130X	Inventories	47,873,301	32	39,095,487	24	29,589,470	19
1470	Other current assets	<u>3,647,763</u>	<u>3</u>	<u>3,122,630</u>	<u>2</u>	<u>3,060,915</u>	<u>2</u>
	Total current assets	<u>116,510,665</u>	<u>78</u>	<u>133,863,136</u>	<u>81</u>	<u>119,145,073</u>	<u>76</u>
Non-current assets:							
1510	Financial assets at fair value through profit or loss—non-current	19,584	-	70,340	-	-	-
1523	Available-for-sale financial assets—non-current	5,454,682	4	4,272,766	3	3,712,917	2
1546	Investments in debt instrument without an active market—non-current	206,018	-	178,238	-	-	-
1550	Investments accounted for using equity method	566,872	-	416,343	-	412,903	-
1600	Property, plant and equipment	4,133,638	3	4,321,152	3	4,597,040	3
1760	Investment property	1,173,626	1	1,180,317	1	1,188,543	1
1780	Intangible assets	17,541,753	12	18,595,922	11	25,577,155	16
1840	Deferred income tax assets	665,048	-	662,277	-	824,502	-
1900	Other non-current assets	1,307,872	1	1,152,928	1	1,303,440	1
1980	Other financial assets—non-current	<u>984,548</u>	<u>1</u>	<u>960,643</u>	<u>-</u>	<u>1,008,590</u>	<u>1</u>
	Total non-current assets	<u>32,053,641</u>	<u>22</u>	<u>31,810,926</u>	<u>19</u>	<u>38,625,090</u>	<u>24</u>
	Total assets	<u>\$ 148,564,306</u>	<u>100</u>	<u>165,674,062</u>	<u>100</u>	<u>157,770,163</u>	<u>100</u>

(Continued)

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	June 30, 2017		December 31, 2016		June 30, 2016		
	(Reviewed)		(Audited)		(Reviewed)		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings	\$ 1,557,497	1	103,000	-	19,999	-
2120	Financial liabilities at fair value through profit or loss—current	1,705,084	1	112,606	-	531,287	-
2170	Notes and accounts payable	34,907,963	24	52,866,900	32	35,682,450	23
2180	Accounts payable to related parties	2,572	-	3,514	-	4,604	-
2200	Other payables	37,564,529	25	37,104,994	22	38,729,295	24
2250	Provisions—current	5,836,994	4	6,476,306	4	6,369,839	4
2322	Current portion of long-term debt	1,800,803	1	6,000,000	4	-	-
2399	Other current liabilities	<u>2,741,795</u>	<u>2</u>	<u>2,754,355</u>	<u>2</u>	<u>3,230,913</u>	<u>3</u>
	Total current liabilities	<u>86,117,237</u>	<u>58</u>	<u>105,421,675</u>	<u>64</u>	<u>84,568,387</u>	<u>54</u>
Non-current liabilities:							
2540	Long-term debt	4,203,344	3	-	-	6,000,000	3
2550	Provisions—non-current	59,465	-	60,520	-	96,791	-
2570	Deferred income tax liabilities	726,701	1	692,713	-	1,415,967	1
2600	Other non-current liabilities	<u>1,973,042</u>	<u>1</u>	<u>1,820,676</u>	<u>1</u>	<u>1,788,435</u>	<u>1</u>
	Total non-current liabilities	<u>6,962,552</u>	<u>5</u>	<u>2,573,909</u>	<u>1</u>	<u>9,301,193</u>	<u>5</u>
	Total liabilities	<u>93,079,789</u>	<u>63</u>	<u>107,995,584</u>	<u>65</u>	<u>93,869,580</u>	<u>59</u>
Equity:							
3110	Common stock	30,767,578	21	30,807,328	19	30,810,028	20
3200	Capital surplus	29,755,585	20	34,743,105	21	34,722,342	22
Retained earnings:							
3310	Legal reserve	-	-	145,190	-	145,190	-
3320	Special reserve	-	-	1,306,709	1	1,306,709	1
3351	Unappropriated earnings (accumulated deficit)	306,561	-	(4,900,296)	(3)	584,584	-
3400	Other equity	(2,433,299)	(2)	(1,512,785)	(1)	(756,409)	-
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>55,481,569</u>	<u>37</u>	<u>57,674,395</u>	<u>35</u>	<u>63,897,588</u>	<u>41</u>
36XX	Non-controlling interests	<u>2,948</u>	<u>-</u>	<u>4,083</u>	<u>-</u>	<u>2,995</u>	<u>-</u>
	Total equity	<u>55,484,517</u>	<u>37</u>	<u>57,678,478</u>	<u>35</u>	<u>63,900,583</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 148,564,306</u>	<u>100</u>	<u>165,674,062</u>	<u>100</u>	<u>157,770,163</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 June 30, 2017 and 2016, and

For the six-month periods ended June 30, 2017 and 2016

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

	For the three-month periods ended June 30				For the six-month periods ended June 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue	\$ 53,604,474	100	56,162,218	100	109,656,863	100	112,477,843	100
5000	Cost of revenue	<u>47,517,857</u>	<u>89</u>	<u>50,761,778</u>	<u>90</u>	<u>98,145,644</u>	<u>90</u>	<u>100,406,282</u>	<u>89</u>
	Gross profit	<u>6,086,617</u>	<u>11</u>	<u>5,400,440</u>	<u>10</u>	<u>11,511,219</u>	<u>10</u>	<u>12,071,561</u>	<u>11</u>
	Operating expenses :								
6100	Selling expenses	3,445,162	6	4,005,868	7	6,972,624	6	8,248,990	7
6200	Administrative expenses	1,145,317	2	1,166,022	2	2,079,486	2	2,310,864	2
6300	Research and development expenses	<u>576,205</u>	<u>1</u>	<u>551,966</u>	<u>1</u>	<u>1,111,739</u>	<u>1</u>	<u>1,082,830</u>	<u>1</u>
	Total operating expenses	<u>5,166,684</u>	<u>9</u>	<u>5,723,856</u>	<u>10</u>	<u>10,163,849</u>	<u>9</u>	<u>11,642,684</u>	<u>10</u>
6500	Other operating income and loss – net	<u>71,646</u>	<u>-</u>	<u>44,905</u>	<u>-</u>	<u>99,766</u>	<u>-</u>	<u>159,036</u>	<u>-</u>
	Operating income (loss)	<u>991,579</u>	<u>2</u>	<u>(278,511)</u>	<u>-</u>	<u>1,447,136</u>	<u>1</u>	<u>587,913</u>	<u>1</u>
	Non-operating income and loss:								
7010	Other income	83,447	-	94,447	-	141,045	-	147,028	-
7020	Other gains and losses – net	(704,956)	(1)	1,008,894	1	(1,223,645)	(1)	248,927	-
7050	Finance costs	(60,734)	-	(47,700)	-	(105,053)	-	(130,874)	-
7060	Share of losses of associates and joint ventures	<u>(13,672)</u>	<u>-</u>	<u>(2,104)</u>	<u>-</u>	<u>(20,974)</u>	<u>-</u>	<u>(1,026)</u>	<u>-</u>
	Total non-operating income and loss	<u>(695,915)</u>	<u>(1)</u>	<u>1,053,537</u>	<u>1</u>	<u>(1,208,627)</u>	<u>(1)</u>	<u>264,055</u>	<u>-</u>
7900	Income before taxes	295,664	1	775,026	1	238,509	-	851,968	1
7950	Less: Income tax expense (benefits)	<u>51,756</u>	<u>-</u>	<u>236,506</u>	<u>-</u>	<u>(68,004)</u>	<u>-</u>	<u>267,325</u>	<u>-</u>
	Net income	<u>243,908</u>	<u>1</u>	<u>538,520</u>	<u>1</u>	<u>306,513</u>	<u>-</u>	<u>584,643</u>	<u>1</u>
	Other comprehensive income (loss):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operations	1,118,822	2	(607,421)	(1)	(2,002,622)	(2)	(1,279,475)	(1)
8362	Change in fair value of available-for-sale financial assets	694,215	1	244,135	-	1,073,545	1	288,305	-
8399	Income tax benefit (expense) related to items that may be reclassified subsequently to profit or loss	<u>(121)</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>(59)</u>	<u>-</u>	<u>(117)</u>	<u>-</u>
	Total comprehensive income (loss) for the period	<u>\$ 2,056,824</u>	<u>4</u>	<u>175,556</u>	<u>-</u>	<u>(622,623)</u>	<u>(1)</u>	<u>(406,644)</u>	<u>-</u>
	Net income attributable to:								
8610	Shareholders of the Company	\$ 243,889	1	538,477	1	306,561	-	584,584	1
8620	Non-controlling interests	<u>19</u>	<u>-</u>	<u>43</u>	<u>-</u>	<u>(48)</u>	<u>-</u>	<u>59</u>	<u>-</u>
	Total comprehensive income (loss) attributable to:	<u>\$ 243,908</u>	<u>1</u>	<u>538,520</u>	<u>1</u>	<u>306,513</u>	<u>-</u>	<u>584,643</u>	<u>1</u>
	Total comprehensive income (loss) attributable to:								
8710	Shareholders of the Company	\$ 2,056,800	4	175,524	-	(621,488)	(1)	(407,269)	-
8720	Non-controlling interests	<u>24</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>(1,135)</u>	<u>-</u>	<u>625</u>	<u>-</u>
	Total comprehensive income (loss) attributable to:	<u>\$ 2,056,824</u>	<u>4</u>	<u>175,556</u>	<u>-</u>	<u>(622,623)</u>	<u>(1)</u>	<u>(406,644)</u>	<u>-</u>
	Earnings per share (in New Taiwan dollars) :								
9750	Basic earnings per share	<u>\$ 0.08</u>		<u>0.18</u>		<u>0.10</u>		<u>0.19</u>	
9850	Diluted earnings per share	<u>\$ 0.08</u>		<u>0.17</u>		<u>0.10</u>		<u>0.19</u>	

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ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company													Non-controlling interests	Total equity
	Retained earnings					Other 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	Treasury stock	Total	Total	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)	228,505	65,852,731	2,370	65,855,101
Net income for the period	-	-	-	-	584,584	584,584	-	-	-	-	-	-	584,584	59	584,643
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(1,280,158)	288,305	-	-	-	(991,853)	(991,853)	566	(991,287)
Total comprehensive income (loss) for the period	-	-	-	-	584,584	584,584	(1,280,158)	288,305	-	-	-	(991,853)	(407,269)	625	(406,644)
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Cash distributed from capital surplus	-	(1,540,501)	-	-	-	-	-	-	-	-	-	-	(1,540,501)	-	(1,540,501)
Change in equity of investments in associates	-	(14,312)	-	-	-	-	-	-	-	-	-	-	(14,312)	-	(14,312)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	6,939	-	6,939	6,939	-	6,939
Retirement of restricted shares of stock issued to employees	(44,400)	44,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2016	\$ 30,810,028	34,722,342	145,190	1,306,709	584,584	2,036,483	157,254	(816,260)	(64,376)	(33,027)	(2,914,856)	(756,409)	63,897,588	2,995	63,900,583
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)	(1,512,785)	57,674,395	4,083	57,678,478
Net income for the period	-	-	-	-	306,561	306,561	-	-	-	-	-	-	306,561	(48)	306,513
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,001,594)	1,073,545	-	-	-	(928,049)	(928,049)	(1,087)	(929,136)
Total comprehensive income (loss) for the period	-	-	-	-	306,561	306,561	(2,001,594)	1,073,545	-	-	-	(928,049)	(621,488)	(1,135)	(622,623)
Appropriation approved by the stockholders:															
Decrease in legal reserve to offset accumulated deficit	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficit	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Cash distributed from capital surplus	-	(1,538,379)	-	-	-	-	-	-	-	-	-	-	(1,538,379)	-	(1,538,379)
Change in equity of investments in associates	-	(40,494)	-	-	-	-	-	-	-	-	-	-	(40,494)	-	(40,494)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	7,535	-	7,535	7,535	-	7,535
Retirement of restricted shares of stock issued to employees	(39,750)	39,750	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2017	\$ 30,767,578	29,755,585	-	-	306,561	306,561	(3,062,609)	725,775	(77,257)	(19,208)	(2,914,856)	(2,433,299)	55,481,569	2,948	55,484,517

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ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six-month periods ended June 30	
	2017	2016
Cash flows from operating activities:		
Income before income taxes	\$ 238,509	851,968
Adjustments for:		
Depreciation	260,109	320,514
Amortization	288,939	449,876
Interest expense	105,053	130,874
Interest income	(139,494)	(97,220)
Dividend income	(1,551)	(49,808)
Share-based compensation cost	7,535	6,939
Effects of exchange rate changes in investments in debt instrument without an active market	(3,997)	-
Share of losses of associates and joint ventures	20,974	1,026
Loss on disposal of property, plant and equipment	4,403	5,267
Intangible assets reclassified to expenses	83	-
Other investment loss (gain)	18,630	(644)
Total profit and loss	560,684	766,824
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial instruments	3,111,621	230,966
Notes and accounts receivable	1,861,161	5,846,334
Receivables from related parties	(2,867)	(9,678)
Inventories	(8,797,899)	4,444,580
Other receivables and other current assets	(445,638)	487,422
Net changes in operating assets	(4,273,622)	10,999,624
Net changes in operating liabilities:		
Notes and accounts payable	(17,958,937)	(7,054,447)
Payables to related parties	(942)	(6,766)
Other payables and other current liabilities	(1,016,332)	(1,743,305)
Provisions	(640,367)	(608,021)
Other non-current liabilities	152,366	9,550
Net changes in operating liabilities	(19,464,212)	(9,402,989)
Total changes in operating assets and liabilities	(23,737,834)	1,596,635
Cash provided by (used in) operations	(22,938,641)	3,215,427
Interest received	112,733	95,656
Income taxes paid	(65,625)	(438,565)
Net cash provided by (used in) operating activities	(22,891,533)	2,872,518

(Continued)

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ACER INCORPORATED AND ITS SUBSIDIARIES (Continued)

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six-month periods ended June 30	
	2017	2016
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(184,125)	(314,408)
Proceeds from capital return of available-for-sale financial assets	7,236	41,380
Purchase of investments in debt instrument without an active market	(4,565)	-
Proceeds from repayments of investments in debt instrument without an active market	10,229	-
Decrease in advances to related parties	6,133	222
Acquisition of investments accounted for using equity method	(234,674)	(258,256)
Additions to property, plant and equipment	(71,844)	(83,347)
Proceeds from disposal of property, plant and equipment	38,793	3,663
Additions to intangible assets	(8,937)	(3,542)
Acquisition of business, net of cash acquired	(16,085)	-
Increase in other non-current financial assets and other non-current assets	(111,190)	(156,772)
Dividend received	3,996	49,808
Net cash used in investing activities	<u>(565,033)</u>	<u>(721,252)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	1,454,497	(2,564,378)
Repurchase of bonds payable	-	(6,000,000)
Increase in long-term debt	-	6,000,000
Repayment of long-term debt	(334)	(1,800,000)
Interest paid	(103,815)	(119,783)
Net cash provided by (used in) financing activities	<u>1,350,348</u>	<u>(4,484,161)</u>
Effects of foreign exchange rate changes	<u>(1,066,461)</u>	<u>(621,616)</u>
Net decrease in cash and cash equivalents	(23,172,679)	(2,954,511)
Cash and cash equivalents at beginning of period	44,289,673	44,621,527
Cash and cash equivalents at end of period	<u>\$ 21,116,994</u>	<u>41,667,016</u>