

(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
September 30, 2018 and 2017

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2018, December 31, 2017, and September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents	\$ 30,416,219	19	33,970,331	22	27,532,003	18
1110 Financial assets measured at fair value through profit or loss – current	880,857	1	170,803	-	235,381	-
1120 Financial assets measured at fair value through other comprehensive income – current	113,368	-	-	-	-	-
1125 Available-for-sale financial assets – current	-	-	118,329	-	121,392	-
1140 Contract assets – current	329,300	-	-	-	-	-
1147 Investments in debt instrument without an active market – current	-	-	232,466	-	218,505	-
1170 Notes and accounts receivable, net	47,251,908	30	46,761,383	30	43,818,348	29
1180 Accounts receivable from related parties	406	-	126,903	-	86,038	-
1200 Other receivables	837,586	1	1,024,005	1	765,249	1
1220 Current income tax assets	434,811	-	570,537	-	297,579	-
130X Inventories	43,108,774	27	40,079,221	25	43,764,659	29
1460 Non-current assets held for sale, net	-	-	161,990	-	-	-
1470 Other current assets	3,621,908	2	3,078,330	2	3,425,105	2
Total current assets	126,995,137	80	126,294,298	80	120,264,259	79
Non-current assets:						
1510 Financial assets measured at fair value through profit or loss – non-current	242,282	-	-	-	-	-
1517 Financial assets measured at fair value through other comprehensive income – non-current	4,886,833	3	-	-	-	-
1523 Available-for-sale financial assets – non-current	-	-	5,252,341	3	4,941,501	3
1546 Investments in debt instrument without an active market – non-current	-	-	308,444	-	-	-
1550 Investments accounted for using equity method	357,403	-	569,405	-	545,326	-
1600 Property, plant and equipment	3,959,720	3	4,106,559	3	4,109,597	3
1760 Investment property	1,125,034	1	1,141,199	1	1,170,333	1
1780 Intangible assets	17,305,202	11	17,184,151	11	17,442,201	12
1840 Deferred income tax assets	658,181	-	656,478	-	670,007	-
1900 Other non-current assets	1,309,066	1	1,101,079	1	1,329,439	1
1980 Other financial assets – non-current	988,054	1	998,817	1	1,036,777	1
Total non-current assets	30,831,775	20	31,318,473	20	31,245,181	21
Total assets	\$ 157,826,912	100	157,612,771	100	151,509,440	100

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

September 30, 2018, December 31, 2017, and September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

		<u>September 30, 2018</u>		<u>December 31, 2017</u>		<u>September 30, 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	\$ 277,245	-	482,894	-	209,996	-
2120	Financial liabilities measured at fair value through profit or loss – current	431,092	-	621,947	-	1,128,733	1
2170	Notes and accounts payable	44,354,175	28	42,749,799	27	37,278,417	25
2180	Accounts payable to related parties	120	-	1,183	-	20,903	-
2200	Other payables	25,332,943	17	37,219,141	24	37,805,124	25
2250	Provisions – current	5,194,141	3	6,656,001	4	6,073,725	4
2322	Current portion of long-term debt	3,304,611	2	2,701,958	2	2,702,003	2
2365	Refund liabilities – current	13,152,813	8	-	-	-	-
2399	Other current liabilities	<u>3,747,837</u>	<u>3</u>	<u>2,807,010</u>	<u>2</u>	<u>3,356,732</u>	<u>2</u>
	Total current liabilities	<u>95,794,977</u>	<u>61</u>	<u>93,239,933</u>	<u>59</u>	<u>88,575,633</u>	<u>59</u>
Non-current liabilities:							
2540	Long-term debt	17,437	-	3,300,499	2	3,300,544	2
2550	Provisions – non-current	45,651	-	45,692	-	59,253	-
2570	Deferred income tax liabilities	1,178,315	1	1,040,696	1	747,748	1
2600	Other non-current liabilities	<u>2,167,414</u>	<u>1</u>	<u>2,010,545</u>	<u>1</u>	<u>2,038,381</u>	<u>1</u>
	Total non-current liabilities	<u>3,408,817</u>	<u>2</u>	<u>6,397,432</u>	<u>4</u>	<u>6,145,926</u>	<u>4</u>
	Total liabilities	<u>99,203,794</u>	<u>63</u>	<u>99,637,365</u>	<u>63</u>	<u>94,721,559</u>	<u>63</u>
Equity:							
3110	Common stock	30,765,028	19	30,765,028	19	30,765,028	20
3200	Capital surplus	27,914,499	17	29,852,184	19	29,781,443	20
Retained earnings:							
3310	Legal reserve	281,559	-	-	-	-	-
3320	Special reserve	2,534,028	2	-	-	-	-
3351	Unappropriated earnings	2,521,997	2	2,815,587	2	1,755,275	1
3400	Other equity	(3,379,642)	(2)	(3,198,500)	(2)	(2,602,014)	(2)
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>57,722,613</u>	<u>36</u>	<u>57,319,443</u>	<u>36</u>	<u>56,784,876</u>	<u>37</u>
36XX	Non-controlling interests	<u>900,505</u>	<u>1</u>	<u>655,963</u>	<u>1</u>	<u>3,005</u>	<u>-</u>
	Total equity	<u>58,623,118</u>	<u>37</u>	<u>57,975,406</u>	<u>37</u>	<u>56,787,881</u>	<u>37</u>
	Total liabilities and equity	<u>\$ 157,826,912</u>	<u>100</u>	<u>157,612,771</u>	<u>100</u>	<u>151,509,440</u>	<u>100</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017

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

	For the three months ended				For the nine months ended				
	September 30				September 30				
	2018		2017		2018		2017		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue	\$ 65,326,327	100	60,578,749	100	178,605,395	100	170,235,612	100
5000	Cost of revenue	(58,433,269)	(89)	(53,876,275)	(89)	(159,521,974)	(89)	(152,021,919)	(89)
	Gross profit	<u>6,893,058</u>	11	<u>6,702,474</u>	11	<u>19,083,421</u>	11	<u>18,213,693</u>	11
	Operating expenses								
6100	Selling expenses	(3,945,094)	(6)	(3,931,385)	(6)	(11,567,067)	(6)	(10,904,009)	(7)
6200	Administrative expenses	(1,248,346)	(2)	(1,291,214)	(2)	(3,220,936)	(2)	(3,370,700)	(2)
6300	Research and development expenses	(613,921)	(1)	(602,087)	(1)	(1,775,406)	(1)	(1,713,826)	(1)
	Total operating expenses	<u>(5,807,361)</u>	(9)	<u>(5,824,686)</u>	(9)	<u>(16,563,409)</u>	(9)	<u>(15,988,535)</u>	(10)
6500	Other operating income and loss	<u>84,124</u>	-	<u>55,021</u>	-	<u>127,220</u>	-	<u>154,787</u>	-
	Operating income	<u>1,169,821</u>	2	<u>932,809</u>	2	<u>2,647,232</u>	2	<u>2,379,945</u>	1
	Non-operating income and loss:								
7010	Other income	304,830	-	293,431	-	473,649	-	434,476	-
7020	Other gains and losses — net	(241,273)	-	674,500	1	488,066	-	(549,145)	-
7050	Finance costs	(28,449)	-	(86,352)	-	(138,065)	-	(191,405)	-
7060	Share of profits (losses) of associates and joint ventures	<u>(18,133)</u>	-	<u>(14,596)</u>	-	<u>(73,358)</u>	-	<u>(35,570)</u>	-
	Total non-operating income and loss	<u>16,975</u>	-	<u>866,983</u>	1	<u>750,292</u>	-	<u>(341,644)</u>	-
7900	Income before taxes	<u>1,186,796</u>	2	<u>1,799,792</u>	3	<u>3,397,524</u>	2	<u>2,038,301</u>	1
7950	Income tax expense	<u>(305,280)</u>	(1)	<u>(350,985)</u>	(1)	<u>(985,472)</u>	(1)	<u>(282,981)</u>	-
	Net income	<u>881,516</u>	1	<u>1,448,807</u>	2	<u>2,412,052</u>	1	<u>1,755,320</u>	1
	Other comprehensive income (loss):								
8310	Items that will not be reclassified subsequently to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(329,897)	(1)	-	-	(394,326)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	<u>530</u>	-	<u>-</u>	-	<u>9,453</u>	-	<u>-</u>	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(329,367)</u>	(1)	<u>-</u>	-	<u>(384,873)</u>	-	<u>-</u>	-
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operation	(279,697)	-	323,525	1	219,400	-	(1,679,447)	(1)
8362	Change in fair value of available-for-sale financial assets	-	-	(496,630)	(1)	-	-	576,915	-
8370	Share of other comprehensive income of associates	(776)	-	961	-	(3,847)	-	1,311	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>(167)</u>	-	<u>(164)</u>	-	<u>(3,596)</u>	-	<u>(223)</u>	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(280,640)</u>	-	<u>(172,308)</u>	-	<u>211,957</u>	-	<u>(1,101,444)</u>	(1)
	Other comprehensive income (loss), net of taxes	<u>(610,007)</u>	(1)	<u>(172,308)</u>	-	<u>(172,916)</u>	-	<u>(1,101,444)</u>	(1)
	Total comprehensive income (loss) for the period	<u>\$ 271,509</u>	-	<u>1,276,499</u>	2	<u>2,239,136</u>	1	<u>653,876</u>	-
	Net income attributable to:								
8610	Shareholders of the Company	\$ 911,644	1	1,448,714	2	2,500,606	1	1,755,275	1
8620	Non-controlling interests	<u>(30,128)</u>	-	<u>93</u>	-	<u>(88,554)</u>	-	<u>45</u>	-
		<u>\$ 881,516</u>	1	<u>1,448,807</u>	2	<u>2,412,052</u>	1	<u>1,755,320</u>	1
	Total comprehensive income (loss) attributable to:								
8710	Shareholders of the Company	\$ 306,745	-	1,276,442	2	2,349,774	1	654,954	-
8720	Non-controlling interests	<u>(35,236)</u>	-	<u>57</u>	-	<u>(110,638)</u>	-	<u>(1,078)</u>	-
		<u>\$ 271,509</u>	-	<u>1,276,499</u>	2	<u>2,239,136</u>	1	<u>653,876</u>	-
	Earnings per share (in New Taiwan dollars) :								
9750	Basic earnings per share	\$ <u>0.30</u>		<u>0.48</u>		<u>0.83</u>		<u>0.58</u>	
9850	Diluted earnings per share	\$ <u>0.30</u>		<u>0.48</u>		<u>0.82</u>		<u>0.58</u>	

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2018 and 2017

(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 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 equity to owners of parent			
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)	(1,512,785)	(2,914,856)	57,674,395	4,083	57,678,478
Net income for the period	-	-	-	-	1,755,275	1,755,275	-	-	-	-	-	-	-	1,755,275	45	1,755,320
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(1,677,236)	-	576,915	-	-	(1,100,321)	-	(1,100,321)	(1,123)	(1,101,444)
Total comprehensive income (loss) for the period	-	-	-	-	1,755,275	1,755,275	(1,677,236)	-	576,915	-	-	(1,100,321)	-	654,954	(1,078)	653,876
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	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Change in equity of investments in associates	-	(40,494)	-	-	-	-	-	-	-	-	-	-	-	(40,494)	-	(40,494)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	11,092	11,092	-	11,092	-	11,092
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2017	\$ 30,765,028	29,781,443	-	-	1,755,275	1,755,275	(2,738,251)	-	229,145	(77,257)	(15,651)	(2,602,014)	(2,914,856)	56,784,876	3,005	56,787,881
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)	(3,198,500)	(2,914,856)	57,319,443	655,963	57,975,406
Effects of retrospective application	-	-	-	-	(7,214)	(7,214)	-	112,035	(112,035)	-	-	-	-	(7,214)	2,021	(5,193)
Adjusted balance at January 1, 2018	30,765,028	29,852,184	-	-	2,808,373	2,808,373	(3,202,161)	112,035	-	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,312,229	657,984	57,970,213
Net income for the period	-	-	-	-	2,500,606	2,500,606	-	-	-	-	-	-	-	2,500,606	(88,554)	2,412,052
Other comprehensive income (loss) for the period	-	-	-	-	-	-	223,362	(383,645)	-	9,451	-	(150,832)	-	(150,832)	(22,084)	(172,916)
Total comprehensive income (loss) for the period	-	-	-	-	2,500,606	2,500,606	223,362	(383,645)	-	9,451	-	(150,832)	-	2,349,774	(110,638)	2,239,136
Appropriation approved by the stockholders:																
Legal reserve	-	-	281,559	-	(281,559)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,534,028	(2,534,028)	-	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(2,120,798)	-	-	-	-	-	-	-	-	-	-	-	(2,120,798)	-	(2,120,798)
Change in equity of investments in associates	-	44,969	-	-	-	-	-	-	-	-	-	-	-	44,969	(19)	44,950
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	178,880	178,880
Issuance of common stock from exercise of employee stock options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,387	59,387
Changes in ownership interests in subsidiaries	-	136,287	-	-	-	-	-	-	-	-	-	-	-	136,287	116,926	253,213
Stock option compensation cost of subsidiaries	-	1,857	-	-	-	-	-	-	-	-	-	-	-	1,857	97	1,954
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	(1,705)	(1,705)	-	(1,705)	-	(1,705)
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,112)	(2,112)
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	28,605	28,605	-	(28,605)	-	-	-	(28,605)	-	-	-	-
Balance at September 30, 2018	\$ 30,765,028	27,914,499	281,559	2,534,028	2,521,997	5,337,584	(2,978,799)	(300,215)	-	(86,830)	(13,798)	(3,379,642)	(2,914,856)	57,722,613	900,505	58,623,118

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 3,397,524	2,038,301
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	351,732	390,860
Amortization	339,121	436,868
Net loss on financial assets measured at fair value through profit or loss	85,216	-
Effects of exchange rate changes in investments in debt instrument without an active market	-	(11,173)
Interest expense	138,065	191,405
Interest income	(250,220)	(213,311)
Dividend income	(223,429)	(221,165)
Share-based compensation cost	249	11,092
Share of losses of associates and joint ventures	73,358	35,570
Loss on disposal of property, plant and equipment and non-current assets held for sale	2,882	5,653
Property, plant and equipment reclassified to expenses	303	-
Intangible assets reclassified to expenses	150	83
Net loss on disposal of investments	75,033	-
Gain on bargain purchase	(6,385)	-
Other investment loss	3,696	57,387
Total profit and loss	589,771	683,269
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	(653,650)	2,428,528
Contract assets	(316,678)	-
Notes and accounts receivable	(259,824)	412,137
Receivables from related parties	126,497	(4,063)
Inventories	(3,394,711)	(4,692,841)
Other receivables and other current assets	269,917	(316,180)
Other non-current assets	4,430	(110,900)
Net changes in operating assets	(4,224,019)	(2,283,319)
Net changes in operating liabilities:		
Notes and accounts payable	1,374,456	(15,588,483)
Payables to related parties	(1,063)	17,389
Refund liabilities	(335,357)	-
Other payables and other current liabilities	851,250	1,153,180
Provisions	(180,778)	(403,848)
Other non-current liabilities	156,869	217,705
Net changes in operating liabilities	1,865,377	(14,604,057)
Total changes in operating assets and liabilities	(2,358,642)	(16,887,376)
Total adjustments	(1,768,871)	(16,204,107)
Cash provided by (used in) operations	1,628,653	(14,165,806)
Interest received	252,733	169,671
Income taxes refunded (paid)	(577,289)	16,816
Net cash used in operating activities	1,304,097	(13,979,319)

(Continued)

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2018	2017
Cash flows from investing activities:		
Purchase of financial assets measured at fair value through other comprehensive income	(86,605)	-
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	15,440	-
Purchase of available-for-sale financial assets	-	(198,125)
Proceeds from capital return of available-for-sale financial assets	-	7,236
Proceeds from disposal of financial assets	83,901	-
Purchase of investments in debt instrument without an active market	-	(4,546)
Proceeds from repayments of investments in debt instrument without an active market	-	10,229
Acquisition of investments accounted for using equity method	-	(236,089)
Proceeds from disposal of investments accounted for using equity method	557	-
Proceeds from disposal of non-current assets held for sale	163,974	-
Additions to property, plant and equipment	(219,860)	(133,711)
Proceeds from disposal of property, plant and equipment	3,396	18,951
Additions to intangible assets	(207,020)	(31,019)
Proceeds from disposal of intangible assets	-	2,236
Net cash received from (paid for) acquisition of subsidiaries	8,012	(16,085)
Decrease (increase) in other non-current financial assets	21,171	(76,134)
Dividends received	232,353	223,610
Net cash flows from (used in) investing activities	15,319	(433,447)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(297,894)	106,996
Increase in long-term debt	22,669	-
Repayment of long-term debt	(2,702,494)	(244)
Cash distributed from capital surplus	(2,120,798)	(1,515,071)
Cash dividends paid to non-controlling interests by subsidiaries	(2,112)	-
Issuance of common stock from exercise of employee stock options by subsidiaries	59,387	-
Increase in non-controlling interests	144,180	-
Interest paid	(128,615)	(219,827)
Net cash flows used in financing activities	(5,025,677)	(1,628,146)
Effect of foreign exchange rate changes	152,149	(716,758)
Net decrease in cash and cash equivalents	(3,554,112)	(16,757,670)
Cash and cash equivalents at beginning of period	33,970,331	44,289,673
Cash and cash equivalents at end of period	\$ 30,416,219	27,532,003