

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of
March 31, 2018 and 2017

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2018, December 31, 2017, and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>March 31, 2018</u>		<u>December 31, 2017</u>		<u>March 31, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						
Current assets:						
1100 Cash and cash equivalents	\$ 29,382,264	20	33,970,331	22	28,780,691	20
1110 Financial assets at fair value through profit or loss—current	449,210	-	170,803	-	444,900	-
1120 Financial assets at fair value through other comprehensive income—current	114,366	-	-	-	-	-
1125 Available-for-sale financial assets—current	-	-	118,329	-	106,180	-
1140 Contract assets—current	116,890	-	-	-	-	-
1147 Investments in debt instrument without an active market—current	-	-	232,466	-	30,336	-
1170 Notes and accounts receivable, net	40,583,195	28	46,761,383	30	38,963,549	27
1180 Accounts receivable from related parties	59,148	-	126,903	-	62,561	-
1200 Other receivables	1,367,350	1	1,024,005	1	1,045,528	1
1220 Current income tax assets	694,497	-	570,537	-	596,298	-
130X Inventories	39,652,743	27	40,079,221	25	41,792,085	29
1460 Non-current assets held for sale, net	-	-	161,990	-	-	-
1470 Other current assets	<u>3,526,753</u>	<u>3</u>	<u>3,078,330</u>	<u>2</u>	<u>3,076,035</u>	<u>2</u>
Total current assets	<u>115,946,416</u>	<u>79</u>	<u>126,294,298</u>	<u>80</u>	<u>114,898,163</u>	<u>79</u>
Non-current assets:						
1510 Financial assets at fair value through profit or loss—non-current	305,320	-	-	-	25,381	-
1517 Financial assets at fair value through other comprehensive income—non-current	5,378,600	4	-	-	-	-
1523 Available-for-sale financial assets—non-current	-	-	5,252,341	3	4,603,685	3
1546 Investments in debt instrument without an active market—non-current	-	-	308,444	-	181,798	-
1550 Investments accounted for using equity method	441,817	-	569,405	-	622,339	-
1600 Property, plant and equipment	4,062,529	3	4,106,559	3	4,182,034	3
1760 Investment property	1,130,856	1	1,141,199	1	1,176,971	1
1780 Intangible assets	16,846,542	11	17,184,151	11	17,500,205	12
1840 Deferred income tax assets	667,846	-	656,478	-	644,483	-
1900 Other non-current assets	1,037,005	1	1,101,079	1	1,278,847	1
1980 Other financial assets—non-current	<u>987,133</u>	<u>1</u>	<u>998,817</u>	<u>1</u>	<u>900,577</u>	<u>1</u>
Total non-current assets	<u>30,857,648</u>	<u>21</u>	<u>31,318,473</u>	<u>20</u>	<u>31,116,320</u>	<u>21</u>
Total assets	<u>\$ 146,804,064</u>	<u>100</u>	<u>157,612,771</u>	<u>100</u>	<u>146,014,483</u>	<u>100</u>

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March 31, 2018 and 2017

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

March 31, 2018, December 31, 2017, and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

		<u>March 31, 2018</u>		<u>December 31, 2017</u>		<u>March 31, 2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings	\$ 192,304	-	482,894	-	3,977,601	3
2120	Financial liabilities at fair value through profit or loss	526,920	-	621,947	-	675,856	-
2170	Notes and accounts payable	35,767,565	25	42,749,799	27	33,817,741	23
2180	Accounts payable to related parties	-	-	1,183	-	2,374	-
2200	Other payables	23,647,649	16	37,219,141	24	35,084,744	24
2250	Provisions – current	5,100,558	4	6,656,001	4	5,740,240	4
2322	Current portion of long-term debt	1,801,915	1	2,701,958	2	900,000	1
2399	Other current liabilities	<u>15,035,419</u>	<u>10</u>	<u>2,807,010</u>	<u>2</u>	<u>3,076,456</u>	<u>2</u>
	Total current liabilities	<u>82,072,330</u>	<u>56</u>	<u>93,239,933</u>	<u>59</u>	<u>83,275,012</u>	<u>57</u>
Non-current liabilities:							
2540	Long-term debt	3,300,454	2	3,300,499	2	5,100,000	4
2550	Provisions – non-current	46,527	-	45,692	-	59,565	-
2570	Deferred income tax liabilities	1,165,891	1	1,040,696	1	705,467	-
2600	Other non-current liabilities	<u>2,088,248</u>	<u>1</u>	<u>2,010,545</u>	<u>1</u>	<u>1,871,431</u>	<u>1</u>
	Total non-current liabilities	<u>6,601,120</u>	<u>4</u>	<u>6,397,432</u>	<u>4</u>	<u>7,736,463</u>	<u>5</u>
	Total liabilities	<u>88,673,450</u>	<u>60</u>	<u>99,637,365</u>	<u>63</u>	<u>91,011,475</u>	<u>62</u>
Equity:							
3110	Common stock	30,765,028	21	30,765,028	20	30,807,328	21
3200	Capital surplus	29,864,939	20	29,852,184	19	34,743,105	24
Retained earnings:							
3310	Legal reserve	-	-	-	-	145,190	-
3320	Special reserve	-	-	-	-	1,306,709	1
3351	Unappropriated earnings (accumulated deficit)	3,512,923	3	2,815,587	2	(4,837,624)	(3)
3400	Other equity	(3,823,518)	(3)	(3,198,500)	(2)	(4,249,768)	(3)
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>57,404,516</u>	<u>39</u>	<u>57,319,443</u>	<u>37</u>	<u>55,000,084</u>	<u>38</u>
36XX	Non-controlling interests	<u>726,098</u>	<u>1</u>	<u>655,963</u>	<u>-</u>	<u>2,924</u>	<u>-</u>
	Total equity	<u>58,130,614</u>	<u>40</u>	<u>57,975,406</u>	<u>37</u>	<u>55,003,008</u>	<u>38</u>
	Total liabilities and equity	<u>\$ 146,804,064</u>	<u>100</u>	<u>157,612,771</u>	<u>100</u>	<u>146,014,483</u>	<u>100</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31, 2018 and 2017

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

		For the three months ended March 31			
		2018		2017	
		Amount	%	Amount	%
4000	Revenue	\$ 54,803,528	100	56,052,389	100
5000	Cost of revenue	<u>(49,045,515)</u>	<u>(89)</u>	<u>(50,627,787)</u>	<u>(90)</u>
	Gross profit	<u>5,758,013</u>	<u>11</u>	<u>5,424,602</u>	<u>10</u>
	Operating expenses				
6100	Selling expenses	(3,727,738)	(7)	(3,527,462)	(6)
6200	Administrative expenses	(909,024)	(2)	(934,169)	(2)
6300	Research and development expenses	<u>(595,247)</u>	<u>(1)</u>	<u>(535,534)</u>	<u>(1)</u>
	Total operating expenses	<u>(5,232,009)</u>	<u>(10)</u>	<u>(4,997,165)</u>	<u>(9)</u>
6500	Other operating income and loss	<u>21,206</u>	<u>-</u>	<u>28,120</u>	<u>-</u>
	Operating income	<u>547,210</u>	<u>1</u>	<u>455,557</u>	<u>1</u>
	Non-operating income and loss:				
7010	Other income	69,072	-	57,598	-
7020	Other gains and losses — net	477,470	1	(518,689)	(1)
7050	Finance costs	(51,860)	-	(44,319)	-
7060	Share of profits (losses) of associates and joint ventures	<u>(17,635)</u>	<u>-</u>	<u>(7,302)</u>	<u>-</u>
	Total non-operating income and loss	<u>477,047</u>	<u>1</u>	<u>(512,712)</u>	<u>(1)</u>
7900	Income (loss) before taxes	1,024,257	2	(57,155)	-
7950	Income tax (expense) benefits	<u>(352,607)</u>	<u>(1)</u>	<u>119,760</u>	<u>-</u>
	Net income	<u>671,650</u>	<u>1</u>	<u>62,605</u>	<u>-</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	85,465	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	<u>8,923</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>94,388</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operation	(726,521)	(1)	(3,121,076)	(6)
8362	Change in fair value of available-for-sale financial assets	-	-	379,330	1
8370	Share of other comprehensive income of associates	(4,314)	-	(368)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>(3,518)</u>	<u>-</u>	<u>62</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(734,353)</u>	<u>(1)</u>	<u>(2,742,052)</u>	<u>(5)</u>
8300	Other comprehensive income (loss), net of taxes	<u>(639,965)</u>	<u>(1)</u>	<u>(2,742,052)</u>	<u>(5)</u>
	Total comprehensive income (loss) for the period	<u>\$ 31,685</u>	<u>-</u>	<u>(2,679,447)</u>	<u>(5)</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 708,030	1	62,672	
8620	Non-controlling interests	<u>(36,380)</u>	<u>-</u>	<u>(67)</u>	<u>-</u>
		<u>\$ 671,650</u>	<u>1</u>	<u>62,605</u>	<u>-</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	\$ 79,454	-	(2,678,288)	(5)
8720	Non-controlling interests	<u>(47,769)</u>	<u>-</u>	<u>(1,159)</u>	<u>-</u>
		<u>\$ 31,685</u>	<u>-</u>	<u>(2,679,447)</u>	<u>(5)</u>
	Earnings per share (in New Taiwan dollars) :				
9750	Basic earnings per share	<u>\$ 0.23</u>		<u>0.02</u>	
9850	Diluted earnings per share	<u>\$ 0.23</u>		<u>0.02</u>	

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ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company															
	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 financial assets measured at fair value through other comprehensive income	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 equity attributable to owners of parent	Non-controlling interests	Total equity
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	-	-	-	-	62,672	62,672	-	-	-	-	-	-	-	62,672	(67)	62,605
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,120,290)	-	379,330	-	-	-	(2,740,960)	(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)	(2,678,288)	(1,159)	(2,679,447)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	3,977	-	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)	(4,249,768)	55,000,084	2,924	55,003,008
Balance at January 1, 2018	\$ 30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	-	112,035	(96,281)	(12,093)	(2,914,856)	(3,198,500)	57,319,443	655,963	57,975,406
Effects of retrospective application	-	-	-	-	(10,694)	(10,694)	-	112,035	(112,035)	-	-	-	-	(10,694)	-	(10,694)
Equity at beginning of period after adjustments	30,765,028	29,852,184	-	-	2,804,893	2,804,893	(3,202,161)	112,035	-	(96,281)	(12,093)	(2,914,856)	(3,198,500)	57,308,749	655,963	57,964,712
Net income for the period	-	-	-	-	708,030	708,030	-	-	-	-	-	-	-	708,030	(36,380)	671,650
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(741,192)	103,695	-	8,921	-	-	(628,576)	(628,576)	(11,389)	(639,965)
Total comprehensive income (loss) for the period	-	-	-	-	708,030	708,030	(741,192)	103,695	-	8,921	-	-	(628,576)	79,454	(47,769)	31,685
Changes in equity of investment in associates	-	782	-	-	-	-	-	-	-	-	-	-	-	782	(19)	763
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,474	97,474
Exercise of stock option from employees of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,053	31,053
Changes in ownership interests in subsidiaries	-	10,667	-	-	-	-	-	-	-	-	-	-	-	10,667	(10,667)	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	3,558	-	3,558	3,558	-	3,558
Stock option compensation cost of subsidiary	-	1,306	-	-	-	-	-	-	-	-	-	-	-	1,306	63	1,369
Balance at March 31, 2018	\$ 30,765,028	29,864,939	-	-	3,512,923	3,512,923	(3,943,353)	215,730	-	(87,360)	(8,535)	(2,914,856)	(3,823,518)	57,404,516	726,098	58,130,614

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2018	2017
Cash flows from operating activities:		
Income (loss) before income tax	\$ 1,024,257	(57,155)
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	105,168	131,823
Amortization	100,890	141,854
Net loss on financial assets at fair value through profit or loss	(16,903)	-
Interest expense	51,860	44,319
Interest income	(69,072)	(57,598)
Share-based compensation cost	4,927	3,977
Effects of exchange rate changes in investments in debt instrument without an active market	-	8,254
Share of losses (profit) of associates and joint ventures	17,635	7,302
Loss (gain) on disposal of property, plan and equipment	(556)	1,763
Intangible assets reclassified to expenses	-	83
Other non-current assets reclassified to costs	43,245	-
Net loss (gain) on disposal of investments	35,005	-
Other investment loss	3,696	18,693
Total profit and loss	275,895	300,470
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial instruments at fair value through profit or loss	(107,510)	1,740,751
Contract assets	(116,890)	-
Notes and accounts receivable	6,394,657	5,266,756
Receivables from related parties	67,755	19,414
Inventories	613,308	(2,699,359)
Other receivables and other current assets	(766,171)	(257,024)
Non-current accounts receivable	(9,885)	-
Other non-current assets	(63,014)	-
Net changes in operating assets	6,012,250	4,070,538
Net changes in operating liabilities:		
Notes and accounts payable	(7,213,882)	(19,049,160)
Payables to related parties	(1,183)	(1,140)
Other payables and other current liabilities	(1,424,168)	(1,646,521)
Provisions	(1,554,528)	(737,021)
Other non-current liabilities	77,703	50,755
Total changes in operating liabilities	(10,116,058)	(21,383,087)
Total changes in operating assets and liabilities	(4,103,808)	(17,312,549)
Total adjustments	(3,827,913)	(17,012,079)
Cash used in operations	(2,803,656)	(17,069,234)
Interest received	68,535	44,587
Income taxes paid	(150,210)	(33,015)
Net cash used in operating activities	(2,885,331)	(17,057,662)

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2018	2017
Cash flows from investing activities:		
Purchase of financial assets at fair value through other comprehensive income	(86,605)	-
Proceeds from disposal of financial assets	71,651	-
Decrease in advances to related parties	-	3,936
Acquisition of investments accounted for using equity method	(3,052)	(233,435)
Proceeds from disposal of non-current assets classified as held for sale	163,974	-
Additions to property, plant and equipment	(56,351)	(44,541)
Proceeds from disposal of property, plant and equipment	3,240	868
Additions to intangible assets	(11,048)	(1,824)
Net cash paid for acquisition of subsidiaries	(862)	-
Decrease (increase) in other non-current financial assets	11,684	(2,945)
Net cash flows from (used in) investing activities	92,631	(277,941)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(368,546)	3,874,601
Repayment of long-term debt	(900,089)	-
Interest paid	(45,342)	(42,296)
Exercise of stock option from employees of subsidiaries	31,053	-
Net cash flows from (used in) financing activities	(1,282,924)	3,832,305
Effect of foreign exchange rate changes	(512,443)	(2,005,684)
Net decrease in cash and cash equivalents	(4,588,067)	(15,508,982)
Cash and cash equivalents at beginning of period	33,970,331	44,289,673
Cash and cash equivalents at end of period	\$ 29,382,264	28,780,691