Stock Code：2409

# AU OPTRONICS CORP.
# AND SUBSIDIARIES

## Consolidated Financial Statements
## With Independent Auditors' Review Report

### For the Nine Months Ended
### September 30, 2019 and 2018

*The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

## Independent Auditors' Review Report

To the Board of Directors of AU Optronics Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of AU Optronics Corp. and its subsidiaries ("the Company") as of September 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three and nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

We conducted our reviews in accordance with Statement on Auditing Standard No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2019 and 2018, and its consolidated financial performance for the three and nine months ended September 30, 2019 and 2018, and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Emphasis of Matter

As stated in Note 3(1) to the consolidated financial statements, the Company has initially adopted the IFRS 16, "Leases" from January 1, 2019 and applied the modified retrospective approach with no restatement of comparative period amounts. Our conclusion is not modified in respect of this matter.

The engagement partners on the review resulting in this independent auditors' review report are Wei, Shing-Hai and Lu, Chien-Hui.

KPMG
Hsinchu, Taiwan (Republic of China)
October 29, 2019

***<u>Notice to Readers</u>***

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018**

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets

## September 30, 2019, December 31, 2018 and September 30, 2018
## (Expressed in thousands of New Taiwan dollars)

| | | September 30, 2019 | | December 31, 2018 | | September 30, 2018 | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | $ 71,149,438 | 18 | 69,163,296 | 17 | 63,059,900 | 15 |
| 1110 | Financial assets at fair value through profit or loss－current (Note 6(2)) | 1,554,539 | - | 1,709,531 | - | 1,668,030 | - |
| 1170 | Notes and accounts receivable, net (Note 6(4)) | 37,700,728 | 9 | 44,647,981 | 11 | 46,972,162 | 12 |
| 1180 | Accounts receivable from related parties, net (Notes 6(4)&7) | 1,919,682 | 1 | 2,754,253 | 1 | 2,592,590 | 1 |
| 1210 | Other receivables from related parties (Note 7) | 245,555 | - | 12,945 | - | 119,821 | - |
| 1220 | Current tax assets | 29,846 | - | 69,156 | - | 51,496 | - |
| 130X | Inventories (Note 6(5)) | 25,435,065 | 6 | 26,309,104 | 6 | 27,235,096 | 7 |
| 1476 | Other current financial assets (Notes 6(4)&8) | 2,798,447 | 1 | 1,459,763 | - | 1,778,791 | - |
| 1460 | Noncurrent assets held for sale (Note 6(6)) | - | - | - | - | 59,923 | - |
| 1479 | Other current assets (Note 6(14)) | 4,191,271 | 1 | 2,941,598 | 1 | 4,138,638 | 1 |
| | | 145,024,571 | 36 | 149,067,627 | 36 | 147,676,447 | 36 |
| | **Noncurrent assets:** | | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3)) | 7,490,600 | 2 | 6,979,925 | 2 | 7,066,034 | 2 |
| 1550 | Investments in equity-accounted investees (Note 6(7)) | 6,196,924 | 2 | 6,285,865 | 2 | 6,212,638 | 2 |
| 1600 | Property, plant and equipment (Notes 6(10),7&8) | 213,038,144 | 52 | 221,586,475 | 54 | 224,289,366 | 54 |
| 1755 | Right-of-use assets (Note 6(11)) | 12,442,321 | 3 | - | - | - | - |
| 1760 | Investment property (Note 6(12)) | 739,645 | - | 730,306 | - | 721,920 | - |
| 1780 | Intangible assets (Note 6(13)) | 13,027,317 | 3 | 13,377,263 | 3 | 13,498,777 | 3 |
| 1840 | Deferred tax assets | 6,692,017 | 2 | 6,632,668 | 2 | 8,062,784 | 2 |
| 1900 | Other noncurrent assets (Notes 6(14)&8) | 2,639,228 | - | 5,171,646 | 1 | 4,372,271 | 1 |
| | | 262,266,196 | 64 | 260,764,148 | 64 | 264,223,790 | 64 |
| | **Total assets** | $ 407,290,767 | 100 | 409,831,775 | 100 | 411,900,237 | 100 |

| | | September 30, 2019 | | December 31, 2018 | | September 30, 2018 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | | |
| 2100 | Short-term borrowings (Note 6(15)) | $ 1,236,568 | - | 546,472 | - | 1,556,067 | - |
| 2120 | Financial liabilities at fair value through profit or loss－current (Note 6(2)) | 69,972 | - | 22,115 | - | 217,196 | - |
| 2170 | Notes and accounts payable | 48,056,603 | 12 | 50,459,587 | 12 | 49,569,647 | 12 |
| 2180 | Notes and accounts payable to related parties (Note 7) | 7,175,168 | 2 | 8,161,186 | 2 | 8,384,117 | 2 |
| 2213 | Equipment and construction payable (Note 7) | 6,451,507 | 2 | 11,231,333 | 3 | 11,459,748 | 3 |
| 2220 | Other payables to related parties (Note 7) | 28,506 | - | 27,998 | - | 21,194 | - |
| 2230 | Current tax liabilities | 1,645,928 | - | 3,094,253 | 1 | 4,656,724 | 1 |
| 2250 | Provisions－current (Note 6(17)) | 779,391 | - | 1,507,564 | - | 1,625,655 | - |
| 2280 | Lease liabilities－current (Note 6(11)) | 691,625 | - | - | - | - | - |
| 2399 | Other current liabilities | 18,815,127 | 5 | 24,291,532 | 6 | 23,019,179 | 6 |
| 2322 | Current installments of long-term borrowings (Notes 6(16)&8) | 8,013,092 | 2 | 29,595,931 | 7 | 24,407,838 | 6 |
| | | 92,963,487 | 23 | 128,937,971 | 31 | 124,917,365 | 30 |
| | **Noncurrent liabilities:** | | | | | | |
| 2540 | Long-term borrowings, excluding current installments (Notes 6(16)&8) | 98,378,179 | 24 | 56,709,387 | 14 | 62,861,242 | 16 |
| 2550 | Provisions－noncurrent (Note 6(17)) | 1,062,567 | - | 1,030,485 | - | 1,032,670 | - |
| 2570 | Deferred tax liabilities | 3,618,936 | 1 | 3,845,593 | 1 | 3,825,793 | 1 |
| 2580 | Lease liabilities－noncurrent (Note 6(11)) | 10,537,680 | 3 | - | - | - | - |
| 2600 | Other noncurrent liabilities | 2,198,659 | - | 2,029,651 | 1 | 1,988,119 | - |
| | | 115,796,021 | 28 | 63,615,116 | 16 | 69,707,824 | 17 |
| | **Total liabilities** | 208,759,508 | 51 | 192,553,087 | 47 | 194,625,189 | 47 |
| | **Equity:** (Note 6(19)) | | | | | | |
| | **Equity attributable to shareholders of AU Optronics Corp.:** | | | | | | |
| 3100 | Common stock | 96,242,451 | 23 | 96,242,451 | 23 | 96,242,451 | 23 |
| 3200 | Capital surplus | 60,463,117 | 15 | 60,622,043 | 15 | 60,599,752 | 15 |
| 3300 | Retained earnings | 31,676,501 | 8 | 46,845,991 | 11 | 46,609,552 | 11 |
| 3400 | Other components of equity | (1,297,240) | - | (847,770) | - | (1,187,503) | - |
| 3500 | Treasury shares | (234,762) | - | - | - | - | - |
| | | 186,850,067 | 46 | 202,862,715 | 49 | 202,264,252 | 49 |
| | **Non-controlling interests:** | | | | | | |
| 36XX | Non-controlling interests | 11,681,192 | 3 | 14,415,973 | 4 | 15,010,796 | 4 |
| | **Total equity** | 198,531,259 | 49 | 217,278,688 | 53 | 217,275,048 | 53 |
| | **Total Liabilities and Equity** | $ 407,290,767 | 100 | 409,831,775 | 100 | 411,900,237 | 100 |

See accompanying notes to the consolidated financial statements

**Reviewed only, not audited in accordance with generally accepted auditing standards**

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the Three and Nine Months Ended September 30, 2019 and 2018
## (Expressed in thousands of New Taiwan dollars, except for earnings per share)

| | | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2019 | | 2018 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4110 | **Revenue** | $ 70,482,069 | 101 | 81,397,413 | 100 | 208,151,036 | 101 | 231,585,932 | 100 |
| 4190 | Less: sales return and discount | 428,762 | 1 | 354,888 | - | 1,327,551 | 1 | 1,044,902 | - |
| | **Net revenue** (Notes 6(21)&7) | 70,053,307 | 100 | 81,042,525 | 100 | 206,823,485 | 100 | 230,541,030 | 100 |
| 5000 | **Cost of sales** (Notes 6(5),(11),(22),(23)&7) | 70,325,459 | 100 | 72,401,533 | 89 | 204,869,209 | 99 | 206,485,258 | 89 |
| | **Gross profit (loss)** | (272,152) | - | 8,640,992 | 11 | 1,954,276 | 1 | 24,055,772 | 11 |
| | **Operating expenses** (Notes 6(11),(22),(23)&7)**:** | | | | | | | | |
| 6100 | Selling and distribution expenses | 941,776 | 1 | 1,018,136 | 1 | 2,890,384 | 1 | 2,908,310 | 1 |
| 6200 | General and administrative expenses | 1,828,240 | 3 | 2,071,415 | 3 | 5,621,161 | 3 | 6,019,385 | 3 |
| 6300 | Research and development expenses | 2,394,891 | 4 | 2,482,838 | 3 | 7,400,230 | 4 | 7,006,623 | 3 |
| | **Total operating expenses** | 5,164,907 | 8 | 5,572,389 | 7 | 15,911,775 | 8 | 15,934,318 | 7 |
| | **Profit (loss) from operations** | (5,437,059) | (8) | 3,068,603 | 4 | (13,957,499) | (7) | 8,121,454 | 4 |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7010 | Other income (Notes 6(24)&7) | 895,333 | 1 | 2,668,572 | 3 | 3,646,168 | 2 | 4,631,079 | 2 |
| 7020 | Other gains and losses (Notes 6(25)&7) | 561,969 | 1 | (23,440) | - | 631,886 | - | 532,936 | - |
| 7050 | Finance costs (Notes 6(10),(11)&(26)) | (800,664) | (1) | (667,671) | (1) | (2,476,132) | (1) | (1,970,771) | (1) |
| 7060 | Share of profit of equity-accounted investees (Note 6(7)) | 63,834 | - | 131,351 | - | 252,938 | - | 251,333 | - |
| | **Total non-operating income and expenses** | 720,472 | 1 | 2,108,812 | 2 | 2,054,860 | 1 | 3,444,577 | 1 |
| 7900 | **Profit (loss) before income tax** | (4,716,587) | (7) | 5,177,415 | 6 | (11,902,639) | (6) | 11,566,031 | 5 |
| 7950 | **Less: income tax expense** (Note 6(27)) | 20,366 | - | 858,361 | 1 | 555,247 | - | 3,179,813 | 1 |
| 8200 | **Profit (loss) for the period** | (4,736,953) | (7) | 4,319,054 | 5 | (12,457,886) | (6) | 8,386,218 | 4 |
| 8300 | **Other comprehensive income (loss)** (Notes 6(7), (19)&(27))**:** | | | | | | | | |
| 8310 | **Items that will never be reclassified to profit or loss** | | | | | | | | |
| 8316 | Unrealized gain (loss) on equity investments at fair value through other comprehensive income | 362,644 | - | (537,832) | (1) | 500,794 | - | (669,943) | - |
| 8320 | Equity-accounted investees – share of other comprehensive income (loss) | (1,498) | - | (2,750) | - | 329 | - | 4,983 | - |
| 8349 | Related tax | - | - | - | - | - | - | 27,517 | - |
| | | 361,146 | - | (540,582) | (1) | 501,123 | - | (637,443) | - |
| 8360 | **Items that are or may be reclassified subsequently to profit or loss** | | | | | | | | |
| 8361 | Foreign operations – foreign currency translation differences | (2,254,376) | (3) | (1,790,998) | (1) | (1,547,420) | - | (1,413,594) | (1) |
| 8370 | Equity-accounted investees – share of other comprehensive income (loss) | (16,587) | - | (36,027) | - | (15,165) | - | (31,367) | - |
| 8399 | Related tax | 406,453 | 1 | 396,828 | - | 296,321 | - | 291,737 | - |
| | | (1,864,510) | (2) | (1,430,197) | (1) | (1,266,264) | - | (1,153,224) | (1) |
| 8300 | **Other comprehensive income (loss), net of tax** | (1,503,364) | (2) | (1,970,779) | (2) | (765,141) | - | (1,790,667) | (1) |
| 8500 | **Total comprehensive income (loss) for the period** | $ (6,240,317) | (9) | 2,348,275 | 3 | (13,223,027) | (6) | 6,595,551 | 3 |
| | **Profit (loss) attributable to:** | | | | | | | | |
| 8610 | Shareholders of AU Optronics Corp. | $ (3,987,092) | (6) | 4,318,152 | 5 | (10,357,238) | (5) | 9,879,769 | 4 |
| 8620 | Non-controlling interests | (749,861) | (1) | 902 | - | (2,100,648) | (1) | (1,493,551) | - |
| | | $ (4,736,953) | (7) | 4,319,054 | 5 | (12,457,886) | (6) | 8,386,218 | 4 |
| | **Total comprehensive income (loss) attributable to:** | | | | | | | | |
| 8710 | Shareholders of AU Optronics Corp. | $ (5,067,798) | (7) | 2,909,094 | 4 | (10,806,838) | (5) | 8,509,088 | 4 |
| 8720 | Non-controlling interests | (1,172,519) | (2) | (560,819) | (1) | (2,416,189) | (1) | (1,913,537) | (1) |
| | | $ (6,240,317) | (9) | 2,348,275 | 3 | (13,223,027) | (6) | 6,595,551 | 3 |
| | **Earnings (loss) per share** (NT$, Note 6(28)) | | | | | | | | |
| 9750 | Basic earnings (loss) per share | $ (0.41) | | 0.45 | | (1.08) | | 1.03 | |
| 9850 | Diluted earnings (loss) per share | $ (0.41) | | 0.45 | | (1.08) | | 1.01 | |

See accompanying notes to the consolidated financial statements

**Reviewed only, not audited in accordance with generally accepted auditing standards**

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the Nine Months Ended September 30, 2019 and 2018
## (Expressed in thousands of New Taiwan dollars)

| | Equity Attributable to Shareholders of AU Optronics Corp. | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | | Retained Earnings | | | | Other Components of Equity | | | | | | | |
| | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Subtotal | Cumulative Translation Differences | Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income | Unrealized Gains (Losses) on Available-for-sale Financial Assets | Subtotal | Treasury Shares | Equity Attributable to Shareholders of AU Optronics Corp. | Non-controlling Interests | Total Equity |
| **Balance at January 1, 2018** | $ 96,242,451 | 60,540,326 | 3,439,686 | - | 47,675,843 | 51,115,529 | (1,120,969) | - | 1,377,031 | 256,062 | - | 208,154,368 | 17,090,747 | 225,245,115 |
| Adjustments on initial application of new standards | - | - | - | - | 73,020 | 73,020 | - | 1,303,816 | (1,377,031) | (73,215) | - | (195) | - | (195) |
| **Adjusted balance at January 1, 2018** | 96,242,451 | 60,540,326 | 3,439,686 | - | 47,748,863 | 51,188,549 | (1,120,969) | 1,303,816 | - | 182,847 | - | 208,154,173 | 17,090,747 | 225,244,920 |
| Appropriation of earnings | | | | | | | | | | | | | | |
| Legal reserve | - | - | 3,235,942 | - | (3,235,942) | - | - | - | - | - | - | - | - | - |
| Cash dividends distributed to shareholders | - | - | - | - | (14,436,368) | (14,436,368) | - | - | - | - | - | (14,436,368) | - | (14,436,368) |
| Profit (loss) for the period | - | - | - | - | 9,879,769 | 9,879,769 | - | - | - | - | - | 9,879,769 | (1,493,551) | 8,386,218 |
| Other comprehensive income (loss), net of tax | - | - | - | - | 27,528 | 27,528 | (734,712) | (663,497) | - | (1,398,209) | - | (1,370,681) | (419,986) | (1,790,667) |
| Total comprehensive income (loss) for the period | - | - | - | - | 9,907,297 | 9,907,297 | (734,712) | (663,497) | - | (1,398,209) | - | 8,509,088 | (1,913,537) | 6,595,551 |
| Changes in deemed contributions from shareholders | - | 33,385 | - | - | - | - | - | - | - | - | - | 33,385 | - | 33,385 |
| Adjustments for changes in investees' equity | - | 6,517 | - | - | (2,023) | (2,023) | - | 2,181 | - | 2,181 | - | 6,675 | 245 | 6,920 |
| Group reorganization | - | 19,524 | - | - | - | - | (22,225) | - | - | (22,225) | - | (2,701) | 2,701 | - |
| Disposal of equity investments measured at fair value through other comprehensive income | - | - | - | - | (47,903) | (47,903) | - | 47,903 | - | 47,903 | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (169,360) | (169,360) |
| **Balance at September 30, 2018** | **$ 96,242,451** | **60,599,752** | **6,675,628** | **-** | **39,933,924** | **46,609,552** | **(1,877,906)** | **690,403** | **-** | **(1,187,503)** | **-** | **202,264,252** | **15,010,796** | **217,275,048** |
| **Balance at January 1, 2019** | $ 96,242,451 | 60,622,043 | 6,675,628 | - | 40,170,363 | 46,845,991 | (1,449,910) | 602,140 | - | (847,770) | - | 202,862,715 | 14,415,973 | 217,278,688 |
| Appropriation of earnings | | | | | | | | | | | | | | |
| Legal reserve | - | - | 1,016,060 | - | (1,016,060) | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 847,770 | (847,770) | - | - | - | - | - | - | - | - | - |
| Cash dividends distributed to shareholders | - | - | - | - | (4,812,122) | (4,812,122) | - | - | - | - | - | (4,812,122) | - | (4,812,122) |
| Loss for the period | - | - | - | - | (10,357,238) | (10,357,238) | - | - | - | - | - | (10,357,238) | (2,100,648) | (12,457,886) |
| Other comprehensive income (loss), net of tax | - | - | - | - | (130) | (130) | (950,723) | 501,253 | - | (449,470) | - | (449,600) | (315,541) | (765,141) |
| Total comprehensive income (loss) for the period | - | - | - | - | (10,357,368) | (10,357,368) | (950,723) | 501,253 | - | (449,470) | - | (10,806,838) | (2,416,189) | (13,223,027) |
| Changes in deemed contributions from shareholders | - | (109) | - | - | - | - | - | - | - | - | - | (109) | - | (109) |
| Treasury shares acquired | - | - | - | - | - | - | - | - | - | - | (234,762) | (234,762) | - | (234,762) |
| Adjustments for changes in investees' equity | - | (51,740) | - | - | - | - | - | - | - | - | - | (51,740) | - | (51,740) |
| Adjustments of changes in ownership of subsidiaries | - | (84,795) | - | - | - | - | - | - | - | - | - | (84,795) | 84,795 | - |
| Differences between acquisition price and carrying amount arising from acquisition of subsidiaries | - | (22,282) | - | - | - | - | - | - | - | - | - | (22,282) | 22,282 | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (425,669) | (425,669) |
| **Balance at September 30, 2019** | **$ 96,242,451** | **60,463,117** | **7,691,688** | **847,770** | **23,137,043** | **31,676,501** | **(2,400,633)** | **1,103,393** | **-** | **(1,297,240)** | **(234,762)** | **186,850,067** | **11,681,192** | **198,531,259** |

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the Nine Months Ended September 30, 2019 and 2018
## (Expressed in thousands of New Taiwan dollars)

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit (loss) before income tax** | $ (11,902,639) | 11,566,031 |
| **Adjustments for:** | | |
| - depreciation | 26,811,535 | 24,846,008 |
| - amortization | 345,161 | 417,999 |
| - losses on financial instruments at fair value through profit or loss | 4,596 | 110,366 |
| - interest expense | 2,476,132 | 1,970,771 |
| - interest income | (675,934) | (588,250) |
| - dividend income | (295,575) | (468,263) |
| - share of profit of equity-accounted investees | (252,938) | (251,333) |
| - gains on disposals of property, plant and equipment, net | (94,571) | (810,150) |
| - unrealized foreign currency exchange losses (gains) | (240,864) | 274,547 |
| - others | 12,555 | (132,099) |
| Changes in operating assets and liabilities: | | |
| - notes and accounts receivable | 7,389,325 | (5,889,298) |
| - receivables from related parties | 601,961 | (672,905) |
| - inventories | 845,506 | (2,528,881) |
| - other current assets | (1,716,097) | 2,449,629 |
| - notes and accounts payable | (2,527,277) | 2,153,723 |
| - payables to related parties | (985,510) | 719,419 |
| - net defined benefit liability | (76,232) | (72,581) |
| - provisions | (695,210) | 764,419 |
| - other current liabilities | (4,815,689) | (5,120,990) |
| Cash generated from operations | 14,208,235 | 28,738,162 |
| Cash received from interest income | 698,234 | 598,274 |
| Cash received from dividends | 568,871 | 670,234 |
| Cash paid for interest | (2,661,428) | (1,837,374) |
| Cash paid for income taxes | (1,954,340) | (706,981) |
| **Net cash provided by operating activities** | 10,859,572 | 27,462,315 |

(Continued)

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards

**AU OPTRONICS CORP. AND SUBSIDIARIES**

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

**For the Nine Months Ended September 30, 2019 and 2018**
**(Expressed in thousands of New Taiwan dollars)**

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Acquisitions of financial assets at fair value through profit or loss | (2,652,280) | (2,044,102) |
| Disposals of financial assets at fair value through profit or loss | 2,911,179 | 461,225 |
| Acquisitions of financial assets at fair value through other comprehensive income | (10,714) | (3,452,487) |
| Disposals of financial assets at fair value through other comprehensive income | - | 59,021 |
| Acquisitions of equity-accounted investees | - | (684,755) |
| Net cash outflow arising from acquisition of subsidiaries | - | (565,468) |
| Net cash inflow resulting from disposal of subsidiaries | - | 51,341 |
| Acquisitions of property, plant and equipment | (23,553,959) | (26,474,651) |
| Disposals of property, plant and equipment | 137,521 | 3,292,332 |
| Decrease (increase) in refundable deposits | 14,084 | (167,951) |
| Decrease in other financial assets | 55,782 | 4,730 |
| **Net cash used in investing activities** | (23,098,387) | (29,520,765) |
| **Cash flows from financing activities:** | | |
| Proceeds from short-term borrowings | 1,264,066 | 1,736,797 |
| Repayments of short-term borrowings | (566,638) | (3,545,269) |
| Proceeds from long-term borrowings | 70,420,000 | 3,726,381 |
| Repayments of long-term borrowings | (49,892,994) | (26,986,529) |
| Payments of lease liabilities | (519,876) | - |
| Increase (decrease) in guarantee deposits | 8,417 | (4,230) |
| Cash dividends paid | (4,812,122) | (14,436,368) |
| Payments to acquire treasury shares | (234,762) | - |
| Net change of non-controlling interests and others | (425,778) | (135,970) |
| **Net cash provided by (used in) financing activities** | 15,240,313 | (39,645,188) |
| **Effect of exchange rate change on cash and cash equivalents** | (1,015,356) | (257,078) |
| **Net increase (decrease) in cash and cash equivalents** | 1,986,142 | (41,960,716) |
| **Cash and cash equivalents at beginning of the period** | 69,163,296 | 105,020,616 |
| **Cash and cash equivalents at end of the period** | $ 71,149,438 | 63,059,900 |

See accompanying notes to the consolidated financial statements

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## For the Nine Months Ended September 30, 2019 and 2018
## (Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

### 1. Organization

AU Optronics Corp. (“AUO”) was founded on August 12, 1996 and is located in Hsinchu Science Park, the Republic of China (“ROC”). AUO’s main activities are the research, development, production and sale of thin film transistor liquid crystal displays (“TFT-LCDs”) and other flat panel displays used in a wide variety of applications. AUO also engages in the production and sale of solar modules and systems. AUO’s common shares have been publicly listed on the Taiwan Stock Exchange since September 2000, and its American Depositary Shares (“ADSs”) have been listed on the New York Stock Exchange (“NYSE”) since May 2002. On and from October 1, 2019, AUO's ADSs has delisted from the NYSE and begun trading on the over-the-counter (“OTC”) market.

On September 1, 2001, October 1, 2006 and October 1, 2016, Unipac Optoelectronics Corp. (“Unipac”), Quanta Display Inc. (“QDI”) and Taiwan CFI Co., Ltd. (“CFI”) were merged with and into AUO, respectively. AUO is the surviving Company, whereas Unipac, QDI and CFI were dissolved.

The consolidated financial statements comprise AUO and its subsidiaries (collectively as “the Company”).

### 2. The Authorization of Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors of AUO on October 29, 2019.

### 3. Application of New and Revised Standards, Amendments and Interpretations

(1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC (“FSC”)

In preparing the accompanying consolidated financial statements, the Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2019.

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IFRS 9, *Prepayment Features with Negative Compensation* | January 1, 2019 |
| IFRS 16, *Leases* | January 1, 2019 |



(Continued)

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement* | January 1, 2019 |
| Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures* | January 1, 2019 |
| IFRIC 23, *Uncertainty over Income Tax Treatments* | January 1, 2019 |
| Annual Improvements to IFRSs 2015 – 2017 Cycle | January 1, 2019 |

Except for the item discussed below, the adoption of abovementioned standards and interpretations has not had a material impact on the Company's accounting policies.

IFRS 16, *Leases*

IFRS 16 sets out the accounting standards for leases, which replaces IAS 17, *Leases* and the related interpretations.

Upon the initial application of IFRS 16, if the Company is a lessee, it is required to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with exception for leases of low-value assets and short-term leases which the Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17. Additionally, a depreciation expense charged on the right-of-use asset and an interest expense accrued on the lease liability, for which interest is computed by using effective interest method, are recognized separately on the statement of comprehensive income. On the statement of cash flows, cash payments for the principal amount of the lease liability is classified within financing activities; cash payments for interest portion is classified within operating activities. See Note 4(3) for an explanation of the Company's accounting policies on leases.

When IFRS 16 became effective, as a lessee, the Company applied this Standard using the modified retrospective approach with the cumulative effect of the initial application of this Standard recognized at the date of initial application. Comparative financial information, therefore, has not been restated. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sublease. The Company has accounted for those leases in accordance with IFRS 16 starting from the date of initial application. On January 1, 2019, based on the assessment of the remaining contractual terms and conditions agreed in head leases and subleases, all of the Company's subleases were classified as operating leases.

As at January 1, 2019, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, except for leases of low-value asset and short-term leases, were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. The Company also tested right-of-use assets for impairment applying IAS 36.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

a. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
b. Applied the exemption not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
c. Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.
d. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application were determined at the carrying amount of the lease asset and lease payable under IAS 17 as at December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized by the Company at January 1, 2019 is 1.87%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating leases on December 31, 2018 is presented as follows:

| | | **Amounts** (in thousands) |
|---|---|---|
| The future minimum lease payments of non-cancellable operating leases on December 31, 2018 | $ | 5,942,211 |
| Recognition exemption for short-term leases | | (43,032) |
| Other leases in scope of IFRS 16 | | 125,328 |
| Undiscounted amount on January 1, 2019 | **$** | **6,024,507** |
| Discounted amount using the incremental borrowing rate on January 1, 2019 | $ | 5,445,818 |
| Finance lease payments recognized on December 31, 2018 | | 2,496 |
| Extension of lease that reasonably certain to be exercised | | 7,241,212 |
| Lease liabilities recognized on January 1, 2019 | **$** | **12,689,526** |

The following table summarized the impacts of initially applying IFRS 16 on the Company's assets, liabilities and equity as at January 1, 2019.

| | January 1, 2019 | | |
|---|---|---|---|
| | **Carrying amount under IAS 17 and related standards and interpretations** | **Adjustments from changes in accounting policies** | **Carrying amount under IFRS 16** |
| | | (in thousands) | |
| Other current assets | $ 2,941,598 | (6,638) | 2,934,960 |
| Property, plant and equipment | 221,586,475 | (1,765) | 221,584,710 |
| Right-of-use assets | - | 14,059,544 | 14,059,544 |
| Other noncurrent assets | 5,171,646 | (1,364,111) | 3,807,535 |
| **Impacts to total assets** | | **$ 12,687,030** | |
| Lease liabilities–current | $ - | 708,167 | 708,167 |
| Other current liabilities | 24,291,532 | (931) | 24,290,601 |
| Lease liabilities–noncurrent | - | 11,981,359 | 11,981,359 |
| Other noncurrent liabilities | 2,029,651 | (1,565) | 2,028,086 |
| **Impacts to total liabilities** | | **$ 12,687,030** | |
| **Impacts to total equity** | | **$ -** | |

(2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from 2020. The related new, revised or amended standards and interpretations are set out below:

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IFRS 3, *Definition of a Business* | January 1, 2020 |
| Amendments to IAS 1 and IAS 8, *Definition of Material* | January 1, 2020 |

The Company assesses that the initial adoption of the abovementioned standards would not have any material impact on its accounting policies.

(3) The IFRSs issued by the IASB but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below.

| **New, Revised or Amended Standards and Interpretations** | **Effective Date Issued by IASB** |
|---|---|
| Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Subject to IASB's announcement |
| IFRS 17, *Insurance Contracts* | January 1, 2021 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform* | January 1, 2020 |

As of the date that the accompanying consolidated financial statements were issued, the Company continues in assessing the impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations. The related impact will be disclosed when the assessment is complete.

## 4. Summary of Significant Accounting Policies

(1) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and IAS 34, *Interim Financial Reporting*, as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed by the FSC with effective dates.

Except as described below, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2018, and have been applied consistently to all periods presented in the consolidated financial statements. Refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018 for the details.

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2018. Refer to Note 4(3) of the consolidated financial statements for the year ended December 31, 2018 for the details.

List of subsidiaries in the consolidated financial statements was as follows:

| Name of Investor | Name of Subsidiary | Main Activities and Location | Percentage of Ownership (%) | | |
|---|---|---|---|---|---|
| | | | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| AUO | AU Optronics (L) Corp. (AULB) | Holding and trading company (Malaysia) | 100.00 | 100.00 | 100.00 |
| AUO | Konly Venture Corp. (Konly) | Venture capital investment (Taiwan ROC) | 100.00 | 100.00 | 100.00 |
| AUO | Ronly Venture Corp. (Ronly) | Venture capital investment (Taiwan ROC) | 100.00 | 100.00 | 100.00 |
| AUO | Space Money Inc. (SMI) | Sales and leasing of content management system and hardware (Taiwan ROC) | 100.00 | 100.00 | 100.00 |
| AUO | U-Fresh Technology Inc. (UTI) | Planning, design and development of construction for environmental protection and related project management (Taiwan ROC) | 100.00 | 100.00 | 100.00 |
| AUO | ComQi Ltd. (CQIL) | Holding company (Israel) | 100.00 | 100.00(1) | 100.00(1) |
| AUO, Konly and Ronly | Darwin Precisions Corporation (DPTW) | Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts (Taiwan ROC) | 41.05(2) | 41.05(2) | 41.05(2) |
| AUO, Konly and Ronly | AUO Crystal Corp. (ACTW) | Manufacturing and sales of ingots and solar wafers (Taiwan ROC) | 100.00(3) | 96.02(3) | 96.02 |
| ACTW | Sanda Materials Corporation (SDMC) | Holding company (Taiwan ROC) | 100.00 | 100.00(4) | 99.9951(4) |
| AUO and AULB | AU Optronics Europe B.V. (AUNL) | Sales and sales support of TFT-LCD panels (Netherlands) | 100.00 | 100.00(5) | 100.00 |
| Konly | LiGen Power Corporation (LGPC) | Renewable energy power generation (Taiwan ROC) | - | -(6) | 100.00 |
| ACTW | AUO Crystal (Malaysia) Sdn. Bhd. (ACMK) | Manufacturing and sales of solar wafers (Malaysia) | 100.00 | 100.00 | 100.00 |
| SDMC | M.Setek Co., Ltd. (M.Setek) | Manufacturing and sales of ingots (Japan) | 99.9991 | 99.9991 | 99.9991 |
| AULB | AU Optronics Corporation America (AUUS) | Sales and sales support of TFT-LCD panels (United States) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics Corporation Japan (AUJP) | Sales support of TFT-LCD panels (Japan) | 100.00 | 100.00 | 100.00 |

| Name of Investor | Name of Subsidiary | Main Activities and Location | Percentage of Ownership (%) September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|---|---|
| AULB | AU Optronics Korea Ltd. (AUKR) | Sales support of TFT-LCD panels (South Korea) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics Singapore Pte. Ltd. (AUSG) | Holding company and sales support of TFT-LCD panels (Singapore) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Czech) s.r.o. (AUCZ) | Assembly of solar modules (Czech Republic) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Shanghai) Co., Ltd. (AUSH) | Sales support of TFT-LCD panels (PRC) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Xiamen) Corp. (AUXM) | Manufacturing, assembly and sales of TFT-LCD modules (PRC) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Suzhou) Corp., Ltd. (AUSZ) | Manufacturing, assembly and sales of TFT-LCD modules (PRC) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics Manufacturing (Shanghai) Corp. (AUSJ) | Manufacturing and assembly of TFT-LCD modules; leasing (PRC) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Slovakia) s.r.o. (AUSK) | Repairing of TFT-LCD modules (Slovakia Republic) | 100.00 | 100.00 | 100.00 |
| AULB | AFPD Pte., Ltd. (AUST) | Manufacturing TFT-LCD panels based on low temperature polysilicon technology (Singapore) | 100.00 | 100.00 | 100.00 |
| AULB | AU Optronics (Kunshan) Co., Ltd. (AUKS) | Manufacturing and sales of TFT-LCD panels (PRC) | 51.00 | 51.00 | 51.00 |
| AULB | a.u. Vista Inc. (AUVI) | Research and development and IP related business (United States) | 100.00 | 100.00 | 100.00 |
| AULB and DPTW | BriView (L) Corp. (BVLB) | Holding company (Malaysia) | 100.00 | 100.00 | 100.00 |
| AUSG | AUO Energy (Tianjin) Corp. (AETJ)(6) | Manufacturing and sales of solar modules (PRC) | 100.00 | 100.00 | 100.00 |
| AUSG | AUO Green Energy America Corp. (AEUS) | Sales support of solar-related products (United States) | 100.00 | 100.00 | 100.00 |
| AUSG | AUO Green Energy Europe B.V. (AENL) | Sales support of solar-related products (Netherlands) | 100.00 | 100.00 | 100.00 |
| AUXM | BriView (Xiamen) Corp. (BVXM) | Manufacturing and sales of liquid crystal products and related parts (PRC) | 100.00 | 100.00 | 100.00 |

| Name of Investor | Name of Subsidiary | Main Activities and Location | Percentage of Ownership (%) | | |
|---|---|---|---|---|---|
| | | | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| AUSH | AUO Care Information Tech. (Suzhou) Co., Ltd. (A-Care) | Design, development and sales of software and hardware for health care industry (PRC) | 100.00 | 100.00 | 100.00 |
| AUSH | U-Fresh Technology (Suzhou) Co., Ltd. (UFSZ) | Planning, design and development of construction project for environmental protection and related project management (PRC) | 100.00 | 100.00(7) | 100.00(7) |
| AUSH | Edgetech Data Technologies (Suzhou) Corp., Ltd. (EDT) | Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing (PRC) | 100.00 | 100.00(7) | 100.00(7) |
| AUSH | Mega Insight Smart Manufacturing (Suzhou) Corp., Ltd. (MIS) | Development and licensing of software relating to intelligent manufacturing, and related consulting services (PRC) | 100.00 | 100.00(7) | 100.00(7) |
| UFSZ | U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSD) | Planning, design and development of construction project for environmental protection and related project management (PRC) | 100.00(7) | - | - |
| CQIL | ComQi Holdings Ltd. (CQHLD) | Holding company (United Kingdom) | 100.00 | 100.00(1) | 100.00(1) |
| CQHLD | ComQi UK Ltd. (CQUK) | Sales support of content management system (United Kingdom) | 100.00 | 100.00(1) | 100.00(1) |
| CQHLD | ComQi Inc. (CQUS) | Sales of content management system and hardware (United States) | 100.00 | 100.00(1) | 100.00(1) |
| CQHLD | ComQi Canada Inc. (CQCA) | Research and development of content management system (Canada) | 100.00 | 100.00(1) | 100.00(1) |
| DPTW | Darwin Precisions (L) Corp. (DPLB) | Holding company (Malaysia) | 100.00 | 100.00 | 100.00 |
| DPTW | Forhouse International Holding Ltd. (FHVI) | Holding company (BVI) | 100.00 | 100.00 | 100.00 |
| DPTW | Force International Holding Ltd. (FRVI) | Holding company (BVI) | 100.00 | 100.00 | 100.00 |
| FHVI | Fortech International Corp. (FTMI) | Holding company (Mauritius) | 100.00 | 100.00 | 100.00 |

| Name of Investor | Name of Subsidiary | Main Activities and Location | Percentage of Ownership (%) September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|---|---|
| FHVI | Forward Optronics International Corp. (FWSA) | Holding company (Samoa) | 100.00 | 100.00 | 100.00 |
| FHVI | Prime Forward International Ltd. (PMSA) | Holding company (Samoa) | 100.00 | 100.00 | 100.00 |
| FRVI | Forefront Corporation (FFMI) | Holding company (Mauritius) | 100.00 | 100.00 | 100.00 |
| FFMI | Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ) | Manufacturing of motorized treadmills (PRC) | 100.00 | 100.00 | 100.00 |
| FTMI | Fortech Electronics (Suzhou) Co., Ltd. (FTWJ) | Manufacturing and sales of backlight modules and related parts (PRC) | 100.00 | 100.00 | 100.00 |
| FWSA and FTMI | Suzhou Forplax Optronics Co., Ltd. (FPWJ) | Manufacturing and sales of precision plastic parts (PRC) | 100.00 | 100.00 | 100.00 |
| PMSA | Fortech Electronics (Kunshan) Co., Ltd. (FTKS) | Manufacturing and sales of backlight modules and related parts (PRC) | 100.00 | 100.00 | 100.00 |
| DPLB | Darwin Precisions (Hong Kong) Limited (DPHK) | Holding company (Hong Kong) | 100.00 | 100.00 | 100.00 |
| DPLB | Darwin Precisions (Slovakia) s.r.o. (DPSK) | Manufacturing, assembly and sales of automotive parts (Slovakia Republic) | 100.00 | 100.00 | 100.00 |
| DPHK | Darwin Precisions (Suzhou) Corp. (DPSZ) | Manufacturing and sales of backlight modules and related parts (PRC) | 100.00 | 100.00 | 100.00 |
| DPHK | Darwin Precisions (Xiamen) Corp. (DPXM) | Manufacturing and sales of backlight modules and related parts (PRC) | 100.00 | 100.00 | 100.00 |
| BVLB | BriView (Hefei) Co., Ltd. (BVHF) | Manufacturing and sales of liquid crystal products and related parts (PRC) | 100.00 | 100.00 | 100.00 |

Note 1: In March 2018, the Company acquired 100% of the shareholdings of CQIL and its subsidiaries (hereinafter referred to as “ComQi”) and therefore, obtained control over ComQi. Refer to Note 6(8) for further details.

Note 2: Although the Company did not own more than 50% of the DPTW’s ownership interests, it was considered to have de facto control over the main operating policies of DPTW. As a result, DPTW was accounted for as a subsidiary of the Company.

Note 3: As part of a business restructuring, Konly and Ronly disposed of its shareholdings in ACTW to AUO in December 2018 and February 2019. This was treated as an equity transaction as there was no change in control of ACTW by the Company.

Note 4: As part of a business restructuring, AUO, Konly and Ronly disposed all of their shareholdings in SDMC to ACTW during the second quarter of 2018. This was treated as an equity transaction as there was no change in control of SDMC by the Company.

Note 5: As part of a business restructuring, AULB disposed all of its shareholdings in AUNL to AUO in December 2018. This was treated as an equity transaction as there was no change in control of AUNL by the Company.

Note 6: As part of a business restructuring, AETJ and LGPC have been resolved by their respective boards of directors for dissolution. As of September 30, 2019, AETJ is still in the process of liquidation, while LGPC has been liquidated.

Note 7: UFSZ was incorporated in February 2018. EDT and MIS were incorporated in August 2018. UFSD was incorporated in May 2019.

(3) Leases (policy applicable from January 1, 2019)

a. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

(i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and

(ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and

(iii) the Company has the right to direct the use of the identified asset throughout the period of use.

b. As a lessee

Payments for leases of low-value assets and short-term leases are recognized as expenses on a straight-line basis during the lease term for which the recognition exemption is applied. Except for leases described above, a right-of-use asset and a lease liability shall be recognized for all other leases at the lease commencement date.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments (including fixed payments and variable lease payments that depend on an index or a rate), discounted using the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred in restoring the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the useful life of the right-of-use asset or the lease term. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured (i) if there is a change in the lease term; (ii) if there is a change in future lease payments arising from a change in an index or a rate; (iii) if there is a change in the amounts expected to be payable under a residual value guarantee; or (iv) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in the circumstances aforementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Moreover, the lease liability is remeasured when lease modifications occur that decrease the scope of the lease. The Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

c. As a lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased to others and recognized as an expense on a straight-line basis over the lease term.

(4) Treasury shares

Where the Company repurchases its common stock that has been issued, the consideration paid, including all directly attributable costs is recorded as treasury share and deducted from equity. When treasury share is reissued, the excess of sales proceeds over cost is accounted for as capital surplus – treasury shares. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of capital surplus arising from similar types of treasury shares. If such capital surplus is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The carrying amount of treasury share is calculated using the weighted-average cost of different types of repurchase.

If treasury share is retired, the weighted-average cost of the retired treasury share is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus – treasury shares, or a reduction of retained earnings for any deficiency where capital surplus – treasury shares is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and the capital surplus premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus – treasury shares.

 (Continued)

(5) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially-determined pension cost rate at the end of prior fiscal year, adjusted for significant market fluctuations subsequent to the end of prior fiscal year and for significant curtailments, settlements, or other significant one-time events.

(6) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, *Interim Financial Reporting*.

Income tax expense for the period is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate, and is recognized as current tax expense.

For a change in the statutory tax rate during the interim period, the effect on deferred taxes is recognized immediately during the interim reporting period in which the change in tax rate occurs.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

## 5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, *Interim Financial Reporting*, as endorsed and issued into effect by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimation and assumption uncertainty used by management in the application of accounting policies are consistent with those described in Note 5 of the consolidated financial statements for the year ended December 31, 2018.

## 6. Description of Significant Accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those described in Note 6 of the consolidated financial statements for the year ended December 31, 2018.

### (1) Cash and Cash Equivalents

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Cash on hand, demand deposits and checking accounts | $ 38,921,336 | 30,134,051 | 26,565,041 |
| Time deposits | 32,193,082 | 38,939,198 | 36,409,859 |
| Government bonds with reverse repurchase agreements | 35,020 | 90,047 | 85,000 |
| | $ 71,149,438 | 69,163,296 | 63,059,900 |

Refer to Note 6(31) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Company.

As at September 30, 2019, December 31, 2018 and September 30, 2018, no cash and cash equivalents were pledged with banks as collaterals.

### (2) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Financial assets mandatorily measured at FVTPL: | | | |
| Foreign currency forward contracts | $ 61,436 | 70,074 | 50,285 |
| Structured deposits | 1,493,103 | 1,639,457 | 1,617,745 |
| | $ 1,554,539 | 1,709,531 | 1,668,030 |
| Financial liabilities held for trading: | | | |
| Foreign currency forward contracts | $ 69,972 | 22,115 | 217,196 |

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company's outstanding foreign currency forward contracts were as follows:

**September 30, 2019**

| Contract item | Maturity date | Contract amount (in thousands) |
|---|---|---|
| Sell USD / Buy NTD | Oct. 2019 | USD235,000 / NTD7,271,044 |
| Sell USD / Buy JPY | Oct. 2019 – Jan. 2020 | USD62,894 / JPY6,730,615 |
| Sell USD / Buy CNY | Oct. 2019 – Apr. 2020 | USD87,000 / CNY608,621 |
| Sell EUR / Buy JPY | Oct. 2019 – Dec. 2019 | EUR32,000 / JPY3,792,126 |
| Sell USD / Buy MYR | Oct. 2019 – Dec. 2019 | USD823 / MYR3,440 |
| Sell CNY / Buy USD | Oct. 2019 – Dec. 2019 | CNY1,696,071 / USD237,555 |
| Sell USD / Buy SGD | Oct. 2019 – Nov. 2019 | USD38,681 / SGD53,646 |

**December 31, 2018**

| Contract item | Maturity date | Contract amount (in thousands) |
|---|---|---|
| Sell USD / Buy NTD | Jan. 2019 | USD223,000 / NTD6,858,785 |
| Sell USD / Buy JPY | Jan. 2019 – Apr. 2019 | USD147,470 / JPY16,493,633 |
| Sell NTD / Buy JPY | Jan. 2019 – Mar. 2019 | NTD2,054,260 / JPY7,400,000 |
| Sell USD / Buy CNY | Jan. 2019 – Jun. 2019 | USD87,000 / CNY597,420 |
| Sell EUR / Buy JPY | Jan. 2019 | EUR12,000 / JPY1,536,180 |
| Sell EUR / Buy USD | Jan. 2019 | EUR28,500 / USD32,441 |
| Sell EUR / Buy CZK | Jan. 2019 – Mar. 2019 | EUR3,240 / CZK84,081 |
| Sell USD / Buy MYR | Jan. 2019 – Mar. 2019 | USD879 / MYR3,670 |
| Sell CNY / Buy JPY | Jan. 2019 – Feb. 2019 | CNY60,800 / JPY981,383 |
| Sell USD / Buy SGD | Jan. 2019 | USD5,793 / SGD7,940 |
| Sell CNY / Buy USD | Jan. 2019 – Feb. 2019 | CNY853,328 / USD124,000 |



(Continued)

| September 30, 2018 | | |
|---|---|---|
| **Contract item** | **Maturity date** | **Contract amount** |
| | | (in thousands) |
| Sell USD / Buy NTD | Oct. 2018 | USD295,200 / NTD9,058,166 |
| Sell USD / Buy JPY | Oct. 2018 – Jan. 2019 | USD165,229 / JPY18,399,923 |
| Sell NTD / Buy JPY | Dec. 2018 | NTD2,200,533 / JPY8,000,000 |
| Sell USD / Buy CNY | Oct. 2018 – Mar. 2019 | USD124,700 / CNY846,981 |
| Sell EUR / Buy JPY | Oct. 2018 – Nov. 2018 | EUR35,000 / JPY4,538,695 |
| Sell EUR / Buy USD | Dec. 2018 | EUR28,500 / USD33,309 |
| Sell EUR / Buy CZK | Oct. 2018 – Dec. 2018 | EUR3,720 / CZK95,993 |
| Sell USD / Buy MYR | Oct. 2018 – Dec. 2018 | USD781 / MYR3,223 |
| Sell CNY / Buy JPY | Oct. 2018 – Dec. 2018 | CNY82,800 / JPY1,335,284 |
| Sell USD / Buy SGD | Oct. 2018 | USD4,489 / SGD6,140 |

**(3) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Investments in equity instruments at FVTOCI: | | | |
| Equity securities – listed stocks | $ 7,304,694 | 6,803,900 | 6,890,244 |
| Equity securities – non-listed stocks | 185,906 | 176,025 | 175,790 |
| | $ 7,490,600 | 6,979,925 | 7,066,034 |

The purpose that the Company invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, those equity securities are designated as financial assets at FVTOCI.

### (4) Notes and Accounts Receivable, net (Including Related and Unrelated Parties)

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Notes and accounts receivable | $ 39,657,832 | 47,453,087 | 49,630,369 |
| Less: loss allowance | (37,422) | (50,853) | (65,617) |
| | $ 39,620,410 | 47,402,234 | 49,564,752 |
| Notes and accounts receivable, net | $ 37,700,728 | 44,647,981 | 46,972,162 |
| Accounts receivable from related parties, net | $ 1,919,682 | 2,754,253 | 2,592,590 |

The Company measures loss allowance for notes and accounts receivable using the simplified approach under IFRS 9 with the lifetime expected credit losses. Analysis of expected credit losses which was measured based on the aforementioned method, was as follows:

| | September 30, 2019 | | |
|---|---|---|---|
| | Carrying amount of notes and accounts receivable | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
| | (in thousands) | | (in thousands) |
| Not past due | $ 38,970,558 | 0.00% | 77 |
| Past due less than 60 days | 630,799 | 0.04% | 232 |
| Past due 61~180 days | 19,527 | 1.65% | 322 |
| Past due over 180 days | 1,609 | 90.24% | 1,452 |
| | $ 39,622,493 | | 2,083 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Carrying amount of notes and accounts receivable | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
| | (in thousands) | | (in thousands) |
| Not past due | $ 46,529,408 | 0.00% | 89 |
| Past due less than 60 days | 862,373 | 0.05% | 439 |
| Past due 61~180 days | 11,090 | 0.98% | 109 |
| Past due over 180 days | 475 | 100% | 475 |
| | $ 47,403,346 | | 1,112 |

| | September 30, 2018 | | |
|---|---|---|---|
| | **Carrying amount of notes and accounts receivable** | **Weighted-average loss rate** | **Loss allowance for lifetime expected credit losses** |
| | (in thousands) | | (in thousands) |
| Not past due | $ 49,021,977 | 0.00% | 247 |
| Past due less than 60 days | 524,249 | 0.00% | - |
| Past due 61~180 days | 7,972 | 0.00% | - |
| Past due over 180 days | 15,350 | 100% | 15,350 |
| | $ 49,569,548 | | 15,597 |

In addition, as of September 30, 2019, December 31, 2018 and September 30, 2018, the Company recognized loss allowances amounting to $35,339 thousand, $49,741 thousand and $50,020 thousand, respectively, for notes and accounts receivable with gross carrying amounts of $35,339 thousand, $49,741 thousand and $60,821 thousand, respectively, as there was objective evidence indicating that, under reasonable expectation, they would not be recovered in total.

The movement of the loss allowance for notes and accounts receivable was as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| | (in thousands) | |
| **Balance at beginning of the period** | $ 50,853 | 93,053 |
| Reversals against expense | (12,728) | (25,303) |
| Write-offs | (714) | (1,991) |
| Effect of changes in foreign currency exchange rates | 11 | (142) |
| **Balance at end of the period** | $ 37,422 | 65,617 |

The Company entered into financing facilities with banks to factor certain of its accounts receivable without recourse. As at December 31, 2018 and September 30, 2018, the Company did not sell its trade receivables to banks. As at September 30, 2019, the Company's trade receivables sold and derecognized were as follows:

| September 30, 2019 | | | | |
|---|---|---|---|---|
| **Underwriting bank** | **Factoring limit** | **Amount advanced** | **Amount sold and derecognized** | **Principal terms** |
| | | (in thousands) | | |
| Taipei Fubon Bank | USD 120,000 | NTD 1,000,000 | USD 36,014 | See Notes(a)~(d) |
| E. SUN Bank | USD 50,000 | USD 16,000 | USD 17,795 | See Notes(a)~(d) |



(Continued)

| September 30, 2019 | | | | |
|---|---|---|---|---|
| **Underwriting bank** | **Factoring limit** | **Amount advanced** | **Amount sold and derecognized** | **Principal terms** |
| | | (in thousands) | | |
| DBS Bank | USD 154,000 | NTD 1,000,000 | USD 37,714 | See Notes(a)~(d) |
| Bank of Taiwan | USD 250,000 | USD 16,000 | USD 17,694 | See Notes(a)~(d) |

Note (a): Under these facilities, the Company transferred accounts receivable to the respective underwriting banks, which are without recourse subject to the underwriting consents.

Note (b): The Company informed its customers pursuant to the respective facilities to make payment directly to the respective underwriting banks.

Note (c): As of September 30, 2019, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of $396,943 thousand was recognized under other current financial assets.

Note (d): To the extent of the amount transferred to the underwriting banks, risks of non-collection or potential payment default by customers in the event of insolvency are borne by respective banks. The Company is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. In case any commercial dispute between the Company and customers or other reasons results in the company’s failure to perform the obligation under these facilities, the banks have requested the Company to issue promissory notes in the amounts equal to 10 percent of respective facilities or to transfer receivables in the amounts equal to 10 percent of respective facilities. Other than such arrangements, no collaterals were provided by the Company.

## (5) Inventories

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Finished goods | $ 9,243,401 | 9,406,248 | 9,352,652 |
| Work-in-progress | 10,790,701 | 11,133,846 | 11,995,099 |
| Raw materials | 5,400,963 | 5,769,010 | 5,887,345 |
| | $ 25,435,065 | 26,309,104 | 27,235,096 |

For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the amounts recognized as cost of sales in relation to inventories were $70,325,459 thousand, $72,401,533 thousand, $204,869,209 thousand and $206,485,258 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were charged to cost of sales, amounted to $375,373 thousand, $225,812 thousand, $56,832 thousand and $173,577 thousand for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, respectively.

As at September 30, 2019, December 31, 2018 and September 30, 2018, none of the Company's inventories was pledged as collateral.

**(6) Noncurrent Assets Held for Sale**

The disposals of the Company's noncurrent assets held for sale were completed during 2018. Refer to Note 6(8) of the consolidated financial statements for the year ended December 31, 2018 for the related disclosures.

**(7) Investments in equity-accounted Investees**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Associates | $ 5,891,464 | 5,973,127 | 5,901,148 |
| Joint ventures | 305,460 | 312,738 | 311,490 |
| | $ 6,196,924 | 6,285,865 | 6,212,638 |

a. Associates

| | | | September 30, 2019 | | December 31, 2018 | | September 30, 2018 | |
|---|---|---|---|---|---|---|---|---|
| Name of associate | Principal activities | Principal place of business | Amount | Ownership interest | Amount | Ownership interest | Amount | Ownership interest |
| | | | (in thousands) | % | (in thousands) | % | (in thousands) | % |
| Lextar Electronics Corp. ("Lextar") | Manufacturing and sales of Light Emitting Diode | Taiwan ROC | $ 3,017,078 | 27 | $ 3,082,178 | 27 | $ 3,089,859 | 27 |
| Star Shining Energy Corporation ("SSEC") | Investment | Taiwan ROC | 1,007,719 | 33 | 1,002,874 | 33 | 999,130 | 33 |
| Raydium Semiconductor Corporation ("Raydium") | IC design | Taiwan ROC | 711,915 | 17 | 716,381 | 18 | 682,538 | 18 |
| Daxin Materials Corp. ("Daxin") | Research, manufacturing, and sales of display related chemicals | Taiwan ROC | 646,140 | 25 | 654,940 | 25 | 607,025 | 25 |
| Star River Energy Corp. ("SREC") | Investment | Taiwan ROC | 436,458 | 34 | 434,421 | 34 | 430,607 | 34 |
| Others | | | 72,154 | | 82,333 | | 91,989 | |
| | | | $ 5,891,464 | | $ 5,973,127 | | $ 5,901,148 | |

None of the above associates is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those associates.

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| The Company's share of associates': | | | | | |
| Profit for the period | $ | 61,812 | 122,543 | 257,621 | 248,050 |
| Other comprehensive income (loss) for the period | | (18,085) | (38,777) | (14,836) | (26,384) |
| Total comprehensive income for the period | $ | 43,727 | 83,766 | 242,785 | 221,666 |

b. Joint ventures

None of the joint ventures is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those joint ventures.

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| The Company's share of joint ventures': | | | | | |
| Profit (loss) for the period | $ | 2,022 | 8,808 | (4,683) | 3,283 |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income (loss) for the period | $ | 2,022 | 8,808 | (4,683) | 3,283 |

As at September 30, 2019, December 31, 2018 and September 30, 2018, none of the Company's investments in equity-accounted investees was pledged as collateral.

## (8) Acquisition of Subsidiaries

In March 2018, the Company obtained control over ComQi by acquiring 100% of shareholdings of ComQi. ComQi is engaged in integration service of content management system and hardware. Through the acquisition of ComQi, the Company expects to be able to provide a total solution for the upstream and downstream of public information displays.

If the acquisition had taken place on January 1, 2018, management estimated that the Company's consolidated revenue and net profit for the nine months ended September 30, 2018 would have been $230,580,201 thousand and $8,382,886 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018. The aforementioned pro-forma information is presented for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

Acquisition-related costs of $12,191 thousand on legal fees and due diligence fees were expensed and recognized within operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2018.

The following table summarized each major class of consideration transferred, the assets acquired and liabilities assumed at the acquisition date and the amount of goodwill recognized.

a. Consideration transferred

| | | **Amounts** (in thousands) |
|---|---|---|
| Cash | $ | 467,920 |
| Contingent consideration | | 283,354 |
| | $ | 751,274 |

In accordance with the terms of the contingent consideration, in the event that ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 are greater than the agreed revenue targets in the agreement, the Company should pay additional consideration of USD4,000 thousand and USD7,000 thousand, respectively, to the original shareholders of ComQi. Under the arrangement of the contingent consideration, the potential undiscounted amount of the contingent payment that the Company might have to pay was between USD0 and USD11,000 thousand.

The fair value of the contingent consideration estimated using Monte Carlo simulation amounted to $283,354 thousand. The fair value measurement was based on the significant unobservable inputs in the market and categorised as a Level 3 fair value under IFRS 13. The significant inputs in the valuation technique used are discount rate of 8.5%, revenue volatility rate of 30.8% and AUO's credit spread of 0.88%.

As ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 were not greater than the agreed revenue targets in the agreement, the Company remeasured the fair value of the contingent consideration and determined the value was zero. The change in the fair value of the contingent consideration of $283,354 thousand was not a measurement period adjustment, and therefore, was recognized under other gains and losses in the consolidated statement of comprehensive income for the year ended December 31, 2018.



(Continued)

b. Identifiable assets acquired and liabilities assumed

The following table summarized the fair value of identifiable assets acquired and liabilities assumed recognized at the acquisition date:

| | | Fair value (in thousands) |
|---|---|---|
| Cash and cash equivalents | $ | 19,432 |
| Accounts receivable and other current assets | | 36,851 |
| Property, plant and equipment | | 3,712 |
| Intangible assets | | 150,436 |
| Accounts payable and other current liabilities | | (57,361) |
| Other liabilities | | (2,120) |
| | **$** | **150,950** |

c. Goodwill arising from the acquisition for which is attributable mainly to the synergies expected to be achieved from integrating ComQi into the Company's existing business has been recognized as follows:

| | | Amounts (in thousands) |
|---|---|---|
| Consideration transferred | $ | 751,274 |
| Less: Fair value of identifiable net assets | | (150,950) |
| | **$** | **600,324** |

**(9) Disposal of Subsidiary**

The Company disposed all its shareholdings in ChampionGen Power Corporation to SSEC, an associate of the Company, in September 2018 with consideration amounting to $116,000 thousand in cash. The gain on disposal amounting to $17,269 thousand was recognized under other gains and losses in the consolidated statement of comprehensive income.

The carrying amounts of the assets and liabilities of the subsidiary disposed of by the Company were as follows:

| | | Amounts (in thousands) |
|---|---|---|
| Cash and cash equivalents | $ | 70,516 |
| Other current assets | | 48,148 |
| Payable for equipments | | (19,933) |
| Net assets disposed of | **$** | **98,731** |

## (10) Property, Plant and Equipment

| | Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Balance, Beginning of Period | Adjustments on initial application of new standards | Additions | Disposal, write off, reclassification and others | Balance, End of Period |
| | | | (in thousands) | | |
| **Cost:** | | | | | |
| Land | $ 8,859,323 | - | - | 9,450 | 8,868,773 |
| Buildings | 121,219,360 | - | 76,593 | (650,092) | 120,645,861 |
| Machinery and equipment | 835,933,620 | - | 798,403 | 2,489,647 | 839,221,670 |
| Other equipment | 35,129,124 | (2,620) | 3,508,126 | (3,891,768) | 34,742,862 |
| | 1,001,141,427 | (2,620) | 4,383,122 | (2,042,763) | 1,003,479,166 |
| **Accumulated depreciation and impairment loss:** | | | | | |
| Buildings | 36,031,326 | - | 2,243,673 | (208,054) | 38,066,945 |
| Machinery and equipment | 721,833,348 | - | 19,750,528 | (7,441,424) | 734,142,452 |
| Other equipment | 28,090,987 | (855) | 4,163,365 | (4,743,285) | 27,510,212 |
| | 785,955,661 | (855) | 26,157,566 | (12,392,763) | 799,719,609 |
| Prepayments for purchase of land and equipment, and construction in progress | 6,400,709 | - | 14,701,301 | (11,823,423) | 9,278,587 |
| Net carrying amounts | $ 221,586,475 | | | | 213,038,144 |

| | Nine Months Ended September 30, 2018 | | | |
|---|---|---|---|---|
| | Balance, Beginning of Period | Additions | Disposal, write off, reclassification and others | Balance, End of Period |
| | | (in thousands) | | |
| **Cost:** | | | | |
| Land | $ 9,008,659 | - | 3,380 | 9,012,039 |
| Buildings | 124,010,869 | 51,667 | (556,842) | 123,505,694 |
| Machinery and equipment | 800,164,310 | 1,149,562 | 25,540,877 | 826,854,749 |
| Other equipment | 29,359,148 | 3,749,998 | (42,397) | 33,066,749 |
| | 962,542,986 | 4,951,227 | 24,945,018 | 992,439,231 |
| **Accumulated depreciation and impairment loss:** | | | | |
| Buildings | 33,825,375 | 2,345,349 | (127,805) | 36,042,919 |
| Machinery and equipment | 707,334,411 | 18,527,894 | (9,535,157) | 716,327,148 |
| Other equipment | 23,717,580 | 3,972,765 | (1,355,963) | 26,334,382 |
| | 764,877,366 | 24,846,008 | (11,018,925) | 778,704,449 |
| Prepayments for purchase of land and equipment, and construction in progress | 27,267,469 | 20,645,044 | (37,357,929) | 10,554,584 |
| Net carrying amounts | $ 224,933,089 | | | 224,289,366 |

There was no significant change in the Company's property, plant and equipment for the nine months ended September 30, 2019 and 2018. Refer to Note 6(13) of the consolidated financial statements for the year ended December 31, 2018 for the related disclosures.

The capitalized borrowing costs and the interest rates applied in connection with the expenditures on the acquisition and construction of property, plant and equipment were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (in thousands) | | | |
| Capitalized borrowing costs | $ 40,213 | 68,681 | 110,961 | 389,776 |
| The interest rates applied for the capitalization | | | 1.07%~5.71% | 1.04%~5.53% |

Certain property, plant and equipment were pledged as collateral, see Note 8.

## (11) Lease Arrangements

a. Lessee

(i) Right-of-use assets

| | September 30, 2019 |
|---|---|
| | (in thousands) |
| Carrying amount of right-of-use assets | |
| Land | $ 11,796,645 |
| Buildings | 594,067 |
| Other equipments | 51,609 |
| | $ 12,442,321 |

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | (in thousands) | |
| Additions to right-of-use assets | $ 292 | 143,580 |

| | | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|---|
| | | (in thousands) | |
| Depreciation charge for right-of-use assets | | | |
| Land | $ | 141,153 | 426,753 |
| Buildings | | 59,185 | 177,419 |
| Other equipments | | 16,723 | 49,797 |
| | $ | 217,061 | 653,969 |

(ii) Lease liabilities

| | September 30, 2019 | | |
|---|---|---|---|
| | Future minimum lease payments | Interests | Present value of minimum lease payments |
| | | (in thousands) | |
| Less than one year | $ 891,976 | 200,351 | 691,625 |
| Between one and five years | 2,902,177 | 686,979 | 2,215,198 |
| More than five years | 9,735,296 | 1,412,814 | 8,322,482 |
| | $ 13,529,449 | 2,300,144 | 11,229,305 |
| Lease liabilities－current | | | $ 691,625 |
| Lease liabilities－noncurrent | | | $ 10,537,680 |

(iii) Significant lease agreements

AUO has entered into various lease agreements for land with Hsinchu Science Park Bureau, Central Science Park Administration Bureau and Southern Taiwan Science Park Bureau, respectively, for the construction of plant for operations. All lease amounts are adjusted in accordance with the land value announced by the government from time to time. In January 2019, AUO modified one of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amount of the right-of-use asset was reduced by $1,063,998 thousand. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Additional lease information

The Company applies the recognition exemption to account for short-term leases and leases of low-value assets, primarily for some leases of office buildings and other sporadic leasing. The amounts recognized in profit or loss during the lease term were as follows:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | (in thousands) | |
| Expenses relating to short-term leases | $ 3,243 | 12,816 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ 9 | 36 |

Total cash outflow for the Company's leases in which it acts as a lessee for the nine months ended September 30, 2019 was $690,405 thousand.

The Company leased lands and buildings under operating leases for the nine months ended September 30, 2018. Refer to Note 6(20) of the consolidated financial statements for the year ended December 31, 2018 for the relevant information.

b. Lessor

There was no significant addition in the Company's operating lease contracts for the nine months ended September 30, 2019 and 2018. Refer to Note 6(20) of the consolidated financial statements for the year ended December 31, 2018 for the relevant information.

**(12) Investment Property**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Land | $ 739,645 | 730,306 | 721,920 |

There was no significant change in the Company's investment property for the nine months ended September 30, 2019 and 2018. For other relevant information, refer to Note 6(14) of the consolidated financial statements for the year ended December 31, 2018.

The fair value of the Company's investment property was not materially different from those disclosed in Note 6(14) of the consolidated financial statements for the year ended December 31, 2018.

As at September 30, 2019, December 31, 2018 and September 30, 2018, none of the Company's investment property was pledged as collateral.

**(13) Intangible Assets**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Goodwill | $ 12,056,500 | 12,056,500 | 12,056,500 |
| Patent and technology fee | 12,266,001 | 12,271,742 | 12,270,122 |
| Others | 150,436 | 150,436 | 150,436 |
| Less: accumulated amortization and impairment loss | (11,445,620) | (11,101,415) | (10,978,281) |
| | $ 13,027,317 | 13,377,263 | 13,498,777 |

The Company acquired goodwill and other intangible assets from the business combination in March 2018. See Note 6(8) for further details. Except for the aforementioned transaction, there was no significant change in the Company's intangible assets for the nine months ended September 30, 2019 and 2018. Information on amortization for the periods presented is disclosed in Note 6(23). For other relevant information, refer to Note 6(15) of the consolidated financial statements for the year ended December 31, 2018.

**(14) Other Current Assets and Other Noncurrent Assets**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Prepayments for equipment | $ 444,368 | 650,727 | 618,254 |
| Refundable and overpaid tax | 1,710,062 | 1,351,646 | 1,483,189 |
| Long-term prepaid rents | - | 1,364,111 | 1,341,654 |
| Prepayments for purchases | 265,799 | 230,793 | 677,700 |
| Long-term receivables | 5,987 | 930,001 | 922,423 |
| Refundable deposits | 720,280 | 716,097 | 695,149 |
| Others | 3,684,003 | 2,869,869 | 2,772,540 |
| | 6,830,499 | 8,113,244 | 8,510,909 |
| Less: current | (4,191,271) | (2,941,598) | (4,138,638) |
| Noncurrent | $ 2,639,228 | 5,171,646 | 4,372,271 |

The long-term prepaid rents were reclassified to right-of-use assets on January 1, 2019 upon the initial adoption of IFRS 16. See Note 3(1).

**(15) Short-term Borrowings**

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| Unsecured borrowings | $ 1,236,568 | 546,472 | 1,556,067 |
| Unused credit facility | $ 36,872,621 | 43,533,037 | 40,165,186 |
| Interest rate | **1.37%~ 4.35%** | **2.54%~ 4.35%** | **2.54%~ 4.35%** |

**(16) Long-term Borrowings**

| Bank or agent bank | Durations | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|---|
| | | | (in thousands) | |
| Syndicated loans: | | | | |
| Bank of Taiwan and others | From Feb. 2015 to Feb. 2019 | $ - | 5,912,000 | 5,912,000 |
| Bank of Taiwan and others | From Apr. 2016 to Apr. 2019 | - | 36,175,000 | 37,500,000 |
| Bank of Taiwan and others | From May 2017 to May 2022 | 10,000,000 | 10,000,000 | 10,000,000 |
| Bank of Taiwan and others | From Feb. 2019 to Feb. 2024 | 42,000,000 | - | - |
| Bank of Taiwan and others | From Mar. 2019 to Apr. 2023 | 23,000,000 | - | - |
| Bank of Taiwan and others | From Jul. 2018 to Oct. 2019 | 410,000 | 210,000 | 110,000 |
| First Commercial Bank and others | From Feb. 2016 to Jan. 2019 | - | 1,775,236 | 1,775,236 |
| Bank of China and others | From Nov. 2015 to Nov. 2023 | 24,493,953 | 27,743,519 | 27,533,917 |
| Unsecured loans | From Apr. 2017 to Aug. 2023 | 5,256,772 | 2,976,158 | 2,992,620 |
| Secured loans | From Apr. 2017 to Apr. 2032 | 1,503,119 | 1,990,175 | 1,956,363 |
| | | 106,663,844 | 86,782,088 | 87,780,136 |
| Less: transaction costs | | (272,573) | (476,770) | (511,056) |
| | | 106,391,271 | 86,305,318 | 87,269,080 |
| Less: current portion | | (8,013,092) | (29,595,931) | (24,407,838) |
| | | $ 98,378,179 | 56,709,387 | 62,861,242 |
| Unused credit facility | | $ 25,665,575 | 79,933,812 | 80,467,979 |
| Interest rate range | | **1.08%~ 5.66%** | **1.07%~ 6.32%** | **1.07%~ 5.87%** |

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual consolidated financial statements prepared in accordance with Taiwan Financial Reporting Standards, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings. For other relevant information, refer to Note 6(18) of the consolidated financial statements for the year ended December 31, 2018.

## (17) Provisions

| | Warranties[(i)] | Litigation, claims and others | Total |
|---|---|---|---|
| | | (in thousands) | |
| **Balance at January 1, 2019** | $ 1,463,869 | 1,074,180 | 2,538,049 |
| Additions (Reversals) | 137,067 | (391,633) | (254,566) |
| Usage | (354,119) | (86,525) | (440,644) |
| Effect of change in exchange rate | (158) | (723) | (881) |
| **Balance at September 30, 2019** | 1,246,659 | 595,299 | 1,841,958 |
| Less: current | (439,104) | (340,287) | (779,391) |
| Noncurrent | **$ 807,555** | **255,012** | **1,062,567** |
| **Balance at January 1, 2018** | $ 1,546,960 | 339,003 | 1,885,963 |
| Additions (Reversals) | 247,381 | 857,889 | 1,105,270 |
| Usage | (205,407) | (135,444) | (340,851) |
| Effect of change in exchange rate | (31) | 7,974 | 7,943 |
| **Balance at September 30, 2018** | 1,588,903 | 1,069,422 | 2,658,325 |
| Less: current | (807,211) | (818,444) | (1,625,655) |
| Noncurrent | **$ 781,692** | **250,978** | **1,032,670** |
| Current | $ 686,424 | 821,140 | 1,507,564 |
| Noncurrent | 777,445 | 253,040 | 1,030,485 |
| **Balance at December 31, 2018** | **$ 1,463,869** | **1,074,180** | **2,538,049** |

(i) The provisions for warranties for the nine months ended September 30, 2019 and 2018 were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

## (18) Employee Benefits

a. Defined benefit plans

Subsequent to December 31, 2018, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Company according to the pension cost valued by actuary as of December 31, 2018 and 2017.

For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the Company set aside $3,576 thousand, $5,629 thousand, $10,683 thousand and $15,145 thousand, respectively, of the pension costs under the defined benefit plans.

b. Defined contribution plans

AUO and its subsidiaries in the ROC have set up defined contribution plans in accordance with the ROC Labor Pension Act. For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, these companies set aside $242,457 thousand, $257,493 thousand, $738,963 thousand and $771,350 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of Labor Insurance. Except for the aforementioned companies, other foreign subsidiaries recognized pension expenses of $183,943 thousand, $224,169 thousand, $612,273 thousand and $714,633 thousand for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, respectively, for the defined contribution plans based on their respective local government regulations.

**(19) Capital and Other Components of Equity**

a. Common stock

AUO’s authorized common stock, with par value of $10 per share, all amounted to $100,000,000 thousand as at September 30, 2019, December 31, 2018 and September 30, 2018.

AUO’s issued and outstanding common stock, with par value of $10 per share, all amounted to $96,242,451 thousand as at September 30, 2019, December 31, 2018 and September 30, 2018.

AUO’s ADSs were listed on the New York Stock Exchange. Each ADS represents 10 shares of common stock. As of September 30, 2019, AUO has issued 52,913 thousand ADSs, which represented 529,127 thousand shares of its common stock. On September 9, 2019, AUO's Board of Directors approved the delisting of ADSs from the NYSE and trading on the OTC market. On September 20, 2019, AUO filed a Form 25 to delist ADSs from the NYSE and the application has been effective. On and from October 1, 2019, AUO's ADSs has begun trading on the OTC market.

b. Capital surplus

The components of capital surplus were as follows:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| From common stock | $ 52,756,091 | 52,756,091 | 52,756,091 |
| From convertible bonds | 6,049,862 | 6,049,862 | 6,049,862 |
| From others | 1,657,164 | 1,816,090 | 1,793,799 |
| | $ 60,463,117 | 60,622,043 | 60,599,752 |

According to the ROC Company Act, capital surplus, including premium from stock issuing and donations received, shall be applied to offset accumulated deficits before it can be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholdings. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

c. Legal reserve

According to the ROC Company Act, 10 percent of the annual earnings after payment of income taxes shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

d. Distribution of earnings

In accordance with AUO's Articles of Incorporation, where 10 percent of the annual earnings, after payment of income taxes and offsetting accumulated deficits, if any, shall be set aside as a legal reserve until the accumulated legal reserve equals AUO's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed after the distribution plan is proposed and approved.

AUO's dividend policy is to pay dividends from surplus considering factors such as AUO's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders' interest, maintenance of balanced dividend and AUO's long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of AUO, dividend to be distributed shall be no less than 20% of the current-year retained earnings available for distribution. If the current-year retained earnings available for distribution do not reach 2% of the paid-in capital of AUO, AUO may decide not to distribute dividend. The cash portion of the dividend, which may be


(Continued)

in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year. The dividend distribution ratio aforementioned could be adjusted taking into consideration factors such as finance, business and operations, etc.

Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

AUO's appropriations of earnings for 2017 had been approved in the shareholders' meeting held on June 15, 2018. The appropriations and dividends per share were as follows:

| | For fiscal year 2017 | |
|---|---|---|
| | **Appropriation of earnings** | **Dividends per share** |
| | (in thousands, except for per share data) | |
| Legal reserve | $ 3,235,942 | |
| Cash dividends to shareholders | 14,436,368 | NT$1.50 |
| | **$ 17,672,310** | |

The aforementioned appropriation of earnings for 2017 was consistent with the resolutions of the board of directors' meeting held on March 23, 2018.

AUO's appropriations of earnings for 2018 had been approved in the shareholders' meeting held on June 14, 2019. The appropriations and dividends per share were as follows:

| | For fiscal year 2018 | |
|---|---|---|
| | **Appropriation of earnings** | **Dividends per share** |
| | (in thousands, except for per share data) | |
| Legal reserve | $ 1,016,060 | |
| Special reserve | 847,770 | |
| Cash dividends to shareholders | 4,812,122 | NT$0.50 |
| | **$ 6,675,952** | |

The aforementioned appropriation of earnings for 2018 was consistent with the resolutions of the board of directors' meeting held on March 22, 2019.

Information on the approval of board of directors and shareholders for AUO's appropriations of earnings are available at the Market Observation Post System website.

e. Treasury shares

Approved by the resolutions of the board of directors' meeting held on September 9, 2019, the Company expects to repurchase 125,000 thousand shares as treasury shares transferred to employees in accordance with the requirements of Securities and Exchange Act. The related information on treasury share transactions was as follows:

| Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|
| **Reason for reacquisition** | **Number of shares, Beginning of Period** | **Additions** | **Reductions** | **Number of shares, End of Period** |
| | (in thousands of shares) | | | |
| Transferring to employees | - | 28,512 | - | 28,512 |

Pursuant to the Securities and Exchange Act, the number of shares repurchased shall not exceed 10 percent of the number of the Company's issued and outstanding shares, and the total amount repurchased shall not exceed the sum of the Company's retained earnings, share premium, and realized capital surplus. Also, the shares repurchased for transferring to employees shall be transferred within five years from the date of reacquisition and those shares not transferred within the five-year period are to be cancelled.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights before their transfer.

f. Other components of equity

| | | Cumulative translation differences | Unrealized gains (losses) on financial assets at FVTOCI | Total |
|---|---|---|---|---|
| | | | (in thousands) | |
| **Balance at January 1, 2019** | $ | (1,449,910) | 602,140 | (847,770) |
| Foreign operations – foreign currency translation differences | | (1,192,758) | - | (1,192,758) |
| Net change in fair value of financial assets at FVTOCI | | - | 500,794 | 500,794 |
| Equity-accounted investees – share of other comprehensive income | | (15,165) | 459 | (14,706) |
| Related tax | | 257,200 | - | 257,200 |
| **Balance at September 30, 2019** | $ | (2,400,633) | 1,103,393 | (1,297,240) |

| | | Cumulative translation differences | Unrealized gains (losses) on financial assets measured at FVTOCI | Unrealized gains (losses) on available-for-sale financial assets | Total |
|---|---|---|---|---|---|
| | | (in thousands) | | | |
| **Balance at January 1, 2018** | $ | (1,120,969) | - | 1,377,031 | 256,062 |
| Adjustments on initial application of new standards | | - | 1,303,816 | (1,377,031) | (73,215) |
| Foreign operations – foreign currency translation differences | | (843,101) | - | - | (843,101) |
| Net change in fair value of financial assets at FVTOCI | | - | (668,469) | - | (668,469) |
| Equity-accounted investees – share of other comprehensive income | | (31,367) | 7,153 | - | (24,214) |
| Realized gain on sales of securities reclassified to profit or loss | | (106,617) | - | - | (106,617) |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | | - | 47,903 | - | 47,903 |
| Group reorganization | | (22,225) | - | - | (22,225) |
| Related tax | | 246,373 | - | - | 246,373 |
| **Balance at September 30, 2018** | $ | (1,877,906) | 690,403 | - | (1,187,503) |

f. Non-controlling interests, net of tax

| | | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|
| | | (in thousands) | |
| **Balance at beginning of the period** | $ | 14,415,973 | 17,090,747 |
| Equity attributable to non-controlling interests: | | | |
| Loss for the period | | (2,100,648) | (1,493,551) |
| Adjustment of changes in ownership of investees | | 84,795 | 245 |
| Foreign currency translation differences | | (315,541) | (418,512) |
| Unrealized loss on financial assets at FVTOCI | | - | (1,474) |
| Effect of acquisition of non-controlling interests | | (389,430) | - |
| Proceeds from subsidiaries capital increase and others | | (13,957) | (166,659) |
| **Balance at end of the period** | $ | 11,681,192 | 15,010,796 |

### (20) Share-based Payments

There was no significant change in the Company's share-based payments for the nine months ended September 30, 2019 and 2018. Refer to Note 6(23) of the consolidated financial statements for the year ended December 31, 2018 for the related information.

### (21) Revenue from Contracts with Customers

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Display segment | Energy segment | Total | Display segment | Energy segment | Total |
| | (in thousands) | | | | | |
| **Primary geographical markets:** | | | | | | |
| PRC (including Hong Kong) | $ 23,348,589 | 278,639 | 23,627,228 | 28,120,080 | 349,447 | 28,469,527 |
| Taiwan | 20,538,382 | 1,142,420 | 21,680,802 | 24,654,433 | 1,196,448 | 25,850,881 |
| Singapore | 11,319,578 | - | 11,319,578 | 11,719,527 | 3,229 | 11,722,756 |
| Japan | 5,942,933 | 166,137 | 6,109,070 | 5,668,283 | 402,065 | 6,070,348 |
| Others | 6,134,967 | 1,181,662 | 7,316,629 | 7,020,624 | 1,908,389 | 8,929,013 |
| | $ 67,284,449 | 2,768,858 | 70,053,307 | 77,182,947 | 3,859,578 | 81,042,525 |
| **Major products:** | | | | | | |
| Products for Televisions | $ 20,525,886 | - | 20,525,886 | 28,378,375 | - | 28,378,375 |
| Products for Mobile PCs and Devices | 19,547,813 | - | 19,547,813 | 19,994,674 | - | 19,994,674 |
| Products for Monitors | 9,972,410 | - | 9,972,410 | 13,656,657 | - | 13,656,657 |
| Products for Commercial and Others[(i)] | 17,238,340 | - | 17,238,340 | 15,153,241 | - | 15,153,241 |
| Solar Products | - | 2,768,858 | 2,768,858 | - | 3,859,578 | 3,859,578 |
| | $ 67,284,449 | 2,768,858 | 70,053,307 | 77,182,947 | 3,859,578 | 81,042,525 |
| **Major customers:** | | | | | | |
| Customer A | $ 9,512,135 | - | 9,512,135 | 9,105,971 | - | 9,105,971 |
| Others (individually not greater than 10%) | 57,772,314 | 2,768,858 | 60,541,172 | 68,076,976 | 3,859,578 | 71,936,554 |
| | $ 67,284,449 | 2,768,858 | 70,053,307 | 77,182,947 | 3,859,578 | 81,042,525 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Display segment | Energy segment | Total | Display segment | Energy segment | Total |
| | (in thousands) | | | | | |
| **Primary geographical markets:** | | | | | | |
| PRC (including Hong Kong) | $ 73,060,116 | 782,937 | 73,843,053 | 80,750,006 | 952,607 | 81,702,613 |
| Taiwan | 62,377,761 | 3,436,884 | 65,814,645 | 73,239,715 | 5,124,637 | 78,364,352 |
| Singapore | 29,831,206 | - | 29,831,206 | 29,310,659 | 3,229 | 29,313,888 |
| Japan | 15,275,078 | 897,015 | 16,172,093 | 15,101,609 | 1,017,029 | 16,118,638 |
| Others | 17,248,640 | 3,913,848 | 21,162,488 | 18,828,641 | 6,212,898 | 25,041,539 |
| | $ 197,792,801 | 9,030,684 | 206,823,485 | 217,230,630 | 13,310,400 | 230,541,030 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Display segment | Energy segment | Total | Display segment | Energy segment | Total |
| | (in thousands) | | | | | |
| **Major products:** | | | | | | |
| Products for Televisions | $ 69,754,687 | - | 69,754,687 | 84,703,588 | - | 84,703,588 |
| Products for Mobile PCs and Devices | 52,027,403 | - | 52,027,403 | 55,380,845 | - | 55,380,845 |
| Products for Monitors | 30,837,914 | - | 30,837,914 | 35,055,452 | - | 35,055,452 |
| Products for Commercial and Others(i) | 45,172,797 | - | 45,172,797 | 42,090,745 | - | 42,090,745 |
| Solar Products | - | 9,030,684 | 9,030,684 | - | 13,310,400 | 13,310,400 |
| | $ 197,792,801 | 9,030,684 | 206,823,485 | 217,230,630 | 13,310,400 | 230,541,030 |
| **Major customers:** | | | | | | |
| Customer A | $ 27,440,229 | - | 27,440,229 | 27,722,336 | - | 27,722,336 |
| Others (individually not greater than 10%) | 170,352,572 | 9,030,684 | 179,383,256 | 189,508,294 | 13,310,400 | 202,818,694 |
| | $ 197,792,801 | 9,030,684 | 206,823,485 | 217,230,630 | 13,310,400 | 230,541,030 |

(i) Others include sales from products for other applications and sales of raw materials, components and from service charges.

## (22) Remuneration to Employees and Directors

According to AUO's Articles of Incorporation, AUO should distribute remuneration to employees and directors no less than 5% and no more than 1% of annual profits before income tax, respectively, after offsetting accumulated deficits, if any. Only employees, including employees of affiliate companies that meet certain conditions are entitled to the abovementioned remuneration which to be distributed in stock or cash. The said conditions and distribution method are decided by board of directors or the personnel authorized by board of directors.

AUO did not accrue remuneration to employees and directors for the three and nine months ended September 30, 2019 since it had no profit during these periods. For the three and nine months ended September 30, 2018, AUO estimated the remuneration to employees amounting to $495,343 thousand and $1,212,301 thousand, respectively, based on the profit before income tax excluding the remuneration to employees and directors for the period, multiplied by the percentage resolved by board of directors. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

 (Continued)

Remuneration to employees and directors for 2018 in the amounts of $1,215,696 thousand and $27,780 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 22, 2019. The aforementioned approved amounts are the same as the amounts charged against earnings of 2018.

Remuneration to employees and directors for 2017 in the amounts of $4,062,114 thousand and $132,604 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 23, 2018. The aforementioned approved amounts are the same as the amounts charged against earnings of 2017.

The information about AUO's remuneration to employees and directors is available at the Market Observation Post System website.

## (23) Additional Information of Expenses by Nature

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Recognized in cost of sales | Recognized in operating expenses | Total | Recognized in cost of sales | Recognized in operating expenses | Total |
| | (in thousands) | | | | | |
| Employee benefits expenses: | | | | | | |
| Salaries and wages | $ 5,853,360 | 1,792,295 | 7,645,655 | 6,676,916 | 1,980,833 | 8,657,749 |
| Labor and health insurances | 363,452 | 122,463 | 485,915 | 380,780 | 125,377 | 506,157 |
| Retirement benefits | 338,078 | 91,898 | 429,976 | 390,018 | 97,273 | 487,291 |
| Other employee benefits | 846,397 | 144,511 | 990,908 | 886,139 | 180,352 | 1,066,491 |
| Depreciation | 7,824,295 | 1,004,685 | 8,828,980 | 7,635,402 | 960,646 | 8,596,048 |
| Amortization | 109,226 | 7,522 | 116,748 | 128,354 | 15,044 | 143,398 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Recognized in cost of sales | Recognized in operating expenses | Total | Recognized in cost of sales | Recognized in operating expenses | Total |
| | (in thousands) | | | | | |
| Employee benefits expenses: | | | | | | |
| Salaries and wages | $18,897,733 | 5,751,059 | 24,648,792 | 20,690,387 | 6,027,728 | 26,718,115 |
| Labor and health insurances | 1,118,146 | 371,315 | 1,489,461 | 1,138,367 | 375,121 | 1,513,488 |
| Retirement benefits | 1,078,120 | 283,799 | 1,361,919 | 1,215,637 | 285,491 | 1,501,128 |
| Other employee benefits | 2,366,843 | 424,014 | 2,790,857 | 2,437,302 | 467,767 | 2,905,069 |
| Depreciation | 23,767,675 | 3,043,860 | 26,811,535 | 22,091,662 | 2,754,346 | 24,846,008 |
| Amortization | 327,610 | 17,551 | 345,161 | 402,955 | 15,044 | 417,999 |

**(24) Other Income**

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| Interest income on bank deposits | $ | 207,695 | 185,208 | 670,308 | 579,512 |
| Interest income on government bonds with reverse repurchase agreements and others | | 3,704 | 928 | 5,626 | 8,738 |
| Rental income, net | | 131,449 | 170,163 | 370,022 | 466,238 |
| Dividend income | | 295,575 | 468,263 | 295,575 | 468,263 |
| Grants | | 126,382 | 1,732,462 | 1,552,792 | 2,550,219 |
| Others | | 130,528 | 111,548 | 751,845 | 558,109 |
| | $ | 895,333 | 2,668,572 | 3,646,168 | 4,631,079 |

**(25) Other Gains and Losses**

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| Foreign exchange gains (losses), net | $ | (115,206) | 221,054 | (173,774) | 109,520 |
| Gains (losses) on valuation of financial instruments at FVTPL, net | | 230,718 | (81,079) | 414,080 | 42,270 |
| Gains on disposals of property, plant and equipment, net | | 74,662 | 16,282 | 94,571 | 810,150 |
| Litigation and other gains (losses) | | 371,795 | (179,697) | 297,009 | (429,004) |
| | $ | 561,969 | (23,440) | 631,886 | 532,936 |

**(26) Finance Costs**

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| Interest expense on bank borrowings | $ | 702,238 | 622,413 | 2,035,472 | 1,790,477 |
| Interest expense on lease liabilities | | 52,487 | - | 157,685 | - |
| Interest expense on others | | 45,939 | 45,258 | 282,975 | 180,294 |
| | $ | 800,664 | 667,671 | 2,476,132 | 1,970,771 |

**(27) Income Taxes**

The Company cannot file a consolidated tax return under local regulations. Therefore, AUO and its subsidiaries calculate their income taxes liabilities individually on a stand-alone basis using the enacted tax rates in their respective tax jurisdictions.

Income tax expense is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate as forecasted by the management.

The components of income tax expense were as follows:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | | (in thousands) | | | |
| Current income tax expense: | | | | | |
| Current year | $ | 30,668 | 915,027 | 594,061 | 3,706,102 |
| Adjustment to prior years and others | | (10,302) | (56,666) | (38,814) | (143,000) |
| | | 20,366 | 858,361 | 555,247 | 3,563,102 |
| Deferred tax benefit: | | | | | |
| Effect of changes in statutory income tax rate | | - | - | - | (383,289) |
| Total income tax expense | $ | 20,366 | 858,361 | 555,247 | 3,179,813 |

Income taxes benefit recognized directly in other comprehensive income were as follows:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | | (in thousands) | | | |
| Items that will never be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit obligations | $ | - | - | - | (27,517) |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Foreign operations – foreign currency translation differences | $ | (406,453) | (396,828) | (296,321) | (291,737) |

As of September 30, 2019, the tax authorities have completed the examination of income tax returns of AUO through 2017.

**(28) Earnings (Loss) per Share**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (in thousands, except for per share data) | | | |
| **Basic earnings (loss) per share** | | | | |
| Profit (loss) attributable to AUO's shareholders | $ (3,987,092) | 4,318,152 | (10,357,238) | 9,879,769 |
| Weighted-average number of common shares outstanding during the period | 9,622,539 | 9,624,245 | 9,623,674 | 9,624,245 |
| Basic earnings (loss) per share (NT$) | $ (0.41) | 0.45 | (1.08) | 1.03 |
| **Diluted earnings (loss) per share** | | | | |
| Profit (loss) attributable to AUO's shareholders | $ (3,987,092) | 4,318,152 | (10,357,238) | 9,879,769 |
| Weighted-average number of common shares outstanding during the period | 9,622,539 | 9,624,245 | 9,623,674 | 9,624,245 |
| Effect of employee remuneration in stock | - | 38,399 | - | 181,951 |
| | 9,622,539 | 9,662,644 | 9,623,674 | 9,806,196 |
| Diluted earnings (loss) per share (NT$) | $ (0.41) | 0.45 | (1.08) | 1.01 |

Since AUO had net loss for the three and nine months ended September 30, 2019, there were no potential ordinary shares considering with dilutive effect for the periods.

## (29) Cash Flow Information

The reconciliation of liabilities to cash flows arising from financing activities was as follows:

| | | Long-term borrowings (including current installments) | Short-term borrowings | Guarantee deposits | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|---|
| | | | | (in thousands) | | |
| **Balance at January 1, 2019** | $ | 86,305,318 | 546,472 | 816,512 | 12,689,526 | 100,357,828 |
| Cash flows | | 20,527,006 | 697,428 | 8,417 | (519,876) | 20,712,975 |
| Non-cash changes: | | | | | | |
| Addition (decrease) of leases | | - | - | - | (921,279) | (921,279) |
| Changes in exchange rate | | (644,604) | (7,332) | (27,480) | (19,066) | (698,482) |
| Amortization on transaction costs | | 203,551 | - | - | - | 203,551 |
| **Balance at September 30, 2019** | **$** | **106,391,271** | **1,236,568** | **797,449** | **11,229,305** | **119,654,593** |

| | | Long-term borrowings (including current installments) | Short-term borrowings | Guarantee deposits | Total liabilities from financing activities |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| **Balance at January 1, 2018** | $ | 110,608,010 | 3,424,376 | 838,482 | 114,870,868 |
| Cash flows | | (23,260,148) | (1,808,472) | (4,230) | (25,072,850) |
| Non-cash changes: | | | | | |
| Changes in exchange rate | | (178,868) | (59,837) | (3,369) | (242,074) |
| Amortization on transaction costs | | 100,086 | - | - | 100,086 |
| **Balance at September 30, 2018** | **$** | **87,269,080** | **1,556,067** | **830,883** | **89,656,030** |

## (30) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company’s current non-derivative financial instruments, including financial assets and financial liabilities at amortized cost, were considered to approximate their fair value due to their short-term nature. This methodology applies to cash and cash equivalents, receivables or payables (including related parties), other current financial assets, and short-term borrowings.

Disclosures of fair value are not required for the financial instruments abovementioned and lease liabilities. Other than those, the carrying amount and fair value of other financial instruments of the Company as of September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

| | September 30, 2019 | | December 31, 2018 | | September 30, 2018 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | | | (in thousands) | | | |
| **Financial assets:** | | | | | | |
| Financial assets at FVTPL: | | | | | | |
| Financial assets mandatorily measured at FVTPL | $ 1,554,539 | 1,554,539 | 1,709,531 | 1,709,531 | 1,668,030 | 1,668,030 |
| Financial assets at FVTOCI | 7,490,600 | 7,490,600 | 6,979,925 | 6,979,925 | 7,066,034 | 7,066,034 |
| Financial assets at amortized cost: | | | | | | |
| Long-term receivables | 5,987 | 5,987 | 930,001 | 930,001 | 922,423 | 922,423 |
| Refundable deposits | 720,280 | 720,280 | 716,097 | 716,097 | 695,149 | 695,149 |
| **Financial liabilities:** | | | | | | |
| Financial liabilities at FVTPL: | | | | | | |
| Financial liabilities held for trading | 69,972 | 69,972 | 22,115 | 22,115 | 217,196 | 217,196 |
| Financial liabilities at amortized cost: | | | | | | |
| Long-term borrowings (including current installments) | 106,391,271 | 106,391,271 | 86,305,318 | 86,305,318 | 87,269,080 | 87,269,080 |
| Guarantee deposits | 797,449 | 797,449 | 816,512 | 816,512 | 830,883 | 830,883 |

b. Valuation techniques and assumptions applied in fair value measurement

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities without quoted market prices are estimated using valuation approach. The estimates and assumptions used are the same as those used by market participants in the pricing of financial instruments.

Fair value of foreign currency forward contract is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from Reuters quote system.

Fair value of structured investment product is measured based on the discounted future cash flows arising from principal consideration and probable gains estimate to be received.

Fair value of long-term receivable is determined by discounting the expected cash flows at a market interest rate.

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

The fair value of floating-rate long-term borrowings approximates to their carrying value.

The Company refers to the quoted spot rates from Reuters quote system for US Dollar's closing price and other currencies' buy rates, which has been applied consistently to all periods presented and served as the basis for retranslation of the fair value of abovementioned financial instruments that denominated in foreign currencies.

c. Fair value measurements recognized in the consolidated balance sheets

The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

(i) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.

(ii) Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement level of an asset or a liability within their fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (in thousands) | | |
| **September 30, 2019** | | | | |
| Financial assets at FVTPL: | | | | |
| Financial assets mandatorily measured at FVTPL | $ - | 1,554,539 | - | 1,554,539 |
| Financial assets at FVTOCI | 7,304,694 | - | 185,906 | 7,490,600 |
| Financial assets at amortized cost: | | | | |
| Long-term receivables | - | 5,987 | - | 5,987 |
| Financial liabilities at FVTPL: | | | | |
| Financial liabilities held for trading | - | 69,972 | - | 69,972 |

| | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| **December 31, 2018** | | | | | |
| Financial assets at FVTPL: | | | | | |
| Financial assets mandatorily measured at FVTPL | $ | - | 1,709,531 | - | 1,709,531 |
| Financial assets at FVTOCI | | 6,803,900 | - | 176,025 | 6,979,925 |
| Financial assets at amortized cost: | | | | | |
| Long-term receivables | | - | 930,001 | - | 930,001 |
| Financial liabilities at FVTPL: | | | | | |
| Financial liabilities held for trading | | - | 22,115 | - | 22,115 |
| **September 30, 2018** | | | | | |
| Financial assets at FVTPL: | | | | | |
| Financial assets mandatorily measured at FVTPL | $ | - | 1,668,030 | - | 1,668,030 |
| Financial assets at FVTOCI | | 6,890,244 | - | 175,790 | 7,066,034 |
| Financial assets at amortized cost: | | | | | |
| Long-term receivables | | - | 922,423 | - | 922,423 |
| Financial liabilities at FVTPL: | | | | | |
| Financial liabilities held for trading | | - | 217,196 | - | 217,196 |

There were no transfers between Level 1 and 2 for the nine months ended September 30, 2019 and 2018.

d. Reconciliation for fair value measurements categorized within Level 3

| | | Nine Months Ended September 30, | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | (in thousands) | |
| Financial assets at FVTOCI − equity investments without active market | | | |
| **Balance at beginning of the period** | $ | 176,025 | - |
| Adjustments on initial application of IFRS 9 | | - | 177,815 |
| Net gains included in other comprehensive income | | - | 9,990 |
| Purchases | | 10,714 | 33,922 |
| Disposals | | - | (45,937) |
| Effect of exchange rate change | | (833) | - |
| **Balance at end of the period** | $ | **185,906** | **175,790** |

e. Description of valuation processes and quantitative disclosures for fair value measurements categorized within Level 3

The Company's management reviews the policy and procedures of fair value measurements at least once at the end of the annual reporting period, or more frequently as deemed necessary. When a fair value measurement involves one or more significant inputs that are unobservable, the Company monitors the valuation process discreetly and examines whether the inputs are used the most relevant market data available.

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at FVTOCI–equity investments without active market | Market approach | • Price-Book ratio (0.75~4.29 at Sep. 30, 2019, 0.99~5.2 at Dec. 31, 2018 and Sep. 30, 2018)<br>• Price-Earnings ratio (17.86~21.70 at Sep. 30, 2019, 14.69~112.13 at Dec. 31, 2018 and Sep. 30, 2018)<br>• Discount for lack of marketability (20%~28% at Sep. 30, 2019, 20% at Dec. 31, 2018 and Sep. 30, 2018) | • The higher the price-book ratio is, the higher the fair value is.<br>• The higher the price-earnings ratio is, the higher the fair value is.<br>• The greater degree of lack of marketability is, the lower the fair value is. |

**(31) Financial Risk Management**

Except as described below, both the goals and policies of the Company's financial risk management and the Company's exposure to credit risk, liquidity risk and market risk were not materially different from those disclosed in Note 6(34) of the consolidated financial statements for the year ended December 31, 2018.

Refer to Note 6(4) for the information about credit risk exposure for notes and accounts receivable.

The Company periodically examines portions exposed to currency risks for individual asset and liability denominated in foreign currency and uses forward contracts as hedging instruments to hedge positions exposed to risks. The contracts have maturity dates that do not exceed one year, and do not meet the criteria for hedge accounting.

a. Exposure of currency risk

The Company's significant exposure to foreign currency risk was as follows:

| | September 30, 2019 | | | December 31, 2018 | | | September 30, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency amounts | Exchange rate | NTD | Foreign currency amounts | Exchange rate | NTD | Foreign currency amounts | Exchange rate | NTD |
| | (in thousands) | | (in thousands) | (in thousands) | | (in thousands) | (in thousands) | | (in thousands) |
| **Financial assets** | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 1,735,324 | 31.0420 | 53,867,928 | 2,092,501 | 30.8020 | 64,453,216 | 2,189,735 | 30.5510 | 66,898,594 |
| JPY | 19,878,419 | 0.2873 | 5,711,070 | 11,872,572 | 0.2775 | 3,294,639 | 9,209,305 | 0.2687 | 2,474,540 |
| EUR | 48,409 | 33.8296 | 1,637,657 | 29,681 | 35.2036 | 1,044,878 | 56,012 | 35.4636 | 1,986,387 |
| Non-monetary items | | | | | | | | | |
| USD | 2,757 | 31.0420 | 85,583 | 2,799 | 30.8020 | 86,215 | 4,084 | 30.5510 | 124,770 |
| RMB | 19,653 | 4.3480 | 85,451 | 20,258 | 4.4813 | 90,782 | 20,378 | 4.4437 | 90,554 |
| **Financial liabilities** | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 1,595,053 | 31.0420 | 49,513,635 | 1,188,175 | 30.8020 | 36,598,166 | 1,208,898 | 30.5510 | 36,933,043 |
| JPY | 22,553,998 | 0.2873 | 6,479,764 | 25,296,499 | 0.2775 | 7,019,778 | 25,006,562 | 0.2687 | 6,719,263 |
| EUR | 585 | 33.8296 | 19,790 | 209 | 35.2036 | 7,358 | 300 | 35.4636 | 10,639 |

b. Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, loans and borrowings and trade payables that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD, EUR and JPY at September 30, 2019 and 2018, while all other variables were remained constant, would have increased or decreased the net profit before tax for the nine months ended September 30, 2019 and 2018 as follows:

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| | (in thousands) | |
| 1% of depreciation | $ 52,035 | 276,966 |
| 1% of appreciation | (52,035) | (276,966) |

c. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the consolidated entities of the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains (losses) for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018 were $(115,206) thousand, $221,054 thousand, $(173,774) thousand and $109,520 thousand, respectively.

### (32) Capital Management

The objectives, policies and procedures of the Company's capital management have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, there was no significant change in the Company's capital management information as disclosed for the year ended December 31, 2018. Refer to Note 6(35) of the consolidated financial statements for the year ended December 31, 2018 for the relevant information.

## 7. Related-party Transactions

All inter-company transactions and balances between AUO and its subsidiaries have been eliminated upon consolidation, and therefore, are not disclosed in this note. The transactions between the Company and other related parties are set out as follows:

(1) Name and relationship of related parties

The following is a summary of related parties that have had transactions with the Company during the periods presented in the consolidated financial statements.

| Name of related party | Relationship with the Company |
|---|---|
| Lextar Electronics Corporation ("Lextar") | Associate |
| Lextar Electronics (Suzhou) Co., Ltd. ("LESZ") | Subsidiary of Lextar |
| Lextar Electronics (Xiamen) Co., Ltd. ("LEXM") | Subsidiary of Lextar |
| Lextar Electronics (Chuzhou) Corp. ("LEXCZ") | Subsidiary of Lextar |
| Wellybond Corporation ("WBC") | Subsidiary of Lextar |
| Raydium Semiconductor Corporation ("Raydium") | Associate |
| Raydium Semiconductor (Kunshan) Co., Ltd. ("RKS") | Subsidiary of Raydium |
| Raydium Semiconductor (SAMOA) Corp. | Subsidiary of Raydium |
| Dazzo Technology Corporation ("Dazzo") | Subsidiary of Raydium[(i)] |
| Star River Energy Corp. ("SREC") | Associate |
| Sungen Power Corporation ("SGPC") | Subsidiary of SREC |
| Evergen Power Corporation ("EGPC") | Subsidiary of SREC |
| Star Shining Energy Corporation ("SSEC") | Associate |
| Fargen Power Corporation ("FGPC") | Subsidiary of SSEC |
| Sheng Li Energy Corporation ("SLEC") | Subsidiary of SSEC |
| ChampionGen Power Corporation ("CGPC") | Subsidiary of SSEC[(ii)] |
| TronGen Power Corporation ("TGPC") | Subsidiary of SSEC |
| Ri Ji Power Corporation ("RJPC") | Subsidiary of SSEC |
| Ri Jing Power Corporation ("RGPC") | Subsidiary of SSEC |
| WishMobile, Inc. ("WMI") | Associate |
| Daxin Materials Corp. ("Daxin") | Associate |

 (Continued)

| Name of related party | Relationship with the Company |
|---|---|
| Darwin Summit Co., Ltd. (“DSC”) | Associate |
| Ubitech Inc. (“Ubitech”) | Associate |
| BVCH Optronics (Sichuan) Corp. (“BVCH”) | Joint venture |
| Evonik Forhouse Optical Polymers Corp. (“EFOP”) | Joint venture |
| Wibase Industrial Solutions Inc. (“WIS”) | DPTW represented as a director of WIS |
| Qisda Corporation (“Qisda”) | Corporate shareholder of AUO of which accounts for AUO using the equity method |
| BenQ Corporation (“BenQ”) | Subsidiary of Qisda |
| BenQ Materials Corp. (“BMC”) | Subsidiary of Qisda |
| Qisda (Suzhou) Co., Ltd. (“QCSZ”) | Subsidiary of Qisda |
| Qisda Electronics (Suzhou) Co., Ltd. (“QCES”) | Subsidiary of Qisda |
| Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”) | Subsidiary of Qisda |
| Qisda Japan Co., Ltd. (“QJTO”) | Subsidiary of Qisda |
| BenQ Europe B.V. (“BQE”) | Subsidiary of Qisda |
| BenQ Asia Pacific Corp. (“BQP”) | Subsidiary of Qisda |
| BenQ America Corporation (“BQA”) | Subsidiary of Qisda |
| Mainteq Europe B.V. (“MQE”) | Subsidiary of Qisda |
| BenQ Co., Ltd. (“BQC”) | Subsidiary of Qisda |
| BenQ Technology (Shanghai) Co., Ltd. (“BQls”) | Subsidiary of Qisda |
| Guru Systems (Suzhou) Co., Ltd. (“GSS”) | Subsidiary of Qisda |
| BenQ GURU Corp. (“GST”) | Subsidiary of Qisda |
| BenQ Material (Suzhou) Co., Ltd. (“BMS”) | Subsidiary of Qisda |
| Suzhou BenQ Hospital Co., Ltd. (“QCHS”) | Subsidiary of Qisda |
| DFI Inc. (“DFI”) | Subsidiary of Qisda |
| Data Image Corporation (“DIC”) | Subsidiary of Qisda |
| Data Image (Suzhou) Corporation (“DICSZ”) | Subsidiary of Qisda |
| Sysage Technology Co., Ltd. (“Sysage”) | Subsidiary of Qisda |
| BenQ Medical Technology Corp. (“TMC”) | Subsidiary of Qisda |
| BenQ Foundation | Substantive related party |

(i) Dazzo was merged with and into Raydium, an associate of the Company, on April 1, 2019.

(ii) The Company disposed all its shareholdings in CGPC to SSEC, an associate of the Company, in September 2018. Refer to Note 6(9) for the relevant disclosures.

(2) Compensation to key management personnel

Key management personnel's compensation comprised:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| Short-term employee benefits | $ | 30,112 | 27,891 | 89,650 | 83,081 |
| Post-employment benefits | | 688 | 654 | 2,066 | 1,953 |
| | $ | 30,800 | 28,545 | 91,716 | 85,034 |

(3) Except for otherwise disclosed in other notes to the consolidated financial statements, the Company's significant related party transactions and balances were as follows:

a. Sales

| | | Sales | | | |
|---|---|---|---|---|---|
| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | (in thousands) | | | |
| Associates | $ | 246,158 | 274,341 | 855,961 | 1,466,971 |
| Others | | 2,657,398 | 3,642,778 | 8,120,155 | 9,094,474 |
| | $ | 2,903,556 | 3,917,119 | 8,976,116 | 10,561,445 |

| | | Accounts receivable from related parties | | |
|---|---|---|---|---|
| | | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| | | (in thousands) | | |
| Associates | $ | 144,620 | 696,423 | 208,871 |
| Others | | 1,775,062 | 2,057,830 | 2,383,719 |
| | $ | 1,919,682 | 2,754,253 | 2,592,590 |

The collection terms for sales to related parties were 25 to 55 days from the end of the month during which the invoice is issued. The pricing for sales to related parties were not materially different from those with third parties.

b. Purchases

| | Purchases | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | (in thousands) | | | |
| Associates | $ 2,242,275 | 2,498,927 | 6,697,466 | 6,800,305 |
| Joint ventures | 294,655 | 485,385 | 844,554 | 1,146,926 |
| Others | 4,252,074 | 5,172,837 | 12,876,493 | 13,911,347 |
| | $ 6,789,004 | 8,157,149 | 20,418,513 | 21,858,578 |

| | Notes and accounts payable to related parties | | |
|---|---|---|---|
| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| | (in thousands) | | |
| Associates | $ 3,109,760 | 3,664,742 | 3,531,194 |
| Others | 4,065,408 | 4,496,444 | 4,852,923 |
| | $ 7,175,168 | 8,161,186 | 8,384,117 |

The payment terms for purchases from related parties were 30 to 120 days. The pricing and payment terms with related parties were not materially different from those with third parties.

c. Acquisition of property, plant and equipment

| | Acquisition prices | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | (in thousands) | | | |
| Associates | $ 6,346 | 4,463 | 6,555 | 6,527 |
| Others | 7,978 | 1,242 | 14,879 | 4,093 |
| | $ 14,324 | 5,705 | 21,434 | 10,620 |

d. Other related party transactions

| Transaction type | Type of related party | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|---|
| | | | (in thousands) | |
| Other receivables due from related parties | Associates | $ 225,123 | 8,161 | 110,851 |
| | Others | 20,432 | 4,784 | 8,970 |
| | | $ 245,555 | 12,945 | 119,821 |
| Other payables due to related parties (including payables for equipment) | Associates | $ 10,681 | 18,148 | 10,682 |
| | Others | 28,174 | 10,027 | 11,614 |
| | | $ 38,855 | 28,175 | 22,296 |

| Transaction type | Type of related party | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Rental income | Associates | $ 12,879 | 13,746 | 38,959 | 42,131 |
| | Joint ventures | 1,653 | 1,652 | 4,959 | 4,958 |
| | Others: | | | | |
| | BMC | 20,705 | 15,060 | 62,601 | 51,083 |
| | Others | 15,721 | 4,842 | 23,174 | 12,675 |
| | | $ 50,958 | 35,300 | 129,693 | 110,847 |
| Administration and other income | Associates | $ 4,254 | 5,799 | 15,836 | 16,072 |
| | Joint ventures | 26 | 277 | 223 | 869 |
| | Others | 4,710 | 5,874 | 6,632 | 6,581 |
| | | $ 8,990 | 11,950 | 22,691 | 23,522 |
| Other expenses | Associates | $ 3,927 | 4,830 | 8,894 | 19,619 |
| | Joint ventures | - | (6) | 37 | 571 |
| | Others | 15,613 | 9,304 | 39,087 | 23,220 |
| | | $ 19,540 | 14,128 | 48,018 | 43,410 |

The Company leased portion of its facilities to related parties. The collection term was 15 days from quarter-end, and the pricing was not materially different from that with third parties.

For the nine months ended September 30, 2019 and 2018, the Company entitled for cash dividends declared by related parties of $566,865 thousand and $668,228 thousand, respectively. As of September 30, 2019 and 2018, the aforementioned dividends were all received.

## 8. Pledged Assets

The carrying amounts of the assets which the Company pledged as collateral were as follows:

| Pledged assets | Pledged to secure | | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|---|---|---|---|---|
| | | | | (in thousands) | |
| Restricted cash in banks[(i)] | Customs duties and guarantee for warranties | $ | 35,971 | 91,753 | 82,388 |
| Land and buildings | Long-term borrowings | | 18,158,409 | 27,696,480 | 28,044,616 |
| Machinery and equipment | Long-term borrowings | | 39,514,238 | 37,317,602 | 38,335,726 |
| | | $ | **57,708,618** | **65,105,835** | **66,462,730** |

(i) Classified as other current financial assets and other noncurrent assets by its liquidity.

## 9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of September 30, 2019, in addition to those disclosed in other notes to the consolidated financial statements, were as follows:

(1) As at September 30, 2019, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

| Currency | September 30, 2019 |
|---|---|
| | (in thousands) |
| USD | 6,448 |
| JPY | 2,024,636 |

(2) Starting in 1998, AUO has entered into technical collaboration, patent licensing, and/or patent cross licensing agreements with Fujitsu Display Technologies Corp. (subsequently assumed by Fujitsu Limited), Toppan Printing Co., Ltd. (“Toppan Printing”), Semiconductor Energy Laboratory Co., Ltd., Japan Display Inc. (formerly Japan Display East Inc./Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.), LG Display Co., Ltd., Sharp Corporation, Samsung Electronics Co., Ltd., Hydis Technologies Co., Ltd., Seiko Epson Corporation and others. AUO believes that it is in compliance with the terms and conditions of the aforementioned agreements.

(3) In April 2011, AUO signed a long-term materials supply agreement with Korean OCI Company Ltd. (“OCI”), under which, AUO and OCI agreed on the supply of certain polysilicon. Purchase prices were determined and adjusted through negotiation on each order basis between both parties. AUO paid proportionate prepayments in three installments to OCI in 2011. In May 2015 and December 2016, the supply agreement was amended and the amended effective term is from April 15, 2011 to December 31, 2020.

(4) Starting from 2006, DPTW has entered into a long-term materials supply agreement with EFOP, a joint venture of the Company. Under the agreement, DPTW and EFOP agreed on the supply of certain optical-grade molding compounds at agreed prices and quantities.

(5) As at September 30, 2019, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $10,594,078 thousand.

(6) There were civil lawsuits filed against AUO, AUUS and various manufacturers in the TFT-LCD industry in the United States and Canada alleging, among other things, antitrust violations. As of October 29, 2019, AUO and AUUS have reached settlement agreements with the relevant plaintiffs. In addition to the above cases in the United States and Canada, a lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel (“Israeli Court”). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. In April 2019, the Central District Court of Israel in Lod approved the settlement. In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis. In September 2018, AUUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

(7) In July 2018, Vista Peak Ventures, LLC (“VPV”) filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV’s patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. On September 27, 2019, the relevant parties reached a settlement agreement, under which VPV agreed to dismiss all pending lawsuits that have been filed against AUO.

As of October 29, 2019, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company’s business or results of operations.

**10. Significant Disaster Losses: None.**

**11. Subsequent Event: None.**

## 12. Others

(1) Seasonality of operations

The Company's operations are not materially influenced by seasonality or cyclicality.

(2) Since 2010, there have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, which AUO's second 8.5-generation fab is located at. The proceedings were initiated by six residents in Houli District, Taichung City (the "Plaintiffs") to object the administrative dispositions of the environmental assessment and development approval issued in 2010 by the Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan to the third phrase development area in the Central Taiwan Science Park (the "Project"). On August 8, 2014, the Plaintiffs reached a settlement with the defendants (i.e. the governmental authorities, including the EPA of the Executive Yuan of Taiwan, the Ministry of Science and Technology (former National Science Council of the ROC Executive Yuan) and the Central Taiwan Science Park Development Office) in the Taipei High Administrative Court. The second phase environmental impact assessment for the Project continues to proceed. On December 14, 2017, the EPA of the Executive Yuan of Taiwan held the third review meeting of the investigation group. The review meeting reached the conclusion of suggesting approval for the Project. On November 6, 2018, the EPA approved the Project, but on December 6, 2018, five residents in Houli District, Taichung City filed administrative appeal to the Appeals Review Committee of the Executive Yuan requesting a withdrawal of the approval. Currently management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

## 13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the nine months ended September 30, 2019.

a. Financings provided: Please see Table 1 attached.

b. Endorsements / guarantees provided: Please see Table 2 attached.

c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.

d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT$300 million or 20% of the paid-in capital: Please see Table 4 attached.

e. Acquisition of individual real estate with costs exceeding NT$300 million or 20% of the paid-in capital: None.

 (Continued)

f. Disposal of individual real estate with prices exceeding NT$300 million or 20% of the paid-in capital: None.

g. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 5 attached.

h. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 6 attached.

i. Information about trading in derivative instruments: Please see Note 6(2).

j. Business relationship and significant intercompany transactions: Please see Table 7 attached.

(2) Information on investees (excluding information on investment in Mainland China): Please see Table 8 attached.

(3) Information on investment in Mainland China:

a. The related information on investment in Mainland China: Please see Table 9.1 and 9.2 attached.

b. Upper limit on investment in Mainland China: Please see Table 9.1 and 9.2 attached.

c. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the nine months ended September 30, 2019, for which intercompany transactions were eliminated upon consolidation, are disclosed in Note 13(1) "Information on significant transactions".

## 14. Segment Information

Operating segment information

The Company has two operating segments: display and energy. The display segment generally is engaged in the research, development, design, manufacturing and sale of flat panel displays and most of our products are TFT-LCD panels. The energy segment primarily is engaged in the design, manufacturing and sale of ingots, solar wafers and solar modules, as well as providing technical engineering services and maintenance services for solar system projects.

Segment results are excluding non-operating income and expenses and income tax expense (benefit). There are no differences between the consolidated financial statements for the nine months ended September 30, 2019 and 2018 with the financial results received by the Company's chief operating decision maker. The accounting policies for the operating segments are the same as those used in preparation of the consolidated financial statements of the Company. The Company uses the net revenue, profit (loss) from operations and segment profit (loss) excluding depreciation and amortization as the basis of segment performance assessment.

| | Three Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Display segment | Energy segment | Total |
| | | (in thousands) | |
| Net revenue from external customers | $ 67,284,449 | 2,768,858 | 70,053,307 |
| Segment profit (loss) | $ (5,177,811) | (259,248) | (5,437,059) |
| Net non-operating income and expenses | | | 720,472 |
| Consolidated profit (loss) before income tax | | | $ (4,716,587) |
| Segment profit (loss) excluding depreciation and amortization | $ 3,520,299 | (11,630) | 3,508,669 |
| Segment assets | | | $ 407,290,767 |

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Display segment | Energy segment | Total |
| | | (in thousands) | |
| Net revenue from external customers | $ 77,182,947 | 3,859,578 | 81,042,525 |
| Segment profit (loss) | $ 3,349,750 | (281,147) | 3,068,603 |
| Net non-operating income and expenses | | | 2,108,812 |
| Consolidated profit (loss) before income tax | | | $ 5,177,415 |
| Segment profit (loss) excluding depreciation and amortization | $ 11,781,621 | 26,428 | 11,808,049 |
| Segment assets | | | $ 411,900,237 |

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Display segment | Energy segment | Total |
| | | (in thousands) | |
| Net revenue from external customers | $ 197,792,801 | 9,030,684 | 206,823,485 |
| Segment profit (loss) | $ (13,221,483) | (736,016) | (13,957,499) |
| Net non-operating income and expenses | | | 2,054,860 |
| Consolidated profit (loss) before income tax | | | $ (11,902,639) |
| Segment profit (loss) excluding depreciation and amortization | $ 13,165,913 | 33,284 | 13,199,197 |
| Segment assets | | | $ 407,290,767 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Display segment | Energy segment | Total |
| | | (in thousands) | |
| Net revenue from external customers | $ 217,230,630 | 13,310,400 | 230,541,030 |
| Segment profit (loss) | $ 9,052,804 | (931,350) | 8,121,454 |
| Net non-operating income and expenses | | | 3,444,577 |
| Consolidated profit (loss) before income tax | | | $ 11,566,031 |
| Segment profit (loss) excluding depreciation and amortization | $ 33,356,556 | 28,905 | 33,385,461 |
| Segment assets | | | $ 411,900,237 |

# AU OPTRONICS CORP. AND SUBSIDIARIES
## Financings Provided
## For the nine months ended September 30, 2019
### (Amount in thousands of New Taiwan Dollars)

Table 1

| No. | Financing Company | Borrowing Company | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 3) | Ending Balance (Notes 1 and 2) | Amount Actually Drawn Down (Notes 1 and 4) | Interest Rate | Nature of Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Notes 1 and 5) | Limits on Financing Company's Total Financing Amount (Notes 1 and 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | AUO | AUKS | Other receivables from related parties | Yes | 1,524,810 | 1,304,400 | - | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 18,685,007 | 74,740,027 |
| 0 | AUO | ACTW | Other receivables from related parties | Yes | 2,000,000 | 2,000,000 | 1,775,000 | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 18,685,007 | 74,740,027 |
| 1 | AULB | AUSK | Other receivables from related parties | Yes | - | - | - | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 52,667,130 | 52,667,130 |
| 1 | AULB | AUKS | Other receivables from related parties | Yes | 4,814,460 | 4,565,400 | 1,652,240 | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 21,066,852 | 21,066,852 |
| 2 | AUXM | AUKS | Other receivables from related parties | Yes | 5,272,980 | 4,348,000 | 2,174,000 | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 5,096,167 | 5,096,167 |
| 2 | AUXM | BVHF | Other receivables from related parties | Yes | - | - | - | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 5,096,167 | 5,096,167 |
| 3 | AUSJ | UFSZ | Other receivables from related parties | Yes | 92,090 | 86,960 | - | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 3,733,430 | 3,733,430 |
| 3 | AUSJ | AUKS | Other receivables from related parties | Yes | 1,467,264 | 1,391,360 | 1,391,360 | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 1,493,372 | 1,493,372 |



(Continued)

| No. | Financing Company | Borrowing Company | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 3) | Ending Balance (Notes 1 and 2) | Amount Actually Drawn Down (Notes 1 and 4) | Interest Rate | Nature of Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Notes 1 and 5) | Limits on Financing Company's Total Financing Amount (Notes 1 and 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 3 | AUSJ | A-Care | Other receivables from related parties | Yes | 46,045 | 43,480 | - | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 3,733,430 | 3,733,430 |
| 4 | AUSZ | AUKS | Other receivables from related parties | Yes | 5,272,980 | 4,130,600 | 3,478,400 | Markup rate on short-term financing cost | Needs for short-term financing | - | Operating capital | - | - | - | 5,065,808 | 5,065,808 |
| 5 | DPSZ | AUKS | Other receivables from related parties | Yes | 460,450 | - | - | Adjusted by base lending rate of People's Bank of China | Needs for short-term financing | - | Operating capital | - | - | - | 716,527 | 716,527 |
| 6 | FTKS | AUKS | Other receivables from related parties | Yes | 450,170 | 434,800 | 434,800 | Adjusted by base lending rate of People's Bank of China | Needs for short-term financing | - | Operating capital | - | - | - | 522,361 | 522,361 |
| 7 | FTWJ | FHWJ | Other receivables from related parties | Yes | 92,090 | 65,220 | 65,220 | Adjusted by base lending rate of People's Bank of China | Needs for short-term financing | - | Operating capital | - | - | - | 2,172,784 | 2,172,784 |

Note 1: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 2: The ending balance represents the amounts approved by the Board of Directors.

Note 3: The maximum balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 4: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 5: The policy for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

1. AUO: The total amount available for lending purposes shall not exceed 40% of AUO's net worth as stated in its latest audited/reviewed financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest audited/ reviewed financial statement.
2. AULB, AUSZ, AUXM and AUSJ: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited/ reviewed financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest audited/ reviewed financial statement.
3. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the aggregate amount available for lending to such borrowers and total amount lendable to a company shall not exceed the net worth of the lending company as stated in its latest audited/ reviewed financial statement.
4. DPSZ, FTWJ and FTKS: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company.
5. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly and indirectly, by DPTW, the aggregate amount available for lending to such borrowers shall not exceed the net worth of the lending company, and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.



(Continued)

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Endorsements/ Guarantees Provided

## For the nine months ended September 30, 2019

### (Amount in thousands of New Taiwan Dollars)

Table 2

| No. | Endorser/ Guarantor | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5) | Maximum Endorsement/ Guarantee Balance for the Period (Note 2) | Ending Balance (Notes 3 and 4) | Amount Actually Drawn Down (Note 4) | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5) | Endorsement/ Guarantee Provided by Parent Company to Subsidiary | Endorsement/ Guarantee Provided by Subsidiary to Parent Company | Endorsement/ Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship (Note 1) | | | | | | | | | | |
| 0 | AUO | AUKS | 2 | 93,425,033 | 16,140,185 | 15,580,843 | 13,089,265 | - | 8.34% | 186,850,067 | Yes | No | Yes |
| 1 | AUXM | AUO | 3 | 12,740,417 | 9,577,360 | 9,043,840 | - | - | 70.99% | 12,740,417 | No | Yes | No |
| 1 | AUXM | AUO &AUST | 3,4 | 12,740,417 | 2,302,250 | 2,174,000 | - | - | 17.06% | 12,740,417 | No | Yes | No |
| 2 | AUSJ | AUO | 3 | 3,733,430 | 1,473,440 | 1,391,360 | - | - | 37.27% | 3,733,430 | No | Yes | No |
| 3 | AUSZ | AUO | 3 | 12,664,521 | 7,275,110 | 6,869,840 | - | - | 54.24% | 12,664,521 | No | Yes | No |
| 3 | AUSZ | AUO &AUSK | 3,4 | 12,664,521 | 1,519,485 | 1,434,840 | - | - | 11.33% | 12,664,521 | No | Yes | No |

Note 1: The relationship between the endorser/ guarantor and the guaranteed party:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum endorsement/ guarantee balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 3: The ending balance represents the amounts approved by the Board of Directors.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: The policy for the limit of total endorsement/ guarantee amount and the limit on endorsement/ guarantee amount provided to each party are prescribed as follows:

a. AUO: The total endorsement/ guarantee amount provided shall not exceed the net worth of AUO as stated in its latest audited/ reviewed financial statement. The aggregate amount of endorsement/ guarantee provided to each guaranteed party shall not exceed 50% of AUO’s net worth as stated in its latest audited/ reviewed financial statement.

b. AUSZ, AUXM and AUSJ: The total endorsement/ guarantee amount provided and the aggregate amount of endorsement/ guarantee provided to each guaranteed party both shall not exceed the net worth of the endorser/ guarantor as stated in its latest audited/ reviewed financial statement.



(Continued)

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

## September 30, 2019

**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)**

Table 3

| Name of Holder | Type and Name of Marketable Securities | Relationship with the Securities Issuer | Financial Statement Account | September 30, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| AUO | Stock<br>BenQ ESCO Corp. | Related party | Financial assets at FVTPL— noncurrent | 1,700 | - | 17.00% | - | |
| AUO | Stock<br>Qisda | Related party | Financial assets at FVTOCI— noncurrent | 335,231 | 7,090,125 | 17.04% | 7,090,125 | |
| AULB | Stock<br>Abakus Solar AG | - | Financial assets at FVTPL— noncurrent | 3 | - | 2.22% | - | |
| AUSH | Stock<br>T-powertek Optronics Co., Ltd. | - | Financial assets at FVTOCI— noncurrent | 352 | CNY 6,250 | 2.16% | CNY 6,250 | |
| DPSZ | Structured deposit | - | Financial assets at FVTPL－current | - | CNY 71,160 | - | CNY 71,160 | |
| FPWJ | Structured deposit | - | Financial assets at FVTPL－current | - | CNY 101,592 | - | CNY 101,592 | |
| FTKS | Structured deposit | - | Financial assets at FVTPL－current | - | CNY 170,648 | - | CNY 170,648 | |
| Konly | Stock<br>PlayNitride Inc. | - | Financial assets at FVTOCI— noncurrent | 609 | 42,123 | 1.84% | 42,123 | |
| Konly | Stock<br>SnapBizz Cloudtech Pte. Ltd. | - | Financial assets at FVTOCI— noncurrent | 13 | 33,501 | 6.13% | 33,501 | |
| Konly | Stock<br>a2peak power Co., Ltd. | - | Financial assets at FVTPL－noncurrent | 4,000 | - | 10.87% | - | |



(Continued)

| Name of Holder | Type and Name of Marketable Securities | Relationship with the Securities Issuer | Financial Statement Account | September 30, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Konly | Stock<br>ChenFeng Optronics Corporation | - | Financial assets at FVTPL－noncurrent | 1,500 | - | 2.63% | - | |
| Konly | Stock<br>UniBright Chemical Co., Ltd. | - | Financial assets at FVTPL－noncurrent | 4,200 | - | 8.52% | - | |
| Konly | Stock<br>Azotek Co., Ltd. | - | Financial assets at FVTOCI— noncurrent | 2,407 | 7,345 | 4.01% | 7,345 | |
| Konly | Stock<br>Qisda | Related party | Financial assets at FVTOCI— noncurrent | 10,145 | 214,569 | 0.52% | 214,569 | |
| Konly | Stock<br>ATS International Inc. | - | Financial assets at FVTOCI— noncurrent | 1,667 | - | 5.15% | - | |
| DPTW | Stock<br>Wibase Industrial Solutions Inc. | Related party | Financial assets at FVTOCI— noncurrent | 4,700 | 56,400 | 12.11% | 56,400 | |
| DPTW | Stock<br>Disign Incorporated | - | Financial assets at FVTOCI— noncurrent | 2 | 10,714 | 19.89% | 10,714 | |
| DPTW | Stock<br>D8AI Holdings Corporation | - | Financial assets at FVTOCI— noncurrent | 7,000 | 8,649 | 4.59% | 8,649 | |
| Ronly | Stock<br>UniBright Chemical Co., Ltd. | - | Financial assets at FVTPL－noncurrent | 600 | - | 1.22% | - | |
| Ronly | Stock<br>Exploit Technology Co., Ltd. | - | Financial assets at FVTPL－noncurrent | 41 | - | 0.49% | - | |



(Continued)

# AU OPTRONICS CORP. AND SUBSIDIARIES

## Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding NT$300 Million or 20% of the Paid-in Capital

## For the nine months ended September 30, 2019

**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)**

Table 4

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Amount | Gain/Loss on Disposal | Shares | Amount | |
| AUO | Stock ACTW | Investments in equity-accounted investees | - | - | 378,193 | 5,005,774 | 40,390 | 549,393 | - | - | - | - | 418,583 | 5,240,129 | 1 |
| DPSZ | Structured deposit | Financial assets at FVTPL－current | - | - | - | - | - | CNY 70,000 | - | - | - | - | - | CNY 71,160 | 2 |
| FPWJ | Structured deposit | Financial assets at FVTPL－current | - | - | - | CNY 91,753 | - | CNY 100,000 | - | CNY 93,040 | CNY 93,040 | - | - | CNY 101,592 | 2 |
| FTKS | Structured deposit | Financial assets at FVTPL－current | - | - | - | CNY 274,091 | - | CNY 440,000 | - | CNY 550,883 | CNY 550,883 | - | - | CNY 170,648 | 2 |

Note 1: a. As part of a business restructuring, AUO acquired all of shareholdings in ACTW from Konly and other shareholders.

b. The ending balance includes the recognition of investment gain (loss), foreign currency translation differences and capital surplus, etc. under the equity method.

Note 2: The ending balance includes the gain/loss on valuation of the financial asset.



(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES

## Purchases from or Sales to Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital

## For the nine months ended September 30, 2019

**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 5

| Company Name | Counterparty | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases /Sales | Amount (Note 2) | Percentage of Total Purchases /Sales | Credit Terms | Unit Price (Note 1) | Credit Terms (Note 1) | Ending Balance (Note 2) | Percentage of Total Notes /Accounts Receivable (Payable) | |
| AUO | AUCZ | Subsidiary of AUO | Purchases | 129,946 | - | EOM 45 days | - | | - | - | |
| AUO | AUKS | Subsidiary of AUO | Purchases | 8,887,058 | 6% | EOM 30 days | - | | (2,419,030) | (4)% | |
| AUO | AUSZ | Subsidiary of AUO | Purchases | 26,806,286 | 18% | EOM 45 days | - | | (11,530,121) | (21)% | |
| AUO | BMC | Subsidiary of Qisda | Purchases | 3,113,070 | 2% | EOM 90 days | - | | (1,026,902) | (2)% | |
| AUO | Raydium | Associate | Purchases | 801,234 | 1% | EOM 120 days | - | | (317,504) | (1)% | |
| AUO | Qisda | Corporate shareholder of AUO of which accounts for AUO using the equity method | Purchases | 6,217,165 | 4% | EOM 45 days | - | | (1,343,451) | (2)% | |
| AUO | Daxin | Associate | Purchases | 2,080,197 | 1% | EOM 120 days | - | | (924,323) | (2)% | |
| AUO | DPTW | Subsidiary of AUO | Purchases | 5,101,043 | 3% | EOM 60 days | - | | (1,551,734) | (3)% | |
| AUO | AUXM | Subsidiary of AUO | Purchases | 19,767,840 | 13% | EOM 45 days | - | | (8,775,339) | (16)% | |
| AUO | AUST | Subsidiary of AUO | Purchases | 4,362,212 | 3% | EOM 45 days | - | | (953,299) | (2)% | |
| AUO | AUSK | Subsidiary of AUO | Purchases | 104,209 | - | EOM 45 days | - | | (20,572) | - | |
| AUO | AULB | Subsidiary of AUO | Purchases | 956,615 | 1% | EOM 45 days | - | | (401,205) | (1)% | |
| AUO | QCOS | Subsidiary of Qisda | Sales | (204,440) | - | EOM 55 days | - | | 39,754 | - | |
| AUO | FGPC | Subsidiary of SSEC | Sales | (567,963) | - | EOM 25 days | - | | 75,911 | - | |
| AUO | DPXM | Subsidiary of AUO | Sales | (119,816) | - | EOM 45 days | - | | 20,804 | - | |
| AUO | DPTW | Subsidiary of AUO | Sales | (351,018) | - | EOM 45 days | - | | 63,800 | - | |
| AUO | AUSZ | Subsidiary of AUO | Sales | (207,268) | - | EOM 45 days | - | | - | - | |



(Continued)

| Company Name | Counterparty | Relationship | Transaction Details | | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases /Sales | Amount (Note 2) | | Percentage of Total Purchases /Sales | Credit Terms | Unit Price (Note 1) | Credit Terms (Note 1) | Ending Balance (Note 2) | | Percentage of Total Notes /Accounts Receivable (Payable) | |
| AUO | AUXM | Subsidiary of AUO | Sales | | (663,325) | - | EOM 45 days | - | | | - | - | |
| AUO | AUNL | Subsidiary of AUO | Sales | | (509,761) | - | EOM 45 days | - | | | 165,779 | - | |
| AUO | ACTW | Subsidiary of AUO | Sales | | (424,813) | - | EOM 45 days | - | | | 104,522 | - | |
| AUO | QCSZ | Subsidiary of Qisda | Sales | | (5,627,235) | (3)% | EOM 55 days | - | | | 1,165,480 | 3% | |
| AUO | BenQ | Subsidiary of Qisda | Sales | | (2,004,678) | (1)% | EOM 55 days | - | | | 448,808 | 1% | |
| ACMK | ACTW | Subsidiary of AUO | Purchases | USD | 26,505 | 92% | OA 60 days | - | | USD | (6,061) | (92)% | |
| AUCZ | AUO | Ultimate parent company | Sales | CZK | (99,079) | (100)% | EOM 45 days | - | | | - | - | |
| AUKS | AUSZ | Subsidiary of AUO | Purchases | CNY | 93,049 | 8% | EOM 60 days | - | | CNY | (38,245) | (6)% | |
| AUKS | AUO | Ultimate parent company | Sales | CNY | (1,961,357) | (100)% | EOM 30 days | - | | CNY | 552,107 | 100% | |
| AULB | AUXM | Subsidiary of AUO | Sales | USD | (18,769) | (17)% | EOM 45 days | - | | | - | - | |
| AULB | AUSZ | Subsidiary of AUO | Sales | USD | (11,445) | (11)% | EOM 45 days | - | | | - | - | |
| AULB | AUO | Ultimate parent company | Sales | USD | (30,788) | (72)% | EOM 45 days | - | | USD | 8,711 | 100% | |
| AUNL | AUO | Ultimate parent company | Purchases | EUR | 14,843 | 100% | EOM 45 days | - | | EUR | (4,901) | (100)% | |
| AUSH | AUO | Ultimate parent company | Sales | CNY | (23,998) | (98)% | End of quarter 25 days | - | | | - | - | |
| AUSK | AUO | Ultimate parent company | Sales | EUR | (3,163) | (84)% | EOM 45 days | - | | EUR | 723 | 84% | |
| AUST | AUO | Ultimate parent company | Sales | USD | (140,596) | (100)% | EOM 45 days | - | | USD | 30,710 | 100% | |
| AUSZ | DPTW | Subsidiary of AUO | Purchases | CNY | 128,996 | 3% | EOM 120 days | - | | CNY | (69,410) | (3)% | |
| AUSZ | AULB | Subsidiary of AUO | Purchases | CNY | 76,181 | 2% | EOM 45 days | - | | | - | - | |
| AUSZ | Raydium | Associate | Purchases | CNY | 402,916 | 8% | EOM 120 days | - | | CNY | (204,614) | (8)% | |
| AUSZ | BMC | Subsidiary of Qisda | Purchases | CNY | 206,439 | 4% | EOM 90 days | - | | CNY | (89,577) | (4)% | |
| AUSZ | Qisda | Corporate shareholder of AUO of which accounts for AUO using the equity method | Purchases | CNY | 418,723 | 8% | EOM 120 days | - | | CNY | (240,351) | (10)% | |
| AUSZ | AUO | Ultimate parent company | Purchases | CNY | 59,386 | 1% | EOM 45 days | - | | | - | - | |
| AUSZ | AULB | Subsidiary of AUO | Sales | CNY | (36,949) | (1)% | EOM 45 days | - | | | - | - | |



(Continued)

| Company Name | Counterparty | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases /Sales | Amount (Note 2) | Percentage of Total Purchases /Sales | Credit Terms | Unit Price (Note 1) | Credit Terms (Note 1) | Ending Balance (Note 2) | Percentage of Total Notes /Accounts Receivable (Payable) | |
| AUSZ | AUO | Ultimate parent company | Sales | CNY (5,876,442) | (97)% | EOM 45 days | - | | CNY 2,636,270 | 97% | |
| AUSZ | AUKS | Subsidiary of AUO | Sales | CNY (93,049) | (2)% | EOM 60 days | - | | CNY 38,245 | 1% | |
| AUUS | AUO | Ultimate parent company | Sales | USD (4,218) | (61)% | EOM 30 days | - | | - | - | |
| AUXM | Lextar | Associate | Purchases | CNY 33,803 | 1% | EOM 120 days | - | | CNY (20,751) | (1)% | |
| AUXM | DPXM | Subsidiary of AUO | Purchases | CNY 36,320 | 1% | EOM 120 days | - | | CNY (16,062) | (1)% | |
| AUXM | DPTW | Subsidiary of AUO | Purchases | CNY 233,101 | 6% | EOM 120 days | - | | CNY (124,855) | (6)% | |
| AUXM | AUO | Ultimate parent company | Purchases | CNY 117,352 | 3% | EOM 45 days | - | | - | - | |
| AUXM | AULB | Subsidiary of AUO | Purchases | CNY 125,973 | 3% | EOM 45 days | - | | - | - | |
| AUXM | BMC | Subsidiary of Qisda | Purchases | CNY 137,683 | 3% | EOM 90 days | - | | CNY (50,352) | (3)% | |
| AUXM | Raydium | Associate | Purchases | CNY 291,956 | 7% | EOM 120 days | - | | CNY (155,878) | (8)% | |
| AUXM | AUO | Ultimate parent company | Sales | CNY (4,318,038) | (89)% | EOM 45 days | - | | CNY 2,009,397 | 92% | |
| AUXM | BVXM | Subsidiary of AUO | Sales | CNY (508,576) | (10)% | EOM 45 days | - | | CNY 166,394 | 8% | |
| AUXM | AULB | Subsidiary of AUO | Sales | CNY (27,290) | (1)% | EOM 45 days | - | | - | - | |
| BVHF | Lextar | Associate | Purchases | CNY 28,659 | 12% | EOM 120 days | - | | CNY (11,509) | (6)% | |
| BVHF | DPTW | Subsidiary of AUO | Purchases | CNY 49,980 | 21% | EOM 60 days | - | | CNY (131,902) | (63)% | |
| BVHF | DPTW | Subsidiary of AUO | Sales | CNY (356,257) | (100)% | EOM 60 days | - | | CNY 266,295 | 100% | |
| BVXM | AUXM | Subsidiary of AUO | Purchases | CNY 508,576 | 100% | EOM 45 days | - | | CNY (166,394) | (100)% | |
| DPSZ | DPTW | Subsidiary of AUO | Sales | CNY (107,374) | (78)% | EOM 90 days | - | | CNY 49,706 | 75% | |
| DPXM | AUO | Ultimate parent company | Purchases | CNY 26,318 | 4% | EOM 45 days | - | | CNY (4,740) | (2)% | |
| DPXM | DPTW | Subsidiary of AUO | Sales | CNY (861,842) | (93)% | EOM 90 days | - | | CNY 443,696 | 93% | |
| DPXM | AUXM | Subsidiary of AUO | Sales | CNY (36,196) | (4)% | EOM 120 days | - | | CNY 16,062 | 3% | |
| FTWJ | DPTW | Subsidiary of AUO | Purchases | CNY 82,070 | 20% | EOM 60 days | - | | CNY (286,085) | (57)% | |
| FTWJ | Lextar | Associate | Purchases | CNY 43,358 | 10% | EOM 120 days | - | | CNY (24,722) | (5)% | |
| FTWJ | DPTW | Subsidiary of AUO | Sales | CNY (585,157) | (91) % | EOM 90 days | - | | CNY 622,691 | 93% | |
| M.Setek | ACTW | Subsidiary of AUO | Sales | JPY (3,940,025) | (99) % | EOM 45 days | - | | JPY 1,587,276 | 99% | |
| ACTW | M.Setek | Subsidiary of AUO | Purchases | 1,122,907 | 44% | EOM 45 days | - | | (456,024) | (64)% | |



(Continued)

| Company Name | Counterparty | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases /Sales | Amount (Note 2) | Percentage of Total Purchases /Sales | Credit Terms | Unit Price (Note 1) | Credit Terms (Note 1) | Ending Balance (Note 2) | Percentage of Total Notes /Accounts Receivable (Payable) | |
| ACTW | AUO | Ultimate parent company | Purchases | 409,824 | 16% | EOM 45 days | - | | (89,070) | (13)% | |
| ACTW | ACMK | Subsidiary of AUO | Sales | (812,659) | (22) % | OA 60 days | - | | 188,240 | 19% | |
| UTI | AUO | Ultimate parent company | Sales | (129,143) | (87)% | EOM 60 days | - | | 18,910 | 75% | |
| DPTW | DPSZ | Subsidiary of AUO | Purchases | 486,976 | 4% | EOM 90 days | - | | (218,151) | (6)% | |
| DPTW | BVHF | Subsidiary of AUO | Purchases | 1,618,781 | 14% | EOM 60 days | - | | (439,276) | (12)% | |
| DPTW | DPXM | Subsidiary of AUO | Purchases | 3,904,565 | 35% | EOM 90 days | - | | (1,631,528) | (43)% | |
| DPTW | EFOP | Joint Venture | Purchases | 844,554 | 8% | Payment in advance | - | | - | - | |
| DPTW | FTWJ | Subsidiary of AUO | Purchases | 2,650,688 | 24% | EOM 90 days | - | | (1,143,942) | (30)% | |
| DPTW | AUO | Ultimate parent company | Purchases | 348,354 | 3% | EOM 45 days | - | | (63,389) | (2)% | |
| DPTW | AUXM | Subsidiary of AUO | Sales | (1,053,052) | (8)% | EOM 120 days | - | | 547,973 | 14% | |
| DPTW | AUSZ | Subsidiary of AUO | Sales | (582,803) | (5)% | EOM 120 days | - | | 304,629 | 8% | |
| DPTW | QCES | Subsidiary of Qisda | Sales | (154,908) | (1)% | EOM 120 days | - | | 83,423 | 2% | |
| DPTW | FTWJ | Subsidiary of AUO | Sales | (371,586) | (3)% | EOM 60 days | - | | 169,151 | 4% | |
| DPTW | AUO | Ultimate parent company | Sales | (5,396,623) | (43)% | EOM 60 days | - | | 1,565,885 | 41% | |
| DPTW | BVHF | Subsidiary of AUO | Sales | (227,265) | (2)% | EOM 60 days | - | | 5,401 | - | |

Note 1: Transaction terms with the related parties were determined in accordance with mutual agreements when there were no similar transactions with related parties. Except for the event aforesaid, other transaction terms with related parties were similar to those with third parties.

Note 2: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.



(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES

## Receivables from Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital

## September 30, 2019

**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 6

| Company Name | Counterparty | Relationship | Ending Balance of Receivables (Note 3) | Turnover Rate | Overdue Receivables | | Amounts Received in Subsequent Period (Note 1) | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| AUO | QCSZ | Subsidiary of Qisda | 1,165,480 | 5.97 | 678 | Will be collected in next period | - | - |
| AUO | AUNL | Subsidiary of AUO | 165,779 | 8.20 | 1,785 | Collected in subsequent period | 83,106 | - |
| AUO | ACTW | Subsidiary of AUO | 1,900,787 | (Note 2) | 11,766 | Will be collected in next period | - | - |
| AUO | Lextar | Associate | 222,379 | (Note 2) | - | - | - | - |
| AUO | BenQ | Subsidiary of Qisda | 448,891 | (Note 2) | - | - | - | - |
| AUKS | AUO | Ultimate parent company | CNY 552,107 | 5.22 | CNY 18,939 | Collected in subsequent period | CNY 282,080 | - |
| AULB | AUKS | Subsidiary of AUO | USD 54,266 | (Note 2) | - | - | - | - |
| AULB | AUO | Ultimate parent company | USD 9,189 | (Note 2) | USD 8,711 | Will be collected in next period | - | - |
| AUSJ | AUKS | Subsidiary of AUO | CNY 325,610 | (Note2) | - | - | - | - |
| AUST | AUO | Ultimate parent company | USD 30,710 | 5.86 | - | - | - | - |
| AUSZ | AUKS | Subsidiary of AUO | CNY 852,383 | (Note 2) | CNY 7,142 | Collected in subsequent period | CNY 14,370 | - |
| AUSZ | AUO | Ultimate parent company | CNY 2,486,272 | (Note 2) | CNY 61,076 | Collected in subsequent period | CNY 1,723,822 | - |
| AUXM | AUO | Ultimate parent company | CNY 1,984,397 | 5.79 | CNY 44,652 | Collected in subsequent period | CNY 114,058 | - |
| AUXM | BVXM | Subsidiary of AUO | CNY 166,737 | (Note 2) | CNY 47 | Collected in subsequent period | CNY 7,150 | - |
| AUXM | AUKS | Subsidiary of AUO | CNY 511,117 | (Note 2) | - | - | - | - |
| BVHF | DPTW | Subsidiary of AUO | CNY 266,296 | 1.36 | CNY 107,626 | Will be collected in next period | - | - |
| DPSZ | DPTW | Subsidiary of AUO | CNY 49,706 | 2.40 | - | - | CNY 3,537 | - |
| DPXM | DPTW | Subsidiary of AUO | CNY 443,706 | (Note 2) | - | - | CNY 85,799 | - |



(Continued)

| Company Name | Counterparty | Relationship | Ending Balance of Receivables (Note 3) | | Turnover Rate | Overdue Receivables | | | Amounts Received in Subsequent Period (Note 1) | | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | | Action Taken | | | |
| FTKS | AUKS | Subsidiary of AUO | CNY | 100,435 | (Note 2) | | - | - | | - | - |
| FTWJ | DPTW | Subsidiary of AUO | CNY | 622,691 | 1.33 | | - | - | CNY | 35,631 | - |
| M.Setek | ACTW | Subsidiary of AUO | JPY | 1,587,359 | (Note 2) | JPY | 257,011 | Will be collected in next period | | - | - |
| ACTW | M.Setek | Subsidiary of AUO | | 276,323 | (Note 2) | | - | - | | - | - |
| ACTW | ACMK | Subsidiary of AUO | | 202,600 | (Note 2) | | - | - | | - | - |
| DPTW | BVHF | Subsidiary of AUO | | 578,918 | (Note 2) | | 180 | Will be collected in next period | | - | - |
| DPTW | AUO | Ultimate parent company | | 1,565,885 | 3.78 | | 94,667 | Will be collected in next period | | - | - |
| DPTW | FTWJ | Subsidiary of AUO | | 1,259,313 | (Note 2) | | 7,021 | Will be collected in next period | | - | - |
| DPTW | AUSZ | Subsidiary of AUO | | 304,629 | 5.10 | | - | - | | - | - |
| DPTW | AUXM | Subsidiary of AUO | | 547,973 | 5.00 | | - | - | | - | - |

Note 1: Until the end of October 2019.
Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.
Note 3: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.



(Continued)

# AU OPTRONICS CORP. AND SUBSIDIARIES
## Business Relationship and Significant Intercompany Transactions
## For the nine months ended September 30, 2019
**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 7

| No. | Company Name | Counterparty | Nature of Relationship | Inter-company Transactions | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | | Trading Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 0 | AUKS | AUO | Subsidiary to parent | Net revenue | CNY | 1,961,357 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days. | 4% |
| 0 | AUKS | AUO | Subsidiary to parent | Receivables from related parties | CNY | 552,107 | - | 1% |
| 1 | AUST | AUO | Subsidiary to parent | Net revenue | USD | 140,596 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days. | 2% |
| 2 | AUSZ | AUO | Subsidiary to parent | Net revenue | CNY | 5,876,442 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days. | 13% |
| 2 | AUSZ | AUO | Subsidiary to parent | Receivables from related parties | CNY | 2,486,272 | - | 3% |
| 2 | AUSZ | AUKS | Subsidiary to subsidiary | Receivables from related parties | CNY | 852,383 | - | 1% |
| 3 | AUXM | AUO | Subsidiary to parent | Net revenue | CNY | 4,318,038 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days. | 9% |
| 3 | AUXM | BVXM | Subsidiary to subsidiary | Net revenue | CNY | 508,576 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days. | 1% |
| 3 | AUXM | AUO | Subsidiary to parent | Receivables from related parties | CNY | 1,984,397 | - | 2% |
| 3 | AUXM | AUKS | Subsidiary to subsidiary | Receivables from related parties | CNY | 511,117 | - | 1% |



(Continued)

| No. | Company Name | Counterparty | Nature of Relationship | Inter-company Transactions | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | | Trading Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 4 | BVHF | DPTW | Subsidiary to subsidiary | Net revenue | CNY | 356,257 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days. | 1% |
| 5 | DPXM | DPTW | Subsidiary to subsidiary | Net revenue | CNY | 861,842 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days. | 2% |
| 6 | FTWJ | DPTW | Subsidiary to subsidiary | Net revenue | CNY | 585,157 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days. | 1% |
| 6 | FTWJ | DPTW | Subsidiary to subsidiary | Receivables from related parties | CNY | 622,691 | - | 1% |
| 7 | M.Setek | ACTW | Subsidiary to subsidiary | Net revenue | JPY | 3,940,025 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days. | 1% |
| 8 | DPTW | AUXM | Subsidiary to subsidiary | Net revenue | | 1,053,052 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 120 days. | 1% |
| 8 | DPTW | AUO | Subsidiary to parent | Net revenue | | 5,396,623 | The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days. | 3% |

Note 1: This table discloses the information on inter-company sales and receivables which are accounted for 1% or more of the consolidated net revenue or the consolidated total assets, respectively. The information of the corresponding inter-company purchases and payables is no more disclosed herein.

Note 2: All inter-company transactions have been eliminated in the consolidated financial statements.



(Continued)

# AU OPTRONICS CORP. AND SUBSIDIARIES
## Information on Investees (Excluding Information on Investment in Mainland China)
## For the nine months ended September 30, 2019
### (Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 8

| Investor Company | Investee Company | Location | Main Activities | Original Investment Amount | | September 30, 2019 | | | Net Income (Loss) of Investee | Investor's Share of Profit (Loss) of Investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Amount (Notes 1 and 2) | | | |
| AUO | AULB | Malaysia | Holding and trading company | 59,058,698 | 59,058,698 | 1,882,189 | 100.00% | 52,665,710 | 74,125 | 186,619 | Subsidiary |
| AUO | AUNL | Netherlands | Sales and sales support of TFT-LCD panels | 24,275 | 24,275 | 50 | 100.00% | 25,384 | 942 | 942 | Subsidiary |
| AUO | Konly | Taiwan ROC | Venture capital investment | 4,227,070 | 4,227,070 | 284,302 | 100.00% | 5,263,088 | 192,351 | 192,351 | Subsidiary |
| AUO | Ronly | Taiwan ROC | Venture capital investment | 1,778,692 | 1,778,692 | 154,757 | 100.00% | 2,079,681 | 31,763 | 31,763 | Subsidiary |
| AUO | DPTW | Taiwan ROC | Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts | 3,569,155 | 3,569,155 | 190,108 | 28.56% | 3,223,090 | (19,288) | (5,509) | Subsidiary |
| AUO | ACTW | Taiwan ROC | Manufacturing and sales of ingots and solar wafers | 15,687,921 | 15,138,528 | 418,583 | 100.00% | 5,240,129 | (302,171) | (295,062) | Subsidiary (Note 4) |
| AUO | SREC | Taiwan ROC | Investment | 379,040 | 379,040 | 37,904 | 32.01% | 416,923 | 86,118 | 27,570 | Associate |
| AUO | Lextar | Taiwan ROC | Manufacturing and sales of Light Emitting Diode | 881,076 | 881,076 | 78,418 | 15.10% | 1,703,474 | 40,195 | 6,087 | Associate |
| AUO | SMI | Taiwan ROC | Sales and leasing of content management system and hardware | 30,000 | 30,000 | 3,000 | 100.00% | 23,515 | (5,757) | (5,757) | Subsidiary |



(Continued)

| Investor Company | Investee Company | Location | Main Activities | Original Investment Amount September 30, 2019 | Original Investment Amount December 31, 2018 | September 30, 2019 Shares | September 30, 2019 Percentage of Ownership | September 30, 2019 Carrying Amount (Notes 1 and 2) | Net Income (Loss) of Investee | Investor's Share of Profit (Loss) of Investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AUO | UTI | Taiwan ROC | Planning, design and development of construction for environmental protection and related project management | 50,000 | 50,000 | 5,000 | 100.00% | 43,744 | (6,344) | (6,344) | Subsidiary |
| AUO | SSEC | Taiwan ROC | Investment | 930,000 | 930,000 | 93,000 | 31.00% | 946,645 | 49,792 | 15,436 | Associate |
| AUO | CQIL | Israel | Holding company | 876,659 | 821,138 | 39,974 | 100.00% | 697,893 | (44,186) | (61,737) | Subsidiary |
| Konly | DPTW | Taiwan ROC | Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts | 703,795 | 703,795 | 42,598 | 6.40% | 722,208 | (19,288) | (1,235) | Subsidiary |
| Konly | ACTW | Taiwan ROC | Manufacturing and sales of ingots and solar wafers | - | 589,793 | - | - | - | (302,171) | (2,381) | Subsidiary (Note 4) |
| Konly | SREC | Taiwan ROC | Investment | 17,760 | 17,760 | 1,776 | 1.50% | 19,535 | 86,118 | 1,292 | Associate |
| Konly | Raydium | Taiwan ROC | IC design | 175,857 | 175,857 | 11,454 | 17.10% | 711,915 | 535,256 | 93,690 | Associate |
| Konly | Daxin | Taiwan ROC | Research, manufacturing and sales of display related chemicals | 154,748 | 154,748 | 19,114 | 18.61% | 485,733 | 478,030 | 88,953 | Associate |
| Konly | Lextar | Taiwan ROC | Manufacturing and sales of Light Emitting Diode | 450,674 | 450,674 | 26,133 | 5.03% | 567,676 | 40,195 | 2,028 | Associate |
| Konly | Ubitech Inc. | Taiwan ROC | Development and sales of software for POS system | 27,000 | 27,000 | 357 | 26.31% | 13,910 | (4,691) | (4,206) | Associate |
| Konly | SSEC | Taiwan ROC | Investment | 60,000 | 60,000 | 6,000 | 2.00% | 61,074 | 49,792 | 996 | Associate |



(Continued)

| Investor Company | Investee Company | Location | Main Activities | Original Investment Amount | | September 30, 2019 | | | Net Income (Loss) of Investee | Investor's Share of Profit (Loss) of Investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Amount (Notes 1 and 2) | | | |
| Konly | WishMobile, Inc. | Taiwan ROC | Developing and providing CRM APP | 15,000 | 15,000 | 2,500 | 12.50% | 12,460 | (368) | (1,371) | Associate |
| Konly | SkyREC Ltd. | BVI | Data consulting service for retail | 46,016 | 46,016 | 188 | 16.12% | 36,306 | (7,521) | (7,008) | Associate |
| Ronly | DPTW | Taiwan ROC | Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts | 845,510 | 845,510 | 40,509 | 6.09% | 686,790 | (19,288) | (1,174) | Subsidiary |
| Ronly | Daxin | Taiwan ROC | Research, manufacturing and sales of display related chemicals | 70,021 | 70,021 | 6,312 | 6.15% | 160,407 | 478,030 | 29,376 | Associate |
| Ronly | Lextar | Taiwan ROC | Manufacturing and sales of Light Emitting Diode | 323,431 | 323,431 | 34,338 | 6.61% | 745,928 | 40,195 | 2,665 | Associate |
| DPTW | BVLB | Malaysia | Holding company | 1,051,289 | 1,051,289 | 36,000 | 29.71% | 270,967 | (43,167) | (12,825) | Subsidiary |
| DPTW | DPLB | Malaysia | Holding company | 4,362,627 | 4,362,627 | 92,267 | 100.00% | 6,210,726 | (35,423) | (27,019) | Subsidiary |
| DPTW | FHVI | BVI | Holding company | 2,362,321 | 2,362,321 | 22,006 | 100.00% | 4,082,697 | 146,866 | 66,487 | Subsidiary |
| DPTW | FRVI | BVI | Holding company | 274,700 | 274,700 | 8,200 | 100.00% | 92,305 | 4,615 | 4,488 | Subsidiary |
| DPTW | EFOP | Taiwan ROC | Manufacturing and sales of polymer plasticized raw materials | 338,729 | 338,729 | 33,873 | 49.00% | 220,009 | (3,974) | (1,947) | Joint Venture |
| DPTW | Darwin Summit Co., Ltd. | Thailand | International trade | 3,740 | 3,740 | 40 | 40.00% | 9,479 | 5,285 | 2,114 | Associate |
| ACTW | ACMK | Malaysia | Manufacturing and sales of solar wafers | 449,975 | 449,975 | 46,196 | 100.00% | 537,644 | 26,562 | 26,562 | Subsidiary |
| ACTW | SDMC | Taiwan ROC | Holding company | 1,988,488 | 1,988,488 | 116,836 | 100.00% | 2,022,162 | 150,588 | 168,942 | Subsidiary |
| SDMC | M.Setek | Japan | Manufacturing and sales of ingots | 23,596,398 | 23,596,368 | 11,404,184 | 99.9991% | 1,982,194 | 151,935 | 151,934 | Subsidiary |



(Continued)

| Investor Company | Investee Company | Location | Main Activities | Original Investment Amount | | September 30, 2019 | | | Net Income (Loss) of Investee | Investor's Share of Profit (Loss) of Investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Amount (Notes 1 and 2) | | | |
| AULB | AUUS | United States | Sales and sales support of TFT-LCD panels | USD 1,000 | USD 1,000 | 1,000 | 100.00% | USD 1,969 | USD 68 | USD 68 | Subsidiary |
| AULB | AUJP | Japan | Sales support of TFT-LCD panels | USD 276 | USD 276 | 1 | 100.00% | USD 1,761 | USD (16) | USD (16) | Subsidiary |
| AULB | AUKR | South Korea | Sales support of TFT-LCD panels | USD 155 | USD 155 | - | 100.00% | USD 996 | USD 99 | USD 99 | Subsidiary |
| AULB | AUCZ | Czech Republic | Assembly of solar modules | USD 20,531 | USD 20,531 | - | 100.00% | USD 10,380 | USD (3,319) | USD (3,319) | Subsidiary |
| AULB | AUSK | Slovakia Republic | Repairing of TFT-LCD modules | USD 1,359 | USD 54,349 | - | 100.00% | USD 22,199 | USD 176 | USD 176 | Subsidiary |
| AULB | AUST | Singapore | Manufacturing TFT-LCD panels based on low temperature polysilicon technology | USD 321,161 | USD 321,161 | 907,114 | 100.00% | USD 212,555 | USD 5,369 | USD 5,369 | Subsidiary |
| AULB | AUVI | United States | Research and development and IP related business | USD 5,000 | USD 5,000 | 5,000 | 100.00% | USD 5,590 | USD (30) | USD (30) | Subsidiary |
| AULB | BVLB | Malaysia | Holding company | USD 85,171 | USD 85,171 | 85,171 | 70.29% | USD 20,652 | USD (1,389) | USD (977) | Subsidiary |
| AULB | AUSG | Singapore | Holding company and sales support of TFT-LCD panels | USD 86,685 | USD 86,685 | 266,268 | 100.00% | USD 64,356 | USD 123 | USD 123 | Subsidiary |
| AUSG | AEUS | United States | Sales support of solar-related products | USD 3,510 | USD 3,510 | 9,510 | 100.00% | USD 806 | USD (9) | USD (9) | Subsidiary |
| AUSG | AENL | Netherlands | Sales support of solar-related products | USD 45 | USD 45 | - | 100.00% | USD 174 | USD (6) | USD (6) | Subsidiary |
| DPLB | DPHK | Hong Kong | Holding company | USD 103,785 | USD 103,785 | 10 | 100.00% | USD 200,854 | USD (708) | USD (708) | Subsidiary (Note 5) |
| DPLB | DPSK | Slovakia Republic | Manufacturing and sales of automotive parts | USD 4,216 | USD 4,216 | - | 100.00% | USD 2,697 | USD (432) | USD (432) | Subsidiary |
| FHVI | FTMI | Mauritius | Holding company | USD 6,503 | USD 6,503 | 6,503 | 100.00% | USD 76,150 | USD (662) | USD (662) | Subsidiary |
| FHVI | FWSA | Samoa | Holding company | USD 19,000 | USD 19,000 | 19,000 | 100.00% | USD 13,937 | USD 22 | USD 22 | Subsidiary |



(Continued)

| Investor Company | Investee Company | Location | Main Activities | Original Investment Amount | | September 30, 2019 | | | Net Income (Loss) of Investee | Investor's Share of Profit (Loss) of Investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Amount (Notes 1 and 2) | | | |
| FHVI | PMSA | Samoa | Holding company | USD 39,673 | USD 39,673 | 31,993 | 100.00% | USD 43,468 | USD 1,453 | USD 1,453 | Subsidiary |
| FRVI | FFMI | Mauritius | Holding company | USD 8,200 | USD 8,200 | 653 | 100.00% | USD 1,355 | USD 149 | USD 149 | Subsidiary |
| M.Setek | Ichijo Seisakusyo Co., Ltd. | Japan | Manufacturing of semiconductor equipment and related parts | JPY 5,000 | JPY 5,000 | - | 38.46% | - | - | - | Associate (Note 3) |
| CQIL | CQHLD | United Kingdom | Holding company | USD 17,968 | USD 4,071 | 635,707 | 100.00% | USD 5,868 | USD 3,787 | USD 3,787 | Subsidiary |
| CQHLD | CQUK | United Kingdom | Sales and sales support of content management system | GBP 2,184 | - | - | 100.00% | USD 501 | USD 54 | USD 54 | Subsidiary |
| CQHLD | CQUS | United States | Sales of content management system and hardware | USD 14,120 | USD 1 | 7 | 100.00% | USD 4,246 | USD (986) | USD (986) | Subsidiary |
| CQHLD | CQCA | Canada | Research and development of content management system | CAD 1,310 | - | - | 100.00% | USD 547 | USD 63 | USD 63 | Subsidiary |

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.

Note 3: The carrying amount includes accumulated impairment loss.

Note 4: As part of a business restructuring, AUO acquired all of shareholdings in ACTW from Konly and other shareholders.

Note 5: The registration of the alteration of DPHK's common stock has not been completed.



(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES
## Information on Investment in Mainland China
## For the nine months ended September 30, 2019
**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 9

1. AUO：

(1) Related information on investment in Mainland China

| Investee Company | Main Activities | Total Amount of Paid-in Capital (Note 2) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2019 (Note 2) | Net Income (Loss) of Investee (Notes 4 and 5) | % Ownership through Direct or Indirect Investment | Investor's Share of Profit (Loss) of Investee (Notes 4 and 5) | Carrying Amount of the Investment as of September 30, 2019 (Note 2) | Accumulated Inward Remittance of Earnings as of September 30, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| A-Care | Design, development and sales of software and hardware for health care industry | 43,480 | (Note 1) | - | - | - | - | (13,619) | 100% | (13,619) | 23,259 | - | |
| AETJ | Manufacturing and sales of solar modules | 527,714 | (Note 1) | - | - | - | - | 856 | 100% | 856 | 52,098 | - | |
| AUKS | Manufacturing and sales of TFT-LCD panels | 29,831,362 | (Note 1) | 15,213,995 | - | - | 15,213,995 | (4,254,188) | 51% | (2,169,636) | 5,234,725 | - | |
| AUSH | Sales support of TFT-LCD panels | 93,126 | (Note 1) | 31,042 | - | - | 31,042 | (14,188) | 100% | (14,188) | 442,919 | - | |
| AUSJ | Manufacturing and assembly of TFT-LCD modules; leasing | 3,352,536 | (Note 1) | 2,483,360 | - | - | 2,483,360 | 44,872 | 100% | 116,286 | 3,776,586 | - | Note 7 |
| AUSZ | Manufacturing, assembly and sales of TFT-LCD modules | 8,629,676 | (Note 1) | 6,208,400 | - | - | 6,208,400 | 1,317,208 | 100% | 1,315,683 | 13,906,098 | - | Note 7 |



(Continued)

| Investee Company | Main Activities | Total Amount of Paid-in Capital (Note 2) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2019 (Note 2) | Net Income (Loss) of Investee (Notes 4 and 5) | % Ownership through Direct or Indirect Investment | Investor's Share of Profit (Loss) of Investee (Notes 4 and 5) | Carrying Amount of the Investment as of September 30, 2019 (Note 2) | Accumulated Inward Remittance of Earnings as of September 30, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| AUXM | Manufacturing, assembly and sales of TFT-LCD modules | 7,760,500 | (Note 1) | 7,760,500 | - | - | 7,760,500 | 737,800 | 100% | 718,436 | 13,420,911 | - | Note 7 |
| BVCH | Manufacturing and sales of liquid crystal products and related parts | 454,411 | (Note 1) | 231,884 | - | - | 231,884 | (14,398) | 19% | (2,736) | 85,451 | - | |
| BVHF | Manufacturing and sales of liquid crystal products and related parts | 2,280,035 | (Note 1) | - | - | - | - | (43,090) | 100% | (43,090) | 910,071 | - | Note 6 |
| BVXM | Manufacturing and sales of liquid crystal products and related parts | 2,608,800 | (Note 1) | - | - | - | - | 19,558 | 100% | 19,558 | 1,265,772 | - | |
| EDT | Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing | 21,740 | (Note 1) | - | - | - | - | (1,739) | 100% | (1,739) | 20,066 | - | |
| MIS | Development and licensing of software relating to intelligent manufacturing, and related consulting services | 21,740 | (Note 1) | - | - | - | - | (3,591) | 100% | (3,591) | 17,932 | - | |
| UFSZ | Planning, design and development of construction project for environmental protection and project management | 26,088 | (Note 1) | - | - | - | - | (3,333) | 100% | (3,333) | 23,168 | - | |



(Continued)

| Investee Company | Main Activities | Total Amount of Paid-in Capital (Note 2) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2019 (Note 2) | Net Income (Loss) of Investee (Notes 4 and 5) | % Ownership through Direct or Indirect Investment | Investor's Share of Profit (Loss) of Investee (Notes 4 and 5) | Carrying Amount of the Investment as of September 30, 2019 (Note 2) | Accumulated Inward Remittance of Earnings as of September 30, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| UFSD | Planning, design and development of construction project for environmental protection and project management | 8,696 | (Note 1) | - | - | - | - | (430) | 100% | (430) | 8,283 | - | |

(2) Upper limit on investment in Mainland China

| Accumulated Investment in Mainland China as of September 30, 2019 (Note 2) | Investment Amounts Authorized by Investment Commission, MOEA (Note 2) | Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3) |
|---|---|---|
| 31,929,180 (USD 1,028,580) | 41,678,763 (USD 1,335,003及HKD 60,000) | 119,118,755 |

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, AUO's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts were recognized based on the investees' reviewed financial statements except for BVCH.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the nine months ended September 30, 2019.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

Note 7: The share of profit (loss) of investee and the carrying amount of the investment as of September 30, 2019 both include the effect of sidestream transactions.



(Continued)

2. DPTW:

(1) Related information on investment in Mainland China

| Investee Company | Main Activities | Total Amount of Paid-in Capital (Note 4) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 4) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2019 (Note 4) | Net Income (Loss) of Investee (Notes 2 and 6) | % Ownership through Direct or Indirect Investment | Investor's Share of Profit (Loss) of Investee (Notes 2 and 6) | Carrying Amount of the Investment as of September 30, 2019 (Note 4) | Accumulated Inward Remittance of Earnings as of September 30, 2019 (Note 4) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow (Note 4) | Inflow (Note 4) | | | | | | | |
| BVHF | Manufacturing and sales of liquid crystal products and related parts | 2,280,035 | (Note 1) | 496,672 | - | - | 496,672 | (43,090) | 29.71% | (43,090) | 910,071 | - | Note 5 |
| DPSZ | Manufacturing and sales of backlight modules and related parts | 776,050 | (Note 1) | 465,630 | - | - | 465,630 | 111 | 100% | 111 | 1,791,426 | 1,034,207 | Note 9 |
| DPXM | Manufacturing and sales of backlight modules and related parts | 2,172,940 | (Note 1) | 2,172,940 | - | - | 2,172,940 | (22,114) | 100% | (22,114) | 4,443,490 | 1,606,424 | |
| FHWJ | Manufacturing of motorized treadmills | 201,773 | (Note 1) | 254,544 | - | - | 254,544 | 4,615 | 100% | 4,615 | 42,046 | - | |
| FPWJ | Manufacturing and sales of precision plastic parts | 900,218 | (Note 1) | 589,798 | - | - | 589,798 | 1,057 | 100% | 1,057 | 643,795 | - | Note 8 |
| FTKS | Manufacturing and sales of backlight modules and related parts | 1,117,512 | (Note 1) | 1,117,512 | - | - | 1,117,512 | 45,158 | 100% | 45,158 | 1,349,332 | - | |
| FTWJ | Manufacturing and sales of backlight modules and related parts | 1,086,470 | (Note 1) | 201,773 | - | - | 201,773 | (20,939) | 100% | (20,939) | 2,152,646 | 436,902 | Note 7 |



(Continued)

(2) Upper limit on investment in Mainland China

| **Accumulated Investment in Mainland China as of September 30, 2019 (Note 4)** | **Investment Amounts Authorized by Investment Commission, MOEA (Note 4)** | **Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)** |
|---|---|---|
| 5,298,869 (USD 170,700) | 5,845,302 (USD 188,303) | 6,770,291 |

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts were recognized based on the investees' reviewed financial statements.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of September 30, 2019 disclosed in the table are presented based on 100% held.

Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the nine months ended September 30, 2019.

Note 7: The amount of paid-in capital includes the capitalization of retained earnings amounting to USD 28,500 thousand for the years from 2005 to 2007.

Note 8: The amount of paid-in capital includes the capital injection of USD 10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note 9: The amount of paid-in capital includes the capital injection of USD 1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD 9,000 thousand from DPSZ in 2012.