

AUO CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

The independent auditors' 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 and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Representation Letter

The entities that are required to be included in the combined financial statements of AUO Corporation as of and for the year ended December 31, 2023 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, AUO Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: AUO Corporation
Chairman: Shuang-Lang (Paul) Peng
Date: January 31, 2024

Independent Auditors' Report

To the Board of Directors of AUO Corporation:

Opinion

We have audited the consolidated financial statements of AUO Corporation (formerly AU Optronics Corp.) and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the 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") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of long-term non-financial assets (including goodwill)

Refer to Note 4(15) "Impairment – non-financial assets", Note 5(1) and Note 5(2) "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty", Note 6(9) "Property, Plant and Equipment", Note 6(10) "Lease Arrangements" and Note 6(12) "Intangible Assets" to the consolidated financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, has goodwill through the acquisition of subsidiaries, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets (including goodwill). The impairment assessment includes identifying cash-generating units, determining a valuation model, determining significant assumptions, and computing recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding assumptions used, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Company's disclosures of its policy on impairment of noncurrent non-financial assets and other related disclosures.

2. Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers" and Note 6(20) "Revenue from Contracts with Customers" to the consolidated financial statements.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. In addition, the Company operates in an industry in which revenue is considered to be complex in determining the timing of revenue recognition. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

Other Matters

AUO Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu, Chi-Lung and Yu, Wan-Yuan.

KPMG

Hsinchu, Taiwan (Republic of China)
January 31, 2024

Notes to Readers

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 IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to such consolidated financial statements are those generally accepted and applied in the Republic of China.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUO CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 83,969,463	22	80,613,120	21	2100	Short-term borrowings (Note 6(14))	\$ 263,000	-	128,487	-
1110	Financial assets at fair value through profit or loss — current (Note 6(2))	176,492	-	365,037	-	2120	Financial liabilities at fair value through profit or loss — current (Notes				
1136	Financial assets at amortized cost — current (Note 6(4))	584,217	-	-	-		6(2)&(8))	11,143	-	351,825	-
1170	Notes and accounts receivable, net (Note 6(5))	22,798,408	6	18,620,248	5	2170	Notes and accounts payable	43,433,269	11	41,479,524	11
1180	Accounts receivable from related parties, net (Notes 6(5)&7)	1,244,546	-	1,255,503	-	2180	Accounts payable to related parties (Note 7)	5,203,290	1	5,890,185	2
1210	Other receivables from related parties (Note 7)	15,305	-	6,139	-	2213	Equipment and construction payable (Note 7)	6,135,421	2	7,882,627	2
1220	Current tax assets	307,874	-	41,186	-	2220	Other payables to related parties (Note 7)	48,281	-	27,853	-
130X	Inventories (Note 6(6))	29,003,121	8	30,263,713	8	2230	Current tax liabilities	1,083,671	-	1,567,623	-
1410	Prepayments (Note 6(13))	2,654,523	1	3,440,926	1	2250	Provisions — current (Note 6(16))	2,399,306	1	559,654	-
1460	Noncurrent assets held for sale (Note 6(9))	-	-	586,406	-	2280	Lease liabilities — current (Note 6(10))	644,259	-	583,251	-
1476	Other current financial assets (Notes 6(5),(9),(20)&8)	3,130,373	1	4,593,094	1	2399	Other current liabilities (Notes 6(9),(20)&(21))	25,291,133	7	24,812,498	6
1479	Other current assets (Note 6(13))	326,391	-	391,435	-	2322	Current installments of long-term borrowings (Notes 6(15)&8)	10,062,194	3	13,884,634	4
		144,210,713	38	140,176,807	36			94,574,967	25	97,168,161	25
Noncurrent assets:						Noncurrent liabilities:					
1510	Financial assets at fair value through profit or loss — noncurrent (Notes					2527	Contract liabilities — noncurrent (Note 6(20))	6,239,558	2	8,739,846	3
	6(2)&7)	139,170	-	-	-	2540	Long-term borrowings, excluding current installments (Notes 6(15)&8)	101,524,840	26	72,930,817	19
1517	Financial assets at fair value through other comprehensive income —					2550	Provisions — noncurrent (Note 6(16))	881,394	-	909,405	-
	noncurrent (Note 6(3))	1,832,068	-	1,900,581	1	2570	Deferred tax liabilities (Note 6(24))	3,936,644	1	5,101,186	1
1535	Financial assets at amortized cost — noncurrent (Note 6(4))	680,107	-	1,142,218	-	2580	Lease liabilities — noncurrent (Note 6(10))	8,684,270	2	8,661,640	2
1550	Investments in equity-accounted investees (Notes 6(7)&7)	29,383,580	8	31,743,902	8	2600	Other noncurrent liabilities (Note 6(17))	2,271,528	1	1,918,971	1
1600	Property, plant and equipment (Notes 6(9),7&8)	171,172,804	45	178,833,837	46			123,538,234	32	98,261,865	26
1755	Right-of-use assets (Notes 6(10)&8)	9,770,626	2	9,800,458	3			218,113,201	57	195,430,026	51
1760	Investment property (Note 6(11))	1,320,901	-	1,393,244	-		Total liabilities				
1780	Intangible assets (Notes 6(8)&(12))	11,268,867	3	11,396,241	3		Equity (Note 6(18)):				
1840	Deferred tax assets (Note 6(24))	10,201,660	3	6,649,457	2		Equity attributable to shareholders of AUO Corporation:				
1920	Refundable deposits (Note 7)	1,102,087	-	925,517	-	3100	Common stock	76,993,961	20	76,993,961	20
1990	Other noncurrent assets (Notes 6(13),(17)&8)	2,388,154	1	2,878,412	1	3200	Capital surplus	54,998,829	14	61,942,210	16
		239,260,024	62	246,663,867	64	3300	Retained earnings	31,899,740	8	50,078,752	13
						3400	Other components of equity	(4,484,899)	(1)	(3,620,305)	(1)
						3500	Treasury shares	(240,424)	-	(295,527)	-
								159,167,207	41	185,099,091	48
							Non-controlling interests				
						36XX	Non-controlling interests	6,190,329	2	6,311,557	1
							Total equity	165,357,536	43	191,410,648	49
Total Assets		\$ 383,470,737	100	386,840,674	100	Total Liabilities and Equity		\$ 383,470,737	100	386,840,674	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)

		2023		2022	
		Amount	%	Amount	%
4110	Revenue	\$250,048,326	101	249,956,539	101
4190	Less: sales return and discount	2,083,889	1	3,163,865	1
	Net revenue (Notes 6(20)&7)	247,964,437	100	246,792,674	100
5000	Cost of sales (Notes 6(6),(10),(17),(21),(22)&7)	243,354,069	98	245,225,166	99
	Gross profit (loss)	4,610,368	2	1,567,508	1
	Operating expenses (Notes 6(8),(10),(17),(19),(21),(22)&7):				
6100	Selling and distribution expenses	5,019,739	2	4,817,426	2
6200	General and administrative expenses	8,321,194	4	7,852,697	3
6300	Research and development expenses	13,231,450	5	12,867,781	5
	Total operating expenses	26,572,383	11	25,537,904	10
	Loss from operations	(21,962,015)	(9)	(23,970,396)	(9)
	Non-operating income and expenses:				
7100	Interest income (Note 6(23))	1,915,078	1	878,975	-
7010	Other income (Notes 6(3),(7),(9),(10),(12),(23)&7)	1,999,172	1	3,211,169	1
7020	Other gains and losses (Notes 6(8),(23)&7)	(391,363)	-	(121,274)	-
7050	Finance costs (Notes 6(9)&(23))	(2,724,883)	(1)	(1,507,963)	-
7060	Share of profit of equity-accounted investees (Note 6(7))	(518,049)	-	2,003,297	1
	Total non-operating income and expenses	279,955	1	4,464,204	2
7900	Loss before income tax	(21,682,060)	(8)	(19,506,192)	(7)
7950	Less: income tax expense (benefit) (Note 6(24))	(3,530,906)	(1)	1,466,988	1
8200	Loss for the year	(18,151,154)	(7)	(20,973,180)	(8)
8300	Other comprehensive income (Notes 6(7),(17),(18)&(24)):				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit obligations	4,074	-	58,455	-
8316	Unrealized loss on equity investments at fair value through other comprehensive income	(36,180)	-	57,359	-
8320	Equity-accounted investees – share of other comprehensive income	446,924	-	(1,362,377)	(1)
8349	Related tax	(1,725)	-	(11,691)	-
		413,093	-	(1,258,254)	(1)
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Foreign operations – foreign currency translation differences	(1,540,996)	(1)	2,388,106	1
8370	Equity-accounted investees – share of other comprehensive income	(73,173)	-	562,474	-
8399	Related tax	290,245	-	(490,056)	-
		(1,323,924)	(1)	2,460,524	1
8300	Other comprehensive income, net of tax	(910,831)	(1)	1,202,270	-
8500	Total comprehensive income (loss) for the year	\$ (19,061,985)	(8)	(19,770,910)	(8)
	Profit (loss) attributable to:				
8610	Shareholders of AUO Corporation	\$ (18,203,274)	(7)	(21,101,374)	(8)
8620	Non-controlling interests	52,120	-	128,194	-
		\$ (18,151,154)	(7)	(20,973,180)	(8)
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of AUO Corporation	\$ (19,043,606)	(8)	(19,892,545)	(8)
8720	Non-controlling interests	(18,379)	-	121,635	-
		\$ (19,061,985)	(8)	(19,770,910)	(8)
	Earnings (loss) per share (NT\$, Note 6(25))				
9750	Basic earnings (loss) per share	\$ (2.37)		(2.39)	
9850	Diluted earnings (loss) per share	\$ (2.37)		(2.39)	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUO CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	Equity Attributable to Shareholders of AUO Corporation												
							Other Components of Equity						
	Capital Stock		Retained Earnings				Cumulative Translation Differences	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income		Treasury Shares	Equity Attributable to Shareholders of AUO Corporation	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal			Subtotal				
Balance at January 1, 2022	\$ 96,242,451	60,057,001	8,427,144	3,270,303	68,972,551	80,669,998	(4,873,573)	130,391	(4,743,182)	(439,228)	231,787,040	6,179,431	237,966,471
Appropriation of earnings:													
Legal reserve	-	-	5,326,268	-	(5,326,268)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,472,878	(1,472,878)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(9,575,824)	(9,575,824)	-	-	-	-	(9,575,824)	-	(9,575,824)
Profit (loss) for the year	-	-	-	-	(21,101,374)	(21,101,374)	-	-	-	-	(21,101,374)	128,194	(20,973,180)
Other comprehensive income (loss), net of tax	-	-	-	-	44,298	44,298	2,467,083	(1,302,552)	1,164,531	-	1,208,829	(6,559)	1,202,270
Total comprehensive income (loss) for the year	-	-	-	-	(21,057,076)	(21,057,076)	2,467,083	(1,302,552)	1,164,531	-	(19,892,545)	121,635	(19,770,910)
Donations from shareholders	-	1,095	-	-	-	-	-	-	-	-	1,095	-	1,095
Adjustments for changes in investees' equity	-	1,812,907	-	-	-	-	-	-	-	-	1,812,907	604	1,813,511
Capital reduction	(19,248,490)	-	-	-	-	-	-	-	-	96,842	(19,151,648)	-	(19,151,648)
Share-based payments	-	71,207	-	-	-	-	-	-	-	46,859	118,066	12,699	130,765
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	41,654	41,654	-	(41,654)	(41,654)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,812)	(2,812)
Balance at December 31, 2022	76,993,961	61,942,210	13,753,412	4,743,181	31,582,159	50,078,752	(2,406,490)	(1,213,815)	(3,620,305)	(295,527)	185,099,091	6,311,557	191,410,648
Appropriation of earnings:													
Reversal of special reserve	-	-	-	(1,122,876)	1,122,876	-	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	(18,203,274)	(18,203,274)	-	-	-	-	(18,203,274)	52,120	(18,151,154)
Other comprehensive income (loss), net of tax	-	-	-	-	44,759	44,759	(1,245,272)	360,181	(885,091)	-	(840,332)	(70,499)	(910,831)
Total comprehensive income (loss) for the year	-	-	-	-	(18,158,515)	(18,158,515)	(1,245,272)	360,181	(885,091)	-	(19,043,606)	(18,379)	(19,061,985)
Cash distribution from capital surplus	-	(6,134,305)	-	-	-	-	-	-	-	-	(6,134,305)	-	(6,134,305)
Donations from shareholders	-	3,712	-	-	-	-	-	-	-	-	3,712	-	3,712
Differences between consideration and carrying amount arising from acquisition or disposal of interest in subsidiary	-	(16,137)	-	-	-	-	-	-	-	-	(16,137)	16,137	-
Adjustments for changes in investees' equity	-	(874,755)	-	-	-	-	-	-	-	-	(874,755)	(25,675)	(900,430)
Share-based payments	-	78,104	-	-	-	-	-	-	-	55,103	133,207	867	134,074
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(20,497)	(20,497)	-	20,497	20,497	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(94,178)	(94,178)
Balance at December 31, 2023	\$ 76,993,961	54,998,829	13,753,412	3,620,305	14,526,023	31,899,740	(3,651,762)	(833,137)	(4,484,899)	(240,424)	159,167,207	6,190,329	165,357,536

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Loss before income tax	\$ (21,682,060)	(19,506,192)
Adjustments for:		
- depreciation	32,379,064	31,281,587
- amortization	126,480	184,766
- net gains on financial instruments at fair value through profit or loss	(53,869)	(85,959)
- interest expense	2,660,885	1,349,724
- interest income	(1,915,078)	(878,975)
- dividend income	(2,585)	(6,571)
- compensation costs of share-based payments	61,066	84,085
- share of loss (profit) of equity-accounted investees	518,049	(2,003,297)
- gains on disposal of property, plant and equipment	(53,350)	(1,024,832)
- gains on disposal of noncurrent assets held for sale	(1,069,530)	-
- gains on disposal of investments	(116)	-
- impairment losses on assets	210,771	1,179,565
- unrealized foreign currency exchange losses (gains)	(364,148)	158,438
- others	101,025	82,019
Changes in operating assets and liabilities:		
- notes and accounts receivable	(4,844,979)	39,381,310
- receivables from related parties	1,791	1,238,452
- inventories	1,266,186	4,214,575
- other operating assets	385,546	(48,157)
- contract liabilities	(440,614)	(1,507,156)
- notes and accounts payable	2,755,404	(12,705,469)
- payables to related parties	(666,467)	(2,979,734)
- provisions	1,832,878	(489,391)
- other operating liabilities	(395,560)	(9,677,630)
Cash inflow generated from operations	10,810,789	28,241,158
Interest received	1,855,266	782,513
Dividends received	1,599,601	1,827,279
Interest paid	(2,632,179)	(1,522,704)
Income taxes paid	(1,639,914)	(2,357,288)
Net cash provided by operating activities	<u>9,993,563</u>	<u>26,970,958</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	2023	2022
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through other comprehensive income	(217,183)	(544,218)
Disposals of financial assets at fair value through other comprehensive income	74,799	10,002
Acquisitions of financial assets at amortized cost	(878,405)	(660,262)
Disposals of financial assets at amortized cost	770,824	10,000,000
Acquisitions of financial assets at fair value through profit or loss	(138,231)	-
Disposals of financial assets at fair value through profit or loss	-	5,440
Acquisitions of equity-accounted investees	(105,904)	(5,183,707)
Disposals of equity-accounted investees	-	83,152
Proceeds from disposal of noncurrent assets held for sale	808,694	-
Acquisitions of property, plant and equipment	(26,786,572)	(35,950,205)
Disposals of property, plant and equipment	2,293,768	845,768
Increase in receipts in advance due to disposal of assets	-	848,008
Decrease (increase) in refundable deposits	(106,096)	83,193
Acquisitions of intangible assets	-	(2,929)
Decrease (increase) in other financial assets	315,501	(743,153)
Net cash outflow arising from acquisition of subsidiaries	(85,579)	(704,049)
Net cash used in investing activities	(24,054,384)	(31,912,960)
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,241,000	539,963
Repayments of short-term borrowings	(3,104,249)	(457,499)
Proceeds from long-term borrowings	63,124,446	64,168,996
Repayments of long-term borrowings	(38,134,307)	(32,619,345)
Payment of lease liabilities	(606,200)	(574,590)
Decrease in received guarantee deposits	(2,403)	(20,819)
Cash dividends and cash distribution from capital surplus	(6,134,305)	(9,575,824)
Capital reduction	-	(19,151,648)
Treasury shares sold to employees	73,011	46,718
Net change of non-controlling interests	(94,178)	(2,812)
Others	3,712	1,095
Net cash provided by financing activities	18,366,527	2,354,235
Effect of exchange rate change on cash and cash equivalents	(949,363)	3,256,201
Net increase in cash and cash equivalents	3,356,343	668,434
Cash and cash equivalents at January 1	80,613,120	79,944,686
Cash and cash equivalents at December 31	\$ 83,969,463	80,613,120

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

AUO Corporation (“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. Further on January 27, 2021, AUO’s ADSs and underlying ordinary shares was officially cancelled from the registration of the United States Securities and Exchange Commission and its reporting obligations under the U.S. Securities Exchange Act was terminated.

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.

In order to advance AUO’s value transformation strategy, to accelerate the extension of the value chain and enhance the overall operating performance, upon the resolution of the shareholders’ meeting held on June 17, 2020, AUO demerged and transferred the business of the General Display and the Public Information Display, including assets, liabilities and the operations, to its wholly-owned subsidiary, AUO Display Plus Corporation (“ADP”). ADP issued new shares to AUO as the consideration. The effective date of the demerger was set on January 1, 2021.

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

2. The Authorization of Financial Statements

These consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2024.

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”).

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively, “IFRSs”) with effective date from January 1, 2023. The adoption does not have a material impact on the Company’s consolidated financial statements.

- Amendments to IAS 1, *Disclosure of Accounting Policies*
- Amendments to IAS 8, *Definition of Accounting Estimates*

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *International Tax Reform—Pillar Two Model Rules*

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

The Company assessed that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a material impact on its consolidated financial statements:

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1, *Non-current Liabilities with Covenants*
- Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*

(3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

New, revised or amended standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*
- IFRS 17, *Insurance Contracts* and amendments to IFRS 17
- Amendments to IAS 21, *Lack of Exchangeability*

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 except for IFRS 17, *Insurance Contracts* and the amendments to IFRS 17 that are not relevant to the Company. The related impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(1) Statement of compliance

The 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 the IFRSs endorsed by the FSC with effective dates (hereinafter referred to as “TIFRSs”).

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Basis of preparation

a. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets:

- (i) Financial instruments at fair value through profit or loss (including derivative financial instruments) (Note 6(2));
- (ii) Financial assets at fair value through other comprehensive income (Note 6(3));
- (iii) Defined benefit asset (liability) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation (Note 6(17)).

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Company's consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is also AUO's functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Basis of consolidation

a. Principle of preparation of the consolidated financial statements

The Company includes in its consolidated financial statements the results of operations of all controlled entities in which the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All significant inter-company transactions, income and expenses are eliminated in the consolidated financial statements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income (loss) in a subsidiary is allocated to the shareholders of AUO and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

Changes in the Company's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's investment and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between such adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of AUO.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Upon the loss of control, the Company derecognizes the carrying amounts of the assets and liabilities of the subsidiary and non-controlling interests. Any interest retained in the former subsidiary is remeasured at fair value when control is lost. The gain or loss is measured as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained investment in the former subsidiary at the date when the Company loses control; and (ii) the aggregate of the carrying amount of the former subsidiary's assets (including goodwill), liabilities and non-controlling interests at the date when the Company loses control. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
AUO	AUO (L) Corp. (AUOLB)	Holding company (Malaysia)	100.00	100.00
AUO	Konly Venture Corp. (Konly)	Investment (Taiwan ROC)	100.00	100.00
AUO	Ronly Venture Corp. (Ronly)	Investment (Taiwan ROC)	100.00	100.00
AUO	Space Money Inc. (S4M)	Design, sales and leasing activities (Taiwan ROC)	100.00	100.00
AUO	AUO Envirotech Inc. (AETTW)	Construction project and related project management (Taiwan ROC)	100.00	100.00
AUO	ComQi Ltd. (CQIL)	Holding company (Israel)	100.00	100.00
AUO	AUO Europe B.V. (AUONL)	Sales support activities (Netherlands)	100.00	100.00
AUO	AUO Crystal Corp. (ACTW)	Manufacturing and sales company (Taiwan ROC)	100.00	100.00
AUO	AUO Display Plus Corporation (ADP)	Research and development and sales activities (Taiwan ROC)	100.00	100.00
AUO	Da Ping Green Energy Corporation (DPGE)	Solar power generation (Taiwan ROC)	100.00	100.00
AUO	AUO Health Corporation (AHTW)	Manufacturing, development and sales company (Taiwan ROC)	100.00	100.00
AUO	AUO Digitech (CAYMAN) Limited (ADTCM)	Holding company (Cayman Islands)	78.89 ⁽⁵⁾	100.00
AUO	AUO Care Inc. (ACTTW)	Intelligent health care services (Taiwan ROC)	100.00	100.00
AUO and Konly	Star River Energy Corp. (SREC)	Investment (Taiwan ROC)	33.51 ⁽²⁾	33.51 ⁽²⁾
AUO and ADTCM	AUO Digitech Holding Limited (ADTHLD)	Holding company (Cayman Islands)	100.00	100.00
AUO, Konly and Ronly	Darwin Precisions Corporation (DPTW)	Manufacturing and sales company (Taiwan ROC)	41.05 ⁽²⁾	41.05 ⁽²⁾

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
AUO and AETTW	Yo-Pei Water Corporation (AET-YP)	Investment and construction in public construction, and wastewater (sewage) treatment (Taiwan ROC)	81.79	81.79 ⁽¹⁾
Konly	AUO Education Service Corp. (AUES)	Leasing and service company (Taiwan ROC)	100.00	100.00
Ronly	Feng Yao Power Corporation (FYPC)	Renewable energy power generation (Taiwan ROC)	100.00 ⁽¹⁾	-
Ronly	Zheng Yao Power Corporation (ZYPC)	Renewable energy power generation (Taiwan ROC)	100.00 ⁽¹⁾	-
ADTHLD	AUO Digitech Pte. Ltd. (ADTSG)	Holding and sales company, and software development (Singapore)	100.00	100.00
ADTSG	AUO Digitech (Suzhou) Co., Ltd. (ADTSZ)	Consulting and technology service (PRC)	100.00	100.00
ADTSG	AUO Digitech Taiwan Inc. (ADTTW)	Design, sales and consulting (Taiwan ROC)	100.00	100.00
ACTW	Sanda Materials Corporation (SDMC)	Holding company (Taiwan ROC)	100.00	100.00
ACTW	AUO Crystal (Malaysia) Sdn. Bhd. (ACMK) ⁽³⁾	Manufacturing and sales company (Malaysia)	-	100.00
SDMC	M.Setek Co., Ltd. (M.Setek)	Manufacturing and sales company (Japan)	99.9991	99.9991
AUOLB	AUO Corporation America (AUOUS)	Sales and sales support activities (United States)	100.00	100.00
AUOLB	AUO Corporation Japan (AUOJP)	Sales support activities (Japan)	100.00	100.00
AUOLB	AUO Korea Ltd. (AUOKR)	Sales support activities (South Korea)	100.00	100.00
AUOLB	AUO Singapore Pte. Ltd. (AUOSG)	Holding company and sales support activities (Singapore)	100.00	100.00
AUOLB	AUO (Slovakia) s.r.o (AUOSK)	Repairing activities (Slovakia Republic)	100.00	100.00
AUOLB	AFPD Pte., Ltd. (AUST) ⁽⁷⁾	Manufacturing company (Singapore)	100.00	100.00
AUOLB	a.u. Vista Inc. (AUVI)	Research and development and IP related business (United States)	100.00	100.00
AUOLB and DPTW	BriView (L) Corp. (BVLB) ⁽³⁾	Holding company (Malaysia)	-	100.00
SREC	Sungen Power Corporation (SGPC)	Solar power generation (Taiwan ROC)	100.00	100.00
SREC	Evergen Power Corporation (EGPC)	Solar power generation (Taiwan ROC)	100.00	100.00
AUOSG	AUO Green Energy America Corp. (AEUS)	Sales support activities (United States)	100.00	100.00
AUOSG	AUO (Vietnam) Company Limited (AUOVN)	Manufacturing and sales company (Vietnam)	100.00 ⁽¹⁾	-
AUOSG and AUOLB	AUO (Shanghai) Co., Ltd. (AUOSH) ⁽⁶⁾	Sales support activities (PRC)	100.00	100.00

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
AUOSG and AUOLB	AUO (Xiamen) Co., Ltd. (AUOXM) ⁽⁶⁾	Manufacturing and sales company (PRC)	100.00	100.00
AUOSG and AUOLB	AUO (Suzhou) Co., Ltd. (AUOSZ) ⁽⁶⁾	Manufacturing and sales company (PRC)	100.00	100.00
AUOSG and AUOLB	AUO Manufacturing (Shanghai) Co., Ltd. (AUOSJ) ⁽⁶⁾	Leasing activities (PRC)	100.00	100.00
AUOSG and AUOLB	AUO (Kunshan) Co., Ltd. (AUOKS) ⁽⁶⁾	Manufacturing and sales company (PRC)	100.00	100.00
ADP	Jector Digital Corporation (Jector)	Introduction of smart field construction and other solutions (Taiwan ROC)	78.43	78.43
ADP	AUO Display Plus Netherlands B.V. (ADPNL)	Holding, sales and sales support activities (Netherlands)	100.00	100.00
ADP	DentLabX Company Limited (DentLabX)	Sales activities (Taiwan ROC)	85.00 ⁽¹⁾	-
ADP	AUO Display Plus Technology (Suzhou) Co., Ltd. (ADPSZ)	Sales and sales support activities (PRC)	100.00	100.00
ADPNL	AUO Display Plus America Corp. (ADPUS)	Sales and sales support activities (United States)	100.00	100.00
ADPNL	AUO Display Plus Japan Corp. (ADPJP)	Sales and sales support activities (Japan)	100.00	100.00
ADPNL	Rise Vision Incorporated (RVI)	System design, sales and sales support activities (Canada)	100.00	100.00 ⁽⁴⁾
ADPNL	Rise Vision USA Inc. (RVU)	System design and sales support activities (United States)	100.00	100.00 ⁽⁴⁾
ADPSZ	Heilongjiang Talenda Smart Display Technology Co., Ltd. (Talenda)	Manufacturing of electronic components (PRC)	51.00	51.00 ⁽¹⁾
AUOXM	BriView (Xiamen) Corp. (BVXM)	Sales and leasing activities (PRC)	100.00	100.00
AUOSH	AUO Care Information Tech. (Suzhou) Co., Ltd. (ACTSZ)	Intelligent health care services (PRC)	100.00	100.00
AUOSH	AUO Envirotech (Suzhou) Co., Ltd. (AETSZ)	Construction project and related project management (PRC)	100.00	100.00
ADTSZ	AUO Megainsight (Xiamen) Co., Ltd. (AMIXM)	Sales of software and hardware and consulting services (PRC)	100.00	100.00
ADTSZ	Aedgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ)	Integration service of software and hardware (PRC)	100.00	100.00
ADTSZ	AUO MegaInsight (Suzhou) Co., Ltd. (AMISZ)	Development, sales and licensing of software and hardware and consulting services (PRC)	100.00	100.00

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
ATISZ	ProfetAI (Suzhou) Co., Ltd. (PFSZ)	Sales and consulting services (PRC)	51.00 ⁽¹⁾	-
AETSZ	AUO Envirotech (Shandong) Co., Ltd. (AETSD)	Construction project and related project management (PRC)	100.00	100.00
CQIL	ComQi Holdings Ltd. (CQHLD)	Holding company (United Kingdom)	100.00	100.00
CQHLD	ComQi UK Ltd. (CQUK) ⁽³⁾	Sales support activities (United Kingdom)	-	100.00
CQHLD	ComQi Inc. (CQUS)	Sales company (United States)	100.00	100.00
CQHLD	ComQi Canada Inc. (CQCA)	Research and development activities (Canada)	100.00	100.00
CQUS	JohnRyan Limited (JRUUK)	Development and sales activities (United Kingdom)	100.00	100.00
CQUS	JohnRyan Inc. (JRUS)	Development and sales activities (United States)	100.00	100.00
DPTW	Darwin Precisions (L) Corp. (DPLB)	Holding company (Malaysia)	100.00	100.00
DPTW	Forhouse International Holding Ltd. (FHVI)	Holding company (BVI)	100.00	100.00
DPTW	Forefront Corporation (FFMI)	Holding company (Mauritius)	100.00	100.00
FHVI	Fortech International Corp. (FTMI)	Holding company (Mauritius)	100.00	100.00
FHVI	Forward Optronics International Corp. (FWSA)	Holding company (Samoa)	100.00	100.00
FFMI	Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	Manufacturing and sales company (PRC)	100.00	100.00
FTMI	Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	Manufacturing and sales company (PRC)	100.00	100.00
FWSA and FTMI	Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Manufacturing, sales and trading company (PRC)	100.00	100.00
DPLB	Darwin Precisions (Hong Kong) Limited (DPHK)	Holding company (Hong Kong)	100.00	100.00
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ) ⁽³⁾	Manufacturing and sales company (PRC)	-	100.00
DPHK	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales company (PRC)	100.00	100.00

Note 1: AET-YP was incorporated in March 2022. Talenda was incorporated in June 2022. PFSZ was incorporated in February 2023. FYPC and ZYPC were incorporated in March 2023. DentLabX was incorporated in July 2023. AUOVN was incorporated in November 2023.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

Note 3: As of December 31, 2023, CQUK, ACMK, BVLB and DPSZ have completed liquidation.

Note 4: In July 2022, the Company acquired 100% of shareholdings of RVI and RVU from third parties. Refer to Note 6(8) for the relevant information.

Note 5: In connection to the employee restricted stock plan, actual vesting occurred in March 2023, as a result, AUO's ownership interest in ADTCM went down to 78.89%. Refer to Note 6(19) for the relevant information.

Note 6: As part of a business restructuring, AUOLB sold all its shareholdings in AUOSH, AUOXM, AUOSZ, AUOSJ and AUOKS to AUOSG in November 2023.

Note 7: AUST ceased production at end of December 2023 and made relevant provisions and impairment loss.

(4) Foreign currency transactions and operations

- a. Transactions in foreign currencies are translated to the respective functional currencies of the individual entities of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and the resulting exchange differences are included in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. The resulting exchange differences are included in profit or loss for the year except for those arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in other comprehensive income.

- b. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using exchange rates at the reporting date. Income and expenses of foreign operations are translated at the average exchange rates for the period unless the exchange rates fluctuate significantly during the period; in that case, the exchange rates at the dates of the transactions are used. Foreign currency differences are recognized in other comprehensive income and accumulated in equity.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

- a. The asset expected to realize, or intends to sell or consume, in its normal operating cycle;
- b. The asset primarily held for the purpose of trading;
- c. The asset expected to realize within twelve months after the reporting date; or
- d. Cash and cash equivalent excluding the asset restricted to be exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when:

- a. The liability expected to settle in its normal operating cycle;
- b. The liability primarily held for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash comprises cash balances and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits with short-term maturity but not for investments and other purposes and are qualified with the aforementioned criteria are classified as cash equivalent.

(7) Financial instruments

a. Financial assets

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- i. it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss.

(b) Financial assets at fair value through other comprehensive income

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and accumulated in equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income, except for dividends deriving from equity investments which are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividends on investments in equity instruments are recognized on the date that the Company's right to receive the dividends is established.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets.

Such financial assets are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit or loss.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost, including cash and cash equivalents, receivables, refundable deposits and other financial assets, etc., and contract assets. Loss allowances for financial assets are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring on the financial instrument as the weights.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses, except for the financial instrument that is determined to have low credit risk at the reporting date and the credit risk thereof has not increased significantly since initial recognition, which is measured at an amount equal to the 12-month expected credit losses. For trade receivables and contract assets, the Company measures their loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and credit assessment as well as forward-looking information.

In the circumstance that a financial asset is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers the credit risk on that financial asset has significantly increased, or further, to be in default.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(iii) De-recognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity.

b. Financial liabilities

(i) Classification of financial liabilities

The Company classifies financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(a) Financial liabilities at fair value through profit or loss

The Company designates financial liabilities as held for trading for the purpose of hedging exposure to foreign exchange risk arising from operating and financing activities. When a financial liability is not effective as a hedge, the Company accounts for it as a financial liability at fair value through profit or loss.

The Company accounts for financial liabilities, other than the one mentioned above, as at fair value through profit or loss at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities in this category are subsequently measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss.

(b) Other financial liabilities

Financial liabilities not classified as held for trading, or not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method, except for insignificant recognition of interest expense from short-term borrowings and payables. Interest expense not capitalized as an asset cost is recognized in profit or loss.

(ii) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

c. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis in the consolidated balance sheet when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable and marketable condition and location. The production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Subsequently, inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is calculated based on the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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(9) Investments in associates and joint ventures

Associates are those entities in which the Company has the power to exercise significant influence, but not control or joint control, over their financial and operating policies.

Joint venture is a joint arrangement whereby the Company and other parties agreed to share the control of the arrangement, and have rights to the net assets of the arrangement. Unanimous consent from the parties sharing control is required when making decisions for the relevant activities of the arrangement.

Investments in associates or joint ventures are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of associates or joint ventures, after adjustments are made to align their accounting policies with those of the Company. When an associate or a joint venture incurs changes in its equity not derived from profit or loss and other comprehensive income, the Company recognizes all the equity changes in proportion to its ownership interest in the associate or joint venture as capital surplus provided that the ownership interest in the associate or joint venture remains unchanged.

The difference between acquisition cost and fair value of associates' or joint ventures' identifiable assets and liabilities as of the acquisition date is accounted for as goodwill. Goodwill is included in the original investment cost of acquired associates or joint ventures and is not amortized. If the fair value of identified assets and liabilities is in excess of acquisition cost, the remaining excess over acquisition cost is recognized as a gain in profit or loss.

The Company discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture, and then measures the retained interests at fair value at that date. The difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of the retained interests along with any proceeds from disposing of a part interest in the associate or joint venture is recognized in profit or loss. Moreover, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

When the Company subscribes for additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate or joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the capital surplus arising from investment accounted for under the equity method in associates or joint ventures is insufficient to offset with the said corresponding amount, the differences will be charged or credited to retained earnings.

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AUO CORPORATION AND SUBSIDIARIES
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If the Company's ownership interest in an associate or a joint venture is reduced due to disposal of or disproportionate subscription to the shares, but the Company continues to apply the equity method, the Company shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

At the end of each reporting period, if there is any indication of impairment, the entire carrying amount of the investment including goodwill is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount. An impairment loss recognized forms part of the carrying amount of the investment in associates or joint ventures. Accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from the transactions between the Company and associates or joint ventures are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate or a joint venture, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation, or has made payments on behalf of the investee.

(10) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured using the cost model. Depreciation is charged and recognized in non-operating income and expenses based on the depreciable amount. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is reclassified to property, plant and equipment at its carrying amount when the use of the investment property changes.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(11) Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss.

b. Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Ongoing repairs and maintenance expenses are recognized in profit or loss as incurred.

c. Depreciation

Depreciation is determined by depreciable amount allocated over the estimated useful lives of the respective assets, considering significant components of an individual asset on a straight-line basis. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation charge is recognized in profit or loss.

Leased assets are depreciated over their useful lives if it is reasonably certain that the Company will obtain ownership by the end of the lease term. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful lives.

Except for land, which is not depreciated, the estimated useful lives of the assets are as follows:

- (i) Buildings: 20~50 years
- (ii) Machinery and equipment: 3~10 years
- (iii) Other equipment: 3~6 years

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Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and, if necessary, adjusted as appropriate. Any changes therein are accounted for as changes in accounting estimates.

d. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(12) Leases

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.

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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.

(13) Intangible assets

a. Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

Equity-method goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

b. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

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Expenditure arising from development is capitalized as an intangible asset when the Company demonstrates all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) the probability that the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditure which fails to meet the criteria for recognition as an intangible asset is reflected in profit or loss when incurred. Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

c. Other intangible assets

Other intangible assets acquired are measured at cost less accumulated amortization and any accumulated impairment losses.

d. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

e. Amortization

The depreciable amount of an intangible asset is the cost less its residual value. Other than goodwill and intangible assets with indefinite useful life, an intangible asset with a finite useful life is amortized over 3 to 20 years using the straight-line method from the date that the asset is made available for use. The amortization charge is recognized in profit or loss.

The residual value, amortization period, and amortization method are reviewed at least annually at each annual reporting date, and any changes therein are accounted for as changes in accounting estimates.

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AUO CORPORATION AND SUBSIDIARIES
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(14) Noncurrent assets held for sale

Noncurrent assets are classified as held for sale when their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Such noncurrent assets must be available for immediate sale in their present condition and the sale is highly probable within one year. When classified as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. However, subsequent gains are not recognized in excess of the cumulative impairment loss that has been recognized.

When property, plant and equipment and right-of-use assets are classified as held for sale, they are no longer depreciated.

(15) Impairment – non-financial assets

Other than inventories, deferred tax assets and noncurrent assets held for sale, the carrying amounts of the Company's investment property measured at cost and other long-term non-financial assets (property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives), are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use.

If there is evidence that the accumulated impairment loss of an asset other than goodwill and intangible assets with indefinite useful lives in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

For the purpose of impairment test, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. If the recoverable amount of a CGU is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amounts of the other assets in the unit on a pro rata basis. The impairment loss recognized on goodwill is not reversed in a subsequent period.

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AUO CORPORATION AND SUBSIDIARIES
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(16) Provisions

A provision is recognized when the Company has a present obligation arising from a past event, it is probable that the Company will be required to make an outflow of resources embodying economic benefits to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

a. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

b. Decommissioning obligation

The Company is subject to decommissioning obligations related to certain items of property, plant and equipment. Such decommissioning obligations are primarily attributable to clean-up costs, including deconstruction, transportation, and recover costs. The unwinding of the discount based on original discount rate is recognized in profit or loss as interest expense over the periods with corresponding increase in the carrying amounts of the accrued decommissioning costs. The carrying amount of the accruals at the end of the assets' useful lives is the same as the estimated decommissioning costs.

c. Litigation

Management periodically assesses the obligation of all litigation and claims and relative legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

d. Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions shall not be recognized for future operating losses.

e. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

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AUO CORPORATION AND SUBSIDIARIES
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Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

(17) 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.

(18) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of the Company's major revenues:

a. Sales of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the product has been shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product has been accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all criteria for acceptance have been satisfied.

For certain contracts with volume discounts offer to customers, revenue is recognized on a net basis of contract price less estimated volume discounts, and only to the extent that it is highly probable that a significant reversal will not occur. The amount of volume discounts is estimated based on the expected value with reference to the historical experience, and is recorded as refund liability (presented under other current liabilities).

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AUO CORPORATION AND SUBSIDIARIES
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Trade receivable is recognized when the Company is entitled for unconditional right to receive payment upon delivery of goods to customers. The consideration received in advance from the customer according to the sales contract but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

The Company provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Company has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

b. Construction contracts

For construction contracts, revenue is recognized progressively based on the progress towards complete satisfaction of contract activities, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If the Company cannot reasonably measure its progress towards complete satisfaction of performance obligations in accordance with the construction contracts, revenue is recognized only to the extent of contract costs incurred that it is expected to be recoverable.

The consideration is paid by the customer according to the agreed payment terms. The excess of the amount that has been recognized as revenue over the amount that the Company has issued a bill is recognized as a contract asset. When the entitlement to the payment becomes unconditional, the contract asset is transferred to receivables.

A contract liability is recognized for an advance consideration that the Company has billed to customers arising from construction contracts. When the construction is completed and accepted by the customers, the contract liability is transferred to revenue.

If there are changes in circumstances, the estimates of revenue, cost and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

c. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

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AUO CORPORATION AND SUBSIDIARIES
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(19) Government grants

a. Grants for compensating the research and development expenditures

Grants that compensate the Company for research and development expenditures are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

b. Grants related to the purchase of assets

Grants related to the purchase of assets are set up as deferred income and are recognized in profit or loss on a systematic basis over the useful life of the assets.

c. Other grants

Other grants from government that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which it becomes receivable.

(20) Employee benefits

a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

b. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each benefit plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Discount rate is determined by reference to the yield rate of Taiwan government bonds at the reporting date. The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Cost Method.

Remeasurements of the net defined benefit liability (asset) which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income in the period in which they occur, and which then are reflected in retained earnings and will not be reclassified to profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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AUO CORPORATION AND SUBSIDIARIES
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c. Short-term employee benefits

Short-term employee benefit obligations, which are due to be settled within twelve months are measured on an undiscounted basis and are expensed as the related service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Share-based payment arrangements

The fair value of equity-settled share-based payment arrangements at the grant date is recognized as compensation cost, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards. The amount of the compensation cost recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at the grant date is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(22) Income taxes

Income tax expense comprises current and deferred taxes.

The Company has determined that the global minimum top-up tax, which is required to pay under Pillar Two legislation, is in the scope of IAS 12, *Income taxes*. The Company has applied a temporary mandatory exception to deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

a. Current taxes

Current taxes comprise the expected tax payable or receivable on the taxable income or losses for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date.

In accordance with the ROC Income Tax Act, undistributed earnings from the companies located in the Republic of China, if any, is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions which is the year subsequent to the year the earnings arise.

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b. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the reporting date. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at annual reporting date, by considering global economic environment, industry environment, statutory tax deduction years and projected future taxable income, and reduced to the extent that it is no longer probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax assets which originally not recognized is also reviewed at annual reporting date and recognized to the extent that it is probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred taxes liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint arrangements are recognized, unless the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the reverse, using the statutory tax rate or the actual legislative tax rate on the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

(23) Business combinations

The consideration transferred in the acquisition is measured at fair value, as are identifiable net assets acquired. Goodwill is measured as the excess of the aggregate of the fair value of consideration transferred and the amount of any non-controlling interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred and the amount of any non-controlling interests in the acquiree, after reassessing all of the assets acquired and all of the liabilities assumed being properly identified, the difference is recognized in profit or loss as a gain on bargain purchase.

Acquisition-related costs are expensed as incurred, except that the costs are related to the issue of debt or equity instruments.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured, on a case-by-case basis, at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by TIFRSs.

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AUO CORPORATION AND SUBSIDIARIES
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Any contingent consideration included in the consideration transferred is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of the contingent consideration during the measurement period shall adjust to the cost of the acquisition and the resulting goodwill retrospectively. An adjustment made during the measurement period is to reflect additional information obtained by the Company about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. The accounting treatment for those changes to the fair value of the contingent consideration that are not measurement period adjustments is depending on the classification of the contingent consideration. If the contingent consideration is classified as equity, it is not remeasured and the subsequent settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting has not yet completed are reported in financial statements. During the measurement period, the provisional amounts are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(24) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing profit or loss attributable to the shareholders of AUO by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of AUO and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued. The Company's potential dilutive common shares comprise the estimate of employee compensation to be distributed in the form of stock.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(25) Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). Operating results of the operating segments are reviewed regularly by the Company's chief operating decision maker ("CODM") to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and TIFRSs 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.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(1) Impairment of long-term non-financial assets, other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(2) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments.

(3) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, the sources of taxable income, the amount of tax credits can be utilized and feasible tax planning strategies. Changes in the global economic environment, the industry trends and relevant laws and regulations may result in adjustments to the deferred tax assets.

(4) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand, demand deposits and checking accounts	\$ 61,838,715	48,151,084
Time deposits	<u>22,130,748</u>	<u>32,462,036</u>
	<u>\$ 83,969,463</u>	<u>80,613,120</u>

Refer to Note 6(28) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2023 and 2022, no cash and cash equivalents were pledged with banks as collaterals.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss (“FVTPL”)

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at FVTPL:		
Current		
Foreign currency forward contracts	<u>\$ 176,492</u>	<u>365,037</u>
Noncurrent		
Convertible bonds	<u>\$ 139,170</u>	<u>-</u>
Financial liabilities measured at FVTPL:		
Contingent consideration from business combination	\$ -	99,222
Financial liabilities held for trading:		
Foreign currency forward contracts	<u>11,143</u>	<u>252,603</u>
	<u>\$ 11,143</u>	<u>351,825</u>

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(28) for the disclosure of the Company’s credit and currency risks related to financial instruments.

As at December 31, 2023 and 2022, the Company’s outstanding foreign currency forward contracts were as follows:

December 31, 2023		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2024~Feb. 2024	USD 108,650 / NTD 3,426,726
Sell USD / Buy JPY	Jan. 2024~Feb. 2024	USD 68,053 / JPY 9,789,458
Sell USD / Buy CNY	Jan. 2024~Jun. 2024	USD 86,000 / CNY 610,112

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

December 31, 2023

Contract item	Maturity date	Contract amount
Sell USD / Buy SGD	Jan. 2024~Mar. 2024	USD 39,508 / SGD 52,750
Sell NTD / Buy JPY	Jan. 2024~Mar. 2024	NTD 525,860 / JPY 2,400,000
Sell CNY / Buy USD	Feb. 2024~Mar. 2024	CNY 319,382 / USD 44,885
Sell JPY / Buy NTD	Jan. 2024	JPY 200,000 / NTD 43,380
Sell CNY / Buy NTD	Feb. 2024	CNY 5,000 / NTD 21,594

December 31, 2022

Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2023~Feb. 2023	USD 208,700 / NTD 6,465,622
Sell USD / Buy JPY	Jan. 2023~Feb. 2023	USD 93,000 / JPY 12,527,074
Sell USD / Buy CNY	Jan. 2023~Mar. 2023	USD 68,000 / CNY 487,743
Sell USD / Buy SGD	Jan. 2023~Feb. 2023	USD 26,938 / SGD 36,770
Sell NTD / Buy USD	Apr. 2023~May 2023	NTD 2,779,971 / USD 89,000
Sell NTD / Buy JPY	Jan. 2023~Mar. 2023	NTD 1,939,137 / JPY 8,600,000
Sell JPY / Buy NTD	Jan. 2023	JPY 1,000,000 / NTD 232,086
Sell CNY / Buy USD	Jan. 2023~May 2023	CNY 2,700,000 / USD 387,616
Sell EUR / Buy JPY	Jan. 2023	EUR 1,000 / JPY 140,530

(3) Financial Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

	December 31, 2023	December 31, 2022
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	\$ 1,090,875	1,305,625
Equity securities – non-listed stocks	<u>741,193</u>	<u>594,956</u>
	<u>\$ 1,832,068</u>	<u>1,900,581</u>

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.

In consideration of the Company’s operational strategy, the Company increased its ownership interest in SINTRONES Technology Corp. (“SINTRONES”) in February 2023. Upon re-assessment, the Company considers that it has obtained the ability to exercise significant influence over SINTRONES; consequently, the Company derecognized the investment in SINTRONES as deemed disposal, and further recognized an investment accounted for using the equity method at fair value. The related cumulative loss of \$3,596 thousand previously recognized in other comprehensive income was reclassified to retained earnings.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$183,207 thousand and \$190,058 thousand for the years ended December 31, 2023 and 2022, respectively.

Dividends recognized from the investments in equity instruments at FVTOCI held by the Company were disclosed as follows:

	For the years ended December 31,	
	2023	2022
Investments held at the balance sheet date	\$ 2,585	6,571

As at December 31, 2023 and 2022, none of the Company's financial assets abovementioned was pledged as collateral.

(4) Financial Assets at Amortized Cost

	December 31, 2023	December 31, 2022
Domestic and foreign time deposits	\$ 1,264,324	1,142,218
Less: current	(584,217)	-
Noncurrent	\$ 680,107	1,142,218

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of receivables of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

As at December 31, 2023 and 2022, none of the Company's domestic and foreign time deposits was pledged as collateral.

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

	December 31, 2023	December 31, 2022
Notes receivable	\$ 55,237	5,366
Accounts receivable—measured at amortized cost	16,029,165	19,887,995
Accounts receivable—measured at fair value through other comprehensive income	7,989,097	-
Less: loss allowance	(30,545)	(17,610)
	\$ 24,042,954	19,875,751
Notes and accounts receivable, net	\$ 22,798,408	18,620,248
Accounts receivable from related parties, net	\$ 1,244,546	1,255,503

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company has assessed that part of its accounts receivable were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Therefore, those accounts receivable were measured at fair value through other comprehensive income.

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:

	December 31, 2023		
	Carrying amount of notes and accounts receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 22,833,577	0.00%	-
Past due less than 60 days	943,823	0.00%	-
Past due 61~180 days	259,236	0.49%	1,272
Past due over 180 days	10,772	29.54%	3,182
	\$ 24,047,408		4,454
	December 31, 2022		
	Carrying amount of notes and accounts receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 19,081,287	0.00%	-
Past due less than 60 days	655,603	0.00%	-
Past due 61~180 days	137,963	0.00%	-
Past due over 180 days	3,287	72.68%	2,389
	\$ 19,878,140		2,389

In addition, there was objective evidence indicating that, under reasonable expectation, some of the notes and accounts receivable would not be recovered in total; therefore, the Company recognized a loss allowance of \$26,091 thousand and \$15,221 thousand as of December 31, 2023 and 2022, respectively.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	For the years ended December 31,	
	2023	2022
Balance at beginning of the year	\$ 17,610	16,053
Provisions charged to expense	22,893	1,513
Write-offs	(9,711)	-
Effect of changes in foreign currency exchange rates	(247)	44
Balance at end of the year	<u><u>\$ 30,545</u></u>	<u><u>17,610</u></u>

The payment terms granted to customers are generally 25 to 60 days from the end of the month during which the invoice is issued. This term is consistent with practices in our industry, and thus, no financing components involved.

Information about the Company's exposure to credit risk is included in Note 6(28).

As at December 31, 2023 and 2022, the Company's accounts receivables sold and derecognized were as follows:

December 31, 2023						
Underwriting bank	Factoring limit (in thousands)		Amount sold and derecognized (in thousands)		Amount advanced (in thousands)	Principal terms
CTBC Bank	USD	175,000	USD	152,483	NTD 4,319,000	See Notes(a)~(d)
DBS Bank	USD	220,000	USD	148,227	NTD 4,159,000	See Notes(a)~(d)
Taipei Fubon Bank	USD	100,000	USD	93,179	NTD 2,599,000	See Notes(a)~(d)
Bank of Taiwan	USD	250,000		-	-	See Notes(a)~(d)
December 31, 2022						
Underwriting bank	Factoring limit (in thousands)		Amount sold and derecognized (in thousands)		Amount advanced (in thousands)	Principal terms
CTBC Bank	USD	78,000	USD	38,091	NTD 1,056,000	See Notes(a)~(d)
DBS Bank	USD	170,000	USD	111,137	NTD 3,049,000	See Notes(a)~(d)
Taipei Fubon Bank	USD	100,000	USD	55,938	NTD 1,529,000	See Notes(a)~(d)
Bank of Taiwan	USD	250,000	USD	15,219	USD 13,830	See Notes(a)~(d)
				EUR 3,984	EUR 3,620	
E. SUN Bank	USD	35,000	USD	35,000	USD 31,490	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.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 December 31, 2023 and 2022, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of \$1,022,482 thousand and \$862,484 thousand, respectively, were recognized under other current financial assets. In addition, interest rates for the balance of advanced amount as of December 31, 2023 and 2022, were ranging from 1.26%~2.04% and 1.48%~5.48%, respectively.

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.

(6) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 10,523,060	10,126,618
Work-in-progress	11,360,501	10,161,992
Raw materials	<u>7,119,560</u>	<u>9,975,103</u>
	<u>\$ 29,003,121</u>	<u>30,263,713</u>

For the years ended December 31, 2023 and 2022, the amounts recognized as cost of sales in relation to inventories were \$243,354,069 thousand and \$245,225,166 thousand, respectively. The net of provisions (reversals) for inventories written down (increased) to net realizable value, which were also included in cost of sales, amounted to \$2,030,133 thousand in reversals and \$1,804,332 thousand in provisions for the years ended December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, none of the Company's inventories was pledged as collateral.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(7) Investments in Equity-accounted Investees

a. Associates

	December 31, 2023	December 31, 2022
Qisda Corporation (“Qisda”)	\$ 11,262,543	12,056,578
Ennostar Inc. (“Ennostar”)	8,490,597	9,858,062
ADLINK Technology Inc. (“ADLINK”)	3,860,539	4,104,562
Star Shining Energy Corporation. (“SSEC”)	2,496,895	2,390,435
Raydium Semiconductor Corporation (“Raydium”)	1,882,618	2,194,517
Daxin Materials Corp. (“Daxin”)	775,934	729,966
Others	<u>614,454</u>	<u>409,782</u>
	<u>\$ 29,383,580</u>	<u>31,743,902</u>

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.

	For the years ended December 31, 2023	2022
The Company’s share of associates’:		
Profit (loss)	\$ (518,049)	1,991,642
Other comprehensive income (loss)	<u>373,751</u>	<u>(799,903)</u>
Total comprehensive income	<u>\$ (144,298)</u>	<u>1,191,739</u>

In connection with the Company’s operational strategy, the Company continually increased its shareholdings in Ennostar and ADLINK with total investments of \$5,183,707 thousand for the year ended December 31, 2022. Among those, in July 2022, the Company participated in Ennostar’s capital increase through a private placement offering with consideration of \$3,484,895 thousand. Due to the disproportionate subscription to the shares, the Company’s ownership interest in Ennostar increased from 9.30% to 17.38%. The difference between the consideration and the carrying amount arising from the acquisition of interest was recognized in capital surplus with amount of \$1,398,054 thousand.

For the year ended December 31, 2023, Qisda acquired additional shares of its subsidiary, BenQ BM Holding Cayman Corp. and recognized a difference between consideration and carrying amount arising from the acquisition of interest in subsidiary. The Company, upon the equity method, recognized a decrease in capital surplus of \$927,316 thousand accordingly.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2023, the Company held 32.84% of the voting rights of ADLINK and became the sole largest shareholder of it. Although the remaining voting rights are not concentrated in particular shareholders, the Company is still unable to obtain more than half of directors, and has not obtained more than half of the voting rights of the shareholders present in the shareholders' meeting. Moreover, ADLINK's key management is not designated by the Company. In view of the aforementioned facts, the Company only has significant influence, but not control, over ADLINK. Therefore, ADLINK is still accounted for using the equity method.

In February 2023, the Company derecognized the investment in SINTRONES that previously classified as financial assets at FVTOCI, and further recognized an investment accounted for using the equity method. Refer to Note 6(3) for the relevant information.

b. Joint ventures

The joint venture has dissolved in January 2022, and resolved the liquidation date set on May 18, 2022. The Company received the liquidation payment in November 2022.

The Company did not have joint ventures accounted for using equity method as at December 31, 2023 and 2022. For the year ended December 31, 2022, 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.

	For the year ended December 31, 2022
The Company's share of joint ventures':	
Profit	\$ 11,655
Other comprehensive income	-
Total comprehensive income	\$ 11,655

As at December 31, 2023 and 2022, none of the Company's investments in equity-accounted investees was pledged as collateral.

(8) Acquisition of Subsidiaries

The Company obtained control over RVI and RVU (collectively as "RV Company") in July 2022 through acquisition of 100% equity interest of them. RV Company is engaged in the design and integration service of digital signage content management system. By taking an equity investment in RV Company, the Company expects to become the preferred supplier of field solutions via providing software and hardware integrated solutions and enhancing product competitiveness. Acquisition-related costs are at approximately \$8,820 thousand on legal fees and due diligence fees and were recognized in operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2022.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 (translated at the exchange rates on December 31, 2022)

	<u>Amounts</u>
Cash	\$ 756,529
Contingent consideration (recognized in financial liabilities at FVTPL – current)	<u>85,579</u>
	<u>\$ 842,108</u>

The cash consideration above includes an adjustment to the purchase price on an agreed calculation basis within four months after the closing date upon the share purchase and sale agreement.

In accordance with the terms of the contingent consideration, in the event that the acquired entity achieves the conditions stated in the agreement within twelve months after the closing, the Company shall pay additional consideration of USD2,750 thousand or in pro rata to the original shareholders of RV Company. Under the arrangement of the contingent consideration, the potential undiscounted amount of the contingent payment that the Company may have to pay in the future is between USD0 thousand and USD2,750 thousand.

The fair value of the contingent consideration estimated using Monte Carlo simulation was \$78,427 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 9.6% and revenue volatility rate of 20.0%.

As RV Company achieved the conditions stated in the agreement within twelve months after the closing, the Company remeasured the fair value of the contingent consideration in December 2023 and determined the value was \$84,475 thousand. The change in the fair value of the contingent consideration of \$6,048 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, 2023.

In addition, both parties agreed that RV Company's possible tax refund that existed as of the acquisition date will be fully paid to the original shareholders of RV Company, provided that the tax refund is approved by the tax authority in the future. Under the aforesaid agreement, the potential undiscounted amount that the Company may have to pay in the future is between USD0 thousand and USD236 thousand. The Company estimated the fair value thereof at \$7,152 thousand based on the expected value. In 2023, the Company already paid it out, and there is no difference compared with the estimated amount.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 (translated at the exchange rates on December 31, 2022):

	<u>Fair value</u>
Cash	\$ 52,480
Accounts receivable and other current assets	34,540
Intangible assets	279,863
Accounts payable and other current liabilities	<u>(135,963)</u>
	<u>\$ 230,920</u>

c. Goodwill

Goodwill arising from the acquisition has been recognized as follows (translated at the exchange rates on December 31, 2022):

	<u>Amounts</u>
Consideration transferred	\$ 842,108
Less: Fair value of identifiable net assets	<u>(230,920)</u>
	<u>\$ 611,188</u>

d. Intangible assets

Technology in development and customer relationship that are recognized as intangible assets are amortized using the straight-line method over its economic useful life of 7 and 10 years, respectively.

Goodwill is primarily derived from merger synergies, customer and technology integrations as well as employee value. However, such benefits do not meet the criteria for recognition of identifiable intangible assets, and are therefore not recognized separately.

(9) Property, Plant and Equipment

	<u>For the year ended December 31, 2023</u>				
	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Disposal or write off</u>	<u>Reclassification, effect of change in exchange rate and others</u>	<u>Balance, End of Year</u>
Cost:					
Land	\$ 7,757,962	-	-	(13,024)	7,744,938
Buildings	116,844,362	3,803	(101,654)	(355,573)	116,390,938
Machinery and equipment	847,409,281	3,092,382	(7,277,720)	25,818,563	869,042,506
Other equipment	<u>39,751,729</u>	<u>3,874,526</u>	<u>(5,555,127)</u>	<u>1,374,556</u>	<u>39,445,684</u>
	<u>1,011,763,334</u>	<u>6,970,711</u>	<u>(12,934,501)</u>	<u>26,824,522</u>	<u>1,032,624,066</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the year ended December 31, 2023					
	Balance, Beginning of Year	Additions	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Accumulated depreciation and impairment loss:					
Buildings	45,437,618	2,531,998	(100,625)	(234,304)	47,634,687
Machinery and equipment	780,394,294	24,046,305	(7,270,597)	(1,661,621)	795,508,381
Other equipment	31,209,485	5,316,568	(5,553,701)	(164,313)	30,808,039
	<u>857,041,397</u>	<u>31,894,871</u>	<u>(12,924,923)</u>	<u>(2,060,238)</u>	<u>873,951,107</u>
Prepayments for purchase of land and equipment, and construction in progress	<u>24,111,900</u>	<u>18,196,872</u>	<u>-</u>	<u>(29,808,927)</u>	<u>12,499,845</u>
Net carrying amounts	<u>\$ 178,833,837</u>				<u>171,172,804</u>
For the year ended December 31, 2022					
	Balance, Beginning of Year	Additions (Deductions)	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Cost:					
Land	\$ 8,763,260	-	(996,049)	(9,249)	7,757,962
Buildings	117,475,024	(80,777)	(425,603)	(124,282)	116,844,362
Machinery and equipment	832,882,543	1,491,613	(4,893,149)	17,928,274	847,409,281
Other equipment	37,174,884	4,308,684	(4,097,513)	2,365,674	39,751,729
	<u>996,295,711</u>	<u>5,719,520</u>	<u>(10,412,314)</u>	<u>20,160,417</u>	<u>1,011,763,334</u>
Accumulated depreciation and impairment loss:					
Buildings	42,819,944	2,698,962	(86,632)	5,344	45,437,618
Machinery and equipment	758,531,143	22,534,747	(4,705,029)	4,033,433	780,394,294
Other equipment	29,723,444	5,431,251	(4,078,401)	133,191	31,209,485
	<u>831,074,531</u>	<u>30,664,960</u>	<u>(8,870,062)</u>	<u>4,171,968</u>	<u>857,041,397</u>
Prepayments for purchase of land and equipment, and construction in progress	<u>6,000,865</u>	<u>33,683,927</u>	<u>-</u>	<u>(15,572,892)</u>	<u>24,111,900</u>
Net carrying amounts	<u>\$ 171,222,045</u>				<u>178,833,837</u>

As of December 31, 2023 and 2022, a non irrigated farmland located in LongTan plant amounted to \$23,671 thousand was registered in the name of a farmer due to regulations. An agreement of pledge had been signed between the Company and the farmer clarifying the rights and obligations of each party.

In 2023 and 2022, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$210,771 thousand and \$70,686 thousand, respectively.

In 2022, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized an impairment loss of \$2,879 thousand.

Impairment losses as mentioned above were recognized under other gains and losses in the consolidated statements of comprehensive income.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

AUO decided to dispose of part of its plants and related appendages to Vanguard International Semiconductor Corporation pursuant to the resolution of Board of Directors' meeting held on April 28, 2021. Both parties have completed the transaction in December 2021. The consideration of disposal (net of related transaction costs) and gain on disposal were \$808,662 thousand and \$787,460 thousand, respectively. The consideration aforementioned is to be received in installments. As of December 31, 2021, outstanding receivables totaled \$509,524 thousand (recognized in other current financial assets), which were fully received in January 2022.

On June 22, 2022, the Board of Directors of DPTW resolved to dispose of part of real estate. DPTW has entered into an agreement with a non-related party on June 24, 2022 for the disposal of the related land and buildings. The aforementioned assets have been disposed of on December 28, 2022. The consideration of disposal (net of related transaction costs) and gain on disposal were \$2,285,894 thousand and \$950,874 thousand, respectively. Such cash consideration was entrusted by a bank with its real estate values trust service. As of December 31, 2022, outstanding receivables totaled \$2,230,840 thousand (recognized in other current financial assets), which were fully received on January 3, 2023.

In order to enhance the utilization of assets and to strengthen the efficient use of working capital, AUOXM resolved to dispose of part of its land classified in right-of-use assets and employee dormitories on October 26, 2022. The aforementioned assets have been reclassified as noncurrent assets held for sale totaling \$586,406 thousand. The consideration of disposal (net of related transaction costs) and gain on disposal were \$1,654,220 thousand and \$1,069,530 thousand, respectively. As of December 31, 2022, such consideration received in advance amounted to \$848,008 thousand (recognized in other current liabilities). In December 2023, the transaction was completed, and the consideration was fully received.

The following table summarized the Company's capitalized borrowing costs and the interest rate range applied for the capitalization:

	For the years ended December 31,	
	2023	2022
Capitalized borrowing costs	<u>198,062</u>	<u>114,671</u>
The interest rates applied for the capitalization	1.50%~ 2.50%	0.90%~ 2.05%

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

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Land	\$ 8,925,915	9,492,758
Buildings	838,202	295,209
Other equipment	<u>6,509</u>	<u>12,491</u>
	<u>\$ 9,770,626</u>	<u>9,800,458</u>
	For the years ended December 31,	
	2023	2022
Additions to right-of-use assets	<u>\$ 695,382</u>	<u>285,806</u>
Depreciation charge for right-of-use assets		
Land	\$ 534,042	535,949
Buildings	154,859	148,584
Other equipment	<u>6,063</u>	<u>5,659</u>
	<u>\$ 694,964</u>	<u>690,192</u>

(ii) Lease liabilities

	December 31, 2023		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 804,126	159,867	644,259
Between one and five years	3,006,596	529,870	2,476,726
More than five years	<u>7,034,404</u>	<u>826,860</u>	<u>6,207,544</u>
	<u>\$ 10,845,126</u>	<u>1,516,597</u>	<u>9,328,529</u>
Lease liabilities — current			<u>\$ 644,259</u>
Lease liabilities — noncurrent			<u>\$ 8,684,270</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2022		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 746,377	163,126	583,251
Between one and five years	2,667,019	549,425	2,117,594
More than five years	<u>7,487,223</u>	<u>943,177</u>	<u>6,544,046</u>
	<u>\$ 10,900,619</u>	<u>1,655,728</u>	<u>9,244,891</u>
Lease liabilities — current			<u>\$ 583,251</u>
Lease liabilities — noncurrent			<u>\$ 8,661,640</u>

(iii) Significant lease agreements

AUO has entered into various land lease agreements 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 2022, AUO modified some 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 \$273,932 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) Sublease of right-of-use assets

The Company subleased part of its right-of-use assets under operating leases. For the years ended December 31, 2023 and 2022, income from sublease were \$4,944 thousand and \$4,973 thousand, respectively. Right-of-use assets that meet the definition of investment properties are reclassified to investment properties. Refer to Note 6(11) for further information on investment properties.

(v) 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:

	For the years ended December 31,	
	2023	2022
Expenses relating to short-term leases	<u>\$ 11,025</u>	<u>19,883</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 34</u>	<u>206</u>
Variable lease payments not included in the measurement of the lease liability	<u>\$ 2,642</u>	<u>2,363</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Total cash outflow for the Company's leases in which it acts as a lessee for the years ended December 31, 2023 and 2022, were \$785,800 thousand and \$760,957 thousand, respectively.

b. Lessor

The Company leased out its investment properties and part of its land, buildings and equipment and did not transfer substantially all the risks and rewards incidental to their ownership to the lessee, therefore, those leases were recognized as operating leases. Refer to Note 6(23) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases for the years ended December 31, 2023 and 2022 were \$877 thousand and \$893 thousand, respectively.

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2023	December 31, 2022
Year 1	\$ 149,909	98,387
Year 2	101,808	102,522
Year 3	97,446	102,458
Year 4	89,597	94,595
Year 5	89,597	94,492
Year 6 onwards	1,338,989	1,449,382
Total undiscounted operating lease receivable	<u><u>\$ 1,867,346</u></u>	<u><u>1,941,836</u></u>

(11) Investment Property

For the year ended December 31, 2023				
	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:				
Land	\$ 686,090	-	(13,150)	672,940
Buildings	1,448,929	-	(30,375)	1,418,554
Right-of-use assets	29,179	-	(612)	28,567
	<u>2,164,198</u>	<u>-</u>	<u>(44,137)</u>	<u>2,120,061</u>
Accumulated depreciation:				
Buildings	763,805	43,403	(16,797)	790,411
Right-of-use assets	7,149	1,782	(182)	8,749
	<u>770,954</u>	<u>45,185</u>	<u>(16,979)</u>	<u>799,160</u>
Net carrying amounts	<u><u>\$ 1,393,244</u></u>			<u><u>1,320,901</u></u>
Fair Value	<u><u>\$ 4,065,791</u></u>			<u><u>4,422,302</u></u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the year ended December 31, 2022				
	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:				
Land	\$ 695,429	-	(9,339)	686,090
Buildings	1,429,270	-	19,659	1,448,929
Right-of-use assets	28,784	-	395	29,179
	<u>2,153,483</u>	<u>-</u>	<u>10,715</u>	<u>2,164,198</u>
Accumulated depreciation:				
Buildings	710,502	43,693	9,610	763,805
Right-of-use assets	5,289	1,794	66	7,149
	<u>715,791</u>	<u>45,487</u>	<u>9,676</u>	<u>770,954</u>
Net carrying amounts	<u>\$ 1,437,692</u>			<u>1,393,244</u>
Fair Value	<u>\$ 4,119,728</u>			<u>4,065,791</u>

The fair value of investment property is based on a valuation performed by a qualified independent appraiser who holds a recognized and relevant professional qualification and has recent valuation experience in the location and category of the investment property being valued. The valuation is performed using income approach, sales comparison approach and land development analysis approach with reference to available market information.

The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation techniques used. Income approach determines the fair value of the investment property based on the projected cash flows from the Company's estimated future rentals collected and discounted using the capitalization rate of the property. Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land. The overall capital interest rate and the rate of return used in the valuation were 1.91% and 15.00%, respectively. The capitalization rate was ranging from 8.00% to 12.00%.

As at December 31, 2023 and 2022, there was no investment property that was pledged as collateral.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Intangible Assets

For the year ended December 31, 2023					
	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	\$ 12,809,944	-	-	3,487	12,813,431
Patent and technology fee	12,269,529	-	-	(3,979)	12,265,550
Others	697,504	-	-	(2,816)	694,688
	<u>25,776,977</u>	<u>-</u>	<u>-</u>	<u>(3,308)</u>	<u>25,773,669</u>
Accumulated amortization and impairment loss:					
Goodwill	2,228,270	-	-	-	2,228,270
Patent and technology fee	11,910,192	48,856	-	(1,608)	11,957,440
Others	242,274	77,624	-	(806)	319,092
	<u>14,380,736</u>	<u>126,480</u>	<u>-</u>	<u>(2,414)</u>	<u>14,504,802</u>
Net carrying amounts	<u>\$ 11,396,241</u>				<u>11,268,867</u>
For the year ended December 31, 2022					
	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	\$ 12,190,064	-	611,188	8,692	12,809,944
Patent and technology fee	12,266,954	-	-	2,575	12,269,529
Others	385,742	2,929	296,234	12,599	697,504
	<u>24,842,760</u>	<u>2,929</u>	<u>907,422</u>	<u>23,866</u>	<u>25,776,977</u>
Accumulated amortization and impairment loss:					
Goodwill	1,122,270	1,106,000	-	-	2,228,270
Patent and technology fee	11,778,742	130,745	-	705	11,910,192
Others	184,793	54,021	-	3,460	242,274
	<u>13,085,805</u>	<u>1,290,766</u>	<u>-</u>	<u>4,165</u>	<u>14,380,736</u>
Net carrying amounts	<u>\$ 11,756,955</u>				<u>11,396,241</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company acquired goodwill and other intangible assets from the acquisition of subsidiaries in July 2022. See Note 6(8) for further details.

For the purpose of impairment test, the following table shows the information of the operating business that the Company's goodwill allocating to:

	December 31, 2023	December 31, 2022
Display business	\$ 10,585,161	10,581,674

The Company's goodwill has been tested for impairment at least once at the end of the annual reporting period. The recoverable amount was determined based on value in use of the operating business.

The key assumptions used in the estimation of the recoverable amount included discount rate and terminal growth rate. The annual discount rates for the years ended December 31, 2023 and 2022 were 11.14% and 11.44%, respectively, based on industry weighted average cost of capital. The cash flow projections were determined based on the financial budgets approved by management covering the future five-year period and extrapolated with a steady annual terminal growth rate for subsequent years, which were negative 1% for both 2023 and 2022. The key assumptions abovementioned represents the management's forecast of the future for the related industry by considering the history information from internal and external sources.

Based on the impairment assessment in 2022, as the recoverable amount of display CGU was lower than its carrying value, the Company recognized an impairment loss of \$1,106,000 thousand on goodwill of display segment.

For the year ended December 31, 2023, no impairment loss was recognized as the recoverable amount of display CGU was higher than its carrying value.

(13) Prepayments, Other Current Assets and Other Noncurrent Assets

	December 31, 2023	December 31, 2022
Prepayments for purchases	\$ 1,172,077	1,687,836
Refundable and overpaid tax	919,306	957,798
Restricted cash in banks—noncurrent	467,998	766,226
Others	2,809,687	3,298,913
	5,369,068	6,710,773
Less: current	(2,980,914)	(3,832,361)
Noncurrent	\$ 2,388,154	2,878,412

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Short-term Borrowings

	December 31, 2023	December 31, 2022
Unsecured borrowings	\$ <u>263,000</u>	<u>128,487</u>
Unused credit facilities	\$ <u>24,377,681</u>	<u>29,118,096</u>
Interest rate range	1.75%~2.05%	1.38%~4.00%

(15) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2023	December 31, 2022
Syndicated loans:			
Bank of Taiwan and others	From Apr. 2022 to Apr. 2029	\$ 50,000,000	20,000,000
Bank of Taiwan and others	From Oct. 2021 to Oct. 2025	19,125,000	32,500,000
Agricultural Bank of China and others	From Aug. 2023 to Aug. 2028	335,450	-
Bank of China and others	From Jul. 2023 to Jul. 2028	294,296	-
Bank of China and others	From Nov. 2015 to May 2023	-	2,001,456
Unsecured bank loans	From Oct. 2020 to Oct. 2031	24,428,480	6,126,000
Unsecured other loans	From Sep. 2022 to Sep. 2024	20,843	21,333
Secured bank loans	From Apr. 2017 to Apr. 2032	16,969,742	25,509,945
Secured other loans	From Apr. 2022 to Mar. 2026	<u>691,155</u>	<u>921,960</u>
		111,864,966	87,080,694
Less: transaction costs		<u>(277,932)</u>	<u>(265,243)</u>
		111,587,034	86,815,451
Less: current portion		<u>(10,062,194)</u>	<u>(13,884,634)</u>
		\$ <u>101,524,840</u>	<u>72,930,817</u>
Unused credit facilities		\$ <u>58,011,646</u>	<u>54,984,115</u>
Interest rate range		1.50%~4.00%	1.25%~7.95%

The Company entered into the aforementioned long-term loan arrangements with banks and financial institutions to finance capital expenditures for purchase of machinery and equipment, and to fulfill working capital, as well as to repay the matured debts. A commitment fee is negotiated with the leading banks of syndicated loans and is calculated based on the committed-to-withdraw but unused balance, if any. No commitment fees were paid for the year ended December 31, 2023.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual audited consolidated financial statements prepared in accordance with IFRSs endorsed and issued into effect by the FSC, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2023 and 2022, the Company complied with all financial covenants required under each of the loan agreements.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Refer to Note 6(28) for detailed information of exposures to interest rate, currency, and liquidity risks. Refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(16) Provisions

	Warranties⁽ⁱ⁾	Litigation, claims and others	Others⁽ⁱⁱ⁾	Total
Balance at January 1, 2023	\$ 869,256	307,320	292,483	1,469,059
Additions	269,300	1,058,435	714,991	2,042,726
Usage	(83,439)	-	(126,409)	(209,848)
Effect of change in exchange rate	(753)	(20,285)	(199)	(21,237)
Balance at December 31, 2023	1,054,364	1,345,470	880,866	3,280,700
Less: current	(375,942)	(1,345,470)	(677,894)	(2,399,306)
Noncurrent	<u>\$ 678,422</u>	<u>-</u>	<u>202,972</u>	<u>881,394</u>
Balance at January 1, 2022	\$ 1,184,514	453,820	249,974	1,888,308
Additions (reversals)	(177,597)	(152,755)	24,641	(305,711)
Usage	(137,978)	(38,500)	(7,202)	(183,680)
Effect of change in exchange rate	317	44,755	25,070	70,142
Balance at December 31, 2022	869,256	307,320	292,483	1,469,059
Less: current	(245,513)	(307,320)	(6,821)	(559,654)
Noncurrent	<u>\$ 623,743</u>	<u>-</u>	<u>285,662</u>	<u>909,405</u>

(i) The provisions for warranties 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.

(ii) Primarily including provisions for onerous contracts and decommissioning obligation.

(17) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, AUO and ADP have established defined benefit pension plans covering their full-time employees in the ROC. Such plans provide for retirement benefits to retiring employees based on years of service and the average salaries and wages for the six-month period before the employee's retirement. The funding of these retirement plans by AUO and ADP are contributed monthly based on a certain percentage of their respective employees' total salaries and wages. The funds are deposited with Bank of Taiwan.

M.Setek has established defined benefit pension plans providing for retirement benefits to retiring employees based on years of service, position, and certain other factors in accordance with the regulations of its country of establishment.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (i) Reconciliation of the present value of defined benefit obligation and the fair value of plan assets for AUO, ADP and M.Setek

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ (148,339)	(152,421)
Fair value of plan assets	325,111	322,137
Net defined benefit asset	<u><u>\$ 176,772</u></u>	<u><u>169,716</u></u>

The recognition of net defined benefit asset was as follows:

	December 31, 2023	December 31, 2022
Other noncurrent assets	\$ 206,943	202,114
Other noncurrent liabilities	(30,171)	(32,398)
	<u><u>\$ 176,772</u></u>	<u><u>169,716</u></u>

- (ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2023	2022	2023	2022	2023	2022
Balance at January 1	\$ (152,421)	(188,699)	322,137	301,790	169,716	113,091
Service cost	(6,285)	(6,529)	-	-	(6,285)	(6,529)
Interest cost	(1,649)	(1,011)	-	-	(1,649)	(1,011)
Expected return on plan assets	-	-	4,413	1,962	4,413	1,962
Included in profit or loss	(7,934)	(7,540)	4,413	1,962	(3,521)	(5,578)
Actuarial (loss) gain arising from:						
- demographic assumptions	(1,318)	22	-	-	(1,318)	22
- financial assumptions	(1,628)	31,110	-	-	(1,628)	31,110
- experience adjustment	5,942	958	-	-	5,942	958
Return on plan assets excluding interest income	-	-	1,078	26,365	1,078	26,365
Included in other comprehensive income	2,996	32,090	1,078	26,365	4,074	58,455
Contributions paid by the employer	-	-	357	339	357	339
Benefits paid	7,036	10,419	(2,874)	(8,319)	4,162	2,100
Others	1,984	1,309	-	-	1,984	1,309
	9,020	11,728	(2,517)	(7,980)	6,503	3,748
Balance at December 31	<u><u>\$ (148,339)</u></u>	<u><u>(152,421)</u></u>	<u><u>325,111</u></u>	<u><u>322,137</u></u>	<u><u>176,772</u></u>	<u><u>169,716</u></u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Plan assets

Pursuant to the ROC Labor Standards Act, AUO and ADP contribute an amount based on a certain percentage of employees' total salaries and wages paid every month to their respective pension funds (the "Funds"), which are administered by the Labor Pension Fund Supervisory Committee (the "Committee") and deposited in the Committee's name with Bank of Taiwan. Under the ROC Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum return on the plan assets should not be lower than the average interest rate on two-year time deposits published by the local banks.

As of December 31, 2023 and 2022, the Funds deposited in AUO Committee's name and ADP Committee's name in the Bank of Taiwan amounted to \$325,111 thousand and \$322,137 thousand, respectively. Information on utilization of labor pension funds, including the yield rate of funds and the component of plan assets are available at the Bureau of Labor Funds, Ministry of Labor website.

Under the defined benefit plans in Japan, M.Setek is responsible to pay to employees when they are retired.

(iv) Present value of defined benefit obligation

(a) Principal actuarial assumptions from AUO and ADP

	December 31, 2023	December 31, 2022
Discount rate	1.26%	1.37%
Rate of increase in future salary	3.00%	3.00%

The Company anticipates contributing \$144 thousand to the defined benefit plans in the year starting from January 1, 2024.

As of December 31, 2023, the weighted-average duration of the defined benefit obligation was between 10 years to 12 years.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2023 and 2022 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2023		December 31, 2022	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	-0.25%	+0.25%	-0.25%
Discount rate	\$ <u>(4,477)</u>	<u>4,678</u>	<u>(4,849)</u>	<u>5,065</u>
Rate of increase in future salary	\$ <u>4,618</u>	<u>(4,433)</u>	<u>4,986</u>	<u>(4,785)</u>

In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit asset (liability) in the balance sheet.

The approach to develop the sensitivity analysis and its relevant actuarial assumptions are the same as those in previous year.

b. Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act (the “Act”), employees who elected to participate in the Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, AUO and its subsidiaries located in the ROC contribute monthly at a rate of no less than six percent of the employees’ monthly salaries and wages to the employee’s individual pension fund account at the ROC Bureau of Labor Insurance. Besides, matters that are not addressed in the Company’s defined contribution plan should be governed by the Act. The Company’s foreign subsidiaries have set up their retirement plans, if necessary, based on their respective local government regulations.

AUO and its subsidiaries in the ROC have set up defined contribution plans in accordance with the Act. For the years ended December 31, 2023 and 2022, these companies set aside, \$977,825 thousand and \$1,022,581 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 \$1,478,484 thousand and \$1,224,046 thousand for the years ended December 31, 2023 and 2022, respectively, for the defined contribution plans based on their respective local government regulations.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(18) Capital and Other Components of Equity

a. Common stock

AUO's authorized common stock, with par value of \$10 per share, both amounted to \$120,000,000 thousand as at December 31, 2023 and 2022.

AUO's issued common stock, with par value of \$10 per share, both amounted to \$76,993,961 thousand as at December 31, 2023 and 2022.

In order to adjust AUO's capital structure to correspond with its corporate transformation, on June 17, 2022, AUO's shareholders' meeting resolved to reduce capital and refund cash to shareholders. Total amount of capital reduction is \$19,248,490 thousand, which translates to 1,924,849 thousand cancelled shares and represents approximately 20% capital reduction ratio. The record date of capital reduction was set on August 10, 2022 and the relevant legal registration procedures have been completed. The date of returning cash in relation to the aforementioned capital reduction was October 11, 2022.

As of December 31, 2023, AUO has issued 18,362 thousand ADSs, which represented 183,617 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2023	December 31, 2022
From common stock	\$ 46,621,786	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	2,327,181	3,136,257
	<u>\$ 54,998,829</u>	<u>61,942,210</u>

According to the ROC Company Act, capital surplus, including premium from stock issuing and donations received, may be used to offset a deficit. When a company has no deficit, such capital surplus may be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholdings. In accordance with AUO's Articles of Incorporation, cash distribution from capital surplus should be approved by AUO's Board of Directors and reported to AUO's shareholders in its meeting. 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.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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c. Retained earnings and dividend policy

In accordance with AUO's Articles of Incorporation, distribution of earnings by way of cash dividends should be approved by AUO's Board of Directors and reported to AUO's shareholders in its meeting. After payment of income taxes and offsetting accumulated deficits, the legal reserve shall be set aside 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 or reversed. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed according to relevant laws and AUO's Articles of Incorporation.

Legal reserve may be used to offset a deficit. When the Company incurs no loss, it may distribute its legal reserve by issuing new shares or by cash in accordance with the proportion of shareholdings for the portion in excess of 25% of the paid-in capital.

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 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 after 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.

On February 23, 2023, AUO's Board of Directors resolved not to distribute dividends for 2022. On May 26, 2023, the annual shareholders' meeting resolved the distribution of other earnings for 2022, comprising a reversal of special reserve of \$1,122,876 thousand and no dividend distribution. Details of cash distribution from capital surplus were as follows:

	Cash distribution from capital surplus	Cash distributed per share (NT\$)
Cash distribution from capital surplus	<u><u>\$ 6,134,305</u></u>	<u><u>0.80</u></u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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AUO's appropriation of earnings for 2021 by way of cash dividends has been approved in the Board of Directors' meeting held on March 28, 2022. The appropriation of 2021 earnings by other ways has been approved in the annual shareholders' meeting held on June 17, 2022. Details of distribution were as follows:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 5,326,268	
Special reserve	1,472,878	
Cash dividends to shareholders	<u>9,575,824</u>	1.00
	<u>\$ 16,374,970</u>	

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on March 28, 2022.

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.

d. Treasury shares

AUO repurchased 125,000 thousand shares as treasury shares transferred to employees in accordance with Securities and Exchange Act requirements. The related information on treasury share transactions was as follows (shares in thousands):

For the year ended December 31, 2023					
<u>Reason for reacquisition</u>	<u>Number of shares, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>		<u>Number of shares, End of Year</u>
Transferring to employees	38,737	-	(7,222)		31,515

For the year ended December 31, 2022					
<u>Reason for reacquisition</u>	<u>Number of shares, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Capital Reduction</u>	<u>Number of shares, End of Year</u>
Transferring to employees	54,199	-	(5,778)	(9,684)	38,737

Refer to Note 6(19) for information on employee treasury shares plan for 2023 and 2022. A total of 7,222 thousand and 5,778 thousand shares were transferred with total costs for treasury shares of \$55,103 thousand and \$46,859 thousand, respectively, and with cost per share of \$7.63 and \$8.11, respectively.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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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 retired.

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

e. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at January 1, 2023	\$ (2,406,490)	(1,213,815)	(3,620,305)
Foreign operations – foreign currency translation differences	(1,438,194)	-	(1,438,194)
Net change in fair value of financial assets at FVTOCI	-	(44,333)	(44,333)
Equity-accounted investees – share of other comprehensive income	(72,800)	405,424	332,624
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	20,497	20,497
Realized gain on sales of securities reclassified to profit or loss	(4,984)	-	(4,984)
Related tax	270,706	(910)	269,796
Balance at December 31, 2023	<u>\$ (3,651,762)</u>	<u>(833,137)</u>	<u>(4,484,899)</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at January 1, 2022	\$ (4,873,573)	130,391	(4,743,182)
Foreign operations – foreign currency translation differences	2,508,167	-	2,508,167
Net change in fair value of financial assets at FVTOCI	-	57,359	57,359
Equity-accounted investees – share of other comprehensive income	562,474	(1,359,911)	(797,437)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(41,654)	(41,654)
Realized gain on sales of securities reclassified to profit or loss	(111,862)	-	(111,862)
Related tax	(491,696)	-	(491,696)
Balance at December 31, 2022	<u>\$ (2,406,490)</u>	<u>(1,213,815)</u>	<u>(3,620,305)</u>

f. Non-controlling interests, net of tax

	For the years ended December 31,	
	2023	2022
Balance at beginning of the year	\$ 6,311,557	6,179,431
Equity attributable to non-controlling interests:		
Profit for the year	52,120	128,194
Foreign currency translation differences, net of tax	(78,652)	(6,559)
Differences between consideration and carrying amount arising from disposal of interest in subsidiary	16,137	-
Cash dividends from subsidiaries	(110,921)	(66,458)
Effect of disproportionate subscription to shares	(25,675)	604
Subsidiaries capital increase	16,743	63,646
Unrealized gain on financial assets at FVTOCI	8,153	-
Effect of share-based payments	867	12,699
Balance at end of the year	<u>\$ 6,190,329</u>	<u>6,311,557</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(19) Share-based Payments

a. Employee treasury shares plan

AUO granted the treasury shares to eligible employees, including those of AUO and its subsidiaries in accordance with the relevant plan. The key terms and conditions related to the grants were disclosed as follows:

Grant date	Total shares granted (in thousands)	Vesting conditions	Share price	Exercise price	Fair value per unit
Feb. 23, 2022	5,778	Vest immediately	20.7	8.11	12.59
Feb. 23, 2023	7,222	Vest immediately	18.3	10.14	8.16

The fair value of the share-based payments granted by AUO was measured at the date of grant using the Black-Scholes option pricing model. For the years ended December 31, 2023 and 2022, the related compensation costs recognized for the abovementioned plan amounted to \$58,931 thousand and \$72,744 thousand, respectively. The capital surplus generated from the difference between the subscription price and the repurchase cost of the abovementioned treasury shares for the year ended December 31, 2023 amounted to \$18,127 thousand.

b. Employee restricted stock plan

As of December 31, 2023, information about the share-based payment rewards plan that ADTHLD, a subsidiary of AUO, granted to employees of AUO and its subsidiaries was as follows:

Plan	Grant date	Granted units	Vesting conditions
Employee restricted stock plan	Apr. 1, 2021	850,000	Note
Employee restricted stock plan	Dec. 2, 2021	400,000	Note
Employee restricted stock plan	Apr. 1, 2022	150,000	Note

Note: Employees are granted restricted stocks without consideration, and are eligible to vest 100% of 400,000 units when they provide two years of service subsequent to the grant date. Further employees who provide two years and five years of service, respectively, subsequent to the grant date as well as fulfill specific performance conditions are eligible to vest 40% and 60% of 1,000,000 units, respectively.

ADTCM's special shares without voting right which are held by AUO are the subject for the execution of the aforementioned plan. According to the relevant plan, one special share without voting right of ADTCM represents one common share right of ADTHLD. The weighted average fair value per share estimated using the income approach for the abovementioned plan was USD1.105. The weighted average cost of capital which is the principal parameter was between 18.1% and 20.1%.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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For the year ended December 31, 2023, 400,000 units abovementioned were fully vested upon completion of two years' service; 400,000 units which are based on completion of two years' service and bound with specific performance conditions were all unvested. Among the grant bound with five years of service and specific performance conditions, 360,000 units were early terminated in the first quarter of 2023, of which 170,000 units were vested immediately upon the agreement with employees. The difference between share price and carrying amount arising from the aforesaid employee vesting was recognized as a deduction of capital surplus with amount of \$16,137 thousand. Moreover, in the second quarter of 2023, the remaining 240,000 units vesting were replaced in the form of bonuses upon the agreement with employees and therefore early terminated. As of December 31, 2023, the abovementioned employee restricted stock plans have been fully settled.

For the years ended December 31, 2023 and 2022, the compensation costs recognized were \$2,135 thousand and \$11,341 thousand, respectively.

(20) Revenue from Contracts with Customers

a. Disaggregation of revenue

	For the years ended December 31,					
	2023			2022		
	Display segment	Energy segment	Total segments	Display segment	Energy segment	Total segments
Primary geographical markets:						
PRC (including Hong Kong)	\$ 84,685,029	887,977	85,573,006	80,041,681	1,815,017	81,856,698
Taiwan	66,471,767	14,635,472	81,107,239	62,020,560	14,543,895	76,564,455
United States	23,474,258	4,298	23,478,556	26,233,911	1,256	26,235,167
Singapore	15,256,468	-	15,256,468	19,845,620	-	19,845,620
Japan	10,768,725	294,606	11,063,331	13,474,576	115,877	13,590,453
Others	28,605,793	2,880,044	31,485,837	24,274,086	4,426,195	28,700,281
	<u>\$ 229,262,040</u>	<u>18,702,397</u>	<u>247,964,437</u>	<u>225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>
Major products:						
Products for Televisions	\$ 47,724,530	-	47,724,530	37,827,491	-	37,827,491
Products for Monitors	32,689,398	-	32,689,398	36,258,856	-	36,258,856
Products for Mobile PCs and Devices	55,873,912	-	55,873,912	67,782,440	-	67,782,440
Products for Automotive Solutions	38,812,605	-	38,812,605	33,194,444	-	33,194,444
Products for PID and General Display	29,707,578	-	29,707,578	35,317,853	-	35,317,853
Products for Vertical Business ⁽ⁱ⁾	24,454,017	18,702,397	43,156,414	15,509,350	20,902,240	36,411,590
	<u>\$ 229,262,040</u>	<u>18,702,397</u>	<u>247,964,437</u>	<u>225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>

- ⁽ⁱ⁾ Including energy, system design manufacturing service, display HMI business, LED display, smart vertical applications and others.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022, the Company did not have major customer, that is, there was no such condition that the revenue from a single customer is greater than 10% of the Company's revenue.

b. Contract balances

	December 31, 2023	December 31, 2022
Contract assets — current (recorded in other current financial assets)	\$ <u>1,317,949</u>	<u>877,375</u>
Contract liabilities — current (recorded in other current liabilities)	\$ 3,878,283	1,818,609
Contract liabilities — noncurrent	<u>6,239,558</u>	<u>8,739,846</u>
	<u>\$ 10,117,841</u>	<u>10,558,455</u>

The amounts of revenue recognized for the years ended December 31, 2023 and 2022 that previously included in the contract liability balance at the beginning of the years were \$1,307,458 thousand and \$3,498,784 thousand, respectively. Additionally, in the first quarter of 2021, AUO entered into long-term sales agreements with customers and has received payments in advance. AUO accounted for such obligation as contract liabilities.

(21) 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 accrues remuneration to employees 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 is 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.

AUO did not accrue remuneration to employees and directors due to the loss making position for the years ended December 31, 2023 and 2022.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Remuneration to employees and directors for 2021 in the amounts of \$6,339,435 thousand and \$206,946 thousand, respectively, in cash for payment had been approved in the meeting of Board of Directors held on March 28, 2022. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021.

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

(22) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2023			2022		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Post-employment benefits	\$ 1,828,358	631,472	2,459,830	1,686,657	565,548	2,252,205
Salaries and other employee benefits	27,990,938	12,482,526	40,473,464	28,552,896	11,750,466	40,303,362
Depreciation	28,230,115	4,148,949	32,379,064	27,080,628	4,200,959	31,281,587
Amortization	54,933	71,547	126,480	136,823	47,943	184,766

(23) Non-Operating Income and Expenses

a. Interest income

	For the years ended December 31,	
	2023	2022
Interest income on bank deposits	\$ 1,868,709	849,230
Other interest income	46,369	29,745
	<u>\$ 1,915,078</u>	<u>878,975</u>

b. Other income

	For the years ended December 31,	
	2023	2022
Grants	\$ 944,086	2,032,775
Rental income, net	444,969	491,954
Dividend income	2,585	6,571
Others	607,532	679,869
	<u>\$ 1,999,172</u>	<u>3,211,169</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

c. Other gains and losses

	For the years ended December 31,	
	2023	2022
Foreign exchange gains, net	\$ 458,035	937,064
Losses on valuation of financial instruments at FVTPL, net	(231,845)	(1,069,905)
Gains on disposal of property, plant and equipment	53,350	1,024,832
Gains on disposal of investments	116	-
Gains on liquidation of subsidiaries, net	4,868	111,862
Impairment losses on assets	(210,771)	(1,179,565)
Gains on disposal of noncurrent assets held for sale	1,069,530	-
Litigation loss	(1,058,435)	-
Others	(476,211)	54,438
	\$ (391,363)	(121,274)

d. Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense on bank borrowings	\$ 2,439,058	1,138,211
Interest expense on lease liabilities	165,899	163,915
Other interest expense	55,928	47,598
Finance expense	63,998	158,239
	\$ 2,724,883	1,507,963

(24) Income Taxes

AUO and its subsidiary ADP have filed a combined business income tax return since 2021. Other subsidiaries filed their income tax return individually. 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.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

a. Income tax expense

The components of income tax expense (benefit) for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current income tax expense (benefit):		
Current year	\$ 1,303,943	932,272
Tax on undistributed earnings	-	510,244
Adjustment to prior years and others	<u>(367,210)</u>	<u>(201,190)</u>
	<u>936,733</u>	<u>1,241,326</u>
Deferred tax expense:		
Temporary differences	<u>(4,467,639)</u>	<u>225,662</u>
	<u>\$ (3,530,906)</u>	<u>1,466,988</u>

Income taxes expense recognized directly in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	\$ 815	11,691
Valuation gains on debt instrument measured at FVTOCI	<u>910</u>	<u>-</u>
	<u>\$ 1,725</u>	<u>11,691</u>
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	<u>\$ (290,245)</u>	<u>490,056</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Reconciliation of the expected income tax expense (benefit) calculated based on the ROC statutory income tax rate compared with the actual income tax expense as reported in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, was as follows:

	For the years ended December 31,	
	2023	2022
Income tax expense (benefit) at AUO's statutory tax rate	\$ (4,336,412)	(3,901,238)
Tax on undistributed earnings	-	510,244
Effect of different subsidiaries income tax rate	212,423	489,505
Share of profit of equity-accounted subsidiaries	2,828,528	2,259,866
Net of non-taxable income from domestic investments and non-deductible expense	(1,639,737)	(2,091,387)
Change of unrecognized deductible temporary differences	606,184	4,666,296
Effect of combined business income tax return	(871,053)	(261,574)
Adjustments to prior years	(313,662)	(202,529)
Others	(17,177)	(2,195)
Income tax expense (benefit)	\$ (3,530,906)	1,466,988

The above reconciliation is prepared based on each individual entity of the Company and presented on an aggregate basis.

b. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 2,482,767	2,544,698
Unused investment tax credits	12,201	1,140,038
Unused tax losses carryforwards	18,650,897	21,992,267
	\$ 21,145,865	25,677,003

Tax loss carryforwards is utilized in accordance with the relevant jurisdictional tax laws and regulations. Net losses from foreign subsidiaries are approved by tax authorities in respective jurisdiction to offset future taxable profits. Under the ROC tax laws, approved tax losses of AUO and its domestic subsidiaries can be carried forward for 10 years to offset future taxable profits.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2023, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

<u>Year of assessment</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiration in year</u>
2012	\$ 9,230	2032
2014	1,104,008	2024
2015	1,547,888	2024 ~ 2025
2016	3,208,026	2025 ~ 2026
2017	782,366	2026~ 2027 ⁽ⁱ⁾
2018	25,337	2028 ⁽ⁱ⁾
2019	2,784,449	2023~ 2029 ⁽ⁱ⁾
2020	410,812	2025 ~ 2030
2021	192,296	2026~ 2031 ⁽ⁱ⁾
2022	4,778,268	2027 ~ 2032 ⁽ⁱ⁾
2023	<u>3,808,217</u>	2028 ~ 2033 ⁽ⁱ⁾
	<u>\$ 18,650,897</u>	

⁽ⁱ⁾ As of December 31, 2023, the unrecognized deferred tax assets of unused tax losses carryforwards include \$1,502 thousand with no expiration.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Investment tax credits	\$ -	259,993	-	-	-	259,993
Tax losses carryforwards	5,719,269	2,313,338	-	-	5,719,269	2,313,338
Unrealized loss and expenses	220,584	208,723	(67,524)	(63,053)	153,060	145,670
Inventories write-down	658,705	1,097,026	-	-	658,705	1,097,026
Foreign investment gains under the equity method	-	-	(1,879,617)	(3,099,695)	(1,879,617)	(3,099,695)
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(1,802,891)	(1,802,891)	(1,802,891)	(1,802,891)
Remeasurement of defined benefit plans	112,449	112,905	-	-	112,449	112,905
Foreign operations – foreign currency translation differences	1,019,470	731,679	(4,259)	(6,713)	1,015,211	724,966
Valuation gains on debt instrument measured at FVTOCI	-	-	(910)	-	(910)	-
Others	<u>2,471,183</u>	<u>1,925,793</u>	<u>(181,443)</u>	<u>(128,834)</u>	<u>2,289,740</u>	<u>1,796,959</u>
	<u>\$ 10,201,660</u>	<u>6,649,457</u>	<u>(3,936,644)</u>	<u>(5,101,186)</u>	<u>6,265,016</u>	<u>1,548,271</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2023
Deferred tax assets (liabilities):									
Investment tax credits	\$ 299,861	(70,740)	-	30,872	259,993	(263,783)	-	3,790	-
Tax losses carryforwards	1,289,775	1,025,126	-	(1,563)	2,313,338	3,435,627	-	(29,696)	5,719,269
Unrealized loss and expenses	158,768	(13,256)	-	158	145,670	7,494	-	(104)	153,060
Inventories write-down	740,795	356,188	-	43	1,097,026	(437,908)	-	(413)	658,705
Foreign investment losses (gains) under the equity method	(2,007,545)	(1,092,149)	-	(1)	(3,099,695)	1,220,078	-	-	(1,879,617)
Accumulated amortization of goodwill in accordance with local tax laws	(2,024,091)	221,200	-	-	(1,802,891)	-	-	-	(1,802,891)
Remeasurement of defined benefit plans	124,596	-	(11,691)	-	112,905	366	(815)	(7)	112,449
Foreign operations –foreign currency translation differences	1,215,022	-	(490,056)	-	724,966	-	290,245	-	1,015,211
Valuation gains on debt instrument measured at FVTOCI	-	-	-	-	-	-	(910)	-	(910)
Others	2,444,687	(652,031)	-	4,303	1,796,959	505,765	-	(12,984)	2,289,740
	<u>\$ 2,241,868</u>	<u>(225,662)</u>	<u>(501,747)</u>	<u>33,812</u>	<u>1,548,271</u>	<u>4,467,639</u>	<u>288,520</u>	<u>(39,414)</u>	<u>6,265,016</u>

c. Assessments by the tax authorities

As of December 31, 2023, the tax authorities have completed the examination of income tax returns of AUO through 2020.

(25) Earnings (loss) per Share

	For the years ended December 31,	
	2023	2022
Basic earnings (loss) per share		
Loss attributable to AUO's shareholders	<u>\$ (18,203,274)</u>	<u>(21,101,374)</u>
Weighted-average number of common shares outstanding during the year	<u>7,666,437</u>	<u>8,819,096</u>
Basic earnings (loss) per share (NT\$)	<u>\$ (2.37)</u>	<u>(2.39)</u>

(Continued)

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Since AUO incurred net loss for the years ended December 31, 2023 and 2022, there were no potential ordinary shares with dilutive effect for the period.

(26) Non-cash Transactions of Investing and Financing Activities

Except for otherwise disclosed in other notes to the consolidated financial statements, the reconciliation of liabilities to cash flows arising from financing activities for the years ended December 31, 2023 and 2022, were as follows:

	Long-term borrowings (including current installments)	Short-term borrowings	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
Balance at January 1, 2023	\$ 86,815,451	128,487	778,426	9,244,891	96,967,255
Cash flows	24,990,139	136,751	(2,403)	(606,200)	24,518,287
Non-cash changes:					
Additions	-	-	-	695,382	695,382
Changes in exchange rate and others	(218,556)	(2,238)	24,151	(5,544) ⁽ⁱ⁾	(202,187)
Balance at December 31, 2023	<u><u>\$ 111,587,034</u></u>	<u><u>263,000</u></u>	<u><u>800,174</u></u>	<u><u>9,328,529</u></u>	<u><u>121,978,737</u></u>
Balance at January 1, 2022	\$ 54,654,864	45,324	771,877	9,725,241	65,197,306
Cash flows	31,549,651	82,464	(20,819)	(574,590)	31,036,706
Non-cash changes:					
Additions	-	-	-	285,806	285,806
Changes in consolidated entities	-	-	506	-	506
Changes in exchange rate and others	610,936	699	26,862	(191,566) ⁽ⁱⁱ⁾	446,931
Balance at December 31, 2022	<u><u>\$ 86,815,451</u></u>	<u><u>128,487</u></u>	<u><u>778,426</u></u>	<u><u>9,244,891</u></u>	<u><u>96,967,255</u></u>

(i) Including decrease in the current year of \$17,131 thousand.

(ii) Including decrease in the current year of \$284,460 thousand.

(27) 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.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 December 31, 2023 and December 31, 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL				
Current				
Foreign currency forward contracts	\$ 176,492	176,492	365,037	365,037
Noncurrent				
Convertible bonds	139,170	139,170	-	-
Financial assets at FVTOCI:				
Listed stocks	1,090,875	1,090,875	1,305,625	1,305,625
Non-listed stocks	741,193	741,193	594,956	594,956
Financial assets at amortized cost:				
Domestic and foreign time deposits	1,264,324	1,264,324	1,142,218	1,142,218
Refundable deposits (including current and noncurrent)	1,102,415	1,102,415	985,770	985,770
Financial liabilities:				
Financial liabilities at FVTPL:				
Contingent consideration from business combination	-	-	99,222	99,222
Foreign currency forward contracts	11,143	11,143	252,603	252,603
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	111,587,034	111,587,034	86,815,451	86,815,451
Guarantee deposits	800,174	800,174	778,426	778,426
Long-term payables (including current installments)	625,020	625,020	968,520	968,520

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.

For domestic and foreign time deposits, their fair value approximate to their carrying amount.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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Fair value of long-term payable, which approximates to its carrying value 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.

Long-term borrowings are mainly at floating rate, whose fair value approximates to their carrying value.

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 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL				
Current				
Foreign currency forward contracts	\$ -	176,492	-	176,492
Noncurrent				
Convertible bonds	-	-	139,170	139,170
Financial assets at FVTOCI:				
Listed stocks	1,090,875	-	-	1,090,875
Non-listed stocks	-	-	741,193	741,193

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at amortized cost:				
Domestic and foreign time deposits	-	1,264,324	-	1,264,324
Financial liabilities at FVTPL:				
Foreign currency forward contracts	-	11,143	-	11,143
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	625,020	-	625,020
December 31, 2022				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	365,037	-	365,037
Financial assets at FVTOCI:				
Listed stocks	1,305,625	-	-	1,305,625
Non-listed stocks	-	-	594,956	594,956
Financial assets at amortized cost:				
Domestic and foreign time deposits	-	1,142,218	-	1,142,218
Financial liabilities at FVTPL:				
Contingent consideration from business combination	-	-	99,222	99,222
Foreign currency forward contracts	-	252,603	-	252,603
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	968,520	-	968,520

There were no transfers between Level 1 and 2 for the years ended December 31, 2023 and 2022.

d. Reconciliation for fair value measurements categorized within Level 3

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets at FVTOCI—equity instruments without active market		
Balance at beginning of the year	\$ 594,956	1,158,980
Net gain included in other comprehensive income	4,811	-
Purchases	217,183	354,603
Disposals	(74,799)	(10,002)
Reclassification	-	(909,473)
Effect of exchange rate change	(958)	848
Balance at end of the year	<u>\$ 741,193</u>	<u>594,956</u>

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AUO CORPORATION AND SUBSIDIARIES
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	For the years ended December 31,	
	2023	2022
Financial assets at FVTPL—convertible bonds		
Balance at beginning of the year	\$ -	-
Net gain included in profit or loss	953	-
Purchases	138,231	-
Effect of exchange rate change	(14)	-
Balance at end of the year	<u><u>\$ 139,170</u></u>	<u><u>-</u></u>
Financial liabilities at FVTPL—contingent consideration from business combination		
Balance at beginning of the year	\$ 99,222	-
Net loss included in profit or loss	(13,643)	-
Contingent consideration derived from business combination	-	99,222
Payment	(85,579)	-
Balance at end of the year	<u><u>\$ -</u></u>	<u><u>99,222</u></u>

- 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 instruments without active market	Market approach	· Price-Book ratio (0.85~15.72 at Dec. 31, 2023 and 1.00~6.52 at Dec. 31, 2022) · Price-Earnings ratio (11.65~33.90 at Dec. 31, 2023 and 7.57~23.38 at Dec. 31, 2022) · Discount for lack of marketability (15%~33% at Dec. 31, 2023 and 16%~22% at Dec. 31, 2022)	· The higher the price-book ratio is, the higher the fair value is. · The higher the price-earnings ratio is, the higher the fair value is. · The greater degree of lack of marketability is, the lower the fair value is.
Financial assets at FVTPL—convertible bonds	Option pricing model	· Volatility rate: 41.5%	· Not applicable

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial liabilities at FVTPL—contingent consideration from business combination	Monte Carlo simulation	· Discount rate: 9.6% · Revenue volatility rate: 20.0%	· Not applicable
Financial liabilities at FVTPL—contingent consideration from business combination	Binominal option pricing model	· Expected stock price volatility rate: 42.57% · Expected dividend yield: 0.0% · Risk-free rate: 0.4%	· Not applicable

(28) Financial Risk Management

a. Risk management framework

The managerial officers of related divisions are appointed to review, control, trace and monitor the strategic risks, financial risks and operational risks faced by the Company. The managerial officers report to executive officers the progress of risk controls from time to time and, if necessary, report to the board of directors, depending on the extent of impact of risks.

b. Financial risk information

Hereinafter discloses information about the Company's exposure to variable risks, and the goals, policies and procedures of the Company's risk measurement and risk management.

The Company is exposed to the following risks due to usage of financial instruments:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk are mainly from:

- (a) The carrying amount of financial assets recognized in the consolidated balance sheets.
- (b) The amount of contingent liabilities as a result from the Company providing financial guarantee to its customers.

The Company's potential credit risk is derived primarily from cash in bank, cash equivalents and trade receivables. The Company deposits its cash with various reputable financial institutions of high credit quality. Management performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash and cash equivalent investments.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The majority of the Company's customers are in high technology industries. Management continuously evaluates and controls the credit quality, credit limit and financial strength of its customers to ensure any overdue receivables are taken necessary procedures. The Company also flexibly makes use of advance receipts, accounts receivable factoring and credit insurance as credit enhancement instruments. If necessary, the Company will request collaterals or assurance from its customers in order to reduce the credit risk from particular customers.

Additionally, on the reporting date, the Company reviews the recoverability of its receivables to provide appropriate valuation allowances. Consequently, management believes there is a limited concentration of its credit risk.

For the years ended December 31, 2023 and 2022, the Company's five largest customers accounted for 36.6% and 37.6%, respectively, of the Company's consolidated net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(5) for expected credit loss analysis of accounts receivable and the movement in the loss allowance of accounts receivable.

For credit of guarantee, the Company's policy is to provide financial guarantees only to subsidiaries. Refer to Note 13(1)b. for information about endorsements or guarantees provided by the Company to its subsidiaries as of December 31, 2023.

(ii) Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following, except for payables (including related parties) and equipment and construction payable, are the contractual maturities of other financial liabilities. The amounts include estimated interest payments (except for short-term borrowings) but exclude the impact of netting agreements.

	Contractual cash flows	2024.1.1~ 2024.12.31	2025.1.1~ 2026.12.31	2027.1.1~ 2028.12.31	2029 and thereafter
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 263,000	263,000	-	-	-
Long-term borrowings (including current installments)	129,692,922	12,863,411	56,592,237	41,538,894	18,698,380
Guarantee deposits	800,174	44,022	548	-	755,604
Long-term payables (including current installments)	625,020	312,510	312,510	-	-
Derivative financial instruments					
Foreign currency forward contracts — inflows	(8,031,501)	(8,031,501)	-	-	-
Foreign currency forward contracts — outflows	<u>7,904,551</u>	<u>7,904,551</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 131,254,166</u>	<u>13,355,993</u>	<u>56,905,295</u>	<u>41,538,894</u>	<u>19,453,984</u>
	Contractual cash flows	2023.1.1~ 2023.12.31	2024.1.1~ 2025.12.31	2026.1.1~ 2027.12.31	2028 and thereafter
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 128,487	128,487	-	-	-
Long-term borrowings (including current installments)	93,260,848	16,104,803	49,964,973	14,791,410	12,399,662
Guarantee deposits	778,426	40,178	-	3,640	734,608
Long-term payables (including current installments)	968,520	343,500	625,020	-	-
Derivative financial instruments					
Foreign currency forward contracts — inflows	(9,961,496)	(9,961,496)	-	-	-
Foreign currency forward contracts — outflows	<u>9,783,507</u>	<u>9,783,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 94,958,292</u>	<u>16,438,979</u>	<u>50,589,993</u>	<u>14,795,050</u>	<u>13,134,270</u>

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

As at December 31, 2023, the management believes the Company's existing unused credit facilities under its existing loan agreements, together with net cash flows expected to be generated from its operating activities, will be sufficient for the Company to fulfill its payment obligations. Therefore, management believes that the Company does not have significant liquidity risk.

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AUO CORPORATION AND SUBSIDIARIES
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(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's handling procedures for conducting derivative transactions, and also monitored by internal audit department.

(a) Currency risk

The Company is exposed to currency risk on foreign currency denominated financial assets and liabilities arising from operating, financing and investing activities such that the Company uses forward exchange contracts to hedge its currency risk. Gains and losses derived from the foreign currency fluctuations on underlying assets and liabilities are likely to offset. However, transactions of derivative financial instruments help minimize the impact of foreign currency fluctuations, but the risk cannot be fully eliminated.

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.

I. Exposure of currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,199,754	30.7180	36,854,043	1,417,706	30.7320	43,568,941
JPY	13,862,787	0.2173	3,012,384	9,536,579	0.2311	2,203,903
EUR	20,161	33.9710	684,889	23,192	32.7634	759,849
<u>Non-monetary items</u>						
USD	42,631	30.7180	1,309,539	42,914	30.7320	1,318,833
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,183,915	30.7180	36,367,501	1,284,636	30.7320	39,479,434
JPY	16,539,194	0.2173	3,593,967	15,658,556	0.2311	3,618,692
EUR	66	33.9710	2,242	319	32.7634	10,452

(Continued)

AUO CORPORATION AND SUBSIDIARIES

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II. 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 December 31, 2023 and 2022, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2023 and 2022 as follows:

	For the years ended December 31,	
	2023	2022
1% of depreciation	\$ 5,876	34,241
1% of appreciation	(5,876)	(34,241)

III. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains for the years ended December 31, 2023 and 2022, were \$458,035 thousand and \$937,064 thousand, respectively.

(b) Interest rate risk

The Company's exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any change in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time. The Company will, depending on the market condition, enter into and designate interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2023 and 2022 by \$275,318 thousand and \$214,330 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

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AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(29) Capital Management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

	December 31,	
	2023	2022
Short-term borrowings	\$ 263,000	128,487
Long-term borrowings (including current installments)	111,587,034	86,815,451
Total liabilities	218,113,201	195,430,026
Total equity	165,357,536	191,410,648
Debt-to-equity ratio	132 %	102 %
Net debt-to-equity ratio ⁽ⁱ⁾	17 %	3 %

⁽ⁱ⁾ Net debt-to-equity ratio is defined as short-term borrowings plus long-term borrowings less cash and cash equivalents and divided by total equity.

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
Ennostar Inc. (“Ennostar”)	Associate
Lextar Electronics Corporation (“Lextar”)	Subsidiary of Ennostar
Lextar Electronics (Suzhou) Co., Ltd. (“LESZ”)	Subsidiary of Ennostar
Lextar Electronics (Chuzhou) Corp. (“LEXCZ”)	Subsidiary of Ennostar
Epistar Corporation (“Epistar”)	Subsidiary of Ennostar
Yenrich Technology Corporation (“Yenrich”)	Subsidiary of Ennostar
Trendylite Corporation (“Trendylite”)	Subsidiary of Ennostar
Unikorn Semiconductor Corporation (“USC”)	Subsidiary of Ennostar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Raydium Semiconductor (Kunshan) Co., Ltd. (“RKS”)	Subsidiary of Raydium
Star Shining Energy Corporation (“SSEC”)	Associate

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<u>Name of related party</u>	<u>Relationship with the Company</u>
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	Subsidiary of SSEC
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Ri Ji Power Corporation (“RJPC”)	Subsidiary of SSEC
Ri Jing Power Corporation (“RGPC”)	Subsidiary of SSEC
Mao Zheng Energy Corporation (“MZEC”)	Subsidiary of SSEC
Mao Xin Energy Corporation (“MXEC”)	Subsidiary of SSEC
Sheng Feng Power Corporation (“SFPC”)	Subsidiary of SSEC
Sheng He Power Corporation (“SHPC”)	Subsidiary of SSEC
Sheng Yao Power Corporation (“SYPC”)	Subsidiary of SSEC
Sheng Da Power Corporation (“SDPC”)	Subsidiary of SSEC
Shin Sheng Feng Investment Corp. (“SSFI”)	Subsidiary of SSEC
He Shuo Agricultural Biotech Corporation (“HSNC”)	Subsidiary of SSEC
Renovatio Pictures Co., Ltd. (“RP”)	Associate
YTTEK Technology Corp. (“YTTEK”)	Associate
Daxin Materials Corp. (“Daxin”)	Associate
Darwin Summit Corporation Ltd. (“DSC”)	Associate
ADLINK Technology Inc. (“ADLINK”)	Associate
ADLINK Technology (China) Co., Ltd. (“ADLINKCN”)	Subsidiary of ADLINK
ADLINK Technology GmbH (“ATG”)	Subsidiary of ADLINK
IRIS Optronics Co., Ltd. (“IOC”)	Associate ^(iv)
SINTRONES Technology Corp. (“SINTRONES”)	Associate ⁽ⁱ⁾
Shine Biomedical Technology Corporation (“SBTC”)	Associate
Qisda Corporation (“Qisda”)	Associate
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
BenQ Healthcare Corporation (“BHS”)	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 Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	Subsidiary of Qisda
Global Intelligence Network Co., Ltd. (“GINNET”)	Subsidiary of Qisda
Standard Technology Corp. (“STC”)	Subsidiary of Qisda

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<u>Name of related party</u>	<u>Relationship with the Company</u>
BenQ Europe B.V. (“BQE”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	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
Metaguru Corporation (“Metaguru”)	Subsidiary of Qisda
BenQ Material (WuHu) Co., Ltd. (“DNT”)	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
Partner Tech Corp. (“PTT”)	Subsidiary of Qisda
Webest Solution Corp. (“WEBEST”)	Subsidiary of Qisda
ACE Pillar Co., Ltd. (“ACE”)	Subsidiary of Qisda
Tianjin ACE Pillar Co., Ltd. (“ACETJ”)	Subsidiary of Qisda
Golden Spirit Co., Ltd. (“GSC”)	Subsidiary of Qisda
Alpha Networks Inc. (“Alpha”)	Subsidiary of Qisda
Hitron Technologies Inc. (“Hitron”)	Subsidiary of Qisda
AdvancedTEK International Corp. (“AdvancedTEK”)	Subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd. (“BQC_RO”)	Subsidiary of Qisda
Metaage Corporation (“MTG”)	Subsidiary of Qisda
Concord Medical Co., Ltd. (“Concord”)	Subsidiary of Qisda
Partner Tech Asia Pacific Corporation (“PTAP”)	Subsidiary of Qisda
Transnet Corporation (“Transnet”)	Subsidiary of Qisda
AUO Foundation	Substantive related party
WishMobile, Inc. (“WMI”)	Konly represented as a director of WMI
WiBASE Industrial Solutions Inc. (“WIS”)	DPTW represented as a director of WIS ⁽ⁱⁱ⁾
ToYou Display (Suzhou) Co., Ltd. (“TYSZ”)	AUOSZ represented as a director of TYSZ ⁽ⁱⁱⁱ⁾
Jector Digital System Inc. (“JDSI”)	Director of Jector
Heilongjiang Tianyouwei Electronics Co., Ltd. (“TYW”)	Director of Talenda

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Play Nitride Inc. (“PlayNitride”)	Konly represented as a director of PlayNitride
Carota Corporation (“Carota”)	Konly represented as a director of Carota
Profet AI Shanghai Co., Ltd. (“PFSH”)	Director of PFSZ
Profet AI Technology Co., Ltd. (“PFTW”)	PFTW and PFSH are members of the same Group
PlayNitride Display Co., Ltd. (“PND”)	Subsidiary of PlayNitride
Mega Green Energy Corporation (“MGE”)	Subsidiary of ZFE
Avocor Technologies USA Inc. (“Avocor”)	ADPNL represented as a director of Avocor
Zhensheng construction Co., Ltd. (“Zhensheng”)	Supervisor of AET-YP

- (i) The Company has had significant influence over SINTRONES since February 2023; therefore, SINTRONES was changed from other related party to associate.
- (ii) DPTW sold all of its ownership interests in WIS in May 2023. Therefore, WIS is no longer a related party of the Company starting from the date of disposal.
- (iii) TYSZ held its director re-election in September 2023, and AUOSZ ceased to serve as its director. Therefore, TYSZ is no longer a related party of the Company starting from the date of re-election.
- (iv) The Company ceased to apply the equity method over IOC from December 2023; therefore, IOC is no longer a related party of the Company starting from the date of the cease.
- (2) Compensation to key management personnel

Key management personnel’s compensation comprised:

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 578,796	471,604
Post-employment benefits	1,411	1,359
Share-based payments	35,301	39,592
	\$ 615,508	512,555

Refer to Note 6(19) for information on share-based payments.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (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		Accounts receivable from related parties	
	For the years ended December 31,		December 31,	December 31,
	2023	2022	2023	2022
Associates	\$ 11,624,308	12,869,886	1,123,379	1,254,686
Others	105,798	8,306	121,167	817
	\$ 11,730,106	12,878,192	1,244,546	1,255,503

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		Accounts payable to related parties	
	For the years ended December 31,		December 31,	December 31,
	2023	2022	2023	2022
Associates	\$ 17,861,976	20,938,477	5,161,865	5,889,460
Others	134,523	5,999	41,425	725
	\$ 17,996,499	20,944,476	5,203,290	5,890,185

The payment terms for purchases from related parties were 45 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	
	For the years ended December 31,	
	2023	2022
Associates	\$ 33,388	62,306

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

d. Disposal of property, plant and equipment

	Proceeds from disposal		Gains on disposal	
	For the years ended		For the years ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Associates	<u>\$ 383</u>	<u>550</u>	<u>383</u>	<u>550</u>

e. Other related party transactions

Transaction type	Type of related party	For the years ended	
		December 31,	
		2023	2022
Rental income	Associates		
	BMC	\$ 101,546	96,391
	Others	35,688	35,547
		<u>\$ 137,234</u>	<u>131,938</u>
Other income	Associates	\$ 59,703	64,106
	Others	-	142
		<u>\$ 59,703</u>	<u>64,248</u>
Cost of sales and operating expenses	Associates	\$ 71,177	107,342
	Others	164,442	157,204
		<u>\$ 235,619</u>	<u>264,546</u>

The Company leased portion of its offices and plants to related parties. The collection term was receipts in advance, and the pricing was not materially different from that with third parties.

Transaction type	Type of related party	December 31, 2023	December 31, 2022
Other receivables due from related parties	Associates	<u>\$ 15,305</u>	<u>6,139</u>
Other payables due to related parties, including payables for equipment	Associates	\$ 36,719	20,177
	Others	11,562	11,614
		<u>\$ 48,281</u>	<u>31,791</u>

The Company paid deposits to related parties for the purchase of renewable energy. The amount as of December 31, 2023 was \$62,605 thousand and was recorded under refundable deposits.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In 2023, the Company obtained convertible bonds issued by Avocor in the amount of \$138,231 thousand. The Company participated in capital increase of related parties, including SBTC for 2023 by \$24,720 thousand and Ennostar for 2022 by \$3,484,895 thousand, respectively. In addition, for the years ended December 31, 2023 and 2022, the Company entitled for cash dividends declared by related parties of \$1,597,016 thousand and \$1,824,694 thousand, respectively. As of December 31, 2023 and 2022, 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	December 31, 2023	December 31, 2022
Restricted cash in banks ⁽ⁱ⁾	Customs duties, guarantee for warranties, long-term borrowings limit, and outstanding letters of credit	\$ 775,179	1,109,414
Land and buildings	Long-term borrowings limit	58,951,937	60,580,031
Machinery and equipment	Long-term borrowings limit	29,301,933	21,373,787
Right-of-use assets	Long-term borrowings limit	73,940	77,821
		<u><u>\$ 89,102,989</u></u>	<u><u>83,141,053</u></u>

⁽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 December 31, 2023, in addition to those disclosed in other notes to the consolidated financial statements, were as follows:

(1) Outstanding letters of credit

As at December 31, 2023, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2023 (in thousands)
USD	45,865
JPY	6,599,400
EUR	2,047

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Technology licensing agreements

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., Sanyo Electronic Co., Ltd., Seiko Epson Corporation and others. AUO believes that it is in compliance with the terms and conditions of the aforementioned agreements.

(3) Purchase commitments

- a. In 2021, AUO entered into a long-term materials supply agreement with a supplier, under which, AUO and the supplier agreed on the supply of certain IC chip at agreed prices and quantities.
- b. Starting from the third quarter of 2022, ACTW has entered into long-term materials supply agreements with suppliers. Under the agreements, ACTW and the suppliers agreed on the supply of silicon materials at respective agreed prices and quantities.
- c. As at December 31, 2023, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$23,927,353 thousand.

(4) Litigation

In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates (collectively, the “Plaintiffs”) filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. In November 2023, the court of first instance in Korea has found AUO liable to the Plaintiffs for a total amount of KRW 29,099 million plus interest. This antitrust civil case has been ongoing for many years since the Plaintiffs filed their lawsuit in 2014 which resulted from the LCD antitrust meetings that ended in 2006. AUO filed an appeal in December 2023 and made a security deposit of the aforementioned amount plus interest at the Korean court in January 2024. At this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of the lawsuits on an on-going basis.

In October 2023, Phenix Longhorn LLC (“Phenix”) filed a lawsuit in the United States District Court for the Eastern District of Texas against two companies including AUO, claiming infringement of certain of Phenix’s patents in the United States relating to the manufacturing of LCD panels. In the complaint, Phenix seeks, among other things, unspecified monetary damages and injunctive relief. While AUO intends to defend the suits vigorously, the ultimate outcome of the three matters is uncertain. AUO is reviewing the merits of the lawsuits on an on-going basis.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of January 31, 2024, 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) 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 "Project"). The Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan issued the environmental assessment and development approval on November 6, 2018. On October 24, 2019, the Appeal Review Committee of the Executive Yuan rejected the administrative appeal filed by five local residents. On December 24, 2019, the residents filed an administrative action for invalidating the environmental assessment again and the Appeal Review Committee of the Executive Yuan ruled in the residents' favor on July 21, 2022 and invalidated the environmental assessment approval. The EPA filed an appeal in the Supreme Administrative Court on August 17, 2022. The Company will continue to monitor the development of this event.
- (2) On October 2, 2023, AUO has entered into an agreement with MAHLE Behr GmbH & Co. KG and HELLA GmbH & Co. KGaA; under which AUO will acquire 100% equity interest in the German company Behr Hella Thermocontrol GmbH at an enterprise value of EUR 600 million (approximately NT\$20.4 billion), subject to price adjustments, including changes in net working capital, net debt, and other related adjustments, set forth in the share purchase agreement. This transaction is subject to the clearance of customary antitrust and regulatory approvals.

13. Additional Disclosures

- (1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2023.

- a. Financings provided: Please see Table 1 attached.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- 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
 - 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 year ended December 31, 2023, for which intercompany transactions were eliminated upon consolidation, are disclosed in Note 13(1) "Information on significant transactions".
- (4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Qisda	530,878,896	6.89 %
Trust Holding for Employees of AUO Corporation	407,919,675	5.29 %

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note: This table discloses the information that shareholders who hold in total, more than 5% of AUO's common shares and preferred shares that are in dematerialized form and with the registration being completed. The aforesaid information was provided by Taiwan Depository & Clearing Corporation and calculated based on the data on the last business day at the end of each quarter.

14. Segment Information

(1) 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 years ended December 31, 2023 and 2022 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.

	For the year ended December 31, 2023		
	Display segment	Energy segment	Total segments
Net revenue from external customers	<u>\$ 229,262,040</u>	<u>18,702,397</u>	<u>247,964,437</u>
Segment profit (loss)	<u>\$ (22,587,557)</u>	<u>625,542</u>	<u>(21,962,015)</u>
Net non-operating income and expenses			<u>279,955</u>
Consolidated net profit (loss) before income tax			<u>\$ (21,682,060)</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 9,424,391</u>	<u>1,119,138</u>	<u>10,543,529</u>
Segment assets			<u>\$ 383,470,737</u>
	For the year ended December 31, 2022		
	Display segment	Energy segment	Total segments
Net revenue from external customers	<u>\$ 225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>
Segment profit (loss)	<u>\$ (25,346,461)</u>	<u>1,376,065</u>	<u>(23,970,396)</u>
Net non-operating income and expenses			<u>4,464,204</u>
Consolidated profit (loss) before income tax			<u>\$ (19,506,192)</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 5,634,505</u>	<u>1,861,452</u>	<u>7,495,957</u>
Segment assets			<u>\$ 386,840,674</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Geographic information

- a. Net revenue from external customers: See Note 6(20).
- b. Consolidated noncurrent assets⁽ⁱ⁾

Region	December 31, 2023	December 31, 2022
Taiwan	\$ 142,840,919	145,471,577
PRC (including Hong Kong)	49,745,628	55,329,413
Others	4,229,949	4,224,605
	\$ 196,816,496	205,025,595

⁽ⁱ⁾ Noncurrent assets are not inclusive of financial instruments, deferred tax assets and prepaid pension.

(3) Major customer and product information: See Note 6(20).

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account (Note 5)	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 6)	Limits on Financing Company' s Total Financing Amount (Notes 1 and 6)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	2,500,000	1,300,000	800,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883
0	AUO	AUOKS	Other receivables from related parties	Yes	7,562,450	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883
0	AUO	AETTW	Other receivables from related parties	Yes	400,000	400,000	200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883
0	AUO	AET-YP	Other receivables from related parties	Yes	200,000	200,000	15,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883
0	AUO	ADTTW	Other receivables from related parties	Yes	100,000	100,000	20,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883
0	AUO	S4M	Other receivables from related parties	Yes	300,000	300,000	110,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,916,721	63,666,883

No.	Financing Company	Borrowing Company	Financial Statement Account (Note 5)	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 6)	Limits on Financing Company' s Total Financing Amount (Notes 1 and 6)
													Item	Value		
1	AUOLB	AUOSZ	Other receivables from related parties	Yes	886,260	863,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	78,405,680	78,405,680
1	AUOLB	AUOXM	Other receivables from related parties	Yes	886,260	863,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	78,405,680	78,405,680
1	AUOLB	AUOKS	Other receivables from related parties	Yes	16,459,450	8,198,880	1,294,560	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	78,405,680	78,405,680
2	AUOKS	AUOXM	Other receivables from related parties	Yes	3,545,040	1,726,080	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,344,066	21,344,066
2	AUOKS	AUOSZ	Other receivables from related parties	Yes	2,658,780	1,726,080	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,344,066	21,344,066
3	AUOXM	AUOKS	Other receivables from related parties	Yes	6,203,820	4,315,200	1,726,080	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	16,293,338	16,293,338
3	AUOXM	AUOSZ	Other receivables from related parties	Yes	1,772,520	863,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	16,293,338	16,293,338
4	BVXM	AUOKS	Other receivables from related parties	Yes	889,700	431,520	431,520	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,360,548	1,360,548

No.	Financing Company	Borrowing Company	Financial Statement Account (Note 5)	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 6)	Limits on Financing Company' s Total Financing Amount (Notes 1 and 6)
													Item	Value		
5	AUOSJ	ACTSZ	Other receivables from related parties	Yes	185,459	129,456	21,576	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,249,693	4,249,693
5	AUOSJ	ADTSZ	Other receivables from related parties	Yes	264,942	215,760	21,576	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,699,877	1,699,877
5	AUOSJ	AETSZ	Other receivables from related parties	Yes	883,140	863,040	366,792	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,249,693	4,249,693
5	AUOSJ	AMISZ	Other receivables from related parties	Yes	132,471	129,456	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,699,877	1,699,877
5	AUOSJ	AMIXM	Other receivables from related parties	Yes	141,302	138,086	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,699,877	1,699,877
5	AUOSJ	AUOKS	Other receivables from related parties	Yes	2,658,780	1,726,080	1,726,080	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,249,693	4,249,693
5	AUOSJ	ATISZ	Other receivables from related parties	Yes	88,628	86,304	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,699,877	1,699,877
6	AUOSZ	AUOXM	Other receivables from related parties	Yes	1,772,520	863,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,653,379	17,653,379

No.	Financing Company	Borrowing Company	Financial Statement Account (Note 5)	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 6)	Limits on Financing Company' s Total Financing Amount (Notes 1 and 6)
													Item	Value		
6	AUOSZ	AUOKS	Other receivables from related parties	Yes	15,287,985	6,041,280	2,157,600	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,653,379	17,653,379
7	FPWJ	FTWJ	Other receivables from related parties	Yes	444,850	431,520	215,760	Based on China LPR	Needs for short-term financing	-	Operating capital	-	-	-	738,687	738,687

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 Dollars 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: According to the maturity date of individual contracts, financings provided are classified under current or non-current items based on their liquidity.

Note 6: The policy for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

- AUO: The amount available for lending to an investee or a company with needs for short-term financing shall not exceed 10% of AUO's net worth as stated in its latest financial statement. The aggregate amount available for lending to borrowers shall not exceed 40% of AUO's net worth as stated in its latest financial statement.
- AUOLB, AUOKS, AUOSZ, AUOXM, AUOSJ and BVXM: The amount available for lending to an investee or a company with needs for short-term financing and the aggregate amount available for lending to borrowers both shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement.
- In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the amount lendable to each of such borrowers and the aggregate amount available for lending to such borrowers both shall not exceed the net worth of the lending company as stated in its latest financial statement.
- In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by DPTW, the amount lendable to each of such borrowers and the aggregate amount available for lending to such borrowers both shall not exceed the net worth of the lending company as stated in its latest financial statement.
- FPWJ and FTWJ are foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by DPTW.

AUO CORPORATION AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2023
(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	AUOKS	2	79,583,604	32,406,097	12,945,600	8,630,400	-	8.13%	159,167,207	Yes	No	Yes
1	AUOXM	AUO	3	16,293,338	8,862,800	8,630,400	3,020,640	-	52.97%	16,293,338	No	Yes	No
2	FPWJ	FTWJ	4	295,475	222,425	-	-	-	-	295,475	No	No	Yes

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 Dollars 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 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 financial statement.
- b. AUOXM: 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 financial statement.
- c. FPWJ: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

AUO CORPORATION AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2023

(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	December 31, 2023				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
ADPNL	Avocor's convertible bond	Related party	Financial assets at FVTPL — noncurrent	-	USD 4,531	-	USD 4,531	-	
ADPNL	Avocor's stock	Related party	Financial assets at FVTOCI — noncurrent	793	USD 5,150	10.30%	USD 5,150	10.35%	
AUOLB	Abakus Solar AG's stock	-	Financial assets at FVTPL — noncurrent	3	-	2.22%	-	2.22%	
AUOSH	TOLYY Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	1,293	CNY 6,250	1.58%	CNY 6,250	1.58%	Note 1
Konly	Carota's stock	Related party	Financial assets at FVTOCI — noncurrent	3,216	247,038	8.64%	247,038	8.64%	
Konly	Mindtronic AI Co. Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	36	29,943	3.17%	29,943	3.17%	
Konly	PlayNitride's stock	Related party	Financial assets at FVTOCI — noncurrent	7,535	744,421	7.03%	744,421	7.03%	
Konly	SkyREC Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	188	-	16.12%	-	16.12%	
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	13	-	4.61%	-	4.61%	
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	2,407	7,345	3.93%	7,345	3.96%	
Konly	WMI's stock	Related party	Financial assets at FVTOCI — noncurrent	8,625	16,531	14.38%	16,531	14.38%	
Konly	Chenfeng Optronics Corporation's stock	-	Financial assets at FVTPL — noncurrent	1,500	-	1.49%	-	1.60%	
Konly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI — noncurrent	1,119	35,808	1.01%	35,808	1.01%	
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL — noncurrent	4,000	-	10.87%	-	10.87%	
Konly	IOC's stock	-	Financial assets at FVTOCI — noncurrent	1,000	-	3.62%	-	5.00%	
ADP	Imedtac Co., Ltd.'s stock	Related party	Financial assets at FVTOCI — noncurrent	2,500	125,000	14.17%	125,000	14.17%	
DPTW	Disign Incorporated's stock	-	Financial assets at FVTOCI — noncurrent	2	10,714	19.89%	10,714	19.89%	
DPTW	Evertrust Technology Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	150	1,500	16.13%	1,500	16.13%	
DPTW	D8AI Inc.'s stock	-	Financial assets at FVTOCI — noncurrent	8,400	11,149	4.64%	11,149	4.91%	
DPTW	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI — noncurrent	2,914	34,968	10.00%	34,968	10.00%	
Ronly	PlayNitride's stock	Related party	Financial assets at FVTOCI — noncurrent	2,011	198,645	1.88%	198,645	1.88%	

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
Ronly	ProfetAI Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	911	40,823	12.89%	40,823	13.58%	
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL—noncurrent	41	-	0.49%	-	0.49%	
Ronly	Cruise10 Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	1,250	20,000	10.53%	20,000	10.53%	
Ronly	Prognosis Technology Inc.'s stock	-	Financial assets at FVTOCI—noncurrent	245	11,025	11.16%	11,025	11.16%	
Ronly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI—noncurrent	3,500	112,000	3.15%	112,000	3.16%	
Ronly	IOC's stock	-	Financial assets at FVTOCI—noncurrent	3,420	-	12.37%	-	17.10%	

Note 1: Formerly known as T-powertek Optronics Co., Ltd.

AUO CORPORATION 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 year ended December 31, 2023
(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	AUOLB's stock	Investments in equity-accounted investees	-	-	2,507,189	75,152,215	32,000	992,480	-	-	-	-	2,539,189	78,405,680	Notes 1&2
AUO	Konly's stock	Investments in equity-accounted investees	-	-	469,558	9,565,450	39,274	800,001	-	-	-	-	432,432	8,926,088	Notes 2&3
AUO	DPGE's stock	Investments in equity-accounted investees	-	-	35,000	350,731	6,250	600,000	-	-	-	-	41,250	944,794	Notes 1&2
AUOLB	AUOKS's equity	Investments in equity-accounted investees	Notes 2&4	Subsidiary of AUO	-	USD 573,171	-	USD 110,000	-	USD 627,394	USD 627,394	-	-	-	
AUOLB	AUOSG's stock	Investments in equity-accounted investees	-	-	266,268	USD 6,920	2,510,838	USD 1,830,970	-	-	-	-	2,777,106	USD 1,964,491	Notes 1&6
AUOLB	AUOSJ's equity	Investments in equity-accounted investees	AUOSG	Subsidiary of AUO	-	USD 119,972	-	-	-	USD 133,749	USD 133,749	-	-	-	Note 4
AUOLB	AUOSZ's equity	Investments in equity-accounted investees	AUOSG	Subsidiary of AUO	-	USD 622,841	-	-	-	USD 549,192	USD 549,192	-	-	-	Note 4
AUOLB	AUOXM's equity	Investments in equity-accounted investees	AUOSG	Subsidiary of AUO	-	USD 511,623	-	-	-	USD 480,490	USD 480,490	-	-	-	Note 4
AUOSG	AUOKS's equity	Investments in equity-accounted investees	AUOLB	Subsidiary of AUO	-	-	-	USD 627,394	-	-	-	-	-	USD 694,839	Notes 1&5

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	
AUOSG	AUOSJ's equity	Investments in equity-accounted investees	AUOLB	Subsidiary of AUO	-	-	-	USD 133,749	-	-	-	-	-	USD 120,665	Notes 1&5
AUOSG	AUOSZ's equity	Investments in equity-accounted investees	AUOLB	Subsidiary of AUO	-	-	-	USD 549,192	-	-	-	-	-	USD 571,783	Notes 1&5
AUOSG	AUOVN's equity	Investments in equity-accounted investees	-	-	-	-	-	USD 20,922	-	-	-	-	-	USD 20,748	Notes 1&2
AUOSG	AUOXM's equity	Investments in equity-accounted investees	AUOLB	Subsidiary of AUO	-	-	-	USD 480,490	-	-	-	-	-	USD 530,417	Notes 1&5
ADP	ADPNL's stock	Investments in equity-accounted investees	-	-	-	881,401	-	393,695	-	-	-	-	-	1,249,767	Notes 1&2

Note 1: The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 2: The acquisition amount refers to the participation in the investee's capital increase.

Note 3: The ending shares include shares from the investee's capital decrease. The ending balance includes cash return from the investee's capital decrease, cash dividends, the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 4: The disposal amount refers to the equity of the investee sold by AUOLB to AUOSG under business restructuring.

Note 5: The acquisition amount refers to the equity of the investee obtained by AUOSG from AUOLB under business restructuring.

Note 6: The acquisition amount includes the participation in the investee's capital increase and the equity of the investee obtained by AUOSG from AUOLB under business restructuring.

AUO CORPORATION AND SUBSIDIARIES
Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
For the year ended December 31, 2023
(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	AUOKS	Subsidiary of AUO	Purchases	16,018,158	10%	EOM 30 days	-	-	(2,309,534)	(5)%	
AUO	AUOSK	Subsidiary of AUO	Purchases	112,496	-	EOM 45 days	-	-	(18,126)	-	
AUO	AUOSZ	Subsidiary of AUO	Purchases	40,213,759	24%	EOM 45 days	-	-	(11,305,260)	(26)%	
AUO	AUOXM	Subsidiary of AUO	Purchases	37,179,061	22%	EOM 45 days	-	-	(10,477,599)	(24)%	
AUO	AUST	Subsidiary of AUO	Purchases	3,873,001	2%	EOM 45 days	-	-	(597,315)	(1)%	
AUO	Qisda	Associate	Purchases	2,954,207	2%	EOM 45 days	-	-	(367,106)	(1)%	
AUO	BMC	Subsidiary of Qisda	Purchases	3,371,627	2%	EOM 90 days	-	-	(779,128)	(2)%	
AUO	Raydium	Associate	Purchases	923,423	1%	EOM 120 days	-	-	(301,418)	(1)%	
AUO	Daxin	Associate	Purchases	2,029,409	1%	EOM 120 days	-	-	(692,813)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	2,772,196	2%	EOM 60 days	-	-	(540,881)	(1)%	
AUO	AUOUS	Subsidiary of AUO	Sales	(294,312)	-	EOM 75 days	-	-	65,395	-	
AUO	AUOXM	Subsidiary of AUO	Sales	(1,647,954)	(1)%	EOM 45 days	-	-	-	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(2,824,828)	(1)%	EOM 55 days	-	-	48,515	-	
AUO	Qisda	Associate	Sales	(160,365)	-	EOM 55 days	-	-	48,409	-	
AUO	AETTW	Subsidiary of AUO	Sales	(104,899)	-	EOM 25 days	-	-	-	-	
AUO	CGPC	Subsidiary of SSEC	Sales	(689,193)	-	EOM 25 days	-	-	1,988	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(1,120,256)	(1)%	EOM 55 days	-	-	81,002	-	

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	SLEC	Subsidiary of SSEC	Sales	(125,281)	-	EOM 25 days	-	-	164,712	1%	
AUO	SFPC	Subsidiary of SSEC	Sales	(781,067)	-	EOM 25 days	-	-	301,347	2%	
AUO	MXEC	Subsidiary of SSEC	Sales	(2,132,007)	(1)%	EOM 25 days	-	-	-	-	
AUO	MZEC	Subsidiary of SSEC	Sales	(3,207,272)	(1)%	EOM 25 days	-	-	422,776	2%	
AUO	DPGE	Subsidiary of AUO	Sales	(150,395)	-	EOM 25 days	-	-	102,795	1%	
AUO	ADP	Subsidiary of AUO	Sales	(24,472,225)	(11)%	EOM 45 days	-	-	3,401,535	18%	
ADPNL	ADP	Subsidiary of AUO	Purchases	USD 49,395	100%	EOM 45 days	-	-	USD (4,270)	(100)%	
ADPSZ	ADP	Subsidiary of AUO	Purchases	CNY 54,860	63%	EOM 45 days	-	-	CNY (11,283)	(67)%	
ADPSZ	ADP	Subsidiary of AUO	Sales	CNY (29,793)	(24)%	EOM 45 days	-	-	-	-	
ADPUS	ADP	Subsidiary of AUO	Sales	USD (5,400)	(100)%	EOM 45 days	-	-	-	-	
AETSZ	AUOKS	Subsidiary of AUO	Sales	CNY (23,353)	(73)%	EOM 30 days	-	-	CNY 10,066	100%	
AMIXM	AUOXM	Subsidiary of AUO	Sales	CNY (28,538)	(78)%	EOM 30 days	-	-	CNY 7,449	87%	
AUOKS	AUOSZ	Subsidiary of AUO	Purchases	CNY 231,494	9%	EOM 60 days	-	-	CNY (50,015)	(5)%	
AUOKS	Qisda	Associate	Purchases	CNY 73,010	3%	EOM 120 days	-	-	CNY (41,912)	(4)%	
AUOKS	Raydium	Associate	Purchases	CNY 40,670	2%	EOM 120 days	-	-	CNY (18,031)	(2)%	
AUOKS	DPTW	Subsidiary of AUO	Purchases	CNY 133,305	5%	EOM 120 days	-	-	CNY (64,756)	(7)%	
AUOKS	AUO	Ultimate parent company	Sales	CNY (3,621,643)	(74)%	EOM 30 days	-	-	CNY 538,626	71%	
AUOKS	AUOXM	Subsidiary of AUO	Sales	CNY (1,061,605)	(22)%	EOM 30 days	-	-	CNY 212,708	28%	
AUOSH	AUO	Ultimate parent company	Sales	CNY (55,999)	(92)%	EOM 25 days	-	-	-	-	
AUOSK	AUO	Ultimate parent company	Sales	EUR (3,664)	(74)%	EOM 45 days	-	-	EUR 957	79%	
AUOSZ	Qisda	Associate	Purchases	CNY 297,130	4%	EOM 120 days	-	-	CNY (127,872)	(5)%	
AUOSZ	BMC	Subsidiary of Qisda	Purchases	CNY 210,150	3%	EOM 90 days	-	-	CNY (55,493)	(2)%	
AUOSZ	Raydium	Associate	Purchases	CNY 435,412	6%	EOM 120 days	-	-	CNY (159,232)	(6)%	

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)	
AUOSZ	DPTW	Subsidiary of AUO	Purchases	CNY 324,063	4%	EOM 120 days	-	-	CNY (108,842)	(4)%	
AUOSZ	Lextar	Subsidiary of Ennostar	Purchases	CNY 40,150	1%	EOM 120 days	-	-	CNY (17,769)	(1)%	
AUOSZ	AUO	Ultimate parent company	Sales	CNY (9,086,098)	(97)%	EOM 45 days	-	-	CNY 2,614,257	98%	
AUOSZ	AUOKS	Subsidiary of AUO	Sales	CNY (231,494)	(2)%	EOM 60 days	-	-	CNY 50,015	2%	
AUOUS	AUO	Ultimate parent company	Purchases	USD 9,452	100%	EOM 75 days	-	-	USD (2,129)	(100)%	
AUOUS	AUO	Ultimate parent company	Sales	USD (8,418)	(46)%	EOM 30 days	-	-	-	-	
AUOXM	AUO	Ultimate parent company	Purchases	CNY 373,094	4%	EOM 45 days	-	-	-	-	
AUOXM	AUOKS	Subsidiary of AUO	Purchases	CNY 1,062,446	12%	EOM 30 days	-	-	CNY (212,708)	(8)%	
AUOXM	DPXM	Subsidiary of AUO	Purchases	CNY 35,346	-	EOM 120 days	-	-	CNY (15,978)	(1)%	
AUOXM	QCOS	Subsidiary of Qisda	Purchases	CNY 101,652	1%	EOM 120 days	-	-	CNY (46,946)	(2)%	
AUOXM	BMC	Subsidiary of Qisda	Purchases	CNY 186,540	2%	EOM 90 days	-	-	CNY (47,162)	(2)%	
AUOXM	Raydium	Associate	Purchases	CNY 401,322	5%	EOM 120 days	-	-	CNY (126,619)	(5)%	
AUOXM	DPTW	Subsidiary of AUO	Purchases	CNY 345,814	4%	EOM 120 days	-	-	CNY (111,080)	(4)%	
AUOXM	AUO	Ultimate parent company	Sales	CNY (8,399,757)	(81)%	EOM 45 days	-	-	CNY 2,420,133	86%	
AUST	AUO	Ultimate parent company	Sales	USD (122,289)	(99)%	EOM 45 days	-	-	USD 19,445	99%	
DPXM	AUOXM	Subsidiary of AUO	Sales	CNY (34,894)	(1)%	EOM 120 days	-	-	CNY 15,978	3%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (403,409)	(15)%	EOM 90 days	-	-	CNY 109,095	19%	
FTWJ	Lextar	Subsidiary of Ennostar	Purchases	CNY 84,784	13%	EOM 120 days	-	-	CNY (26,457)	(4)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (1,090,013)	(99)%	EOM 90 days	-	-	CNY 370,847	100%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (4,497,416)	(80)%	EOM 45 days	-	-	JPY 1,605,805	97%	
Jector	ADP	Subsidiary of AUO	Purchases	211,799	53%	EOM 45 days	-	-	(67,067)	(60)%	
AET-YP	AETTW	Subsidiary of AUO	Purchases	371,725	99%	EOM 30 days	-	-	(139,255)	(99)%	
AETTW	AUO	Ultimate parent company	Sales	(483,414)	(42)%	EOM 60 days	-	-	98,266	36%	

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)	
AETTW	AET-YP	Subsidiary of AUO	Sales	(320,606)	(28)%	EOM 30 days	-	-	139,255	52%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	983,024	33%	EOM 45 days	-	-	(348,456)	(80)%	
ADP	AUO	Ultimate parent company	Purchases	24,328,447	96%	EOM 45 days	-	-	(3,305,015)	(94)%	
ADP	ADPNL	Subsidiary of AUO	Sales	(1,550,289)	(5)%	EOM 45 days	-	-	127,471	4%	
ADP	ADPSZ	Subsidiary of AUO	Sales	(218,299)	(1)%	EOM 45 days	-	-	47,741	1%	
ADP	Avocor	ADPNL represented as a director of Avocor	Sales	(103,720)	-	OA 90 days	-	-	120,859	3%	
ADP	QCOS	Subsidiary of Qisda	Sales	(335,474)	(1)%	EOM 45 days	-	-	39,841	1%	
ADP	Jector	Subsidiary of AUO	Sales	(198,298)	(1)%	EOM 45 days	-	-	63,569	2%	
ADP	DPTW	Subsidiary of AUO	Sales	(100,572)	-	EOM 45 days	-	-	18,677	1%	
DPTW	DPXM	Subsidiary of AUO	Purchases	1,777,682	22%	EOM 90 days	-	-	(472,779)	(21)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	4,805,636	60%	EOM 90 days	-	-	(1,607,699)	(70)%	
DPTW	AUO	Ultimate parent company	Sales	(2,780,342)	(35)%	EOM 60 days	-	-	409,822	19%	
DPTW	AUOKS	Subsidiary of AUO	Sales	(584,857)	(7)%	EOM 120 days	-	-	279,949	13%	
DPTW	AUOSZ	Subsidiary of AUO	Sales	(1,418,307)	(18)%	EOM 120 days	-	-	472,024	22%	
DPTW	AUOXM	Subsidiary of AUO	Sales	(1,511,810)	(19)%	EOM 120 days	-	-	480,463	22%	

Note 1: Transaction terms with related parties were similar to those with third parties, except for particular transactions with no similar transactions to compare with. For those transactions, transaction terms were determined in accordance with mutual agreements.

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

AUO CORPORATION AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2023
(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	S4M	Subsidiary of AUO	112,930	(Note 2)	127	Will be collected in next period	-	-
AUO	AETTW	Subsidiary of AUO	205,132	(Note 2)	-	-	-	-
AUO	ACTW	Subsidiary of AUO	802,015	(Note 2)	-	-	-	-
AUO	SLEC	Subsidiary of SSEC	164,712	1.55	-	-	151,739	-
AUO	SFPC	Subsidiary of SSEC	301,347	5.18	-	-	-	-
AUO	MZEC	Subsidiary of SSEC	422,776	5.80	-	-	-	-
AUO	DPGE	Subsidiary of AUO	102,795	2.93	-	-	102,795	-
AUO	ADP	Subsidiary of AUO	4,366,847	(Note 2)	31,880	Collected in subsequent period	1,542,431	-
AUOKS	AUO	Ultimate parent company	CNY 538,626	7.29	CNY 15,917	Collected in subsequent period	CNY 312,463	-
AUOKS	AUOXM	Subsidiary of AUO	CNY 212,708	6.21	CNY 15,200	Collected in subsequent period	CNY 126,916	-
AUOLB	AUOKS	Subsidiary of AUO	USD 42,887	(Note 2)	-	-	-	-
AUOSJ	AETSZ	Subsidiary of AUO	CNY 86,804	(Note 2)	-	-	-	-
AUOSJ	AUOKS	Subsidiary of AUO	CNY 402,568	(Note 2)	-	-	-	-
AUOSZ	AUO	Ultimate parent company	CNY 2,616,898	(Note 2)	CNY 21,705	Collected in subsequent period	CNY 834,100	-
AUOSZ	AUOKS	Subsidiary of AUO	CNY 555,285	(Note 2)	CNY 15,344	Collected in subsequent period	CNY 19,740	-
AUOXM	AUO	Ultimate parent company	CNY 2,420,133	3.86	CNY 3,835	Collected in subsequent period	CNY 1,217,242	-
AUOXM	AUOKS	Subsidiary of AUO	CNY 405,815	(Note 2)	CNY 321	Collected in subsequent period	CNY 335	-
AUST	AUO	Ultimate parent company	USD 19,445	6.01	-	-	USD 9,329	-

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		
BVXM	AUOKS	Subsidiary of AUO	CNY 100,326	(Note 2)	-	-	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 116,305	(Note 2)	-	-	-	-
FPWJ	FTWJ	Subsidiary of AUO	CNY 50,648	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 792,917	(Note 2)	-	-	CNY 219,941	-
M.Setek	ACTW	Subsidiary of AUO	JPY 1,605,805	1.81	JPY 967,739	Will be collected in next period	JPY 403,583	-
AETTW	AET-YP	Subsidiary of AUO	139,255	4.54	-	-	139,255	-
ADP	ADPNL	Subsidiary of AUO	127,471	15.08	-	-	70,758	-
ADP	Avocor	ADPNL represented as a director of Avocor	120,859	1.72	18,873	Collected in subsequent period	22,898	-
DPTW	AUO	Ultimate parent company	409,822	6.34	25,328	Will be collected in next period	-	-
DPTW	AUOKS	Subsidiary of AUO	279,949	3.20	-	-	-	-
DPTW	AUOSZ	Subsidiary of AUO	472,024	3.42	-	-	-	-
DPTW	AUOXM	Subsidiary of AUO	480,463	3.46	-	-	-	-
DPTW	FTWJ	Subsidiary of AUO	1,405,622	(Note 2)	-	-	489,370	-

Note 1: Until the late of January 2024.

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.

AUO CORPORATION AND SUBSIDIARIES
Business Relationship and Significant Intercompany Transactions
For the year ended December 31, 2023
(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	AUO	AUOXM	Parent to subsidiary	Net revenue	1,647,954	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
0	AUO	ADP	Parent to subsidiary	Net revenue	24,472,225	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	10%
0	AUO	ADP	Parent to subsidiary	Receivables from related parties	4,366,847	-	1%
1	AUOKS	AUO	Subsidiary to parent	Net revenue	CNY 3,621,643	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	6%
1	AUOKS	AUO	Subsidiary to parent	Receivables from related parties	CNY 538,626	-	1%
1	AUOKS	AUOXM	Subsidiary to subsidiary	Net revenue	CNY 1,061,605	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	2%
2	AUOSZ	AUO	Subsidiary to parent	Net revenue	CNY 9,086,098	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	16%
2	AUOSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,616,898	-	3%
2	AUOSZ	AUOKS	Subsidiary to subsidiary	Receivables from related parties	CNY 555,285	-	1%

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				
				Financial Statement Account	Amount		Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
3	AUOXM	AUO	Subsidiary to parent	Net revenue	CNY	8,399,757	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	15%
3	AUOXM	AUO	Subsidiary to parent	Receivables from related parties	CNY	2,420,133		-
4	AUST	AUO	Subsidiary to parent	Net revenue	USD	122,289	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	2%
5	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY	403,409	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	Net revenue	CNY	1,090,013	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	Receivables from related parties	CNY	792,917	-	1%
7	ADP	ADPNL	Subsidiary to subsidiary	Net revenue		1,550,289	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
8	DPTW	AUO	Subsidiary to parent	Net revenue		2,780,342	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days.	1%
8	DPTW	AUOSZ	Subsidiary to subsidiary	Net revenue		1,418,307	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 120 days.	1%
8	DPTW	AUOXM	Subsidiary to subsidiary	Net revenue		1,511,810	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 120 days.	1%

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.

AUO CORPORATION AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2023

(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		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AUOLB	Malaysia	Holding company	77,484,038	76,491,558	2,539,189	100.00%	78,405,680	100.00%	3,553,086	3,553,086	Subsidiary
AUO	AUONL	Netherlands	Sales support of TFT-LCD panels	24,275	24,275	50	100.00%	36,222	100.00%	2,434	2,434	Subsidiary
AUO	Konly	Taiwan ROC	Investment	7,262,604	7,226,603	432,432	100.00%	8,926,088	100.00%	184,903	184,903	Subsidiary
AUO	Ronly	Taiwan ROC	Investment	5,078,047	5,078,047	453,276	100.00%	4,635,095	100.00%	(287,446)	(287,446)	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%	2,634,090	28.56%	114,659	32,751	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sale of ingots and solar wafers	15,687,921	15,687,921	242,565	100.00%	3,369,408	100.00%	(398,798)	(398,798)	Subsidiary
AUO	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	9,505,477	9,505,477	335,231	17.04%	9,797,059	17.04%	2,962,492	375,147	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	S4M	Taiwan ROC	Sales and leasing of content management system and hardware, and design of digital signage content and field curation	50,000	50,000	5,000	100.00%	15,257	100.00%	(1,256)	(1,256)	Subsidiary
AUO	AETTW	Taiwan ROC	Planning and design of water treatment technology and EPC project, energy saving equipment and energy efficiency project, facility intelligent management and environmental sustainability solution, management consulting and software services relating to carbon emission.	424,050	424,050	42,405	100.00%	23,257	100.00%	(242,127)	(257,911)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	2,170,000	2,170,000	217,000	31.00%	2,345,568	31.00%	501,534	155,476	Associate
AUO	CQIL	Israel	Holding company	1,182,621	1,182,621	39,974	100.00%	887,092	100.00%	(3,368)	(3,368)	Subsidiary
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	2,411,693	42,310	19.45%	2,195,010	19.45%	276,249	(15,211)	Associate
AUO	DPGE	Taiwan ROC	Solar power generation	950,000	350,000	41,250	100.00%	944,794	100.00%	2,232	(5,287)	Subsidiary
AUO	ADTHLD	Cayman Islands	Holding company	635,429	462,008	21,300	88.75%	215,362	88.75%	(177,249)	(151,884)	Subsidiary
AUO	ADTCM	Cayman Islands	Holding company	60,300	76,437	2,130	78.89%	21,537	100.00%	(25,365)	(22,640)	Subsidiary
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipments	5,000	5,000	500	100.00%	2,457	100.00%	(333)	(333)	Subsidiary
AUO	ADP	Taiwan ROC	Research, development and sales of display	369,555	369,555	200,000	100.00%	6,045,158	100.00%	3,526,660	3,526,660	Subsidiary
AUO	SREC	Taiwan ROC	Investment	288,828	288,828	28,883	32.01%	338,053	32.01%	80,217	25,681	Subsidiary
AUO	Ennostar	Taiwan ROC	Holding company	4,764,942	4,764,942	93,569	12.45%	6,015,186	12.45%	(6,782,678)	(896,939)	Associate
AUO	ACTTW	Taiwan ROC	Design, development and sales of software and hardware for health care industry	30,000	30,000	3,000	100.00%	4,190	100.00%	(10,436)	(10,436)	Subsidiary
AUO	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	15,000	15,000	1,500	8.82%	(15,123)	8.82%	(340,281)	(30,025)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	SINTRONES	Taiwan ROC	R&D, manufacturing and sales of in-vehicle computers and peripherals and other applications	91,507	-	1,471	7.02%	84,514	7.06%	68,662	1,802	Associate (Note 6)
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%	590,229	6.40%	114,659	7,339	Subsidiary
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	15.10%	1,693,983	15.10%	1,442,791	217,867	Associate
Konly	Daxin	Taiwan ROC	Research, development, manufacturing and sales of display and semiconductor related fine chemicals	154,748	154,748	19,114	18.61%	583,305	18.61%	523,354	97,388	Associate
Konly	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	1,363,481	1,363,481	50,145	2.55%	1,465,483	2.55%	2,962,492	56,116	Associate
Konly	SSEC	Taiwan ROC	Investment	140,000	140,000	14,000	2.00%	151,327	2.00%	501,534	10,031	Associate
Konly	SkyREC Ltd.	BVI	Business intelligence and AI video management system	-	46,016	-	-	-	16.12%	(3,005)	-	(Note 7)
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	988,837	988,837	15,944	7.33%	865,239	7.33%	276,249	(37,457)	Associate
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	4,000	400	100.00%	12,484	100.00%	8,199	8,199	Subsidiary
Konly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	-	20,000	-	-	-	5.00%	(129,531)	(7,990)	(Note 7)
Konly	SREC	Taiwan ROC	Investment	13,533	13,533	1,353	1.50%	15,840	1.50%	80,217	1,203	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	Ennostar	Taiwan ROC	Holding company	1,180,491	1,180,491	16,413	2.18%	1,088,766	2.18%	(6,782,678)	(174,113)	Associate
Konly	Naidun-tech Co., Ltd.	Taiwan ROC	Solution provider to improve the performance and reliability of semiconductor components	39,997	39,997	8,733	22.03%	10,837	22.03%	(20,668)	(4,552)	Associate
Konly	SINTRONES	Taiwan ROC	R&D, manufacturing and sales of in-vehicle computers and peripherals and other applications	155,233	-	2,730	13.03%	157,352	13.10%	68,662	3,343	Associate (Note 6)
DPTW	BVLB	Malaysia	Holding company	-	1,051,289	-	-	-	29.71%	-	-	(Note 5)
DPTW	DPLB	Malaysia	Holding company	3,877,666	4,350,631	76,846	100.00%	4,683,810	100.00%	786,298	798,676	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	1,983,341	100.00%	92,960	91,817	Subsidiary
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	123,788	100.00%	10,083	9,913	Subsidiary
DPTW	DSC	Thailand	International trade	3,740	3,740	40	40.00%	12,462	40.00%	2,165	866	Associate
DPTW	Shine Biomedical Technology Corporation	Taiwan ROC	Development, design, manufacturing and sales of facial masks and cosmetics	36,720	-	3,672	34.00%	36,676	40.00%	(130)	(48)	Associate
ACTW	ACMK	Malaysia	Manufacturing and sale of solar wafers	-	121,444	-	-	-	100.00%	(370)	(369)	(Note 5)
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	167,216	100.00%	2,201,771	100.00%	236,318	317,312	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sale of ingots	23,596,398	23,596,398	11,404,184	99.9991%	2,144,568	99.9991%	236,764	236,762	Subsidiary
ADP	ADPNL	Netherlands	Sales and sales support of display and holding company	1,205,493	811,798	-	100.00%	1,249,767	100.00%	(19,460)	(19,460)	Subsidiary
ADP	Jector	Taiwan ROC	Introduction of smart field construction and other related software and hardware solutions	120,000	120,000	12,000	78.43%	128,792	78.43%	9,853	7,579	Subsidiary
ADP	DentLabX	Taiwan ROC	Sales of management platform and solutions relating to dental digital information	17,000	-	1,700	85.00%	15,324	85.00%	(1,971)	(1,676)	Subsidiary
SREC	SGPC	Taiwan ROC	Solar power generation	820,000	820,000	56,811	100.00%	725,438	100.00%	60,420	56,345	Subsidiary
SREC	EGPC	Taiwan ROC	Solar power generation	280,000	280,000	24,500	100.00%	317,423	100.00%	27,007	25,005	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AETTW	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	124,050	124,050	12,405	72.97%	(125,063)	72.97%	(340,281)	(248,305)	Subsidiary
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%	561,284	6.09%	114,659	6,979	Subsidiary
Ronly	Raydium	Taiwan ROC	IC Design	240,647	240,647	669	0.88%	188,635	0.88%	1,442,791	(24,392)	Associate
Ronly	Daxin	Taiwan ROC	Research, development, manufacturing and sales of display and semiconductor related fine chemicals	70,021	70,021	6,312	6.15%	192,629	6.15%	523,354	32,161	Associate
Ronly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	809,508	809,508	13,175	6.06%	800,289	6.06%	276,249	(16,108)	Associate
Ronly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	-	68,400	-	-	-	17.10%	(129,531)	(27,324)	(Note 7)
Ronly	Ennostar	Taiwan ROC	Holding company	1,245,456	1,245,456	20,686	2.75%	1,386,646	2.75%	(6,782,678)	(224,891)	Associate
Ronly	Zhao Feng Energy Co., Ltd.	Taiwan ROC	Energy technical services	160,000	160,000	16,000	20.00%	149,636	20.00%	(33,243)	(6,649)	Associate
Ronly	RP	Taiwan ROC	Production/visual effects/LED virtual production	50,000	50,000	315	21.39%	47,571	23.95%	6,292	(5,486)	Associate
Ronly	YTTEK	Taiwan ROC	5G SDR platform-a pure software platform, 5G non-signaling tester, 5G mm wave FEM, 28GHz 2-way up/down converter, beam calibration solution	146,812	146,812	6,673	27.53%	115,407	27.81%	(28,187)	(27,084)	Associate
Ronly	FYPC	Taiwan ROC	Renewable energy power generation	11,000	-	1,100	100.00%	10,741	100.00%	(259)	(259)	Subsidiary
Ronly	ZYPC	Taiwan ROC	Renewable energy power generation	3,000	-	300	100.00%	2,840	100.00%	(160)	(160)	Subsidiary
AUOLB	AUOUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 3,432	100.00%	USD 686	USD 686	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUOLB	AUOJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,605	100.00%	USD 88	USD 88	Subsidiary
AUOLB	AUOKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,353	100.00%	USD 89	USD 89	Subsidiary
AUOLB	AUOSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 1,359	-	100.00%	USD 5,342	100.00%	USD 329	USD 329	Subsidiary
AUOLB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 222,365	USD 241,487	907,114	100.00%	USD 31,570	100.00%	USD (36,554)	USD (36,554)	Subsidiary
AUOLB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 6,587	100.00%	USD 193	USD 193	Subsidiary
AUOLB	BVLB	Malaysia	Holding company	-	USD 85,171	-	-	-	70.29%	-	-	(Note 5)
AUOLB	AUOSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 1,840,928	USD 9,958	2,777,106	100.00%	USD 1,964,491	100.00%	USD 84,021	USD 84,021	Subsidiary
AUOSG	AEUS	United States	Support of solar-related products	USD 1,194	USD 1,194	1,194	100.00%	USD 562	100.00%	USD (11)	USD (11)	Subsidiary
AUOSG	AUOVN	Vietnam	Manufacturing, assembly and sales of TFT-LCD modules	USD 20,922	-	-	100.00%	USD 20,748	100.00%	USD (174)	USD (174)	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 87,785	USD 103,785	10	100.00%	USD 154,088	100.00%	USD 25,218	USD 25,218	Subsidiary (Note 4)
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 49,944	100.00%	USD 2,415	USD 2,415	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 16,104	100.00%	USD 567	USD 567	Subsidiary
ADTCM	ADTHLD	Cayman Islands	Holding company	USD 2,700	USD 2,700	2,700	11.25%	USD 889	14.59%	USD (5,685)	USD (814)	Subsidiary
ADPNL	ADPUS	United States	Sales and sales support of display	USD 1,500	USD 1,500	1	100.00%	USD 1,790	100.00%	USD 148	USD 148	Subsidiary
ADPNL	ADPJP	Japan	Sales and sales support of display	USD 508	USD 508	1	100.00%	USD 414	100.00%	USD 24	USD 24	Subsidiary
ADPNL	RVI	Canada	Design, sales and sales support of digital signage content management system	USD 29,454	USD 27,204	29,564	100.00%	USD 27,083	100.00%	USD (296)	USD (1,576)	Subsidiary
ADPNL	RVU	United States	Design and sales support of digital signage content management system	USD 198	USD 198	1	100.00%	USD 484	100.00%	USD 258	USD 258	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ADTHLD	ADTSG	Singapore	Holding company, and sales of software and hardware integration system relating to intelligent manufacturing and software development	USD 22,300	USD 16,800	22,300	100.00%	USD 6,161	100.00%	USD (5,751)	USD (5,751)	Subsidiary
ADTSG	ADTTW	Taiwan ROC	Design and sales of software and hardware integration system and equipment, software development and consulting services relating to intelligent manufacturing	USD 2,013	USD 2,013	6,000	100.00%	USD 236	100.00%	USD (504)	USD (504)	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of automatic machinery and equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	38.46%	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 26,548	USD 26,548	635,730	100.00%	USD 26,251	100.00%	USD (6)	USD (6)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	-	GBP 1,874	-	-	-	100.00%	GBP (74)	GBP (74)	(Note 5)
CQHLD	CQUS	United States	Sales of content management system and hardware	GBP 19,948	GBP 19,948	13	100.00%	GBP 11,542	100.00%	GBP (17)	GBP (17)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	GBP 798	GBP 798	-	100.00%	GBP 899	100.00%	GBP 163	GBP 163	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of the related hardware	USD 1,500	USD 1,500	1	100.00%	USD 1,724	100.00%	USD (41)	USD (41)	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of the related hardware	USD 8,000	USD 8,000	18	100.00%	USD 6,303	100.00%	USD (238)	USD (238)	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: The registration of the alteration of DPHK's common stock has not been completed.

Note 5: The liquidation process of CQUK, ACMK and BVLB were completed in February 2023, June 2023 and September 2023, respectively.

Note 6: On and from February 2023, the investment in SINTRONES has been accounted for using the equity method. See Note 6(3) for the relevant information.

Note 7: Ceased applying the equity method over SkyREC Ltd. and IOC in March 2023 and December 2023, respectively.

AUO CORPORATION AND SUBSIDIARIES

Information on Investment in Mainland China

For the year ended December 31, 2023

(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, 2023 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2023 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow								
ACTSZ	Design, development and sales of software and hardware for health care industry	185,554	(Note 1)	-	-	-	-	(31,408)	100%	100%	(31,408)	28,971	-	
ADTSZ	Business management consulting, services of technology promotion and application, and platform services of industrial cloud	552,924	(Note 1)	414,693	138,231	-	552,924	(166,046)	100%	100%	(166,046)	105,099	-	
AETSD	Planning, design and development of construction project for environmental protection and related project management	8,630	(Note 1)	-	-	-	-	(3)	100%	100%	(3)	2,377	-	
AETSZ	Planning, design and development of construction project for environmental protection and related project management	51,782	(Note 1)	-	-	-	-	(27,140)	100%	100%	(27,140)	9,426	-	
AMISZ	Development, sales and licensing of software and hardware relating to intelligent manufacturing, and related consulting services	245,966	(Note 1)	-	-	-	-	(52,290)	100%	100%	(52,290)	49,380	-	

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, 2023 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2023 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow								
AMIXM	Sales of software and hardware relating to intelligent manufacturing, and related consulting services	51,782	(Note 1)	-	-	-	-	(2,701)	100%	100%	(2,701)	24,246	-	
ATISZ	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	135,929	(Note 1)	-	-	-	-	(27,492)	100%	100%	(27,492)	33,855	-	
AUOKS	Manufacturing and sales of TFT-LCD panels	32,898,978	(Note 1)	34,253,949	-	-	34,253,949	689,866	100%	100%	689,866	21,344,066	-	
AUOSH	Sales support of TFT-LCD panels	460,770	(Note 1)	30,718	-	-	30,718	(44,131)	100%	100%	(44,131)	251,376	-	
AUOSJ	Leasing	3,317,544	(Note 1)	2,457,440	-	-	2,457,440	110,009	100%	100%	110,009	3,706,575	-	
AUOSZ	Manufacturing, assembly and sales of TFT-LCD modules	14,314,588	(Note 1)	6,143,600	-	-	6,143,600	1,193,825	100%	100%	1,193,825	17,564,029	-	
AUOXM	Manufacturing, assembly and sales of TFT-LCD modules	13,945,972	(Note 1)	7,679,500	-	-	7,679,500	2,024,978	100%	100%	2,024,978	16,293,338	-	
BVXM	Sales of liquid crystal products and related parts; leasing	2,589,120	(Note 1)	-	-	-	-	23,478	100%	100%	23,478	1,360,548	-	
PFSZ	Sales and consulting services of virtual data scientist platform for manufacturing	28,049	(Note 1)	-	-	-	-	(8,757)	51%	51%	(4,466)	9,920	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2023 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
51,118,131 (USD1,664,110)	80,907,452 (USD1,702,948 and HKD60,000 and CNY6,572,210)	99,214,522

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' audited financial statements.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2023.

2. DPTW and ADP:

(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, 2023 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 2 and 5)	Carrying Amount of the Investment as of December 31, 2023 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2023 (Note 4)	Note
					Outflow	Inflow								
ADPSZ	Sales and sales support of display	61,436	(Note1(1))	61,436	-	-	61,436	20,221	100%	100%	20,221	89,404	-	(Note 8)
DPSZ	Manufacturing and sale of backlight modules and related parts	-	(Note1(2))	460,770	-	(460,770)	-	3,939	-	100%	3,939	-	2,563,941	
DPXM	Manufacturing and sales of liquid crystal products, backlight modules and related parts	2,150,260	(Note1(2))	2,150,260	-	-	2,150,260	760,082	100%	100%	760,082	4,733,277	1,931,982	(Note 7)
FHWJ	Manufacturing and sale of backlight modules and related parts	199,667	(Note1(2))	251,888	-	-	251,888	10,083	100%	100%	10,083	74,253	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	890,822	(Note1(2))	583,642	-	-	583,642	26,962	100%	100%	26,962	738,687	-	(Note 6)
FTWJ	Manufacturing and sale of backlight modules and related parts	1,075,130	(Note1(2))	199,667	-	-	199,667	65,997	100%	100%	65,997	1,290,154	432,342	
Talenda	Manufacturing of electronic components	64,728	(Note1(1))	-	-	-	-	(3,711)	51%	-	(1,893)	30,704	-	

(2) Upper limit on investment in Mainland China

Entity	Accumulated Investment in Mainland China as of December 31, 2023 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Notes 4 and 9)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
DPTW	3,185,457 (USD103,700)	5,142,511 (USD167,410)	5,533,063
ADP	61,436 (USD2,000)	153,590 (USD5,000)	3,667,878

Note 1: (1) Direct investments in Mainland China.

(2) Indirect investments in Mainland China through companies registered in a third region.

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

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's and ADP'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: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2023.

Note 6: The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note 7: The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note 8: The liquidation process was completed in December 2023.

Note 9: The accumulated approved amount over the years amounted to USD248,526 thousand (including the capitalization of retained earnings of USD81,116 thousand). In addition, the surplus repatriated amounted to USD194,050 thousand, which can be used to deduct the accumulated amount of investment.