

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

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	Cash and cash equivalents	\$ 27,283,038	18	33,970,331	22
1110	Financial assets measured at fair value through profit or loss – current	435,574	-	170,803	-
1120	Financial assets measured at fair value through other comprehensive income – current	88,989	-	-	-
1125	Available-for-sale financial assets – current	-	-	118,329	-
1140	Contract assets – current	396,235	-	-	-
1147	Investments in debt instrument without an active market – current	-	-	232,466	-
1170	Notes and accounts receivable, net	47,491,595	31	46,761,383	30
1180	Accounts receivable from related parties	34,623	-	126,903	-
1200	Other receivables	1,097,802	1	1,024,005	1
1220	Current income tax assets	460,334	-	570,537	-
130X	Inventories	42,076,409	27	40,079,221	25
1460	Non-current assets held for sale, net	-	-	161,990	-
1470	Other current assets	3,756,396	3	3,078,330	2
	<b>Total current assets</b>	<u>123,120,995</u>	<u>80</u>	<u>126,294,298</u>	<u>80</u>
<b>Non-current assets:</b>					
1510	Financial assets measured at fair value through profit or loss – non-current	44,894	-	-	-
1517	Financial assets measured at fair value through other comprehensive income – non-current	4,340,457	3	-	-
1523	Available-for-sale financial assets – non-current	-	-	5,252,341	3
1546	Investments in debt instrument without an active market – non-current	-	-	308,444	-
1550	Investments accounted for using equity method	875,861	-	569,405	-
1600	Property, plant and equipment	3,846,752	2	4,106,559	3
1760	Investment property	1,122,385	1	1,141,199	1
1780	Intangible assets	17,311,344	11	17,184,151	11
1840	Deferred income tax assets	890,458	1	656,478	-
1900	Other non-current assets	1,432,482	1	1,101,079	1
1980	Other financial assets – non-current	1,003,782	1	998,817	1
	<b>Total non-current assets</b>	<u>30,868,415</u>	<u>20</u>	<u>31,318,473</u>	<u>20</u>
	<b>Total assets</b>	<u>\$ 153,989,410</u>	<u>100</u>	<u>157,612,771</u>	<u>100</u>

See accompanying notes to financial statements.

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

**Consolidated Balance Sheets (Continued)**

**December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2018</b>		<b>December 31, 2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings	\$ 657,040	-	482,894	-
2120	Financial liabilities measured at fair value through profit or loss – current	272,085	-	621,947	-
2130	Contract liabilities – current	821,374	1	-	-
2170	Notes and accounts payable	40,079,353	26	42,750,982	27
2200	Other payables	24,420,154	16	37,219,141	24
2250	Provisions – current	5,239,352	4	6,656,001	4
2322	Current portion of long-term debt	4,112	-	2,701,958	2
2365	Refund liabilities – current	12,703,866	8	-	-
2399	Other current liabilities	<u>2,619,592</u>	<u>2</u>	<u>2,807,010</u>	<u>2</u>
	<b>Total current liabilities</b>	<u>86,816,928</u>	<u>57</u>	<u>93,239,933</u>	<u>59</u>
<b>Non-current liabilities:</b>					
2527	Contract liabilities – non-current	1,405,350	1	-	-
2540	Long-term debt	3,315,976	2	3,300,499	2
2550	Provisions – non-current	36,241	-	45,692	-
2570	Deferred income tax liabilities	1,749,191	1	1,040,696	1
2600	Other non-current liabilities	<u>1,679,438</u>	<u>1</u>	<u>2,010,545</u>	<u>1</u>
	<b>Total non-current liabilities</b>	<u>8,186,196</u>	<u>5</u>	<u>6,397,432</u>	<u>4</u>
	<b>Total liabilities</b>	<u>95,003,124</u>	<u>62</u>	<u>99,637,365</u>	<u>63</u>
<b>Equity:</b>					
3110	Common stock	30,749,338	20	30,765,028	19
3200	Capital surplus	27,913,351	18	29,852,184	19
	Retained earnings:				
3310	Legal reserve	281,559	-	-	-
3320	Special reserve	2,534,028	2	-	-
3351	Unappropriated earnings	3,085,863	2	2,815,587	2
3400	Other equity	(3,381,189)	(2)	(3,198,500)	(2)
3500	Treasury stock	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>
	<b>Equity attributable to shareholders of the Company</b>	<u>58,268,094</u>	<u>38</u>	<u>57,319,443</u>	<u>36</u>
36XX	<b>Non-controlling interests</b>	<u>718,192</u>	<u>-</u>	<u>655,963</u>	<u>1</u>
	<b>Total equity</b>	<u>58,986,286</u>	<u>38</u>	<u>57,975,406</u>	<u>37</u>
	<b>Total liabilities and equity</b>	<u>\$ 153,989,410</u>	<u>100</u>	<u>157,612,771</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Revenue	\$ 242,270,406	100	237,274,883	100
5000	Cost of revenue	<u>(216,442,207)</u>	<u>(89)</u>	<u>(211,913,649)</u>	<u>(89)</u>
	<b>Gross profit</b>	<u>25,828,199</u>	<u>11</u>	<u>25,361,234</u>	<u>11</u>
	<b>Operating expenses :</b>				
6100	Selling expenses	(15,234,252)	(6)	(14,855,347)	(6)
6200	Administrative expenses	(4,462,573)	(2)	(4,547,263)	(2)
6300	Research and development expenses	<u>(2,559,920)</u>	<u>(1)</u>	<u>(2,497,868)</u>	<u>(1)</u>
	<b>Total operating expenses</b>	<u>(22,256,745)</u>	<u>(9)</u>	<u>(21,900,478)</u>	<u>(9)</u>
6500	<b>Other operating income and loss</b>	<u>167,035</u>	<u>-</u>	<u>208,978</u>	<u>-</u>
	<b>Operating income</b>	<u>3,738,489</u>	<u>2</u>	<u>3,669,734</u>	<u>2</u>
	<b>Non-operating income and loss:</b>				
7010	Other income	606,843	-	525,760	-
7020	Other gains and losses — net	216,232	-	(574,381)	(1)
7050	Finance costs	(175,288)	-	(225,832)	-
7060	Share of profits (losses) of associates and joint ventures	(133,896)	-	(38,629)	-
7673	Reversal of impairment loss on property, plant and equipment	<u>-</u>	<u>-</u>	<u>82,480</u>	<u>-</u>
	<b>Total non-operating income and loss</b>	<u>513,891</u>	<u>-</u>	<u>(230,602)</u>	<u>(1)</u>
7900	<b>Income before taxes</b>	4,252,380	2	3,439,132	1
7950	<b>Income tax expense</b>	<u>(1,350,420)</u>	<u>(1)</u>	<u>(642,399)</u>	<u>-</u>
	<b>Net income</b>	<u>2,901,960</u>	<u>1</u>	<u>2,796,733</u>	<u>1</u>
	<b>Other comprehensive income (loss) :</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurements of defined benefit plans	682	-	(35,445)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(593,723)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	<u>22,695</u>	<u>-</u>	<u>11,050</u>	<u>-</u>
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>	<u>(570,346)</u>	<u>-</u>	<u>(24,395)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operation	385,004	-	(2,132,038)	(1)
8362	Change in fair value of available-for-sale financial assets	-	-	457,886	-
8370	Share of other comprehensive income of associates	(3,940)	-	741	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>(3,596)</u>	<u>-</u>	<u>18</u>	<u>-</u>
	<b>Components of other comprehensive income (loss) that may be reclassified to profit or loss</b>	<u>377,468</u>	<u>-</u>	<u>(1,673,393)</u>	<u>(1)</u>
	<b>Other comprehensive loss, net of taxes</b>	<u>(192,878)</u>	<u>-</u>	<u>(1,697,788)</u>	<u>(1)</u>
	<b>Total comprehensive income for the period</b>	<u>\$ 2,709,082</u>	<u>1</u>	<u>1,098,945</u>	<u>-</u>
	<b>Net income (loss) attributable to:</b>				
8610	Shareholders of the Company	\$ 3,060,429	1	2,815,587	1
8620	Non-controlling interests	<u>(158,469)</u>	<u>-</u>	<u>(18,854)</u>	<u>-</u>
		<u>\$ 2,901,960</u>	<u>1</u>	<u>2,796,733</u>	<u>1</u>
	<b>Total comprehensive income (loss) attributable to:</b>				
8710	Shareholders of the Company	\$ 2,876,293	1	1,115,222	-
8720	Non-controlling interests	<u>(167,211)</u>	<u>-</u>	<u>(16,277)</u>	<u>-</u>
		<u>\$ 2,709,082</u>	<u>1</u>	<u>1,098,945</u>	<u>-</u>
	<b>Earnings per share (in New Taiwan dollars) :</b>				
9750	Basic earnings per share	<u>\$ 1.01</u>		<u>0.93</u>	
9850	Diluted earnings per share	<u>\$ 1.01</u>		<u>0.93</u>	

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(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company													Total equity attributable to owners of parent	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				
<b>Balance at January 1, 2017</b>	\$ 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	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	-	2,815,587	(18,854)	2,796,733
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)	2,577	(1,697,788)
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	1,115,222	(16,277)	1,098,945
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	-	28,571	-	-	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Changes in ownership interests in subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650	-	14,650
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option compensation cost of subsidiaries	-	23	-	-	-	-	-	-	-	-	-	-	-	23	12	35
<b>Balance at December 31, 2017</b>	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	-	-	-	-	(7,231)	(7,231)	-	112,035	(112,035)	-	-	-	-	(7,231)	2,021	(5,210)
Adjusted balance at January 1, 2018	30,765,028	29,852,184	-	-	2,808,356	2,808,356	(3,202,161)	112,035	-	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,312,212	657,984	57,970,196
Net income for the period	-	-	-	-	3,060,429	3,060,429	-	-	-	-	-	-	-	3,060,429	(158,469)	2,901,960
Other comprehensive income (loss) for the period	-	-	-	-	-	-	390,996	(601,596)	-	26,464	-	(184,136)	-	(184,136)	(8,742)	(192,878)
Total comprehensive income (loss) for the period	-	-	-	-	3,060,429	3,060,429	390,996	(601,596)	-	26,464	-	(184,136)	-	2,876,293	(167,211)	2,709,082
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	-	44,225	-	-	-	-	-	-	-	-	-	-	-	44,225	(19)	44,206
Changes in ownership interests in subsidiaries	-	32,647	-	-	-	-	-	-	-	-	-	-	-	32,647	9,734	42,381
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,682	105,682
Issuance of common stock from exercise of employee stock options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,987	61,987
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	100,600	-	-	-	-	-	-	-	-	-	-	-	100,600	52,050	152,650
Retirement of restricted shares of stock issued to employees	(15,690)	1,892	-	-	-	-	-	-	-	-	13,798	13,798	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	(1,705)	(1,705)	-	(1,705)	-	(1,705)
Stock option compensation cost of subsidiaries	-	1,857	-	-	-	-	-	-	-	-	-	-	-	1,857	97	1,954
Disposal of investments accounted for using equity method	-	744	-	-	-	-	22,019	-	-	-	-	22,019	-	22,763	-	22,763
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	-	-	-	-	32,665	32,665	-	(32,665)	-	-	-	(32,665)	-	-	-	-
<b>Balance at December 31, 2018</b>	\$ 30,749,338	27,913,351	281,559	2,534,028	3,085,863	5,901,450	(2,789,146)	(522,226)	-	(69,817)	-	(3,381,189)	(2,914,856)	58,268,094	718,192	58,986,286

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 4,252,380	3,439,132
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	423,898	508,866
Amortization	415,818	563,486
Net loss on financial assets measured at fair value through profit or loss	496,558	-
Effects of exchange rate changes in investments in debt instrument without an active market	-	(7,000)
Interest expense	175,288	225,832
Interest income	(358,954)	(304,605)
Dividend income	(247,889)	(221,155)
Share-based compensation cost	249	14,685
Share of losses of associates and joint ventures	133,896	38,629
Loss on disposal of property, plant and equipment and non-current assets held for sale	3,475	5,817
Property, plant and equipment and intangible assets reclassified to expenses	453	602
Gain on disposal of intangible assets	-	(32)
Loss (gain) on disposal of investments accounted for using equity method	33,158	(690)
Impairment loss on financial assets	-	3,061
Gain on bargain purchase	(6,385)	(1,130)
Reversal of impairment loss on property, plant and equipment	-	(82,480)
Other investment loss	3,696	36,183
<b>Total profit and loss</b>	<b>1,073,261</b>	<b>780,069</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Derivative financial instruments measured at fair value through profit or loss	(606,239)	1,986,320
Contract assets	(383,613)	-
Notes and accounts receivable	(523,043)	(2,264,268)
Receivables from related parties	92,280	(44,928)
Inventories	(2,434,278)	(817,920)
Other receivables and other current assets	(147,231)	(54,430)
Non-current accounts receivable	-	33,429
Other non-current assets	4,968	(157,297)
<b>Net changes in operating assets</b>	<b>(3,997,156)</b>	<b>(1,319,094)</b>
<b>Net changes in operating liabilities:</b>		
Notes and accounts payable	(2,897,116)	(10,344,889)
Refund liabilities	(784,304)	-
Other payables and other current liabilities	338,917	(202,344)
Provisions	(144,977)	125,554
Contract liabilities	498,459	-
Other non-current liabilities	52,880	127,706
<b>Net changes in operating liabilities</b>	<b>(2,936,141)</b>	<b>(10,293,973)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(6,933,297)</b>	<b>(11,613,067)</b>
<b>Total adjustments</b>	<b>(5,860,036)</b>	<b>(10,832,998)</b>
Cash used in operations	(1,607,656)	(7,393,866)
Interest received	359,771	247,245
Income taxes paid	(884,258)	(366,162)
<b>Net cash used in operating activities</b>	<b>(2,132,143)</b>	<b>(7,512,783)</b>

(Continued)

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**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (Continued)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets measured at fair value through other comprehensive income	(86,605)	-
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	62,576	-
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	31,883	-
Proceeds from repayments of financial assets measured at fair value through profit or loss	16,580	-
Proceeds from disposal of financial assets measured at fair value through profit or loss	8,458	-
Purchase of available-for-sale financial assets	-	(314,312)
Proceeds from capital return of available-for-sale financial assets	-	15,691
Purchase of investments in debt instrument without an active market	-	(12,698)
Proceeds from repayments of investments in debt instrument without an active market	-	10,229
Acquisition of investments accounted for using equity method	(151,500)	(295,714)
Proceeds from disposal of investments accounted for using equity method	557	899
Proceeds from disposal of non-current assets held for sale	163,974	-
Additions to property, plant and equipment	(230,598)	(282,394)
Proceeds from disposal of property, plant and equipment	9,787	24,121
Additions to intangible assets	(218,040)	(38,846)
Proceeds from disposal of intangible assets	-	1,749
Net cash received from (paid for) acquisition of subsidiaries	(1,071)	496,674
Increase in other non-current financial assets	(4,965)	(38,174)
Dividends received	256,813	242,727
<b>Net cash flows used in investing activities</b>	<b>(142,151)</b>	<b>(190,048)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	98,492	(50,828)
Increase in long-term debt	22,669	3,300,000
Repayment of long-term debt	(2,704,109)	(3,300,334)
Cash distributed from capital surplus	(2,120,798)	(1,515,071)
Cash dividends paid to non-controlling interests by subsidiaries	(2,112)	-
Capital injection from non-controlling interest	-	19,893
Issuance of common stock from exercise of employee stock options by subsidiaries	61,987	-
Increase in non-controlling interests	183,931	-
Interest paid	(161,420)	(257,938)
<b>Net cash flows used in financing activities</b>	<b>(4,621,360)</b>	<b>(1,804,278)</b>
<b>Effect of foreign exchange rate changes</b>	<b>208,361</b>	<b>(812,233)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,687,293)</b>	<b>(10,319,342)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>33,970,331</b>	<b>44,289,673</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 27,283,038</b>	<b>33,970,331</b>

See accompanying notes to financial statements.