

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of
March 31, 2019 and 2018

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						
Current assets:						
1100 Cash and cash equivalents	\$ 26,468,305	17	27,283,038	18	29,382,264	20
1110 Financial assets measured at fair value through profit or loss – current	1,810,124	1	435,574	-	449,210	-
1120 Financial assets measured at fair value through other comprehensive income – current	93,440	-	88,989	-	114,366	-
1140 Contract assets – current	266,109	-	396,235	-	116,890	-
1170 Notes and accounts receivable, net	44,407,426	29	47,491,595	31	40,583,195	28
1180 Accounts receivable from related parties	733	-	34,623	-	59,148	-
1200 Other receivables	752,265	1	1,097,802	1	1,367,350	1
1220 Current income tax assets	427,758	-	460,334	-	694,497	-
130X Inventories	40,628,293	27	42,076,409	27	39,652,743	27
1470 Other current assets	<u>3,687,922</u>	<u>3</u>	<u>3,756,396</u>	<u>3</u>	<u>3,526,753</u>	<u>3</u>
Total current assets	<u>118,542,375</u>	<u>78</u>	<u>123,120,995</u>	<u>80</u>	<u>115,946,416</u>	<u>79</u>
Non-current assets:						
1510 Financial assets measured at fair value through profit or loss – non-current	31,512	-	44,894	-	305,320	-
1517 Financial assets measured at fair value through other comprehensive income – non-current	4,676,174	3	4,340,457	3	5,378,600	4
1550 Investments accounted for using equity method	898,654	-	875,861	-	441,817	-
1600 Property, plant and equipment	3,755,000	3	3,846,752	2	4,062,529	3
1755 Right-of-use assets	2,315,914	2	-	-	-	-
1760 Investment property	1,119,474	1	1,122,385	1	1,130,856	1
1780 Intangible assets	17,365,273	11	17,311,344	11	16,846,542	11
1840 Deferred income tax assets	889,575	-	890,458	1	667,846	-
1900 Other non-current assets	1,835,140	1	1,432,482	1	1,037,005	1
1980 Other financial assets – non-current	<u>988,569</u>	<u>1</u>	<u>1,003,782</u>	<u>1</u>	<u>987,133</u>	<u>1</u>
Total non-current assets	<u>33,875,285</u>	<u>22</u>	<u>30,868,415</u>	<u>20</u>	<u>30,857,648</u>	<u>21</u>
Total assets	<u>\$ 152,417,660</u>	<u>100</u>	<u>153,989,410</u>	<u>100</u>	<u>146,804,064</u>	<u>100</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities:						
2100	\$ 403,658	-	657,040	-	192,304	-
2120						
	252,271	-	272,085	-	526,920	-
2130	970,979	1	821,374	1	277,420	-
2170	35,777,765	24	40,079,353	26	35,767,565	25
2200	24,239,095	16	24,420,154	16	23,647,649	16
2250	5,043,175	3	5,239,352	4	5,100,558	4
2280	665,998	-	-	-	-	-
2322	4,144	-	4,112	-	1,801,915	1
2365	12,134,514	8	12,703,866	8	12,063,686	8
2399	2,814,113	2	2,619,592	2	2,694,313	2
	82,305,712	54	86,816,928	57	82,072,330	56
Non-current liabilities:						
2527	1,553,897	1	1,405,350	1	398,071	-
2540	3,314,872	3	3,315,976	2	3,300,454	2
2550	35,931	-	36,241	-	46,527	-
2570	1,765,823	1	1,749,191	1	1,165,891	1
2580	1,669,591	1	-	-	-	-
2600	1,679,434	1	1,679,438	1	1,690,177	1
	10,019,548	7	8,186,196	5	6,601,120	4
	92,325,260	61	95,003,124	62	88,673,450	60
Equity:						
3110	30,749,338	20	30,749,338	20	30,765,028	21
3200	27,856,146	18	27,913,351	18	29,864,939	20
Retained earnings:						
3310	281,559	-	281,559	-	-	-
3320	2,534,028	2	2,534,028	2	-	-
3351	3,790,228	3	3,085,863	2	3,512,923	3
3400	(2,943,506)	(2)	(3,381,189)	(2)	(3,823,518)	(3)
3500	(2,914,856)	(2)	(2,914,856)	(2)	(2,914,856)	(2)
	59,352,937	39	58,268,094	38	57,404,516	39
36XX	739,463	-	718,192	-	726,098	1
	60,092,400	39	58,986,286	38	58,130,614	40
Total liabilities and equity	\$ 152,417,660	100	153,989,410	100	146,804,064	100

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

		For the three months ended March 31			
		2019		2018	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net revenue	\$ 54,703,389	100	54,803,528	100
5000	Cost of revenue	<u>(48,931,022)</u>	<u>(89)</u>	<u>(49,045,515)</u>	<u>(89)</u>
	Gross profit	<u>5,772,367</u>	<u>11</u>	<u>5,758,013</u>	<u>11</u>
	Operating expenses :				
6100	Selling expenses	(3,543,908)	(7)	(3,727,738)	(7)
6200	General and administrative expenses	(1,028,159)	(2)	(909,024)	(2)
6300	Research and development expenses	<u>(667,215)</u>	<u>(1)</u>	<u>(595,247)</u>	<u>(1)</u>
	Total operating expenses	<u>(5,239,282)</u>	<u>(10)</u>	<u>(5,232,009)</u>	<u>(10)</u>
6500	Other operating income and expenses, net	<u>20,984</u>	<u>-</u>	<u>21,206</u>	<u>-</u>
	Operating income	<u>554,069</u>	<u>1</u>	<u>547,210</u>	<u>1</u>
	Non-operating income and loss:				
7010	Other income	135,950	-	69,072	-
7020	Other gains and losses — net	308,779	1	477,470	1
7050	Finance costs	(68,248)	-	(51,860)	-
7060	Share of profits (losses) of associates and joint ventures	<u>(5,046)</u>	<u>-</u>	<u>(17,635)</u>	<u>-</u>
	Total non-operating income and loss	<u>371,435</u>	<u>1</u>	<u>477,047</u>	<u>1</u>
7900	Income before taxes	925,504	2	1,024,257	2
7950	Income tax expense	<u>(223,433)</u>	<u>(1)</u>	<u>(352,607)</u>	<u>(1)</u>
	Net income	<u>702,071</u>	<u>1</u>	<u>671,650</u>	<u>1</u>
	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	337,031	1	85,465	-
8320	Share of other comprehensive income (loss) of associates and joint ventures	(24)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>8,923</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>337,007</u>	<u>1</u>	<u>94,388</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	105,150	-	(726,521)	(1)
8370	Share of other comprehensive income (loss) of associates and joint ventures	58	-	(4,314)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>(3,518)</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>105,208</u>	<u>-</u>	<u>(734,353)</u>	<u>(1)</u>
	Other comprehensive income (loss), net of taxes	<u>442,215</u>	<u>1</u>	<u>(639,965)</u>	<u>(1)</u>
	Total comprehensive income for the period	<u>\$ 1,144,286</u>	<u>2</u>	<u>31,685</u>	<u>-</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 706,290	1	708,030	1
8620	Non-controlling interests	<u>(4,219)</u>	<u>-</u>	<u>(36,380)</u>	<u>-</u>
		<u>\$ 702,071</u>	<u>1</u>	<u>671,650</u>	<u>1</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	\$ 1,142,048	2	79,454	-
8720	Non-controlling interests	<u>2,238</u>	<u>-</u>	<u>(47,769)</u>	<u>-</u>
		<u>\$ 1,144,286</u>	<u>2</u>	<u>31,685</u>	<u>-</u>
	Earnings per share (in New Taiwan dollars) :				
9750	Basic earnings per share	<u>\$ 0.23</u>		<u>0.23</u>	
9850	Diluted earnings per share	<u>\$ 0.23</u>		<u>0.23</u>	

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ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2019 and 2018
(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	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	Total	Treasury stock	Total equity attributable to owners of parent		
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	-	-	-	-	(10,694)	(10,694)	-	112,035	(112,035)	-	-	-	-	(10,694)	-	(10,694)
Adjusted balance at January 1, 2018	<u>30,765,028</u>	<u>29,852,184</u>	<u>-</u>	<u>-</u>	<u>2,804,893</u>	<u>2,804,893</u>	<u>(3,202,161)</u>	<u>112,035</u>	<u>-</u>	<u>(96,281)</u>	<u>(12,093)</u>	<u>(3,198,500)</u>	<u>(2,914,856)</u>	<u>57,308,749</u>	<u>655,963</u>	<u>57,964,712</u>
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
Change in equity of investments in associates	-	782	-	-	-	-	-	-	-	-	-	-	-	782	(19)	763
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,474	97,474
Issuance of common stock from exercise of employee stock options by 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 subsidiaries	-	1,306	-	-	-	-	-	-	-	-	-	-	-	1,306	63	1,369
Balance at March 31, 2018	<u>\$ 30,765,028</u>	<u>29,864,939</u>	<u>-</u>	<u>-</u>	<u>3,512,923</u>	<u>3,512,923</u>	<u>(3,943,353)</u>	<u>215,730</u>	<u>-</u>	<u>(87,360)</u>	<u>(8,535)</u>	<u>(3,823,518)</u>	<u>(2,914,856)</u>	<u>57,404,516</u>	<u>726,098</u>	<u>58,130,614</u>
Balance at January 1, 2019	\$ 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
Net income for the period	-	-	-	-	706,290	706,290	-	-	-	-	-	-	-	706,290	(4,219)	702,071
Other comprehensive income (loss) for the period	-	-	-	-	-	-	98,737	337,031	-	(10)	-	435,758	-	435,758	6,457	442,215
Total comprehensive income (loss) for the period	-	-	-	-	706,290	706,290	98,737	337,031	-	(10)	-	435,758	-	1,142,048	2,238	1,144,286
Change in equity of investments in associates	-	25,411	-	-	-	-	-	-	-	-	-	-	-	25,411	-	25,411
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(82,616)	-	-	-	-	-	-	-	-	-	-	-	(82,616)	19,033	(63,583)
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	(1,925)	(1,925)	-	1,925	-	-	-	1,925	-	-	-	-
Balance at March 31, 2019	<u>\$ 30,749,338</u>	<u>27,856,146</u>	<u>281,559</u>	<u>2,534,028</u>	<u>3,790,228</u>	<u>6,605,815</u>	<u>(2,690,409)</u>	<u>(183,270)</u>	<u>-</u>	<u>(69,827)</u>	<u>-</u>	<u>(2,943,506)</u>	<u>(2,914,856)</u>	<u>59,352,937</u>	<u>739,463</u>	<u>60,092,400</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from operating activities:		
Income before income tax	\$ 925,504	1,024,257
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	307,556	105,168
Amortization	78,348	100,890
Net loss (gain) on financial assets measured at fair value through profit or loss	13,530	(16,903)
Interest expense	68,248	51,860
Interest income	(135,950)	(69,072)
Share-based compensation cost	-	4,927
Share of losses of associates and joint ventures	5,046	17,635
Loss (gain) on disposal of property, plant and equipment and non-current assets held for sale	1,559	(556)
Other non-current assets reclassified to costs	-	43,245
Net loss on disposal of investments	-	35,005
Other investment loss	-	3,696
Total adjustments for profit and loss	338,337	275,895
Changes in operating assets and liabilities:		
Changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	(80,337)	(107,510)
Contract assets	130,126	(116,890)
Notes and accounts receivable	2,983,789	6,394,657
Receivables from related parties	33,890	67,755
Inventories	1,445,094	613,308
Other receivables and other current assets	424,681	(766,140)
Non-current accounts receivable	-	(9,885)
Other non-current assets	(15,096)	(63,045)
Changes in operating assets	4,922,147	6,012,250
Changes in operating liabilities:		
Contract liabilities	298,152	2,381
Notes and accounts payable	(4,301,588)	(7,215,065)
Other payables and other current liabilities	(171,915)	(586,660)
Provisions	(196,487)	(1,554,528)
Refund liabilities	(569,352)	(826,183)
Other non-current liabilities	(14)	63,997
Changes in operating liabilities	(4,941,204)	(10,116,058)
Cash provided by (used in) operations	1,244,784	(2,803,656)
Interest received	125,280	68,535
Income taxes paid	(295,047)	(150,210)
Net cash provided by (used in) operating activities	1,075,017	(2,885,331)

(Continued)

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ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the three months ended March 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from investing activities:		
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	-	71,651
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	1,179	-
Acquisition of financial assets measured at fair value through profit or loss	(1,314,175)	-
Acquisition of investments accounted for using equity method	-	(3,052)
Proceeds from disposal of non-current assets held for sale	-	163,974
Additions to property, plant and equipment	(27,290)	(56,351)
Proceeds from disposal of property, plant and equipment	115	3,240
Additions to intangible assets	(58,083)	(11,048)
Net cash paid for acquisition of subsidiaries	-	(862)
Decrease in other non-current financial assets	15,213	11,684
Net cash flows from (used in) investing activities	<u>(1,383,041)</u>	<u>92,631</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(254,204)	(368,546)
Repayment of long-term debt	(1,225)	(900,089)
Payment of lease liabilities	(166,507)	-
Issuance of common stock from exercise of employee stock options by subsidiaries	-	31,053
Decrease in non-controlling interests	(83,454)	-
Increase in non-controlling interests	19,871	-
Interest paid	(55,586)	(45,342)
Net cash flows used in financing activities	<u>(541,105)</u>	<u>(1,282,924)</u>
Effect of foreign exchange rate changes	<u>34,396</u>	<u>(512,443)</u>
Net decrease in cash and cash equivalents	<u>(814,733)</u>	<u>(4,588,067)</u>
Cash and cash equivalents at beginning of period	<u>27,283,038</u>	<u>33,970,331</u>
Cash and cash equivalents at end of period	<u>\$ 26,468,305</u>	<u>29,382,264</u>