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# AU OPTRONICS CORP. 2020 ANNUAL REPORT

-Notice to readers-

This is a translation of the 2020 annual report of AU Optronics Corp. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Printed on March 16, 2021

AU Optronics Corporation  
2020 Annual Report

AUO Spokesperson

Name: Benjamin Tseng

Title: Chief Financial Officer

AUO Deputy Spokesperson

Name: Jack Juang

Title: Director of Financial Planning Div.

TEL: 03-500-8800

Email: auo@auo.com

Corporate Headquarters, Branches, and Fabs

Corporate Headquarter: No. 1, Li-Hsin Rd. 2, East Dist., Hsinchu Science Park, Hsinchu City

Taoyuan Branch: No. 1, Xinhe Road, Longtan Dist., Taoyuan City

Address of Fabs:

Fab L3B: No. 1, Li-Hsin Rd. 2, East Dist., Hsinchu City

Fab L3C(L5): No. 23, Li-Hsin Rd., East Dist., Hsinchu City

Fab Longke: No.228, Longke St./No.288, Longyuan 1st Rd./ No.338, Longyuan 1st Rd./ and  
No.338-1, Longyuan 1st Rd., Longtan Dist., Taoyuan City

Fab Longtan: No. 1, Xinhe Road, Longtan Dist., Taoyuan City

Fab Huaya: No.189 Hwaya Rd. 2, Guishan Dist., Taoyuan City

Fab Taichung: No.1, JhongKe Rd./ No.2, Keya Rd./ and No.3, Keya Rd., Xitun Dist., Taichung  
City

Fab Houli: No.1, Machang Rd., Houli Dist., Taichung City

Fab Tainan: No.36, Keji 1st Rd., Annan Dist., Tainan City

Fab Kaohsiung: No.9, Luke 3rd Rd., Luzhu Dist., Kaohsiung City

TEL: 03-500-8800

Stock Transfer Agent

Company: Stock-Affairs Agency Dept. of Taishin International Bank

Address: B1, No. 96, Sec. 1, Jianguo N. Rd, Zhongshan Dist., Taipei City

Website: [www.taishinbank.com.tw](http://www.taishinbank.com.tw)

TEL: 02-2504-8125

Certified Public Accountant (CPA) and accounting firm for the financial statements of the most recent year:

CPA: Hsin-Hai Wei & Chien-Hui Lu

Company: KPMG Certificated Public Accountants

Address: 68F, No.7, Sec.5, Xinyi Rd., Taipei (TAIPEI 101 Tower)

Website: [home.kpmg.com/tw](http://home.kpmg.com/tw)

TEL: 02-8101-6666

Offshore secondary exchange and disclosure information available at:

Offshore secondary exchange: U.S. OTC market

Website: [www.otcmarkets.com](http://www.otcmarkets.com)

Company code: AUOTY

Company website: [www.auo.com](http://www.auo.com)

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## Chapter I Letter to Shareholders

Dear Shareholders,

With respect to the panel industry, the year of 2020 has been full of dramatic turning points. From the beginning of the year, transportation, production, and supply chains were disrupted by the pandemic, and customer orders fell sharply. However, driven by the booming stay-at-home economy, supply could not meet increasing demand, thus leading to a quarter on quarter improvement of the Company's operating results. The Company, on the one hand, must competently address pandemic prevention while maintaining normal operations. On the other hand, it must also flexibly adjust its production capacity and secure its supply chains to meet customer demand. Despite these challenges, AUO's full-year consolidated revenue for 2020 still increased slightly by 0.8% compared with 2019, reaching NTD 270.96 billion. In terms of profitability, the loss seen in 2019 was reversed with an operating profit of NTD 2.08 billion, net profit attributable to owners of the parent company of NTD 3.38 billion, and basic earnings per share of NTD 0.36. This performance demonstrated our indefatigable efforts and the ability to adapt to changes which we have built up over a long period of time.

Looking back at 2020, AUO's strategic value-added results include the following:

### **Constant innovation in regard to high-end panel products**

- **8K bezel-less TV display panel with ultra-high screen-to-body ratio:** Through a new design, the screen bezel is reduced to create the appearance of a borderless screen as if the bezel were removed entirely. The accompanying 8K ultra-high-resolution images offer an immersive and compelling visual sensation that fully meets market demand for top-end home appliances and provides the ultimate choice for brand customers.
- **High refresh rate gaming display panel :** AUO has launched the world's highest refresh rate 300Hz gaming notebook panel and ultra-high refresh rate 240Hz gaming monitor panel to display clear and smooth moving images. Combined with Mini LED backlight technology, it clearly shows all the details of dark scenes, allowing e-sports players to master the key winning speed in racing and shooting games. With the stay-at-home economy trend driving the gaming and entertainment industries, AUO's gaming display panel shipments have repeatedly set new highs, and its market share has consistently ranked among the top two in the world.
- **Micro LED displays:** In addition to Mini LED products that have already been mass-produced, AUO further leads the industry in launching the world's highest resolution 9.4-inch flexible Micro LED display. More than 5.5 million Micro LEDs have been successfully transferred to the LTPS flexible backplane, presenting high dynamic contrast performance and high saturation brilliant colors. The characteristics of the flexible backplane also greatly enhance the freedom of product design, making it suitable for applications in vehicles and other products. In the future, it will enter mass production in line with customers' shipment schedules.

### **AUO is also extending its core display technology into different fields**

- **Customized display total solutions:** With its large free-form cutting technology, AUO is able to break through the conventional rectangular form of screens and can provide customized proportions and sizes such as round or long rectangular screens according to customer needs. These can be used in diverse applications such as double-sided advertising signs, public information signs, art installations, arcade games, etc. The screen not only increases interaction and attractiveness but also introduces novel visual experiences for the viewers. In the future, it is expected to be widely deployed in fields such as smart retail, transportation, and entertainment to enrich the smart application ecosystem.
- **Smart healthcare application field:** AUO is leading the way with the introduction of high-end 3D surgical display solutions, including 4K polarized 3D display solutions combined with a 3D endoscopic imaging system dedicated to endoscopy and minimally invasive surgery. This allows surgeons to view 3D images with in-depth information during surgery, thereby effectively improving the accuracy and quality of minimally invasive surgery. Further, the 4K naked-eye 3D display with AUO's proprietary eye-tracking system for use in operating rooms allows doctors to watch clear 3D images from all angles without wearing glasses during surgery, and quickly enables them to grasp the relative positions and depth of tissues and organs.

### **AUO spares no effort in its pursuit of technological development in the circular economy, while also doing our utmost for environmental protection**

- By integrating recycled materials into 24-inch desktop LCD panels, AUO became the world's first panel manufacturer to obtain UL 3600 Circularity Certification.

Structural changes in the display industry:

- The stay-at-home economy remains hot and time spent working at home and in remote learning has been extended. This has kept up strong demand for IT panels and boosted demand for game consoles, fitness equipment, and large-size electronic whiteboards over 85 inches, in turn driving significant shipment growth for related panel products.
- With the gradual popularization of 5G and AI, field applications have become increasingly diversified and highlighted the importance of displays as a human-machine interface.
- In response to the increasing demand for diversification and customization of displays, production capacity no longer stands as the only competitive advantage for panel makers in the future. Continuously strengthening technical capabilities, operational management capabilities, and deepening of customer relationships will be the key competitiveness factors for panel manufacturers.

From an industry supply and demand stand point, some manufacturers have merged or have withdrawn from the market and the speed of capacity expansion has eased gradually. Moreover, the COVID-19 pandemic has progressively altered people's life styles. Whether in terms of working or studying at home, online shopping, entertainment, and so on, panel demand has exhibited strong growth. In the foreseeable future, the panel industry's supply and demand are expected to return to a healthier and rational market mechanism. The Company will grasp opportunities that arise from the industry's structural changes. Furthermore, based on its sound financial structure, and adoption of the "biaxial transformation" strategy, AUO continues its advancement of value enhancement for its customers.

#### 1. Go Premium:

- The panel business is the foundation of AUO. The goal of Go Premium is to create product differentiation, lift value per unit, and generate stable profits to support the Company's investments in technology, production capacity, and new businesses.
- With capabilities regarding customers, technology, and operations that it has accumulated over the years, AUO continues to expand in the directions of high-end and high value-added products.
  1. For example, in Mini LED backlights, Micro LEDs, and other advanced technologies, AUO has achieved market-leading results in these areas.
  2. In terms of other relatively matured applications, AUO is also constantly innovating. It continues to be an indispensable partner for customers in high-end production platforms and products such as 8K bezel-less TV display panels, panels for gaming display, LTPS notebook panels, and more.

#### 2. Go Vertical:

- With AUO's ultimate strength in display technology, combining with applications in AIoT, the Company will seize the opportunities of digital transformation in diverse fields and industries.
- The business targets selected by the Company comprise the five major "4+1" fields, which includes "smart retail," "smart healthcare," "smart education," and "smart transportation" as well as AUO's own most powerful "smart manufacturing."
- AUO is gradually building an ecosystem in each field, fully integrating hardware, software, and services, and providing a full range of products from Panel+ to solving user problems.
  1. Take smart retail as an example. In 2018, AUO acquired ComQi, an American digital display signage system and content integrator; and in 2020 it further acquired John Ryan, a financial and retail content promoter, to integrate digital retail content business opportunities. In the future, AUO will combine Space4Money, one of its subsidiaries, to extend its business from Taiwan to the world.
  2. In terms of smart manufacturing, AUO itself constitutes a huge manufacturing field. Over the years, it has optimized production lines and fabs and accumulated a wealth of successful experiences through technologies such as AI and the IoT. In order to transform experiences into services, AUO established Mega Insight and Edgetech in 2018, and partnered with ADLINK Technology, to provide smart manufacturing-related services to external customers.
- Starting from 2021, AUO has officially demerged its General Display and Public Information Display businesses to the 100% owned AUO Display Plus Corporation, making it AUO's main driving engine for operations in the field economy.
- AUO has invested resources into various fields over the time, and its efforts have now taken root. In addition to continuing to recruit outstanding talent, the Company will also expand its ecosystems through investments, joint ventures, mergers and acquisitions, or strategic alliances, all with the goal of creating future business opportunities

Becoming an outstanding sustainable enterprise has always been the Company's core goal. In order to be in line with international trends, AUO has linked SDGs to 2025 CSR targets, thereby allowing ESG to develop in a balanced way, building the foundation of its production process, continuing to save energy and reduce carbon and maintaining long-term competitiveness. As verified by KPMG International, the Company's energy saving rate in 2019 reached 2.26%, the

highest in recent years. In addition to the full recovery of Longtan wastewater, the overall water recovery rate has reached 92%, thereby reducing the consumption of tap water. This stands as a concrete demonstration of operational resilience under the water shortage crisis. Elsewhere, in regard to the promotion of corporate responsibility and sustainability in 2020, AUO has been selected as a constituent company of the Dow Jones Sustainability World Index for the 11th consecutive year. Furthermore, it continues to place in the top 5% of corporate governance evaluations by the Taiwan Stock Exchange. In terms of CSR appraisal, we have also demonstrated many outstanding performances and won several honors such as the Taiwan Corporate Sustainability Award and the Circular Economy Award. (Please refer to the current Annual Report: VIII. Corporate Sustainability Responsibility)

At present, there is still no clear end in sight for the pandemic, but the digital transformation acceleration that it brought about already marks a definitive trend. It is expected that the stay-at-home economy, 5G, and AIoT will speed up the introduction of various innovative smart applications and these fields will continue to diversify. As such, demand for panel-related 3C products is relatively optimistic. Coupled with the expected return of relatively healthy and stable industry conditions, AUO will seize the opportunity to accelerate the promotion of biaxial transformation with its core technological innovation capabilities, supply chain management capabilities, and sound financial structure. Through the realization of this strategy, AUO will fully demonstrate its competitive advantages and initiate a new phase of value creation for its customers.



Shuang-Lang (Paul) Peng,  
Chairman



Frank Ko,  
President



Benjamin Tseng,  
Chief Financial Officer and  
Chief Accounting Officer

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\* Note: Refers to the market data collected by AUO as of Dec 31, 2020.

## Chapter 2 Company Profile

### (I) Date of Incorporation: August 12, 1996

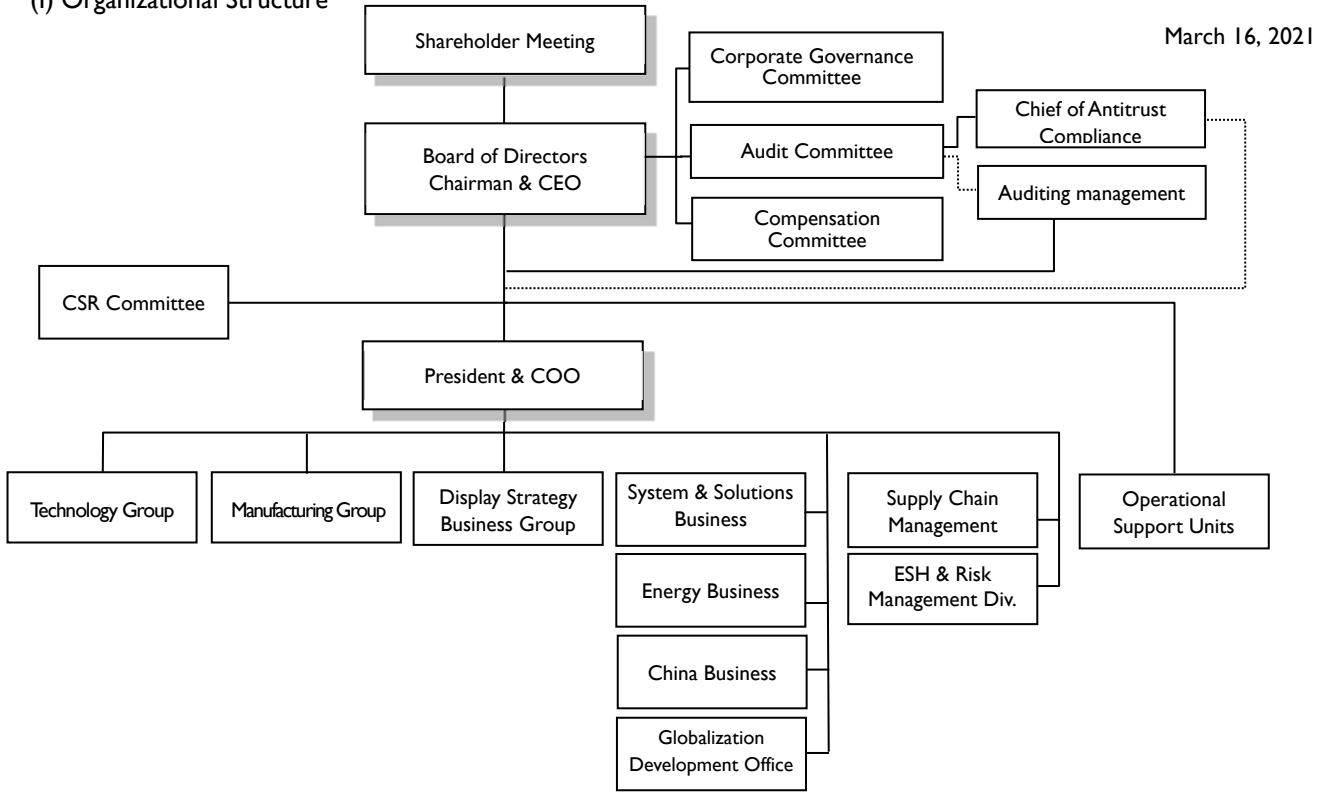
### (II) Company History:

Aug 1996	Acer Display Technology (ADT) was established. The Company specialized in the development and manufacturing of key components and systems of flat display panels.
Apr 1999	Taiwan's first G3.5 TFT-LCD production line was completed and made a successful pilot run.
Sep 2000	ADT began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE).
Feb 2001	Taiwan's first G4 TFT-LCD fab began mass production.
May 2001	ADT announced the merger with Unipac Optoelectronics Corporation and was renamed AU Optronics Corporation (AUO)
Sep 2001	Merged with Unipac Optoelectronics Corporation.
May 2002	Listed on the New York Stock Exchange (NYSE) under the code AUO.
Jul 2002	AUO Suzhou module plant began mass production, leading the industry's entry into the China market.
Dec 2002	Taiwan 1st G5 TFT-LCD production line pilot run.
Jan 2005	First 32" LCD TV panel produced at G6 fab successfully lit up.
Jul 2006	First 42" LCD TV panel produced at G7.5 fab successfully lit up.
Oct 2006	Merged with Quanta Display Inc. (QDI)
Sep 2007	AUO Xiamen module plant began mass production.
Dec 2008	First 46" LCD TV panel produced at G8.5 fab successfully lit up.
Jun 2009	Co-invested in module plant with Sichuan Changhong Electric Co., Ltd.
May 2010	Co-invested in solar cell plant with US-based SunPower Technology.
Jul 2010	Acquired 100% ownership of AFPD Pte., Ltd., subsidiary of Toshiba Mobile Display in Singapore.
Dec 2010	Subsidiary Darwin Precisions Corporation was authorized for IPO at the Taiwan Stock Exchange.
Jun 2011	AUO Slovakia module plant began mass production.
Sep 2011	Subsidiary Darwin Precisions Corporation was merged with subsidiary Briview Corporation. Darwin Precisions Corporation, the remaining Company after the merger, was renamed Briview.
Apr 2014	Founding Star River Energy Corporation to create an investment platform for solar power plants.
Oct 2014	Subsidiary Briview was merged with Forhouse Corp. Briview, the remaining Company after the merger, was renamed Darwin Precisions Corporation.
Dec 2015	Merged with subsidiary Taiwan CFI Co., Ltd. AUO Kaohsiung Fab and AUO Tainan Fab were set up at the buildings and fabs of Taiwan CFI Co., Ltd. AUO's Lungtan fab has completed Taiwan's first locally designed and integrated process water full-recycling system.
Nov 2016	AUO Kunshan G6 LTPS LCD fab announced its grand opening with successful mass production.
Aug 2017	Established Global Research Center (GRC).
Mar 2018	Acquired 100% ownership of ComQi, a content management service company.
Feb 2019	Entered into share conversion with subsidiary AUO Crystal Corp.; 100% of AUO Crystal's shares have been acquired by AU Optronics.
Oct 2019	The Company voluntarily applied for delisting U.S. depositary receipts from the New York Stock Exchange and transferring them to the U.S. OTC market under the code of AUOTY.
Feb 2020	Publicly acquired about 19.45% ownership of ADLINK Technology Inc.
Jan 2021	General Display and Public Information Display businesses were demerged to AUO Display Plus, an entity wholly owned by AUO.

# Chapter 3 Corporate Governance

## I. Organization

### (I) Organizational Structure



### (II) Responsibilities and functions of major departments

Department Name	Business
CSR Committee	Enhance the management effectiveness of corporate social responsibility (CSR) and meet expectations from stakeholders for corporate governance, environmental protection and social welfare through comprehensively promoting projects, integrating horizontal resources and actively staying connected to international trends, thus helping the Company operations to work toward sustainable development.
Technology Group	The R&D of advanced display technologies, design, and development of new products.
Manufacturing Group	The planning and management of display manufacturing process, raw materials and finished products.
Display Strategy Business Group	The management of TV, information, mobile devices, automotive and other display business departments, including product planning, marketing, businesses and customer service, and provision of a full range of smart solutions.
System & Solutions Business	The provision of a full range of smart systems, integrated solutions and marketing services for retail, transportation, industrial and commercial spaces.
Energy Business	The provision of high-efficiency solar modules, all-round solar power plant service, and highly integrated service platform concerning energy management & service.
China Business	The management of the regional market development, customer development and technical services of and for the display business in mainland China.
Globalization Development Office	The management of the regional market development, customer development and technical services of and for the display business of overseas companies in Japan, the United States, South Korea, and Europe, etc.
Supply Chain Management	The management of procurement, export and import affairs.
Environmental Safety and Risk Management Office	Planning for environmental safety, health and operating risk management.
Operational Support Units	Finance, Legal, Sustainability Development, Human Resource, Digital Technology, Corporate Strategic Planning, New Business Investment, etc.
Chief of Antitrust Compliance	To ensure compliance with domestic and international antitrust laws by the Company; assess, mitigate and provide strategic advices on a variety of antitrust related risks; establish a robust and sustainable Antitrust Compliance System to enhance antitrust compliance and further the Company's sustainable business development at the same time.
Auditing management	The management of internal audit and operating procedures.



## II. Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

### (I) Director Information

February 28, 2021; Unit of shares: 1,000 shares

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Chairman and CEO Shuang-Lang (Paul) Peng	Male	Republic of China	2019.06.14	3 years	2010.06.18	5,631	0.06	5,089	0.05	1,212	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AU Optronics Corp.	- CEO, AU Optronics Corp. - Director, Qisda Corp. - Director, Ennostar Inc.
Director Kuen-Yao (K.Y.) Lee	Male	Republic of China	2019.06.14	3 years	2004.04.30	10,512	0.11	10,512	0.11	1,215	0.01	- M.B.A, International Institute for Management Development, Switzerland - Chairman, Qisda Corp. - Chairman, AU Optronics Corp.	- Director, Qisda Corp. - Director, Darfon Electronics Corp. - Director, BenQ Materials Corp.
Director AUO Foundation (Note 1)	-	Republic of China	2019.06.14	3 years	2019.06.14	312	0.00	312	0.00	-	-	-	-
Representative: Frank Ko	Male	Republic of China	2019.09.10	-	-	-	-	827	0.01	0	0	- PhD in Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AU Optronics Corp. - Vice President, TV Display Business Group, AU Optronics Corp.	- President and COO, AU Optronics Corp. - Director, Darwin Precisions Corp. - Director, ADLINK Technology Inc.
Director BenQ Foundation (Note 1)	-	Republic of China	2019.06.14	3 years	2010.06.18	100	0.00	100	0.00	-	-	-	-
Representative: Peter Chen	Male	Republic of China	2019.06.14	-	-	-	-	0	0	99	0.00	- Technology Management Program, National Chengchi University - EMBA, Thunderbird, American Graduate School, U.S.A. - B.S., Electrical Engineering, National Cheng Kung University - Executive Vice President, Technology Product Center, BenQ Corp.	- Chairman and President, Qisda Corp. - Chairman, DFI Inc. - Chairman, BenQ Medical Technology Corporation. - Chairman, Partner Tech Corp. - Vice Chairman, Alpha Networks Inc. - Director, Darfon Electronics Corp. - Director, BenQ Materials

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
													Corporation - Director, Hitron Technologies Inc.
Independent Director Chin-Bing (Philip) Peng	Male	Republic of China	2019.06.14	3 years	2013.06.19	97	0.00	97	0.00	0	0	- M.B.A, National Chengchi University. - Senior Vice President and CFO, ACER Incorporated.	- Director and President, iD SoftCapital - Director, ACER Incorporated - Director, AOPEN Inc - Director, Wistron NeWeb Corporation. - Director, Wistron Information Technology & Services Corporation - Director, Wistron Corporation - Independent Director and Member of Audit Committee and Remuneration Committee, Apacer Technology Inc.
Independent Director Mei-Yueh Ho	Female	Republic of China	2019.06.14	3 years	2010.06.18	0	0	0	0	0	0	- B.S., Agricultural Chemistry, National Taiwan University - Minister, Ministry of Economic Affairs, R.O.C. - Council Minister, Council for Economic Planning and Development, R.O.C.	- Independent Director, Member of Audit Committee and Remuneration Committee, Kinpo Electronics, Inc. - Independent Director and Member of Audit Committee, Ase Technology Holding Co., Ltd. - Independent Director, Member of Audit Committee, Center Laboratories Inc.
Independent Director Yen-Shiang Shih	Male	Republic of China	2019.06.14	3 years	2016.06.16	0	0	0	0	0	0	- Ph.D., Chemistry, Massachusetts Institute of Technology, USA - Chief of Chemical Engineering, National Taiwan University of Science and Technology - Professor of Chemical Engineering, National Taiwan University of Science and Technology - Director General, Small and Medium Enterprise Administration, Ministry of Economic Affairs, R.O.C. - Director General, Taiwan Tobacco & Wine Bureau	- Independent Director, Member of Audit Committee, Nomination Committee and Remuneration Committee, CTCL Corporation - Independent Director, Member of Audit Committee and Remuneration Committee, Formosa Plastics Corporation - Director, Taiwan Research Institute - Director, Taiwan Institute of Economic Research - Policy Advisor, Taiwan Electrical and Electronic

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
												<ul style="list-style-type: none"> <li>- Director General, Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.</li> <li>- Vice Minister, Ministry of Economic Affairs, R.O.C.</li> <li>- Deputy Minister, Ministry of Economic Affairs, R.O.C.</li> <li>- Chairman, CPC Corporation, Taiwan</li> <li>- Minister, Ministry of Economic Affairs, R.O.C.</li> <li>- National Policy Advisor, Office of the President, R.O.C.</li> <li>- Chairman, Sinotech Engineering Consultants, Inc.</li> <li>- Supreme Advisor, Commerce</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacturers' Association</li> <li>- Chairman, Sustainable &amp; Circular Economy Development Association</li> <li>- Chair Professor, Chung Yuan Christian University</li> </ul>
Independent Director Yen-Hsueh Su	Female	Republic of China	2019.06.14	3 years	2019.06.14	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- Master in Industrial Administration of Carnegie Mellon University, U.S.A.</li> <li>- Managing Director, and Head of Asia Technology Hardware Research, UBS</li> <li>- Chief Investment Officer, ASUSTEK Computer Inc.</li> <li>- Chief Investment Officer, Pegatron Corporation</li> </ul>	<ul style="list-style-type: none"> <li>- Director, Kinsus Interconnect Technology Corp.</li> <li>- Independent Director, Member of Audit Committee and Remuneration Committee, TXC Corporation</li> <li>- Independent Director, Member of Remuneration Committee, The Eslite spectrum Corp.</li> <li>- Independent Non-executive Director, Cowell E Holdings Inc.</li> </ul>

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Independent Director Jang-Lin (John) Chen	Male	Republic of China	2019.06.14	3 years	2019.06.14	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- Stanford Executive Program, Stanford University, Graduate School of Business</li> <li>- Ph.D. in Polymer Material, NYU/Polytechnic University, U.S.A</li> <li>- Master in Chemistry, National Taiwan University</li> <li>- B.S., Chemistry, National Tsing Hua University</li> <li>- ITRI Fellow, Electronics &amp; Optoelectronics System Research Lab</li> <li>- VP and DTC General Director, Display Technology Center, ITRI</li> <li>- Adjunct Professor, Department of Photonics, National Chiao Tung University</li> <li>- CTO, Kodak LCD Polarizer Films Business</li> <li>- Research Fellow, Eastman Kodak Company</li> </ul>	<ul style="list-style-type: none"> <li>- ITRI Research Fellow, Electronics &amp; Optoelectronics System Research Lab and Industry, Science and Technology International Strategy Center</li> <li>- Executive Supervisor, SID Taipei Chapter</li> <li>- Managing Director, Taiwan Display Material &amp; Devices Association</li> <li>- Vice Chairman, Taiwan Display Union Association</li> <li>- Director, Taiwan TFT LCD Association</li> <li>- Chair Professor, National Chiao Tung University</li> <li>- Honorary Visiting Professor, Department of Engineering and System Science, National Tsing Hua University</li> </ul>
<p>Company shares held by directors in the name of other persons: Director Chin-Bing (Philip) Peng held the Company's shares in the name of other persons in the number of 150 thousand shares, constituting 0.00% of shareholding.</p> <p>Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.</p> <p>If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:</p> <p>The position of the chief executive officer of the Company is responsible for the planning and execution of the Company's sustainable operation and long-term development strategy, coordinating the management team and reporting to the Board of Directors; the president and chief operating officer is responsible for the planning and management of the Company's daily operations. The reason why the chairman also serves as the chief executive officer is to carry out the plan for sustainable management and strategic development of the enterprise, to lead the management team, and to report to the Board of Directors. In doing so, the powers and duties are clearly divided between the chairman and chief executive officer, and the president and chief operating officer. Meanwhile, the independence of the Board of Directors is assured in that independent directors constitute half of the Board, and that more than half of the directors are not an employee or a manager of the Company.</p>													

## Note 1: Major Shareholders of the Corporate Shareholders

Name of corporate shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Shareholding percentage (%)
AUO Foundation	AU Optronics Corp. (Note 3)	100
BenQ Foundation	Qisda Corp. (Note 4)	100

Note 2: Where the corporate shareholder is not a company, the aforementioned Name of corporate shareholders and Shareholding Percentage denote the names of investors or donors, and their investment or contribution ratios.

Note 3: Please refer to the list of major shareholders as stated in Chapter 4 Capital Overview of this Annual Report (Page 50).

Note 4: Major shareholders of corporation who are the major shareholders of the Company's corporate shareholders

Name of the corporate	Major shareholders of the corporation (Note 5)	
	Name	Shareholding percentage (%)
Qisda Corporation	AU Optronics Corporation	17.04
	Cathay Life Insurance Co., Ltd.	4.46
	Acer Incorporated	4.15
	Darfon Electronics Corp.	1.86
	Norges Bank-fund mgr Keywise Capital Management (HK) Limited	1.56
	Polunin Developing Countries Fund, LLC	1.24
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.19
	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.94
	Creo Venture Corp	0.87
	Dimensional Emerging Markets Value Fund	0.69

Note 5: The source of the data comes from the data collected as at the company's ex-dividend record date on July 26, 2020.

## Professional qualifications and independence of the Directors

December 31, 2020

Name	Condition	Has more than 5 years of work experience and the following professional qualifications		Meet conditions of independence (note)												Number of other public companies where the Director concurrently serves as an Independent Director
		An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who are necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	1	2	3	4	5	6	7	8	9	10	11	12	
Shuang-Lang (Paul) Peng			✓				✓		✓		✓	✓	✓	✓	✓	0
Kuen-Yao (K.Y.) Lee			✓	✓			✓		✓		✓	✓	✓	✓	✓	0
Representative of AUO Foundation: Frank Ko			✓			✓	✓	✓	✓		✓	✓	✓	✓		0
Representative of BenQ Foundation: Peter Chen			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Chin-Bing (Philip) Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Mei-Yueh Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yen-Shiang Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yen-Hsueh Su			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Jang-Lin (John) Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please add "✓" in the field under each criteria number if the director meets the criteria two years prior to being elected and during his/her term of service.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship to any director.

(11) Not been involved in any of situations defined in Article 30 of the Company Act.

(12) Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.

## (II) Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

February 28, 2021; Unit of shares: 1,000 shares

Title (Note 1)	Name	Gender	Nationality	Date Appointed (Note 2)	Number of Shares Held		Shares held by spouse or underage children		Primary work or academic experiences	Positions currently held in other companies (Note 3)
					Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Chairman and CEO	Shuang-Lang (Paul) Peng	Male	Republic of China	2003.03.27	5,089	0.05	1,212	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AU Optronics Corp.	- Director, Qisda Corp. - Director, Ennostar Inc.
President and COO	Frank Ko	Male	Republic of China	2005.12.01	827	0.01	0	0	- PhD in Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AU Optronics Corp. - Vice President, TV Display Business Group, AU Optronics Corp.	- Director, Darwin Precisions Corp - Director, ADLINK Technology Inc.
Senior Vice President	Wei-Lung Liao	Male	Republic of China	2010.06.01	2,025	0.02	0	0	- Ph.D. of Applied Chemistry, National Chiao Tung University - Director, Qisda Corp. - Director, Darwin Precisions Corp	- Director, Daxin Materials Corporation
Senior Vice President	Ting-Li Lin	Male	Republic of China	2016.06.01	1,017	0.01	0	0.00	- Master of Applied Chemistry, National Chiao Tung University	None
Senior Vice President	James CP Chen	Male	Republic of China	2007.10.01	381	0.00	0	0	- Master of Electrical and Control Engineering - National Chiao Tung University - Section Manager at Electronics Research & Service Organization, ITRI	None
Senior Vice President	CS Hsieh	Male	Republic of China	2012.05.01	2,282	0.02	23	0.00	- Master of Electrical Engineering, National Tsing Hua University	None
Senior Vice President	Amy Ku	Female	Republic of China	2009.11.01	1,602	0.02	0	0	- Master of Human Resources Management, National Central University	None
Vice President	Hong-Jye Hong	Male	Republic of China	2008.12.01	500	0.01	183	0.00	- Master of Electrical Engineering, University of Massachusetts - Director, Daxin Materials Corp.	- Director, Raydium Semiconductor Corporation
Vice President	TL Tseng	Male	Republic of China	2019.11.01	99	0.00	0	0	- Master of Industrial Engineering, University of Florida. - Vice president of the smart solutions business group, Qisda Corp.	None
Vice President	TY Lin	Male	Republic of China	2015.06.01	475	0.00	1	0.00	- Master of Industrial Engineering, Chung Yuan Christian University - Director, BenQ Materials Corporation	None
Vice President	Tina Wu	Female	Republic of China	2013.11.01	830	0.01	0	0	- Master of Industrial Administration, Waseda University	None
Vice President	Andy Yang	Male	Republic of China	2008.12.01	554	0.01	855	0.01	- Master of Business Administration, George Washington University - Associate Vice President at ABN AMRO Bank - Director, Lextar Electronics Corporation	None
Vice President	Shih-Hong Liao	Male	Republic of China	2018.11.01	79	0.00	0	0.00	- Master of Chemical Engineering, National Taiwan University	- Director, Daxin Materials Corporation
Vice President	Benjamin Tseng	Male	Republic of China	2012.09.01	547	0.01	895	0.01	- Master of Business Administration, University of Rochester, Vice President at ABN AMRO Bank	- Director, Raydium Semiconductor Corporation
Senior Associate Vice President	Kun-Yu Lin	Male	Republic of China	2005.12.01	303	0.00	479	0.00	- Master of Science in Optoelectronics, National Chiao Tung University	None
Senior Associate Vice President	Yu-Chieh Lin	Female	Republic of China	2011.05.01	558	0.01	0	0	- Master of Physics, National Central University	None
Senior Associate Vice President	Ivan Wu	Male	Republic of China	2010.06.01	1,000	0.01	12	0.00	- Master of Science in Optoelectronics, National Chiao Tung University	None
Senior Associate Vice President	SI Jeong	Male	Korea	2011.05.01	181	0.00	0	0	- Bachelor's degree at Korea Aerospace University	None

Title (Note 1)	Name	Gender	Nationality	Date Appointed (Note 2)	Number of Shares Held		Shares held by spouse or underage children		Primary work or academic experiences	Positions currently held in other companies (Note 3)
					Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Senior Associate Vice President	PC Cheng	Male	Republic of China	2010.09.15	1,268	0.01	1,569	0.02	- Master of Mechanical Engineering, State University of New York	None
Senior Associate Vice President	CC Hung	Male	Republic of China	2016.08.01	265	0.00	0	0	- Ph.D. in Mechanical Engineering, National Cheng Kung University	None
Associate Vice President	Center Chen	Male	Republic of China	2020.10.01	265	0.00	0	0	- B.S., Electrical Engineering, National Central University	None
Associate Vice President	Debbie Chiu	Female	Republic of China	2020.10.01	56	0.00	0	0	- Master of Chemical Engineering, National Tsing Hua University - Manager, Taiwan Semiconductor Manufacturing Company (TSMC)	None
Associate Vice President	TL Chen	Male	Republic of China	2010.08.01	92	0.00	0	0	- Master of Asia Pacific Operating Management, The Chinese University of Hong Kong - Associate Vice President, Toppoly Optoelectronics Corp.	None
Associate Vice President	HC Lee	Male	Republic of China	2016.10.01	152	0.00	0	0	- Master of Materials Science and Engineering, National Taiwan University Chairman, Toppan CF (Taiwan) Co., Ltd.	None
Associate Vice President	PH Lin	Male	Republic of China	2018.03.01	385	0.00	0	0	- Bachelor's degree at Japan Political Economy Waseda University	None
Associate Vice President	Jerry Liu	Male	Republic of China	2020.05.01	0	0	0	0	- Master, Department of Economics, Feng Chia University	None

The Company's shares held by managers in the name of other persons: None.  
 Any spouse or relative within the second degree of kinship of any manager who serves as the Company's executive: None.  
 If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:  
 The position of the chief executive officer of the Company is responsible for the planning and execution of the Company's sustainable operation and long-term development strategy, coordinating the management team and reporting to the Board of Directors; the president and chief operating officer is responsible for the planning and management of the Company's daily operations. The reason why the chairman also serves as the chief executive officer is to carry out the plan for sustainable management and strategic development of the enterprise, to lead the management team, and to report to the Board of Directors. In doing so, the powers and duties are clearly divided between the chairman and chief executive officer, and the president and chief operating officer. Meanwhile, the independence of the Board of Directors is assured in that independent directors constitute half of the Board, and that more than half of the directors are not an employee or a manager of the Company.

Note 1. Those who currently serve in their respective positions on the publication date of the Annual Report.  
 Note 2. Refers to either the initial date of a manager's term of service or the date in which No. 0920001301 Directive decreed on March 27, 2003 from the former Securities and Futures Commission, Ministry of Finance was processed.  
 Note 3. As to the situation where managers are concurrently holding positions within the Company's affiliates, please see "Chapter 9 Special Disclosure" of this Annual Report, which provides information on the "Directors, supervisors, and general managers of affiliated businesses" (Pages 104-106)



### III. Compensation to Directors, Supervisors, President and Vice Presidents in the latest year

#### (I) Compensation to Directors

Unit: NT\$ thousands; 1,000 shares

Title	Name (Note 1)	Director's compensation								Ratio of sum of items A, B, C and D to profit (loss) (%) (Note 9)		Compensation earned by a Director who is an employee of the Company								Ratio of sum of items A, B, C, D, E, F and G to profit (loss) (%) (Note 9)		Compensation from investees other than AU Optronics Corp.'s subsidiaries or Parent Company (Note 11)		
		Compensation (A) (Note 2)		Pension upon retirement (B)(Note 3)		Director's remuneration (C) (Note 4)		Business execution Expenses (D) (Note 5)				Salaries, bonuses and special expenses (E) (Note 6)				Pension upon retirement (F)(Note 3)							Employee's remuneration (G)(Note 7)	
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 8)			AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)
																		Cash	Stock	Cash	Stock			
Chairman and CEO	Shuang-Lang (Paul) Peng																							
Director	Kuen-Yao (K.Y.) Lee																							
Corporate Director	BenQ Foundation																							
Corporate Director Representative	Peter Chen	12,235	12,235	0	0	3,103	3,103	2,777	2,827	0.54	0.54	55,609	55,609	108	108	2,000	0	2,000	0	2.25	2.25		67,333	
Corporate Director	AUO Foundation																							
Corporate Director Representative	Frank Ko																							
Independent Director	Chin-Bing (Philip) Peng																							
Independent Director	Mei-Yueh Ho																							
Independent Director	Yen-Shiang Shih	14,175	14,175	0	0	5,172	5,172	740	740	0.59	0.59	0	0	0	0	0	0	0	0	0.59	0.59		0	
Independent Director	Yen-Hsueh Su																							
Independent Director	Jang-Lin (John) Chen																							

- Please describe the policy, system, standards and structure of independent directors' remuneration, as well as the connection between the amount of remuneration paid and director's responsibilities, risks, time investment and other factors: the remuneration of the directors of the Company is determined by the board of directors in accordance with the Articles of Incorporation, issued based on the director's participation in the Company's operations and contribution, with reference to both domestic and foreign market standards. If the Company has a profit, the board of directors will determine the amount of directors' remuneration in accordance with the Company's Articles of Incorporation. Independent directors are ex-officio members of the audit committee. In addition to the general remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and investment time, and also determines different reasonable remunerations.
- In addition to the information disclosed in the table above, has any Director provided services to AU Optronics Corp. and its subsidiaries and received compensation for such services (e.g. serving as a consultant that is not an employee): None.

Table of compensation ranges

Compensation range for each Director in AU Optronics Corp.	Name of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	Parent Company, AU Optronics Corp. and its subsidiaries and investees (Note 11)
Less than NT\$ 1,000,000	Peter Chen	Peter Chen	Peter Chen	
NT\$ 1,000,000 (inclusive) ~NT\$ 2,000,000	Frank Ko	Frank Ko		
NT\$ 2,000,000 (inclusive) ~NT\$ 3,500,000	Kuen-Yao (K.Y.) Lee, BenQ Foundation, AUO Foundation	Kuen-Yao (K.Y.) Lee, BenQ Foundation, AUO Foundation	Kuen-Yao (K.Y.) Lee, BenQ Foundation, AUO Foundation	AUO Foundation
NT\$ 3,500,000 (inclusive) ~NT\$ 5,000,000	Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen
NT\$ 5,000,000 (inclusive) ~NT\$ 10,000,000	Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng		
NT\$ 10,000,000 (inclusive) ~NT\$ 15,000,000				BenQ Foundation
NT\$ 15,000,000 (inclusive) ~NT\$ 30,000,000			Frank Ko	Kuen-Yao (K.Y.) Lee, Frank Ko
NT\$ 30,000,000 (inclusive) ~NT\$ 50,000,000			Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng, Peter Chen
NT\$ 50,000,000 (inclusive) ~NT\$ 100,000,000				
More than NT\$ 100,000,000				
Total	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)

Note 1: The information in the table is presented as of the end of 2020, and refers to compensation for current Directors as of the end of 2020.

Note 2. Refers to compensation for Directors in 2020 (including salaries, job allowance, severance pay, bonuses, and performance fees).

Note 3. Refers to pension either allocated or paid out per legal requirements in 2020.

Note 4. Refers to Directors' remunerations in 2020.

Note 5. Refers to Directors' business execution expenses in 2020 (including provisions of compensation, transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items for those serving as representatives of Corporate Directors or supervisors designated by AU Optronics Corp. and its subsidiaries).

Note 6. Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2020 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 7. Refers to employee's remuneration (including stock and cash) paid to Directors who also served as President, Vice President, other managers, or employees in 2020.

Note 8. Total compensation in various items paid out to AU Optronics Corp.'s Directors.

Note 9. Profit refers to the profit (loss) for the year in the 2020 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.

Note 10. Refers to compensation, remunerations (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by Directors who served as Director, supervisor, or manager in investees other than AU Optronics Corp.'s subsidiaries or Parent Company in 2020.

Note 11. Total compensation paid to AU Optronics Corp.'s Directors.

## (II) Compensation for President and Vice presidents

Unit: NT\$ thousands; 1,000 shares

Title (Note 1)	Name (Note 1)	Salary (A) (Note 2)		Pension upon retirement (B) (Note 3)		Bonuses and special expenses etc (C) (Note 4)		Employee's remuneration (D) (Note 5)				Ratio of sum of items A, B, C and D to profit (loss) (%) (Note 7)		Compensation from investees other than AU Optronics Corp's subsidiaries or Parent Company (Note 8)
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 6)		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	
								Cash	Stock	Cash	Stock			
Chairman and CEO	Shuang-Lang (Paul) Peng													
President and COO	Frank Ko													
Senior Vice President	Wei-Lung Liao													
Senior Vice President	Ting-Li Lin													
Senior Vice President	James CP Chen													
Senior Vice President	CS Hsieh													
Senior Vice President	Amy Ku													
Vice President	Hong-Jye Hong	67,667	67,667	2,032	2,032	105,854	109,504	5,000	0	5,000	0	5.35	5.46	420
Vice President	TL Tseng													
Vice President	TY Lin													
Vice President	Tina Wu													
Vice President	Andy Yang													
Vice President	Shih-Hong Liao													
Vice President	Benjamin Tseng													

### Table of compensation ranges

Compensation range for each President and Vice President in AU Optronics Corp.	Name of the President and Vice presidents	
	AU Optronics Corp.	Parent Company, AU Optronics Corp. and its subsidiaries and investees (Note 9)
Less than NT\$ 1,000,000		
NT\$ 1,000,000 (inclusive) ~NT\$ 2,000,000		
NT\$ 2,000,000 (inclusive) ~NT\$ 3,500,000		
NT\$ 3,500,000 (inclusive) ~NT\$ 5,000,000		
NT\$ 5,000,000 (inclusive) ~NT\$ 10,000,000	James CP Chen, Hong-Jye Hong, TL Tseng, Tina Wu, Andy Yang, Shih-Hong Liao, Benjamin Tseng	James CP Chen, Hong-Jye Hong, TL Tseng, Tina Wu, Andy Yang, Shih-Hong Liao, Benjamin Tseng
NT\$ 10,000,000 (inclusive) ~NT\$ 15,000,000	Wei-Lung Liao, Ting-Li Lin, CS Hsieh, Amy Ku, TY Lin	Ting-Li Lin, CS Hsieh, Amy Ku, TY Lin
NT\$ 15,000,000 (inclusive) ~NT\$ 30,000,000	Frank Ko	Frank Ko, Wei-Lung Liao
NT\$ 30,000,000 (inclusive) ~NT\$ 50,000,000	Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng
NT\$ 50,000,000 (inclusive) ~NT\$ 100,000,000		
More than NT\$ 100,000,000		
Total	14 persons	14 persons

Note 1. The information in the table refers to 2020 compensation for current managers such as Vice Presidents or above as of the end of 2020.

Note 2. Refers to compensation for managers such as Vice Presidents or above in 2020, including salaries, job allowance and severance pay.

Note 3. Refers to pension either allocated or paid out per legal requirements in 2020.

Note 4. Refers to compensation for managers such as Vice Presidents or above in 2020, including bonuses, fees for serving as the AU Optronics Corp. or its subsidiaries' Corporate Directors or supervisors, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 5. Refers to remunerations for employee in 2020.

Note 6. Total compensation in various items paid out to AU Optronics Corp.'s managers such as Vice Presidents or above.

Note 7. Profit refers to the profit (loss) for the year in the 2020 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.

Note 8. Refers to compensation including compensation, remuneration (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by managers such as Vice Presidents or above who served as Director, supervisor, or manager in investees other than AU Optronics Corp.'s subsidiaries or Parent Company in 2020.

Note 9. Total compensation paid to managers such as Vice Presidents or above.

(III) Name of the managers provided with employee's remunerations and state of payments:

Unit: NT\$ thousands

	Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total (Note 2)	Ratio of total amount to the net income after taxes (%) (Note 3)
Manager	Chairman and CEO	Shuang-Lang (Paul) Peng	0	6,950	6,950	0.21
	President and COO	Frank Ko				
	Senior Vice President	Wei-Lung Liao				
	Senior Vice President	Ting-Li Lin				
	Senior Vice President	James CP Chen				
	Senior Vice President	CS Hsieh				
	Senior Vice President	Amy Ku				
	Vice President	Hong-Jye Hong				
	Vice President	TL Tseng				
	Vice President	TY Lin				
	Vice President	Tina Wu				
	Vice President	Andy Yang				
	Vice President	Shih-Hong Liao				
	Vice President	Benjamin Tseng				
	Senior Associate Vice President	Kun-Yu Lin				
	Senior Associate Vice President	Yu-Chieh Lin				
	Senior Associate Vice President	Ivan Wu				
	Senior Associate Vice President	SI Jeong				
	Senior Associate Vice President	PC Cheng				
	Senior Associate Vice President	CC Hung				
	Associate Vice President	Center Chen				
	Associate Vice President	Debbie Chiu				
	Associate Vice President	TL Chen				
	Associate Vice President	HC Lee				
	Associate Vice President	PH Lin				
Associate Vice President	Jerry Liu					
Associate Vice President	Kendra Wang					

Note 1: Current Company managers as of the end of 2020, and information on titles are accurate as of the publication date of the Annual Report.

Note 2: Refers to remunerations for employee in 2020.

Note 3: The net income after taxes shall refer to the income after taxes identified in 2020 parent company only financial statements.

(IV) Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure.

I. The total compensation as a percentage of net income after taxes stated in the parent company only financial statement, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President are as the following:

Unit: NT\$ thousands

Item	Year	
	2020	2019
Net income (loss) after taxes on the Company's Parent Company Only Financial Statements	3,376,324	(19,185,258)
Ratio of compensation paid to Directors by the Company (%)	1.13	(0.15)
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements (%)	1.13	(0.16)
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)	5.35	(1.05)
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements (%)	5.46	(1.06)

2. Policies, standards, and packages for payment of compensation, as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposure.

(1) Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Association, based on individual Director's level of participation and contributions to Company operations, and have been paid pursuant to the Compensation Policy to the Directors and Functional Committee Members which is in reference to domestic and overseas industry standards. If the Company has a profit, the board of directors will determine the amount of directors' remuneration in accordance with the Company's Articles of Incorporation.

(2) Appointment, termination, and compensation for the Company's President and Vice presidents are handled in accordance with Company policies. Compensation is paid according to the "Principle of Compensation Paid to Managers" as stipulated by the Company's Remuneration Committee and the Board of Directors. The compensation paid to directors and managers of the Company, after being approved by the Remuneration Committee, is submitted to the Board of Directors for further approval.

(3) The principle for distribution of remuneration of the Company's managers is linked to their job duties and performance thereof; that is, the remuneration is positioned within a certain interval of the industry remuneration comparison table, which rewards higher remuneration when high performance is achieved; in addition, the company has a incentive program for managers, which is carried out by the Remuneration Committee who will determine the targets for rewards (such as market share, revenue, etc.) according to the Company's strategic development, and who will regularly review the overall operating status of the Company and the achievement of said targets, and give rewards accordingly. Moreover, according to the Company's Articles of Association, if the Company makes a profit in the year, it should allocate no less than 5% for employee compensation. In light of the above-mentioned remuneration policy, the Company provides a competitive remuneration in the market and attracts, retains and cultivates talent in the long run. Doing so loyally reflects the Company's operating risks and corporate governance structure, and avoids using short-term profit as the sole indicator for remuneration and performance evaluation, thereby establishing a link to shareholder's long-term value.

## IV. Implementation of Corporate Governance

### (I) Operations of the Board of Directors

The Company had convened seven Board of Directors meetings in 2020 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks	
Chairman	Shuang-Lang (Paul) Peng	7	0	100	-	
Director	Kuen-Yao (K.Y.) Lee	7	0	100	-	
Director	BenQ Foundation	Representative: Peter Chen	7	0	100	-
Director	Director AUO Foundation (Note 1)	Representative: Frank Ko	7	0	100	-
Independent Director	Mei-Yueh Ho	7	0	100	-	
Independent Director	Chin-Bing (Philip) Peng	7	0	100	-	
Independent Director	Yen-Shiang Shih	7	0	100	-	
Independent Director	Yen-Hsueh Su	7	0	100	-	
Independent Director	Jang-Lin (John) Chen	7	0	100	-	

Note 1: Chinese name was renamed in April 2020.

Other items that shall be disclosed:

I. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:

(I) Matters included in Article 14-3 of the Securities and Exchange Act: regulations from Article 14-3 are not applicable since the Company has already established an Audit Committee. For explanations on matters stipulated in Article 14-5 of the Securities and Exchange Act, please see Operations of the Audit Committee (Page 23).

(II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated in writing: None.

II. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the participation in voting should be stated:

Date of Board Meeting	Name of Director	Resolutions	Reason for Recusal	Participation in Voting
February 5, 2020	All directors present	Approved the 2019 compensation to directors and senior managerial officers	Since the resolution is for the compensation to directors and senior managerial officers, directors all abstained themselves from the meeting when it came to their remuneration in order to avoid conflict of interests.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng Frank Ko, Representative of AUO Foundation	Approved the 2020 Senior Officer Remuneration Policy	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng Director Kuen-Yao (K.Y.) Lee Peter Chen, Representative BenQ Foundation Frank Ko, Representative of AUO Foundation	Approved the donations	Concurrently serve as a director or representative of a corporate shareholders for BenQ Foundation and AUO Foundation	Did not participate in discussion or voting
April 29, 2020	Director Frank Ko, Director Peter Chen Independent Director Jang-Lin (John) Chen	Approved to lift noncompetition restrictions on board members	Directors who are the board candidates separately recused themselves from the meeting when it came to lifting their noncompetition restrictions.	Did not participate in discussion or voting
May 6, 2020	Chairman Shuang-Lang (Paul) Peng Frank Ko, Representative of AUO Foundation	Approved to split and transfer the Company's General Display and Public Information Display businesses to its wholly owned subsidiary	Chairman Shuang-Lang (Paul) Peng is the representative of the preparation office of AUO Display Plus. Frank Ko, Representative of AUO Foundation, will be appointed as the manager of AUO Display Plus.	Did not participate in discussion or voting

Date of Board Meeting	Name of Director	Resolutions	Reason for Recusal	Participation in Voting
October 28, 2020	Chairman Shuang-Lang (Paul) Peng Director BenQ Foundation Director Peter Chen Director Kuen-Yao (K.Y.) Lee Independent Director Chin-Bing (Philip) Peng, Independent Director Yen-Hsueh Su,	Approved the Company and Konly Venture Corp. to invest in common shares of Qisda Corporation	The Director him/herself or the company for which he/she serves as a Director or investment authorizer holds the stocks of Qisda Corporation	Did not participate in discussion or voting
February 3, 2021	Chairman Shuang-Lang (Paul) Peng	Approved the Company to invest in common shares of Ennostar Inc.	Chairman Shuang-Lang (Paul) Peng serves as the Corporate Director Representative of Ennostar Inc.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng Director Frank Ko	Approved the selection of applicable personnel for the Measures for the Protection and Conversion of Management Rights	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng Director Frank Ko	Approved the list of treasury stocks' receiving managers and the number of distribution (subscription)	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved the donations	Chairman Shuang-Lang (Paul) Peng serves as the Chairman of AUO Foundation	Did not participate in discussion or voting
March 16, 2021	All directors present	Approved the 2020 compensation to directors and senior managerial officers	Since the resolution is for the compensation to directors and senior managerial officers, directors all abstained themselves from the meeting when it came to their remuneration in order to avoid conflict of interests.	Did not participate in discussion or voting

III. The interval and period of self-assessment (or peer assessment) made by the Board of Directors of the Company, the assessment scope, method, and content, and the implementation:

Assessment Interval	Assessment period	Scope	Assessment Method	Assessment Content
Annually	October 2019 to October 2020	Board of Directors, Functional Committees (including Audit Committee, Remuneration Committee and Corporate Governance Committee) and their individual members.	Internal self-assessment made by the Board of Directors, Functional Committees (including Audit Committee, Remuneration Committee and Corporate Governance Committee) and their individual members.	The performance assessment of the Board of Directors and its individual members includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, selection and appointment of directors and continuous education and internal control.  The performance assessment of the Functional Committees and its individual members includes five major aspects: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, and internal control.

- IV. Targets for strengthening the functions of the Board of Directors in the current and the most recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of target implementation:
1. The Company's Board of Directors' duties include supervising the Company's strategy, monitoring the management and the operation and arrangement of corporate governance systems. It is also responsible for the Company and the Shareholders' Meeting, and shall exercise its powers in accordance with the law, regulations, Articles of Incorporation or the resolutions of the Shareholders' Meetings.
  2. The Company has established the Audit Committee on June 13, 2007 to carry out duties concerning the Securities and Exchange Act, Company Act, and other legal regulations. Please see Page 23 of the Annual Report for operations of the Audit Committee.
  3. The Company has established a Remuneration Committee on August 30, 2011 to regularly evaluate and establish the salaries and compensation for Directors and managers, as well as to regularly review the performance of Directors and managers as well as the policies, systems, standards, and structures of their salaries and compensation. Please see Pages 24-25 of the Annual Report for operations of the Remuneration Committee.
  4. The Company set up a Corporate Governance Committee on October 29, 2019, of which the powers and duties include, establish independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender; construct and develop the organizational structure of the board of directors and committees, to evaluate the performance of the board of directors, committees and directors, and to evaluate the independence of independent directors; develop and regularly review directors' training programs and succession plans; and establish the Company's corporate governance principles.
  5. The Company held re-elections of its Directors at the Annual General Meeting on June 14, 2019. Nine seats of Directors were elected, including five seats of Independent Directors. To strengthen the functionality of the Board and corporate governance, the seats of Independent Directors account for majority of all Directors.
  6. Please see Page 89 of the Annual Report for the goals and implementations of the Company's CSR Committee.



## (II) Operations of the Audit Committee

The Company had convened eight Audit Committee meetings in 2020 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Convener	Chin-Bing (Philip) Peng	8	0	100	-
Member	Mei-Yueh Ho	8	0	100	-
Member	Yen-Shiang Shih	8	0	100	-
Member	Yen-Hsueh Su	8	0	100	-
Member	Jang-Lin (John) Chen	8	0	100	-

Other items that shall be disclosed:

I. When one of the following situations has occurred to the operations of the Audit Committee, state the date, term and content of proposals of the Board meeting, result of resolutions of the Audit Committee and the Company's actions in response to the resolutions:

(I) Matters included in Article 14-5 of the Securities and Exchange Act: (Please see III. Corporate Governance Report - Material Resolutions from the Shareholders' Meeting and the Board of Directors on Page 41-43 of the Annual Report):

All resolutions have been approved with the consent of one-half or more of all Audit Committee members before a resolution has been reached at the Board meeting. There were no resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors.

(II) Except the items in the preceding issues, other resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors: None.

II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the resolutions, reasons for recusal due to conflict of interests and voting outcomes should be stated:

Meeting Date	Name of Members	Resolutions	Reason for Recusal	Participation in Voting
October 28, 2020	Chin-Bing (Philip) Peng	Approved the Company and Konly Venture Corp. to invest in common shares of Qisda Corporation	Hold Qisda's shares	Did not participate in discussion or voting
	Yen-Hsueh Su		The company for which Independent Director, Yen-Hsueh Su, serves as an investment authorizer holds Qisda's shares	

III. Communication between the Independent Directors, the head of internal audit and CPAs (shall include material matters, methods and results of communication on the finances and state of business of the Company):

- The Company regularly convenes Audit Committee meetings. Where necessary, CPAs, the head of internal audit are respectively invited to the meeting. Besides, communication with CPAs, the head of internal audit and relevant executives take place whenever Independent Directors regard it as necessary.
- The head of Internal audit is required to submit audit reports to the Audit Committee based on annual audit plan on a regular basis, whereas the Audit Committee also conducts regular evaluation on the Company's internal control system, internal auditors and their audit results.
- The Audit Committee regularly communicates with the Company's CPAs for review or audit results of the quarterly financial statements and other communication matters required by law. The Audit Committee also undertakes independence reviews on the selection of CPA and the CPA's audit and non-audit services.

IV. Annual key functions and operations:

(I) Annual key functions

- Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
- Communicate with CPA regularly over financial statement review or audit results in each quarter.
- Review financial reports.
- Assessment of the effectiveness of internal control system.
- Review the hiring, dismissal, compensation and service matters concerning CPAs in advance.
- Evaluate the independence of the CPA who provide audit and non-audit services.
- Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
- Legal compliance.
- Handle any grievances/reporting incidents submitted to the Audit Committee Mailbox.

(II) 2020 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) Composition, duties, and operations of the Company's Remuneration Committee:

I. Information on the members of the Remuneration Committee

December 31, 2020

Status	Name	Condition	Has more than 5 years of work experience and the following professional qualifications	Meet conditions of independence (Note 1)										Number of other public companies where the member concurrently serves as member in Remuneration Committee	Remarks	
				1	2	3	4	5	6	7	8	9	10			
Convener	Yen-Shiang Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Member	Yen-Hsueh Su		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Member	Ding-Yuan Yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please add "✓" in the field under each criteria number if the member meets the criteria two years prior to being elected and during his/her term of service.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been involved in any of situations defined in Article 30 of the Company Act.

## 2. Responsibilities of the Remuneration Committee:

Establish a performance-based compensation system for the Company through an independent standpoint, fulfill functional authority given by the Board of Directors, and regularly submit proposals or recommendations on the compensation system to be discussed at Board meetings.

## 3. Operation of Remuneration Committee:

(1) The Company has a Remuneration Committee composed of three members.

(2) Term of service: June 14, 2019 to June 13, 2022.

The Company had convened two Remuneration Committee meetings in 2020 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Convener	Yen-Shiang Shih	2	0	100	-
Member	Yen-Hsueh Su	2	0	100	-
Member	Ding-Yuan Yang	2	0	100	-

Other items that shall be disclosed:

I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.

II. For the decisions made by the Remuneration Committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None.

III. Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Meeting Date	Resolutions	Resolutions and opinions of all members
February 5, 2020	Approved the 2019 compensation to directors and senior managerial officers Approved the 2020 Manager Remuneration Policy Approved the proportion to the appropriation of employees' and Directors' remuneration Approved the amendments to "Compensation Policy to the Directors and Functional Committee Members"	Approved as proposed and reported to the Board of Directors for resolution.
October 28, 2020	Approved the 2021 Manager Remuneration Policy	

IV. Scope of responsibilities of the Remuneration Committee:

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following function and power and submit recommendations to the Board of Directors for discussion:

1. Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers.
2. Regularly review and stipulate the salaries and remunerations of directors and managerial officers.

(IV) Operation of Corporate Governance Committee:

The Company had convened one Corporate Governance Committee meeting in 2020 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Convener	Shuang-Lang (Paul) Peng	1	0	100	-
Member	Chin-Bing (Philip) Peng	1	0	100	-
Member	Mei-Yueh Ho	1	0	100	-
Member	Yen-Shiang Shih	1	0	100	-
Member	Yen-Hsueh Su	1	0	100	-
Member	Jang-Lin (John) Chen	1	0	100	-

Other items that shall be disclosed:

I. In regards to the recusal of members from voting due to conflict of interests, the name of the members, the resolutions, reasons for recusal due to conflict of interests, and voting outcomes should be stated: None.

II. Scope of responsibilities of the Corporate Governance Committee:

1. Establish independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender.
2. Construct and develop the organizational structure of the board of directors and committees, to evaluate the performance of the board of directors, committees and directors, and to evaluate the independence of independent directors.
3. Develop and regularly review directors' training programs and succession plans.
4. Establish the Company's corporate governance principles.

(V) State of corporate governance, gaps with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established "Corporate Governance Principles" which aims at protecting the shareholders' rights, enhancing the functions of the Board of Directors, respecting stakeholders' rights, and improving information transparency. Please refer to the Company's official website or the Market Observation Post System (MOPS) for the Corporate Governance Principles stipulated by the Company.	No gaps
II. Shareholding structure & shareholders' rights		✓		
(I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigation, and implement based on the procedure?	✓		The Company has established "Procedures to Handle Suggestions, Inquiries, Disputes and Litigation from Shareholders", setting up a spokesperson and acting spokesperson system in order to ensure that information that may affect shareholders' decision making can be timely and reasonably disclosed. Stock Affairs and Investor Relations are the designated departments to handle such tasks, and designated mailbox has been set up to receive suggestions, inquiries and disputes from shareholders. Our Legal Department will appropriately handle any litigation from shareholders in accordance with relevant laws.	No gaps
(II) Does the Company possess the list of its major shareholders who control the Company substantially as well as the ultimate controller of these major shareholders?	✓		Changes in the shareholdings of the Company's directors, managers and major shareholders holding more than 10% of the Company's shares are reported monthly to the "Market Observation Post System" in accordance with laws and regulations.	No gaps
(III) Does the Company establish and execute the risk management and firewall system with its affiliates?	✓		The Company has established and implemented firewalls and risk control mechanisms for associates in the Company's internal control system and "Management process for the subsidiary" in accordance with laws and regulations.	No gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps																																																																																																																																																																																			
	Yes	No	Explanation																																																																																																																																																																																				
(IV) Does the Company establish internal rules against insiders trading securities with undisclosed information?	✓		<p>The Company has established "Management Procedure for Insider Trading Prevention" to prohibit internal personnel from buying or selling securities by using undisclosed information to the public, and as reference for the Company's handling and disclosure of material information, the Company also reviews the Procedures from time to time to comply with present laws and practical management needs. The Company enforces educational promotions pertaining to insider trading preventive management for any new director and/or manager within one month of their appointment. The content of the promotions includes the applicable scope and targets of insider trading prevention, the scope and disclosure methods of the information which has a significant impact on stock prices, penalty provisions and statutory regulations. The corporate integrity training courses for newly hired employees in 2020 also included training on insider trading. A total of 659 employees completed the training and signed an integrity declaration. In order to effectively implement insider trading prevention, the Company also has invited its insiders to participate in 2020 Insider Trading Prevention and Insider Equity Trading Conference held by the Taiwan Stock Exchange in September 2020 and obtained relevant training certificates. Before publishing quarterly operating results, the Company carried out educational promotions on Article 157-1 of Securities and Exchange Act for insiders, the supervisors, and employees with specific positions. The content includes reminder for observing the quiet period, the applicable scope and targets of insider trading prevention, the scope and disclosure methods of the information which has a significant impact on stock prices, penalty provisions and statutory regulations, etc.</p>	No gaps																																																																																																																																																																																			
III. Composition and responsibilities of the Board of Directors	✓		<p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <ol style="list-style-type: none"> <li>1. General conditions and values: Gender and age.</li> <li>2. Professional knowledge and skills: Professional background, professional skills and industrial experience.</li> </ol> <p>The specific management objectives and achievement of the Company's diversity policy are as follows:</p> <table border="1"> <thead> <tr> <th>Management objectives:</th> <th>Progress</th> </tr> </thead> <tbody> <tr> <td>Independent Directors form the majority of all directors.</td> <td>Achieved</td> </tr> <tr> <td>Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.</td> <td>Achieved</td> </tr> <tr> <td>At least two seats of Directors are females.</td> <td>Achieved</td> </tr> </tbody> </table> <p>The Company's fulfillment of diversification of members of the Board of Directors in 2020 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Title</th> <th colspan="3">Seniority of Independent Director</th> <th rowspan="2">Gender</th> <th colspan="3">Professional knowledge and skills</th> <th colspan="3">Major Experiences</th> <th colspan="3">Age</th> <th rowspan="2">Employees Identification</th> </tr> <tr> <th>Less than 3 years</th> <th>3-9 years</th> <th>More than 9 years</th> <th>Industry or technology</th> <th>Legal, finance or accounting</th> <th>Technology/industry</th> <th>Financial investment</th> <th>Technical research</th> <th>Below 35 years old</th> <th>36-45 years old</th> <th>66-75 years old</th> </tr> </thead> <tbody> <tr> <td>Shuang-Lang (Paul) Peng</td> <td>Chairman</td> <td></td> <td></td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> </tr> <tr> <td>Kuen-Yao (K.Y.) Lee</td> <td>Director</td> <td></td> <td></td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Frank Ko</td> <td>Director</td> <td></td> <td></td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Peter Chen</td> <td>Director</td> <td></td> <td></td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chin-Bing (Philip) Peng</td> <td>Independent Director</td> <td></td> <td>✓</td> <td></td> <td>M</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Mei-Yueh Ho</td> <td>Independent Director</td> <td></td> <td></td> <td>✓</td> <td>F</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Yen-Shiang Shih</td> <td>Independent Director</td> <td></td> <td>✓</td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Yen-Hsueh Su</td> <td>Independent Director</td> <td>✓</td> <td></td> <td></td> <td>F</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Jang-Lin (John) Chen</td> <td>Independent Director</td> <td>✓</td> <td></td> <td></td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table> <p>Note: Information as of December 31, 2020.</p>	Management objectives:	Progress	Independent Directors form the majority of all directors.	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Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(II) In addition to remuneration committee and audit committee established according to law, has the Company voluntarily established other functional committees?	✓		In addition to the Audit Committee and the Remuneration Committee, the Company also established a Corporate Governance Committee in October 2019 to strengthen corporate governance and enhance the effectiveness of the Board. The convener of the Corporate Governance Committee is the chairman of the Company and its members are all independent directors. Its powers and duties include, establish independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender; construct and develop the organizational structure of the board of directors and committees, to evaluate the performance of the board of directors, committees and directors, and to evaluate the independence of independent directors; develop and regularly review directors' training programs and succession plans; and establish the Company's corporate governance principles. The Company has also set up a CSR Committee. For organization and operations of the CSR Committee, please see Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management, in which financial performance is reviewed and analyzed and risks stated, and Chapter 8 Corporate Social Responsibility (Pages 80-88 and Pages 89-99) of this Annual Report.	No gaps
(III) Does the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		The Company's Board of Directors has approved the "Methods to Evaluate Performance of the Board of Directors" on January 25, 2017, which has clearly established that the Board of Directors shall undertake internal performance evaluation at least once each year, and evaluation from external independent entities or external experts and scholars shall be undertaken at least once every three years. 1. Internal performance evaluation: The Company has conducted internal performance evaluations on the "Board of Directors", "Individual Director Members", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" in 2020, performed by members of the Board of Directors, members of functional committees, and the Board's meeting units. The performance evaluation of the Board of Directors and individual members includes 50 evaluation indicators, covering five major aspects: the degree of participation in the Company's operations, the improvement of decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the selection, appointment and continuous education of Directors, and internal control. The performance evaluation of Audit Committee includes 23 evaluation indicators, also covering five major aspects: the degree of participation in the Company's operations, the awareness of duties of the functional committees, the improvement of decision-making quality of the functional committees, the composition and members election and appointment of the functional committees, and internal control. The performance evaluation of Remuneration Committee and Corporate Governance Committee include 19 and 17 evaluation indicators respectively, covering the following aspects: the degree of participation in the Company's operations, the awareness of duties of the functional committees, the improvement of decision-making quality of the functional committees, the composition and members election and appointment of the functional committees. . The "Board of Directors", "Audit Committee" "Remuneration Committee" and "Corporate Governance Committee" are evaluated on their performance, and the evaluation results are divided into three levels: Exceeding Expectations, Meets Expectations, and Room for Improvement. The self-evaluation results of "Board of Directors", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" of the Company in 2020 were all "Exceeding Expectations", without any major improvement items. The evaluation results are expected to be reported to the Board of Directors in the first board meeting in 2021, which will serve as a reference for members of the Board of Directors and functional committees on their performance, remuneration, nomination and renewal. 2. External performance evaluation: The Taiwan Corporate Governance Association (TCGA) was asked to undertake an external effectiveness evaluation of the Company's Board of Directors in 2018. Evaluation was conducted through online self-assessment questionnaires and on-site inspection for 8 aspects including formation of the Board members, coaching, delegation of authority, supervision, communications, internal control and risk management, self-discipline, and supporting systems. The performance evaluation report on the Board of Directors issued by the	No gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>TCGA suggested that the Board of Directors has three characteristics: active implementation of sustainable governance, in-depth participation in business management, and a high degree of self-discipline; the Company reported the evaluation results to the Board of Directors, and the Board took TCGA's recommendation to be a reference for continuous improvement of the functions, and made a decision to implement the performance evaluation of the functional committees from 2019.</p> <p>3. Pursuant to Article 15 of the Articles of Incorporation, directors' remunerations of the Company shall not exceed 1% of the Company's remaining profit for the year. Remuneration Committee and the Board of Directors will establish compensations for Directors based on the Company's management results and compensation policy to the directors and functional committee members and in reference to the Directors' performance evaluation results. The self-evaluation result of Board of Directors in 2019 was Exceeding Expectations. However, since the Company did not make any profit during that year, no remuneration was paid to Directors in accordance with Articles of Incorporation.</p>	
(IV) Does the Company regularly implement assessments on the independence of CPA?	✓		<p>The Company's Audit Committee regularly evaluates the independence of CPAs every year, and submits the evaluation results to the Board of Directors. Below is a summary of the evaluation mechanism:</p> <ol style="list-style-type: none"> <li>1. CPA of the Company is not a related party with either the Company or its Directors.</li> <li>2. The Company abides by the Corporate Governance Principles and undertakes rotation of CPA.</li> <li>3. The accounting firm of the CPA must obtain approval from the Audit Committee before undertaking annual audit and other services.</li> <li>4. The CPA reports to the Audit Committee quarterly for the review/audit results and the compliance of independence.</li> <li>5. Regularly obtain the Declaration of Independence from CPA.</li> </ol> <p>Set forth below is the evaluation result:</p> <ol style="list-style-type: none"> <li>1. Independence between the CPA and the Company complies with the Certified Public Accountant Act of the Republic of China, Code of Professional Ethics for Certified Public Accountant, and other relevant regulations.</li> <li>2. The Company has not commissioned the same CPA for five consecutive years.</li> </ol>	No gaps
IV. Has the Company appointed competent and appropriate number of personnel responsible for corporate governance matters, and delegated the company's corporate governance supervisors to be in charge of such matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors in complying with laws and regulations, handling matters related to Board meetings and shareholders' meetings according to the law, and producing minutes of the Board meetings and shareholders' meetings)?	✓		<p>The Board of Directors has appointed Mr. Benjamin Tseng, the vice president, as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. His qualifications meet the requirements set forth in Article 3-1-1 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. The head of corporate governance's duties include: provide directors and Audit Committee with the information required for the implementation and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.</p> <p>Key corporate governance implementations include the following:</p> <ol style="list-style-type: none"> <li>1. Seven Board of Directors meetings, eight Audit Committee meetings, and one Corporate Governance Committee meeting were held in 2020.</li> <li>2. One Annual General Meeting was held in 2020.</li> <li>3. All members of the Board have completed at least six credits of continuing education.</li> <li>4. The Company has filed for liability insurance for its Directors and important employees, and reports to the Board of Directors after the insurance has been renewed.</li> <li>5. The Company has conducted performance evaluation on the Board of Directors and the functional committees. The evaluation results of the Board of Directors, Audit Committee, and the Remuneration Committee are all Exceeding Expectations.</li> <li>6. The Company's results in the 6th Corporate Governance Evaluation had ranked among Top 5%.</li> <li>7. The training hours for the chief of corporate governance totaled 18 hours in 2020. See Page 39 of the Annual Report for further information about training courses.</li> </ol>	No gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has a spokesperson system. At the same time, the Company's website uses a variety of methods and channels to provide the Company's latest information and important results of corporate social responsibility issues, which methods and channels include stakeholder zone on the website, seminars, investor conference call, industry-government-academia consultation meetings, customer satisfaction surveys, mails, and corporate social responsibility reports.	No gaps
VI. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings relevant affairs?	✓		The Company has appointed Stock-Affairs Agency Department of Taishin International Bank as its agency to carry out tasks relevant to Shareholders' Meetings.	No gaps
VII. Information Disclosure				
(I) Does the Company establish a website to disclose information on financial operations and corporate governance?	✓		1. Financial information disclosure: The Company's Chinese and English websites have investor zones, which regularly update financial information and investor conference call materials for investors' reference. 2. Disclosure of business information: Product Introduction and Technical R&D sections have been set up on the Company's website, providing product and business information on a timely basis, and the Company also uploads the latest business activities for the public at all times. 3. Disclosure of corporate governance information: The Company has a corporate governance area, which includes: Information about the Board of Directors and functional committees, performance evaluation of the Board of Directors and corporate governance related information; in addition, the Company's policies and regulations and important documents are placed on the website.	No gaps
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	✓		1. Appointed designated personnel to collect and disclose Company information: Information collection and disclosure from the Company is done by specific personnel, and the Company also announces the latest and accurate Company information to the public through press release or material information disclosure. 2. Implementation of the spokesperson system: The Company has appointed CFO Benjamin Tseng to serve as Spokesperson, and Director from Finance Planning Division, Jack Juang, to serve as Deputy Spokesperson. 3. Proceedings from the Investors' Conference call is uploaded to the Company website: The Company's recordings and abstract information from Investors' Conference call are both uploaded to the Investor section of the Company website for all to see. Besides the Investor section, finance, business and operating information from the Investors' Conference call are also posted to the Market Observation Post System (MOPS) pursuant to regulations from the TWSE.	No gaps
(III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating conditions of each month as early as possible before the prescribed deadline?	✓		The Company's 2020 consolidated and parent-company-only financial report was announced and filed on February 26, 2021; the first, second and third quarter of 2020 financial reports and monthly revenue were also announced and filed at the Market Observation Post System before the prescribed period, and were uploaded to the Company's website simultaneously.	No gaps
VIII. Has the Company				
(I) Employee Rights	✓		One of the Company's management missions is to respect human nature and to care for its employees. Various benefits programs have been established, and Company	No gaps
(II) Employee care	✓			No gaps



Assessed items		Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
		Yes	No	Explanation	
disclosed other information to facilitate a better understanding of its corporate governance?				employees have also formed a Welfare Committee. As to the employees' rights, please see "Chapter 5 Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relations" (Pages 67-70).	
	(III) Investor Relations	✓		To achieve openness and information transparency, the Company has delegated specific personnel to announce information including finance, business, and changes from internal personnel's shareholding status on the MOPS on a timely basis in compliance with the related regulations.	No gaps
	(IV) Supplier Relationship	✓		The Company has established Supplier Evaluation Procedures for the quality/service level, green products, environmental safety and health risks(ESH), ethical conducts, and social responsibility of suppliers, which are reviewed by the relevant internal departments. Only those who have passed the evaluation procedures can be the qualified suppliers. In order to enhance smooth communication with suppliers, the Company has set up a system for reporting ethical violations ( <a href="http://integrity.abl.auo.com">http://integrity.abl.auo.com</a> ) as a communication and complaint channel with the Company, and has also set up several systems to enhance communication efficiency and transparency of information.	No gaps
	(V) Rights of Stakeholders	✓		The Company has set up different and diversified interaction methods for different stakeholders, and disclosed them in the corporate social responsibility report every year. At the beginning of each year, the Company reports to the Board of Directors on the communication with various stakeholders so that they can hear the voices of the stakeholders.	No gaps
	(VI) Directors' continuing education	✓		1. The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" from TWSE. Please see the following table "Continuing Education and Training for the Company Directors in 2020" for details. 2. The Company's managers may hold concurrent positions as Directors or supervisors of the Company's Subsidiaries. As to continuing education for the managers, please see "Chapter 3 Corporate Governance" of this Annual Report, which provides information on "Other important information that can promote understanding of the company's corporate governance operations" (Page 38)	No gaps
	(VII) The implementation of risk management policies and risk evaluation standard	✓		Please see Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management (Pages 80-88).	No gaps
	(VIII) The implementation of customer relations policies	✓		The Company normally maintains close contact with its customers, and constantly informs clients of products that satisfy the clients' interest. The Company also ensures that its products can achieve the expected reliability and quality. Moreover, the Company also actively participates in the clients' CSR promotional plans to blend new perspectives and methods into the Company's management system in practice.	No gaps
	(IX) Status of purchasing liability insurance for Company Directors	✓		The Company has filed for liability insurance for its Directors and managers. The Company regularly evaluates the insurance limit on an annual basis, and reports the renewal of liability insurance to the Board of Directors.	No gaps
IX. Succession Plan and Operations of Members of the Board of Directors and Key Managerial Officers		✓		The Company has a diversity policy on the composition of members of the Board of Directors. Under the structure of the Board of Directors with more than half of the independent directors, the Company's Corporate Governance Committee formulates independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender. At the same time, the Corporate Governance Committee will also consider the professional knowledge, technology and experience required by the directors of the Company based on the Company's size, business nature, future strategic development and transformation planning to establish directors' training programs, and regularly review the number of directors and the criteria that should be met, and in reference to the Directors' performance evaluation results, so as to plan for succession of directors. The Company has set up a Talent Development Committee, which regularly meets to discuss and inspect the transitional planning and talent cultivation for important	No gaps

Assessed items	Implementation Status (Note 1)		Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	
			<p>managerial roles within the Company. The committee has also set up an Individual Development Program (IDP) for important managerial roles based on their individual competencies and functional needs. To foster the managerial competency, leadership, and operational skills of important managerial roles, the IPD includes training courses, interdisciplinary learning, job rotation, and a mentorship system based on the needs of the organization and individuals. In particular, the training courses are planned by the Company's training system. In addition to internal training courses, renowned external institutions are also introduced to facilitate the management team in expanding its external perspectives. To foster multi-dimensional strategic views at the management level, the Talent Development Committee will establish management level rotations based on the organization's needs. A mentorship system is also established to facilitate new managers. In addition to organizing and incubating a well-rounded management reserve to assume subsequent leadership through cross-disciplinary methods, the mentorship system also allows managers to learn up close the strategic views required for corporate management.</p> <p>The Company will also arrange important management to serve as members of the Board of Directors of the Company or investment enterprise, familiarize them with the operation of the Board of Directors, and have them participated in the planning of the Company's or investment enterprise's long-term strategic direction and vision.</p>
<p>X. Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies the Company has set as priority for improvement:</p> <p>The Company is named among the top 5% in the 6th Corporate Governance Evaluation from the TWSE in 2019. At the same time, the Company referred to the corporate governance evaluation indicators and took the recommendations of the Board of Directors in their performance evaluation results to set up a Corporate Governance Committee at the end of 2019 in order to establish appropriate and sufficient functional committees and strengthen corporate governance and enhance the effectiveness of the Board of Directors. The Company continuously demonstrates its sustainable strength in all aspects of economy, environment and society, and will continue to uphold the core values of the Company, namely integrity, and undertake the long-term sustainable responsibility for all stakeholders and the society.</p> <p>To realize our mission of "becoming a leading green project enterprise around the world," the Company has invested toward new business areas in solar energy, developed eco-friendly products, and is committed to in-depth environmental issues in the manufacturing industry.</p> <p>Energy management: The Company is the first manufacturing company in the world to introduce the ISO 50001 energy management system. Each year, there are hundreds of energy-saving management improvement programs, with investment of several hundred million NTD. In addition, through the three-year implementation of IPMVP, the company constructed a data management platform for energy consumption in production and operations. No matter by training professionals in energy efficiency management, or by independently developing an IoT radio meter reporting system, the Company's capabilities in intelligent big data management were greatly improved. In addition, the fruitful results and technologies born out of industry-university cooperation in recent years have also been utilized in various plants to maximize the benefits of energy-saving. For example, in 2020, 100 million kWh of electricity was saved.</p> <p>Environmental management:</p> <p>The Company has introduced the ISO 14001 environmental management system for a long time. Through continuous improvement of the recycling mechanism, it ensures the sustainability of the environment and meets the needs of stakeholders. Practices of such includes the implementation of water-saving technologies in the production process, the promotion of sludge reduction projects, the improvement of material recycling, support for the government policies, promotion of the use of recycled water, and cooperation with suppliers to implement the Company's 2025 CSR goal of [sustainable environment, inclusive growth, and flexible innovation]. We also continue to extend our environmentally friendly influence to the supply chain to create a sustainable ecosystem together with our supplying partners through promotion, sharing, teaching and leading by actions.</p> <p>Green energy: As of the end of 2020, the Company has indirectly established and implemented a 124 MWp solar power system through Star River Energy Corp. and Star Shining Energy Corp.</p>			

Note 1: The operating status column is based on the Company's practices, and either Yes or No will be ticked. Please see the content of the abstract for explanations.

## Continuing education of the Company's Directors in 2020:

Title	Name	Date	Organizer	Course Name	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.09.11	Securities and Futures Institute	Legal compliance for insider equity trading	3 hours
		2020.10.27	Taiwan Institute of Directors	Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Director	Kuen-Yao (K.Y.) Lee	2020.08.18	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.11.19		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Director	BenQ Foundation Representative: Peter Chen	2020.08.18	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.11.19		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Director	AUO Foundation Representative: Frank Ko	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Independent Director	Mei-Yueh Ho	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Independent Director	Chin-Bing (Philip) Peng	2020.01.16	Institute for Information Industry	Smart Property Management Promotion Activities of the Board of Directors of TWSE/TPEX Listed Companies	2.5 hours
		2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Independent Director	Yen-Shiang Shih	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Independent Director	Yen-Hsueh Su	2020.04.27	Taiwan Corporate Governance Association	Corporate M&A Practices and Cases Analysis	3 hours
		2020.07.13		Mergers and Acquisitions from the Perspective of Directors and Supervisors	3 hours
		2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Independent Director	Jang-Lin (John) Chen	2020.01.16	Institute for Information Industry	Smart Property Management Promotion Activities of the Board of Directors of TWSE/TPEX Listed Companies	2.5 hours
		2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours

(VI) Fulfillment of Corporate Social Responsibility and Its Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Explanation	
I. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	✓		Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
II. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the board of directors?	✓		Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
III. Environmental Issues	(I) Has the Company referred to the nature of its industry to establish a suitable environmental management system (EMS)?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
	(II) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
	(III) Does the Company assess the potential risks and opportunities brought by climate changes on the Company, both for the time being and for the future, and take measures to respond to climate issues?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
	(IV) Does the Company count the amount of greenhouse gas emissions, water consumption and total weight of waste for the past two years? Are any policies pertaining to energy conservation, carbon reduction, greenhouse gas reduction, reduction of water consumption, or other waste management policies formulated accordingly?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99) Each year, the Company discloses its annual achievement regarding greenhouse gas (GHG) emissions due to climate change, water resource management and waste reduction, as well as the implementation status of environmental goals, and related data in its CSR Report, of which the Chapter 3 "Environment Sustainability" can be referred to for further information.	No gaps
IV. Society	(I) Has the Company set up management policy and procedures according to related laws and regulations and the International Bill of Human Rights?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
	(II) Does the Company formulate and implement reasonable employee benefits measures (including compensation, days-off, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?	✓	Please see chapter 5 Operational Highlights and chapter 8 Corporate Social Responsibility. (Pages 55-71 and Pages 89-99)	No gaps
	(III) Has the Company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
	(IV) Has the Company established effective career and competence development and training plans?	✓	Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Explanation	
(V) Has the Company complied with relevant laws and regulations and international standards for its products and services respecting customer health and safety, customer privacy, marketing and labeling, and formulated relevant consumer protection policies and grievance procedures?	✓		Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor rights, and how well are those policies implemented?	✓		Please see chapter 8 Corporate Social Responsibility. (Pages 89-99)	No gaps
V. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its corporate social responsibility reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	✓		The Company's first CSR Report was published in 2006. Since adopting GRI STANDARDS in 2017, the Company has compiled the CSR Reports in compliance with the Comprehensive option of the standards to report to interested parties the Company's economic, environmental and social strategies and activities. The reports have been verified by independent third-party institutions. Since 2016, we have also autonomously adopted the accounting system ISAE 3000 for assurance, which not only strengthens the transparency of reports but also enhances the precision of our internal work.	No gaps
<p>VI. Where the Company has stipulated its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company:</p> <p>The Company has established a set of "Corporate Social Responsibility Best Practice Principles," which includes regulations on environmental protection, community participation, social contribution, community service, social welfare, customer's rights, human rights, safety and health, and these Principles can be downloaded from the Company website: (<a href="https://www.auo.com/zh-TW/Policy_and_Documents/index">https://www.auo.com/zh-TW/Policy_and_Documents/index</a>). As for the Company's CSR strategies and status of implementation, please see "Chapter 8 Corporate Social Responsibility" (Pages 89-99) of this Annual Report, and Corporate Social Responsibility Report which complied by the Company.</p>				
<p>VII. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, community engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities):</p> <p>Please see chapter 8 Corporate Social Responsibility. (Pages 89-99) or the Company CSR website: (<a href="https://csr.auo.com/tw">https://csr.auo.com/tw</a>) for related information.</p>				

Note 1: If "Yes" is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if "No" is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.

Note 2: The materiality principle refers to those environmental, social and corporate governance issues that have significant influence on the Company's investors and other interested parties.

(VII) Implementation of Ethical Corporate Management and the Gaps With the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Causes Thereof

Assessed items	Implementation Status (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps	
	Yes	No	Explanation		
I. Formulating policies and plans for ethical corporate management	(I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?	✓		The "Code of Ethical Management" disclosed on the Company's website is approved by the Board of Directors. In addition, the Company has also formulated a manual regarding ethical corporate management. Moreover, Board members and all employees must sign the "Ethic Declaration." In addition, every year, the effectiveness and outcomes of the Code of Ethical Management are reported regularly to the Board of Directors, and publicly disclosed in the annual report and CSR report.	No gaps
	(II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has developed an assessment mechanism for unethical risks, and set out the following precautionary measures for the following unethical conducts in the corporate ethic manual: <ul style="list-style-type: none"> <li>● Bribing or receiving bribes, and taking or receiving inappropriate benefits.</li> <li>● Providing illegal political contributions</li> <li>● Improper charitable donation or sponsorship</li> <li>● Unreasonable Presents, Hospitality or Other Improper Benefits</li> <li>● Violation against Anti-trust Law</li> <li>● Infringement on Intellectual Property</li> </ul>	No gaps
	(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?	✓		Moreover, preventative measures for infringement on trade secrets have also been proposed in the "Management Principles for Information Security". The Company regularly analyzes and evaluates business activities with a high unethical risk. We also conduct job inventory and arranges mandatory training courses for executives who are defined as having an honest duty, so that they comply with regulations when conducting their businesses. For those who breach the Corporate Ethical Policy, the following punitive actions will be taken based on the severity of the breach, including oral or written reprimands and warning, salary deduction or cancellation of bonuses or even termination of employment. In case of unlawful activity, legal actions will also be taken. In addition to the above-mentioned actions, if the breach of the Corporate Ethical Policy is done to obtain inappropriate benefits for the perpetrator, the benefits obtained shall be returned to the victim or the Company.	No gaps
II. Implementing ethical management	(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		Only after requiring all contracted vendors to sign code of ethical conduct can the Company file the information of any trading counterparty or vendor and transaction be undertaken.	No gaps
	(II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?	✓		In order to improve ethical corporate management, the Sustainability Development Head Office is responsible for the formulation and supervision of the implementation of the ethical corporate management plan, for reporting the implementation status thereof to the Board of Directors at least once a year, and for conducting inventory of honest job positions in order to provide trainings and declare conflict of interests. At the annual supplier conference, the Company announces commitments to ethical transactions. In addition, to confirm that key suppliers meet the regulations, we have employed the external audit system of the Responsible Business Alliance (RBA). In 2020, we communicated the ethical transaction commitment to suppliers, had 393 suppliers sign the Code	No gaps

Assessed items	Implementation Status (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			of Conduct, and audited the implementation of ethical corporate management of 63 suppliers. The signing rate of new employees for ethics training courses, as well as Declaration of Ethics, is 100%.	
(III) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	✓		To implement the regulations on conflict of interest in the Corporate Ethics Handbook and to prevent Company losses from conflict of interest from its employees, "AUO Reporting Procedures for Conflict of Interest" had been established, allowing employees to report through the system. Alternatively, employees in specific roles (that require honesty) are required to file their status on the reporting system on an annual basis.	No gaps
(IV) Has the Company established effective systems for both accounting and internal control to implement ethical corporate management? Has the internal auditors formulated related plans and checked the compliance of anti-unethical conduct based on the unethical risks assessed? Or does the Company commission a CPA for the audit task?	✓		"Internal control system" has been established at AUO, in which internal audit personnel will regularly evaluate risks and propose audit plans and undertake audits accordingly. Special project-based audits will also be undertaken when necessary. Results of such audits are regularly reported to the Audit Committee and the Board of Directors, facilitating the management level to understand the operations of the Company's internal control to achieve management purposes.	No gaps
(V) Does the Company regularly hold internal and external training related to ethical corporate management?	✓		Besides the integrity promotion courses for the new recruits, the Company has also launched 'Legal Compliance Course' since 2015, in which indirect employees are required to undertake legal compliance online courses and sit through quizzes every two years, as well as signing a declaration for legal compliance upon completion of the course.	No gaps
III. Operation of whistle-blowing mechanisms in the Company				
(I) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	✓		Reporting can be made through any of the following channels when breach of ethical or integral conduct is found during any of the Company's business activities: ● Internal: Direct executives, President Mailbox, Audit Committee Mailbox ● External: Reporting System on Breach of Code of Ethical Conduct ( <a href="http://integrity.abl.auo.com">http://integrity.abl.auo.com</a> ) After an accusation case has been filed, investigation will ensue by the Audit Department or a special committee formed based on the "Management Methods of Material Disciplinary Investigation Committee".	No gaps
(II) Has the Company established standard operating procedures for the reported matters, the measures to be taken after investigation is completed, and the relevant confidential mechanism?	✓		The Company's Procedures for Accounting, Internal Control and Audit Related Grievance and the Grievance Reporting Method have clearly stipulated standard operating procedures, responsible departments for receiving such reports, and procedures to handle these reports. The Company also maintains confidentiality of personal information and strictly prohibits its employees from taking retaliatory actions.	No gaps
(III) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?	✓			No gaps
IV. Enhanced information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has clearly stated the content and effectiveness of the Ethical Corporate Management Best Practice Principles in the Company's CSR Report, which can be found on the Company website. The Ethical Corporate Management Best Practice Principles are also disclosed on the Company website, and relevant performance is regularly disclosed and updated each year.	No gaps
If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: The Company has established Ethical Management Principles based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and there is no material discrepancy between the Company's ethical management and Ethical Management Principles.				
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): Since the Company has begun advocating for the "Honest AUO" activities in 2012, a series of activities ranging from signing a Declaration of Ethics, online				

Assessed items	Implementation Status (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
<p>ethics testing, read-aloud of the Corporate Ethics Handbook and anti-trust course, have helped to cultivate a mindset for 'honesty' in each and every one of AUO's employees, forming the most basic corporate culture of AUO.</p> <p>Ethics Promotions Week is planned every year, in which employees can become more familiar with the Company's internal ethics culture through broadcast and e-bulletin. Moreover, the Corporate Integrity Handbook is announced to be the Code of Conduct for all AUO employees. To ensure that all employees can implement integrity in their work, the Code offers a guide to behavioral conduct, case studies, and examples for the Company's Corporate Integrity Policy, standards on working with business partners, standards on working with government agencies, Intellectual Property rights, conflict of interest, information system security, insider trading, and anti-trust.</p> <p>Concurrently, to abide by the local laws and regulations in which the Company operates in and to undertake business activities with the highest level of moral standards and to help employees gain accurate legal knowledge, AUO requires indirect employees to undertake online legal compliance courses and subjects them to relevant quizzes, as well as signing a declaration for legal compliance after the completion of the course.</p> <p>Furthermore, to facilitate all employees to understand the meaning of the Antitrust Law, besides having established an Antitrust Law section on the internal website, a mobile APP has also been established so that employees can inquire for relevant information on a timely basis.</p> <p>In addition, the Company deems unit managers who handle supplier matters and have close relationships with manufacturers as having an honest job position. Considering that supervisory positions require high ethical standards in conducting business so as to protect the Company and individual employees, we have made the "AUO Declaration of Conflict of Interests", according to which colleagues having an honest job position must make a declaration each year. A total of 228 persons declared in 2020, with a completion rate of 100%. Every two years, a compulsory compliance training course is arranged for the managers holding honest positions, which courses cover practical case sharing and regulations that must be followed when handling relevant business at work.</p>				

Note 1: The operating status column is based on the Company's practices, and either Yes or No will be ticked. Please see the content of the abstract for explanations.

**(VIII) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed**

The Company has established the "Corporate Governance Principles" to provide regulations on protecting shareholders' rights, strengthening the functionalities of the Board of Directors, respecting stakeholders' rights, and enhancing information transparency. Please see either the MOPS or the Company website for the Company's "Corporate Governance Principles".

**(IX) Other important information that can promote understanding of the company's corporate governance operations:**

1. In order to strengthen corporate governance and enhance the effectiveness of the Board of Directors, the Board of Directors established a Corporate Governance Committee and formulated the " Organizational Charter for Corporation Governance Committee " in October 2019. For related content, please visit either the MOPS or the Company website.
2. The Board of Directors has appointed Mr. Benjamin Tseng, the vice president, as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. Such an appointment is to protect shareholders' rights and enhance the competence of the Board of Directors. His qualifications meet the requirements set forth in Article 3-1-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The head of corporate governance's duties include: provide directors and Audit Committee with the information required for the implementation and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.
3. The Company has established " Management Procedure for Insider Trading Prevention " to serve as a reference for the Company's handling and disclosure of material information, the Company also reviews the Procedures from time to time to comply with present laws and practical management needs. The Procedures are also announced on AUO's internal Document Management System and the Company website for all managers and employees around the world to review. The Company also alerts insider of the Company the material information and notifications as needed.



4. The Company regularly arranges for senior executives to attend corporate governance courses. Please see the following table for corporate governance training undertaken by senior executives in 2020:

Title	Name	Date of continuing education	Organizer	Course Name	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.09.11	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
		2020.10.27	Taiwan Institute of Directors	Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
President and COO	Frank Ko	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Senior Vice President	Wei-Lung Liao	2020.09.19	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
		2020.10.27	Taiwan Institute of Directors	Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Senior Vice President	CS Hsieh, James CP Chen, Amy Ku	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Vice President	Hong-Jye Hong, Tina Wu, Andy Yang, Shih-Hong Liao, TY Lin	2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.10.27		Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
Financial Manager Accounting Manager Cooperate Governance Manager	Benjamin Tseng	2020.02.20	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3 hours
		2020.07.29	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3 hours
		2020.09.08	Accounting Research and Development Foundation	The latest trend of our country's fiscal and taxation laws and enterprises' response strategies	3 hours
		2020.10.13	Accounting Research and Development Foundation	Analysis on Common Corporate Governance Deficiencies	3 hours
		2020.10.27	Taiwan Institute of Directors	Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours
		2020.11.20	Accounting Research and Development Foundation	Impact of International Implementation of the "Economic Substance Law for Offshore Companies" on Corporate Finance and Taxes and Related Responses	3 hours
Audit Manager	Maggie Chen	2020.09.18	The Institute of Internal Auditors – Chinese Taiwan	Labor Incident Act case analysis	6 hours
		2020.10.19	Accounting Research and Development Foundation	The Latest Interpretations of Corporate Governance Policy and Audit Compliance Practices for Setting "Corporate Governance Personnel"	6 hours
		2020.10.27	Taiwan Institute of Directors	Opportunities and Challenges for Corporates amidst the US-China Trade Conflict	3 hours

(X) Implementation of Internal Control System

I. Statement of Internal Control System

AU Optronics Corporation  
Statement of Internal Control System

Date: February 3, 2021

Based on the findings of a self-assessment, AU Optronics Corporation (hereinafter “the Company”) states the following pertaining to its internal control system during year 2020:

- I. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and managers. The Company has established such a system with an aim to providing reasonable assurance for the achievement of the following objectives: The effectiveness and efficiency of business operation (including profitability, performance, and safe-guarding of company assets; The reliability, timeliness, transparency, and regulatory compliance of financial reporting and other related reports; and The compliance with applicable laws, regulations and rulings.
- II. An internal control system has inherent limitations. No matter how perfectly it is designed, an effective internal control system can provide only reasonable assurance of achieving the three above-mentioned objectives. Moreover, the effectiveness of the internal control system may be subject to changes of environment or circumstances. Nonetheless, the Company’s internal control system comprises of self-monitoring mechanisms, and the Company immediately undertakes corrective measures once a deficiency is identified.
- III. The Company assesses the design and operating effectiveness of its internal control system in accordance with the criteria stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The criteria stipulated in the Regulations identify five essential elements of an internal control system based on managerial control process, including 1). Control environment, 2). Risk assessment 3). Control activities, 4). Information and communication, and 5). Monitoring activities. Each essential element further contains several items. Please see the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the results of the above mentioned assessment, the Company believes that, as of December 31, 2020, its internal control system, including its supervision and management of subsidiaries, was effective in design and operation and provided reasonable assurance of achievement of operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and rulings.
- VI. This Statement constitutes an integral part of the Annual Report for the year 2020 and the Prospectus of the Company and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 in the Securities and Exchange Act.
- VII. This Statement has been approved by the Board of Directors in their meeting held on February 3, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

AU Optronics Corporation

Chairman, Shuang-Lang (Paul):

President, Frank Ko:

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: None.

(XI) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report:

1. As to penalties on environmental pollution, please see "Chapter 5 Operational Highlights" (Page 66) of this Annual Report, which provides information on "Environmental Protection Expenditures".
2. As to penalties on labor conflicts, please see "Chapter 5 Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relation"(Pages 69-70).

(XII) Material resolutions made in the Shareholders' Meeting and the Board of Directors in the most recent year and up to the publication date of this Annual Report

1. Material resolutions from the 2020 Shareholders' Meeting and Implementation Status

- Accepted 2019 Business Report and Financial Statements  
Implementation status: Resolution was passed
- Accepted the proposal for the distribution of 2019 earnings  
Implementation status: Resolution was passed, and no cash dividend was distributed this year.
- Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in a private placement  
Implementation status: Resolution was passed; the Board of Directors is authorized to proceed with funding. However, no actual action toward this means has been taken yet as of the publication date of the Annual Report.
- Approved the demerger of the Company's business of the General Display and the Public General Display and the Public Information Display to the Company's wholly-owned subsidiary and the Demerger Proposal  
Implementation status: Resolution was passed, and January 1, 2021 is the record date of the demerger.
- Approved the amendment to the Articles of Incorporation  
Implementation status: Resolution was passed, and the amended Articles of Incorporation became effective on June 17, 2020.
- Approved the amendments to Rules and Procedures for Shareholders' Meeting  
Implementation status: Resolution was passed, and the amended Rules and Procedures became effective on June 17, 2020.
- Approved to lift non-competition restrictions on board members  
Implementation status: Resolution was passed, and the non-competition restrictions were lifted on the director, namely Frank Ko, Peter Chen, and Jang-Lin (John) Chen.

2. Material Resolutions from the Board of Directors

9th Term 5th Meeting 2020.02.05	<ul style="list-style-type: none"> <li>◆ Approved the Internal Control Declaration for 2019 (Note)</li> <li>◆ Approved the amendments to Internal Control Systems (Note)</li> <li>◆ Approved the 2019 Parent Company Only and Consolidated Financial Statements (Note)</li> <li>◆ Approved the proportion to the appropriation of employees' and directors' remuneration</li> <li>◆ Approved to lend capital to the subsidiary, SPACE MONEY INC. (Note)</li> <li>◆ Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital (Note)</li> <li>◆ Approved the Company to cancel the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd. (Note)</li> <li>◆ Approved the amendments to "compensation policy to the directors and functional committee members"</li> <li>◆ Approved the 2019 compensation to directors and senior managerial officers</li> <li>◆ Approved the 2020 Senior Officer Compensation Policy</li> <li>◆ Approved the reduction of capital expenditure budget</li> <li>◆ Approved the donations (Note)</li> <li>◆ Approved to conduct Syndication loan</li> <li>◆ Approved the addition and renewal of banking facilities</li> </ul>
9th Term 6th Meeting 2020.02.05	<ul style="list-style-type: none"> <li>◆ The Company intends to publicly acquire the common shares of ADLINK Technology Inc. (Note)</li> </ul>
9th Term 7th Meeting 2020.03.20	<ul style="list-style-type: none"> <li>◆ Approved the 2019 Business Report and the 2020 Business Plan (Note)</li> <li>◆ Approved the distribution of 2019 earnings (Note)</li> <li>◆ Approved the issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement (Note)</li> <li>◆ Approved the amendment to the Articles of Incorporation</li> <li>◆ Approved the amendments to "Rules and Procedures for Shareholders' Meeting", "Rules and Procedures for Board of</li> </ul>

	<p>Directors", "Audit Committee Charter", "Remuneration Committee Charter", "Corporate Governance Principles", and "Best Practices on CSR"</p> <ul style="list-style-type: none"> <li>◆ Approved the date of convening 2020 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors</li> <li>◆ Approved to cancel the issuance of securities in private placement resolved in the 2019 Annual General Shareholders' Meeting</li> <li>◆ Approved the 2020 services and fees of the Certified Public Accountant (Note)</li> </ul>
9th Term 8th Meeting 2020.04.29	<ul style="list-style-type: none"> <li>◆ Approved the Consolidated Financial Statements for the period ended March 31, 2020 (Note)</li> <li>◆ Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd. (Note)</li> <li>◆ Approved to lend capital to the subsidiary, AUO Crystal Corp. (Note)</li> <li>◆ Approved the budget for capital expenditure</li> <li>◆ Approved the amendments to the Authorization Matrix (Note)</li> <li>◆ Approved to lift noncompetition restrictions on board members</li> <li>◆ Examined shareholders' proposal for 2020 Annual General Shareholders' Meeting</li> <li>◆ Approved the addition and renewal of banking facilities</li> <li>◆ Approved the demerger of the Company's business of the General Display and the Public General Display and the Public Information Display to the Company's wholly-owned subsidiary (Note)</li> <li>◆ Approved the adjustment to the investment structure of smart industrial service subsidiaries (Note)</li> <li>◆ Approved amendment to the date of convening 2020 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors</li> </ul>
9th Term 9th Meeting 2020.05.06	<ul style="list-style-type: none"> <li>◆ Approved the demerger of the Company's business of the General Display and the Public General Display and the Public Information Display to the Company's wholly-owned subsidiary (Note)</li> <li>◆ Approved amendment to the date of convening 2020 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors</li> </ul>
9th Term 10th Meeting 2020.07.29	<ul style="list-style-type: none"> <li>◆ Approved the Consolidated Financial Statements for the period ended June 30, 2020 (Note)</li> <li>◆ Approved the budget for capital expenditure</li> <li>◆ Authorized Chairman to make negotiation with the directors of AUO Display Plus on any adjustment necessary for the Company's planned to demerge of the assets and liabilities related to General Display and Public Information Display businesses</li> <li>◆ Approved the addition and renewal of banking facilities</li> </ul>
9th Term 11th Meeting 2020.10.28	<ul style="list-style-type: none"> <li>◆ Approved 2021 Annual Audit Plan (Note)</li> <li>◆ Approved the Consolidated Financial Statements for the period ended September 30, 2020 (Note)</li> <li>◆ Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd. (Note)</li> <li>◆ Approved to lend capital to the subsidiary, AUO Crystal Corp. (Note)</li> <li>◆ Approved to lend capital to the subsidiary, U-Fresh Technology Inc. (Note)</li> <li>◆ Approved adjustment to the shareholding structure of the subsidiary, AUO Display Plus Netherlands B.V. (Note)</li> <li>◆ Approved the budget for capital expenditure</li> <li>◆ The Company planned to apply to the United States Securities and Exchange Commission for de-registration of the Company's American depositary shares and the common shares represented by them and for termination of the declaration obligations under the U.S. Securities and Exchange Act (Note)</li> <li>◆ Approved the 2021 Senior Officer Compensation Policy</li> <li>◆ Approved the formulation of the Risk Management Policy and Procedures</li> <li>◆ Approved the addition and renewal of banking facilities</li> <li>◆ Approved the Company and Konly Venture Corp. to invest in common shares of Qisda Corporation (Note)</li> </ul>
9th Term 12th Meeting 2021.02.03	<ul style="list-style-type: none"> <li>◆ Approved the Internal Control Declaration for 2020 (Note)</li> <li>◆ Approved the 2020 Parent Company Only and Consolidated Financial Statements (Note)</li> <li>◆ Approved the increase/decrease in capital expenditure budget</li> <li>◆ Approved the Company to invest in the common shares of Ennostar Inc. (Note)</li> <li>◆ Approved the capital injection from the Company to the subsidiaries, Konly Venture Corp. and Ronly Venture Corp. (Note)</li> <li>◆ Approved the subsidiary, AU Optoelectronics (Shanghai) Co., Ltd., to lend capital (Note)</li> <li>◆ Approved the AU Optronics Corp. to lend capital (Note)</li> <li>◆ Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights"</li> <li>◆ Approved the list of treasury stocks' receiving managers and the number of distribution (subscription)</li> <li>◆ Approved the donations (Note)</li> <li>◆ Approved the addition and renewal of banking facilities</li> </ul>
9th Term 13th Meeting 2021.03.16	<ul style="list-style-type: none"> <li>◆ Approved the 2020 Business Report and the 2021 Business Plan (Note)</li> <li>◆ Approved the distribution of 2018 earnings (Note)</li> <li>◆ Approved the distribution of 2020 employees' and directors' remuneration</li> <li>◆ Approved the issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement (Note)</li> <li>◆ Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures</li> </ul>

	<p>for Providing Endorsements and Guarantees for Third Parties " (Note)</p> <ul style="list-style-type: none"> <li>◆ Approved to authorize Chairman to endorse guarantee (Note)</li> <li>◆ Approved the date of convening 2021 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors</li> <li>◆ Approved to cancel the issuance of securities in private placement resolved in the 2018 Annual General Shareholders' Meeting</li> <li>◆ Approved the subsidiary, AUO Crystal Corp., to dispose of its plant in Zhonggang and the ancillary equipment therein (Note)</li> <li>◆ Approved the budget for capital expenditure</li> <li>◆ Change of Certified Public Accountant (Note)</li> <li>◆ Approved the 2021 services and fees of Certified Public Accountant (Note)</li> <li>◆ Approved the 2020 Senior Officer Compensation Policy</li> </ul>
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Note: Matters included in Article 14-5 of the Securities and Exchange Act.

- (XIII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report: None.
- (XIV) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of Chairman, President, Accounting Manager, financial Manager, internal audit manager , Head of Corporate Governance and R&D: None.
- (XV) Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

December 31, 2020

Title of License	Number of persons	
	Financial Accounting	Audits
R.O.C. CPA	3	1
US CPA	1	-
Chartered Financial Analyst (CFA)	1	-
Financial Risk Manager (FRM)	2	-
Certified Internal Auditor (CIA)	2	-
Certified Information Systems Auditor (CISA)	-	1
Senior Securities Processing Personnel	9	-
Stock Affairs Personnel	4	-
Basic Ability Test for Corporate Internal Control organized by the Securities and Futures Institute	2	3
The Fundamentals of Corporate Governance Test held by the Securities and Futures Institute	3	-

## V. Information on CPA fees

### (I) Information on CPA fees

Unit: NT\$ thousands

Name of the Accounting Firm	Name of CPA	Audit Fee	Non-accounting fee					CPA's Audit Period	Remarks
			System Design	Corporate Registration	Human Resources	Others (Note)	Subtotal		
KPMG Certified Public Accountants	Wei, Hsin-Hai Lu, Chien-Hu	18,410	-	-	-	901	901	2020.1.1~2020.12.31	Note: The service fees included the fee for CSR assurance and Country-by-Country Report (CBCR) filing, and so on.

1. Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: Not applicable.

2. Replacement of accounting firm and the audit fees in the replacing years is less than that in the previous year: Not applicable.

3. Audit fees were reduced by over 10% compared with the previous year: The audit fees in 2020 decreased by NT\$17,200 thousand, a decrease of 48% compared with 2019, mainly because there was no need to perform the 2020 SOX 404 audit and Form 20-F audit in 2020.

(II) The audit fees mentioned above are the fees paid to the CPA regarding the services of audit and review on financial report, and tax compliance.

## VI. Information on replacement of CPA in the past two years:

### (I) Former CPA

Date of replacement	March 16, 2021		
Replacement reasons and explanations	The CPAs are changed from Wei, Hsin-Hai and Lu, Chien-Hu to Yu, Chi-Lung and Yu, Wan-Yuan due to the internal adjustment from the accounting firms		
Describe whether the Company is terminated or the CPA did not accept the appointment	Party Condition	CPA	Consignor
	Engagement terminated automatically		
	Engagement discontinued	V	
The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion (Note)	Not applicable		
Any disagreement in Opinion with the issuer	Yes	Accounting principles or practices	
		Disclosure of financial report	
		Scope or procedure of auditing	
		Others	
	No	V	
	Explanation		
Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)	Not applicable		

### (II) Succeeding CPA

Name of the firm	KPMG Certified Public Accountants
Name of CPA	Chi-Lung Yu and Wan-Yuan Yu
Date of appointment	March 16, 2021
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPA that are Different from the Former CPA Opinions	Not applicable

(III) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

VII. Did the Company's Chairman, President, Chief Financial Officer, or Managers in Charge of its Financial and Accounting Operations hold any positions within the Company's Independent Audit Firm or its Affiliates in the most recent year: None

VIII. The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report

(I) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares

Unit: 1,000 shares

Title(Note)	Name	2020		As of February 28, 2021	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman and CEO	Shuang-Lang (Paul) Peng	996	0	(1,538)	0
Director	Kuen-Yao (K.Y.) Lee	0	0	0	0
Corporate Director	AUO Foundation	0	0	0	0
Representative of Corporate Director President and COO	Frank Ko	500	0	327	0
Corporate Director	BenQ Foundation	0	0	0	0
Representative of Corporate Director	Peter Chen	0	0	0	0
Independent Director	Chin-Bing (Philip) Peng	0	0	0	0
Independent Director	Mei-Yueh Ho	0	0	0	0
Independent Director	Yen-Shiang Shih	0	0	0	0
Independent Director	Yen-Hsueh Su	0	0	0	0
Independent Director	Jang-Lin (John) Chen	0	0	0	0
Senior Vice President	Wei-Lung Liao	362	0	129	0
Senior Vice President	Ting-Li Lin	349	0	106	0
Senior Vice President	James CP Chen	(100)	0	93	0
Senior Vice President	CS Hsieh	270	0	93	0
Senior Vice President	Amy Ku	0	0	93	0
Vice President	Hong-Jye Hong	151	0	8	0
Vice President	TL Tseng	44	0	56	0
Vice President	TY Lin	186	0	93	0
Vice President	Tina Wu	109	0	93	0
Vice President	Andy Yang	176	0	62	0
Vice President	Shih-Hong Liao	19	0	56	0
Vice President	Benjamin Tseng	177	0	56	0
Senior Associate Vice President	Kun-Yu Lin	(10)	0	0	0
Senior Associate Vice President	Yu-Chieh Lin	76	0	(5)	0
Senior Associate Vice President	Ivan Wu	189	0	93	0
Senior Associate Vice President	SI Jeong	106	0	36	0
Senior Associate Vice President	PC Cheng	(150)	0	56	0
Senior Associate Vice President	CC Hung	8	0	62	0
Associate Vice President	Center Chen	0	0	56	0
Associate Vice President	Debbie Chiu	0	0	56	0
Associate Vice President	TL Chen	(15)	0	62	0
Associate Vice President	HC Lee	52	0	62	0
Associate Vice President	PH Lin	44	0	62	0
Associate Vice President	Jerry Liu	0	0	0	0

Note: Those who still serve in their respective positions when the Annual Report is published.

(II) Counterparty of equity pledge is a related party:

Name(Note)	Reason for equity transfer	Transaction date	Transaction counterparty	Relationship between Counterpart and the Company and Its Directors, Supervisors and Shareholders with Shareholding Ratio of 10% or More	Number of shares (thousand shares)	Transaction price
PC Cheng	Gift	2020.12.28	○-Hung Cheng	Manager's minor child	75	-
			○-Chen Cheng		75	-

Note: Those who still serve in their respective positions when the Annual Report is published.

(III) Counterparty of equity pledge is a related party: None.

IX. Information of relationships between TOP 10 shareholders are related parties

Unit: 1,000 shares

Name(Note)	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Note
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Title (or name)	Relationships	
Qisda Corporation	663,599	6.90	-	-	-	-	-	-	
Qisda Corporation Representative: Peter Chen	-	-	99	0.00	-	-	-	-	
Quanta Computer Inc.	443,930	4.61	-	-	-	-	-	-	
Quanta Computer Inc. Representative: Barry Lam	-	-	-	-	-	-	-	-	
Trust Holding for Employees for AU Optronics Corp.	440,887	4.58	-	-	-	-	-	-	
ADR of AU Optronics Corp.	403,250	4.19	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	378,702	3.93	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	-	-	-	-	-	-	-	-	
Tong Hwei Enterprise Co., Ltd.	151,800	1.58	-	-	-	-	-	-	
Tong Hwei Enterprise Co., Ltd. Representative: Tsung-Hsiang Tsai	-	-	-	-	-	-	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	121,424	1.26	-	-	-	-	-	-	
Norges Bank	93,689	0.97	-	-	-	-	-	-	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	90,860	0.94	-	-	-	-	-	-	
New Labor Pension Fund	76,074	0.79	-	-	-	-	-	-	

Note: Information recorded on the shareholder roster as of the latest book closure date (April 19, 2020) of the Company.



X. Number of shares held and combined shareholdings percentage in the same investment business by the Company, the Company's Directors, Managers, and companies directly or indirectly controlled by the Company

Unit: 1,000 shares

Investment business (Note 1)	Investment by the Company (Note 2)		Investment by Directors, Supervisors, Managers and directly or indirectly controlled businesses (Note 2)		Comprehensive investment (Note 2)	
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)
Qisda Corporation	335,231	17.04	21,116	1.07	356,347	18.12
Ennostar Inc.	21,665	3.16	21,932	3.20	43,597	6.36
Raydium Semiconductor Corporation	-	-	11,686	17.46	11,686	17.46
Daxin Materials Corp.	-	-	25,626	24.95	25,626	24.95
ADLINK Technology Co., Ltd.	42,310	19.45	259	0.12	42,569	19.57
Iris Optronics Co., Ltd.	-	-	4,420	22.10	4,420	22.10
Star River Energy Corp.	37,904	32.01	1,776	1.50	39,680	33.51
Star Shining Energy Corp.	155,000	31.00	10,000	2.00	165,000	33.00
Ubitech Corp.	-	-	357	24.41	357	24.41
WishMobile, Inc.	-	-	5,625	12.50	5,625	12.50
SkyREC Ltd.	-	-	188	16.12	188	16.12

Note 1: Invested by the Consolidated Company using the equity method. Lextar Electronics Corporation converted shares to Ennostar Inc. on January 6, 2021.

Note 2: Information recorded on the shareholder roster as of the latest book closure date of each company.

## Chapter 4 Capital Overview

### I. Capital and shares

#### (I) Source of Share Capital

Unit: NT\$; Shares

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital increase by assets other than cash	Others
1996.08	10	200,000,000	2,000,000,000	50,000,000	500,000,000	Establishment	-	Note 1
1997.06	10	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Capital Increase by Cash	-	Note 2
1998.07	10	800,000,000	8,000,000,000	500,000,000	5,000,000,000	Capital Increase by Cash	-	Note 3
1998.12	10	800,000,000	8,000,000,000	800,000,000	8,000,000,000	Capital Increase by Cash	-	Note 4
1999.12	10	1,400,000,000	14,000,000,000	1,100,000,000	11,000,000,000	Capital Increase by Cash	-	Note 5
2001.03	10	1,400,000,000	14,000,000,000	1,250,000,000	12,500,000,000	Capital Increase by Cash	-	Note 6
2001.09	10	5,000,000,000	50,000,000,000	2,970,581,607	29,705,816,070	Capital Increase by retained earnings, capital surplus and acquisition	-	Note 7
2002.06	10	5,000,000,000	50,000,000,000	3,470,581,607	34,705,816,070	Capital increase by cash to participate in the issuance of overseas depository receipt	-	Note 8
2002.08	10	5,000,000,000	50,000,000,000	3,976,397,079	39,763,970,790	Domestic corporate bond conversion	-	Note 9
2002.11	10	5,000,000,000	50,000,000,000	4,003,048,921	40,030,489,210	Domestic corporate bond conversion	-	Note 10
2003.01	10	5,000,000,000	50,000,000,000	4,024,194,453	40,241,944,530	Domestic corporate bond conversion	-	Note 11
2003.02	10	5,000,000,000	50,000,000,000	4,025,833,686	40,258,336,860	Domestic corporate bond conversion	-	Note 12
2003.08	10	5,800,000,000	58,000,000,000	4,270,445,386	42,704,453,860	Domestic corporate bond conversion Capital increase by retained earnings	-	Note 13
2003.11	10	5,800,000,000	58,000,000,000	4,352,237,241	43,522,372,410	Domestic corporate bond conversion	-	Note 14
2004.06	10	5,800,000,000	58,000,000,000	4,658,040,897	46,580,408,970	Capital increase by retained earnings	-	Note 15
2004.07	10	5,800,000,000	58,000,000,000	4,958,040,897	49,580,408,970	Capital increase by cash to participate in the issuance of overseas depository receipt	-	Note 16
2005.08	10	7,000,000,000	70,000,000,000	5,830,547,132	58,305,471,320	Capital increase by retained earnings Capital increase by cash to participate in the issuance of overseas depository receipt	-	Note 17
2006.08	10	7,000,000,000	70,000,000,000	6,094,068,587	60,940,685,870	Capital increase by retained earnings	-	Note 18
2006.11	10	9,000,000,000	90,000,000,000	7,573,178,616	75,731,786,160	Capital increase by acquisition	-	Note 19
2007.02	10	9,000,000,000	90,000,000,000	7,573,402,805	75,734,028,050	Employee stock options	-	Note 20
2007.06	10	9,000,000,000	90,000,000,000	7,573,782,895	75,737,828,950	Employee stock options	-	Note 21
2007.08	10	9,000,000,000	90,000,000,000	7,596,895,987	75,968,959,870	Corporate bond conversion Employee stock options	-	Note 22
2007.09	10	9,000,000,000	90,000,000,000	7,805,727,146	78,057,271,460	Capital increase by retained earnings	-	Note 23
2007.11	10	9,000,000,000	90,000,000,000	7,817,705,505	78,177,055,050	Corporate bond conversion Employee stock options	-	Note 24
2008.05	10	9,000,000,000	90,000,000,000	7,865,200,583	78,652,005,830	Corporate bond conversion Employee stock options	-	Note 25
2008.05	10	9,000,000,000	90,000,000,000	7,868,206,737	78,682,067,370	Corporate bond conversion Employee stock options	-	Note 26
2008.08	10	9,000,000,000	90,000,000,000	8,505,525,398	85,055,253,980	Capital increase by retained earnings Corporate bond conversion	-	Note 27

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital increase by assets other than cash	Others
						Employee stock options		
2008.11	10	9,000,000,000	90,000,000,000	8,505,719,634	85,057,196,340	Employee stock options	-	Note 28
2009.09	10	10,000,000,000	100,000,000,000	8,827,045,535	88,270,455,350	Capital increase by retained earnings	-	Note 29
2013.05	10	10,000,000,000	100,000,000,000	9,624,245,115	96,242,451,150	Capital increase by cash to participate in the issuance of overseas depository receipt	-	Note 30

Note 1. Hsinchu Science Park Bureau 08.12.1996(85) Certificate No. 13629.  
 Note 2. Hsinchu Science Park Bureau 06.05.1997(86) Certificate No. 10528.  
 Note 3. Hsinchu Science Park Bureau 07.06.1998(87) Certificate No. 016400.  
 Note 4. Hsinchu Science Park Bureau 12.23.1998(87) Certificate No. 030560.  
 Note 5. Hsinchu Science Park Bureau 12.10.1999 Certificate No. 0880026812.  
 Note 6. Hsinchu Science Park Bureau 03.23.2001 Certificate No. 0900006660.  
 Note 7. Hsinchu Science Park Bureau 09.14.2001 Certificate No. 0910023096.  
 Note 8. Hsinchu Science Park Bureau 06.20.2002 Certificate No. 0910014056.  
 Note 9. Hsinchu Science Park Bureau 08.02.2002 Certificate No. 0910017441.  
 Note 10. Hsinchu Science Park Bureau 11.29.2002 Certificate No. 0910029009.  
 Note 11. Hsinchu Science Park Bureau 01.22.2003 Certificate No. 0920001485.  
 Note 12. Hsinchu Science Park Bureau 02.26.2003 Certificate No. 0920004126.  
 Note 13. Hsinchu Science Park Bureau 08.11.2003 Certificate No. 0920019428.  
 Note 14. Hsinchu Science Park Bureau 11.20.2003 Certificate No. 0920031977.  
 Note 15. Hsinchu Science Park Bureau 06.23.2004 Certificate No. 0930016501.  
 Note 16. Hsinchu Science Park Bureau 07.16.2004 Certificate No. 0930018382.  
 Note 17. Hsinchu Science Park Bureau 08.25.2005 Certificate No. 0940023097.  
 Note 18. Hsinchu Science Park Bureau 08.23.2006 Certificate No. 0950021964.  
 Note 19. Hsinchu Science Park Bureau 11.29.2006 Certificate No. 0950031936.  
 Note 20. Hsinchu Science Park Bureau 02.08.2007 Certificate No. 0950003634.  
 Note 21. Hsinchu Science Park Bureau 06.29.2007 Certificate No. 0960017409.  
 Note 22. Hsinchu Science Park Bureau 08.21.2007 Certificate No. 0960021864.  
 Note 23. Hsinchu Science Park Bureau 09.11.2007 Certificate No. 0960023922.  
 Note 24. Hsinchu Science Park Bureau 11.21.2007 Certificate No. 0960030854.  
 Note 25. Hsinchu Science Park Bureau 05.19.2008 Certificate No. 0970012663.  
 Note 26. Hsinchu Science Park Bureau 05.27.2008 Certificate No. 0970013216.  
 Note 27. Hsinchu Science Park Bureau 08.28.2008 Certificate No. 0970023767.  
 Note 28. Hsinchu Science Park Bureau 11.20.2008 Certificate No. 0970032275.  
 Note 29. Hsinchu Science Park Bureau 09.15.2009 Certificate No. 0980025465.  
 Note 30. Hsinchu Science Park Bureau 05.24.2013 Certificate No. 1020015421.

As of March 16, 2021; Unit: Shares

Category	Shares	Authorized capital			Amount of corporate bonds that can be converted
		Shares outstanding (Note)	Unissued shares	Total	
Registered common shares		9,624,245,115	375,754,885	10,000,000,000	725,000,000

Note: The outstanding shares include 121,022 thousand treasury shares held by the Company.

Shelf registration: not applicable

## (II) Shareholder structure

Shareholding Record Date: April 19, 2020; Unit: Shares

Shareholder structure Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Total
Number of persons	13	112	491	388,549	1,113	390,278
Number of Shares Held	104,180,069	1,019,461,700	1,576,472,401	4,196,008,874	2,728,122,071	9,624,245,115
Shareholding percentage (%)	1.08	10.59	16.38	43.60	28.35	100.00

## (III) Distribution of Equity Ownership

Type: Common Shares

Shareholding Record Date: April 19, 2020; Unit: Shares

Class of Shareholding	Number of shareholders	Number of Shares Held	Shareholding percentage (%)
1 to 999	99,178	20,024,591	0.21
1,000 to 5,000	170,067	410,759,950	4.27
5,001 to 10,000	52,569	420,500,387	4.37
10,001 to 15,000	18,545	233,643,244	2.43
15,001 to 20,000	14,046	262,621,278	2.73
20,001 to 30,000	12,424	319,334,067	3.32
30,001 to 40,000	5,989	215,187,723	2.24
40,001 to 50,000	4,327	203,063,643	2.11
50,001 to 100,000	7,446	545,342,409	5.67
100,001 to 200,000	3,157	452,599,717	4.70
200,001 to 400,000	1,327	375,283,220	3.90
400,001 to 600,000	390	192,933,832	2.00
600,001 to 800,000	192	134,542,319	1.40
800,001 to 1,000,000	119	108,983,360	1.13
1,000,001 to more	502	5,729,425,375	59.53
Total	390,278	9,624,245,115	100.00

Note: The Company does not issue preferred shares.

## (IV) List of Major Shareholders (Top 10 shareholders who own the most shares)

Shareholding Record Date: April 19, 2020

Names of major shareholders	Shares	Number of shares held (thousand shares)	Shareholding percentage (%)
Qisda Corporation		663,599	6.90
Quanta Computer Inc.		443,930	4.61
Trust Holding for Employees for AU Optronics Corp.		440,887	4.58
ADR of AU Optronics Corp.		403,250	4.19
Fubon Life Insurance Co., Ltd.		378,702	3.93
Tong Hwei Enterprise Co., Ltd.		151,800	1.58
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		121,424	1.26
Norges Bank		93,689	0.97
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS		90,860	0.94
New Labor Pension Fund		76,074	0.79

## (V) Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: NT\$

Item		Year	As of March 16, 2021	2020	2019
Market Price per Share		Highest	20.05	16.50	12.75
		Lowest	13.00	6.10	6.92
		Average (Note 1)	16.54	11.00	9.37
Net Value per Share		Before distribution	(Note 6)	18.99	18.36
		After distribution	-	18.70 (Note 2)	18.36
Earnings per Share (EPS)		Weighted Average of Share Number (thousand shares)	9,499,351	9,499,245	9,597,268
		Earnings per Share (EPS)	(Note 6)	0.36	(2.00)
Dividend per Share		Cash dividend	-	0.3 (Note 2)	-
	Stock Dividends	Dividend from retained earnings (Shares)	-	-	-
		Dividend from capital reserve	-	-	-
		Cumulative unpaid dividends	-	-	-
Return on Investment (ROI) Analysis		Price-to-Earning Ratio (Note 3)	(Note 6)	28.31	-
		Price-Dividend ratio (Note 4)	-	33.97 (Note 2)	-
		Cash dividend yield (Note 5)	-	2.94% (Note 2)	-

Note 1: Average market price calculated based on transaction amount and transaction volume.

Note 2: Pending resolution at the 2021 Annual Shareholders' Meeting.

Note 3: Price/Earnings ratio = Average closing price per share for the year / Earnings per share.

Note 4: Price/Dividend ratio = Average closing price per share for the year / Cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 6: As of the publication date of the Annual Report, the data that had been attested or reviewed by CPAs was not available.

## (VI) Dividend Policy and Implementation:

## 1. The dividend policy set forth in Article 15-I of the Articles of Incorporation

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and recover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid-in capital. Certain amount shall be further allocated as a special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. The balance (if any) together with accumulated unappropriated retained earnings shall be included in an earnings distribution proposal, and distributed accordingly. If all or part of the dividends and bonuses are distributed by means of issuing new shares, such distribution shall be resolved by the Shareholder's Meeting; if the distribution is made by means of paying cash, such distribution shall be resolved by the Board of Directors, who shall then report to the Shareholder's Meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long-term financial plan. If the retained earnings available for distribution of the current year reaches 2% of the paid-in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend. If the retained earnings available for distribution of the current year does not reach 2% of the paid-in capital of the Company, the Company may distribute no dividend. The cash portion of the dividend shall not be less than 10% of the total dividend in the form of cash and stock.

The dividend distribution ratio in the preceding paragraph could be adjusted taking into consideration finance, business and operations, etc.

## 2. Dividend payout plans proposed during the most recent shareholders' meeting

The Company distributed cash dividends of NT\$2,850,966,845 (NT\$0.3 per common share), have been approved by the meeting of the board of directors held on March 16, 2021, which will be reported at the 2021 Annual Shareholders' Meeting.

## 3. Major changes expected in the dividend policy: None

(VII) The impact of stock dividend distribution proposed by this shareholders' meeting on the Company's operating performance and earnings per share: The Company did not disclose the 2021 financial forecast information and thus does not apply.

(VIII) Compensation for employees and Directors

1. The percentage or range of compensations for employees and Directors based on Article 15 and Article 15-3 of the Articles of Incorporation

Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 5% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration.

The employees who are entitled to employees remunerations in the form of shares or cash, employee stock option, restricted employee stock, the bought back shares to be transferred by the Company and the new shares reserved for employees subscription in the Company's share offering include employees of subsidiaries of the Company meeting certain specific qualifications and the Board or the person duly designated by the Board is authorized to decide such qualifications and allocation.

2. The accounting procedure used to handle differences between estimated column of employee dividend and forecast basis of director's compensation, basis for calculating shares for the purpose of paying out share dividends and actual payout figure for this period:

The Company accrued remuneration to employees based on the profit before income tax excluding the remuneration to employees and Directors for each period, multiplied by the percentage resolved by the Board of Directors. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as operating costs 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 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.

3. Compensation based on the resolution of the Board of Directors:

Approved by the Company's Board of Directors on March 16, 2021

(1) Cash compensation of NT\$253,492,567 paid to employees and NT\$8,275,057 to Directors.

(2) Sum of employees' compensation in stock and its proportion of the net income after tax (NIAT) provided in the Individual Financial Statement and the total sum of employees' compensation: Not applicable.

4. Actual distribution of employees and Directors' compensation in the previous year, and the difference, reasons, and processing situation for the employees and Directors' compensation that were recognized:

In 2020, the Company did not pay employees and Directors' compensation.

(IX) The situation of the Company's repurchase of its own shares: The company didn't repurchase its own shares in the most recent year and up to the publication date of this Annual Report.

II. Corporate bond processing (including outstanding and corporate bonds in progress)

(I) Information regarding Ordinary Corporate Bonds: None.

(II) Information regarding the Conversion Bonds: None.

(III) Information regarding the Exchangeable Bonds: None.

(IV) Information regarding Shelf Registration for Corporate Bonds: None.

(V) Information regarding Corporate Bonds with Attached Warrant: None.

III. Handling of preferred shares (including preferred shares outstanding and in process)

(I) Handling of preferred shares: None.

(II) Information regarding preferred shares with attached warrant: None.

#### IV. Handling of overseas depositary receipts (including overseas deposit receipts that have participated in the issuance and have not been fully redeemed and overseas depositary receipts that have still been processed)

Date of issuance (placement)	2002.05.29/ 2003.07.31/ 2004.06.23/ 2004.07.12/ 2005.07.22/ 2005.08.26/ 2006.08.30/ 2006.10.01/ 2007.09.06/ 2008.08.22/ 2009.09.09/ 2013.05.07 (Note 1)		
Issuance and trading place	U.S. OTC market (Note 2)		
Total Issued Amount (US\$)	1,996,807,815		
Unit Issue Price (US\$)	11.57; 16.00; 15.35; 4.4		
As of March 15, 2021			
Total number of issued units (units)	51,036,874 (Note 3)		
The source of securities represented	Common shares of the Company		
As of March 15, 2021			
Amount of securities represented (shares)	510,368,769 (Note 3)		
The rights and obligations of holders of depositary receipts	Rights and obligations are the same as common shares		
Trustee	Not applicable		
Depositary institutions	Citibank, N.A.		
Custodian	Citibank Taiwan Ltd.		
As of March 15, 2021			
Unredeemed balance (unit)	25,450,645		
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period	The issue-related expenses were proportionally allocated by the Company and the selling shareholder according to the actual number of shares sold After the issuance, except where otherwise agreed by the Company and the Depositary, the costs of all overseas depositary receipts shall be borne by the Company.		
Important Agreements for Depositary and Custody Contracts	Details such as depositary and custody contracts		
Market Price per unit (US\$)	2020	Highest	5.47
		Lowest	1.80
		Average	3.38
	As of March 16, 2021	Highest	7.05
		Lowest	3.24
		Average	5.56

Note 1: Jul. 31, 2003, Jul. 12, 2004, Aug. 26, 2005, Aug. 30, 2006, Sep. 06, 2007, Aug. 22, 2008 and Sep. 9, 2009: The issuance of new shares through capital increase by retained earnings. October 1, 2006: The new issuance resulted from merging with Quanta Display Inc.

Note 2: From October 1, 2019, the Company's ADSs have been delisting from the New York Stock Exchange to the U.S. over-the-counter market for trading.

Note 3: According to Financial Supervisory Commission's directive, with respect to the Company's ADSs, no additional re-issuance after redemption of the Company's ADSs will be permitted beginning from New York time December 3, 2019, and the permitted number of the Company's outstanding ADSs in the U.S. over-the-counter market is capped at the total number of ADSs issued by the Company on New York time December 2, 2019.

#### V. Employee stock option handling status:

- (I) As of the publication date of the Annual Report, the processing situation and impact on shareholders' right from employee stock option that have not matured yet: None.
- (II) Names, acquisition, and subscription of managers who have obtained employee stock option as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock option, cumulative as of the date of publication of the Annual Report:
1. The Company has not issued employee stock options.
  2. However, the Company was merged with Quanta Display Inc. on October 1, 2006, and the employee stock options that were issued separately on August 8, 2002 and December 31, 2003 were assumed by the Company. As to the aforesaid employee stock option, its outstanding units on the combined base date and its subscribable shares were 1,861 thousand shares and 5,631 thousand shares respectively, which have separately reached expiration on August 7, 2008 and December 30, 2009. The aforementioned employee stock option holders had exercised their rights

and obtained about 1,679 thousand and 1,962 thousand shares, respectively, from the date of merger until expiry dates. The subscription amount were NT\$63,866 thousand and NT\$98,155 thousand, respectively.

#### VI. Operations of new restricted employee shares

- (I) As of the date of publication of the Annual Report, new restricted employee shares that have not fully met the conditions and the impact on shareholders' right: This is not applicable as the Company has not issued new restricted employee shares.
- (II) Names of managers and top 10 employees holding new restricted employee shares as of the publication date of the Annual Report and the conditions of receiving such shares: Not applicable.

#### VII. Issuance of new shares in connection with the merger or acquisition of other corporations

- (I) In the most recent year as of the publication date of the Annual Report, the Company has completed merger or acquisition of other corporations to issue new shares: None.
- (II) In the most recent year as of the publication date of the Annual Report, the Board of Directors of the Company has approved merger or acquisition of other corporations to issue new shares: None.

#### VIII. Implementation status of fund application

- (I) As of one quarter before the publication date of this Annual Report, plan for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: None.
- (II) As of one quarter before the publication date of this Annual Report, processing condition for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: Not applicable.



## Chapter 5 Operational Highlights

### I. Business Activities

#### (I) Business scope:

AU Optronics Corp. ("AUO") is one of the world's leading providers of optoelectronic solutions. Based on its extensive panel R&D and manufacturing experience, AUO offers a full range of display applications and smart solutions integrating software and hardware and leverages its core expertise to expand into five segments (i.e. smart retail, smart healthcare, smart education & entertainment, smart transportation, and smart manufacturing) and solar power, to deliver high-quality products and services in these segments. In 2020, the revenues of display products accounted for about 96.6% of the consolidated revenues.

Concerning the main business scope of the Company's subsidiaries, please refer to the basic information of the affiliated companies in Chapter 9 Special Disclosure (Pages 100-110) of this Annual Report.

#### (II) Industry overview

##### 1. Current status and development of the industry:

The mainstream in the current flat display industry is still TFT-LCD. With the technological advantages, wide application range, and economies of scale, TFT-LCD caters to the need of the digital era for comprehensive information products and consumer electronic applications.

Tracing back the history of the TFT-LCD industry development, one can notice its industrial cycle, and its capital- and technology-intensive characteristics. At present, the main TFT-LCD manufacturers in the world include Taiwan, South Korea, Japan, and Mainland China. According to the survey report of WitsView, Taiwan and Mainland China were the top two TFT-LCD production areas in the world in 2020, and the market share of large-sized panel shipment was approximately 30% and 48%, respectively.

With the popularization of comprehensive digital information-based and consumer electronics-based products, TFT-LCD stands as a crucial component and has taken a strategic position in the flat panel display supply chain. It has led the industry in terms of upstream material components and their corresponding technological advances. Furthermore, it has lent support to the information electronics industry around the world to expand its downstream application market. Since TFT-LCD businesses started mass production in Taiwan, the synergistic effect of the industry has prompted robust development in local industries in related upstream materials and component businesses.

##### 2. Relations among upstream, midstream and downstream industries

Upstream industry	Glass substrates, color filters, polarizers, driver ICs, printed circuit boards, backlight modules, liquid crystals, and so on
Midstream industry	Liquid crystal display panels, liquid crystal display modules, etc.
Downstream industry	LCD TVs, Tablets, Notebooks, Desktop monitors, Mobile phones, Commercial displays, and other electronic products

##### 3. Various trends of products:

TFT-LCD production technology is now widely adopted in a variety of flat panel displays, including LCD TVs, desktop monitors, notebooks, tablets, mobile phones, and displays for commercial use and other applications. For hand-held devices, the requirements for panel specifications are increasingly diversified, including higher screen-to-body ratio, higher resolution, lightweight, energy-saving, touch-control, and flexibility. In response to the popularity of networking and intelligent functions, the panel specifications for multimedia entertainment show a trend towards ultra-narrow bezels, high-precision image quality, large size, and curved. New technology Micro LED features many advantages, such as ultra-high resolution and color saturation, wide viewing, low power consumption, high brightness, fast response time, super energy-saving, long life, and high efficiency, enabling to support electronic signage, automotive panels and among others. The information can be transmitted without distortion among various devices in a smart streaming environment.

The development of various major applications is as below:

##### - LCD TVs and others

After the year 2000, LCD TVs have gradually become the mainstream in TV display technology. Their strengths include thinner bezels and lightweight features, energy-saving, and relative ease in increasing sizes. After the next-generation TFT-LCD capacity gradually became available, the large-sized displays have entered mass production, and the prices have also become more affordable. In 2020, the average size of LCD TVs in the world exceeded 47 inches, and the size of mainstream TVs gradually changed from 32 inches to 40-50 inches. This trend of increasing TV sizes is expected to continue in the future. Regarding the

Note: According to the definition of the Witsview report, "large size" denotes products such as tablets and notebook screens, desktop displays, LCD TV screens and displays for public use.

development of television software, the introduction of smart TV with network features and embedded in value-added services platforms allowed televisions not only to play TV shows but also to offer diverse functions for audio-visual interactive entertainment. Under the canopy of the IoT, smart TV has now become one of the key focuses of a digital home.

Demand for high-definition panels has been driven by the pursuit of a real-scene visual experience and better visual quality on larger TV screens. This, in turn, has further stimulated the development of UHD 4K panel technology (with a resolution 3840x2160) and a TV content ecosystem comprising shooting equipment, image compression technology, storage, and transmission technologies. Content providers such as online streaming and satellite TV operators have begun to introduce UHD 4K digital content. Other LCD TV technologies including wide color gamut technology that increases color saturation, curved designs that enhance an immersive experience, local dimming backlit modules that improve the contrast ratio via local light modulation, HDR (high dynamic range) technology that makes dark details clearer, and bezel-less technology that expands the visual range have been launched. When combined with UHD 4K, these technologies can provide consumers with new experiences and interactions in games, movies, sports, and other software applications, continuously driving LCD TV market growth momentum. The 2021 Tokyo Olympics plans to broadcast the events by employing 8K (resolution 7680x4320) technology. As such, more 8K products will be launched in 2021, offering the ultimate visual experience for consumers.

Due to the pandemic, people stay at home more, and the time for enjoying video and audio entertainment at home is increased significantly. The role of TV has extended from program playing to the streaming media of games, movies, and other multimedia. In addition to consumers' continuous pursuit of size and image quality, the high screen-to-body ratio of TV integrated with home decoration has also become a new trend. The bezel-less large screen adds the simplicity and fashion of space and brings new immersive vision to viewers. It is expected to drive a new wave of high-end household market demand.

In terms of large-scale displays, driven on one side by industrial and commercial video walls commonly used for transportation, surveillance and audio/video control, and on the other side by the popularity of interactive multimedia machines and the development of multi-media advertising, large-size display demand is increasing. Comprehensive digitalization of commodity advertisements, catering, drive-through, and various outdoor/semi-outdoor signages, the popularization of interactive electronic whiteboards in the educational market and conference rooms are expected to come next. Such expansive applications of public information displays, along with the IoT and cloud computing, will open the door for smart applications to step into people's daily lives. Given that people can now instantly access public information at any time, this will further increase in demand for public information displays.

#### - Monitor Display

In 2020, due to the impact of COVID-19 pandemic, the digitalization of industrial transformation was accelerated. In response to the changes in life and work style and the implementation of new applications, the IT industry boasts a promising future. The long-distance work and learning drive the growth of PC demand and push the new desktop displays toward the diversified and integrated development. Due to the integration of information products and consumer electronics applications, the high-resolution and high-definition desktop monitors can be used for work, entertainment, and watching TV. In addition, applications that targeted professional market segments, such as gaming products, high-definition displays, and high refresh rate features, become important. On top of this, curved and bezel-less screens, whose designs are based on ergonomics, are all for a better user experience.

#### - Notebooks and Tablets

With an intensive analysis of the notebook computer and tablet industry, it is found that the COVID-19 pandemic has completely changed the use and consumption patterns of enterprises, schools, and even people. More mobile notebooks and tablets have become the first choice, coupled with growing consumer demands for lightweight, standby time, and performance. Brands launched ultra-thin 16:10 notebooks aimed to break from previous designs, with novel features such as fast response time, longer battery life and lightweight. Touch screen notebooks with a stylus or 2-in-1 notebooks that have the features of a tablet also penetrated the high-end or commercial market with the Windows operating system updated. Also, the professional notebooks with a high-resolution display, large size, and high refresh rate will be the main growth segments of notebook products.

#### - Mobile phones and related products

Mobile communication technology has been evolving. High-speed, high-definition 4G video/audio services that were initiated provided in 2009. Now, telecom operators in various countries have invested in 5G development to meet consumers' continuously increasing demand for mobile communication, online connection, and entertainment. Smartphones have now become a necessity for consumers. According to the market survey agency, the annual growth rate of mobile phone shipments in major markets, such as North America, Western Europe, and Mainland China has dropped to a single digit or even a negative number. Despite that, the markets are moving towards a high-end direction. As such, the replacement of the vast existing smartphones will be the spotlight for the markets. In terms of emerging markets, the penetration rate of smartphones is still low. Consumers in certain countries still mostly prefer feature phones; therefore, the transition from feature phones to smartphones will be the main growth driver for emerging markets.

#### - Commercial displays and others

Commercial displays cover a wide range of applications, including automotive, industrial PC, smart medical equipment

(professional medical display and X-ray sensor), automatic teller machine, point-of-sale information system, smart transportation, security products (optical fingerprint identifier), human-machine interface display screen and Pachinko entertainment display screen. With the rise of cloud computing, the market size of commercial displays keeps growing.

In the past, interior dashboards in vehicles were designed with buttons and knobs and shown by pointers. However, the demand for TFT-LCD panels has increased with the digitization of the interior information system. Multiple display panels thus will be adopted for every car. For example, a touch-embedded panel can be introduced in the center information display to play audio-visual programs and control air-conditioner and seats, and other related functions. Large-size and high-resolution panels that integrate navigation, speedometer, and engine-related information can also be applied in the dashboard.

Wearable products, such as watches and bracelets, with the function of collecting personal data, are popular recently. It is expected that major brands will continue to develop and highlight this function. In the aspect of personal life management, these products will develop and increase applications with the functions of mobile payment, identity recognition, interactive voice so as to make product applications more convenient and diversified. Product design continues to highlight such features as lighter, thinner, power-saving, and a larger screen. In addition, the recent pandemic drives the demand of using MIP (memory in pixel) or TFT-LCD panel for cycling watch. The demand for AMOLED curved panels in high-end car dashboard and knobs also began to show, seeing growth of market inquiries.

Other applications, such as industrial PC, medical equipment, automatic teller machine, point-of-sale information system, navigation, and aviation, adopt TFT-LCD panels to display a large amount of information, which gradually substitute for the old, monotonous and inconvenient method of using signals, negative film, paper and physical institutions to indicate a large amount of information. As cloud computing and IoT technologies are reaching maturity along with successively commercialized 5G wireless telecommunication technology after 2020, more and more applications and devices have begun to stream and share information with each other, which also brings the demand for human-computer interface displays. Displays will be used in more facilities everywhere to enable people to access information or enhance visual entertainment effect anytime in their daily lives.

#### 4. Competitive Situations

TFT-LCD is one flat panel technology and is the mainstream technology in the current market. At present, the world's TFT-LCD manufacturers mainly include BOE, TCL CSOT and Tianma in Mainland China, SDC and LGD in South Korea, AUO, Innolux and Hannstar in Taiwan, and SHARP and JDI in Japan.

The Korean panel manufacturers turned their focus to AMOLED panel technology development and production in recent years, while several old-generation LCD production lines were shut down. Manufacturers in Mainland China continued to set up high-generation TFT-LCD production lines, but their major sales were still large-scale commodity panels and the range of their size being rather restricted due to the relatively concentrated fab generation lines; nonetheless, they had actively set up AMOLED panel fabs. Meanwhile, given the limited growth of production capacity, Taiwanese manufacturers have continued to launch panels of differentiated size and high-tech products.

With the shutdown of old panel fabs and the tide of transformation, almost all the production lines of SDC and LGD under 5 generations are closed, and it is expected that the production lines of 7.5 and 8.5 generations will be shut down by the end of 2021. In addition to production IT and automotive display panels, Taiwanese panel manufacturers are also actively transforming and developing new technologies, such as fingerprint sensor, panel-level packaging, and printed OLED.

As for the small-and-medium-sized product market, seeing that smartphones have evolved toward high screen-to-body ratio, larger size, higher resolution, notch design, lightweight, and low power consumption features, various panel makers have allocated production capacities on low-temperature polycrystalline silicon (LTPS) and AMOLED. While Korean manufacturers have focused on setting up AMOLED production lines, Japanese and Taiwanese manufacturers have increased more production capacity in LTPS. Separately, manufacturers in China have increased capacities for both.

Currently, competition in the panel industry has shifted from capacity expansion to new technologies and high value-added products such as 8K resolution, curved desktop displays, or bezel-less TV panels. These production technologies require a longer learning curve but can satisfy the diverse needs of consumers and potentially create higher value.

Taiwanese panel manufacturers are no longer expanding their production capacity or focusing on the OLED market. They are creating differentiation in their own way. Mini LED and Micro LED are the key development technologies. Taiwan takes the lead in technology and has a complete LED supply chain. We hope to speed up the introduction of products into the market, continuously reduce costs through R & D capabilities, and enhance market competitiveness.

#### (III) Technology and R&D Overview

Driven by 5G, AI, IoT, and other new technologies, AUO continuously invests in technological innovation. Through diversified products and solutions, AUO extends its technology to the value chain of smart display application, develops applications in such areas as smart retail, smart health care, smart education, smart transportation, and smart manufacturing, and creates new business opportunities in various areas in a combination of innovative display technology. Important products and technologies in 2020 are listed below:

- 85-inch 8K bezel-less super-high screen-to-body ratio TV panel

Leading in the industry, AUO has the SoP capacity of large-sized 8K panels, launched 65 to 85 inches 8K bezel-less ultra-high screen-to-body ratio panels. Through the new design, the bezel is reduced, and the narrowest non-display BM area (black matrix) is only 0.9 mm. The bezel size and black matrix are reduced to the minimum range so as to achieve the immersive vision of bezel-less large screens. Through the new design, the 85-inch 8K bezel-less ultra-high screen-to-body ratio panels integrate the gate drive IC design on both sides of the panel into the lower signal source drive IC. The screen-to-body ratio is up to 100%, and the 8K (resolution 7680 x 4320) is integrated to present unprecedentedly detailed images. Along with the new-generation special light control film, the 8K screen enables unlimited viewing angles. Even if you are not sitting in front of the TV, you can still enjoy its uniform color performance in a close range. HDR ultra-high dynamic range technology, combined with local ultra-high brightness (1200 NITS) and QD quantum dots wide color gamut, presents richer color depth. Along with more delicate and realistic images and equipped with a 120Hz refresh rate, the technology ensures the pictures stay smooth, bright, and clear, the fast-moving images and high-speed scenes to be accurately controlled.

- Comprehensive high-end Mini LED / Micro LED displays

AUO also unveiled a series of displays with Mini LED backlight technology. The applications include various sized gaming devices, from large-sized monitors and desktop monitors to laptops, and even high-end applications such as VR headsets and smart vehicles.

AUO showcases its leading display technology, which is applied to smart home, e-gaming, and personal wearable devices, including advanced HDR technology, hundreds of dimming zones to enhance the accuracy of zones and show excellent color, contrast, and picture details. We have launched the high-end Mini LED e-gaming series, including the 17.3-inch 4K LTPS e-gaming laptop panel, which qualifies the highest level of VESA DisplayHDR1000. The module is only 3.5 mm thick, which is portable and conducive to players' enjoyment of the game.

The 12.3-inch dual cell pixel dimming curved display allows for adjustable luminance with direct-lit backlight and offers an exceptional true black contrast ratio of over 100,000:1 to achieve optimal HDR effect. The dual cell panel demonstrates high-resolution images with real 3D depth, rendering the cluster with a vivid look and adding a new degree of freedom to driving with a more intuitive experience.

In the aspect of Micro LED, AUO has launched leading next-generation technology applications, including the industry's first and largest 12.1-inch full-color active micro-LED display of driving instrument panel technology, in which the size of micro-LED is less than 30um, and each pixel can be individually lit, reaching 169 PPI, ultra-high pixel density, and high dynamic range, so as to present key driving data clearly.

Jointly developed 9.4-inch high resolution flexible Micro LED display with PlayNitride Inc., designed with the world's highest 228 PPI pixel density, LTPS backplane driving technology enables each pixel to drive light independently. More than 5.5 million micro LEDs less than 30um are successfully transferred to the LTPS plastic backplane by high-speed mass transfer technology. This product can achieve fine dynamic contrast performance and high saturation of brilliant colors and also has high weather resistance under high brightness, which is especially suitable for the future vehicle display that emphasizes reliability and design. Thanks to its flexibility, this product is also suitable for multiple applications such as wearing and consumption, bringing more application possibilities for micro-LED display technology.

- Vehicle display panels

The smart transportation field shaped by 5G and AIoT makes the car an important panel space next to the home and office. Therefore, the digital cockpit has become the development center of smart vehicle technology. AUO's cockpit display with profiled cutting surface adopts a high resolution, high contrast, wide viewing angle, and multi-panel fully fit technology to connect with the dashboard display equipped with Mini LED backlight, the embedded touch console display with a through-hole design in the design area, and the AHVA wide view curved surface display in the co-driver, to create an almost integrated super large cockpit display. In order to improve driving safety and convenience, the 9.6-inch shaped cutting LTPS display for the rear-view mirror has a very narrow frame, can switch mirror or LCD mode, and has an anti-glare design to reduce headlight glare for night drivers.

- Smart wearable panel

In terms of personal wearable devices, the 1.2-inch AMOLED panel brought by AUO has the world's narrowest case frame and central through-hole design of less than 2mm, which can hold real watch hands; the other 1.2-inch panel has ultra-low power consumption under a 5Hz refresh rate in standby mode. The 1.3-inch true circle NFC AMOLED display module supports a data transaction distance up to 4cm and suitable for POS systems, vending machines, and mobile payment systems, which all demand specific sensor areas for higher transaction security.

- Medical display panels

AUO is the first in the world (note) to develop the 32-inch surgical display using mini LED backlight technology. This display is designed with the industry-leading 2,304 local dimming zones to achieve a true black screen as well as meet surgical demands of high brightness and ultra-high contrast. Its true black screen allows surgeons to fully focus on the target when performing minimally invasive operations like endoscope and laparoscopy. The color gamut is optimized to faithfully reveal layers of human tissue and blood as well as subtle differences. The 21.3-inch true portrait medical display engineered with high brightness, high contrast, and narrow bezel

realizes the smooth performance of continuous grayscale image and can be applied to radiation medicine and mammography to facilitate accurate diagnoses.

- Commercial and industrial application panel

As a leading panel manufacturer in commercial and industrial applications, starting from the core technology advantages of the panel human-computer interface, including wholly-owned subsidiaries (e.g., Space Money, ComQi, and JohnRyan) through digital signage software and hardware integration solutions, AUO continues to invest in business, transportation, medical, industry, education and other application segments with a solid group resource system, to build a smart IoT ecosystem with customers and partners from all walks of life to maximize the digital transformation opportunities of each vertical segment.

For example, the National Palace Museum unveiled an interactive wall for tour guides and video playing to offer visitors an unprecedentedly interactive experience. These walls achieve a melange of technology and humanities with the interactive smart showcase integrating the National Palace Museum's digital archive of artifacts in the Orientation Gallery. Among the installations, the Smart Collection Wall, 12 meters in width, is currently the largest (note) of its kind in Asia. The interactive wall uses 20 pieces of AUO's 55-inch high spec video wall displays, boasting high resolution, low reflectivity, and appealing extreme narrow bezel design. The bezel with displays assembled is a mere 1.8mm wide, forming an almost seamless single large screen for viewers to see a full spread of images and enjoy an immersive viewing experience.

Experience. The Smart Collection Wall, inspired by the museum's "Carved Sandalwood Curio Box with Multiple Items", has an intuitive and friendly user interface and infrared sensor design to allow several users to select, drag and swipe pictures, videos, animations, 360-degree digital models, and writing interpretations of artifacts at the same time. After accessing the virtual artworks, visitors are encouraged to explore further the actual collections in the museum.

- Customized display solutions

AUO develops customized TARTAN display technology, which supports a small amount of diversified production. This technology implements a native photomask manufacturing process for industrial-grade production quality, offering customizable ratios and sizes, such as square, round, and bar types in line with clients' requirements and becoming an import bridge between merchants and customers. Among these, the world's largest (note) 23.6-inch diameter of double-sided round display shapes the most eye-catching landscape, whether being used to play product advertisement or as commercial signage. In addition, AUO also has displays featuring commercial / industrial grade, wide viewing angle, high brightness, and high weather resistance, which are especially suitable for outdoor environments, such as double-sided advertising signboards, public information signage, installation art, game console, and other multiple applications, enhancing interactivity and eye-catching effect and bringing new visual experience for viewers. AUO is expected to be widely deployed in smart retail, smart medical care, smart entertainment, smart transportation, smart manufacturing, and other application markets in the future to enrich the smart segment ecosystem.

- Development of multi-application sensors

As a leading TFT-LCD manufacturer, AUO develops a variety of products with light-sensing applications based on its TFT array technology, apart from focusing on display products with various applications. For example, among optical TFT fingerprint scanning sensors, AUO's 1.6-inch portable TFT fingerprint scanner with the world's highest (note) pixel density of 1,000 PPI accurately recognizes fingerprints as small as children's size, as well as meet the demand of a higher level of biometric and security for the customs and the police.

In addition to developing a series of high-level medical panels such as ultrasound, imaging, endoscopy, and surgery, AUO has also deployed high-resolution x-ray sensors to help medical personnel diagnose lesions quickly and accurately.

The integrated touch solutions, whether applied to the laptop, tablet, mobile phone, car, and wearable devices, can bring users a smooth, convenient, and accurate experience.

#### Solar power technology R&D

AUO is committed to providing solar module products of high-efficiency, high-quality, and high-reliability, as well as total solutions for solar power stations. In 2020, we have continued to enhance the power of monocrystalline silicon modules. We have also enhanced power plant monitoring and maintenance information systems to realize the Company's commitment to green energy through differentiated product design and comprehensive value-added services.

- High-performance solar module technology

AUO takes a lead in SoP of multi-busbar and half-cut module products, featuring reduced impact of micro cracks on power generation, effectively reduced the hot-spot temperature of the module and improving the power generation when the module is shaded by fallen leaves or other shading. In addition, AUO further introduces gallium-doped, M4-plus cell, to improve the light-induced attenuation effect and enhance the module power, enable the half-cut monocrystalline silicon module with a maximum power output of 360 watts.

Note: The market data collected by AUO as of December 31, 2020.

- Comprehensive solar power plant services

AUO integrates power plant data with IoT technology in cooperation with the introduction of artificial intelligence, to optimize the power generation costs and benefits of power plants. To address the needs of smart power distribution in response to the increasing proportion of green energy in Taiwan, AUO is among the first group of technology suppliers received the DREAMS (Distribution Renewable Energy Advanced Management System) certification for its cloud-based intelligent solution, to provide complete solutions for the remote monitoring and control between the power plant and Taipower's distribution system.

- Power generation and storage technology platform

In response to the increase in the proportion of renewable energy power generation, the intermittent power generation will cause impacts on the power grid. In order to improve the stability of renewable energy power generation, AUO has successfully established a demonstration site. Using the development experience of the technology platform, we can provide the auxiliary service of stabilizing the power grid in the future.

AUO's consolidated R&D expenditures in 2020 came to NT\$10.3 billion. As of the end of February 2021, consolidated R&D expenditures were NT\$1.86 billion. As always, AUO continues to invest in advanced technologies and use new technology and new application to improve our existing production capacity, in order to strengthen AUO's competitiveness in markets for new and high-end applications. As of the end of 2020, AUO has filed for applications of 27,600 patents and has cumulatively obtained 20,500 patents worldwide. In terms of R&D patents, 97% of our patents are invention patents. The Intellectual Property Bureau of the Ministry of Economic Affairs announced the ranking of patent applications and certification in 2020. Among the application of all three kinds of patents, namely invention patents, utility model patents, and design patents, the Company ranked second in patent certification and third in patent applications among domestic corporates. AUO's great efforts in proprietary technology and strategic deployment in patents have once again solidified our leadership position in flat panel displays.

In 2021, the Company is expected to invest about NT\$11 billion in R&D expenditure, which will be subject to the global market situation and the actual operation of the Company. AUO's major future R&D projects are summarized as below:

Project Title	Descriptions	Current status	Expected mass production time (Note)	Success factors
Futuristic Innovation Display Technology -Micro LED Project	Micro LED backlight technology, LED mass transfer technology, Micro LED display process technology	Under development	2021~2022	1. AUO independently develops new product architectures and new manufacturing process technologies and works with key material suppliers to develop key materials, to build the technological barriers. 2. AUO completes technical planning and patent certification to achieve technological and product differentiation.
Mini LED Backlight Project	Glass Type mini LED backlight project improves contrast quality	Under development	2022	
AMOLED Technology	Inkjet and flexible AMOLED technologies have been continuously developed to increase cost competitiveness and meets different usage scenarios	Under development	2021	
High-End TV Panel Display	8K high-grade display improves the penetration rate and develops low energy consumption and high brightness technology	Under development	2022	
Eye protection display technology	Flicker-free low reflectivity art display, reflective display, low blue light display	Under development	2021	
Sensor project	Optical TFT fingerprint scanning sensor technology, X-ray sensor, integrated touch solution	Under development	2021	
375W high efficiency PV module	The high efficiency multi-busbar and half-cut module introduces M6 large cell (166 * 166mm) to improve the power of the module	Under development	2022	The production facilities and processes of large cells are adapted to improve the reliability of the products produced by series welding equipment.
Grid ancillary services	Develop ancillary service resources and invest in power trading platform	Under development	2022	Energy storage technology platform development experience with the ability of integrating into the power trading platform system.

Note: It refers to the expected mass production time. The actual production time is subject to the needs of the market and of customers.

#### (IV) Short/long-term business development plans

As a leading TFT-LCD manufacturer in Taiwan, AUO is dedicated to applications such as LCD TVs, desktop monitors, notebooks, tablets, mobile phones, commercial displays, and other small-and-medium-sized displays.

In terms of AUO's short-term business plan and capacity expansion, AUO will invest in increasing quality production capacity. Such capacity enhancement plans include the new 6th Gen LTPS fab in Kunshan, China, which can provide the capacity of 25,000 substrates per month starting from 2017. Moreover, the new 8.5-Gen fab in Houli, Taichung reached the maximum production capacity of 27,000 substrates per month in 2018. We hope to further improve our profitability by increasing the capacity of advanced quality production. In terms of products, AUO will combine a-Si and LTPS with innovative technology and product design to produce competitive value-added products. Applications to large-sized products include 8K, curved products, wide color gamut, high dynamic range, and bezel-less products; dashboard panels for cars with high-resolution and high-brightness features, as well as solutions for low reflection and on-cell touch panel for gaming and commercial notebook panels. Besides, AUO also has completed generations of production lines that provide clients with diverse products of various sizes. AUO is determined to satisfy clients' requests for instant supply. It will keep strengthening strategic alliances with clients, creating a win-win situation. In this way, AUO continues to lead in a pivotal position in the panel supply chain.

As for long-term business development plans, apart from developing production process capabilities and advanced display technologies such as Mini LED, Micro LED, foldable AMOLED touch display technology, and enhanced advanced anti-reflective technology and production capability, AUO will continue putting resources into R&D to foster its ability for technology innovation, with a view to leading the position in cutting-edge technology. Furthermore, AUO has a comprehensive plan of leveraging patents as a technical barrier against competition, as well as a solid support to brand customers for business expansion over the world. In terms of products, AUO will emphasize more on value chain integration and value-added products improvement, in order to provide customers with more value-added solutions and services with its product development ability in a flexible way. Product differentiation, quality enhancement, and value-added will continue to play a role in AUO's long-term competitiveness. With the popularization of 5G, AI, and other futuristic technology, AUO turns its 20 years of experience in the display industry into the driving force of seizing industrial transformation and business opportunities in the smart segment. Working with the ecological circle, AUO will develop into a solution provider in such segments as smart retail, smart healthcare, smart education and entertainment, smart transportation, and smart manufacturing.

For long-term business development plans in response to each product development trend, please refer to the section of various trends of products in Chapter 5 Operational Highlights in this Annual Report. (Pages 55-57)

## II. Markets and Overview of Production and Sales

### (I) Market analysis

#### 1. Regions of major sales:

The clients of AUO comprise global IT, consumer electronics, and industrial electronics manufacturers, among which are internationally renowned brands and system integrators or system vendors. Therefore, the TFT-LCD products are well sought-after in a wide range of markets, from Asia, the United States, and Europe, to emerging markets.

#### 2. Market share

According to the Witsview survey, the top five global TFT-LCD large-sized panel shipment manufacturers in 2020 are BOE, Innolux, AU Optronics, LG Display, and TCL CSOT, accounting for approximately 30%, 17%, 13%, 13%, and 6% of the global market shares.

The panel display industry has turned from scale competition to value competition, and AUO has been deeply engaged in high-value-added products. According to the Witsview survey, a market research agency, the top three manufacturers of notebook computer panels in the world in 2020 were BOC(29%), AUO (23%) and Innolux (21%); in term of large-size 8K panel shipments, the top two manufacturers were Samsung Display, and Innolux; in terms of desktop display panel shipments, the top four manufacturers were BOC(24%), LG Display (21%), AUO (17%) and Innolux (15%). According to OMDIA, the top three automotive panels in the world in 2020 were Tianma (16%), Japan Display Inc. (15%), and AUO (13%).

#### 3. Future market supply/demand and growth

According to the data from WitsView, a survey agency, the overall panel shipment demand of the display industry grew by 4% in 2020, and it is estimated that the panel shipment demand will grow by about 6% in 2021, mainly due to the rising stay-at-home economy due to the pandemic and the increasing average size of application panels. The TFT-LCD industry performance is closely tied to the end market of electronic products such as TVs, desktop monitors, notebooks and tablets, mobile phones and commercial displays, and so on.

Due to the stay-at-home economy during the pandemic, the time, such as staying at home, work from home, online education, family entertainment, was extended, which drove the growth of TV sales and shipment in 2020 to about 240 million, exceeded the expectation. It is estimated that the number will remain unchanged in 2021, but consumers will watch TV more often at home, which will increase their willingness to buy TVs with larger sizes and higher resolution. As for the mature PC market, the replacement cycle is prolonged. However, the demand is stimulated by the pandemic. In terms of desktop displays, the total number of desktop displays was about 150 million units in 2020. It is estimated that the demand will continue in 2021, and the proportion of large-sized desktop displays will increase steadily. For notebooks, the total shipment volume in 2020 was 210 million units and is expected to increase to 240 million units in 2021, thanks to the replacement of machines due to operating system upgrades. The demand, especially among high-end notebooks, which are ultra-light, of ultra-low power consumption, continues to grow. In addition, 2-in-1 products that function both as tablets and notebooks are also continuing to grow year over year. As for mobile phones, smartphones will see a significant increase in 5G implementation. Customers prefer products with larger sizes, higher resolution, and higher screen-to-body ratio. The total shipment in 2020 was approximately 1.27 billion units and is expected to return to positive growth in 2021.

From the perspective of the panel supply side, according to data from Witsview, a market survey agency, display high generation lines were continuing to be launched in 2020, resulting in that the annual growth rate of the TFT-LCD industry's production capacity area is still greater than the annual growth rate of product demand area. Despite the industry's increasing capacity of the high generation line, some generation lines were reorganized. In addition, various applications are developing toward higher-value products, including higher resolution, lighter weight design, on-cell panels, and software/hardware integration systems. Judging from the market supply and demand. In 2021, the success in industrial competition no longer depends on expanding production capacity but requires combining technology and the ability to integrate product values.

#### 4. Positive/negative factors of competitive niches and long-term development, and the countermeasures thereof

##### 1) Competitive niches

- **Technology and product strength:** In the face of the increasing complexity of industry competition, AUO will continue to focus on product quality upgrades and new product development, such as on-cell touch panels, high-resolution panels, curved displays, and commercial displays. By providing differentiated products of higher added value, AUO aims to strategically raise the bar for the competition.
- **Talent, R&D capability and patent quality:** AUO continues to pour R&D resources into cultivating technical talents. Its long-term accumulated R&D and manufacturing experience helps curtailing the learning curve for new products in an effective way. Moreover, AUO's long-term layout in patent quantity and quality also creates a sufficient reserve of technology capability to support the superiority of the AUO products.
- **Highly flexible management and production capacity:** AUO is above the other competitors in terms of cutting-edge technologies. It has complete generation lines at its back, and is capable of reconfiguring them to a maximal advantage in response to all kinds of products. In order to provide cost-competitive products, AUO relies on a solid mass production experience along with complete upstream-to-downstream industrial supply chain management to establish a



comprehensive integrated platform that covers marketing, product management, customer service, manufacturing efficiency, yield quality, and material logistics management. This in turn creates higher customer value.

- Full customer strategy: AUO is a professional panel manufacturer specializing in panel R&D and production. Having no brands of its own, it strategically avoids direct competition with its customers. Furthermore, AUO's ever-advancing technology appeals to first-tier clients worldwide. At the present stage, our customer base covers China, Japan, Korea brands, including system integrators and clients from Europe, America, and emerging markets. In addition to completing our global customer layout, we also achieved a balanced customer portfolio.
- With the gradual popularization of 5G, AI, and other futuristic technologies, AUO expects to transform the accumulation of many years in various aspects into a powerful driving force to seize the opportunities of industrial transformation and business partners from the smart segment and works with the partners in the ecosystem to find the best solution and open up a new blue ocean of industry in the vast and unknown smart segment.

## 2) Favorable factors of development prospects:

- High-resolution ecosystem: Consumers are requesting better viewing quality, an immersive experience, and product design for large-sized display products. As the 4K ecosystem around the world is increasingly mature and in line with the development of 8K, AUO has launched various 4K/8K TV products with ultra-high resolution, curved design, wide color gamut, high dynamic range, and bezel-less features, providing a visual experience of virtually being inside the screen and offering perfect images for consumers. This is helping AUO maintain our leading position in the high-end product market. Demand for products such as desktop displays, notebook computers, and smartphones is also emerging.
- High-growth market: Some TFT-LCD related products still promise a high growth rate, such as commercial displays, public information displays, and wearable devices. Small-volume but diverse demands as well as high entry barriers characterize commercial displays. AUO has been cultivating the commercial market for a long time, as we clearly understand that customers value reliability and long-term supply capability. This was the reason why AUO has been the first in a number of non-consumer electronic fields, such as industrial computers, automated teller machines, point-of-sale information systems, and arcade games. On the other hand, AUO has enjoyed a leading market share in the steadily growing automotive market in recent years. In the meantime, we have also aggressively expanded into the market of high-end, high-entry-barrier automotive panel products. AUO's advanced integrated automotive touch panels combining full lamination have successfully broken into the supply chain of major car manufacturers in Japan, Europe, the United States, South Korea, and China.
- Business opportunities of IoT: With the implementation of 5G, combines AI to create unlimited possibilities, ranging from face recognition, human flow analysis, usage behavior analysis, intelligent finance, health care, even including robots and self-driving. These technologies will subvert our imagination, drive innovation and application and change human life. The commercial operation will also be gradually launched to support more efficient data transmission, ultra-reliability, and low latency communication, as well as speed and stability of service applications through dense network coverage. With IoT's trend, various connected devices are rapidly increasing. Moreover, new business models and applications will possibly accelerate development and bring about a more diverse and extensive application of displays. In addition, various applications are demanding large sizes, which in turn will prompt the panel demand area. AUO targets smart retail, smart healthcare, smart education & entertainment, smart transportation, and smart manufacturing applications by launching products with high-resolution, curved design, high dynamic range, on-cell touch, and other value-added applications. We greet the business opportunities of the IoT era by utilizing our integral strengths to enhance the value-added and create high-valued differentiated products with technological diversity.

## 3) Unfavorable factors and countermeasures

- Mainland China progressively expanding capacities: In recent years, competitors in China have focused on high generation production lines and have steadily expanded production capacities. This has affected the supply/demand conditions of the panel industry. It should be noted, however, that in the TFT-LCD industry, production capacity is no longer the only competitive factor. In the future, the demand for displays will be diversified, and the demand for customized specifications will increase. Strengthening technology, operation management, and customer development will be the key points of the panel fab layout. To stand against the challenge of capacity expansion, AUO will continue to leverage its technology and product strengths, combined with technology, flexibility, patent quality, and a complete layout of clientele. Its advanced technologies and differentiated products shall create greater value. The layout is vertically integrated, together with emphasizing high-end products such as e-gaming and automobile, which is also expected to maintain profits. Although Taiwan's panel production capacity is lower than that of Mainland manufacturers, in recent years, Taiwan has actively adjusted its business strategy, strengthened its upstream and downstream vertical integration capability, and locked in a small number of diversified product distribution, which helps to maintain industrial competitiveness and strengthen its profitability.
- Consumer behavior is affected by the global economy: uncertain economic factors, including trade wars, the end of the quantitative easing policy, and the outbreak of COVID-19 in recent years have affected overall consumer behavior. As the COVID-19 pandemic continues to advance worldwide, the demand from a stay-at-home economy, such as working from home, distance learning, and online entertainment, still provides steady momentum for the IT product market. In addition, the panel technology continues to improve, which brings about the improvement of product functions such as high resolution and high image quality. With the product price becoming increasingly affordable, there is an opportunity to

stimulate the replacement in the mature market. According to the market survey agency OMDIA, with the continuous growth of stay-at-home economy in 2021, the panel fabs have increased the IT panel shipment plan one after another to reduce the output of TV panels. It is estimated that the shipment volume of notebook and TV panels will reach 230 million units, with an annual growth of 7%, and the shipment of desktop display panels will reach 170 million units, with an annual growth of 8.8%. AUO will continue to optimize its product mix and decentralize the market to reduce the impact of business fluctuations.

(II) Important applications and production processes of the major products.

I. Important applications

TFT-LCD products are digital display devices used to transmit information. Their application is broad and includes commercial and industrial information displays, telecommunication-related products, and consumer electronic displays. With the 3C market integration driven by the digital age, current major products of TFT-LCD applications include LCD TVs, desktop LCD monitors, tablets, notebooks, mobile phones, car displays, and wearable devices. In general industrial and commercial areas, TFT-LCD related products include automatic teller machines, vending machines, public information displays, transportation information signage, and other touch screen products.

2. Production process

TFT-LCD production process consists of three phases:

- (1) Front-end array or TFT process: The process is similar to the semiconductor process, except that the thin film transistor is fabricated on glass instead of a silicon wafer.
- (2) Middle-end cell or LCD process: The previous array glass is used as a substrate to unite the color filter glass substrate. The space between the two substrates is filled with liquid crystal.
- (3) Back-end module assembly or LCM Process: This process consists of assembling the post-cell-process glass with a variety of components such as backlights, circuits, and frames.

(III) Supply of primary raw materials

The TFT-LCD production process is relatively complicated, and in addition, requires numerous raw materials and components. The primary raw materials and key components include glass substrates, driver ICs, polarizers, backlight modules, liquid crystals, printed circuit boards, color filters and flexible print circuits, etc. AUO has always maintained a good working relationship with domestic/overseas raw material suppliers. For key materials and components, it keeps more than two suppliers to remain flexible with procurement and disperse the risk of excessive purchase concentration.

(IV) A list of any suppliers and clients accounting for 10% or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Major Customer for the past two years

Unit: NT\$100 millions

Year Item	2020				2019			
	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO
1	Samsung	332	12.3	-	Samsung	331	12.3	-
2	Others	2,378	87.7		Others	2,357	87.7	
	Net revenue	2,710	100.0		Net revenue	2,688	100.0	

Reasons for change: Mainly due to the product assortment.

2. Major purchasers for the past two years

No purchases from any single vendor in 2019 and 2020 accounted for 10% or more of net purchases; hence this is not applicable.

(V) Production value and volume for the past two years

Unit: NT\$ 100 million; 1,000 pieces

Year Main products	2020			2019		
	Production capacity (Note)	Production Quantity	Production value	Production capacity (Note)	Production Quantity	Production value
TFT-LCD	12,848	238,635	2,156	13,085	238,455	2,260
Others	-	-	63	-	-	85
Total	12,848	238,635	2,219	13,085	238,455	2,345

Note: Calculated by Glass substrate(mother glass).

(VI) Sales volume and value for the past two years

Unit: NT\$ 100 million; 1,000 pieces

Year Main products	2020				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
TFT-LCD	78,740	811	158,944	1,671	70,084	743	169,174	1,717
Others		85		143	-	73	-	155
Total	78,740	896	158,944	1,814	70,084	816	169,174	1,872

### III. Employee Information

Year	As of February 28, 2021	2020	2019	
Total number of employees (persons)	Production	32,755	32,481	32,809
	Technical	8,277	8,197	8,074
	Sales and marketing	1,079	1,179	1,133
	Management and administrative	3,364	3,341	3,446
	Total	45,475	45,198	45,462
Average age (years)		34.5	33.3	32.9
Average duration of service (years)		7.0	6.9	6.5
Educational distribution ratio (%)	Director of Philosophy	0.4	0.4	0.4
	Master's Degree	13.5	13.5	13.2
	Bachelor's Degree	36.0	36.3	37.1
	Senior High School	39.9	40.2	33.7
	senior high school or below	10.2	9.6	15.6

#### IV. Environmental Protection Expenditures

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I) Loss due to environmental pollution:

Company Name	Incident	Amount of indemnity (NT\$ thousands)	Countermeasures and improvements
AU Optronics Corporation	<ol style="list-style-type: none"> <li>Disposition date: Mar.13, 2020</li> <li>Disposition reference number:TAO HUAN CHI No. 1090020761</li> <li>Violated clauses:Article 36 of Waste Disposal Act,Article 7 Paragraph (1)2 of Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste</li> <li>Contents of violated clauses:There is no label on the hazardous waste storage bucket.</li> <li>Content of disposition:NT \$60,000 fine.</li> </ol>	60	<ol style="list-style-type: none"> <li>The waste without labels has been improved on the day of the audit, and the results are reviewed by Taoyuan Environmental Protection Bureau and meet the requirements.</li> <li>Check and audit the waste labeling at each site on a regular basis.</li> <li>Strengthen the education and training of relevant personnel on waste management.</li> </ol>
Darwin Precisions Corporation	<ol style="list-style-type: none"> <li>Disposition date:Apr.10, 2020</li> <li>Disposition reference number: Chung SHIH HUAN SHUI No. 1090037969</li> <li>Violated clauses:Article 7, Paragraph 1 of Water Pollution Prevention and Control Law</li> <li>Content of violated clauses:The discharge of waste (sewage) water into the receiving water by the enterprise sewage treatment facilities shall meet the discharge water standards.</li> <li>Content of disposition:The pipeline of dosing equipment in Daya wastewater treatment plant of Darwin was blocked, which led to poor sedimentation effect, and the discharge water did not meet the discharge standard.</li> </ol>	449	<ol style="list-style-type: none"> <li>The diameter of dosing equipment is increased to keep the pipeline smooth and avoid blockage.</li> <li>During daily inspection, the dosage is measured by cups to determine whether the pipeline is blocked.</li> <li>The nickel concentration in water is monitored daily by a spectrophotometer so as to respond to abnormal situations quickly.</li> </ol>
Darwin Precisions Corporation	<ol style="list-style-type: none"> <li>Disposition date: Nov.5, 2020</li> <li>Disposition reference number: Chung SHIH HUAN CHI No. 1090127862</li> <li>Violated clauses:Article 27, Paragraph 2 of Waste Disposal Act</li> <li>Content of violated clauses: It is strictly forbidden to pollute the ground in the designated area</li> <li>Content of disposition: It was found that during the operation at Darwin Yung-Feng Plant, the cut acrylic debris was carelessly scattered, caused pollution to the surrounding ground.</li> </ol>	1	<ol style="list-style-type: none"> <li>The simple compartment is designed to separate working space to block pipeline leakage and prevent splashing.</li> <li>In order to reduce the risk of the surrounding environmental impact caused by an occurred accident, the direction of the pipeline is changed at the air pollution discharge outlet.</li> <li>The on-line monitoring of opacity meter is added to the empty sewage discharge pipe to detect whether the filter screen is damaged and reduce the discharge pollution space caused by an occurred accident.</li> </ol>

(II) Future countermeasures thereof and possible expenditures: AUO and subsidiaries have always put emphasis on environmental protection work. Apart from internal pollution prevention and controls, all types of business waste are to be re-used or processed by qualified manufacturers according to the law. In the future, AUO will continue to reinforce educational training on the relevant laws/regulations and declaration procedures.

## V. Labor-Management Relations

- (l) List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

### I. Employee welfare measures

- (1) Employees are entitled to labor insurance, National Health Insurance, and group insurance on the first day of work.
- (2) The Company has set up a benefits trust fund program, which inspires employees through linking long-term benefit plans with the Company's operating performance.
- (3) Apart from the basic salary, also available are the annual bonuses such as Mid-Autumn Festival, Dragon Boat Festival and Spring Festival bonuses. Motivation bonuses, performance bonuses, and employee compensations are given in due course based on the Company's profitability.
- (4) Staff restaurants are available at each fab site, providing breakfast, lunch, dinner, and late-night meals. Meals are subsidized.
- (5) Life plaza that comprises convenience stores, coffee shops, bakeries, fruit bars, and laundry shops, is set up within each plant site. Annual sale activities are also held from time to time to provide staff with affordable daily goods. In addition, special sales events are also launched from time to time to provide affordable daily consumption for our colleagues.
- (6) The Company has set up a Wellness Center at each fab. A medical team of professional doctors and nurses are in charge of the employees' well-being. Various health promotion activities are held to provide comprehensive body, mind, and spiritual health care.
- (7) Fitness center managed by a professional health management team is built at each fab. Apart from permanent stadiums, fitness equipment, and sports classrooms, irregular courses are given at the request of colleagues.
- (8) AUO's Employee Welfare Committee is organized to take care of employees' lives, promote their wellness, and maintain a harmonious labor-management relationship. The committee is responsible for the planning and organizing of staff benefits and various activities such as sports seasons, celebration of festival, club activities, and employee outings. Other benefits and subsidies include those connected to emergency assistance, in-hospitalization, weddings, funerals and other events.

### 2. Employee training

Starting from the first day of work, AUO new employees are given AUO Elite Camp. They are introduced to AUO's corporate guiding principles, including corporate social responsibility and related policies. AUO University plays a central role in employee learning. Through the AUO Learning System (ALS), every employee can participate in the various training courses and programs provided. AUO University plans for training needed by each professional discipline to create a comprehensive talent development program.

AUO's employee training programs are as below:

- (1) New recruit training: This training covers two stages. The first stage includes the official environmental safety/health course, management guidelines, and related policies. In line with AUO Elite Camp, we will help newcomers quickly become familiar with their colleagues and with the organizational culture and guidelines. The second stage focuses on professional skills and knowledge corresponding to individual job positions.
- (2) Personal competency development: Physical courses, which are based on the staff's common competency and assisted through online learning, provide job-relevant management knowledge and skills (e.g. cross-department communication, project management, business-related skills, legal knowledge). Selective advanced courses are also given based on the employees' seniority.
- (3) Professional knowledge improvement: In coordination with the Company's strategy, colleagues are sent to participate in domestic/international industrial and management-related seminars and forums. Trainings provided by the consultant companies and manufacturers also help the Company promote technology, develop new products, introduce innovative ideas, and improve management skills.
- (4) External training program: In response to the needs of skills necessary in positions or the development of professional ability from the staff, AUO provides the information on external training programs to help improve the staff's working or professional skills, thus boosting the organizational competitiveness.
- (5) Supervisor training: For employees at the management level, AUO conducts a series of management training courses to improve the management of the Company. The average educational training hours received each year by the new managers and new assistant managers are about 29 and 40 hours, respectively. The general education courses received by assistant managers take up 6.4 hours on average.

2020 Global ALS curriculum and execution process are as follows:

Type	College	Sessions	Total number of persons	Total number of training hours	Total expense (NT\$ thousands)
AUO University course internal training	College of Engineering	847	136,311	110,616	48,032
	College Future	64	27,012	4,279	
	College Science	31	11,390	5,225	
	College of Liberal Arts	301	41,334	40,268	
	College of Leadership	297	43,296	19,193	
AUO University course external training	External training	-	1,293	-	
Learning development system maintenance and project implementation expense					

### 3. Retirement system and execution

- (1) The Company has provided Retirement Policy.
- (2) The Labor Pension Fund Supervisory Committee was established in August 1997 and began to deposit pensions in May 1998. The deposition is based on 2% to 15% of the monthly salary.
- (3) Starting from July 2005, the new pension system was implemented in accordance with the law.
- (4) According to the provisions of International Accounting Standard No.19, the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report.

### 4. Labor-management agreement and implementation:

AUO has always valued the labor relation. Apart from complying with the Labor Standards Law and related regulations, AUO went further to offer more benefits and measures, the reason for our harmonious labor relation. On the other hand, AUO regularly holds quarterly/ monthly meetings, labor-management meeting business briefings, and other two-way meetings to deliver important notices and policies. Other means of communication included 24-7 platforms, such as "Audit Committee Box," "General Manager's Mailbox," "Grievance Mailbox for Sexual Harassment," and "Internal Communication Box," for the Company to collect, understand, and resolve employees' needs. Doing so has established a sound environment for mutual participation and full communication between employees and the management team.

### 5. Workplace, and protective measures for employee's personal safety

AUO has been dedicated to environmental protection, energy saving, and employee care for a long time. It endeavors to fulfill its social responsibilities and create a sustainable business. In addition to relevant domestic laws and regulations, all sites of AUO have thoroughly passed the internationally recognized ISO 45001 Occupational Health and Safety management system. The specific measures are as follows:

#### (1) Highlight the source management

The Company's fabs were designed in accordance with the plant construction risk management specifications. Solutions to prevent all possible hazards were incorporated into fab construction. All on-site operations and possible damages/risks incurred were identified and evaluated, and the most feasible methods and techniques for hazard prevention and risk control were adopted accordingly, with a particular emphasis on source management. As an instance, the AUO equipment safety standards were based not only on the process characteristics, but also on the safety standards adopted domestically and in Europe and America. As early as the phase of equipment design, a thorough discussion with the supplier was conducted, and clearance control was applied to the purchase. To ensure employee safety during operations, new equipment loaded in a plant site has to abide by the equipment installation safety inspection specifications before operations can begin. For chemicals, AUO Chemical Filter has been established to screen for high-risk substances, in line with the international trend for chemical management. Clearance control is also applied to the chemical sources, to protect employees' health and avoid environmental impact.

#### (2) Promoting a culture of safety

The Company continues to promote a culture of safety. Safety improvement was also included in the five major missions of the annual B2B Initiative. Signing ceremonies for safety commitments and a safety forum were held at each fab, through which each employee was expected to play a safety role in his or her own position so as to blend safety awareness into work and life and achieve the vision of zero incidents.

#### (3) Strengthen communication and training for hazard prevention

In order to effectively enhance the employees' safety and hygiene awareness, the Company planned different thematic courses for different employees. These courses cover a series of topics, including environmental protection, safety and hygiene, emergency response, management system, risk management, social responsibility, and green products. Besides training, a departmental safety officer was appointed to regularly collect employees' safety and sanitation needs for work, and to transmit security management measures and notices for a healthy two-way communication.

#### (4) Promoting employees' health

AUO has arranged professional nursing staff to plan an all-inclusive health program. In addition to health checks, medical consultations and various health promotion activities were held regularly. An e-health management platform has also been

built, allowing employees to access relevant and personal health information at all times. On top of it, services of psychological and legal consultations with professionals were provided to employees in need. To counter any impacts on the Company and employees from infectious diseases in recent years, besides keeping track of relevant information, AUO has also established a complete emergency procedure and a team to conduct epidemic prevention and disaster reduction, protecting employees' health and minimizing the impact on the Company.

(5) Establish an emergency response framework

Besides regular emergency groupings and drills, AUO has established a 24-hour emergency response center equipped with full monitoring facilities to keep abreast of the situation in every factory corner, in order to avoid possible material impact on the business operations. A complete emergency response plan was also made to respond to fires, chemical spills, earthquakes, floods, and so on. Moreover, to minimize the impact on personnel and property, drills are also performed to familiarize personnel with the various procedures in case of emergency.

(6) Keep on monitoring and auditing

To ensure the safety of sites, various environmental testings and personnel working environment measurements were performed in accordance with the laws. Also established was a complete audit procedure, which includes routine inspections, high-risk operations inspections, supervisor inspections, and the cross-plant audits performed by the safety experts from each plant site. Irregular audits were also conducted by domestic/oversea third-party verification units or customers. On top of that, management review committees at the corporate and plant levels were held by the senior manager and the site chief, respectively. These committees were responsible for the regular review of environmental safety matters and operations, and for setting up goals and directions for better safety performance.

(II) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor-management disputes (including any violations of Labor Standards Act indicated in the labor inspection, specifying the disposition dates, disposition reference numbers, the articles of laws violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

I. Loss due to labor-management disputes:

Company Name	Incident	Penalty/ indemnity amount (thousands)	Countermeasures and improvements
AU Optronics Corporation	1. Disposition date: Feb.17, 2020 2. Disposition reference number: Chung Huan No. 1090003562 3. Violated clauses: Article 38, Paragraph 2 of the Labor Standards Act 4. Contents of violated clauses: The extended working hours, together with the normal working hours, exceed 12 hours a day. 5. Content of disposition: Labor inspection conducted by Central Science Park spotted that labors had worked overtime.	NT\$ 50	1. For the work time management of employees, the Company has voluntarily provided working hour reports to the management level for personnel care and work allocations. 2. The supervisor shall master the overtime hours of the colleagues under the management and monitor the situation regularly. 3. The Company will strengthen the promotion regularly, standardize and process the overtime application.
	1. Disposition date: Sep.7, 2020 2. Disposition reference number: Chung Huan No. 1090018667 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act, Article 24, Paragraph 1 of the Labor Standard Act 4. Content of violated clauses: The employer extends the working hours of the workers, while the overtime pay is not paid according to the standards; the overtime hours plus the normal working hours exceed 12 hours a day. 5. Content of disposition: Labor inspection conducted by Central Science Park spotted that labors had worked overtime.	NT\$ 90	
Darwin Precisions Corporation	1. Disposition date: Jan.14, 2020 2. Disposition reference number: Labor Affairs Bureau of Taichung City Government No. 1080267718 3. Violated clauses: Article 42 and Article 57 Paragraph 9 of Employment Service Act 4. Content of violated clauses: The employment of foreigners shall not undermine the employment opportunities of the native workers	NT\$ 60	Implement and follow relevant laws and regulations to standardize operation.

Company Name	Incident	Penalty/ indemnity amount (thousands)	Countermeasures and improvements
	5. Content of disposition: The employer failed to employ a dismissed employee who intended to work the job held by the foreigner. Determined by the Taichung Municipal Government, this behavior violates the employment service law.		
Fortech Optoelectronics Industry (Suzhou) Co., Ltd.	1. Disposition date: Mar.13, 2020 2. Disposition reference number: (2019) SU 0509 MIN-CHU 3671 3. Violated clauses: Article 6, Article 11, Article 16 and Article 26 of Tort Law of the People's Republic of China, Article 17, Article 18, Article 19, Article 20, Article 21, Article 22, Article 23, Article 24 and Article 25 of Interpretation of the Supreme People's Court of Some Issues Concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury, Article 64 of Civil Procedure Law of the People's Republic of China 4. Content of violated clauses: health infringement 5. Content of disposition: The enterprise and hospital did not inform employees of the results of the occupational health examination in writing. The court holds that the personal rights of citizens, such as the right to life and health, are protected by laws, and the infringed have the right to ask the infringer to bear the tort liability. Therefore, the enterprise, hospital, and physical examination center shall be jointly liable for the compensation.	CNY 40	The physical examination report shall be signed by the employee to confirm that he/she has received the medical examination results.

2. Except for the above matters, the Company and its subsidiaries are not fined for any other violations against the relevant regulations in the most recent year as of the publication of date this Annual Report is published.



## VI. Material Contracts

(I) As of the date of publication of this Report, the material long-term loan agreements and technical cooperation agreements that are still ongoing or are about to expire in the most recent year, are as follows:

### Long-term loan contracts

Type	Party	Term	Main content	Restrictive clauses
Financing	Bank of Taiwan and other syndicated banks	2020.04~2025.10	Repaying existing debts	Secured by the building, equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2018.06~2024.02	Repaying existing debts	Secured by the building, equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2017.07~2023.04	Purchase of machinery and equipment	Secured by the equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2016.11~2022.05	Purchase of machinery and equipment	Secured by the equipment and machinery

### Technical Collaboration Agreement

Type	Party	Term	Main content	Restrictive clauses
Patent license	Fujitsu Limited (former FDTC)	Subject to the agreement	Specific TFT-LCD patent licensing	Subject to the agreement
Patent/technology licensing	Toppan Printing Co., Ltd.	Subject to the agreement	Specific color filter patent/technology licensing	Subject to the agreement
Patent license	Semiconductor Energy Laboratory Co., Ltd.	Subject to the agreement	Specific LCD and OLED product patent licensing	Subject to the agreement
Patent Cross-license Agreement	Japan Display Inc. (formerly Japan Display East Inc., Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.)	Subject to the agreement	Patent cross-license for specific TFT-LCD and OLED products	Subject to the agreement
Patent Cross-license Agreement	Sharp Corporation	Subject to the agreement	Patent cross-licensing for specific TFT-LCD products	Subject to the agreement
Patent Cross-license Agreement	LG Display Co., Ltd.	Subject to the agreement	Patent cross-licensing for specific TFT-LCD products	Subject to the agreement
Patent Cross-license Agreement	Samsung Electronics Co., Ltd.	Subject to the agreement	Patent cross-licensing for specific TFT-LCD products	Subject to the agreement
Patent Cross-license Agreement	Hydis Technologies Co., Ltd.	Subject to the agreement	Patent cross-license for specific LCD products	Subject to the agreement
Patent Cross-license Agreement	Seiko Epson Corporation	Subject to the agreement	Patent cross-licensing for specific LCD and OLED products	Subject to the agreement

In addition to the aforesaid agreements, during the course of operation AUO has also signed licensing or cross-licensing agreements with other third parties for patents they owned or controlled.

(II) For other material contracts of the Company and subsidiaries, please refer to Appendix I to this Annual Report, titled Consolidated Financial Statements with Independent Auditor's Report for the most recent years (Pages 111-221).

## Chapter 6 Financial Highlights

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Fiscal Years

#### (I) International Financial Reporting Standards - Consolidated Financial Statements

##### Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial data for the most recent five years (Note 1)				
		2020.12.31	2019.12.31	2018.12.31	2017.12.31	2016.12.31
Current assets		168,317,673	143,200,211	149,067,627	180,175,541	163,346,242
Property, plant and equipment		185,480,116	206,734,543	221,586,475	224,933,089	222,741,832
Intangible assets		12,801,358	12,808,326	13,377,263	13,170,892	13,602,834
Other assets (Note 2)		40,671,148	34,894,511	25,800,410	23,171,762	30,078,343
Total assets		407,270,295	397,637,591	409,831,775	441,451,284	429,769,251
Current liabilities	Before distribution	98,338,179	90,528,089	128,937,971	107,236,609	117,266,175
	After distribution	101,189,146	90,528,089	133,750,093	121,672,977	122,655,752
Noncurrent liabilities		115,141,751	119,132,753	63,615,116	108,969,560	112,867,894
Total liabilities	Before distribution	213,479,930	209,660,842	192,553,087	216,206,169	230,134,069
	After distribution	216,330,897	209,660,842	197,365,209	230,642,537	235,523,646
Equity attributable to shareholders of AU Optronics Corp.		182,804,691	176,671,840	202,862,715	208,154,368	181,244,699
Common stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,587,684	60,544,474	60,622,043	60,540,326	59,979,723
	After distribution	60,587,684	60,544,474	60,622,043	60,540,326	59,979,723
Retained earnings	Before distribution	30,258,282	22,903,722	46,845,991	51,115,529	24,243,153
	After distribution	27,407,315	22,903,722	42,033,869	36,679,161	18,853,576
Other components of equity		(3,270,303)	(2,005,384)	(847,770)	256,062	779,372
Treasury shares		(1,013,423)	(1,013,423)	-	-	-
Non-controlling interests		10,985,674	11,304,909	14,415,973	17,090,747	18,390,483
Total equity	Before distribution	193,790,365	187,976,749	217,278,688	225,245,115	199,635,182
	After distribution	190,939,398	187,976,749	212,466,566	210,808,747	194,245,605

Note 1: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

Note 2: Other assets are noncurrent assets excluding property, plant and equipment, and intangible assets.

## Condensed Consolidated Statement of Comprehensive Income

Units: NT\$ thousands (except for earnings per share: NT\$)

Item	Year	Financial data for the most recent five years (Note)				
		2020	2019	2018	2017	2016
Net revenue		270,955,381	268,791,694	307,634,389	341,028,267	329,089,036
Gross profit		22,765,339	455,943	28,139,504	61,041,745	34,491,019
Profit (loss) from operations		2,083,042	(20,467,948)	6,667,865	39,139,124	12,338,456
Non-operating income and expenses		704,629	623,194	4,548,286	224,482	(1,152,554)
Profit (loss) before income tax		2,787,671	(19,844,754)	11,216,151	39,363,606	11,185,902
Profit (loss) from continuing operations for the year		2,907,427	(21,599,416)	7,959,895	30,258,488	6,606,711
Loss from discontinued operations		-	-	-	-	-
Profit (loss) for the year		2,907,427	(21,599,416)	7,959,895	30,258,488	6,606,711
Other comprehensive income (loss), net of tax		2,862,980	(1,411,771)	(1,383,775)	(960,183)	(6,359,644)
Total comprehensive income (loss) for the year		5,770,407	(23,011,187)	6,576,120	29,298,305	247,067
Profit (loss) attributable to Shareholders of AU Optronics Corp.		3,376,324	(19,185,258)	10,160,598	32,359,417	7,818,938
Profit (loss) attributable to non-controlling interests		(468,897)	(2,414,158)	(2,200,703)	(2,100,929)	(1,212,227)
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.		6,089,641	(20,192,454)	9,085,260	31,754,733	3,326,560
Total comprehensive income (loss) attributable to non-controlling interests		(319,234)	(2,818,733)	(2,509,140)	(2,456,428)	(3,079,493)
Earnings (loss) per share (EPS)		0.36	(2.00)	1.06	3.36	0.81

Note: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

(II) International Financial Reporting Standards – Parent-company-only Financial Statement

Condensed balance sheet

Unit: NT\$ thousands

Item	Year	Financial data for the most recent five years (Note 1)				
		2020.12.31	2019.12.31	2018.12.31	2017.12.31	2016.12.31
Current assets		121,044,855	96,317,458	98,928,620	133,588,893	107,580,230
Property, plant and equipment		129,554,205	144,142,738	148,448,632	141,796,990	135,433,979
Intangible assets		11,806,450	12,051,761	12,476,746	12,983,137	13,602,834
Other assets (Note 2)		101,595,066	93,152,910	87,550,523	85,732,867	101,218,733
Total assets		364,000,576	345,664,867	347,404,521	374,101,887	357,835,776
Current liabilities	Before distribution	84,124,305	73,270,709	110,042,400	91,044,482	94,944,624
	After distribution	86,975,272	73,270,709	114,854,522	105,480,850	100,334,201
Noncurrent liabilities		97,071,580	95,722,318	34,499,406	74,903,037	81,646,453
Total liabilities	Before distribution	181,195,885	168,993,027	144,541,806	165,947,519	176,591,077
	After distribution	184,046,852	168,993,027	149,353,928	180,383,887	181,980,654
Equity attributable to shareholders of AU Optronics Corp.		182,804,691	176,671,840	202,862,715	208,154,368	181,244,699
Common Stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,587,684	60,544,474	60,622,043	60,540,326	59,979,723
	After distribution	60,587,684	60,544,474	60,622,043	60,540,326	59,979,723
Retained earnings	Before distribution	30,258,282	22,903,722	46,845,991	51,115,529	24,243,153
	After distribution	27,407,315	22,903,722	42,033,869	36,679,161	18,853,576
Other components of equity		(3,270,303)	(2,005,384)	(847,770)	256,062	779,372
Treasury shares		(1,013,423)	(1,013,423)	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	182,804,691	176,671,840	202,862,715	208,154,368	181,244,699
	After distribution	179,953,724	176,671,840	198,050,593	193,718,000	175,855,122

Note 1: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

Note 2: Other assets are noncurrent assets excluding property, plant and equipment, and intangible assets.

## Condensed Statement of Comprehensive Income

Units: NT\$ thousands (except for earnings per share: NT\$)

Item \ Year	Financial data for the most recent five years (Note)				
	2020	2019	2018	2017	2016
Net revenue	256,089,345	255,167,176	293,060,339	319,839,895	300,728,680
Gross profit	16,018,967	(2,618,924)	26,377,798	59,586,501	28,070,086
Profit (loss) from operations	1,123,075	(17,726,245)	11,033,564	43,313,271	12,538,693
Non-operating income and expenses	1,373,510	(620,419)	951,429	(3,306,536)	(2,134,096)
Profit (loss) before income tax	2,496,585	(18,346,664)	11,984,993	40,006,735	10,404,597
Profit (loss) from continuing operations for the year	3,376,324	(19,185,258)	10,160,598	32,359,417	7,818,938
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	3,376,324	(19,185,258)	10,160,598	32,359,417	7,818,938
Other comprehensive income (loss), net of tax	2,713,317	(1,007,196)	(1,075,338)	(604,684)	(4,492,378)
Total comprehensive income (loss) for the year	6,089,641	(20,192,454)	9,085,260	31,754,733	3,326,560
Profit (loss) attributable to shareholders of AU Optronics Corp.	3,376,324	(19,185,258)	10,160,598	32,359,417	7,818,938
Profit (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	6,089,641	(20,192,454)	9,085,260	31,754,733	3,326,560
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings (loss) per share (EPS)	0.36	(2.00)	1.06	3.36	0.81

Note: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

(III) The Names of CPAs and Their Audit Opinions for the Most Recent Five Years

Year	CPA	Opinion content	Remarks
2020	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2019	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2018	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2017	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2016	KPMG/Wan-Yuan Yu	Unqualified opinion	-
	KPMG/Mei-Yu Tseng		

II. Financial Analysis for the Most Recent five years

(I) International Financial Reporting Standards - Financial Analysis on Consolidated Basis

Item analyzed	Year	Financial analysis for the most recent five years (Note 1)				
		2020	2019	2018	2017	2016
Financial structure	Ratio of debts to assets (%)	52.4	52.7	47.0	49.0	53.5
	Ratio of long-term capital to property, plant and equipment (%)	158.3	140.5	123.6	145.7	137.3
Solvency	Current ratio (%)	171.2	158.2	115.6	168.0	139.3
	Quick ratio (%)	142.4	130.7	94.3	142.3	113.3
	Interest coverage ratio	1.9	(Note 2)	4.5	12.1	4.3
Operating ability	Receivables turnover rate (times)	6.9	6.8	7.0	7.7	7.9
	Average collection days for receivables	53	54	52	48	46
	Inventory turnover rate (times)	9.9	10.8	10.9	10.7	9.9
	Payables turnover rate (times)	4.7	4.9	4.9	4.9	4.9
	Average days for sales of goods	37	34	33	34	37
	Property, plant and equipment turnover rate (times)	1.4	1.3	1.4	1.5	1.5
	Total asset turnover rate (times)	0.7	0.7	0.7	0.8	0.8
Profitability	Return on assets (%)	1.3	(4.7)	2.4	7.5	2.1
	Return on equity (%)	1.5	(10.7)	3.6	14.2	3.3
	Ratio of profit before income tax to paid-in capital (%)	2.9	(20.6)	11.7	40.9	11.6
	Profit margin (%)	1.1	(8.0)	2.6	8.9	2.0
	Earnings (loss) per share (NT\$)	0.36	(2.00)	1.06	3.36	0.81
Cash flow	Cash flow ratio (%)	26.2	22.9	31.2	78.7	31.2
	Cash flow adequacy ratio (%)	99.9	109.1	136.2	160.6	138.8
	Cash reinvestment ratio (%)	2.3	1.5	2.4	7.3	3.1
Leverage	Operating leverage	26.3	(Note 3)	9.2	2.4	5.8
	Financial leverage	(Note 2)	(Note 3)	1.7	1.1	1.3

Explanations on changes in financial ratios in the most recent two years:

1. The increase in various ratios related to profitability were mainly due to the turning loss into profit in the current year.
2. The increase in cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities as a result of turning loss into profit in the current year.
3. The increase in operating leverage was mainly due to turning loss into profit from operations in the current year.

Note 1: The accompanying financial data for the years stated has been audited and attested by CPAs. As of the date of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

Note 2: The ratio is zero or negative.

Note 3: The ratio was not calculated due to operating losses.

Note 4: Please refer to the Glossary under Table (2) below for calculation formula used in this table.

## (II) International Financial Reporting Standards – Parent Company Only Financial Analysis

Item analyzed	Year	Financial analysis for the most recent five years (Note 1)				
		2020	2019	2018	2017	2016
Financial structure	Ratio of debts to assets (%)	49.8	48.9	41.6	44.4	49.4
	Ratio of long-term capital to property, plant and equipment (%)	206.3	179.4	156.7	196.4	191.0
Solvency	Current ratio (%)	143.9	131.5	89.9	146.7	113.3
	Quick ratio (%)	119.7	106.3	70.5	122.9	87.8
	Interest coverage ratio	2.4	(Note 2)	10.2	23.1	6.0
Operating ability	Receivables turnover rate (times)	7.0	6.8	7.0	7.8	8.0
	Average collection days for receivables	52	54	52	47	45
	Inventory turnover rate (times)	13.2	13.8	13.5	12.7	11.8
	Payables turnover rate (times)	4.6	4.7	4.6	4.7	4.8
	Average days for sales of goods	28	27	27	29	31
	Property, plant and equipment turnover rate (times)	1.9	1.7	2.0	2.3	2.2
	Total asset turnover rate (times)	0.7	0.7	0.8	0.9	0.8
Profitability	Return on assets (%)	1.3	(5.2)	3.0	9.2	2.6
	Return on equity (%)	1.9	(10.1)	4.9	16.6	4.3
	Ratio of profit before income tax to paid-in capital (%)	2.6	(19.1)	12.5	41.6	10.8
	Profit margin (%)	1.3	(7.5)	3.5	10.1	2.6
	Earnings (loss) per share (NT\$)	0.36	(2.00)	1.06	3.36	0.81
Cash flow	Cash flow ratio (%)	17.0	15.1	24.4	89.7	19.4
	Cash flow adequacy ratio (%)	110.5	107.9	132.1	171.3	147.2
	Cash reinvestment ratio (%)	1.5	0.7	1.4	8.2	1.7
Leverage	Operating leverage	32.7	(Note 3)	4.1	1.8	4.2
	Financial leverage	(Note 2)	(Note 3)	1.1	1.0	1.2

Explanations on changes in various financial ratios in the most recent two years:

1. The increase in various profitability ratios were mainly due to the change from turning loss into profit in the current year.

2. The increase in cash reinvestment ratios was mainly due to the increase in net cash inflow from operating activities as a result of turning loss into profit in the current year.

3. The increase in the degree of operating leverage was mainly due to the operating income turning loss into profit in the current year.

Note 1: The accompanying financial data has been audited and attested by CPAs. As of the date of this Annual Report, the 2021 financial data has not been audited or reviewed by CPAs.

Note 2: The ratio was zero or negative.

Note 3: The ratio was not calculated due to operating losses.

Calculated as follows:

1. Financial structure

(1) Ratio of debts to asset = Total liabilities/Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Net income before income tax and interest expense/Interest expenses over this period.

3. Operating ability

(1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales/Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).

(2) Average collection days for receivable = 365/Receivables turnover.

(3) Inventory turnover rate = Cost of goods sold/Average inventory.

(4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold/Balance of average accounts payable of various periods (including accounts payable and notes payable due to business operations).

(5) Average days for sales = 365/Inventory turnover.

(6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.

(7) Total asset turnover rate = Net sales/Average total assets

4. Profitability

(1) Return on assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets

(2) Return on equity = Net income after taxes/Average total equity

(3) Profit margin = Net income after taxes/Net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = Net cash flow of operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends)/(Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).

6.Leverage:

(1) Operating leverage = (Net operating revenue - variable operating cost and expenses)/Operation profit.

(2) Financial leverage = Operating profit/(Operating profit - interest expenses).



### III. The Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earnings Distribution Proposal for the year of 2020. Wei, Shing-Hai and Lu, Chien-Hui, Certified Public Accounts of KPMG, have audited the Financial Statements. The 2020 Business Report, Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of AU Optronics Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

AU Optronics Corp.

Chair of Audit Committee



Chin-Bing (Philip) Peng

March 16, 2021

- IV. Consolidated Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix I pages 111-221.
- V. Parent Company Only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 2 pages 222-330.
- VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

## Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management

### I. Financial position analysis:

Unit: NT\$ thousands

Item \ Year	2020.12.31	2019.12.31	Difference	
			Increase (decrease) amount	%
Current assets	168,317,673	143,200,211	25,117,462	17.5
Long-term investment	20,086,902	13,544,650	6,542,252	48.3
Property, plant and equipment	185,480,116	206,734,543	(21,254,427)	(10.3)
Right-of-use assets	11,277,353	12,207,768	(930,415)	(7.6)
Investment property	1,522,391	1,555,130	(32,739)	(2.1)
Intangible assets	12,801,358	12,808,326	(6,968)	(0.1)
Deferred tax assets	6,005,346	5,181,617	823,729	15.9
Other assets	1,779,156	2,405,346	(626,190)	(26.0)
Total assets	407,270,295	397,637,591	9,632,704	2.4
Current liabilities	98,338,179	90,528,089	7,810,090	8.6
Non-current liabilities	115,141,751	119,132,753	(3,991,002)	(3.4)
Total liabilities	213,479,930	209,660,842	3,819,088	1.8
Common stock	96,242,451	96,242,451	-	-
Capital surplus	60,587,684	60,544,474	43,210	0.1
Retained earnings	30,258,282	22,903,722	7,354,560	32.1
Other components of equity	(3,270,303)	(2,005,384)	(1,264,919)	63.1
Treasury shares	(1,013,423)	(1,013,423)	-	-
Equity attributable to shareholders of AU Optronics Corp.	182,804,691	176,671,840	6,132,851	3.5
Non-controlling Interests	10,985,674	11,304,909	(319,235)	(2.8)
Total equity	193,790,365	187,976,749	5,813,616	3.1

Analysis of items that have major changes:

1. The increase in long-term investment was mainly due to the new investments in associates in 2020.
2. The decrease in other assets was mainly due to the amortization of long-term prepaid expenses.
3. The increase in retained earnings was mainly due to current profit, and transferring a financial asset at FVTOCI to an investment in equity-accounted investee and reclassifying related other comprehensive income to retained earnings.
4. The decrease in other components of equity was mainly due to transferring a financial asset at FVTOCI to an investment in equity-accounted investee and reclassifying related other comprehensive income to retained earnings.

## II. Financial performance

### (I) Financial performance analysis

Unit: NT\$ thousands

Item	Year	2020	2019	Change in proportion	
				Increase (decrease) amount	%
Revenue		271,821,226	270,794,105	1,027,121	0.4
Less: sales return and discount		865,845	2,002,411	(1,136,566)	(56.8)
Net revenue		270,955,381	268,791,694	2,163,687	0.8
Cost of sales		248,190,042	268,335,751	(20,145,709)	(7.5)
Gross profit (loss)		22,765,339	455,943	22,309,396	4,893.0
Operating expenses		20,682,297	20,923,891	(241,594)	(1.2)
Profit (loss) from operations		2,083,042	(20,467,948)	22,550,990	(110.2)
Non-operating income and expenses		704,629	623,194	81,435	13.1
Profit (loss) before income tax for the year		2,787,671	(19,844,754)	22,632,425	(114.0)
Less: income tax expense (benefit)		(119,756)	1,754,662	(1,874,418)	(106.8)
Profit (loss) for the year		2,907,427	(21,599,416)	24,506,843	(113.5)

Analysis of items that have major changes:

1. Sales return and discount decreased significantly, and gross profit, profit from operations, profit before income tax for the year, and profit for the year increased in 2020 was mainly due to the slowing down of supply of TFT-LCD, rising of home-based economy due to the pandemic, and the rebound of product sales price, as well as the Company's active adjustment of product mix and cost structure.
2. Income tax expense (benefit): the income tax benefit for the year was mainly due to the increase of deferred tax assets resulting from temporary differences recognized in accordance with the accounting standards.

### (II) The special key performance indicators (KPI) of the panel industry

Item	Year	2020				
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
Consolidated shipment (Kilometer squared)		5,516	6,387	6,865	6,778	25,547
Operating margin (%)		(10.1)	(5.4)	3.6	10.3	0.8
EBITDA (Note 1) margin (%)		6.7	8.6	15.6	21.1	13.8
Inventory turnover (days)		43	40	37	36	37
Net debt to equity (%)		24.9	27.2	22.8	13.7	13.7

Note 1: EBITDA = Operating profit + D&amp;A.

### (III) Estimated sales volume and supporting info

AUO is a leading global technology and manufacturer of optoelectronic solutions. Its main product lines cover TFT-LCD panels in large, medium, and small sizes. The current panel sizes in production range from 1.2 inches to 85 inches. The application range and dimensions are very comprehensive. The Company's panel shipments fluctuate considerably when the product mix changes. Therefore, it is not appropriate to only use sales as the basis for measurement. However, the Company continues to focus on product value enhancement and product mix optimization. Meanwhile, the Company also focuses on strengthening its leading edge in product technology and increasing the shipment of integrated and high value-added products to maintain its product competitiveness in response to the future development direction of panels toward high-end technologies under the rapidly changing industry environment. With the popularization of 5G, AI, and other futuristic technology, AUO turns its 20 years of experience in the display industry into the driving force of seizing industrial transformation and business opportunities in the smart segment. Working with the ecological circle, AUO will develop into a solution provider in such segments as smart retail, smart healthcare, smart education, smart transportation, and smart manufacturing.

### III. Cash flow

Changes in consolidated cash flows in 2020:

Unit: NT\$ thousands

Cash balance at the beginning of the period	Net cash flow from operating activities	Net cash flow due to investment activities	Net cash flow due to financing activities	Cash balance (including effect of exchange rate)
80,449,772	25,746,958	(17,708,146)	2,703,590	90,274,687

#### (I) Analysis of changes in consolidated cash flows in 2020

Operating activities: The main changes were net profit plus depreciation and amortization of non-cash expenses and changes in working capital.

Investment activities: Mainly used in capital expenditures.

Financing activities: The main changes came from long-term borrowings and repaying short-term borrowings.

#### (II) Liquidity improvement plan: The Company showed no signs of liquidity deficit.

(III) Analysis of cash liquidity in the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking cash balances on accounts, cash flows from operating activities and investing activities and the status of financial markets into consideration.

### IV. Material capital expenditures of the most recent year and impact on the Company's finances and operations

The Company's material capital expenditure in 2020 mainly comprised final payment for Generation 8.5 production line expansion equipment in Houli, Taichung, G6 transformation upgrading to IT AHVA production line at Central Taiwan Science Park, in response to customers' demanded quantity and optimize the Company's product portfolio and technical specifications. Based on the consolidated financial statements, the amount paid for the acquisition of fixed assets in 2020 was NT\$15.6 billion, accounting for approximately 6% of the net sales, and thus had no significant impact on the Company's finances and operations.

### V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

The Company's reinvestment policy is in line with the Company's business development strategy and operational needs in recent years. The Company seeks appropriate strategic partnerships, and the major scope of reinvestments includes related key components, upstream and downstream companies, comprehensive solutions for panel display applications and solar power plants. The Company's net income from equity investments under the equity method that were recognized in 2020 Consolidated Financial Statements were NT\$117,736 thousand, with a decrease from the previous year, which was attributable to the decline in profits or asset impairment of invested companies as a result of fierce industrial competition. In the future, in line with the "two-axis transformation" strategy of Go Premium and Go Vertical, we will increase the investment in advanced technology and five target segments (i.e., "smart retail", "smart healthcare", "smart education and entertainment", "smart transportation", and "smart manufacturing") by means of investment, joint venture, merger or strategic alliance. The Company will take appropriate measures to dispose of the investment positions in addition to continuing to evaluate the investment plan carefully.

## VI. Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

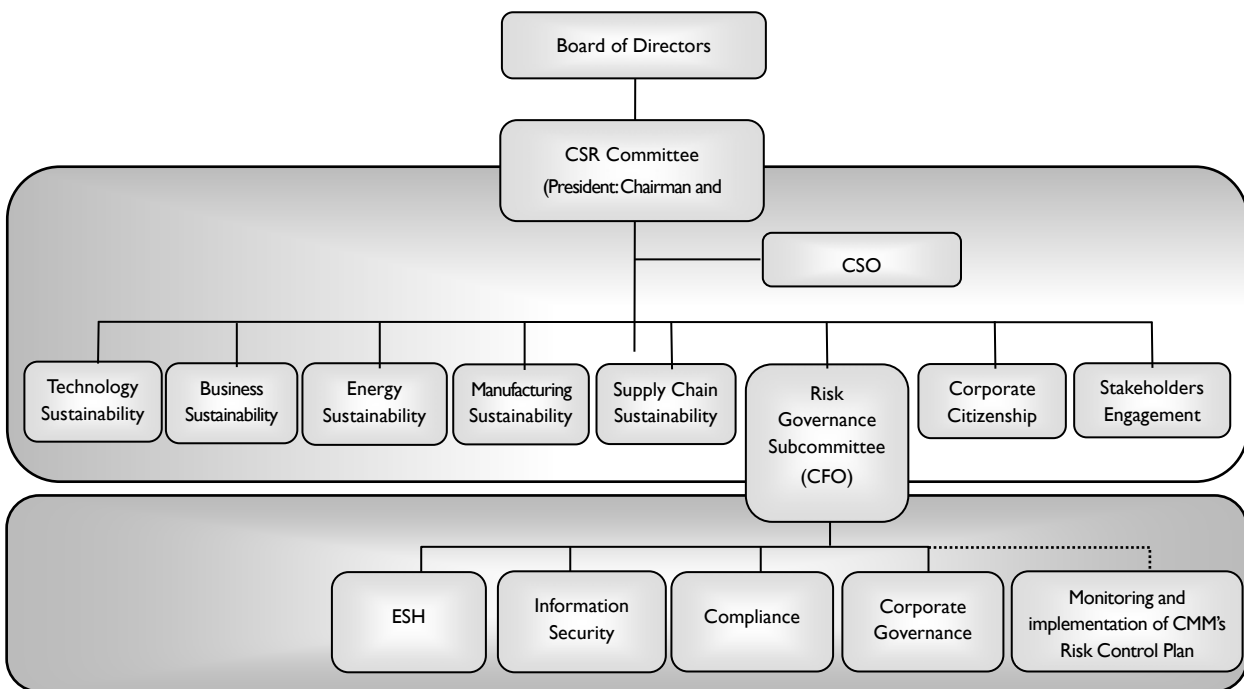
### (I) The organizational structure of risk management

The Board of Directors serves as the highest management and decision-making unit in the Company's risk management organization. The risk management policy was thoroughly inspected by the Board of Directors in accordance with the Company's business strategy and industrial environment, so to effectively operate the management mechanism. AUO's risk management policy was approved by the Board of Directors in 2020, and stands as the governing principle regarding risk management.

The CSR Committee is chaired by the Chairman and CEO and administered by the Board of Directors, the Risk Management Team hereunder is responsible for implementing the verified risk management policy. The scope of management includes examining the execution of risk identification and control, along with supervising the implementation and coordination related operation.

The Risk Management Team reports to the Board of Directors at least once a year on subjects regarding risk identification, prevention, and monitoring, or major risk control issues.

Structure of the Company's CSR Committee is as follows:



### (II) The impacts of interest rates, foreign exchange rates fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures:

- Interest rates fluctuation

The exposure to changes in interest rate of the Company and its subsidiaries is mainly from floating-rate long-term debt obligations from operating and investment activities. Any change in interest rates will cause the cash flows of interest expense that will be paid in the future to fluctuate over time. The consolidated interest expense for 2020 was NT\$2,943,872 thousand, which was calculated based on the long-term borrowing of the Company and its subsidiaries with floating interest rates for 2020. If the market interest rate increases by 0.25% in the future, the net profit before tax will be reduced by approximately NT\$292,271 thousand.

In terms of assets, the capital allocation of the Company and its subsidiaries is based on the principles of stability and being conservative. It is mainly deposited in bank deposits and high liquidity short-term government bonds with repurchase agreements to preserve principal and maintain liquidity.

- Foreign exchange rates fluctuation

The exposure to foreign currency risk of the Company and its subsidiaries arises from cash and cash equivalents, accounts receivable, borrowings and accounts payables that are denominated in foreign currency. Therefore, fluctuations in foreign currency may affect operating income, operating costs and even profit performance denominated in foreign currencies. In order to avoid adverse effects of changes in foreign currency on the operating results of the Company and its subsidiaries, the Company and its subsidiaries use forward contracts as hedging instruments to reduce the impact of foreign currency risk on the profit and loss of the Company and its subsidiaries. Based on the Consolidated Financial Statements, gains and losses on the valuation of forward contract derivatives and foreign exchanges gains and losses measured at fair value in 2020 of that period as a net loss of NT\$312,953 thousand. In the future, these hedges will continue to reduce foreign currency risks. Calculated based on the cost structure of the Company and its subsidiaries in 2020, if NT\$ appreciates by 1% relative to the US dollar, the consolidated gross margin will decline by about 0.5%.

- Inflation or deflation

According to the estimates of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) in 2020, the domestic economic growth rate was 3.11%, and the average annual reduction rate of the consumer price index (CPI) was 0.23%. Such a mild price decrease should not have a material impact on the Company's consolidated operating results in 2020. Based on the combined amount of raw material purchased in NTD by the Company and its subsidiaries in 2020, if the inflation rate increases by 1% (i.e., the consumer price index increases by 1%), the Company's combined purchase amount will increase by approximately NT\$180 million.

(III) The policies to engage in high-risk, high-leverage investments, capital lending, endorsements and guarantees, and the derivative transactions, the main reasons for profits and losses, and the future countermeasures:

The Company and its subsidiaries did not engage in high-risk, high-leverage investments, and acted with the principle of prudence and stability to carry out funds allocation and hedging activities.

When the Company and its subsidiaries are engaged in capital lending, endorsements and guarantees, and derivative transactions, the Company will, in addition to complying with the relevant handling procedures, and to making a public announcement and filing the necessary reports in accordance with the regulations of the competent authorities:

1. Capital lending to others: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to lending its capital to the Company and its subsidiaries.
2. Endorsements and Guarantees: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to providing endorsements and guarantees for the Company and subsidiaries in which the Company holds more than 50% of ownership of such subsidiaries' total shares.
3. Derivative transactions: The Company and its subsidiaries conduct derivative transactions based on the positions arising from the Company's business exposed to foreign currency risk. The purpose is to avoid market risks and reduce the Company's business operating risks. Based on the consolidated financial statements, gains (losses) on valuation of forward derivative instrument at FVTPL and foreign exchange gains (losses) in 2020 of that period as a net loss of NT\$312,953 thousand, indicating that the hedging performance is adequate. The Company and its subsidiaries will continue to conduct hedging under the principle of avoiding risks arising from the fluctuation of foreign currency and interest rate. The Company and its subsidiaries will also take operating conditions and market trends into consideration to periodically evaluate positions exposed to interest rate and foreign currency risks and adjust the relevant hedging strategies. In addition, the Company's subsidiary has structured time deposits, gains (losses) on valuation of structured deposits derivative instrument measured at FVTPL for the year in 2020 was a net gain of NT\$40,693 thousand.

(IV) Future research and development (R&D) plans and the R&D expenses expected to be invested:

Please see "Chapter 5 Operational Highlights" of this Annual Report, which provides information on the "Technology and R&D Overview" (Pages 57-61).

(V) The impacts of changes on important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures:

The Company has always paid close attention to policies and laws that may affect the Company's operations, and cooperate with the Company's related internal policies. The changes in the law in 2020 have no significant impact on the Company after evaluation.

(VI) The impacts of technology changes on the Company's finance and business, and the countermeasures:

Market applications of flat panel displays are increasingly diversified, ranging from consumer products such as TVs, desktop monitors, and notebooks, tablets, mobile phones, and smart watches to non-consumer products including automotive, medical, digital signage, and various commercial panel displays. Flat panel displays are ever-present in daily lives, and the TFT-LCD remains the most mature and most competitive technology. AUO has devoted substantial R&D efforts to developing advanced display technologies for years, and accumulated a wealth of patents and manufacturing experience.

The display is an important interface of human-computer interaction, which will play a very important role in the era of intelligent application. When the display enters the application scenarios, the value of displays is bound to be redefined.

In the "display 2.0" era, a person who opens his/her eyes to start a day will touch a variety of displays, which are important human-machine interfaces in the era of digital application. However, in the era of intelligence or application, the display will fully enter people's lives in the aspects of food, clothing, housing, transportation and so on, such as medical care, retail, manufacturing, and transportation. Also, the displays function as the last mile of digital solutions. This is one of the reasons why AUO is actively engaged in transforming the vertical application segments.

With the popularization of 5G, AI, and other futuristic technology, AUO turns its 20 years of experience in the display industry into the driving force of seizing industrial transformation and business opportunities in the smart segment. Working with the ecological circle, AUO will develop into a solution provider in such segments as smart retail, smart healthcare, smart education, smart transportation, and smart manufacturing.

Display market demand is currently trending toward features including larger size, ultra high resolution 8K, wide color gamut, high contrast, wide viewing angle, fast response time, Zero Border, thin and lightweight, stylish appearance, and low power consumption. Based on existing TFT-LCD competencies, AUO has developed related processes and product technologies such as GOA (Gate

on Array), COA (Color Filter on Array), AHVA (Advanced Hyper-Viewing Angle), MIP (Memory in Pixel), RLCD (Reflective LCD), High Refresh Rate, HDR (High Dynamic Range), curved, free-form cutting, on-cell/in-cell touch, and among others to meet the needs of the market. At the same time, AUO continues to develop new technologies, such as AMOLED, Mini LED, Micro LED, under display Fingerprint, X-Ray sensor, and related technologies to drive the future market.

(VII) The impacts of change of corporate image on the enterprise crisis management and the countermeasures:

The Company will initiate its crisis management mechanism immediately if there are any concerns that will adversely impact AUO's operations and corporate reputation in the event of crisis and potential external risks. The emergency response team will quickly investigate the incident for risk assessment and take necessary actions. This emergency response team is composed of a cross-section high-level executives from business groups, supply chain management, environment & safety, human resources, information technology and marketing departments. They will review the Company's crisis management principles to protect the safety of employees and the environment while ensuring the efficiency of its manufacturing operations. The Company's crisis communication plan also upholds open communication principles to ensure that employees, customers, authorities, investors, media and related stakeholders have immediate access to the latest status.

The Company continues to demonstrate potential for sustainable development in the economic, environmental, and social sectors. The Company shall also maintain its core business values for honesty and integrity and shoulder long-term responsibilities for sustainable development for the benefit of the stakeholders and society.

(VIII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures:

- The Company adopted the resolution of Board of Directors on February 5, 2020 and acquired the common stock of ADLINK Technology Co., Ltd. at a consideration of NT\$ 57 per share from Feb. 7, 2020 to March 12, 2020, with a total of 42,310,407 shares (around 19.45% equity) acquired. The acquisition of ADLINK Technology Co., Ltd. aims to establish a strategic partnership between both parties, draw on each other's advantages, and jointly meet the needs of customers in multiple areas from automation to intelligent development.
- AUO's Board of Directors resolved on May 6, 2020 to demerge AUO's General Display and Public Information Display businesses to AUO Display Plus Corporation ("AUO Display Plus"), an entity wholly owned by AUO. The effective date of this demerger was on January 1, 2021. AUO Display Plus issued 36,855,500 common shares for AUO to acquire at NT\$10 per share, indicating a business value of NT\$368,555 thousand. It is hoped that these two companies could make more effective use of resources, push ahead with the value transformation strategy, extend the value chain, grasp the opportunity of vertical integration strategy cooperation between upstream and downstream, and increase the flexibility of strategic cooperation.

(IX) The expected benefits and possible risks to expand the fabs and the countermeasures:

AUO is committed to providing customers with an innovative product portfolio with high added-value. AUO has the flexibility to adjust and develop various application products with the competitive advantages of the complete generations of production lines. Small-and-medium-sized TFT-LCD panels will move toward higher specifications such as ultra-high resolution and low-power mobile phone panels, wearable products, notebooks, and gaming panels in the next few years. Based on past LTPS experiences, AUO has invested and constructed the Generation 6 LTPS fab in Kunshan, China, and the fab began mass production in 2017. AUO will also carefully increase the production capacity in the future in line with the growth of notebook and gaming panel demands.

In addition, to respond to the market demand of increasing TV sizes over the years, phase 1 and phase 2 of production capacity enhancement in Generation 8.5 fab in Taiwan have also been accomplished in 2016 and 2018, respectively. In the future, we will also carefully upgrade and transform the capacity of TV products into the capacity of desktop display, notebooks, and tablets. In addition, we will cooperate with the whole product line and make differences with other manufactures in the market in line with the changes in market demands.

(X) Risk of procurement and sales concentration, and countermeasures:

1. Risks from sales concentration and response measures:

- (1) The Company's major customers has accounted for a significant proportion of the Company's revenue, and the major customers are adjusted due to the change in product mix in recent years. If the orders from major customer have reduced, delayed or canceled, or if the major customers face any financial difficulties, it will affect the Company's revenue and profitability. Therefore, the Company is committed to maintaining a close relationship with our customers and will continue to provide services that satisfy their needs. The Company will also strictly monitor the changes in customers' credit status and is committed to the development of potential customers in order to reduce the risk of concentrated sales.
- (2) For customers who accounted for more than 10% of the net sales in the last two years, please refer to Chapter 5 Operational Highlights of this Annual Report, which provides information on Markets and Overview of Production and Sales (Pages 62-65).

2. Risks from purchase concentration and response measures:

(1) Raw material

The Company needs to adequately procure raw materials needed for production purposes. Some of the purchased raw materials are supplied by a single manufacturer. Therefore, if there is a shortage of raw materials from the suppliers' end or

its upstream manufacturers, and the Company fails to find alternative materials in time, the risk of not being able to meet the needs of customers in a timely manner may arise. As a result, the Company's revenue and profit may decline. The Company continues to bring in local suppliers to reduce the proportion of imported raw materials. In addition to effectively reducing supply chain costs, it also reduces supply chain risks. In addition, for raw materials that come from single supplier, the Company distributes its raw material purchases from upstream in addition to the Company's cooperation with existing suppliers to bring in more than one production plants. The Company is also committed to bring in new suppliers and expects to minimize the risks involved.

(2) Equipments

The market for equipment is often supplied from a limited number of suppliers. Machine purchases may take up to 6 to 12 months or longer in the display panel industry. Therefore, the Company will consider the needs for operational growth and capacity expansion and actively seek equipment and services that can meet production requirements. In addition, the Company will also discuss various business models with suppliers to shorten the pre-procurement period of the machines. Thus, the suppliers can be expected to provide equipment and related services on time to reduce the risks arising from limited or concentrated suppliers and supply.

(3) The Company does not have any suppliers that account for more than 10% of net purchases in the last two years.

(XI) The impacts and risks arising from major transfer or exchange of shares by directors or shareholders with over 10 percent of shares in the Company and the countermeasures:

In the most recent year up to the publication date of this Annual Report, the Company is not aware of any risk of substantial transfer or replacement of shares of directors or large shareholders holding more than 10% of shares, except those who have already declared according to law.

(XII) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

In the most recent year up to the publication date of this Annual Report, the Company has not had any operating rights changes.

(XIII) If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company, any of its director, supervisor, general manager, substantial representative, major shareholder (having holding of more than 10%) or subsidiary is a party and has a material impact on the shareholders' interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report:

1. Final judgments or pending litigation, non-litigation or administrative proceedings in most recent year and as of the date of printing of this Report which may have a material impact on shareholders' interests or stock price:

Antitrust Civil Actions Lawsuits

A lawsuit was filed by certain consumers in Israel against certain LCD manufacturers, including us, in the District Court of the Central District in Israel ("Israeli Court"). The defendants contested various issues, including whether the lawsuit was properly served. In March 2016, the Israeli Court issued an order stating that the case may proceed in Israel. We and other defendants appealed the Israeli Court's decision. The Israeli Court ordered that, except for the appellate proceedings, all the other court proceedings be stayed. The first-level appellate court heard the appeal in December 2016. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to be served outside of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court, but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. In April 2019, the Central District Court of Israel in Lod approved the settlement. AUO has complied with all the court ordered directives to finalize the settlement, so the settlement is now completed.

In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. We do not believe this lawsuit has merit and have retained counsel to handle this matter. At this stage, the results of this matter remain uncertain, and we continue to review the merits of this lawsuit on an on-going basis.

A lawsuit was filed in June 2018 by the Government of Puerto Rico and on behalf of all consumers and relevant government agencies of Puerto Rico against certain LCD manufacturers. The named defendants for this lawsuit included AUO and AUUS. The lawsuit was filed in the Superior Court of San Juan, Court of First Instance and alleges unjust enrichment and claiming unspecified monetary damages. We have retained counsel to handle this matter. At this stage, the outcome of this matter remains uncertain. We are reviewing the merits of this lawsuit on an ongoing basis, but we are unable to predict the actions of the Government of Puerto Rico or the actions that competent regulatory agencies may take in connection with this proceeding.

We will make certain provisions with respect to some, but not all, civil lawsuits as the management deems appropriate. See Note 45 of our consolidated financial statements for further details. The provisions may ultimately be proven to be under- or over-estimated. We will reassess the adequacy and reasonableness of the said provisions and make adjustments as we deem necessary. Any penalties, fines, damages or settlements made in connection with these legal proceedings and/or lawsuits may have a material adverse effect on our business, results of operations and future prospects.

Environmental Proceedings



There have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, where our second 8.5-generation fab is located and which has been established since 2010. The proceedings were initiated by six residents in Houli District, Taichung City (the "Plaintiffs") to object to the administrative dispositions of the environmental assessment and development approval issued in 2010 by the Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan to the third-phase development area in the Central Taiwan Science Park (the "Project"). On August 8, 2014, the Plaintiffs reached a settlement with the defendants (i.e., the governmental authorities, including the EPA of the Executive Yuan of Taiwan, the Ministry of Science and Technology (former National Science Council of the ROC Executive Yuan) and the Central Taiwan Science Park Development Office) in the Taipei High Administrative Court). The second-phase environmental impact assessment for the Project continues to proceed. On December 14, 2017, the EPA of the Executive Yuan of Taiwan held the third review meeting of the investigation group. The review meeting reached the conclusion of suggesting approval for the Project. On November 6, 2018, the EPA approved the Project, but on December 6, 2018, five residents in Houli District, Taichung City filed an administrative appeal to the Appeals Review Committee of the Executive Yuan requesting a withdrawal of the approval. The administrative appeal was rejected by the Appeal Review Committee on October 24, 2019 and the residents have proceeded to file an administrative action for invalidating the environmental assessment again, this time against the EPA. We will continue to monitor if there will be any material adverse effect on our operations as the event develops.

2. Final judgment, ongoing major litigation, non-litigation or administrative proceedings involving Company directors, supervisors, General Manager, substantial representative, and shareholders that hold more than 10% of this Company's stock up to the publication date of this Annual Report that can have a material impact on shareholders' interest or stock price: none.
3. For the Company's subsidiary litigations details, please refer to Appendix I: Consolidated Financial Statement with Independent Auditors' Report of the most recent year (Pages 111-221).

#### (XIV) Risk of information security

##### 1. Information Security Committee:

The Company has set up an Information Security Committee to initiate and promote the management of information security. The Committee is headed by the Company Chairman, and meetings are convened by the Chief Digital Officer. Senior managers from each department serve as committee members, and meetings are organized regularly to establish and review the goals and policy of information security management. In addition, to fulfill information security management in practice, an information security implementation team has been set up under the Information Security Committee, including the Technology Control Team, Educational Training Team, Audit and Investigation Team, Risk Management Team, and Document Control Team. Senior managers from relevant departments serve as heads of these teams and carry out the information security tasks approved by the Information Security Committee.

##### 2. Information security policy:

The Company's information security policy is to "protect the Company's intellectual property, comprehensively enhance the awareness for information security, and to collectively create profitable business opportunities". In addition to improving various internal information security management mechanisms, regular information security publicity, employee information security education, and training over the years, we introduced ISO 27001 Information Security Management System in order to better meet international information security management trends and respond to customers' information security requirements. Since 2017, we have introduced ISO 27001 Information Security Management System and continuously passed annual re-evaluation verification. We passed the re-evaluation verification of the ISO 27001 Information Security Management System in Jul. 2020, with a validity period from Jul. 2020 to Jun. 2023.

##### 3. Information security and cyber risk control:

The spread of encrypting ransomware and various kinds of cyberattacks shows that information systems cannot avoid targeted cyberattacks from any third party completely, which can use by email, phishing, brute force cracking, etc., to insert malicious programs into corporate internal networks for damage or data theft. A malware injection attack could result in disruption of our production and operations., while information theft attacks may lead to the disclosure of material operating information or personal information from employees or customers. The Company adopts active information security strengthening procedures. Besides introducing multiple security equipment and mechanisms, the Company carried out Fab information safety enhancement operation, and arranged for information security incident response drills at each site in 2020, so that relevant personnel can be familiar with the information security incident response procedures and respond quickly; the Company set up information security dashboard, so that each site and unit can immediately know its information security status, and independently manage and improve the information security. The Company evaluates the risks related to the information system through the internal risk management system every quarter and regularly reports the risk control and improvement status to the Risk Management Committee so as to control and reduce the relevant network risks.

The Company arranged an information security insurance policy in 2020 to respond to insurance claims that may incur related expenses (such as recovery and forensics) when a major information security incident occurs. Doing so not only transfers risks but also obtains assistance and resources from external security experts, so as to continuously review and improve related security operations.

4. Information security training for employees:

The Company regularly organizes email social engineering drills and educates employees on related information security knowledge such as email sending and receiving to reduce the risk of accidental clicks on malicious emails. In addition, in view of the frequent occurrence of business email compromise in recent years, the Company trains personnel involved in handling cash flows, e.g. colleagues in business, finance, and procurement units, in order to prevent business email compromise, and optimizes internal processes to ensure the security of receipts and payments. The Company looks to increase the employees' information security awareness through various information security training sessions, to ensure the knowledge of information security will be integrated into employees' day-to-day operations.

5. In the most recent year and up to the date of publication of this Annual Report, the Company has not experienced any major cyber attack incidents that have impacted the Company's operations.

(XV) Other material risks: None.

VII. Other material matters: None.

## Chapter 8 Corporate Social Responsibility

### I. Overview

AUO upholds the core concept of sustainability operation and values stakeholder management and communication. A strong emphasis is also placed on the realizing of financial and non-financial performance. An AUO CSR (Corporate Social Responsibility) strategic blueprint is developed in conjunction with the Company's core strategy to realize the AUO's sustainability vision through "going beyond CSR, creating shared values".

- AUO's sustainability policy

The AUO sustainability policy was formally approved in 2015 by a resolution of the Board of Directors. In accordance with international trends and the relevant standards, the policy encompasses a total of 12 items spread across the three aspects of governance, environment, and society. The policy not only serves as the ultimate guide for the sustainable development of AUO but also complements the CSR principles that the Company has publicly committed to in its pursuit of sustainability.

#### (I) Operation of CSR Committee

AUO adopts the sustainable management concept that advocates for the balanced development between enterprise operation and green sustainability and is committed to inputting more long-term resources into the environmental and social issues while emphasizing corporate growth. The CSR Committee serves as the Company's top governance body for sustainable development. AUO embeds the UN's Sustainable Development Goals into our core competitiveness strategies. We emphasize cooperation alongside the value chain and actively establish global partnerships, with an expectation to take the lead in sustainable corporate development and are create more shared values.

The AUO CSR Committee is headed by Chairman, with a Chief Sustainability Officer appointed, responsible for the committee operation. The CSR Committee is divided into eight functional sub-committees, which are headed by respective senior managers and responsible for implementing related businesses. The sub-committees have monthly dialogues, discuss and review the implementation of short, medium, and long-term goals. They also report to the chairman quarterly to make decisions on major issues, and report to the Board of Directors annually on the operation results in accordance with the code of corporate social responsibility. In addition, in response to current issues, CSR policies, and trends, they will hold discussions, brainstorming, and communications on project resources in the form of periodic executive meetings.

#### (II) CSR EPS 2025 Targets

The United Nations Sustainable Development Goals (SDGs) are adopted by AUO to define a corporate sustainability roadmap of "Go Beyond CSR, Create Shared Values." The three AUO EPS (Environment, People and Society) themes focusing on environmental sustainability, inclusive growth and agile innovation are defined. We are actively committed to achieving the short, medium and long-term goals of sustainable development by 2025. Close attention is paid to environmental issues such as climate change and the consumption of Earth's resources. Helping disadvantaged groups and ensuring quality education have long received AUO's support as well. We also explore future opportunities in energy and intelligent applications through agile innovation.

	Environment (Environmental Sustainability)				People (Inclusive Growth)			Society (Agile Innovation)		
Theme	Realize the goal of environmental sustainability through low-carbon production and resource recycling in the value chain				Balance business growth with the diversified development of key stakeholders to achieve inclusive growth			Continue to apply core technologies to improving the resilience of human lifestyle and promoting agile innovation		
Aspect	Energy Optimization	Water Optimization	Circular Production	Climate Adaptation	Quality Education	Inclusive Growth	Enjoyable Workplace	Affordable and Clean Energy	Smart Manufacturing	Intelligent Life

### (III) Stakeholder Negotiation and Communication

AUO values stakeholder communication and their feedback. By referring to the AA1000 SES (Stakeholder Engagement Standards), AUO has identified the categories of stakeholders that significantly impact the Company. Along with three principles (Complementarity, Collaboration, and Co-creation), the customized short, medium, and long-term development plan is adopted. Through regular inter-departmental communication, we will coordinate resources quickly, interact with stakeholders, grasp feedback, needs and risks, and explore mutually beneficial business opportunities.

Stakeholder communication channels in 2020

Stakeholder	Topic of Communication	Channel of Communication
Academic experts	<ul style="list-style-type: none"> <li>• Pollution prevention strategies</li> <li>• Green product management</li> <li>• Charity involvement</li> <li>• Corporate culture shaping</li> </ul>	<ul style="list-style-type: none"> <li>• Expert meetings</li> <li>• External communications mailbox</li> <li>• Conferences</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Response to conflict minerals</li> <li>• Prohibited &amp; restricted Substances policies</li> <li>• Product carbon footprints</li> <li>• Suppliers' CSR ratings</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier conferences</li> <li>• Complaints mailbox</li> <li>• Supplier management systems</li> <li>• Supplier audits</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Product return and exchange</li> <li>• Environmental management and performance</li> <li>• RBA implementation</li> <li>• Employee health and safety</li> <li>• Quality of service</li> <li>• Prohibited substances</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Customers website system (CCS)</li> <li>• Questionnaires</li> <li>• Audits</li> <li>• Supplier conferences</li> </ul>
NGO	<ul style="list-style-type: none"> <li>• Water pollution management</li> <li>• Charity involvement</li> <li>• Corporate culture shaping</li> </ul>	<ul style="list-style-type: none"> <li>• External conferences</li> <li>• NGO events</li> <li>• External communication mailbox</li> <li>• Benq Foundation</li> <li>• AUO Foundation</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Operating performance</li> <li>• Social engagement</li> <li>• Environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Exhibitions</li> <li>• Press conferences</li> <li>• News release</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Operating conditions</li> <li>• Environmental issues and incidents</li> <li>• Environmental safety projects</li> <li>• Labor-management issues</li> </ul>	<ul style="list-style-type: none"> <li>• WOW AUO quarterly publication</li> <li>• General complaints and inquiries hotline</li> <li>• Appointment with the President seminar</li> <li>• Meeting with BG head</li> <li>• AUOer website</li> <li>• Labor-management conferences</li> <li>• Business briefings</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Operational status</li> <li>• Social responsibilities performance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and business status announced in market observation post system and investor section of the Company's website</li> <li>• Annual shareholders meetings</li> <li>• Quarterly investor briefings</li> </ul>
Students	<ul style="list-style-type: none"> <li>• Social responsibilities performance</li> <li>• Recruitment and welfare</li> </ul>	<ul style="list-style-type: none"> <li>• A+ summer internship</li> <li>• Factory visits</li> <li>• Company career pages and job search websites</li> </ul>
Communities & Neighborhoods	<ul style="list-style-type: none"> <li>• Public interest activities</li> <li>• Noise and odor</li> <li>• Social responsibilities performance</li> </ul>	<ul style="list-style-type: none"> <li>• External communication mailbox</li> <li>• Regular visits and care</li> <li>• Factory complaints hotline</li> </ul>

### (IV) Enterprise Risk Identification and Operation Management

With the Board of Directors as the top management and decision-making organ, the risk management organization of AUO adopted the risk management policy as the top guiding principle in 2020. The risk management group under the CSR Committee is responsible for implementing the risk management policy approved by the Board of Directors. In accordance with the risk management standards and guidelines of ISO 31000, the Company has formulated corresponding policies and procedures. AUO quantified risk frequency, risk impact and degree of risk control through identification, analysis, evaluation and other processes. The risks identified focuses on operation, strategy, finance, hazards and so on. Upon identification, the Company focused on 23 major risk items encountered in 2020. According to the result, the emerging risks included information security and strategic security; the strategic risks included marketing strategies and technology R&D; and the external risks referred to compliance with laws and regulations in response to the development of risks. AUO implements several measures as following to optimize risk management strategy, including diversifying the emergency response drills for information security management, strengthening the agreements with customers and the inventory of the competitive shipping machines, adjusting the Company's internal production plan, modifying the business model, increasing the solutions and acceptance of the diversified value of products, actively cooperating with industry and universities, improving the blueprint of R&D and training, sharing and training, to ensure the Company's sustainable operational resilience.

In addition, AUO continuously pays attention to various risks, drafts the Business Continuity Plan (BCP) and adopts immediate

and effective response measures to mitigate impacts. Taking the risk management of infectious diseases as an example, the global economy is operated in a closely interconnected manner. In the event of a large-scale outbreak of infectious disease in the region where the sites, customers or supply chain are located, it is likely to directly or indirectly affect the operation of the Company. AUO saw the outbreak of SARS, HINI and other large-scale epidemics, and has accumulated extensive response experience. In accordance with the BCP, we have drafted the procedures for epidemic response and control. In the event of a large-scale outbreak of infectious disease, the Environmental Safety and Risk Management Division will immediately conduct a comprehensive evaluation on the scope of impact of the Company, customers and relevant supply chains. And establish the epidemic prevention and response taskforces in stages according to the extent of severity, so as to implement corresponding measures to mitigate the impact. At the beginning of the outbreak of COVID-19 in 2020, AUO established a taskforce across different functions, collected information both at home and abroad and planned countermeasures accordingly through setting up "Global Business Continuity Response Center". Global Business Continuity Response system was chaired by chairman, along with LI managers and adjusted in line with the pandemic situation. Through flexible adjustment and instant response, AUO is available to minimize the operating impacts.

#### (V) Customer Operation

The Company regularly meets and communicates with customers. A customer satisfaction survey is also undertaken on an annual basis to identify the six major aspects that will come into contact with the customers. Designated departments have been assigned to each aspect to establish indicators for satisfaction and targets to supervise customer satisfaction. When a designated department missed targets, they will be responsible for carrying out improvement measures, review meetings will also be undertaken by senior executives. Since 2016, customer satisfaction has reached a high level of over 90%. The result of customer satisfaction in 2020 is 97.7%, which shows that customers affirm the quality ability and intelligent management achievements of AUO. We also review and improve individual customers' needs according to periodic customer evaluations. In the face of industrial cycle, AUO actively regulates the organization, continuously monitors the industrial trend, and grasps the customer trends, with customer satisfaction as the ultimate goal.

With a rigorous attitude, AUO constructs a set of meticulous quality management systems and makes a commitment, to build excellent products and create customer relationships to become long-term trusted partners.

#### (VI) Supplier Management

AUO adheres to the principle of balanced development of the three aspects of sustainability, and assess the performance of the supply chain in the three aspects of economy, society and environment, and formulates specific supplier sustainability management methods and objectives, including the four dimensions of environmental sustainability, risk control, partner communication and digital platform. Through communication and training, AUO works together with partners to improve capabilities and reduce risks, fulfill responsibilities and grow together for mutual prosperity.

AUO formulates the AUO Supplier/Subcontractor Code of Conduct. All AUO suppliers and contractors are asked to sign off the document of "Statement of Compliance with AUO Supplier/Subcontractor Code of Conduct", which covers such topics as occupational safety, industrial health, environmental protection, and human rights to ensure suppliers and contractors to abide with the code of conduct of Responsible Business Alliance (RBA) and related local laws.

AUO conducts supply chain CSR risk assessment every year. Through questionnaire self-assessment, AUO introduces the supplier ESG management mechanism, grasps the performance of the supply chain in the three major aspects (Economy, Society, and Environment) to identify high-risk suppliers and take follow up actions. The audit team consists of employees from procurement, quality, environmental safety and risk management, and human resources departments. Through on-site audits, document reviews, and employee interviews, AUO ensures that suppliers and contractors comply with the code of conduct and relevant laws and regulations. The business cooperation with the Company will be affected if suppliers or contractors violate the social and environmental responsibility. Meanwhile, suppliers are also arranged to participate in a series of EGG courses.

#### (VII) 2020 CSR Awards and Recognition

- AUO has been selected in the Dow Jones Sustainability Indexes and S&P Global Sustainability Award Bronze Class for 11 consecutive years
- AUO has been selected for Bloomberg Gender Equality Index for 4 years in a row
- AUO has been selected in the MSCI ESG Leaders Indexes
- The gold medal awarded by EcoVadis Sustainability Rating
- Prime Status awarded by ISS Oekom Sustainability Rating
- 2020 Forbes global best employer
- AUO's ranked as the Top 100 Performer in the emerging market by Vigeo-Eiris ESG ranking in 2020
- Winner of "Best Practices Award" at Taiwan Circular Economy Awards Ceremony held by CIER (Chung-Hua Institution for Economic Research) for 2 consecutive years
- Won 3 awards at Taipei Golden Eagle Micro-movie Festival
- Honored with 14 awards of 2020 Taiwan TCSA and GCSA, such as Outstanding Practice
- Honored with Buying Power Award from Ministry of Economic Affairs for AUO's contribution in social engagement

## II. Environment

#### (I) Code of Environmental Policy

In line with the expectation of overall environmental safety and health and energy performance, AUO reviews the Company's business philosophy, environmental identification results, legal requirements, resource demands, pollution prevention, and stakeholder needs. We develop environmental safety, health and energy policies and require the supply chain to comply with

hazardous substance management regulations. AUO continuously improves its manufacturing efficiency, creates a friendly environment for production, promotes green manufacturing, green fabs, energy-saving and carbon reduction, resource reuse, waste reduction and environmental load reduction, and continues to make efforts in the field of sustainable production and clean manufacturing.

- Environmental management system

AUO has worked under the ISO 14001 environmental management system since 2002. This system also covers our domestic and overseas factories. A third party verifies whether or not those factories are compliant, and the certificates are regularly renewed. Taking reference from life-cycle assessment and the voice of the stakeholders, AUO uses the PDCA (plan-do-check-act) cycle for continuous improvement. The Company uses policies, management task forces, documentation management to systematically environmental management to ensure not only the effectiveness and legitimacy of environmental management system but also the prevention of environmental damage or pollution. Through these measures, we are able to promote and achieve environmental protection goals.

- Environmental Accounting

The environmental accounting system was introduced by AUO in 2009. The global roll-out of the system was completed in 2012. Environmental expenditure amounted to NT\$1.496 billion in 2020, including NT\$1.443 billion in current expenditure and NT\$5.28 million in capital expenditure.

Environmental Accounting		Explanation	Current Expenditure (NT\$1000)	Capital Expenditure (NT\$1000)
Operating Costs	Pollution Control Costs	Costs related to pollution prevention, such as air pollution prevention, water pollution prevention	471,622	40,976
	Global Environmental Protection Costs	Costs related to global environmental protection, such as preventing climate change and ozone layer depletion	37,176	1,995
	Sustainable Resource Costs	Improve the efficiency of resource use, reduce resource use, avoid waste generation and affect related costs	483,034	9,870
Upstream and Downstream Costs		Costs related to environmental impact reduction in upstream and downstream activities, such as green procurement, product packaging recycling, and other related costs	188,464	-
Management Costs		Related costs derived from the development and implementation of environmental management	44,270	-
R&D Costs		Costs related to reducing environmental impact of manufacturing processes and products	13,270	-
Social Activity Costs		Public welfare-related derivative costs for promoting and improving community environment	3,996	-
Losses and Remedial Costs		Costs derived from environmental problem solving, compensation, punishment, and litigation	-	-
Other Environmental Protection Costs		Other environmental protection costs, such as related environmental licensing fees, energy, and greenhouse gas-related taxes	201,015	-
Subtotal			1,442,847	52,841
Total Cost				1,495,688

## (II) Climate Management/Climate Change

In the face of global climate change issues and the 2 °C global temperature target, AUO has defined four key strategic directions in climate change mitigation: transparency, action, responsibility, and cooperation. The CSR Committee is the decision-making platform for the Company's climate topics, the SDGs connotations, and targets established by the Company are mostly in the direction of climate issues, such as cherishing water resources, striving for energy conservation and carbon reduction, climate adaptation and operational resilience, and generalized preference energy. Through the carbon energy working group, AUO formulates and implements year-by-year targets in a timely and appropriate manner according to the organization's operating status and global trends. The CSR Committee will report the effectiveness of climate change management and major climate issues to the Board directors annually.

- Climate-related financial disclosure

In response to the breadth and depth of climate change's impact on the organization's operations, AUO embedded the climate adaptation topics into the Company's sustainable development goals. We established a management basis for climate risk opportunities and used a PDCA cycle to build a long-term and continual improvement system. In 2020, AUO discussed and evaluated the risk and response measures of climate change according to the climate-related risks and opportunities identified and ranked by TCFD, climate-related risks and opportunities research reports released by international agencies, and interdepartmental meetings. AUO has developed the risk and opportunity matrix base on the degree and possibility of climate impact, and further developed mitigation and adaptation actions, such as energy-saving, water-saving projects, energy-saving product development.

Item	Risks	Financial shocks	Governance
Renewable Energy	With the increasing demand for renewable energy at home and abroad, policies/ regulations and green supply chain require that renewable energy should be set up or used	Large	<ul style="list-style-type: none"> <li>● Analysis of the provisions of renewable energy laws and regulations for large power users</li> <li>● Evaluate the financial risk and timely opportunity of various measures (setting up renewable energy equipment, purchasing renewable energy certificate and electricity, setting up energy storage equipment, paying deposit)</li> </ul>
Extreme weather events (floods,	Production delay/interruption due to extreme weather events, such as power failure (voltage	Large	<ul style="list-style-type: none"> <li>● Introduction of water vehicle loading system</li> <li>● Commitment to the use of reclaimed water, in line with</li> </ul>

Item	Risks	Financial shocks	Governance
typhoons, lightning strikes)	reduction), abnormal water supply, plant/equipment loss, and supply chain interruption		<p>the progress of the Taiwan government projects, this system is expected to be put into use in 2023, which can reduce the dependence of the plant on tap water</p> <ul style="list-style-type: none"> <li>● Monitor the water consumption of equipment and machine, manage it by a single machine, and monitor the change of water consumption more accurately</li> <li>● Standby industrial water tank is available at sites</li> <li>● Expand the process water recovery system</li> <li>● The intelligent monitoring system of machine power consumption can optimize the power consumption through smart grid and AI operation mode</li> <li>● Increase the installation of UPS system</li> <li>● Generators should be added in the insufficient areas to prepare for the temporary insufficient power supply</li> </ul>
The transportation network is interrupted by climate factors	In recent years, climate change has accelerated worldwide, leading to the increase of the probability of typhoon, rainstorm, high tide, and seawater flooding, resulting in the interruption of the regional transportation network and affecting production and operation	Large	<ul style="list-style-type: none"> <li>● The risk and management mechanism (BCP) is established for material transportation to mitigate material shortage risks in the production line, simultaneously inspect and require the supply chain cooperation</li> <li>● Inspector shortage and response measures</li> </ul>
Chronic climate change (average temperature rise)	Chronic climate change causes increased probability and severity of floods and droughts; continuous high temperature in summer causes power restrictions due to load instability	Large	<ul style="list-style-type: none"> <li>● Generators should be added in the insufficient areas to prepare for the temporary insufficient power supply</li> <li>● Efficiency optimization of plant management unit</li> <li>● Standby industrial water tank is available at sites</li> <li>● Expand the process water recovery system</li> </ul>
Customer and market demand change	Customers' requirements for environmental protection products are higher than local and international regulations, and stakeholders expect enterprises to improve environmental protection performance	Large	<ul style="list-style-type: none"> <li>● Develop products that meet Energy Star specifications</li> <li>● Introduce new design/technology/material</li> <li>● Control reasonable costs to ensure revenues and profits</li> <li>● Set up the product environmental footprint management system</li> </ul>
Carbon reduction requirements of brand clients (carbon footprint reduction)	In response to the trend of carbon reduction, brand clients require the supply chain to cooperate with carbon reduction	Large	<ul style="list-style-type: none"> <li>● Implement green and intelligent production and continuously reduce carbon in the organization</li> <li>● Develop energy saving technology and monitoring system</li> <li>● Evaluate the renewable energy use or purchase and sale of green certificates</li> <li>● Supplier localization management and low carbon material design</li> </ul>
Gross volume control and emission trading	Taiwan's environmental protection agency plans to implement this scheme in recent years. Most of AUO's manufacturing sites will face total emission limits and increase operating costs	Mid	<ul style="list-style-type: none"> <li>● Carbon emission management and improvement of energy-saving and carbon reduction technology within the organization based on SBT (science-based target)</li> <li>● Monitor compliance status in real-time with dynamic information management system</li> <li>● Application for the replacement project with the Environmental Protection Administration</li> <li>● Implement the incentive mechanism to strengthen carbon reduction at site</li> <li>● Pay close attention to the operation mechanism of Taiwan's certificate trading market and become a member of the green power certificate trading platform</li> <li>● Evaluate renewable energy setup and spontaneous use and related fund preparation</li> </ul>
The frequent occurrence of natural disaster leads to the rise of insurance premium	The insurance industry will quantify the risk of natural disasters, which will reduce the value of assets and increase insurance costs	Mid	<ul style="list-style-type: none"> <li>● Discuss insurance types and possible insurance plans with insurance companies</li> <li>● In line with the corresponding relationship between risk and premium, the risk impact is presented in a situational way and an appropriate decision timetable is made</li> </ul>
Circular economy and waste issues	More and more consumers tend to buy low-carbon circular products and use this to build brand value, and the EU has begun to plan the relevant provisions of circular products	Mid	<ul style="list-style-type: none"> <li>● Introduce UL3600 circularity certification to show the green value of products</li> <li>● Enter the circular economy market and seek potential partners</li> <li>● Continuous investment in cycle product design</li> <li>● Pay attention to the market of recycled materials</li> </ul>
Related tax burden	The increase in carbon tax in Singapore's sites has resulted in the increase in indirect energy tariff, resulting in the increase in operating costs	Small	<ul style="list-style-type: none"> <li>● Implement ISO 50001 energy management system to reduce power consumption</li> <li>● Evaluate the medium and long-term investment in energy-saving projects to prepare for more stringent carbon control in the future</li> </ul>

- Greenhouse gas emission reduction and energy management

AUO has started to inventory the greenhouse gas emission of the global operating sites since 2003 and has passed verification and conducted transparent disclosure of emission information in accordance with ISO 14064. Since 2010, the corporate carbon

inventory system and eco-efficiency index system have been developed and built internally as the management tool for long-term carbon reduction targets. AUO launched the ISO 50001 Energy Management System in 2011 and was fully introduced at all sites. In 2018, AUO introduced the IPMVP (International Performance Measurement & Verification Protocol) and conducted the performance verification of large-scale energy conservation projects through the third-party professional testing and verification agency, to improve the objectivity and correctness of data. In 2020, AUO took the lead in implementing the latest standard ISO 14064 and continuously advanced AUO's greenhouse gas management. In 2020, AUO's global greenhouse gas emissions totaled 3.01 million metric tons of CO<sub>2</sub> equivalent, and the greenhouse gas emissions per unit area decreased by 8.01% compared with last year.

- Internal carbon pricing

After the Paris Agreement came into effect, AUO began to promote the carbon price mechanism based on the international carbon trading market price. The carbon price is announced every year as the reference index of external cost internalization and is applied to the evaluation of investment benefit of the energy-saving scheme and the calculation of carbon emission cost of employees' travel so that employees can feel the impact of the external cost of the Company and their activities.

### (III) Water Resource Management

To avoid the impact of rainstorms or drought caused by climate change, AUO has taken several measures, including evaluating the risk of water resources, developing water-saving technologies, and reducing water consumption. In 2020, the production water consumption reduced by 1.19 million tons. The production water recovery rate increased from 92.29% to 93.81%. We aim to reduce the output of wastewater, and detect the wastewater discharged from the plant regularly, and use automatic monitoring facilities to ensure that the quality of wastewater meets the standard.

- Water resource response and management

In response to the poor water situation in Taiwan in 2020, AUO had paid close attention to the changes in the water situation in Taiwan since September. A team headed by the Director of the Operation Center was established in Oct. The weekly meeting was held to know the relevant status, plan and implement corresponding measures in advance. The measures include the introduction of a water resource management system, the acceleration and introduction of a water-saving scheme verification schedule, and the independent development of AUO water resource emergency management platform. Through the information and analysis of water consumption, we can master the changes of water consumption for different purposes, effectively manage and check the progress and effectiveness of various water-saving schemes.

### (IV) Recycling Production

Comprehensively dedicated its green commitments, AUO has vigorously drawn up the circular economy blueprint and supported the SDG-12 responsible production. AUO continues to examine and refine the reduction management of raw materials throughout the production process. We will ally with upstream and downstream value chains to consolidate our technology and innovation foundation, thereby realizing and expanding the benefits of the circular economy. AUO has formed the "Circular Economy Working Group" that operates across different departments via horizontal integration. Comprehensive tracking indicators have been formulated in the product, manufacturing, and supply chain. These include reduction at the source, product circularity certification, increase in the recycling and reuse of materials, and reduction in waste generation during the production process. Furthermore, AUO has collaborated with its partners to recycle packaging materials, develop reclaimed materials technology and circular materials during the production process, thereby achieving the goal of a circular economy by taking action. In 2020, AUO received the world's first UL 3600 circularity certification in the display panel industry, attaining the best circular synergy in product application and display panel production. The UL circularity certification was adopted for the manufacturing of 24-inch monitors, achieving 70% (company level), 50% (product level), and 91% (site level).

- Waste management

The AUO waste disposal principle now embraces the promotion of the circular economy. Reuse and Reduce are prioritized to minimize the use of raw materials, followed by recycling and waste resource recovery, and finally disposal by incineration or landfill to ensure the effective utilization and circulation of resources. In addition, we established "whole process of waste management", which starts with the addition and use of raw materials at the source and the adjustment and change of manufacturing process, so as to make the new waste be disposed of in advance. AUO keeps abreast of the changes of waste clearing and transportation market and the treatment status of manufacturers anytime. In addition, the cleaning track is monitored at sites to avoid illegal dumping. Through the integrity of the overall management mechanism, we can ensure that waste cleaning and transportation will not impact the operation and enable disposed of waste legally and properly so as to mitigate public doubts.

- Hazardous Material Management

AUO's hazardous substances management policy adopts the concept of sustainable operation in three aspects. Through the provision of high-quality green products and services, the Company formulates the management regulations of AUO's hazardous substances and implements the hazardous substances management process to reduce the impact on the environment and ecology and fulfill the corporate social responsibility. The Company continues to take the product free of hazardous substances as its goal and dispose of hazardous materials in keeping with the Basel Convention. AUO formulates the hazardous material regulations by taking into consideration of international regulations, the requirements of customers, and environmental protection trends. AUO regularly collects information related to hazardous materials. Upon the prudent



evaluation, we update the regulations on hazardous materials. AUO had 141 hazardous material management and control items in 2020, and the hazardous material items under control cover the specification requirements of all major customers.

#### (V) Air Pollution Management

The air pollutants produced by the photoelectric manufacturing industry mainly include volatile organic compounds, acid gases, and alkaline gases, which are managed and properly handled by appropriate processing facilities in line with the characteristics of the process. In response to the air pollution control and implementation of regulations and specifications, AUO defines the air pollutant reduction targets and actively seeks new technologies to reduce the environmental load.

- Policy and action of environmental odor management

Taiwan has a small area of land. There are industrial areas close to residential areas and people's activity areas, causing the environmental odor, which has become a concern. In addition to strengthening the performance of the control equipment, AUO has set up an acid detector nearby the sites to reduce environmental odors, adopted independent management measures, strengthened the inspection system for surrounding areas, and actively listened to residents' opinions. AUO immediately reduces the impact on the surrounding environment through emergency procedures once upon any abnormality caused.

#### (VI) Sustainable Products

AUO's R&D team aims to provide display solutions in multiple application fields through technological innovation. In response to climate change issues, product life cycle assessment is considered to reduce resource consumption. In addition to achieving the goal of carbon reduction, AUO also attaches great importance to value co-creation and resource reciprocity to connect industry value chain partners together.

- Energy-saving products

In response to eco-friendly and effective resource utilization, AUO has greatly improved the light penetration rate of desktop computers, notebook computers, and 8K TV panels to reduce the energy consumption in the use stage. The LTPS (Low-Temperature Poly-Silicon) process is introduced to improve the utilization rate of backlight and achieve lower power consumption. AUO will continue to develop panels supporting low operating frequency in the future to meet the needs of different use scenarios.

- Solar energy products

From the vertical integration of solar module manufacturing to the construction, operation, and maintenance of solar power plants and power companies, AUO energy business has further developed the system solution and niche product manufacturing of BAPV/BIPV. For a long time, apart from providing diversified services to customers with high-quality technology and based on the renewable energy market, AUO has also joined the PV module recovery of the Taiwan Photovoltaic Industry Association, making its own contribution to the policy suggestions on the recycling of waste solar panels. AUO works with SunnyFounder, the largest crowdfunding platform for PV power generation in Taiwan. The cooperation started in 2020 in virtue of SunnyFounder's high-efficiency solar module products, power plant construction engineering, and professional operation and maintenance. With the annual 10 MWp solar power plant as the goal, AUO encourages the company-wide use of renewable energy, creates green power benefits, and fulfills corporate social responsibility.

### III. Human Capital

#### (I) AUO Human Rights Policy

AUO is dedicated to safeguarding the human rights of employees. In 2006, AUO formulated four-stage human rights management system by referring to international standards, such as Social Accountability 8000, Global Sullivan Principles, The UN Guiding Principles on Business and Human Rights and Responsible Business Alliance Code of Conduct, meeting various regulatory requirements, such as freedom of employment, humane treatment, prohibition of discrimination and sexual harassment. Furthermore, diversified and effective communication mechanisms have been established together with the protection of the employees' reporting rights and interests, improvement of salary benefits, training and development opportunities, and course selection, ensuring that the rights and interests of employees are protected, and the social responsibilities are fulfilled.

AUO conducts human rights risk assessment every year to evaluate the risk value of the enterprise in terms of different human rights issues, including sexual harassment, working hours, occupational safety and health, discrimination, personal information risk, salary and welfare, hampering free choice of occupation and freedom of association. In 2020, through assessed high-risk human rights issues at sites via a communication channel, and identified working hours and occupational safety as high risk, and thus the training and communication were delivered through implementing mitigation measures accordingly. In addition, AUO conducted a thorough review of each site's performance through an on-site audit, document review, and employee interviews in accordance with the RBA (Responsible Business Alliance) Code of Conduct. No human rights grievances or illegal use of child labor were found in 2020.

#### (II) Workforce Structure and Diversity

In pursuit of an excellent enterprise with sustainable operation, AUO draws up a forward-looking recruitment plan based on the medium and long-term strategy in the aspect of the own operations, new business, and key positions. AUO adopts an equal principle. Employee employment, salaries, and promotion are not differentiated by factors such as gender, ethnicity, nationality,

religion, age, disability, political opinion, marital status, or union membership. Through a fair and just recruitment and selection mechanism, AUO creates a friendly workplace environment with equal rights between the sexes, featuring multi-cultural integration and cross-generation. Thus, AUO ranked on Forbes World's Best Employers list in 2020. In 2020, the Company had 38,524 employees worldwide, with its presence in Asia, America, Europe, and other regions. Aiming at the global multinational employees, we are committed to creating a multi-faceted working environment of equality, integration, and development so as to promote respect for differences among employees in an open and inclusive atmosphere, learn together, strengthen team cohesion, and drive AUO's ongoing growth.

### (III) Talent Retention

AUO believes that employees are the greatest asset of a company, so we offer a diverse and competitive compensation package. Salary of worldwide operating sites is determined by the employees' educational background, previous work experience, professional knowledge/skills, years of professional experience and other factors, instead of differentiated by factors such as gender, ethnicity, nationality, religion, age, disability, political opinion, marital status, or union membership. AUO takes part in annual international market salary surveys, and salary adjustments are based on the job market and individual performance to ensure that we remain competitive. The starting salary for employees is at least 1.3 times the local minimum wage. In line with the Company's overall operation, team and individual performance, the short-term and long-term reward incentive schemes are designed according to different job flexibility to share profits with employees, so as to achieve the purpose of talent attraction and retention, the incentive mechanism and planned training of high-quality talents. AUO also respects the diversity and differences among employees all over the world and specifies that the performance management system and assessment procedures are not treated differently because of the above conditions. In 2020, 100% of the global formal employees completed the performance appraisal.

### (IV) Occupational Safety and Health

AUO's all sites have obtained ISO45001. Each year, AUO independently monitors the operational exposure risks, biological detection indicators, and the operational environment and health grading management mechanism to strengthen the operational safety.

- Occupational health and safety policy

Through supervisors of the human resource center, wellness center, environmental safety unit and other units, AUO works together to create a safe and healthy workplace environment. To prevent and supervise violation in the workplace, AUO provides counseling services for employees' physical and mental health and strengthens the strategic planning of workplace protection measures. Through workplace risk assessment, education, and training, the Company provides necessary protection measures. Every year, the Company carries out risk control measures, provides education and training, advocates publicity to identify workplace violence, as well as prevention, communication skills, and among others, through advocacy so as to prevent or respond to workplace violence in specific situations. The Company properly arrange workplaces and strengthens relevant preventive measures for workplace violence cases. In line with the work suitability arrangement, the Company adjusts the manpower appropriately or provides necessary protection measures.

- Safety culture

Safety ABC 2.0 has been implemented since 2018 to focus on major company areas in safety management, provide a real-time picture of site safety conditions and engage all employees in building a culture of safety. Apart from all employees, the scope of safety management is expanded to encompass contractors. Through ensuring the health and safety of employees and employer supervisors, we jointly ensure the operation safety of contractors. The "Safety Leader" and "Safety Expert" competitions are held every year to encourage managers to demonstrate leadership and caring for the safety and to encourage employees to actively identify hidden safety risks. A nomination system produced 22 Safety Leaders and 33 Safety Experts in 2020. No effort was spared by the winning managers and employees in promoting safety in everyday operations. They not only provided on-site support or mentoring but also was commended for coming up with innovative safety strategies from a different perspective.

- Strengthening occupational illness prevention and improving hazardous chemical replacement and reduction

To implement occupational safety and health management and ensure the safety of the working environment, in addition to continuously improving the safety culture, AUO also strengthens the protection management of operators, invests resources to strengthen the prevention of occupational illness, and improves the substitution and reduction of chemical management. Apart from meeting regulatory requirements and regularly monitoring the operating environment, AUO actively introduces measures to safeguard employee health. These include checking the fit of protection equipment, hazardous chemical replacement and reduction, and introduction of ergonomic engineering to reduce/prevent musculoskeletal injury.

### (V) Employee Development

Employee education and training at AUO are guided by the "Education and Training Procedure." Its purpose is to enrich employee knowledge and skills, improve productivity and quality, and ensure the effective utilization and development of human resources so that the employee growth is aligned with corporate development goals. Extensive resources are invested into employee training from the moment they join the Company. There are different training plans and phases offered by AUO for employees, such as new employee training, in-service training, and self-development to make employee learning and development systematic. Due to the pandemic, 57,299 man-day received training in 2020. With a people-oriented approach, retiring or departing employees are

also offered references, career consultation, and other resources to assist with their future employment or career planning. Educational and training meetings for reviewing the training effect and countermeasures are regularly convened by the Academic Affairs Center of AUO University.

With the strategy of AUO's digital transformation, the AUO University has launched a number of innovative online learning programs to stimulate colleagues' digital innovative thinking and create an instant learning environment.

## (VI) Employee Engagement and Communication

### ● Labor-Management Relations

AUO has labor unions in Suzhou, Xiamen, and Singapore. In Taiwan, the "Labor-Management Conference Procedure" has been formulated based on Article 83 of the Labor Standards Act and policies announced by the Ministry of Interior to ensure that labor-management conferences are held on a regular basis at each site for negotiation and discussion of labor-related issues. In principle, labor-management conferences shall be attended by an equal number of representatives on both sides, with 5 being the minimum and 15 being the maximum from each side. Representatives on the labor side are elected by all workers for a 4-year term, after which re-election is also possible. Labor-management conferences are held once every three months. There are currently 5 management representatives with 5 labor representatives from Headquarters and each site, in a total of 45 representatives. All employees can make recommendations to the company through their representatives. Quarterly labor-management conferences provide labor representatives with a clear picture of the Company's latest operation situation, manpower situation, and labor-related communication issues. The conferences help foster a harmonious labor-management relationship and mutual cooperation.

### ● Communication Channels and Employee Engagement Survey

AUO has taken an active stance in building positive employee relationships by establishing various channels of open and positive communication. Employees are free to provide their opinions through the "Internal Communication Mailbox", "President's Mailbox", "Audit Committee Member's Mailbox", "Sexual Harassment Grievance Mailbox", and the "7885 (please help me) Hot-line." In 2020, 100% of cases were closed. In addition, employee relations specialists are also available at each site, and random telephone surveys are conducted at each unit to check on employees' physical and mental well-being.

To create a friendly working environment and improve employee recognition, AUO assesses the organizational atmosphere and listens to employees' voices every six months through the comprehensive indicators of the Gallup Q12 Employee Engagement Survey. In 2020, over 3,900 employees were surveyed, and 72% of employees were satisfied with basic needs, management support, team cooperation, and talent development. Through knowing the voice of employees, we support various sites and departments on a regular basis. In line with the concerns and weaknesses of each site, we formulate and strengthen corresponding measures, such as employee experience, education, and training, departmental communication, and track them regularly so as to set up the reference index for organizational management and optimize the Company's human capital strategy.

### ● Welfare Committee

AUO Taiwan establishes the AU Optronics Corporation Welfare Committee to look after employees' life, maintain harmonious labor relations, promote employee relationships and their physical and mental health and encourage appropriate entertainment and leisure activities. Committee members comprise representatives from various departments by a number of departmental employees and recommended or elected representatives of each department meet to carry out their duties, vote on welfare policies, and organize initiatives.

The benefits designed by the Welfare Committee include not only holiday bonuses and travel subsidies but also cover employee's life, as well as unexpected situations or accidents such as childbirth, marriage, funerals, and emergency assistance. In keeping with the times, assistance with child-rearing was also provided in 2020, as most AUO employees are married and have children.

For sports and recreation, the needs of employees from different sites and age groups are met through club activities, partner merchants and sports seasons. Welfare platform vendors are contracted to make deals with partner merchants and leverage the resources of the welfare platform to provide access to nearly 10,000 partner merchants for food, clothing, accommodation, travel, education and entertainment throughout Taiwan. A search engine also allows employees to search for partner merchants anytime.

## (VII) Retirement Policy

The "Retirement Policy" were drawn up by AUO to encourage employees to fully commit to their careers and work towards a stable, supported lifestyle after retirement. AUO contributes towards relevant social security premiums such as labor retirement, medical care, senior pension and so forth as legally stipulated at each operating location for every employee. For the Taiwan sites, AUO established the Retirement Fund Supervisory and Management Committee as required by law to oversee pension management and retirement procedures. Under the old system, businesses are required to make monthly deposits equivalent to 2% of the monthly wages of eligible employees into an employees' retirement preparatory accounts in the Bank of Taiwan. The reserve currently amounted to approximately NT\$280 million, which is only from the employer. No employee is involved in the reserve. To safeguard employees' rights, AUO appoints actuaries to compile an actuarial report every year to ensure that the reserve is adequate to meet pension obligations. With the launch of the new pension system, the Company will deposit 6% of the employees' monthly salary into the employees' personal pension accounts in accordance with their pension interval. In addition to fixed deposits by the Company, employees can also choose to deposit any amount within 6% of their monthly salary

to their designated account for tax exemption.

## IV. Social Aspect

### (I) Social Engagement

AUO believes that the sustainable development of an enterprise must balance the needs of the economic, environmental, and social aspects. The AUO Foundation was founded in 2019 to fulfill our Green Corporate Commitment and cultivate of sustainable society citizenship. The AUO Foundation is developed in the four key business areas and four volunteer systems to protect natural ecology, improve the quality of life, promote environmental education and practice philanthropy. Employees were encouraged to take part in volunteer service. We hope this will help solve social problems and support government policies, and work with stakeholders to build a better society by complementarity, collaboration and co-creation.

- **Honest-Intelligent Scholarship**

Since 2006, AUO employees have volunteered to donate one day or several days' worth of salary for recipients of our scholarship. Priority is given to elementary and junior-high-school students who are academically inclined and demonstrate qualities of upright character coming from impoverished families. So far, NT\$138.2 million scholarships are awarded, helped over 36,000 students from poor families or families in difficulty by facilitating their academic pursuit. In 2020, the Scholarship has collected nearly NT\$8.21 million donated by over 2,000 employees and helped nearly 2,500 students. 608 students were invited to the one-day "DADA Magic Science Camp", present scientific theory, practice and application in an interesting manner to inspire student interest in science and train the future photoelectronic talents.

- **AUO Wish Program**

AUO launched Christmas Wish Program in 2002. Employees recommend the institutions in need of help and raise funds for gifts and Wish Fund. So far, NT\$15 million is raised for Christmas presents and study grants for disadvantaged children in rural regions and social welfare institutions. With the theme of "Be A Giver", AUO collected around 560 gifts in 2020. In cooperation with charitable organizations, on the eve of the festival, the chairman of the Board of Directors and colleagues became the conductor of the train to realize the dream of students and send the best wishes to them in all the places.

- **Charitable club services**

To implement the concept of social care and serve the local vulnerable groups, starting from 2013, we have set up 7 charity clubs in Taiwan. Through charitable clubs initiated by employees and charitable activities at the sites, we dispatch employees on a regular basis to nearby social welfare institutions. Services provided by our volunteers include offering their company, cleaning, offering to help with students' school work, warming programs and site fund-raising, as well as safe schooling, early treatment and holiday gifts. Volunteers were dispatched more than 561 times in 2020 and provided up to 1,724 hours of service.

- **Green Party**

AUO supports Earth Day and Arbor Day by holding Green Party, a tree planting activity, for 13 consecutive years, achieving a high green landscaping coverage at AUO's sites. AUO Foundation fulfill our Green Corporate Commitment and cultivate of sustainable society citizenship, and responds to "Friendly Ecological Afforestation", one of six themes of National Ecological Green Network Establishment Project Policy by the Forest Bureau. In 2020, the AUO Foundation joined hands with the Dongshi Forest District Management Office to adopt the security forest No. 1436, with an area of 4,500 square meters, mobilized employees to participate in the three-year maintenance period from tree planting to tree protection observation and replanting and kicked off the decade plan of "Protecting Taiwan's Green Fortress".

- **No Plastic Green Activity**

The action of plastic-free was initiated before Earth Day on April 22 to spread AUO's sustainability concept. Employees were invited to go online and sign the 21-day Green Life petition. The online environmental protection creativity relay competition was held to encourage employees to share their daily environmental protection photos and videos. More than 1,000 employees submitted their entries, which received 51,920 likes and shares in 2020.

- **Green Citizen Campaign**

To spread the energy-saving and plastic reduction activities aimed at carbon reduction, through online "21-Day Carbon Reduction Challenge" via AUO LOHAS APP in 2020, we recorded and showed employees' carbon reduction behaviors, with the participation of 16,426 works, received nearly 820 energy-saving proposals, which could reduce carbon by 12,600 trees annually. In "DADA Carbon Detector Board Game Brainstorming Program", two questions were released every week to solicit energy-saving proposals from employees. The most-liked entry was selected to "Dada Green Knowledge+ Board Game". This educational game solicited employees' good ideas about carbon reduction.

- **Taiwan Fresh-Produce Purchase Project**

AUO is a long supporter of local agricultural products. Since 2008, AUO has launched the excellent Taiwanese fresh product project, directly places orders of agricultural products from the farmers, and assists farmers to expand sales channels. In response to the epidemic impact on agricultural products sales in 2020, working with the Council of Agriculture, Executive Yuan, County Agriculture Council, and agricultural products marketing companies, we select Taichung Houli Sinko pear, Taitung pineapple sugar apple, Chiayi cherry tomato, Yunlin watermelon, pineapple, platycodon grandiflorus flower, and Pingtung mango and so on as the seasonal agricultural products. Also, rice gift boxes were purchased as gifts for shareholders' meetings and visitors. Fruit gift boxes were purchased for holidays with a total amount of

NT\$19 million, and employees were encouraged to purchase these gift boxes.

- Dada's Magic World

AUO has long supported the popularization of science. Since 2009, AUO has partnered with the National Museum of Natural Science to build "Dada's Magic World", an optoelectronic learning base. The Dada's Magic World exhibit utilizes guided tours and interactive sessions to promote optical knowledge, explain optical principles through exhibits, and combine them with examples from everyday life to teach the masses and students about optoelectronic applications. In 2020, 4,167 guided tour sessions attracted 217,160 visitors and with 42 people/times volunteer services. In addition, Dada's Elementary School courses invited employees' family members to participate in experiencing activities. With the purpose of "learning from nature", in a combination of exhibition and new Curriculum Guidelines courses, these activities enable students to learn optoelectronic knowledge from interesting hands-on courses designed by Yuan T. Lee Foundation Science Education for All, so as to cultivate their scientific and environmental literacy through interactive games close to life.

- Environmental Education

AUO has long been committed to achieving a balance between enterprise development and natural environment protection and continuously invested in environmental education among the public. Taichung site environmental education facilities featured green factory and solar power and, among others, develop two courses on the theme of "energy" and "culture" in response to SDGs 7 Affordable and Clean Energy, SDGs 11 Sustainable Cities and Communities, SDGs 12 Responsible Consumption and Production. In 2020, worked with Ruro, AUO expanded the participation of rural schools, with the participation of 2,009 students and 67 volunteers. AUO GreenArk Water Resource Showroom of Longtan Site exhibits AUO's innovative water recovery engineering technology and related knowledge. With the pandemic improved in 2020, the "AUO Good Friends" environmental courses were expanded bearing the post-pandemic ideas in mind, with the increased new secondary course "litter water drops travel fun". Worked with the Samgabsuiee Water Environmental Education Center, AUO held outdoor educational activities covering nearby schools, with the participation of 435 teachers and students. In addition, these diversified courses attracted 1,059 participants and 129 volunteers, a total of guided tour 572.5 hours.

- Cultural Preservation

AUO embraces the principles of "original traces, original condition and original site" in protecting the local cultural heritage. In 2020, AUO Micro Gallery in 2019 was relocated to the Taichung site using 3R green engineering techniques and now becomes the Sidadun Cultural Museum to present the Sidadun Kiln relics of the Qing Dynasty discovered during the site was building, reappearing the ancestors' life through the axis of "production", "living" and "life", and reflecting on the relationship between human and land. There are a total of 624 visitors and cultural volunteer services 24 times. Yeo-Yuan-Ju at the Quatang Barns at Suzhou site received 30 visits from the government, schools, clients, and partners, a total of 430 people in 2020. Shantou village at Xiamen site preserve a settlement in Southern Fujian with a history of more than 170 years. The site increased the experience participation mode in 2020 and received 22 visitors, 255 people, and newly trained 12 cadres for Shantou village, through such activities as the performance of traditional puppet opera of Southern Fujian, making the clay statue of wind lion and fragrance products.

## (II) Youth Empowerment-GOLF Program

The Gap of Learning & Field (GOLF) alliance, co-founded by AUO, Compal, and Wistron, has added 40 enterprises and 50 schools. The integration of participating companies' extensive training resources and internship opportunities provide over 100 online courses and 500 internship places to promote the linkage of university education with industry demand for talent. The business-university partnership encourage companys from more fields to join the alliance and usher in a new model of two-way industry-university collaboration and resource sharing to continuously promote sustainable operation with industry and academic integration. In 2020, the GOLF Alliance Corp. was officially registered to gather the enterprise's strength, combine government and academic resources. GOLF Alliance Corp. also expand its integration of university and business resources to encompass southern Taiwan, eastern Taiwan and the offshore islands, and benefit more students.

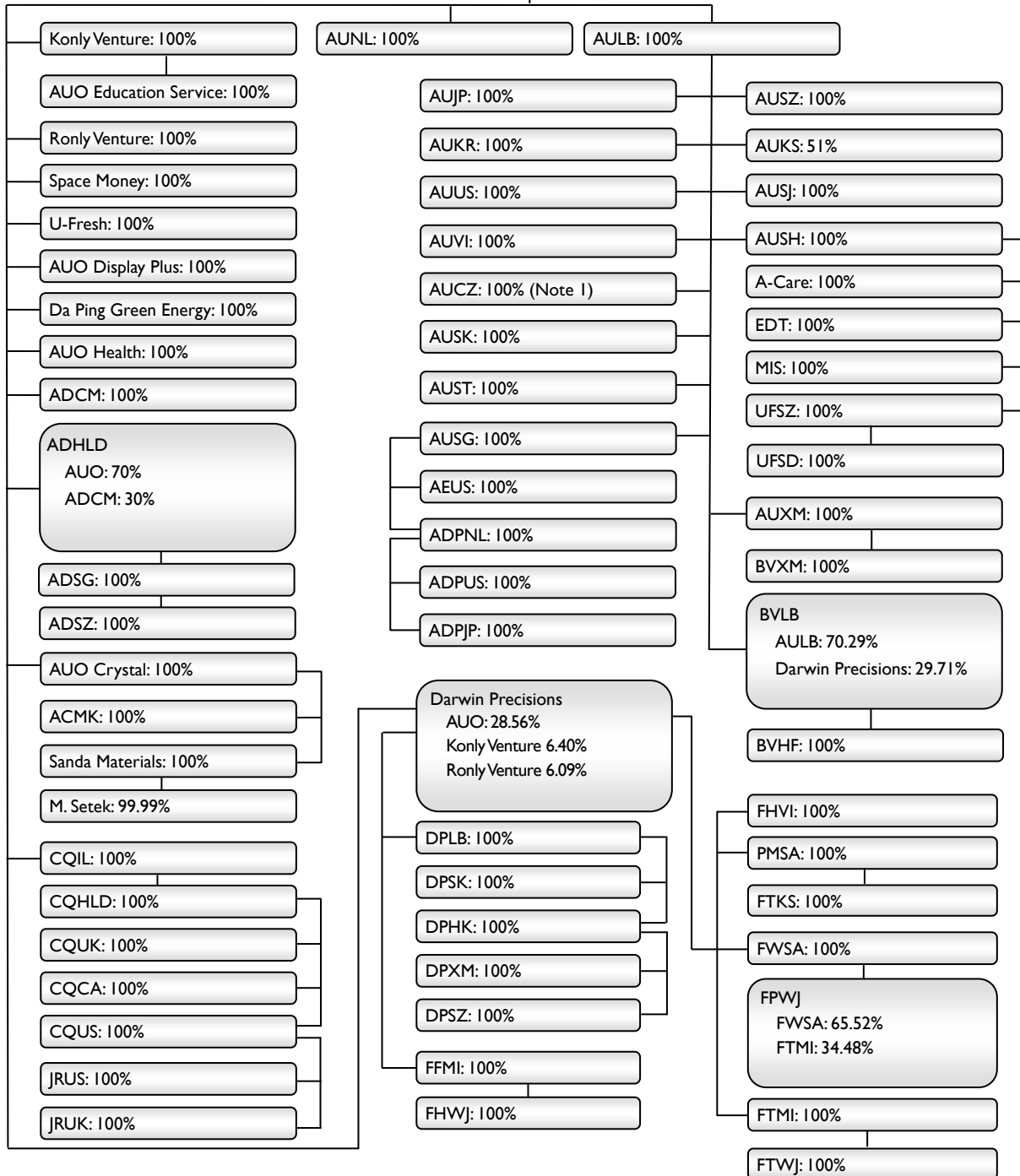
# Chapter 9 Special Disclosure

## I. Information about affiliates

### (I) Organization chart of affiliates

AU Optronics Corporation

December 31, 2020



Note 1: AUCZ is in the process of liquidation.

Note 2: As of Dec. 31, 2020, the Company and its subsidiaries obtained more than half of Star River Energy Corp. However, it has been assessed that there was evidence of a lack of relationships of control and affiliation.

## (II) Basic information of affiliates

Decrmbtr 31, 2020; Unit: NT\$ thousands

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
a.u. Vista Inc. (AUVI)	2014.12.18	8915 Research Drive, Suite 100, Irvine, CA 92618, USA	USD 5,000	Research and development and IP related business
AFPD Pte., Ltd. (AUST)	2001.03.14	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 601,841	Manufacturing TFT-LCD panels based on low temperature polysilicon technology
AU Optronics (Czech) s.r.o. (AUCZ) (Note 1)	2008.01.17	Turanka 859/98d, Slatina, 627 00 Brno– Turany , Czech Republic	CZK 365,000	Assembly of solar modules
AU Optronics (L) Corp. (AULB)	2000.09.07	Level 15B, Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan F.T., Malaysia	USD 1,882,189	Holding company
AU Optronics (Slovakia) s.r.o. (AUSK)	2009.01.24	Bratislavská 517, 911 05 Trenčín, Slovak Republic	EUR 1,000	Repairing of TFT-LCD modules
AU Optronics Corporation America (AUS)	2000.09.11	37085 Grand River Avenue, Suite 340, Farmington, MI 48335, USA	USD 1,000	Sales and sales support of TFT-LCD panels
AU Optronics Corporation Japan (AUJP)	2001.09.11	3-24-21 Sanwa Bld. 5F, Shiba, Minato-Ku, Tokyo 105-0014, Japan	JPY 40,000	Sales support of TFT-LCD panels
AU Optronics Europe B.V. (AUNL)	2004.05.24	Zekeringsstraat 39, 1014BV Amsterdam, Netherlands	EUR 50	Sales and sales support of TFT-LCD panels
AU Optronics Korea Ltd. (AUKR)	2004.07.01	No.906, 907, 156, Gwanggyo-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Republic of Korea	KRW 173,075	Sales support of TFT-LCD panels
AU Optronics Singapore Pte. Ltd. (AUSG)	2006.09.20	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 19,597	Holding company and sales support of TFT-LCD panels
AUO Crystal (Malaysia) Sdn. Bhd. (ACMK)	2010.10.08	Melaka World Solar Valley, 78000 Alor Gajah, Melaka, Malaysia	MYR 46,196	Manufacturing and sales of solar wafers
AUO Digitech (CAYMAN) Limited (ADCM)	2020.08.05	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD -	Holding Company
AUO Digitech Holding Limited (ADHLD)	2020.08.11	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD -	Holding Company
AUO Digitech Pte. Ltd. (ADSG)	2020.10.08	10 Tampines Industrial Avenue 3, Singapore 528798	USD -	Holding Company
AUO Display Plus America Corp. (ADPUS)	2020.10.26	8915 Research Drive, Suite 100, Irvine, CA 92618	USD 1,500	Sales and sales support of TFT-LCD panels
AUO Display Plus Japan Corp. (ADPJP)	2020.11.18	3-24-21 Sanwa Bld. 5F, Shiba, Minato-Ku, Tokyo 105-0014, Japan	JPY 25,000	Sales support of TFT-LCD panels
AUO Display Plus Netherlands B.V. (ADPNL)	2010.09.29	Zekeringsstraat 39, 1014BV Amsterdam, Netherlands	EUR 43	Holding company, and sales and sales support of TFT-LCD panels
AUO Green Energy America Corp. (AEUS)	2010.07.06	1525 McCarthy Blvd. Suite 218 Milpitas, CA 95035 USA	USD 3,510	Sales support of solar-related products
BriView (L) Corp. (BVLB)	2009.07.02	Level 15B, Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan F.T., Malaysia	USD 121,171	Holding Company
ComQi Canada Inc. (CQCA)	2007.03.06	199 Bay Street, Suite 4000, Toronto ON M5L 1A9, Canada	USD 1,016	Research and development of content management system
ComQi Holdings Ltd. (CQHLD)	2007.02.27	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD 27,129	Holding Company
ComQi Inc. (CQUS)	2007.03.05	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 25,857	Sales of content management system and hardware
ComQi Ltd. (CQIL)	2010.02.15	14 Yad Harutzim St. Tel Aviv, Israel 67778	USD 44,909	Holding Company
ComQi UK Ltd. (CQUK)	2007.01.23	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD 2,372	Sales support of content management system

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
Darwin Precisions (Hong Kong) Limited (DPHK)	2007.11.21	Room 1204 Yu Sung Boon Building, 107-111 Des Voeux Road Central, Central And Western, Hong Kong	USD 58,786	Holding Company
Darwin Precisions (L) Corp. (DPLB)	2005.11.18	Level 15B, Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan F.T., Malaysia	USD 92,267	Holding Company
Darwin Precisions (Slovakia) s.r.o. (DPSK)	2016.05.07	Bratislavská 517, 911 05 Trenčín, Slovak Republic	EUR 4,000	Manufacturing and sales of automotive products
Forefront Corporation (FFMI)	2001.06.20	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,526	Holding Company
Forhouse International Holding Ltd. (FHVI)	1999.09.17	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, Virgin Islands, British	USD 22,006	Holding Company
Fortech International Corp. (FTMI)	2002.07.26	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,503	Holding Company
Forward Optronics International Corp. (FWSA)	2004.12.13	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 19,000	Holding Company
JohnRyan Limited (JRUK)	2019.10.11	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD 1,500	Development and sales of content management system and sales of the related hardware
JohnRyan Inc. (JRUS)	2019.10.07	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 8,000	Development and sales of content management system and sales of the related hardware
M.Setek Co., Ltd. (M.Setek)	1978.02.03	Sanwa Build 5F, 3-24-21 Shiba, Minato-ku Tokyo 105-0014, Japan	JPY 18,000	Manufacturing and sale of ingots
Prime Forward International Ltd. (PMSA)	2002.01.25	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 31,993	Holding company
AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	2001.06.19	No. 398, Suhongzhong Road, Suzhou Industrial Park	USD 278,000	Manufacturing, assembly, and sales of LCD modules
AUO Care Management (Suzhou) Co., Ltd. (A-Care)	2017.09.22	No. 398, Suhongzhong Road, Suzhou Industrial Park	CNY 15,000	Design, development and sales of software and hardware for health care industry
U-Fresh Technology (Suzhou) Co., Ltd. (UFSZ)	2018.02.24	No. 398, Suhongzhong Road, Suzhou Industrial Park	CNY 12,000	Planning, design and development of construction for environmental protection and related project management
Edgetech Data Technologies (Suzhou) Co., Ltd. (EDT)	2018.08.28	No. 398, Suhongzhong Road, Suzhou Industrial Park	CNY 5,000	Design and sales of software and hardware system and equipment relating to intelligent manufacturing
Mega Insight Smart Production (Suzhou) Co., Ltd. (MIS)	2018.08.28	No. 398, Suhongzhong Road, Suzhou Industrial Park	CNY 20,000	Development and licensing of software relating to intelligent manufacturing, and related consulting services
AUO Digital Technology Service (Suzhou) Co. Ltd. (ADSZ)	2020.12.07	Floor 4 , Building 9, No. 398, Suhongzhong Road, Suzhou Industrial Park	USD -	Business management consulting, technology promotion, and application services
Darwin Precisions (Suzhou) Corporation (DPSZ)	2005.12.08	No. 11, Tingxin Street, Suzhou Industrial Park	USD 25,000	Manufacturing and sale of backlight modules and related parts
AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	2001.12.20	No. 3, Alley 58, Sanzhuang Rd., Songjiang Export Processing Zone, Shanghai	USD 108,000	Manufacturing and assembly of TFT-LCD modules; leasing
AU Optronics (Shanghai) Co., Ltd. (AUSH)	2005.09.22	5th Floor, Building B, No. 33, Guangshun Road, Shanghai	USD 3,000	Sales support of TFT-LCD panels
AU Optronics (Kunshan) Co., Ltd. (AUKS)	2009.08.21	No. 6, Longteng Road, Kunshan Economic and Technological Development Zone, Jiangsu Province,	USD 961,000	Manufacturing and sale of TFT-LCD panels



Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	2004.01.02	No. 6, Longteng Road, Kunshan Economic and Technological Development Zone, Jiangsu Province	USD 36,000	Manufacturing and sale of backlight modules and related parts
BriView (Hefei) Co., Ltd. (BVHF)	2010.04.09	No. 176, Yuner Road, Economic and Technological Development Zone, Hefei, Anhui Province	USD 73,450	Manufacturing and sale of liquid crystal products and related parts
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	2002.08.30	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	USD 35,000	Manufacturing and sale of backlight modules and related parts
Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	2001.10.09	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	USD 6,500	Manufacturing and sale of backlight modules and related parts
Suzhou Forplax Optronics Co., Ltd. (FPWJ)	2005.02.28	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	USD 29,000	Manufacturing and sales of precision plastic parts
U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSD)	2019.05.27	South Zone, 2nd Floor, Building 7, No. 299 Zidong Avenue, New Material Industrial Park, Tianqiao District, Jinan City	CNY 2,000	Planning, design and development of construction for environmental protection and related project management
AU Optronics (Xiamen) Corp. (AUXM)	2005.12.13	No. 1689, Xiangan North Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City	USD 250,000	Manufacturing, assembly, and sales of TFT-LCD modules
BriView (Xiamen) Corp. (BVXM)	2008.12.02	No. 1998, Fangshan West Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City	CNY 600,000	Manufacturing and sale of liquid crystal products and related parts
Darwin Precisions (Xiamen) Corporation (DPXM)	2006.03.31	No. 3089, Xiangan North Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City	USD 70,000	Manufacturing and sale of backlight modules and related parts
Konly Venture Corp. (Konly Venture)	2002.07.29	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD 2,997,636	Venture capital investment
Ronly Venture Corp. (Ronly Venture)	2005.01.11	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD 1,855,760	Venture capital investment
Space Money Inc. (Space Money)	2015.10.05	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD 30,000	Sales and leasing of content management system and hardware
U-Fresh Technology Inc. (U-Fresh)	2017.01.23	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD 200,000	Planning, design and development of construction for environmental protection and related project management
AUO Display Plus Corporation (AUO Display Plus)	2020.05.28	5F, No. 1, Gongye E. 3rd Rd., East Dist., Hsinchu City	TWD 1,000	Development and sales of TFT-LCD panels
Sanda Materials Corporation (Sanda Materials)	2014.04.23	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County	NTD 1,168,361	Holding Company
Darwin Precisions Corporation (Darwin Precisions)	1989.10.13	No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD 6,655,551	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts
AUO Education Service Corp. (AUES)	2020.12.10	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD 4,000	Servicing educational activities and related venue leasing
Da Ping Green Energy Corp. (DPGE)	2020.08.27	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD 7,000	Renewable energy power generating industry
AUO Health Corp. (AUO Health)	2020.09.21	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD 5,000	R&D and sales of medical devices
AUO Crystal Corporation (AUO Crystal)	2009.05.22	No. 335, Sec. 2, Houke Road, Houli District, Taichung City	TWD 4,185,832	Manufacturing and sale of ingots and solar wafers

Note 1: AUCZ is in the process of liquidation.

(III) Shareholders of the companies presumed to have a relationship of control and affiliation: None.

(IV) Industries covered by all affiliates:

The businesses that all affiliates of AUO are engaged in include manufacturing, assembly, sales and sales support of LCD, LCD modules, and back-lighting modules; development of solar business related products and solar power plants; intelligent manufacturing related software and hardware development and sales and environmentally sustainable engineering planning and construction business. Some of the related enterprises have been set up for investment purposes of relevant technologies to the aforementioned products and their upstream and downstream industries. In general, the main purpose is to vertically integrate the upstream and downstream industry chains so that all affiliates can achieve the maximum synergy through the integration of their value chains, thereby stabilizing the Company's competitive advantage in the industry.

(V) Directors, supervisors, and presidents of affiliates

December 31, 2020; Unit: in thousand shares; NT\$ thousands; %

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
AUVI	Director	Paul KP Lee, Wei-Lung Liao, Hung-Jye Hong	-	-
			AULB holds 5,000 shares	100.00
AUST	Director	Ting-Li Lin, Yi-Cheng Chen	-	-
			AULB holds 907,114 shares	100.00
AUCZ (Note 1)	Director	Shih-Hong Liao	-	-
AULB	Director	Shuang-Lang (Paul) Peng	AULB's investment CZK 365,000	100.00
			-	-
			AUO holds 1,882,189 shares	100.00
AUSK	Director	TY Lin	-	-
			AULB's investment EUR1,000	100.00
AUUS	Director	James CP Chen, John Choe, Linh Ha	-	-
			AULB holds 1,000 shares	100.00
AUJP	Director	James CP Chen, Seki Shih	-	-
			AULB holds 1 share	100.00
AUNL	Director	James CP Chen	-	-
			AUO holds 50 shares	100.00
AUKR	Director	James CP Chen	-	-
			AULB's investment KRW173,075	100.00
AUSG	Director	Shuang-Lang (Paul) Peng, Yi-Cheng Chen	-	-
			AULB holds 266,268 shares	100.00
ACMK	Director	Shih-Kun Chen, Jessie Shan, Cheng-Lung Chan	-	-
			AUO Crystal holds 46,196 shares	100.00
ADCM	Director	Shuang-Lang (Paul) Peng, Andy Yang	-	-
			AUO holds 6,000 shares	100.00
ADHLD	Director	Shuang-Lang (Paul) Peng, Andy Yang	-	-
			AUO holds 14,000 shares	70.00
			ADCM holds 6,000 shares	30.00
ADSG	Director	Shuang-Lang (Paul) Peng, Andy Yang	-	-
			ADHLD holds 20,000 shares	100.00
ADPUS	Director	Shih-Hong Liao, Simon Nip	-	-
			ADPNL holds 1 share	100.00
ADPJP	Director	Shih-Hong Liao	-	-
			ADPNL holds 1 share	100.00
ADPNL	Director	Shih-Hong Liao	-	-
			AUSG holds -	100.00
AEUS	Director	TY Lin	-	-
			AUSG holds 3,510 shares	100.00
BVLB	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			AULB holds 85,171 shares	70.29
			Darwin Precisions holds 36,000 shares	29.71
CQCA	Director	Hank M. Liu, Andy Yang, Simon Nip, Gregory Galvin	-	-
			CQHLD holds-	100.00
CQHLD	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			CQIL holds 635,730 shares	100.00
CQUS	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			CQHLD 持股 13	100.00
CQIL	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			AUO holds 39,974 shares	100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
CQUK	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			CQHLD holds-	100.00
DPHK	Director	Darwin Precisions (L) Corp.	DPLB 持股 10	100.00
		Kuo-Hsin (Michael) Tsai	-	-
DPLB	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			Darwin Precisions holds 92,267 shares	100.00
DPSK	Director	Kuo-Hsin (Michael) Tsai	-	-
			DPLB's investment EUR4,000	100.00
FFMI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			Darwin Precisions holds 653 shares	100.00
FHVI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			Darwin Precisions' investment USD 22,006	100.00
FTMI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			FHVI's investment USD 6,503	100.00
FWSA	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			FHVI's investment USD 19,000	100.00
JRUK	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			CQUS 持股 1	100.00
JRUS	Director	Hank M. Liu, Andy Yang, Simon Nip	-	-
			CQUS 持股 18	100.00
M.Setek	Director	Sheaffer Lee, Jim Lee, Chan-Tien Chen	-	-
		Hiroyuki Saito	Holds 24 shares	0.00
	Supervisor	Betty Chen	Sanda Materials holds 11,404,184 shares	99.99
PMSA	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang	-	-
			FRVI's investment USD 31,993	100.00
AUSZ	Director	Shuang-Lang (Paul) Peng, Wei-Lung Liao, Ting-Li Lin	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB's investment USD 278,000	100.00
A-Care	Director	Andy Yang, Benjamin Tseng, Alex JJ Yeh	-	-
	Supervisor	Jack Juang	-	-
	President	Alex JJ Yeh	-	-
			AUSH's investment CNY 15,000	100.00
UFSZ	Director	HC Lee, Andy Yang, Matt Chien	-	-
	Supervisor	Jack Juang	-	-
	President	Matt Chien	-	-
			AUSH's investment CNY 12,000	100.00
EDT	Director	Andy Yang, Benjamin Tseng, Linda Zhao	-	-
	Supervisor	Jack Juang	-	-
	President	Linda Zhao	-	-
			AUSH's investment CNY 5,000	100.00
MIS	Director	Andy Yang, Benjamin Tseng, Linda Zhao	-	-
	Supervisor	Jack Juang	-	-
	President	Linda Zhao	-	-
			AUSH's investment CNY 20,000	100.00
ADSZ	Director	Shuang-Lang (Paul) Peng, Andy Yang, Benjamin Tseng	-	-
	Supervisor	Jack Juang	-	-
	President	Linda Zhao	-	-
			ADSG's investment USD 0	100.00
DPSZ	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			DPHK's investment USD 25,000	100.00
AUSJ	Director	Shuang-Lang (Paul) Peng, Wei-Lung Liao, Ting-Li Lin	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB's investment USD 108,000	100.00
AUSH	Director	Shuang-Lang (Paul) Peng	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB's investment USD 3,000	100.00
AUKS	Director	Shuang-Lang (Paul) Peng, James CP Chen, Vincent Lin, Po	-	-
	Supervisor	Sung, Wei-Gang Miao	-	-
	President	Jack Juang	-	-
		Vincent Lin	-	-
			AULB's investment USD 490,110	51.00
			Jiangsu Kunshan Development Zone Construction Group's investment USD 470,890	49.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
FTKS	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			PMSA's investment USD 36,000	100.00
BVHF	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			BVLB's investment USD73,450	100.00
FTWJ	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			FTMI's investment USD 35,000	100.00
FHWJ	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			FFMI's investment USD 6,500	100.00
FPWJ	Director	Sheng-Kai Huang, Chao-Hsiu Lee, Cathay Ching	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Chao-Hsiu Lee	-	-
			FTMI's investment USD 10,000 FWSA's investment USD 19,000	34.48 65.52
UFSD	Director	HC Lee, Andy Yang, Matt Chien	-	-
	Supervisor	Jack Juang	-	-
	President	Matt Chien	-	-
			UFSZ's investment CNY2,000	100.00
AUXM	Director	Shuang-Lang (Paul) Peng, Wei-Lung Liao, Ting-Li Lin	-	-
	Supervisor	Jack Juang	-	-
	President	David Lee	-	-
			AULB's investment USD 250,000	100.00
BVXM	Director	Ting-Li Lin, Wei-Lung Liao, David Lee	-	-
	Supervisor	Jack Juang	-	-
	President	David Lee	-	-
			AUXM's investment CNY 600,000	100.00
DPXM	Director	Sheng-Kai Huang, Cathay Ching, Limbo FJ	-	-
	Supervisor	Cheng-Cho Tsao	-	-
	President	Limbo FJ	-	-
			DPHK's investment USD70,000	100.00
Konly Venture	Director	Representative of AU Optronics Corp.: Shuang-Lang (Paul) Peng	-	-
			AUO holds 299,764 shares	100.00
Ronly Venture	Director	Representative of AU Optronics Corp.: Shuang-Lang (Paul) Peng	-	-
			AUO holds 185,576 shares	100.00
Space Money	Director	Representative of AU Optronics Corp.: Andy Yang	-	-
			AUO holds 3,000 shares	100.00
U-Fresh	Director	Representative of AU Optronics Corp.: HC Lee	-	-
			AUO holds 20,000 shares	100.00
AUO Display Plus	Director	Representative of AU Optronics Corp.: Frank Ko	-	-
			AUO holds 100 shares	100.00
Sanda Materials	Director	Representative of AUO Crystal Corp.: Kun-Feng Lin	-	-
			AUO Crystal holds 116,836 shares	100.00
Darwin Precisions	Director	Representatives of AU Optronics Corp.: Kuo-Hsin (Michael) Tsai, Sheng-Kai Huang, Frank Ko	-	-
		HB Chen	Holds 563 shares	0.08
		Independent directors: Austin Chen, Cheng-chung Lee	-	-
			AUO holds 190,108 shares	28.56
AUES	Director	Representative of Konly Venture Corp.: Amy Ku	-	-
			Konly holds 400 shares	100.00
DPGE	Director	Representative of AU Optronics Corp.: TY Lin	-	-
			AUO holds 700 shares	100.00
AUO Health	Director	Representative of AU Optronics Corp.: Frank Ko	-	-
			AUO holds 500 shares	100.00
AUO Crystal	Director	Representatives of AU Optronics Corp: Shih-Kun Chen	-	-
			AUO holds 418,583 shares	100.00

Note 1: AUCZ is in the process of liquidation.

## (VI) Overview of subsidiaries's operations

December 31, 2020; Unit: NT\$ thousands except for earnings per share

Name of business	Currency	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year (After income tax)	Earnings per Share (Note 2) (dollar; after tax)
AUVI	USD	5,000	6,091	89	6,001	2,040	119	127	0.03
AUST	USD	378,867	151,695	62,471	89,224	154,779	9,926	4,917	0.01
AUCZ (Note 1)	CZK	365,000	240,273	-	240,273	-	(614)	1,386	-
AULB	USD	1,882,189	2,014,066	52,814	1,961,252	-	(9)	94,339	0.05
AUSK	EUR	1,000	26,963	6,291	20,671	4,635	411	238	-
AUUS	USD	1,000	6,708	3,966	2,741	15,023	706	678	0.68
AUJP	JPY	40,000	243,556	43,052	200,504	267,702	11,512	8,302	10,378.00
AUNL	EUR	50	8,026	6,127	1,898	44,939	860	779	15.58
AUKR	KRW	173,075	1,993,527	877,020	1,116,506	2,011,455	86,161	(59,149)	-
AUSG	USD	7,787	7,081	211	6,870	797	94	2,322	0.01
ACMK	USD	15,000	15,905	2,111	13,794	28,310	(733)	(2,539)	(0.05)
ADCM	USD	-	-	-	-	-	-	-	-
ADHLD	USD	-	-	-	-	-	-	-	-
ADSG	USD	-	-	-	-	-	-	-	-
ADPUS	USD	1,500	1,500	-	1,500	-	-	-	-
ADPJP	JPY	25,000	50,000	-	50,000	-	-	-	-
ADPNL	EUR	43	2,764	-	2,764	29	1	(67)	(155.36)
AEUS	USD	3,510	3,185	98	3,088	-	(13)	2,274	0.24
BVLB	USD	121,171	28,800	4	28,796	-	(10)	(310)	-
CQCA	USD	1,016	775	115	660	2,598	131	123	1,118.18
CQHLD	USD	27,129	29,097	-	29,097	-	1	(26)	-
CQUS	USD	25,857	16,252	2,126	14,126	8,530	(1,708)	(1,474)	(116.53)
CQIL	USD	44,909	26,604	12	26,591	-	(64)	(1,434)	(0.04)
CQUK	USD	2,372	175	36	139	322	32	4	2,000.00
DPHK	USD	58,786	198,466	-	198,466	-	-	(6,892)	(689.20)
DPLB	USD	92,267	199,330	-	199,330	-	-	(8,687)	(0.09)
DPSK	EUR	4,000	2,508	1,806	703	4,391	(1,318)	(1,571)	-
FFMI	USD	6,526	1,788	-	1,788	-	-	231	0.35
FHVI	USD	22,006	137,092	-	137,092	-	-	(7,331)	(0.33)
FTMI	USD	6,503	72,121	-	72,121	-	-	(8,706)	(1.34)
FWSA	USD	19,000	16,015	-	16,015	-	-	586	0.03
JRUK	USD	1,500	1,473	(53)	1,526	644	53	57	76.04
JRUS	USD	8,000	8,567	711	7,856	2,220	(145)	(145)	(9.47)
M.Setek	JPY	18,000	8,505,753	1,601,574	6,904,179	7,707,655	218,835	556,958	0.05
PMSA	USD	31,993	48,956	-	48,956	-	-	789	0.02
AUSZ	CNY	2,208,359	6,727,861	2,992,944	3,734,917	8,905,459	352,347	324,829	-
A-Care	CNY	15,000	9,459	5,076	4,383	6,866	(4,871)	(4,782)	-
UFSS	CNY	12,000	20,590	13,323	7,267	15,601	(2,159)	(3,022)	-
EDT	CNY	5,000	15,468	13,649	1,819	20,411	(2,151)	(2,088)	-
MIS	CNY	20,000	16,149	8,561	7,588	11,049	(9,775)	(9,419)	-
ADSZ	CNY	-	-	-	-	-	-	-	-
DPSZ	CNY	184,322	365,922	67,192	298,730	169,138	(21,348)	(13,586)	-
AUSJ	CNY	866,978	907,595	2,180	905,416	-	(4,608)	28,639	-
AUSH	CNY	21,787	85,766	7,715	78,051	36,629	1,704	(18,586)	-
AUKS	CNY	5,948,236	10,476,127	8,085,756	2,390,371	4,799,179	(627)	124,957	-
FTKS	CNY	281,567	318,451	1	318,450	-	(4,473)	5,438	-
BVHF	CNY	472,327	189,714	2,747	186,967	1,022	(7,311)	(2,069)	-
FTWJ	CNY	279,158	958,154	540,387	417,768	878,865	(65,170)	(62,158)	-
FHWJ	CNY	53,779	22,028	10,401	11,627	-	(4,034)	1,592	-
FPWJ	CNY	223,933	187,053	31,518	155,535	91,262	(5,118)	6,164	-
UFSD	CNY	2,000	552	-	552	-	(794)	(792)	-
AUXM	CNY	1,804,476	5,499,775	2,192,558	3,307,217	6,311,144	160,224	202,414	-
BVXM	CNY	600,000	305,003	6,173	298,830	83,569	(11,462)	3,849	-
DPXM	CNY	505,962	1,561,575	569,308	992,267	1,613,850	(37,758)	(32,542)	-
Konly Venture	TWD	2,997,636	5,471,500	160	5,471,340	-	(4,334)	132,133	0.45
Ronly Venture	TWD	1,855,760	2,277,890	120	2,277,770	-	(159)	(76,865)	(0.46)
Space Money	TWD	30,000	23,363	9,129	14,234	69,989	(4,150)	(4,012)	(1.34)
U-Fresh	TWD	200,000	288,150	156,126	132,024	349,306	(57,016)	(56,882)	(4.17)
AUO Display Plus	TWD	1,000	4,365	3,990	375	-	(640)	(625)	(10.49)
Sanda Materials	TWD	1,168,361	1,947,259	69	1,947,190	-	(477)	134,827	1.15
Darwin Precisions	TWD	6,655,551	20,126,611	10,198,366	9,928,245	10,126,794	(1,028,020)	(1,240,799)	(1.86)
AUES	TWD	4,000	4,000	-	4,000	-	-	-	-
DPGE	TWD	7,000	6,990	5	6,985	-	(16)	(15)	(0.06)
AUO Health	TWD	5,000	4,989	4	4,985	-	(15)	(15)	(0.03)
AUO Crystal	TWD	4,185,832	5,386,517	2,699,674	2,686,843	3,877,601	(153,655)	(91,475)	(0.22)

Note 1: AUCZ is in the process of liquidation.

Note 2: Calculated based on the number of outstanding shares for each company on Dec. 31, 2020.

## II. Consolidated Financial Statements of Affiliates :

### Letter of Statement

The entities that are required to be included in the combined financial statements of AU Optronics Corp. as of and for the year ended December 31, 2020 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, AU Optronics Corp. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declared

AU Optronics Corporation



Chairman: Shuang-Lang (Paul) Peng



February 3, 2021

III. Affiliation Reports: Not applicable.

IV. Privately placed securities handling status in the most recent year up to the publication date of this Annual Report shall disclose the date and amount passed by the Shareholders' Meeting/Board of Directors, price setting basis and reasonableness, selection method for specific people, necessary reason for organizing private placement, and the completion of fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress:

Item	2020 Private Placement (Note)
The type of securities Private Placement	Common shares and/or overseas or domestic convertible bonds
The date and amount of the Shareholders' Meeting resolution	Approved by the Shareholders' Meeting on Jun. 17, 2020 Amount: It has been approved by the Annual Shareholders' Meeting held on Jun. 17, 2020 to authorize the Board of Directors depending on the principles approved by Annual General Shareholders' Meeting, within the limit of 945,000,000 common shares, to choose one or more fundraising instruments to issue new common shares for cash to sponsor issuance of the overseas depository shares and/or new common shares for cash in public offering and/or new common shares for cash in private placement and/or overseas or domestic convertible bonds in private placement in accordance with the applicable laws and regulations.
Basis and reasonableness for determination of the subscription price	<ol style="list-style-type: none"> <li>The higher of (x) the simple average closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, as the reference subscription price of the Private Placement Shares.</li> <li>The issue price of the Private Placement Shares shall be no less than 80% of the reference price. It is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting, depending on the status of finding specific investor(s) and market conditions. The issue price of the Private Placement CB shall be no less than 80% of the theoretical price.</li> <li>As aforementioned, subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the Regulations Governing Public Companies Issuing Securities in Private Placement, thus, the price should be reasonable.</li> </ol>
The method to determine specific investor(s)	The investors to subscribe the Private Placement Shares and/or Private Placement CB shall meet the qualifications listed in Article 43-6 of the Securities and Exchange Act. The Board is fully authorized to determine the specific investor(s). If the investor(s) are strategic investor(s), such strategic investor(s) shall still meet the aforementioned limitations for specific investor(s). The purpose, necessity and expected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs. The investor(s) of private placement will assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so as to strengthen the Company's competitiveness and enhance its operational efficiency and long term development.
The necessary of issuance for private Placement	Considering the effectiveness and convenience for issuance of the Private Placement Shares/Private Placement CB and/or accommodating the Company's development planning, including inviting the strategic investor(s), it would be necessary to issue the Private Placement Shares and/or Private Placement CB.
Payment completion date	Not applicable (Note)
The placee information	
Actual subscription (or conversion) price	
Actual subscription (or conversion) price and reference price difference	
Impact on shareholders' equity for conducting private placement	
The use of funds acquired from private placement and the implementation progress of the plan	
Benefits of private placement	

Note: The Annual Shareholders' Meeting approved to authorize the Board of Directors to handle the fund raising on June 17, 2020, but the private placement has not been issued as of the publication date of the Annual Report.

- V. Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.
- VI. Other items that must be included: None.
- VII. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report: None.



**AU OPTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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 AU Optronics Corp. as of and for the year ended December 31, 2020 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, AU Optronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: AU Optronics Corp.  
Chairman: Shuang-Lang (Paul) Peng  
Date: February 3, 2021

## Independent Auditors' Report

To the Board of Directors of AU Optronics Corp.:

### Opinion

We have audited the consolidated financial statements of AU Optronics Corp. and its subsidiaries (“the Company”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements including a summary of significant 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, 2020 and 2019, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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(14) “Impairment – non-financial assets”, Note 5(1) and Note 5(2) “Critical accounting judgments and key sources of estimation and assumption uncertainty”, Note 6(8) “Property, plant and equipment”, Note 6(9) “Lease arrangements” and Note 6(11) “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(17) "Revenue from contracts with customers" and Note 6(19) "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 sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. 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

AU Optronics Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified audit opinion and an unmodified audit opinion with the paragraph on emphasis of matter, respectively.

## 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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained 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 Wei, Shing-Hai and Lu, Chien-Hui.

KPMG

Hsinchu, Taiwan (Republic of China)  
February 3, 2021

#### 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 audit 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)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>								
1100 Cash and cash equivalents (Note 6(1))	\$ 90,274,687	22	80,449,772	20	2100	\$ 200,000	-	1,725,602
1110 Financial assets at fair value through profit or loss—current (Note 6(2))	668,058	-	1,521,406	-	2120	170,956	-	18,859
1170 Notes and accounts receivable, net (Note 6(4))	44,718,800	11	30,308,675	8	2170	47,508,933	12	44,307,437
1180 Accounts receivable from related parties, net (Notes 6(4)&7)	2,076,156	-	1,778,499	-	2180	7,302,792	2	6,950,828
1210 Other receivables from related parties (Note 7)	21,929	-	3,956	-	2213	3,706,652	1	6,316,902
1220 Current tax assets	60,541	-	79,886	-	2220	22,101	-	40,584
130X Inventories (Note 6(5))	26,753,401	7	23,460,072	6	2230	1,325,068	-	1,523,879
1476 Other current financial assets (Notes 6(4)&8)	564,222	-	2,302,383	1	2250	744,654	-	708,268
1479 Other current assets (Note 6(12))	3,179,879	1	3,295,562	1	2280	553,120	-	682,367
	<u>168,317,673</u>	<u>41</u>	<u>143,200,211</u>	<u>36</u>	2322	<u>20,032,462</u>	<u>5</u>	<u>18,718,165</u>
<b>Noncurrent assets:</b>								
1517 Financial assets at fair value through other comprehensive income—noncurrent (Note 6(3))	622,824	-	7,545,171	2		16,771,441	4	9,535,198
1550 Investments in equity-accounted investees (Note 6(6))	19,464,078	5	5,999,479	2		98,338,179	24	90,528,089
1600 Property, plant and equipment (Notes 6(8),7&8)	185,480,116	46	206,734,543	52		99,823,528	25	102,433,194
1755 Right-of-use assets (Note 6(9))	11,277,353	3	12,207,768	3	2540	1,041,102	-	1,053,290
1760 Investment property (Note 6(10))	1,522,391	-	1,555,130	-	2550	3,213,326	1	3,264,100
1780 Intangible assets (Notes 6(7)&(11))	12,801,358	3	12,808,326	3	2570	9,744,152	2	10,408,710
1840 Deferred tax assets (Note 6(23))	6,005,346	2	5,181,617	1	2580	1,319,643	-	1,973,459
1900 Other noncurrent assets (Notes 6(12),(16)&8)	1,779,156	-	2,405,346	1	2600	115,141,751	28	119,132,753
	<u>238,952,622</u>	<u>59</u>	<u>254,437,380</u>	<u>64</u>		<u>213,479,930</u>	<u>52</u>	<u>209,660,842</u>
<b>Equity attributable to shareholders of AU Optronics Corp.:</b>								
Common stock					3100	96,242,451	24	96,242,451
Capital surplus					3200	60,587,684	15	60,544,474
Retained earnings					3300	30,258,282	7	22,903,722
Other components of equity					3400	(3,270,303)	(1)	(2,005,384)
Treasury shares					3500	(1,013,423)	-	(1,013,423)
<b>Non-controlling interests</b>								
Non-controlling interests					36XX	10,985,674	3	11,304,909
<b>Total equity</b>						<u>193,790,365</u>	<u>48</u>	<u>187,976,749</u>
<b>Total Liabilities and Equity</b>						<u>\$ 407,270,295</u>	<u>100</u>	<u>\$ 397,637,591</u>
<b>Liabilities and Equity</b>								
<b>Current liabilities:</b>								
Short-term borrowings (Note 6(13))								
Financial liabilities at fair value through profit or loss—current (Note 6(2))								
Accounts payable								
Accounts payable to related parties (Note 7)								
Equipment and construction payable (Note 7)								
Other payables to related parties (Note 7)								
Current tax liabilities								
Provisions—current (Note 6(15))								
Lease liabilities—current (Note 6(9))								
Other current liabilities								
Current installments of long-term borrowings (Notes 6(14)&8)								
<b>Noncurrent liabilities:</b>								
Long-term borrowings, excluding current installments (Notes 6(14)&8)								
Provisions—noncurrent (Note 6(15))								
Deferred tax liabilities (Note 6(23))								
Lease liabilities—noncurrent (Note 6(9))								
Other noncurrent liabilities (Note 6(16))								
<b>Total liabilities</b>								
<b>Equity (Note 6(17)):</b>								
<b>Equity attributable to shareholders of AU Optronics Corp.:</b>								
Common stock					3100	96,242,451	24	96,242,451
Capital surplus					3200	60,587,684	15	60,544,474
Retained earnings					3300	30,258,282	7	22,903,722
Other components of equity					3400	(3,270,303)	(1)	(2,005,384)
Treasury shares					3500	(1,013,423)	-	(1,013,423)
<b>Non-controlling interests</b>								
Non-controlling interests					36XX	10,985,674	3	11,304,909
<b>Total equity</b>						<u>193,790,365</u>	<u>48</u>	<u>187,976,749</u>
<b>Total Liabilities and Equity</b>						<u>\$ 407,270,295</u>	<u>100</u>	<u>\$ 397,637,591</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

	2020		2019	
	Amount	%	Amount	%
4110 Revenue	\$ 271,821,226	100	270,794,105	101
4190 Less: sales return and discount	865,845	-	2,002,411	1
Net revenue (Notes 6(19)&7)	270,955,381	100	268,791,694	100
5000 Cost of sales (Notes 6(5),(9),(16),(20),(21)&7)	248,190,042	92	268,335,751	100
Gross profit	22,765,339	8	455,943	-
Operating expenses (Notes 6(7),(9),(16),(20),(21)&7):				
6100 Selling and distribution expenses	3,499,116	1	3,751,070	1
6200 General and administrative expenses	6,897,103	2	7,363,234	3
6300 Research and development expenses	10,286,078	4	9,809,587	3
Total operating expenses	20,682,297	7	20,923,891	7
Profit (loss) from operations	2,083,042	1	(20,467,948)	(7)
Non-operating income and expenses:				
7100 Interest income (Note 6(22))	533,052	-	885,520	-
7010 Other income (Notes 6(22)&7)	3,758,856	1	4,434,751	2
7020 Other gains and losses (Notes 6(8),(9),(22)&7)	(761,143)	-	(1,595,614)	(1)
7050 Finance costs (Notes 6(8),(9)&(22))	(2,943,872)	(1)	(3,251,370)	(1)
7060 Share of profit of equity-accounted investees (Note 6(6))	117,736	-	149,907	-
Total non-operating income and expenses	704,629	-	623,194	-
7900 Profit (loss) before income tax	2,787,671	1	(19,844,754)	(7)
7950 Less: income tax expense (benefit) (Note 6(23))	(119,756)	-	1,754,662	1
8200 Profit (loss) for the year	2,907,427	1	(21,599,416)	(8)
8300 Other comprehensive income (Notes 6(6),(16)&(23)):				
8310 Items that will never be reclassified to profit or loss				
8311 Remeasurement of defined benefit obligations	140,218	-	188,110	-
8316 Unrealized gain on equity investments at fair value through other comprehensive income	2,676,706	1	519,100	-
8320 Equity-accounted investees – share of other comprehensive income	3,686	-	3,288	-
8349 Related tax	(28,043)	-	(37,622)	-
	2,792,567	1	672,876	-
8360 Items that are or may be reclassified subsequently to profit or loss				
8361 Foreign operations – foreign currency translation differences	137,051	-	(2,505,864)	(1)
8370 Equity-accounted investees – share of other comprehensive income	(49,783)	-	(38,512)	-
8399 Related tax	(16,855)	-	459,729	-
	70,413	-	(2,084,647)	(1)
8300 Other comprehensive income (loss), net of tax	2,862,980	1	(1,411,771)	(1)
8500 Total comprehensive income (loss) for the year	\$ 5,770,407	2	(23,011,187)	(9)
Profit (loss) attributable to:				
8610 Shareholders of AU Optronics Corp.	\$ 3,376,324	1	(19,185,258)	(7)
8620 Non-controlling interests	(468,897)	-	(2,414,158)	(1)
	\$ 2,907,427	1	(21,599,416)	(8)
Total comprehensive income (loss) attributable to:				
8710 Shareholders of AU Optronics Corp.	\$ 6,089,641	2	(20,192,454)	(8)
8720 Non-controlling interests	(319,234)	-	(2,818,733)	(1)
	\$ 5,770,407	2	(23,011,187)	(9)
Earnings (loss) per share (NT\$, Note 6(24))				
9750 Basic earnings (loss) per share	\$	0.36	(2.00)	
9850 Diluted earnings (loss) per share	\$	0.35	(2.00)	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in thousands of New Taiwan dollars)**

	Equity Attributable to Shareholders of AU Optronics Corp.											Total Equity		
	Other Components of Equity										Equity Attributable to Shareholders of AU Optronics Corp.			
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Unappropriated Earnings	Subtotal	Cumulative Translation Differences	Comprehensive Income Other	Treasury Shares			Non-controlling Interests	
<b>Balance at January 1, 2019</b>	\$ 96,242,451	60,622,043	6,675,628	-	-	40,170,363	46,845,991	(1,449,910)	602,140	-	-	202,862,715	14,415,973	217,278,688
Appropriation of earnings:	-	-	-	-	-	(1,016,060)	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,016,060	-	-	(847,770)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	847,770	-	(847,770)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(4,812,122)	(4,812,122)	-	-	-	-	(4,812,122)	-	(4,812,122)
Loss for the year	-	-	-	-	-	(19,185,258)	(19,185,258)	-	-	-	-	(19,185,258)	(2,414,158)	(21,599,416)
Other comprehensive income (loss), net of tax	-	-	-	-	-	150,418	150,418	(1,680,072)	522,458	-	-	(1,007,196)	(404,572)	(1,411,771)
Total comprehensive income (loss) for the year	-	-	-	-	-	(19,034,840)	(19,034,840)	(1,680,072)	522,458	-	-	(20,192,454)	(2,818,733)	(23,011,187)
Changes in deemed contributions from shareholders	-	547	-	-	-	-	-	-	-	-	-	547	-	547
Adjustments for changes in investees' equity	-	(40,085)	-	-	-	-	-	-	-	-	-	(40,085)	-	(40,085)
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(1,013,423)	(1,013,423)	-	(1,013,423)
Differences between acquisition price and carrying amount arising from acquisition of subsidiaries	-	(22,282)	-	-	-	-	-	-	-	-	-	(22,282)	22,282	-
Changes in ownership interest in subsidiaries	-	(15,749)	-	-	-	(95,307)	(95,307)	-	-	-	-	(111,056)	111,056	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(425,669)	(425,669)
<b>Balance at December 31, 2019</b>	96,242,451	60,344,474	7,691,688	847,770	14,364,264	22,903,722	22,903,722	(3,129,982)	1,124,598	(2,005,384)	(1,013,423)	176,671,840	11,304,909	187,976,749
Appropriation of earnings:	-	-	-	-	-	(1,157,614)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,157,614	-	(3,376,324)	3,376,324	-	-	-	-	3,376,324	(468,897)	2,907,427
Profit (loss) for the year	-	-	-	-	-	113,073	113,073	(76,538)	2,676,782	2,600,244	-	2,713,317	149,663	2,862,980
Other comprehensive income (loss), net of tax	-	-	-	-	-	3,489,397	3,489,397	(76,538)	2,676,782	2,600,244	-	6,089,641	(319,234)	5,770,407
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	1,073	-	1,073
Changes in deemed contributions from shareholders	-	1,073	-	-	-	-	-	-	-	-	-	1,073	-	1,073
Adjustments for changes in investees' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	42,137	-	-	-	-	-	-	-	-	-	42,137	-	42,137
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
<b>Balance at December 31, 2020</b>	\$ 96,242,451	60,587,684	7,691,688	2,005,384	20,561,210	3,865,163	30,258,282	(3,206,520)	(63,783)	(3,270,303)	(1,013,423)	182,804,691	10,985,674	193,790,365

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

**(Expressed in thousands of New Taiwan dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before income tax</b>	\$ 2,787,671	(19,844,754)
<b>Adjustments for:</b>		
- depreciation	35,130,348	35,693,033
- amortization	267,182	564,686
- losses (gains) on financial instruments at fair value through profit or loss	41,899	(41,065)
- interest expense	2,866,787	3,251,370
- interest income	(533,052)	(885,520)
- dividend income	(261,382)	(295,575)
- share of profit of equity-accounted investees	(117,736)	(149,907)
- gains on disposals of property, plant and equipment, net	(58,558)	(106,546)
- losses (gains) on disposals of investments and financial assets, net	(159)	13,154
- impairment losses on assets	396,339	2,298,646
- unrealized foreign currency exchange gains	(18,470)	(430,183)
- others	74,020	26,468
<b>Changes in operating assets and liabilities:</b>		
- notes and accounts receivable	(14,799,026)	13,685,703
- receivables from related parties	(315,630)	984,744
- inventories	(3,403,782)	2,794,115
- other current assets	1,818,984	(926,326)
- accounts payable	3,568,142	(5,014,990)
- payables to related parties	333,481	(1,197,773)
- net defined benefit liability	(548,058)	(89,422)
- provisions	46,388	(759,948)
- other current liabilities	<u>1,078,610</u>	<u>(4,906,788)</u>
Cash generated from operations	28,353,998	24,663,122
Cash received from interest income	567,081	919,840
Cash received from dividends	603,621	568,871
Cash paid for interest	(2,829,307)	(3,417,833)
Cash paid for income taxes	<u>(948,435)</u>	<u>(2,003,361)</u>
<b>Net cash provided by operating activities</b>	<u>25,746,958</u>	<u>20,730,639</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**

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

**For the years ended December 31, 2020 and 2019**

**(Expressed in thousands of New Taiwan dollars)**

	2020	2019
<b>Cash flows from investing activities:</b>		
Acquisitions of financial assets at fair value through profit or loss	(2,428,945)	(3,668,175)
Disposals of financial assets at fair value through profit or loss	3,360,324	3,970,809
Acquisitions of financial assets at fair value through other comprehensive income	(659,826)	(47,182)
Disposals of financial assets at fair value through other comprehensive income	24,119	-
Acquisitions of equity-accounted investees	(3,453,288)	-
Disposals of equity-accounted investees	937,411	904,050
Acquisitions of property, plant and equipment	(15,600,564)	(29,546,642)
Disposals of property, plant and equipment	123,383	170,880
Decrease in refundable deposits	230,007	49,670
Acquisitions of intangible assets	-	(1,711)
Decrease in other financial assets	6,189	55,945
Net cash outflow arising from acquisition of business	(246,956)	-
<b>Net cash used in investing activities</b>	(17,708,146)	(28,112,356)
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	3,931,161	2,576,584
Repayments of short-term borrowings	(5,475,763)	(1,388,334)
Proceeds from long-term borrowings	18,139,350	79,880,000
Repayments of long-term borrowings	(13,348,277)	(53,378,766)
Payment of lease liabilities	(597,221)	(694,922)
Guarantee deposits received (refunded)	53,268	(1,828)
Cash dividends	-	(4,812,122)
Repurchase of treasury shares	-	(1,013,423)
Net change of non-controlling interests and others	1,072	(425,122)
<b>Net cash provided by financing activities</b>	2,703,590	20,742,067
<b>Effect of exchange rate change on cash and cash equivalents</b>	(917,487)	(2,073,874)
<b>Net increase in cash and cash equivalents</b>	9,824,915	11,286,476
<b>Cash and cash equivalents at January 1</b>	80,449,772	69,163,296
<b>Cash and cash equivalents at December 31</b>	\$ 90,274,687	80,449,772

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)**

**1. Organization**

AU Optronics Corp. (“AUO”) was founded on August 12, 1996 and is located in Hsinchu Science Park, the Republic of China (“ROC”). AUO’s main activities are the research, development, production and sale of thin film transistor liquid crystal displays (“TFT-LCDs”) and other flat panel displays used in a wide variety of applications. AUO also engages in the production and sale of solar modules and systems. AUO’s common shares have been publicly listed on the Taiwan Stock Exchange since September 2000, and its American Depositary Shares (“ADSs”) have been listed on the New York Stock Exchange (“NYSE”) since May 2002. On and from October 1, 2019, AUO’s ADSs has delisted from the NYSE and begun trading on the over-the-counter (“OTC”) market. 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 approved and authorized for issue by the Board of Directors of AUO on February 3, 2021.

**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, 2020. The adoption does not have a material impact on the Company’s consolidated financial statements.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(2) Impact of the IFRSs endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following amendments to the IFRSs, effective for annual period beginning on January 1, 2021, would not have a material impact on its consolidated financial statements.

- Amendments to IFRS 4, *Extension of the Temporary Exemption from Applying IFRS 9*
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

Standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

- Annual Improvements to IFRSs 2018–2020
- Amendments to IFRS 3, *Reference to the Conceptual Framework*
- 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, *Insurance Contracts*
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

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)

**AU OPTRONICS CORP. 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(16)).

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)

**AU OPTRONICS CORP. 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, 2020	December 31, 2019
AUO	AU Optronics (L) Corp. (AULB)	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. (SMI)	Sales and leasing activities (Taiwan ROC)	100.00	100.00
AUO	U-Fresh Technology Inc. (UTI)	Construction project and related project management (Taiwan ROC)	100.00	100.00
AUO	ComQi Ltd. (CQIL)	Holding company (Israel)	100.00	100.00
AUO	AU Optronics Europe B.V. (AUNL)	Sales and 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 <sup>(1)</sup>	-
AUO	Da Ping Green Energy Corporation (DPGE)	Renewable energy power generation (Taiwan ROC)	100.00 <sup>(1)</sup>	-
AUO	AUO Health Corporation (AHTW)	Manufacturing, development and sales company (Taiwan ROC)	100.00 <sup>(1)</sup>	-
AUO	AUO Digitech (CAYMAN) Limited (ADCM)	Holding company (Samoa)	100.00 <sup>(1)</sup>	-
AUO and ADCM	AUO Digitech Holding Limited (ADHLD)	Holding company (Samoa)	100.00 <sup>(1)</sup>	-
AUO, Konly and Ronly	Darwin Precisions Corporation (DPTW)	Manufacturing and sales company (Taiwan ROC)	41.05 <sup>(2)</sup>	41.05 <sup>(2)</sup>
Konly	AUO Education Service Corp. (AUES)	Leasing and service company (Taiwan ROC)	100.00 <sup>(1)</sup>	-
ADHLD	AU Digitech Pte. Ltd. (ADSG)	Holding company (Singapore)	100.00 <sup>(1)</sup>	-
ADSG	AUO Digitech (Suzhou) Co., Ltd. (ADSZ)	Management consulting (PRC)	100.00 <sup>(1)</sup>	-

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
ACTW	Sanda Materials Corporation (SDMC)	Holding company (Taiwan ROC)	100.00	100.00
ACTW	AUO Crystal (Malaysia) Sdn. Bhd. (ACMK)	Manufacturing and sales company (Malaysia)	100.00	100.00
SDMC	M.Setek Co., Ltd. (M.Setek)	Manufacturing and sales company (Japan)	99.9991	99.9991
AULB	AU Optronics Corporation America (AUUS)	Sales and sales support activities (United States)	100.00	100.00
AULB	AU Optronics Corporation Japan (AUJP)	Sales support activities (Japan)	100.00	100.00
AULB	AU Optronics Korea Ltd. (AUKR)	Sales support activities (South Korea)	100.00	100.00
AULB	AU Optronics Singapore Pte. Ltd. (AUSG)	Holding company and sales support activities (Singapore)	100.00	100.00
AULB	AU Optronics (Czech) s.r.o. (AUCZ) <sup>(3)</sup>	Assembly activities (Czech Republic)	100.00	100.00
AULB	AU Optronics (Shanghai) Co., Ltd. (AUSH)	Sales support activities (PRC)	100.00	100.00
AULB	AU Optronics (Xiamen) Corp. (AUXM)	Manufacturing and sales company (PRC)	100.00	100.00
AULB	AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	Manufacturing and sales company (PRC)	100.00	100.00
AULB	AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	Manufacturing and leasing activities (PRC)	100.00	100.00
AULB	AU Optronics (Slovakia) s.r.o. (AUSK)	Repairing activities (Slovakia Republic)	100.00	100.00
AULB	AFPD Pte., Ltd. (AUST)	Manufacturing company (Singapore)	100.00	100.00
AULB	AU Optronics (Kunshan) Co., Ltd. (AUKS)	Manufacturing and sales company (PRC)	51.00	51.00
AULB	a.u. Vista Inc. (AUVI)	Research and development and IP related business (United States)	100.00	100.00
AULB and DPTW	BriView (L) Corp. (BVLB)	Holding company (Malaysia)	100.00	100.00
AUSG	AUO Green Energy America Corp. (AEUS)	Sales support activities (United States)	100.00	100.00
AUSG	AUO Display Plus Netherlands B.V. (ADPNL, formerly AUO Green Energy Europe B.V. (AENL))	Holding and manufacturing company and sales support activities (Netherlands)	100.00	100.00
ADPNL	AUO Display Plus America Corp. (ADPUS)	Sales and sales support activities (United States)	100.00 <sup>(1)</sup>	-
ADPNL	AUO Display Plus Japan Corp. (ADPJP)	Sales support activities (Japan)	100.00 <sup>(1)</sup>	-
AUXM	BriView (Xiamen) Corp. (BVXM)	Manufacturing and sales company (PRC)	100.00	100.00

(Continued)



**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
AUSH	AUO Care Information Tech. (Suzhou) Co., Ltd. (A-Care)	Intelligent health care services (PRC)	100.00	100.00
AUSH	U-Fresh Technology (Suzhou) Co., Ltd. (UFSZ)	Construction project and related project management (PRC)	100.00	100.00
AUSH	Edgetech Data Technologies (Suzhou) Corp., Ltd. (EDT)	Integration service of software and hardware (PRC)	100.00	100.00
AUSH	Mega Insight Smart Manufacturing (Suzhou) Corp., Ltd. (MIS)	Development and licensing of software (PRC)	100.00	100.00
UFSZ	U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSZ)	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)	Sales support activities (United Kingdom)	100.00	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 (JRUK)	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
FHVI	Prime Forward International Ltd. (PMSA)	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
PMSA	Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	Manufacturing and sales company (PRC)	100.00	100.00

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
DPLB	Darwin Precisions (Hong Kong) Limited (DPHK)	Holding company (Hong Kong)	100.00	100.00
DPLB	Darwin Precisions (Slovakia) s.r.o. (DPSK)	Manufacturing and sales company (Slovakia Republic)	100.00	100.00
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ)	Manufacturing and sales company (PRC)	100.00	100.00
DPHK	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales company (PRC)	100.00	100.00
BVLB	BriView (Hefei) Co., Ltd. (BVHF)	Manufacturing and sales company (PRC)	100.00	100.00

Note 1: ADP was incorporated in May 2020. DPGE, ADCM and ADHLD were incorporated in August 2020. AHTW was incorporated in September 2020. ADSG and ADPUS were incorporated in October 2020. ADPJP was incorporated in November 2020. AUES and ADSZ were incorporated in December 2020.

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

Note 3: As of December 31, 2020, the liquidation of AUCZ is still in process.

(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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

- b. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using the exchange rates at each 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.

(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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(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.

(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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(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.

(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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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.

(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 designates 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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(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.

(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.

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## AU OPTRONICS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

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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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(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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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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.

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.

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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.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

Under the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(14) 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.

(15) 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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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.

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

(16) 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.

(17) 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:

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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).

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(15) 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.

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The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(15) 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.

(18) 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.

(19) 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.

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## AU OPTRONICS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

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.

(20) Share-based payment arrangements

The compensation cost of employee share-based payment arrangements is measured based on the fair value at the date on which they are granted. The compensation cost is recognized, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards. The amount 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 grant date fair value of the share-based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(21) Income taxes

Income tax expense comprises current and deferred taxes.

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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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. 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.

(22) 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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**AU OPTRONICS CORP. 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.

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

(24) Operating segments

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.

**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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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.

(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.

**6. Description of Significant Accounts**

(1) Cash and Cash Equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand, demand deposits and checking accounts	\$ 43,921,304	46,290,722
Time deposits	46,353,383	34,124,011
Government bonds with reverse repurchase agreements	-	35,039
	<b><u>\$ 90,274,687</u></b>	<b><u>80,449,772</u></b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Refer to Note 6(27) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2020 and 2019, no cash and cash equivalents were pledged with banks as collaterals.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	\$ 112,319	42,815
Structured deposits	<u>555,739</u>	<u>1,478,591</u>
	<u>\$ 668,058</u>	<u>1,521,406</u>
Financial liabilities held for trading:		
Foreign currency forward contracts	<u>\$ 170,956</u>	<u>18,859</u>

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(27) for the disclosure of the Company’s credit and currency risks related to financial instruments.

As at December 31, 2020 and 2019, the Company’s outstanding foreign currency forward contracts were as follows:

<u>December 31, 2020</u>		
<u>Contract item</u>	<u>Maturity date</u>	<u>Contract amount</u>
Sell USD / Buy NTD	Jan. 2021~Feb. 2021	USD 522,200 / NTD 14,751,599
Sell USD / Buy JPY	Jan. 2021~Mar. 2021	USD 122,935 / JPY 12,752,953
Sell USD / Buy EUR	Jan. 2021	USD 2,398 / EUR 2,000
Sell USD / Buy CNY	Jan. 2021~Aug. 2021	USD 131,500 / CNY 879,713
Sell USD / Buy SGD	Jan. 2021~Feb. 2021	USD 28,349 / SGD 38,020
Sell CNY / Buy USD	Feb. 2021~Mar. 2021	CNY 1,400,000 / USD 212,882
Sell EUR / Buy JPY	Jan. 2021~Feb. 2021	EUR 10,000 / JPY 1,253,050
Sell HKD / Buy USD	Jan. 2021	HKD 500 / USD 64
<u>December 31, 2019</u>		
<u>Contract item</u>	<u>Maturity date</u>	<u>Contract amount</u>
Sell USD / Buy NTD	Jan. 2020	USD 176,600 / NTD 5,319,611
Sell USD / Buy JPY	Jan. 2020~Apr. 2020	USD 47,292 / JPY 5,150,510
Sell USD / Buy CNY	Jan. 2020~Jun. 2020	USD 61,500 / CNY 432,823
Sell USD / Buy SGD	Jan. 2020~Feb. 2020	USD 39,276 / SGD 53,372
Sell USD / Buy MYR	Jan. 2020~Mar. 2020	USD 703 / MYR 2,905

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**December 31, 2019**

<u>Contract item</u>	<u>Maturity date</u>	<u>Contract amount</u>
Sell CNY / Buy USD	Feb. 2020~Mar. 2020	CNY 1,935,305 / USD 276,672
Sell EUR / Buy JPY	Jan. 2020~Feb. 2020	EUR 23,000 / JPY 2,788,285
Sell HKD / Buy USD	Jan. 2020	HKD 60,177 / USD 7,721

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	\$ 294,668	7,356,501
Equity securities – non-listed stocks	<u>328,156</u>	<u>188,670</u>
	<u><b>\$ 622,824</b></u>	<u><b>7,545,171</b></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.

Upon the re-assessment, the Company considers that it has significant influence over Qisda Corporation (“Qisda”); consequently, at the end of December 2020 the equity investment in Qisda previously classified as financial assets at FVTOCI was reclassified as investments accounted for using the equity method. Refer to Note 6(6) for the relevant information.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$62,282 thousand and \$754,517 thousand for the years ended December 31, 2020 and 2019, respectively.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 179,411	128,666
Accounts receivable	46,635,061	31,976,246
Less: loss allowance	<u>(19,516)</u>	<u>(17,738)</u>
	<u><b>\$ 46,794,956</b></u>	<u><b>32,087,174</b></u>
Notes and accounts receivable, net	<u><b>\$ 44,718,800</b></u>	<u><b>30,308,675</b></u>
Accounts receivable from related parties, net	<u><b>\$ 2,076,156</b></u>	<u><b>1,778,499</b></u>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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:

	<b>December 31, 2020</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 45,814,603	0.00%	88
Past due less than 60 days	961,549	0.01%	112
Past due 61~180 days	17,189	0.00%	-
Past due over 180 days	<u>4,176</u>	56.54%	<u>2,361</u>
	<u><b>\$ 46,797,517</b></u>		<u><b>2,561</b></u>
	<b>December 31, 2019</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 31,061,173	0.00%	1
Past due less than 60 days	1,010,918	0.00%	4
Past due 61~180 days	<u>15,233</u>	0.95%	<u>145</u>
	<u><b>\$ 32,087,324</b></u>		<u><b>150</b></u>

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 \$16,955 thousand and \$17,588 thousand as of December 31, 2020 and 2019, respectively.

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at beginning of the year	\$ 17,738	50,853
Provisions (reversals) charged to (against) expense	2,333	(14,543)
Write-offs	(663)	(18,404)
Effect of changes in foreign currency exchange rates	<u>108</u>	<u>(168)</u>
Balance at end of the year	<u><b>\$ 19,516</b></u>	<u><b>17,738</b></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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Information about the Company's exposure to credit risk is included in Note 6(27).

As at December 31, 2020, the Company did not sell its accounts receivables to banks. As at December 31, 2019, the Company's accounts receivables sold and derecognized were as follows:

December 31, 2019						
Underwriting bank	Factoring limit (in thousands)	Amount sold and derecognized (in thousands)	Amount advanced (in thousands)	Principal terms		
CTBC Bank	USD 152,000	USD 18,526	NTD 500,000	See Notes(a)~(d)		
Taipei Fubon Bank	USD 120,000	USD 56,020	NTD 1,500,000	See Notes(a)~(d)		
DBS Bank	USD 154,000	USD 56,730	NTD 1,520,000	See Notes(a)~(d)		
Bank of Taiwan	USD 250,000	USD 15,718	USD 14,000	See Notes(a)~(d)		

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

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

Note (c): As of December 31, 2019, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of \$487,754 thousand was recognized under other current financial assets. In addition, interest rate for the balance of advanced amount as of December 31, 2019 was ranging from 1.07% to 2.44%.

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

(5) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 8,903,882	9,005,001
Work-in-progress	11,259,938	9,537,700
Raw materials	6,589,581	4,917,371
	\$ 26,753,401	23,460,072

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019, the amounts recognized as cost of sales in relation to inventories were \$248,190,042 thousand and \$268,335,751 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 \$(1,952,186) thousand and \$33,451 thousand for the years ended December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, none of the Company's inventories was pledged as collateral.

(6) Investments in Equity-accounted Investees

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Associates	\$ 19,180,565	5,820,759
Joint ventures	283,513	178,720
	<u>\$ 19,464,078</u>	<u>5,999,479</u>

a. Associates

<u>Name of associate</u>	<u>Principal activities</u>	<u>Principal place of business</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
			<u>Amount</u>	<u>Ownership interest %</u>	<u>Amount</u>	<u>Ownership interest %</u>
Qisda	Manufacturing and sales of LCD products and projectors; providing medical services	Taiwan ROC	\$ 10,220,729	18	-	-
Lextar Electronics Corp. ("Lextar")	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	Taiwan ROC	2,853,386	28	2,909,521	27
ADLINK Technology Inc. ("ADLINK")	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	Taiwan ROC	2,336,445	20	-	-
Star Shining Energy Corporation. ("SSEC")	Investment	Taiwan ROC	1,689,192	33	1,015,512	33
Raydium Semiconductor Corporation ("Raydium")	IC design	Taiwan ROC	809,137	17	740,504	17
Daxin Materials Corp. ("Daxin")	Research, manufacturing, and sales of display related chemicals	Taiwan ROC	717,953	25	688,813	25
Star River Energy Corp. ("SREC")	Investment	Taiwan ROC	447,171	34	444,550	34
Others			<u>106,552</u>		<u>21,859</u>	
			<u>\$ 19,180,565</u>		<u>5,820,759</u>	

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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.

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of associates':		
Profit	\$ 122,248	195,865
Other comprehensive income (loss)	(46,097)	(35,224)
Total comprehensive income (loss)	<b>\$ 76,151</b>	<b>160,641</b>

On February 5, 2020, AUO's Board of Directors resolved to acquire common shares of ADLINK through tender offer. As of December 31, 2020, the Company holds a total of 43,501 thousand common shares of ADLINK for totaling of 20% equity interest in ADLINK.

Lextar, upon the resolution of its Board of Directors on June 18, 2020, carried out a joint share exchange with Epistar Corporation ("Epistar") for a newly incorporated company, Ennostar Inc. ("Ennostar"). Such plan was also approved by Lextar's and Epistar's special shareholders' meetings held on August 7, 2020. In November 2020, Lextar received a written decision on anti-monopoly examination of the business operators' concentration from the Antitrust authority in China wherein the authority approved and decided not to prohibit the concentration. On the record date, January 6, 2021, Ennostar's shares have been publicly listed on the Taiwan Stock Exchange. In the meanwhile, Lextar's and Epistar's listing and public offering were terminated. Upon completion of the share exchange, the Company still remains significant influence over Ennostar.

In consideration of the Company's operational strategy, the Company has continued to increase its shareholdings in Qisda since November 2020. Upon the re-assessment, the Company considers that it has obtained the ability to exercise significant influence over Qisda; consequently, at the end of December 2020 the Company derecognized the investment in Qisda previously classified as financial assets at FVTOCI, and further recognized an investment accounted for using the equity method at fair value. The related cumulative gain of \$3,863,348 thousand that was previously recognized in other comprehensive income under items never be reclassified in profit or loss was reclassified to retained earnings.

b. Joint ventures

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of joint ventures':		
Loss	\$ (4,512)	(45,958)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<b>\$ (4,512)</b>	<b>(45,958)</b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

As at December 31, 2020 and 2019, none of the Company's investments in equity-accounted investees was pledged as collateral.

(7) Acquisition of Business

In February 2020, the Company acquired the business of integration service of content management system and hardware from John Ryan International Inc., John Ryan Technology, Inc., Cutler holdings Inc. and their subsidiaries (hereinafter referred to as "John Ryan"). Through the acquisition of the business, the Company expects to extend the relevant business to the financial industry.

If the acquisition had taken place on January 1, 2020, management estimated that the Company's consolidated revenue and consolidated net profit for the years ended December 31, 2020 would have been \$270,969,044 thousand and \$2,899,105 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2020. The aforementioned pro-forma information is presented for illustrative purposes only and is not necessarily an indication of consolidated revenue and results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

Acquisition-related costs are at approximately \$4,628 thousand on legal fees and due diligence fees and were recognized in operating expenses in the consolidated statement of comprehensive income.

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 the balance sheet date)

	<b>Amounts</b>
Cash	\$ 204,416
Contingent consideration	42,540
	<b>\$ 246,956</b>

In accordance with the terms of the contingent consideration, in the event that the annual revenue and the annual recurring revenue rendered from the acquired business for the years ended December 31, 2020 are either greater than the agreed revenue targets or hit the agreed goals specified in the agreement, or in the event that John Ryan assists in acquiring specific business within the period specified in the agreement, the Company will pay additional consideration of USD 750 thousand and USD 1,492 thousand, respectively, to John Ryan. 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 USD 0 thousand and USD 2,242 thousand.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The fair value of the contingent consideration estimated using Monte Carlo simulation and expected value was \$42,540 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 5.2% and revenue volatility rate of 12.8%.

As of December 31, 2020, there were no changes to the amount of contingent consideration recognized, the range of estimation results and the assumptions used to estimate the contingent consideration.

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 the balance sheet date):

	<b>Fair value</b>
Accounts receivable and other current assets	\$ 23,600
Property, plant and equipment	2,126
Intangible assets	122,273
Accounts payable and other current liabilities	(37,015)
	<b>\$ 110,984</b>

c. Goodwill arising from the acquisition for which is attributable mainly to the synergies expected to be achieved from integrating the acquired business into the Company's existing business has been recognized as follows (translated at the exchange rates on the balance sheet date):

	<b>Amounts</b>
Consideration transferred	\$ 246,956
Less: Fair value of identifiable net assets	(110,984)
	<b>\$ 135,972</b>

The Company will continue to review the aforesaid matters during the measurement period. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provisional amounts, or any additional provisions as at the acquisition date, then the accounting for the acquisition will be revised.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (8) Property, Plant and Equipment

For the year ended December 31, 2020						
	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	\$ 8,858,648	-	-	(481)	8,858,167	
Buildings	119,697,249	(18,363)	(272)	428,586	120,107,200	
Machinery and equipment	841,581,837	1,352,493	(16,215,872)	8,137,263	834,855,721	
Other equipment	35,834,437	4,778,970	(3,519,978)	1,066,449	38,159,878	
	<u>1,005,972,171</u>	<u>6,113,100</u>	<u>(19,736,122)</u>	<u>9,631,817</u>	<u>1,001,980,966</u>	
Accumulated depreciation and impairment loss:						
Buildings	39,170,748	2,932,678	(272)	(75,198)	42,027,956	
Machinery and equipment	737,292,828	25,696,536	(16,158,158)	(868,809)	745,962,397	
Other equipment	27,646,410	6,123,266	(3,515,871)	(187,827)	30,065,978	
	<u>804,109,986</u>	<u>34,752,480</u>	<u>(19,674,301)</u>	<u>(1,131,834)</u>	<u>818,056,331</u>	
Prepayments for purchase of land and equipment, and construction in progress	4,872,358	6,859,277	(3,004)	(10,173,150)	1,555,481	
Net carrying amounts	<u>\$ 206,734,543</u>				<u>185,480,116</u>	
For the year ended December 31, 2019						
	Balance, Beginning of Year	Adjustments on initial application of new standards	Additions	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Cost:						
Land	\$ 8,859,323	-	-	-	(675)	8,858,648
Buildings	121,219,360	-	325,184	(9,075)	(1,838,220)	119,697,249
Machinery and equipment	835,933,620	-	1,320,958	(9,123,165)	13,450,424	841,581,837
Other equipment	35,129,124	(2,620)	4,910,462	(5,764,497)	1,561,968	35,834,437
	<u>1,001,141,427</u>	<u>(2,620)</u>	<u>6,556,604</u>	<u>(14,896,737)</u>	<u>13,173,497</u>	<u>1,005,972,171</u>
Accumulated depreciation and impairment loss:						
Buildings	36,031,326	-	4,195,265	(9,021)	(1,046,822)	39,170,748
Machinery and equipment	721,833,348	-	27,348,497	(9,080,856)	(2,808,161)	737,292,828
Other equipment	28,090,987	(855)	5,575,376	(5,747,362)	(271,736)	27,646,410
	<u>785,955,661</u>	<u>(855)</u>	<u>37,119,138</u>	<u>(14,837,239)</u>	<u>(4,126,719)</u>	<u>804,109,986</u>
Prepayments for purchase of land and equipment, and construction in progress	6,400,709	-	18,469,787	(4,837)	(19,993,301)	4,872,358
Net carrying amounts	<u>\$ 221,586,475</u>					<u>206,734,543</u>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

As of December 31, 2020 and 2019, 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 2020 and 2019, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$396,308 thousand and \$52,829 thousand, respectively.

In 2020 and 2019, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$31 thousand and \$14,949 thousand, respectively.

In recent years, the sharp fluctuations in solar industry have led to an oversupply capacity worldwide, which in turn made ACTW's overall capacity utilization being low. Therefore, the management performed an impairment assessment of ACTW and its subsidiaries, as a CGU, over its long-term assets with recoverable amount determined based on the value in use. Based on the assessment performed as at December 31, 2019, the carrying amount of the CGU was determined to be higher than its estimated recoverable amount; consequently, an impairment loss of \$2,232,739 thousand was recognized. The estimated recoverable amount of 2019 was calculated by pre-tax discount rate of 10.63%.

Impairment losses as mentioned above were recognized in non-operating income and expenses in the consolidated statements of comprehensive income.

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Capitalized borrowing costs	<b>\$ 38,171</b>	<b>141,966</b>
The interest rates applied for the capitalization	<b>0.80%~ 1.77%</b>	<b>1.07%~ 5.71%</b>

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

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (9) Lease Arrangements

## a. Lessee

## (i) Right-of-use assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Carrying amount of right-of-use assets		
Land	\$ 10,891,245	11,595,815
Buildings	364,442	575,724
Other equipment	21,666	36,229
	<b>\$ 11,277,353</b>	<b>12,207,768</b>
	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<b>\$ 122,283</b>	<b>192,655</b>
Depreciation charge for right-of-use assets		
Land	\$ 548,349	566,982
Buildings	187,255	238,969
Other equipment	38,603	66,590
	<b>\$ 774,207</b>	<b>872,541</b>

## (ii) Lease liabilities

	<b>December 31, 2020</b>		
	<b>Future minimum lease payments</b>	<b>Interests</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 735,828	182,708	553,120
Between one and five years	2,738,621	633,115	2,105,506
More than five years	8,859,869	1,221,223	7,638,646
	<b>\$ 12,334,318</b>	<b>2,037,046</b>	<b>10,297,272</b>
Lease liabilities — current			<b>\$ 553,120</b>
Lease liabilities — noncurrent			<b>\$ 9,744,152</b>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	December 31, 2019		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 879,518	197,151	682,367
Between one and five years	2,874,682	678,576	2,196,106
More than five years	9,588,087	1,375,483	8,212,604
	<b>\$ 13,342,287</b>	<b>2,251,210</b>	<b>11,091,077</b>
Lease liabilities — current			<b>\$ 682,367</b>
Lease liabilities — noncurrent			<b>\$ 10,408,710</b>

(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 2020 and 2019, AUO modified some of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amounts of the right-of-use assets were reduced by \$147,371 thousand and \$1,064,094 thousand, respectively. 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. In 2020 and 2019, income from sublease were \$6,136 thousand and \$8,199 thousand, respectively. Right-of-use assets that meet the definition of investment properties are reclassified to investment properties. Refer to Note 6(10) 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,	
	2020	2019
Expenses relating to short-term leases	\$ 9,551	15,832
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 533	315
Variable lease payments not included in the measurement of the lease liability	\$ 4,694	(9)
COVID-19-related rent concessions (recognized as deduction of rent expense)	\$ 35,167	-

(Continued)



**AU OPTRONICS CORP. 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, 2020 and 2019 were \$794,918 thousand and \$920,666 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(22) 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, 2020 and 2019 were \$1,739 thousand and \$3,007 thousand, respectively.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Year 1	\$ 120,354	110,905
Year 2	108,492	110,316
Year 3	108,211	110,025
Year 4	105,765	106,272
Year 5	105,765	105,721
Year 6 onwards	<u>1,973,885</u>	<u>2,079,849</u>
Total undiscounted operating lease receivable	<u><u>\$ 2,522,472</u></u>	<u><u>2,623,088</u></u>

(10) Investment Property

<b>For the year ended December 31, 2020</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification and effect of change in exchange rate</b>	<b>Balance, End of Year</b>
Cost:				
Land	\$ 729,639	-	(476)	729,163
Buildings	1,418,652	-	21,992	1,440,644
Right-of-use assets	<u>28,570</u>	<u>-</u>	<u>443</u>	<u>29,013</u>
	<u><u>\$ 2,176,861</u></u>	<u><u>-</u></u>	<u><u>21,959</u></u>	<u><u>2,198,820</u></u>
Accumulated depreciation:				
Buildings	\$ 619,981	42,349	10,545	672,875
Right-of-use assets	<u>1,750</u>	<u>1,739</u>	<u>65</u>	<u>3,554</u>
	<u><u>\$ 621,731</u></u>	<u><u>44,088</u></u>	<u><u>10,610</u></u>	<u><u>676,429</u></u>
Net carrying amounts	<u><u>\$ 1,555,130</u></u>			<u><u>1,522,391</u></u>
Fair Value	<u><u>\$ 4,057,848</u></u>			<u><u>4,035,907</u></u>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

For the year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification and effect of change in exchange rate</b>	<b>Balance, End of Year</b>
Cost:				
Land	\$ 730,306	-	(667)	729,639
Buildings	-	-	1,418,652	1,418,652
Right-of-use assets	-	-	28,570	28,570
	<u>\$ 730,306</u>	<u>-</u>	<u>1,446,555</u>	<u>2,176,861</u>
Accumulated depreciation:				
Buildings	\$ -	7,363	612,618	619,981
Right-of-use assets	-	302	1,448	1,750
	<u>\$ -</u>	<u>7,665</u>	<u>614,066</u>	<u>621,731</u>
Net carrying amounts	<u>\$ 730,306</u>			<u>1,555,130</u>
Fair Value	<u>\$ 2,252,170</u>			<u>4,057,848</u>

In order to enhance the utilization of the Company's assets and to increase its working capital, AUSJ leased its buildings and right-of-use assets to third party in 2019, and reclassified the aforementioned assets totaling \$832,886 thousand from property, plant and equipment and right-of-use assets to investment property.

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 2.53% and 15%, respectively. The capitalization rate was ranging from 8.00% to 12.00%.

As at December 31, 2020 and 2019, there was no investment property that was pledged as collateral.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (11) Intangible Assets

For the year ended December 31, 2020				
	Balance, Beginning of Year	Additions	Effect of change in exchange rate	Balance, End of Year
Cost:				
Goodwill	\$ 12,056,500	135,972	102	12,192,574
Patent and technology fee	12,266,313	-	2,131	12,268,444
Others	<u>150,436</u>	<u>122,273</u>	<u>8</u>	<u>272,717</u>
	<u>24,473,249</u>	<u><b>258,245</b></u>	<u><b>2,241</b></u>	<u>24,733,735</u>
Accumulated amortization and impairment loss:				
Goodwill	175,581	-	-	175,581
Patent and technology fee	11,338,906	256,996	636	11,596,538
Others	<u>150,436</u>	<u>10,186</u>	<u>(364)</u>	<u>160,258</u>
	<u>11,664,923</u>	<u><b>267,182</b></u>	<u><b>272</b></u>	<u>11,932,377</u>
Net carrying amounts	<u><b>\$ 12,808,326</b></u>			<u><b>12,801,358</b></u>
For the year ended December 31, 2019				
	Balance, Beginning of Year	Additions	Effect of change in exchange rate	Balance, End of Year
Cost:				
Goodwill	\$ 12,056,500	-	-	12,056,500
Patent and technology fee	12,271,742	1,711	(7,140)	12,266,313
Others	<u>150,436</u>	<u>-</u>	<u>-</u>	<u>150,436</u>
	<u>24,478,678</u>	<u><b>1,711</b></u>	<u><b>(7,140)</b></u>	<u>24,473,249</u>
Accumulated amortization and impairment loss:				
Goodwill	175,581	-	-	175,581
Patent and technology fee	10,903,269	436,815	(1,178)	11,338,906
Others	<u>22,565</u>	<u>127,871</u>	<u>-</u>	<u>150,436</u>
	<u>11,101,415</u>	<u><b>564,686</b></u>	<u><b>(1,178)</b></u>	<u>11,664,923</u>
Net carrying amounts	<u><b>\$ 13,377,263</b></u>			<u><b>12,808,326</b></u>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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The Company acquired goodwill and other intangible assets from the acquisition of business in February 2020. See Note 6(7) 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.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Display business	<b>\$ 12,016,993</b>	<b>11,880,919</b>

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, 2020 and 2019 were 13.63% and 12.25%, 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% and negative 0.5% for the years ended December 31, 2020 and 2019, respectively. 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 for the years ended December 31, 2020 and 2019, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

(12) Other Current Assets and Other Noncurrent Assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Refundable and overpaid tax	\$ 1,051,994	1,458,170
Refundable deposits	432,202	663,911
Prepayments for equipment	458,707	453,300
Prepayments for purchases	145,468	158,521
Long-term receivables	1,274	5,812
Others	2,869,390	2,961,194
	4,959,035	5,700,908
Less: current	(3,179,879)	(3,295,562)
Noncurrent	<b>\$ 1,779,156</b>	<b>2,405,346</b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (13) Short-term Borrowings

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured borrowings	<u>\$ 200,000</u>	<u>1,725,602</u>
Unused credit facilities	<u>\$ 29,045,922</u>	<u>37,982,721</u>
Interest rate range	<b>0.97%~ 1.40%</b>	<b>1.20%~ 4.35%</b>

## (14) Long-term Borrowings

<u>Bank or agent bank</u>	<u>Durations</u>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	\$ 42,000,000	42,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	23,000,000	23,000,000
Bank of Taiwan and others	From May 2017 to May 2022	6,000,000	10,000,000
Bank of China and others	From Nov. 2015 to Nov. 2023	15,988,750	21,500,826
Unsecured loans	From Apr. 2017 to Oct. 2025	11,004,462	8,050,310
Secured loans	From Apr. 2017 to Apr. 2032	<u>18,915,341</u>	<u>7,671,932</u>
		116,908,553	112,223,068
Less: transaction costs		<u>(313,584)</u>	<u>(254,676)</u>
		116,594,969	111,968,392
Less: current portion		<u>(16,771,441)</u>	<u>(9,535,198)</u>
		<u>\$ 99,823,528</u>	<u>102,433,194</u>
Unused credit facilities		<u>\$ 54,131,575</u>	<u>32,265,575</u>
Interest rate range		<b>0.75%~ 5.15%</b>	<b>1.00%~ 5.43%</b>

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, 2020.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual consolidated financial statements prepared in accordance with TIFRSs, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2020 and 2019, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 6(27) 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.

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(15) Provisions

	<u>Warranties<sup>(i)</sup></u>	<u>Litigation, claims and others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 1,292,246	469,312	1,761,558
Additions (Reversals)	347,491	(2,553)	344,938
Usage	(264,558)	(33,992)	(298,550)
Effect of change in exchange rate	148	(22,338)	(22,190)
Balance at December 31, 2020	1,375,327	410,429	1,785,756
Less: current	(568,411)	(176,243)	(744,654)
Noncurrent	<u>\$ 806,916</u>	<u>234,186</u>	<u>1,041,102</u>
Balance at January 1, 2019	\$ 1,463,869	1,074,180	2,538,049
Additions (Reversals)	251,512	(368,302)	(116,790)
Usage	(422,976)	(220,182)	(643,158)
Effect of change in exchange rate	(159)	(16,384)	(16,543)
Balance at December 31, 2019	1,292,246	469,312	1,761,558
Less: current	(486,517)	(221,751)	(708,268)
Noncurrent	<u>\$ 805,729</u>	<u>247,561</u>	<u>1,053,290</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.

(16) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, AUO has established a defined benefit pension plan covering their full-time employees in the ROC. This plan provides 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 this retirement plan by AUO is contributed monthly based on a certain percentage of employees' total salaries and wages. The fund is deposited with Bank of Taiwan.

In 2020, AUO reached an agreement with part of its employees for terminating their defined benefit pension plans and to settle its defined benefit obligation by following relevant regulations. A gain on the settlement amounting to \$458,854 thousand was thereby recognized in the statement of comprehensive income. The amount of the settlement was fully withdrawn from the pension fund, of which \$1,193,962 thousand has not been withdrawn as of December 31, 2020 until January 2021.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	\$ (181,758)	(3,155,988)
Fair value of plan assets	256,878	2,542,831
Net defined benefit asset (liability)	<b>\$ 75,120</b>	<b>(613,157)</b>

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

	<b>Present value of defined benefit obligation</b>		<b>Fair value of plan assets</b>		<b>Net defined benefit asset (liability)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (3,155,988)	(3,257,962)	2,542,831	2,367,273	(613,157)	(890,689)
Service cost	(3,898)	(4,104)	-	-	(3,898)	(4,104)
Interest cost	(27,477)	(39,337)	-	-	(27,477)	(39,337)
Gain on settlement	458,854	-	-	-	458,854	-
Expected return on plan assets	-	-	22,377	28,880	22,377	28,880
Included in profit or loss	427,479	(43,441)	22,377	28,880	449,856	(14,561)
Actuarial (loss) gain arising from:						
- demographic assumptions	-	89,851	-	-	-	89,851
- financial assumptions	(10,652)	(206,995)	-	-	(10,652)	(206,995)
- experience adjustment	68,531	228,466	-	-	68,531	228,466
Return on plan assets excluding interest income	-	-	82,339	76,788	82,339	76,788
Included in other comprehensive income	57,879	111,322	82,339	76,788	140,218	188,110
Contributions paid by the employer	-	-	96,996	101,019	96,996	101,019
Benefits paid	2,488,803	33,936	(2,487,665)	(31,129)	1,138	2,807
Others	69	157	-	-	69	157
	2,488,872	34,093	(2,390,669)	69,890	98,203	103,983
Balance at December 31	<b>\$ (181,758)</b>	<b>(3,155,988)</b>	<b>256,878</b>	<b>2,542,831</b>	<b>75,120</b>	<b>(613,157)</b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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(iii) Plan assets

Pursuant to the ROC Labor Standards Act, AUO contributes an amount based on a certain percentage of employees' total salaries and wages paid every month to its pension fund (the "Fund"), which is administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan 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. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

As of December 31, 2020, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to \$1,450,840 thousand (including the un-withdrawn balance aforementioned). 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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.39%~0.50%	0.18%~0.88%
Rate of increase in future salary	0.77%~4.49%	0.77%~4.49%

The Company expects to make no contribution to the defined benefit plans in the next year starting from January 1, 2021.

As at December 31, 2020, the weighted-average duration of the defined benefit obligation was between 5 years to 16 years.

b) Sensitivity analysis

Reasonably possible changes at December 31, 2020 and 2019 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Changes in assumptions</b>		<b>Changes in assumptions</b>	
	<b>+ 0.25%</b>	<b>-0.25%</b>	<b>+0.25%</b>	<b>-0.25%</b>
Discount rate	\$ (6,031)	6,328	(150,970)	159,425
Rate of increase in future salary	\$ 6,128	(5,870)	156,774	(148,385)

(Continued)



**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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 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. 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, 2020 and 2019, these companies set aside, \$939,727 thousand and \$977,908 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 \$569,187 thousand and \$784,169 thousand for the years ended December 31, 2020 and 2019, respectively, for the defined contribution plans based on their respective local government regulations.

(17) Capital and Other Components of Equity

a. Common stock

AUO’s authorized common stock, with par value of \$10 per share, both amounted to \$100,000,000 thousand as at December 31, 2020 and 2019.

AUO’s issued common stock, with par value of \$10 per share, both amounted to \$96,242,451 thousand as at December 31, 2020 and 2019.

On September 9, 2019, AUO’s Board of Directors approved the delisting of ADSs from the NYSE and trading on the OTC market. On and from October 1, 2019, AUO’s ADSs has begun trading on the OTC market. As of December 31, 2020, AUO has issued 28,060 thousand ADSs, which represented 280,599 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	<u>1,781,731</u>	<u>1,738,521</u>
	<b><u>\$ 60,587,684</u></b>	<b><u>60,544,474</u></b>

(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

c. Retained earnings and dividend policy

In accordance with AUO's Articles of Incorporation, 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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 1,016,060	
Special reserve	847,770	
Cash dividends to shareholders	<u>4,812,122</u>	0.50
	<u><u>\$ 6,675,952</u></u>	

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

AUO's annual shareholders' meeting held on June 17, 2020 resolved to set aside a special reserve of \$1,157,614 thousand and not to distribute dividends for 2019.

The aforementioned appropriation of earnings for 2019 was consistent with the resolutions of the Board of Directors' meeting held on March 20, 2020.

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):

<b>For the year ended December 31, 2020</b>				
<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	125,000	-	-	125,000

<b>For the year ended December 31, 2019</b>				
<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	-	125,000	-	125,000

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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

	<b>Cumulative translation differences</b>	<b>Unrealized gains (losses) on financial assets at FVTOCI</b>	<b>Total</b>
Balance at January 1, 2020	\$ (3,129,982)	1,124,598	(2,005,384)
Foreign operations – foreign currency translation differences	(26,626)	-	(26,626)
Net change in fair value of financial assets at FVTOCI	-	2,673,994	2,673,994
Equity-accounted investees – share of other comprehensive income	(49,783)	2,788	(46,995)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(3,865,163)	(3,865,163)
Related tax	(129)	-	(129)
Balance at December 31, 2020	<u>\$ (3,206,520)</u>	<u>(63,783)</u>	<u>(3,270,303)</u>
Balance at January 1, 2019	\$ (1,449,910)	602,140	(847,770)
Foreign operations – foreign currency translation differences	(2,043,931)	-	(2,043,931)
Net change in fair value of financial assets at FVTOCI	-	519,100	519,100
Equity-accounted investees – share of other comprehensive income	(38,512)	3,358	(35,154)
Realized gain on sales of securities reclassified to profit or loss	(9,098)	-	(9,098)
Related tax	411,469	-	411,469
Balance at December 31, 2019	<u>\$ (3,129,982)</u>	<u>1,124,598</u>	<u>(2,005,384)</u>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

f. Non-controlling interests, net of tax

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at beginning of the year	\$ 11,304,909	14,415,973
Equity attributable to non-controlling interests:		
Loss for the year	(468,897)	(2,414,158)
Adjustment of changes in ownership of investees	-	111,056
Foreign currency translation differences, net of tax	146,951	(404,575)
Unrealized gain on financial assets at FVTOCI	2,712	-
Effect of acquisition of non-controlling interests	-	(389,430)
Proceeds from subsidiaries capital increase and others	(1)	(13,957)
Balance at end of the year	<b>\$ 10,985,674</b>	<b>11,304,909</b>

(18) Share-based Payments

ACTW Option Plan

- (i) The key terms and conditions related to the grants under ACTW's employee stock option plan were disclosed as follows:

<u>Plan</u>	<u>Grant date</u>	<u>Total number of options issued (units in thousands)</u>	<u>Contractual life of options</u>	<u>Exercisable period</u>	<u>Exercise price (per share)</u>
2014 Employee stock option plan	Sep. 1, 2014	20	Sep.1, 2014 – Aug. 31, 2019	After Aug. 31, 2016	10

- (ii) The related employee benefit expenses and capital surplus recognized on ACTW's employee stock options both were nil for the year ended December 31, 2019.
- (iii) The fair value of the employee stock options granted by ACTW was measured at the date of grant using the Binomial option pricing model. The valuation information was as follows:

	<b><u>2014 Employee Stock Option Plan</u></b>
Expected volatility	38.88%
Risk-free interest rate	1.1648%
Expected duration	5 years
Fair value at the grant date	0.20 /per share

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(iv) Information about ACTW's stock options is as follows:

	<b>For the year ended December 31, 2019</b>	
	<b>Weighted- average exercise price (per share)</b>	<b>Number of options (shares)</b>
Outstanding at January 1	\$ 10	13,291,000
Options exercised	10	(11,995,000)
Options expired	-	(1,296,000)
Outstanding at December 31	-	-
Exercisable at December 31		-

(19) Revenue from Contracts with Customers

	<b>For the years ended December 31,</b>					
	<b>2020</b>			<b>2019</b>		
	<b>Display segment</b>	<b>Energy segment</b>	<b>Total segments</b>	<b>Display segment</b>	<b>Energy segment</b>	<b>Total segments</b>
Primary geographical markets:						
PRC (including Hong Kong)	\$ 89,796,921	347,005	90,143,926	97,084,436	1,277,799	98,362,235
Taiwan	84,666,944	5,174,783	89,841,727	78,394,325	4,835,269	83,229,594
Singapore	41,955,024	484	41,955,508	38,526,625	7,666	38,534,291
Japan	19,218,501	505,526	19,724,027	19,877,671	1,046,332	20,924,003
Others	26,166,171	3,124,022	29,290,193	22,784,165	4,957,406	27,741,571
	<b><u>\$ 261,803,561</u></b>	<b><u>9,151,820</u></b>	<b><u>270,955,381</u></b>	<b><u>256,667,222</u></b>	<b><u>12,124,472</u></b>	<b><u>268,791,694</u></b>
Major products:						
Products for Televisions <sup>(i)</sup>	\$ 70,477,336	-	70,477,336	74,896,756	-	74,896,756
Products for Monitors	41,888,242	-	41,888,242	39,522,268	-	39,522,268
Products for Mobile PCs and Devices	77,422,244	-	77,422,244	69,305,509	-	69,305,509
Products for Automotive Solutions	22,784,935	-	22,784,935	28,848,032	-	28,848,032
Products for PID and General Display <sup>(ii)</sup>	35,350,178	-	35,350,178	33,491,154	-	33,491,154
Others <sup>(iii)</sup>	13,880,626	9,151,820	23,032,446	10,603,503	12,124,472	22,727,975
	<b><u>\$ 261,803,561</u></b>	<b><u>9,151,820</u></b>	<b><u>270,955,381</u></b>	<b><u>256,667,222</u></b>	<b><u>12,124,472</u></b>	<b><u>268,791,694</u></b>
Major customers:						
Customer A	\$ 33,213,909	-	33,213,909	33,142,985	-	33,142,985
Others (individually not greater than 10%)	228,589,652	9,151,820	237,741,472	223,524,237	12,124,472	235,648,709
	<b><u>\$ 261,803,561</u></b>	<b><u>9,151,820</u></b>	<b><u>270,955,381</u></b>	<b><u>256,667,222</u></b>	<b><u>12,124,472</u></b>	<b><u>268,791,694</u></b>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

- (i) Displays for public information that previously included in products for televisions were reclassified to products for PID and general display.
  - (ii) Including displays for public information and general utilization.
  - (iii) Including sales of solar-related products, raw materials and components and from products for other applications and service charges.
- (20) Remuneration to Employees and Directors

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

AUO did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2019. AUO accrued 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. For the year ended December 31, 2020, AUO estimated the remuneration to employees amounting to \$253,493 thousand. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the Board of Directors' meeting. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

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

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

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(21) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2020			2019		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Salaries and wages	\$22,698,460	7,683,280	30,381,740	23,538,794	7,286,093	30,824,887
Labor and health insurances	1,274,706	448,987	1,723,693	1,439,339	477,905	1,917,244
Retirement benefits	829,019	230,039	1,059,058	1,399,297	377,341	1,776,638
Other employee benefits	3,234,404	556,033	3,790,437	3,075,827	559,544	3,635,371
Depreciation	30,371,202	4,759,146	35,130,348	31,599,910	4,093,123	35,693,033
Amortization	256,996	10,186	267,182	436,815	127,871	564,686

(22) Non-Operating Income and Expenses

a. Interest income

	For the years ended December 31,	
	2020	2019
Interest income on bank deposits	\$ 522,158	879,053
Interest income on government bonds with reverse repurchase agreements and others	10,894	6,467
	<b>\$ 533,052</b>	<b>885,520</b>

b. Other income

	For the years ended December 31,	
	2020	2019
Rental income, net	\$ 494,348	488,811
Dividend income	261,382	295,575
Grants	2,349,464	2,734,987
Others	653,662	915,378
	<b>\$ 3,758,856</b>	<b>4,434,751</b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

c. Other gains and losses

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange losses, net	\$ (584,821)	(168,499)
Gains on valuation of financial instruments at FVTPL, net	312,561	381,620
Gains (losses) on disposals of investments and financial assets, net	159	(13,154)
Gains on disposals of property, plant and equipment, net	58,558	106,546
Impairment losses on assets	(396,339)	(2,298,646)
Gains (losses) on litigation and others	(151,261)	396,519
	<b><u>\$ (761,143)</u></b>	<b><u>(1,595,614)</u></b>

d. Finance costs

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest expense on bank borrowings	\$ 2,597,055	2,714,080
Interest expense on lease liabilities	182,919	209,607
Finance expense and other interest expense	163,898	327,683
	<b><u>\$ 2,943,872</u></b>	<b><u>3,251,370</u></b>

(23) Income Taxes

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

a. Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense (benefit):		
Current year	\$ 712,966	745,844
Adjustment to prior years and others	96,592	(258,671)
	<u>809,558</u>	<u>487,173</u>
Deferred tax expense (benefit):		
Temporary differences	(1,086,248)	584,559
Investment tax credit and tax losses carryforwards	156,934	682,930
	<u>(929,314)</u>	<u>1,267,489</u>
	<b><u>\$ (119,756)</u></b>	<b><u>1,754,662</u></b>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	\$ 28,043	37,622
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	\$ 16,855	(459,729)

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, 2020 and 2019, was as follows:

	For the years ended December 31,	
	2020	2019
Income tax expense (benefit) at AUO’s statutory tax rate	\$ 557,534	(3,968,951)
Tax on undistributed earnings, net	-	690
Effect of different subsidiaries income tax rate	384,919	38,756
Share of profit (loss) of equity-accounted subsidiaries	736,608	(75,209)
Net of non-taxable income and non-deductible expense	(636,962)	43,202
Change of unrecognized deductible temporary differences	(1,232,902)	5,947,778
Adjustments to prior year	96,592	(258,672)
Others	(25,545)	27,068
Income tax expense (benefit)	\$ (119,756)	1,754,662

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, 2020	December 31, 2019
Deductible temporary differences	\$ 1,598,886	739,370
Unused investment tax credits	1,063,294	981,360
Unused tax losses carryforwards	31,289,400	32,445,130
	\$ 33,951,580	34,165,860

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

As of December 31, 2020, the unused investment tax credits include \$1,053,681 thousand and \$2,422 thousand from AUST and ACMK, respectively, with no expiration and \$6,671 thousand and \$520 thousand from domestic subsidiaries, DPTW and UTI, respectively.

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.

As of December 31, 2020, 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>
2011	\$ 804,946	2020 ~ 2021
2012	11,008,509	2021 <sup>(i)</sup>
2013	1,745,579	2022 ~ 2023
2014	2,341,225	2023 ~ 2024
2015	1,976,954	2020 ~ 2025
2016	4,128,958	2020 ~ 2026
2017	2,365,769	2021 <sup>(i)</sup>
2018	1,247,916	2023 <sup>(i)</sup>
2019	5,309,786	2023 <sup>(i)</sup>
2020	<u>359,758</u>	2023 ~ 2030
	<u>\$ 31,289,400</u>	

<sup>(i)</sup> As of December 31, 2020, the unrecognized deferred tax assets of unused tax losses carryforwards include \$3,462 thousand with no expiration.

As of December 31, 2020 and 2019, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to \$832,350 thousand and \$277,670 thousand, respectively.

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**AU OPTRONICS CORP. 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, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Investment tax credits	\$ 228,056	385,728	-	-	228,056	385,728
Tax losses carryforwards	2,209,244	2,223,440	-	-	2,209,244	2,223,440
Unrealized loss and expenses	298,553	166,393	(64,590)	(5,321)	233,963	161,072
Inventories write-down	559,809	879,267	-	-	559,809	879,267
Foreign investment gains under the equity method	-	-	(869,124)	(1,043,486)	(869,124)	(1,043,486)
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,213,429)	(2,213,429)	(2,213,429)	(2,213,429)
Remeasurement of defined benefit plans	129,173	157,216	-	-	129,173	157,216
Foreign operations – foreign currency translation differences	869,207	886,062	-	-	869,207	886,062
Others	<u>1,711,304</u>	<u>483,511</u>	<u>(66,183)</u>	<u>(1,864)</u>	<u>1,645,121</u>	<u>481,647</u>
	<u>\$ 6,005,346</u>	<u>5,181,617</u>	<u>(3,213,326)</u>	<u>(3,264,100)</u>	<u>2,792,020</u>	<u>1,917,517</u>

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2020
Deferred tax assets (liabilities):									
Investment tax credits	\$ 542,115	(148,453)	-	(7,934)	385,728	(141,931)	-	(15,741)	228,056
Tax losses carryforwards	2,760,163	(534,477)	-	(2,246)	2,223,440	(15,003)	-	807	2,209,244
Unrealized loss and expenses	304,636	(143,534)	-	(30)	161,072	72,823	-	68	233,963
Inventories write-down	1,027,680	(148,035)	-	(378)	879,267	(319,514)	-	56	559,809
Foreign investment losses (gains) under the equity method	(1,049,091)	5,605	-	-	(1,043,486)	174,362	-	-	(869,124)
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	-	-	-	(2,213,429)	-	-	-	(2,213,429)
Remeasurement of defined benefit plans	194,838	-	(37,622)	-	157,216	-	(28,043)	-	129,173
Foreign operations – foreign currency translation differences	426,333	-	459,729	-	886,062	-	(16,855)	-	869,207
Others	793,830	(298,595)	-	(13,588)	481,647	1,158,577	-	4,897	1,645,121
	<u>\$ 2,787,075</u>	<u>(1,267,489)</u>	<u>422,107</u>	<u>(24,176)</u>	<u>1,917,517</u>	<u>929,314</u>	<u>(44,898)</u>	<u>(9,913)</u>	<u>2,792,020</u>

c. Assessments by the tax authorities

As of December 31, 2020, the tax authorities have completed the examination of income tax returns of AUO through 2018.

(24) Earnings (loss) per Share

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	<u>\$ 3,376,324</u>	<u>(19,185,258)</u>
Weighted-average number of common shares outstanding during the year	<u>9,499,245</u>	<u>9,597,268</u>
Basic earnings (loss) per share (NT\$)	<u>\$ 0.36</u>	<u>(2.00)</u>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>For the Years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Diluted earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	<b>\$ 3,376,324</b>	<b>(19,185,258)</b>
Weighted-average number of common shares outstanding during the year	9,499,245	9,597,268
Effect of employee remuneration in stock	18,107	-
	<b>9,517,352</b>	<b>9,597,268</b>
Diluted earnings (loss) per share (NT\$)	<b>\$ 0.35</b>	<b>(2.00)</b>

Since AUO incurred net loss for the year ended December 31, 2019, there were no potential ordinary shares with dilutive effect for the year.

(25) Cash Flow Information

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

	<b>Long-term borrowings (including current installments)</b>	<b>Short-term borrowings</b>	<b>Guarantee deposits</b>	<b>Lease liabilities</b>	<b>Total liabilities from financing activities</b>
Balance at January 1, 2020	\$ 111,968,392	1,725,602	785,456	11,091,077	125,570,527
Cash flows	4,791,073	(1,544,602)	53,268	(597,221)	2,702,518
Non-cash changes:					
Addition (decrease) of leases	-	-	-	(137,015)	(137,015)
Changes in lease payments	-	-	-	(35,167)	(35,167)
Changes in exchange rate	(236,441)	19,000	26,144	(24,402)	(215,699)
Amortization on transaction costs	71,945	-	-	-	71,945
Balance at December 31, 2020	<b>\$ 116,594,969</b>	<b>200,000</b>	<b>864,868</b>	<b>10,297,272</b>	<b>127,957,109</b>
Balance at January 1, 2019	\$ 86,305,318	546,472	816,512	12,689,526	100,357,828
Cash flows	26,501,234	1,188,250	(1,828)	(694,922)	26,992,734
Non-cash changes:					
Addition (decrease) of leases	-	-	-	(872,224)	(872,224)
Changes in exchange rate	(1,059,445)	(9,120)	(29,228)	(31,303)	(1,129,096)
Amortization on transaction costs	221,285	-	-	-	221,285
Balance at December 31, 2019	<b>\$ 111,968,392</b>	<b>1,725,602</b>	<b>785,456</b>	<b>11,091,077</b>	<b>125,570,527</b>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(26) Financial Instruments

a. Fair value and carrying amount

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

Disclosures of fair value are not required for the financial instruments abovementioned and lease liabilities. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2020 and 2019 were as follows:

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 668,058	668,058	1,521,406	1,521,406
Financial assets at FVTOCI	622,824	622,824	7,545,171	7,545,171
Financial assets at amortized cost:				
Long-term receivables	1,274	1,274	5,812	5,812
Refundable deposits	432,202	432,202	663,911	663,911
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	170,956	170,956	18,859	18,859
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	116,594,969	116,594,969	111,968,392	111,968,392
Guarantee deposits	864,868	864,868	785,456	785,456
Long-term payables (including current installments)	309,900	309,900	464,910	464,910

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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

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

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

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

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>
<b>December 31, 2020</b>				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	668,058	-	668,058
Financial assets at FVTOCI	294,668	-	328,156	622,824
Financial assets at amortized cost:				
Long-term receivables	-	1,274	-	1,274
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	170,956	-	170,956
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	309,900	-	309,900

(Continued)



**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2019</b>				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	1,521,406	-	1,521,406
Financial assets at FVTOCI	7,356,501	-	188,670	7,545,171
Financial assets at amortized cost:				
Long-term receivables	-	5,812	-	5,812
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	18,859	-	18,859
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	464,910	-	464,910

There were no transfers between Level 1 and 2 for the years ended December 31, 2020 and 2019.

- d. Reconciliation for fair value measurements categorized within Level 3

	<b>For the years ended</b>	
	<b>December 31</b>	
	<u>2020</u>	<u>2019</u>
Financial assets at FVTOCI— equity instruments without active market		
Balance at beginning of the year	\$ 188,670	176,025
Net gains (losses) included in other comprehensive income	4,600	(33,501)
Purchases	173,036	47,182
Disposals	(18,568)	-
Reclassification	(20,000)	-
Effect of exchange rate change	418	(1,036)
Balance at end of the year	<u>\$ 328,156</u>	<u>188,670</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.

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**AU OPTRONICS CORP. 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 assets at FVTOCI–equity instruments without active market	Market approach	<ul style="list-style-type: none"> <li>• Price-Book ratio (December 31, 2020 at 1.01~2.64 and December 31, 2019 at 0.7~2.95)</li> <li>• Price-Earnings ratio (December 31, 2020 at 12.95~24.99 and December 31, 2019 at 7.85~31.28)</li> <li>• Discount for lack of marketability (December 31, 2020 at 20%~30% and December 31, 2019 at 20%~28%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-book ratio is, the higher the fair value is.</li> <li>• The higher the price-earnings ratio is, the higher the fair value is.</li> <li>• The greater degree of lack of marketability is, the lower the fair value is.</li> </ul>

(27) 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.

(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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. The Company also entered into reverse repurchase agreements with securities firms or banks in Taiwan covering government bonds that classified as cash equivalents. There should be no major concerns for the performance capability of trading counterparts. 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.

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 prepayments, 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, 2020 and 2019, the Company's five largest customers accounted for 40.8% and 38.7%, respectively, of the Company's consolidated net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(4) 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, 2020.

#### (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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**AU OPTRONICS CORP. 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.

	<u>Contractual cash flows</u>	<u>2021.1.1~ 2021.12.31</u>	<u>2022.1.1~ 2023.12.31</u>	<u>2024.1.1~ 2025.12.31</u>	<u>2026 and thereafter</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 200,000	200,000	-	-	-
Long-term borrowings (including current installments)	121,514,089	18,953,264	75,716,835	25,473,429	1,370,561
Guarantee deposits	864,868	39,348	3,619	-	821,901
Long-term payables (including current installments)	309,900	154,950	154,950	-	-
Derivative financial instruments					
Foreign currency forward contracts – inflows	(19,440,746)	(19,440,746)	-	-	-
Foreign currency forward contracts – outflows	<u>19,507,927</u>	<u>19,507,927</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 122,956,038</u></b>	<b><u>19,414,743</u></b>	<b><u>75,875,404</u></b>	<b><u>25,473,429</u></b>	<b><u>2,192,462</u></b>
	<u>Contractual cash flows</u>	<u>2020.1.1~ 2020.12.31</u>	<u>2021.1.1~ 2022.12.31</u>	<u>2023.1.1~ 2024.12.31</u>	<u>2025 and thereafter</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,725,602	1,725,602	-	-	-
Long-term borrowings (including current installments)	119,185,207	12,149,855	55,120,591	50,630,751	1,284,010
Guarantee deposits	785,456	23,510	11,187	-	750,759
Long-term payables (including current installments)	464,910	155,010	309,900	-	-
Derivative financial instruments					
Foreign currency forward contracts – inflows	(8,731,109)	(8,731,109)	-	-	-
Foreign currency forward contracts – outflows	<u>8,727,770</u>	<u>8,727,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 122,157,836</u></b>	<b><u>14,050,638</u></b>	<b><u>55,441,678</u></b>	<b><u>50,630,751</u></b>	<b><u>2,034,769</u></b>

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, 2020, 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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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(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, while optimizing the return.

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, 2020			December 31, 2019		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 2,380,316	28.5070	67,855,668	1,499,405	30.1350	45,184,570
JPY	11,404,938	0.2763	3,151,184	22,122,120	0.2768	6,123,403
EUR	32,931	35.0494	1,154,212	46,595	33.7422	1,572,218
<u>Non-monetary items</u>						
USD	6,657	28.5070	189,771	1,726	30.1350	52,013
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,620,121	28.5070	46,184,789	1,515,582	30.1350	45,672,064
JPY	20,631,647	0.2763	5,700,524	22,187,729	0.2768	6,141,563
EUR	51	35.0494	1,788	239	33.7422	8,064

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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, 2020 and 2019, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2020 and 2019 as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
1% of depreciation	\$ 202,740	10,585
1% of appreciation	(202,740)	(10,585)

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 losses for the years ended December 31, 2020 and 2019 were \$584,821 thousand and \$168,499 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, 2020 and 2019 by \$292,271 thousand and \$280,558 thousand, respectively.

(c) Equity price risk

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

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(28) 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.

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term borrowings	\$ 200,000	1,725,602
Long-term borrowings (including current installments)	116,594,969	111,968,392
Total liabilities	213,479,930	209,660,842
Total equity	193,790,365	187,976,749
Debt-to-equity ratio	110 %	112 %
Net debt-to-equity ratio <sup>(i)</sup>	14 %	18 %

(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.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Lextar Electronics Corporation (“Lextar”)	Associate
Lextar Electronics (Suzhou) Co., Ltd. (“LESZ”)	Subsidiary of Lextar
Lextar Electronics (Xiamen) Co., Ltd. (“LEXM”)	Subsidiary of Lextar
Lextar Electronics (Chuzhou) Corp. (“LEXCZ”)	Subsidiary of Lextar
Wellybond Corporation (“WBC”)	Subsidiary of Lextar
TRENDYLITE CORPORATION (“TRENDYLITE”)	Subsidiary of Lextar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Raydium Semiconductor (Kunshan) Co., Ltd. (“RKS”)	Subsidiary of Raydium
Star River Energy Corp. (“SREC”)	Associate
Sungen Power Corporation (“SGPC”)	Subsidiary of SREC
Evergen Power Corporation (“EGPC”)	Subsidiary of SREC
Star Shining Energy Corporation (“SSEC”)	Associate

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**AU OPTRONICS CORP. AND SUBSIDIARIES**  
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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
WishMobile, Inc. (“WMI”)	Associate
Daxin Materials Corp. (“Daxin”)	Associate
Darwin Summit Corporation Ltd. (“DSC”)	Associate
Ubitech Inc. (“Ubitech”)	Associate
ADLINK Technology Inc. (“ADLINK”)	Associate
ADLINK Technology (China) Co., Ltd. (“ADLINKCN”)	Subsidiary of ADLINK
IRIS Optronics Co., Ltd. (“IOC”)	Associate
BVCH Optronics (Sichuan) Corp. (“BVCH”)	Joint venture <sup>(i)</sup>
Evonik Forhouse Optical Polymers Corp. (“EFOP”)	Joint venture
ToYou Display (Suzhou) Co., Ltd. (“TYSZ”)	Joint venture
WiBASE Industrial Solutions Inc. (“WIS”)	DPTW represented as a director of WIS
Qisda Corporation (“Qisda”)	Associate <sup>(ii)</sup>
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	Subsidiary of Qisda
Qisda Japan Co., Ltd. (“QJTO”)	Subsidiary of Qisda
BenQ Europe B.V. (“BQE”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
MainteQ Europe B.V. (“MQE”)	Subsidiary of Qisda
BenQ Co., Ltd. (“BQC”)	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	Subsidiary of Qisda
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Subsidiary of Qisda
BenQ GURU Corp. (“GST”)	Subsidiary of Qisda
BenQ Material (Suzhou) Co., Ltd. (“BMS”)	Subsidiary of Qisda

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<u>Name of related party</u>	<u>Relationship with the Company</u>
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
Sysage Technology Co., Ltd. (“Sysage”)	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
BenQ Foundation	Substantive related party
AUO Foundation	Substantive related party

- (i) BVCH was liquidated in December 2019.
- (ii) The Company has accounted for the investment in Qisda using the equity method since December 31, 2020. Qisda and its subsidiaries are changed as the Company’s associates from the same date while previously they are categorized as other related parties. See Note 6(6) for the relevant information.

(2) Compensation to key management personnel

Key management personnel’s compensation comprised:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 222,373	243,203
Post-employment benefits	2,032	2,633
	<b>\$ 224,405</b>	<b>245,836</b>

(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

	<b>Sales</b>		<b>Accounts receivable</b>	
	<b>For the years ended</b>		<b>from related parties</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Associates	\$ 845,339	1,227,987	2,076,045	280,009
Joint ventures	7,571	-	111	-
Others	11,048,561	10,347,963	-	1,498,490
	<b>\$ 11,901,471</b>	<b>11,575,950</b>	<b>2,076,156</b>	<b>1,778,499</b>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

	<u>Purchases</u>		<u>Accounts payable to related parties</u>	
	<u>For the years ended</u>		<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Associates	\$ 8,168,972	8,664,439	7,297,560	2,825,292
Joint ventures	900,612	1,027,147	5,232	72,942
Others	16,518,558	17,077,497	-	4,052,594
	<u>\$ 25,588,142</u>	<u>26,769,083</u>	<u>7,302,792</u>	<u>6,950,828</u>

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

c. Acquisition of property, plant and equipment

	<u>Acquisition prices</u>	
	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 8,814	6,555
Others	13,576	17,436
	<u>\$ 22,390</u>	<u>23,991</u>

d. Disposal of property, plant and equipment and others

	<u>Proceeds from disposal</u>		<u>Gains on disposal</u>	
	<u>For the years ended</u>		<u>For the years ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Others:				
QCES	\$ 35,117	-	29,541	-
Others	4,083	835	3,197	72
	<u>\$ 39,200</u>	<u>835</u>	<u>32,738</u>	<u>72</u>

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

e. Other related party transactions

<u>Transaction type</u>	<u>Type of related party</u>	<u>December 31,</u>	
		<u>2020</u>	<u>2019</u>
Other receivables due from related parties	Associates	\$ 7,053	2,727
	Joint ventures	4,502	-
	Others	10,374	1,229
		<u>\$ 21,929</u>	<u>3,956</u>
Other payables due to related parties, including payables for equipment	Associates	\$ 24,254	13,980
	Others	66	35,991
		<u>\$ 24,320</u>	<u>49,971</u>
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2020</b>	<b>2019</b>
Rental income	Associates	\$ 47,476	52,227
	Joint ventures	11,180	6,611
	Others:		
	BMC	94,766	83,477
	Others	20,096	24,110
		<u>\$ 173,518</u>	<u>166,425</u>
Administration and other income	Associates	\$ 21,419	17,980
	Joint ventures	26	223
	Others	7,789	7,996
		<u>\$ 29,234</u>	<u>26,199</u>
Other expenses	Associates	\$ 72,078	20,157
	Joint ventures	-	36
	Others	70,226	59,287
		<u>\$ 142,304</u>	<u>79,480</u>

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

For the years ended December 31, 2020 and 2019, the Company had received cash dividends from related parties of \$603,621 thousand and \$566,865 thousand, respectively.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**8. Pledged Assets**

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31,</u>	
		<u>2020</u>	<u>2019</u>
Restricted cash in banks <sup>(i)</sup>	Customs duties and guarantee for warranties	\$ 28,345	35,809
Land and buildings	Long-term borrowings limit	48,286,874	28,423,642
Machinery and equipment	Long-term borrowings limit	45,407,718	42,968,184
		<u>\$ 93,722,937</u>	<u>71,427,635</u>

<sup>(i)</sup> 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, 2020, 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, 2020, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

<u>Currency</u>	<u>December 31, 2020 (in thousands)</u>
USD	457
JPY	1,767,270

(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

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

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

As at December 31, 2020, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$6,998,155 thousand.

(4) Litigation

Antitrust civil actions lawsuits in the United States and other jurisdictions

A lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel (“Israeli Court”). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. In April 2019, the Central District Court of Israel in Lod approved the settlement. In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis.

In September 2018, AUUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

As of February 3, 2021, 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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**10. Significant Disaster Losses: None**

**11. Subsequent Event: None**

**12. Others**

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 in 2010. 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 have proceeded to file an administrative action for invalidating the environmental assessment again. The matter is still under review by the court. Management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

**13. Additional Disclosures**

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2020.

- a. Financings provided: Please see Table 1 attached.
- b. Endorsements/guarantees provided: Please see Table 2 attached.
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.
- d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached.
- e. Acquisition of individual real estate with costs exceeding NT\$300 million or 20% of the paid-in capital: None
- 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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

- (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, 2020, 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	663,598,620	6.89 %

**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, 2020 and 2019 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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>For the year ended December 31, 2020</b>		
	<b>Display segment</b>	<b>Energy segment</b>	<b>Total segments</b>
Net revenue from external customers	<u>\$ 261,803,561</u>	<u>9,151,820</u>	<u>270,955,381</u>
Segment profit (loss)	<u>\$ 1,853,753</u>	<u>229,289</u>	2,083,042
Net non-operating income and expenses			704,629
Consolidated net profit (loss) before income tax			<u>\$ 2,787,671</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 36,677,320</u>	<u>803,252</u>	<u>37,480,572</u>
Segment assets			<u>\$ 407,270,295</u>
	<b>For the year ended December 31, 2019</b>		
	<b>Display segment</b>	<b>Energy segment</b>	<b>Total segments</b>
Net revenue from external customers	<u>\$ 256,667,222</u>	<u>12,124,472</u>	<u>268,791,694</u>
Segment profit (loss)	<u>\$ (19,484,401)</u>	<u>(983,547)</u>	(20,467,948)
Net non-operating income and expenses			623,194
Consolidated profit (loss) before income tax			<u>\$ (19,844,754)</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 15,753,181</u>	<u>36,590</u>	<u>15,789,771</u>
Segment assets			<u>\$ 397,637,591</u>

(2) Geographic information

- a. Net revenue from external customers: See Note 6(19).
- b. Consolidated noncurrent assets<sup>(i)</sup>

<b>Region</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Taiwan	\$ 158,001,599	174,518,271
PRC (including Hong Kong)	50,113,912	54,890,846
Others	<u>4,634,540</u>	<u>6,301,996</u>
	<u>\$ 212,750,051</u>	<u>235,711,113</u>

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

(3) Major customer and product information: See Note 6(19).

(Continued)



**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Financings Provided**

**For the year ended December 31, 2020**  
**(Amount in thousands of New Taiwan Dollars)**

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	3,500,000	2,000,000	1,000,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	AUKS	Other receivables from related parties	Yes	1,300,920	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	SMI	Other receivables from related parties	Yes	30,000	30,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	UTI	Other receivables from related parties	Yes	200,000	200,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
1	AULB	AUKS	Other receivables from related parties	Yes	13,792,960	13,585,440	6,135,360	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	22,363,769	22,363,769
2	AUXM	AUKS	Other receivables from related parties	Yes	5,254,560	4,382,400	1,972,080	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,797,418	5,797,418
3	BVXM	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	523,838	523,838

(Continued)

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
4	AUSJ	AUKS	Other receivables from related parties	Yes	1,446,192	1,446,192	788,832	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,587,158	1,587,158
4	AUSJ	UFSD	Other receivables from related parties	Yes	219,120	219,120	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	UFSZ	Other receivables from related parties	Yes	173,104	87,648	35,497	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	A-Care	Other receivables from related parties	Yes	86,552	43,824	4,382	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
5	AUSZ	AUKS	Other receivables from related parties	Yes	6,135,360	6,135,360	3,067,680	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	6,547,160	6,547,160
6	BVHF	AUKS	Other receivables from related parties	Yes	306,768	306,768	306,768	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	327,745	327,745
7	DPSZ	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	523,662	523,662
8	DPTW	DPSK	Other receivables from related parties	Yes	52,863	52,574	29,441	Adjusted by average lending rate	Needs for short-term financing	-	Operating capital	-	-	-	2,482,061	3,971,298
9	FTKS	AUKS	Other receivables from related parties	Yes	433,640	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	558,230	558,230
10	FTWJ	FHWJ	Other receivables from related parties	Yes	65,046	43,824	43,824	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,830,825	1,830,825

(Continued)



**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Endorsements/Guarantees Provided**  
**For the year ended December 31, 2020**  
**(Amount in thousands of New Taiwan Dollars)**

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUKS	2	91,402,346	15,391,064	14,373,073	8,654,361	-	7.86%	182,804,691	Yes	No	Yes
1	AUXM	AUO	3	14,493,546	6,354,480	6,354,480	-	-	43.84%	14,493,546	No	Yes	No
2	AUSZ	AUO	3	16,367,899	4,470,048	4,470,048	-	-	27.31%	16,367,899	No	Yes	No
3	DPXM	DPTW	3	1,739,404	438,240	438,240	-	-	10.08%	1,739,404	No	No	No

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

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

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

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

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

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

- a. AUO: The total endorsement/guarantee amount provided shall not exceed the net worth of AUO as stated in its latest 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. AUSZ and AUXM: 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. DPXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of DPXM's net worth as stated in its latest financial statement.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)**  
**December 31, 2020**  
(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, 2020			Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership		
AUO	BenQ ESCO Corp.'s stock	Related party	Financial assets at FVTPL—noncurrent	1,700	-	17.00%	-	17.00%
AULB	Abakus Solar AG's stock	-	Financial assets at FVTPL—noncurrent	3	-	2.22%	-	2.22%
AUSH	T-powertek Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	1,293	CNY 6,250	1.66%	CNY 6,250	2.16%
FPWJ	Structured deposit	-	Financial assets at FVTPL—current	-	CNY 54,227	-	CNY 54,227	-
FTKS	Structured deposit	-	Financial assets at FVTPL—current	-	CNY 72,585	-	CNY 72,585	-
Konly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI—noncurrent	967	113,640	2.26%	113,640	2.34%
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	13	-	4.74%	-	5.33%
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	2,407	7,345	4.00%	7,345	4.01%
Konly	ChenFeng Optronics Corporation's stock	-	Financial assets at FVTPL—noncurrent	1,500	-	2.35%	-	2.63%
Konly	Epistar Corporation's stock	-	Financial assets at FVTOCI—noncurrent	7,037	294,668	0.65%	294,668	0.65%
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL—noncurrent	4,000	-	10.87%	-	10.87%
DPTW	D&AI Holdings Corporation's stock	-	Financial assets at FVTOCI—noncurrent	7,000	8,649	4.59%	8,649	4.59%
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	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	2,914	34,968	10.00%	34,968	10.00%
DPTW	WIBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	3,536	42,432	9.11%	42,432	12.11%
Ronly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI—noncurrent	359	71,517	0.84%	71,517	0.87%
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL—noncurrent	41	-	0.49%	-	0.49%
Ronly	Profet AI Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	511	10,002	10.16%	10,002	10.16%

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding**  
**NT\$300 Million or 20% of the Paid-in Capital**  
**For the year ended December 31, 2020**  
**(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	
AUO	CQIL's stock	Investments in equity-accounted investees	-	-	39,974	576,111	-	305,963	-	-	-	39,974	881,300	2
AUO	ADLINK's stock	Investments in equity-accounted investees	-	-	-	-	42,310	2,411,693	-	-	-	42,310	2,311,727	1
AUO	SSEC's stock	Investments in equity-accounted investees	-	-	93,000	953,966	62,000	620,000	-	-	-	155,000	1,586,817	2
CQHLD	CQUS's stock	Investments in equity-accounted investees	-	-	11	USD 3,863	2	USD 10,250	-	-	-	13	USD 14,126	2
CQIL	CQHLD's stock	Investments in equity-accounted investees	-	-	635,709	USD 18,491	21	USD 10,250	-	-	-	635,730	USD 29,097	2
DPSZ	Structured deposit	Financial assets at FVTPL—current	-	-	-	CNY 70,488	-	-	CNY 71,372	CNY 71,372	-	-	-	
FPWJ	Structured deposit	Financial assets at FVTPL—current	-	-	-	CNY 100,642	-	CNY 105,750	CNY 154,403	CNY 154,403	-	-	CNY 54,227	3
FTKS	Structured deposit	Financial assets at FVTPL—current	-	-	-	CNY 171,493	-	CNY 448,500	CNY 553,777	CNY 553,777	-	-	CNY 72,585	3

Note 1: a. The acquisition amount refers to the tender offer consideration for acquiring part of ADLINK's shares. See Note 6(6) for the relevant information.

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

Note 2: The acquisition amount refers to the participation in the investees' capital increase. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 3: The ending balance includes the gain/loss on valuation of the financial asset.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital**  
**For the year ended December 31, 2020**  
**(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	AUKS	Subsidiary of AUO	Purchases	20,126,829	11%	EOM 30 days	-	(3,728,045)	(7)%		
AUO	AUSK	Subsidiary of AUO	Purchases	116,806	-	EOM 45 days	-	(16,849)	-		
AUO	AUST	Subsidiary of AUO	Purchases	4,574,857	2%	EOM 45 days	-	(676,280)	(1)%		
AUO	AUSZ	Subsidiary of AUO	Purchases	35,317,575	19%	EOM 45 days	-	(11,760,985)	(22)%		
AUO	AUXM	Subsidiary of AUO	Purchases	24,270,146	13%	EOM 45 days	-	(9,153,218)	(17)%		
AUO	Qisda	Associate	Purchases	8,412,978	5%	EOM 45 days	-	(1,622,435)	(3)%		
AUO	BMC	Subsidiary of Qisda	Purchases	3,951,995	2%	EOM 90 days	-	(1,119,694)	(2)%		
AUO	Raydium	Associate	Purchases	874,933	-	EOM 120 days	-	(326,321)	(1)%		
AUO	Daxin	Associate	Purchases	2,310,181	1%	EOM 120 days	-	(787,616)	(1)%		
AUO	DPTW	Subsidiary of AUO	Purchases	3,527,426	2%	EOM 60 days	-	(698,675)	(1)%		
AUO	AUNL	Subsidiary of AUO	Sales	(1,354,682)	(1)%	EOM 45 days	-	184,233	-		
AUO	AUSZ	Subsidiary of AUO	Sales	(1,399,835)	(1)%	EOM 45 days	-	-	-		
AUO	AUUS	Subsidiary of AUO	Sales	(269,837)	-	EOM 75 days	-	63,767	-		
AUO	AUXM	Subsidiary of AUO	Sales	(948,058)	-	EOM 45 days	-	-	-		
AUO	DICSZ	Subsidiary of Qisda	Sales	(216,863)	-	EOM 45 days	-	38,126	-		
AUO	QCOS	Subsidiary of Qisda	Sales	(333,463)	-	EOM 55 days	-	59,166	-		
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,192,754)	(3)%	EOM 55 days	-	1,103,551	3%		
AUO	RIPC	Subsidiary of SSEC	Sales	(254,572)	-	EOM 25 days	-	96,436	-		

(Continued)

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BenQ	Subsidiary of Qisda	Sales	(2,962,512)	(1)%	EOM 55 days	-	630,668	1%		
AUO	SLEC	Subsidiary of SSEC	Sales	(221,114)	-	Payment in advance	-	-	-		
AUO	DPTW	Subsidiary of AUO	Sales	(186,407)	-	EOM 45 days	-	15,384	-		
AUO	FGPC	Subsidiary of SSEC	Sales	(121,267)	-	EOM 25 days	-	22,130	-		
ACMK	ACTW	Subsidiary of AUO	Purchases	20,085	95%	O/A 45 days	-	(944)	(98)%		
AUKS	AUO	Ultimate parent company	Purchases	47,732	2%	EOM 45 days	-	(3,557)	-		
AUKS	AUSZ	Subsidiary of AUO	Purchases	181,415	7%	EOM 60 days	-	(57,359)	(7)%		
AUKS	Qisda	Associate	Purchases	26,786	1%	EOM 120 days	-	(14,258)	(2)%		
AUKS	AUO	Ultimate parent company	Sales	(4,777,267)	(100)%	EOM 30 days	-	857,238	100%		
AUNL	AUO	Ultimate parent company	Purchases	42,597	100%	EOM 45 days	-	(5,245)	(100)%		
AUSH	AUO	Ultimate parent company	Sales	(36,314)	(99)%	End of quarter 25 days	-	-	-		
AUSK	AUO	Ultimate parent company	Sales	(3,850)	(83)%	EOM 45 days	-	888	83%		
AUST	AUO	Ultimate parent company	Sales	(154,779)	(100)%	EOM 45 days	-	23,723	100%		
AUSZ	AUO	Ultimate parent company	Purchases	395,440	5%	EOM 45 days	-	-	-		
AUSZ	Qisda	Associate	Purchases	513,274	7%	EOM 120 days	-	(181,382)	(7)%		
AUSZ	BMC	Subsidiary of Qisda	Purchases	253,846	3%	EOM 90 days	-	(69,087)	(3)%		
AUSZ	Raydium	Associate	Purchases	591,588	8%	EOM 120 days	-	(212,094)	(8)%		
AUSZ	DPTW	Subsidiary of AUO	Purchases	204,540	3%	EOM 120 days	-	(63,420)	(2)%		
AUSZ	AUO	Ultimate parent company	Sales	(8,393,763)	(94)%	EOM 45 days	-	2,693,520	97%		
AUSZ	AUKS	Subsidiary of AUO	Sales	(181,390)	(2)%	EOM 60 days	-	57,359	2%		
AUUS	AUO	Ultimate parent company	Purchases	8,104	100%	EOM 75 days	-	(2,235)	(100)%		
AUUS	AUO	Ultimate parent company	Sales	(5,649)	(38)%	EOM 30 days	-	-	-		
AUXM	AUO	Ultimate parent company	Purchases	200,895	4%	EOM 45 days	-	-	-		
AUXM	DPXM	Subsidiary of AUO	Purchases	24,024	-	EOM 120 days	-	(10,098)	(1)%		

(Continued)



Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 165,621	3%	EOM 90 days	-	CNY	(50,157)	(3)%	
AUXM	Raydium	Associate	Purchases	CNY 416,679	8%	EOM 120 days	-	CNY	(183,374)	(9)%	
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 198,904	4%	EOM 120 days	-	CNY	(80,964)	(4)%	
AUXM	AUO	Ultimate parent company	Sales	CNY (5,750,142)	(91)%	EOM 45 days	-	CNY	2,098,691	95%	
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (74,146)	(1)%	EOM 45 days	-	CNY	-	-	
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 74,146	100%	EOM 45 days	-	CNY	-	-	
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (121,527)	(72)%	EOM 90 days	-	CNY	45,615	78%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 37,633	3%	EOM 60 days	-	CNY	(28,412)	(6)%	
DPXM	Lextar	Associate	Purchases	CNY 37,521	3%	EOM 120 days	-	CNY	(14,937)	(3)%	
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (24,006)	(1)%	EOM 120 days	-	CNY	10,098	2%	
DPXM	DPSZ	Subsidiary of AUO	Sales	CNY (24,190)	(1)%	EOM 120 days	-	CNY	15,743	3%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (618,831)	(38)%	EOM 90 days	-	CNY	287,335	58%	
FPWJ	DPTW	Subsidiary of AUO	Purchases	CNY 92,417	93%	EOM 60 days	-	CNY	(30,239)	(100)%	
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 51,684	9%	EOM 60 days	-	CNY	(243,989)	(52)%	
FTWJ	Lextar	Associate	Purchases	CNY 63,749	11%	EOM 120 days	-	CNY	(23,544)	(5)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (847,131)	(96)%	EOM 90 days	-	CNY	623,056	100%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (3,856,705)	(99)%	EOM 45 days	-	JPY	1,198,928	99%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,068,693	46%	EOM 45 days	-	CNY	(331,171)	(67)%	
ACTW	ACMK	Subsidiary of AUO	Sales	(625,854)	(16)%	OA 45 days	-	CNY	26,908	5%	
DPTW	AUO	Ultimate parent company	Purchases	185,387	2%	EOM 45 days	-	CNY	(15,215)	(1)%	
DPTW	DPSZ	Subsidiary of AUO	Purchases	516,782	5%	EOM 90 days	-	CNY	(199,291)	(7)%	
DPTW	DPXM	Subsidiary of AUO	Purchases	2,636,646	27%	EOM 90 days	-	CNY	(1,007,440)	(37)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,613,971	37%	EOM 90 days	-	CNY	(1,152,320)	(42)%	
DPTW	EFOP	Joint Venture	Purchases	900,611	9%	Payment in advance	-	CNY	-	-	

(Continued)

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
DPTW	AUO	Ultimate parent company	Sales	(3,668,313)	(36)%	EOM 60 days	-	657,251	28%		
DPTW	AUSZ	Subsidiary of AUO	Sales	(867,826)	(9)%	EOM 120 days	-	277,080	12%		
DPTW	AUXM	Subsidiary of AUO	Sales	(849,740)	(8)%	EOM 120 days	-	353,730	15%		
DPTW	DPXM	Subsidiary of AUO	Sales	(161,790)	(2)%	EOM 60 days	-	61,385	3%		
DPTW	FPWJ	Subsidiary of AUO	Sales	(391,979)	(4)%	EOM 60 days	-	132,114	6%		
DPTW	FTWJ	Subsidiary of AUO	Sales	(220,845)	(2)%	EOM 60 days	-	30,096	1%		
DPTW	QCES	Subsidiary of Qisda	Sales	(179,294)	(2)%	EOM 120 days	-	63,267	3%		

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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital**  
**December 31, 2020**  
(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	AUNL	Subsidiary of AUO	184,233	8.46	62	Collected in subsequent period	115,652	-
AUO	QCSZ	Subsidiary of Qisda	1,103,551	7.07	339	Will be collected in next period	-	-
AUO	ACTW	Subsidiary of AUO	1,001,440	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	630,668	5.75	30	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	857,238	7.03	17,285	Collected in subsequent period	CNY 470,258	-
AULB	AUKS	Subsidiary of AUO	220,489	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	183,146	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	33,525	(Note 2)	20	Will be collected in next period	-	-
AUSZ	AUO	Ultimate parent company	2,693,520	3.43	39,752	Collected in subsequent period	CNY 1,541,995	-
AUSZ	AUKS	Subsidiary of AUO	769,017	(Note 2)	13,861	Collected in subsequent period	CNY 17,381	-
AUXM	AUO	Ultimate parent company	2,098,693	(Note 2)	47,660	Collected in subsequent period	CNY 1,469,960	-
AUXM	AUKS	Subsidiary of AUO	459,274	(Note 2)	-	-	-	-
BVHF	AUKS	Subsidiary of AUO	70,591	(Note 2)	-	-	-	-
BVXM	AUKS	Subsidiary of AUO	102,936	(Note 2)	-	-	-	-
DPSZ	AUKS	Subsidiary of AUO	104,956	(Note 2)	-	-	-	-
DPSZ	DPTW	Subsidiary of AUO	45,615	2.97	6,072	Will be collected in next period	-	-
DPXM	DPTW	Subsidiary of AUO	287,342	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	623,056	1.44	-	-	CNY 123,973	-
M.Setek	ACTW	Subsidiary of AUO	1,198,975	(Note 2)	246,932	Will be collected in next period	-	-

(Continued)

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
ACTW	M.Setek	Subsidiary of AUO	239,156	(Note 2)	-	-	-	-
DPTW	AUO	Ultimate parent company	659,144	(Note 2)	14,382	Will be collected in next period	-	-
DPTW	AUSZ	Subsidiary of AUO	277,080	3.06	-	-	-	-
DPTW	AUXM	Subsidiary of AUO	353,730	1.99	-	-	-	-
DPTW	DPXM	Subsidiary of AUO	124,129	(Note 2)	533	Will be collected in next period	-	-
DPTW	FPWJ	Subsidiary of AUO	132,114	5.93	58,861	Will be collected in next period	-	-
DPTW	FTWJ	Subsidiary of AUO	1,073,393	(Note 2)	-	-	413,975	-

Note 1: Until the end of January 2021.

Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.

Note 3: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Business Relationship and Significant Intercompany Transactions**  
**For the year ended December 31, 2020**  
**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 7

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	Trading Terms		
0	AUKS	AUO	Subsidiary to parent	Net revenue	CNY 4,777,267	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days	8%	
0	AUKS	AUO	Subsidiary to parent	Receivables from related parties	CNY 857,238	-	1%	
1	AULB	AUKS	Subsidiary to subsidiary	Receivables from related parties	USD 220,489	-	2%	
2	AUST	AUO	Subsidiary to parent	Net revenue	USD 154,779	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	2%	
3	AUSZ	AUO	Subsidiary to parent	Net revenue	CNY 8,393,763	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	13%	
3	AUSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,693,520	-	3%	
3	AUSZ	AUKS	Subsidiary to subsidiary	Receivables from related parties	CNY 769,017	-	1%	
4	AUXM	AUO	Subsidiary to parent	Net revenue	CNY 5,750,142	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	9%	
4	AUXM	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,098,693	-	2%	
5	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY 618,831	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 847,131	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days	1%	

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	Trading Terms	
6	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY 623,056	-	1%
7	AUO	AUSZ	Parent to subsidiary	Net revenue	1,399,835	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	3,668,313	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 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.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Information on Investees (Excluding Information on Investment in Mainland China)**  
**For the year ended December 31, 2020**  
**(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, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding company	59,058,698	59,058,698	1,882,189	100.00%	55,909,421	2,789,496	2,789,496	Subsidiary	
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	66,537	26,306	26,306	Subsidiary	
AUO	Konly	Taiwan ROC	Investment	4,227,070	4,227,070	299,764	100.00%	5,471,340	132,133	132,133	Subsidiary	
AUO	Ronly	Taiwan ROC	Investment	2,078,682	1,778,692	185,576	100.00%	2,277,770	(76,865)	(76,865)	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%	2,835,886	(1,240,799)	(354,420)	Subsidiary	
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,687,921	418,583	100.00%	2,686,843	(91,475)	(91,475)	Subsidiary	
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	427,157	107,060	34,274	Associate	
AUO	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	889,227	881,076	78,781	15.30%	1,549,703	(629,358)	(95,746)	Associate	
AUO	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	9,505,477	-	335,231	17.04%	9,704,923	-	-	Associate (Note 7)	
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	14,235	(4,012)	(4,012)	Subsidiary	
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	200,000	100,000	20,000	100.00%	132,024	(56,882)	(56,882)	Subsidiary	
AUO	SSEC	Taiwan ROC	Investment	1,550,000	930,000	155,000	31.00%	1,586,817	107,523	33,332	Associate	
AUO	CQIL	Israel	Holding company	1,182,621	876,659	39,974	100.00%	881,300	(42,400)	(42,400)	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	-	42,310	19.45%	2,311,727	243,665	(20,893)	Associate	
AUO	DPGE	Taiwan ROC	Renewable energy power generation	7,000	-	700	100.00%	6,985	(15)	(15)	Subsidiary	
AUO	ADHLD	Cayman	Holding company	-	-	-	70.00%	-	-	-	Subsidiary (Note 5)	
AUO	ADCM	Cayman	Holding company	-	-	-	100.00%	-	-	-	Subsidiary (Note 5)	
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipment	5,000	-	500	100.00%	4,985	(15)	(15)	Subsidiary	
AUO	ADP	Taiwan ROC	Research, development and sales of TFT-LCD panels	1,000	-	100	100.00%	375	(625)	(625)	Subsidiary	
Konly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	703,795	703,795	42,598	6.40%	635,446	(1,240,799)	(79,416)	Subsidiary	
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	20,015	107,060	1,606	Associate	
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	17.11%	809,137	854,600	146,206	Associate	
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	539,718	631,304	117,475	Associate	
Konly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	565,616	450,674	31,182	6.06%	628,659	(629,358)	(32,417)	Associate	
Konly	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	437,875	-	17,817	0.91%	515,805	-	-	Associate (Note 7)	
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	24.41%	1,308	(7,435)	(1,904)	Associate	
Konly	SSEC	Taiwan ROC	Investment	100,000	60,000	10,000	2.00%	102,375	107,523	2,150	Associate	
Konly	WishMobile, Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	5,625	12.50%	5,844	1,991	249	Associate	
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	2,097	(14,423)	(2,326)	Associate	

(Continued)



Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	80,542	-	1,191	0.55%	24,718	243,665	(55,704)	Associate	
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	-	400	100.00%	4,000	-	-	Subsidiary	
Konly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	20,000	-	1,000	5.00%	19,483	(37,211)	(517)	Associate	
Ronly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	845,510	845,510	40,509	6.09%	604,283	(1,240,799)	(75,521)	Subsidiary	
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	178,235	631,304	38,795	Associate	
Ronly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	323,431	323,431	34,338	6.67%	675,025	(629,358)	(41,909)	Associate	
Ronly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	68,400	-	3,420	17.10%	66,634	(37,211)	(1,766)	Associate	
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	243,885	(9,160)	(2,721)	Subsidiary	
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	5,595,202	(256,864)	(237,730)	Subsidiary	
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	3,846,168	(216,776)	(220,204)	Subsidiary	
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	101,001	6,826	6,656	Subsidiary	
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	185,735	14,318	7,016	Joint Venture	
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,185	3,357	1,343	Associate	
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	393,218	(75,081)	(75,081)	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.0000%	1,945,204	134,827	166,521	Subsidiary	
SDMC	M.Seitek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,398	11,404,184	99.9991%	1,907,607	154,333	154,332	Subsidiary	
ADCM	ADHLD	Cayman	Holding company	-	-	-	30.00%	-	-	-	Subsidiary (Note 5)	
ADHLD	ADSG	Singapore	Holding company	-	-	-	100.00%	-	-	-	Subsidiary (Note 6)	
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	1,000 USD	1,000 USD	1,000	100.00%	2,741 USD	678 USD	678 USD	Subsidiary	
AULB	AUJP	Japan	Sales support of TFT-LCD panels	276 USD	276 USD	1	100.00%	1,943 USD	78 USD	78 USD	Subsidiary	
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	155 USD	155 USD	-	100.00%	1,026 USD	(50) USD	(50) USD	Subsidiary	
AULB	AUCZ	Czech Republic	Assembly of solar modules	20,531 USD	20,531 USD	-	100.00%	11,275 USD	60 USD	60 USD	Subsidiary	
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	1,359 USD	1,359 USD	-	100.00%	25,415 USD	272 USD	272 USD	Subsidiary	
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	241,487 USD	276,543 USD	907,114	100.00%	89,224 USD	4,917 USD	4,917 USD	Subsidiary	
AULB	AUVI	United States	Research and development and IP related business	5,000 USD	5,000 USD	5,000	100.00%	6,001 USD	127 USD	127 USD	Subsidiary	
AULB	BVLB	Malaysia	Holding company	85,171 USD	85,171 USD	85,171	70.29%	20,241 USD	(310) USD	(218) USD	Subsidiary	
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	9,958 USD	48,321 USD	266,268	100.00%	6,870 USD	2,322 USD	2,322 USD	Subsidiary	
AUSG	AEUS	United States	Sales support of solar-related products	3,510 USD	3,510 USD	9,510	100.00%	3,088 USD	2,274 USD	2,274 USD	Subsidiary	
AUSG	ADPNL	Netherlands	Sales support of solar-related products; sales and sales support of TFT-LCD panels; holding company	3,245 USD	45 USD	-	100.00%	3,398 USD	(76) USD	(76) USD	Subsidiary	
DPLB	DPHK	Hong Kong	Holding company	103,785 USD	103,785 USD	10	100.00%	198,466 USD	(6,892) USD	(6,892) USD	Subsidiary (Note 4)	
DPLB	DPSPK	Slovakia Republic	Manufacturing and sales of automotive parts	4,216 USD	4,216 USD	-	100.00%	864 USD	(1,795) USD	(1,795) USD	Subsidiary	
FHVI	FTMI	Mauritius	Holding company	6,503 USD	6,503 USD	6,503	100.00%	72,121 USD	(8,706) USD	(8,706) USD	Subsidiary	
FHVI	FWSA	Samoa	Holding company	19,000 USD	19,000 USD	19,000	100.00%	16,015 USD	586 USD	586 USD	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 48,956	USD 789	789	Subsidiary	
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	-	-	Associate (Note 3)	
ADPNL	ADPUS	United States	Sales and sales support of TFT-LCD panels	EUR 1,241	-	1	100.00%	EUR 1,220	-	-	Subsidiary	
ADPNL	ADPJP	Japan	Sales support of TFT-LCD panels	EUR 414	-	1	100.00%	EUR 394	-	-	Subsidiary	
CQIL	CQHLD	United Kingdom	Holding company	USD 29,118	USD 18,868	635,730	100.00%	USD 29,097	USD (26)	USD (26)	Subsidiary	
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00%	USD 139	USD 4	4 USD	Subsidiary	
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 25,857	USD 15,607	13	100.00%	USD 14,126	USD (1,474)	USD (1,474)	Subsidiary	
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	CAD 1,310	-	100.00%	USD 660	USD 123	USD 123	Subsidiary	
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	USD 1,500	-	1	100.00%	USD 1,526	USD 57	USD 57	Subsidiary	
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	USD 8,000	-	18	100.00%	USD 7,856	USD (145)	USD (145)	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: ADCM and ADHLD are new subsidiaries incorporated in August 2020. As of the end of December 2020, no capital injection has been made for these companies.

Note 6: AD SG is a new subsidiary incorporated in October 2020. As of the end of December 2020, no capital injection has been made for this company.

Note 7: On and from December 31, 2020, the investment in Qisda has been accounted for using the equity method. See Note 6(6) for the relevant information.

(Continued)

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Information on Investment in Mainland China**  
**For the year ended December 31, 2020**

(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, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
A-Care	Design, development and sales of software and hardware for health care industry	65,736	(Note 1)	-	-	-	(20,503)	(20,503)	100%	100%	(20,503)	19,209	-	
AUKS	Manufacturing and sales of TFT-LCD panels	27,395,227	(Note 1)	13,971,566	-	13,971,566	535,802	535,802	51%	51%	273,259	5,342,537	-	
AUSH	Sales support of TFT-LCD panels	85,521	(Note 1)	28,507	-	28,507	(79,696)	(79,696)	100%	100%	(79,696)	342,049	-	
AUSJ	Manufacturing and assembly of TFTLCD modules; leasing	3,078,756	(Note 1)	2,280,560	-	2,280,560	122,802	122,802	100%	100%	122,802	3,967,894	-	
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	7,924,946	(Note 1)	5,701,400	-	5,701,400	1,392,835	1,392,835	100%	100%	1,392,835	16,367,899	-	
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,126,750	(Note 1)	7,126,750	-	7,126,750	867,929	867,929	100%	100%	867,929	14,493,546	-	
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	-	-	-	(8,870)	(8,870)	100%	100%	(8,870)	819,362	-	Note 6
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,629,440	(Note 1)	-	-	-	16,506	16,506	100%	100%	16,506	1,309,594	-	
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,912	(Note 1)	-	-	-	(8,955)	(8,955)	100%	100%	(8,955)	7,971	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	87,648	(Note 1)	-	-	-	(40,387)	(40,387)	100%	100%	(40,387)	33,252	-	

(Continued)

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
TYSZ	Design, manufacturing and sales of large-size touch LCD modules	219,120	(Note 1)	-	-	-	(23,057)	50%	50%	(11,528)	97,778	-		
UFSD	Planning, design and development of construction for environmental protection and related project management	8,765	(Note 1)	-	-	-	(3,396)	100%	100%	(3,396)	2,420	-		
UFSZ	Planning, design and development of construction for environmental protection and related project management	52,589	(Note 1)	-	-	-	(12,956)	100%	100%	(12,956)	31,846	-		
ADSZ	Management consulting	-	(Note 1)	-	-	-	-	100%	100%	-	-	-		Note 7

## (2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
29,108,783 (USD 1,021,110)	38,534,120 (USD 1,344,003 and HKD 60,000)	116,274,219

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 except for TYSZ.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2020.

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

Note 7: ADSZ is a new subsidiary incorporated in December 2020. As of the end of December 2020, no capital injection has been made for this company.

(Continued)

2. DPTW:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 6)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 2 and 6)	Carrying Amount of the Investment as of December 31, 2020 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2020 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	456,112	-	-	456,112	(8,870)	29.71%	29.71%	(8,870)	819,362	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	712,675	(Note 1)	427,605	-	-	427,605	(58,256)	100%	100%	(58,256)	1,309,155	1,309,439	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	1,995,490	(Note 1)	1,995,490	-	-	1,995,490	(139,536)	100%	100%	(139,536)	4,348,510	1,475,238	
FHWJ	Manufacturing and sales of backlight modules and related parts	185,296	(Note 1)	233,757	-	-	233,757	6,826	100%	100%	6,826	50,955	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	826,703	(Note 1)	541,633	-	-	541,633	26,431	100%	100%	26,431	681,619	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,026,252	(Note 1)	1,026,252	-	-	1,026,252	23,320	100%	100%	23,320	1,395,576	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	997,745	(Note 1)	185,296	-	-	185,296	(266,528)	100%	100%	(266,528)	1,830,825	401,223	Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
4,866,145 (USD 170,700)	5,008,252 (USD 175,685)	5,956,947

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

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

(Continued)

- Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").
- Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
- Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2020 disclosed in the table are presented based on 100% held.
- Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2020.
- Note 7: 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 8: 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 9: The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

**AU OPTRONICS CORP.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2020 and 2019**

The independent auditors' report and the accompanying parent company only 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 the parent company only financial statements shall prevail.



## Independent Auditors' Report

To the Board of Directors of AU Optronics Corp.:

### Opinion

We have audited the parent company only financial statements of AU Optronics Corp. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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(14) “Impairment – non-financial assets”, Note 5(1) and Note 5(2) “Critical accounting judgments and key sources of estimation and assumption uncertainty”, Note 6(7) “Property, plant and equipment”, Note 6(8) “Lease arrangements” and Note 6(10) “Intangible assets” to the parent company only 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(17) "Revenue from contracts with customers" and Note 6(16) "Revenue from contracts with customers" to the parent company only 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 sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. 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.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in 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 parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only 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 Wei, Shing-Hai and Lu, Chien-Hui.

KPMG

Hsinchu, Taiwan (Republic of China)  
February 3, 2021

#### Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
AU OPTRONICS CORP.

Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>								
1100 Cash and cash equivalents (Note 6(1))	\$ 54,969,325	15	45,928,070	13	2120	135,420	-	7,054
1110 Financial assets at fair value through profit or loss—current (Note 6(2))	21,361	-	18,753	-	2170	24,457,428	7	24,296,415
1170 Accounts receivable, net (Note 6(4))	41,585,707	11	26,986,723	8	2180	29,923,778	8	25,325,274
1180 Accounts receivable from related parties, net (Notes 6(4)&7)	2,258,704	1	1,938,966	1	2213	2,201,328	1	4,568,963
1210 Other receivables from related parties (Note 7)	1,021,418	-	1,211,588	-	2220	645,371	-	405,656
1220 Current tax assets	43,395	-	28,303	-	2250	662,250	-	666,896
130X Inventories (Note 6(5))	18,984,776	5	17,256,261	5	2280	390,595	-	415,981
1476 Other current financial assets (Note 6(4))	221,461	-	1,111,904	-	2399	14,523,627	4	13,584,470
1479 Other current assets (Note 6(11))	1,938,708	1	1,836,890	1	2322	11,184,508	3	4,000,000
	<u>121,044,855</u>	<u>33</u>	<u>96,317,458</u>	<u>28</u>		<u>84,124,305</u>	<u>23</u>	<u>73,270,709</u>
<b>Noncurrent assets:</b>								
1517 Financial assets at fair value through other comprehensive income—noncurrent (Note 6(3))	-	-	7,140,410	2	2540	84,455,010	23	81,966,110
1550 Investments in equity-accounted investees (Note 6(6))	85,868,028	24	70,184,815	20	2550	779,500	-	805,729
1600 Property, plant and equipment (Notes 6(7), 7&8)	129,554,205	36	144,142,738	42	2570	2,334,898	1	2,213,429
1755 Right-of-use assets (Note 6(8))	8,790,075	2	9,346,877	3	2580	8,542,357	3	9,009,594
1760 Investment property (Note 6(9)&8)	465,868	-	465,868	-	2600	959,815	-	1,727,456
1780 Intangible assets (Note 6(10))	11,806,450	3	12,051,761	3		97,071,580	27	95,722,318
1840 Deferred tax assets (Note 6(20))	5,250,159	2	4,265,480	1		181,195,885	50	168,993,027
1900 Other noncurrent assets (Notes 6(11),(14)&8)	1,220,936	-	1,749,460	1		-	-	-
	<u>242,955,721</u>	<u>67</u>	<u>249,347,409</u>	<u>72</u>		<u>96,242,451</u>	<u>26</u>	<u>96,242,451</u>
<b>Total Assets</b>	<u>\$ 364,000,576</u>	<u>100</u>	<u>345,664,867</u>	<u>100</u>		<u>182,804,691</u>	<u>50</u>	<u>176,671,840</u>
						<u>\$ 345,664,867</u>	<u>100</u>	<u>345,664,867</u>
<b>Liabilities and Equity</b>								
<b>Current liabilities:</b>								
Financial liabilities at fair value through profit or loss—current (Note 6(2))								
Accounts payable								
Accounts payable to related parties (Note 7)								
Equipment and construction payable (Note 7)								
Other payables to related parties (Note 7)								
Provisions—current (Note 6(13))								
Lease liabilities—current (Note 6(8))								
Other current liabilities								
Current installments of long-term borrowings (Notes 6(12)&8)								
<b>Noncurrent liabilities:</b>								
Long-term borrowings, excluding current installments (Notes 6(12)&8)								
Provisions—noncurrent (Note 6(13))								
Deferred tax liabilities (Note 6(20))								
Lease liabilities—noncurrent (Note 6(8))								
Other noncurrent liabilities (Note 6(14))								
<b>Total liabilities</b>								
<b>Equity (Note 6(15)):</b>								
Common stock								
Capital surplus								
Retained earnings								
Other components of equity								
Treasury shares								
<b>Total equity</b>								
<b>Total Liabilities and Equity</b>								

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
AU OPTRONICS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4110	<b>Revenue</b>	\$256,851,362	100	257,130,650	101
4190	Less: sales return and discount	<u>762,017</u>	-	<u>1,963,474</u>	<u>1</u>
	<b>Net revenue</b> (Notes 6(16)&7)	256,089,345	100	255,167,176	100
5000	<b>Cost of sales</b> (Notes 6(5),(8),(17),(18)&7)	<u>240,070,378</u>	<u>94</u>	<u>257,786,100</u>	<u>101</u>
	<b>Gross profit (loss)</b>	<u>16,018,967</u>	<u>6</u>	<u>(2,618,924)</u>	<u>(1)</u>
	<b>Operating expenses</b> (Notes 6(8),(17),(18)&7):				
6100	Selling and distribution expenses	2,702,022	1	2,873,009	1
6200	General and administrative expenses	4,139,655	2	4,244,405	2
6300	Research and development expenses	<u>8,054,215</u>	<u>3</u>	<u>7,989,907</u>	<u>3</u>
	<b>Total operating expenses</b>	<u>14,895,892</u>	<u>6</u>	<u>15,107,321</u>	<u>6</u>
	<b>Profit (loss) from operations</b>	<u>1,123,075</u>	<u>-</u>	<u>(17,726,245)</u>	<u>(7)</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(19))	158,965	-	300,199	-
7010	Other income (Notes 6(19)&7)	895,740	-	1,194,834	1
7020	Other gains and losses (Notes 6(7),(8),(19)&7)	(182,115)	-	618,172	-
7050	Finance costs (Notes 6(7),(8)&(19))	(1,771,273)	-	(1,546,400)	(1)
7060	Share of profit of equity-accounted investees (Note 6(6))	<u>2,272,193</u>	<u>1</u>	<u>(1,187,224)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>1,373,510</u>	<u>1</u>	<u>(620,419)</u>	<u>-</u>
7900	<b>Profit (loss) before income tax</b>	2,496,585	1	(18,346,664)	(7)
7950	<b>Less: income tax expense (benefit)</b> (Note 6(20))	<u>(879,739)</u>	<u>-</u>	<u>838,594</u>	<u>-</u>
8200	<b>Profit (loss) for the year</b>	<u>3,376,324</u>	<u>1</u>	<u>(19,185,258)</u>	<u>(7)</u>
8300	<b>Other comprehensive income</b> (Notes 6(6),(14),(15),(20)):				
8310	<b>Items that will never be reclassified to profit or loss</b>				
8311	Remeasurement of defined benefit obligations	140,218	-	188,110	-
8316	Unrealized gain on equity investments at fair value through other comprehensive income	2,564,513	1	536,369	-
8330	Equity-accounted investees – share of other comprehensive income (loss)	113,167	-	(13,981)	-
8349	Related tax	<u>(28,043)</u>	<u>-</u>	<u>(37,622)</u>	<u>-</u>
		<u>2,789,855</u>	<u>1</u>	<u>672,876</u>	<u>-</u>
8360	<b>Items that are or may be reclassified subsequently to profit or loss</b>				
8361	Foreign operations – foreign currency translation differences	(3,049,722)	(1)	(1,211,454)	-
8380	Equity-accounted investees – share of other comprehensive income	2,961,666	1	(846,480)	-
8399	Related tax	<u>11,518</u>	<u>-</u>	<u>377,862</u>	<u>-</u>
		<u>(76,538)</u>	<u>-</u>	<u>(1,680,072)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net of tax</b>	<u>2,713,317</u>	<u>1</u>	<u>(1,007,196)</u>	<u>-</u>
8500	<b>Total comprehensive income (loss) for the year</b>	<u>\$ 6,089,641</u>	<u>2</u>	<u>(20,192,454)</u>	<u>(7)</u>
	<b>Earnings (loss) per share</b> (NT\$, Note 6(21))				
9750	Basic earnings (loss) per share	\$ <u>0.36</u>		\$ <u>(2.00)</u>	
9850	Diluted earnings (loss) per share	\$ <u>0.35</u>		\$ <u>(2.00)</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
AU OPTRONICS CORP.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings		Cumulative Translation Differences	Other Components of Equity			Total Equity
					Unappropriated Earnings	Subtotal		Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Shares	Subtotal	
<b>Balance at January 1, 2019</b>	\$ 96,242,451	60,622,043	6,675,628	-	40,170,363	46,845,991	(1,449,910)	602,140	-	(847,770)	202,862,715
Appropriation of earnings:	-	-	-	-	(1,016,060)	-	-	-	-	-	-
Legal reserve	-	-	1,016,060	-	-	-	-	-	-	-	-
Special reserve	-	-	-	847,770	(847,770)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(4,812,122)	(4,812,122)	-	-	-	-	(4,812,122)
Loss for the year	-	-	-	-	(19,185,258)	(19,185,258)	-	-	-	-	(19,185,258)
Other comprehensive income (loss), net of tax	-	-	-	-	150,418	150,418	(1,680,072)	522,458	-	(1,157,614)	(1,007,196)
Total comprehensive income (loss) for the year	-	-	-	-	(19,034,840)	(19,034,840)	(1,680,072)	522,458	-	(1,157,614)	(20,192,454)
Changes in deemed contributions from shareholders	-	-	-	-	-	-	-	-	-	-	547
Adjustments for changes in investees' equity	-	(40,085)	-	-	-	-	-	-	-	-	(40,085)
Treasury shares acquired	-	-	-	-	-	-	-	-	(1,013,423)	(1,013,423)	(1,013,423)
Differences between acquisition price and carrying amount arising from acquisition of subsidiaries	-	(22,282)	-	-	-	-	-	-	-	-	(22,282)
Changes in ownership interest in subsidiaries	-	(15,749)	-	-	(95,307)	(95,307)	-	-	-	-	(111,056)
<b>Balance at December 31, 2019</b>	\$ 96,242,451	60,544,474	7,691,688	847,770	14,364,264	22,903,722	(3,129,982)	1,124,598	(1,013,423)	(2,005,384)	176,671,840
Appropriation of earnings:	-	-	-	-	(1,157,614)	-	-	-	-	-	-
Special reserve	-	-	-	1,157,614	(1,157,614)	-	-	-	-	-	-
Profit for the year	-	-	-	-	3,376,324	3,376,324	-	-	-	-	3,376,324
Other comprehensive income (loss), net of tax	-	-	-	-	113,073	113,073	(76,538)	2,676,782	-	2,600,244	2,713,317
Total comprehensive income (loss) for the year	-	-	-	-	3,489,397	3,489,397	(76,538)	2,676,782	-	2,600,244	6,089,641
Changes in deemed contributions from shareholders	-	-	-	-	-	-	-	-	-	-	1,073
Adjustments for changes in investees' equity	-	1,073	-	-	-	-	-	-	-	-	1,073
Disposal of equity investments measured at fair value through other comprehensive income	-	42,137	-	-	-	-	-	-	-	-	42,137
<b>Balance at December 31, 2020</b>	\$ 96,242,451	60,587,684	7,691,688	2,005,384	20,561,210	30,258,282	(3,206,520)	(3,865,163)	(1,013,423)	(3,270,303)	182,804,691

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

**(Expressed in thousands of New Taiwan dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before income tax</b>	\$ 2,496,585	(18,346,664)
<b>Adjustments for:</b>		
- depreciation	23,787,296	23,520,703
- amortization	245,311	424,985
- losses on financial instruments at fair value through profit or loss	125,758	26,762
- interest expense	1,699,576	1,546,400
- interest income	(158,965)	(300,199)
- dividend income	(251,423)	(284,946)
- share of loss (profit) of equity-accounted investees	(2,272,193)	1,187,224
- gains on disposals of property, plant and equipment, net	(21,322)	(27,307)
- impairment losses on assets	36,788	67,778
- unrealized foreign currency exchange losses (gains)	119,736	(488,929)
- others	39,307	943
<b>Changes in operating assets and liabilities:</b>		
- accounts receivable	(14,422,629)	14,270,038
- receivables from related parties	(329,567)	2,702,681
- inventories	(1,728,515)	2,953,007
- other current assets	1,265,569	(718,394)
- accounts payable	(94,420)	(4,128,050)
- payables to related parties	4,838,219	(5,764,455)
- net defined benefit liability	(549,716)	(89,386)
- provisions	(21,862)	(690,939)
- other current liabilities	<u>655,177</u>	<u>(3,349,523)</u>
Cash generated from operations	15,458,710	12,511,729
Cash received from interest income	158,679	301,758
Cash received from dividends	371,371	604,468
Cash paid for interest	(1,702,459)	(1,319,874)
Cash paid for income taxes	<u>(15,087)</u>	<u>(1,024,452)</u>
<b>Net cash provided by operating activities</b>	<u>14,271,214</u>	<u>11,073,629</u>

(Continued)

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP.**

**Statements of Cash Flows (Continued)**

**For the years ended December 31, 2020 and 2019**

**(Expressed in thousands of New Taiwan dollars)**

	2020	2019
<b>Cash flows from investing activities:</b>		
Acquisitions of equity-accounted investees	(3,758,797)	(654,914)
Acquisitions of property, plant and equipment	(11,137,182)	(21,196,552)
Disposals of property, plant and equipment	25,695	16,855
Decrease in refundable deposits	160,169	40,026
Increase in other financial assets	-	(2,412)
Decrease (increase) in other receivables from related parties	200,000	(1,200,000)
<b>Net cash used in investing activities</b>	<b>(14,510,115)</b>	<b>(22,996,997)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term borrowings	14,519,350	75,900,000
Repayments of long-term borrowings	(4,912,500)	(42,087,000)
Payment of lease liabilities	(390,812)	(442,719)
Guarantee deposits received	51,000	-
Cash dividends	-	(4,812,122)
Repurchase of treasury shares	-	(1,013,423)
Others	1,073	547
<b>Net cash provided by financing activities</b>	<b>9,268,111</b>	<b>27,545,283</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>12,045</b>	<b>(10,123)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,041,255</b>	<b>15,611,792</b>
<b>Cash and cash equivalents at January 1</b>	<b>45,928,070</b>	<b>30,316,278</b>
<b>Cash and cash equivalents at December 31</b>	<b>\$ 54,969,325</b>	<b>45,928,070</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**AU OPTRONICS CORP.**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)**

**1. Organization**

AU Optronics Corp. (“AUO” or “the Company”) 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.

**2. The Authorization of Financial Statements**

These parent company only financial statements were approved and authorized for issue by the Board of Directors of AUO on February 3, 2021.

**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, 2020. The adoption does not have a material impact on the Company’s parent company only financial statements.

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

(2) Impact of the IFRSs endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following amendments to the IFRSs, effective for annual period beginning on January 1, 2021, would not have a material impact on its parent company only financial statements.

- Amendments to IFRS 4, *Extension of the Temporary Exemption from Applying IFRS 9*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform –Phase 2*

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

Standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

- Annual Improvements to IFRSs 2018–2020
- Amendments to IFRS 3, *Reference to the Conceptual Framework*
- 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, *Insurance Contracts*
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 16, *Property, Plant and Equipment –Proceeds before Intended Use*
- Amendments to IAS 37, *Onerous Contracts –Cost of Fulfilling a Contract*

As of the date that the accompanying parent company only 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 parent company only financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(1) Statement of compliance

The parent company only 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”).

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

(2) Basis of preparation

a. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the 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(14)).

b. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (“NTD”), which is also the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currency transactions and operations

- a. Transactions in foreign currencies are translated to the functional currencies 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 parent company only financial statements, the assets and liabilities of the Company’s foreign operations are translated into NTD using the exchange rates at each 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)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

(4) 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.

(5) 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.

(6) 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)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only 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)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only 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)

## AU OPTRONICS CORP.

### Notes to the Parent Company Only 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 designates 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 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.

(7) 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)



**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

(8) Investments in associates and joint ventures

Associates are those entities in which the Company and its subsidiaries have 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 parent company only 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.

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

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 parent company only 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.

(9) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit or loss, other comprehensive income and equity in the parent company only financial statement are equal to the profit or loss, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement. The Company prepares the consolidated financial statement quarterly comprising of AUO and its subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(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.

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only 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: 3~9 years
- (iii) Other equipment: 3~6 years

(Continued)

**AU OPTRONICS CORP.**  
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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.

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.

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**AU OPTRONICS CORP.**  
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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.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

Under the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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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**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

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.

(Continued)

**AU OPTRONICS CORP.**  
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(14) 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.

(15) 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.

(Continued)

**AU OPTRONICS CORP.**  
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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.

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

(16) Treasury shares

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

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

(Continued)



**AU OPTRONICS CORP.**  
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(17) 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).

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(15) 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.

(Continued)

**AU OPTRONICS CORP.**  
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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(15) 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.

(18) 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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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.

(19) Income taxes

Income tax expense comprises current and deferred taxes.

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.

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. 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.

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**Notes to the Parent Company Only Financial Statements**

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.

(20) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing profit or loss attributable to the shareholders of the Company 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 the Company 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 weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(21) Operating segments

The Company has provided the operating segments disclosure in the consolidated financial statements. Thus, disclosure of the segment information in the parent company only financial statements is waived.

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

The preparation of the parent company only financial statements in conformity with the Regulations 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 parent company only 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.

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**AU OPTRONICS CORP.**  
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(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.

(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.

**6. Description of Significant Accounts**

(1) Cash and Cash Equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand, demand deposits and checking accounts	\$ 32,484,255	32,188,485
Time deposits	<u>22,485,070</u>	<u>13,739,585</u>
	<b><u>\$ 54,969,325</u></b>	<b><u>45,928,070</u></b>

Refer to Note 6(24) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2020 and 2019, no cash and cash equivalents were pledged with banks as collaterals.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	<b><u>\$ 21,361</u></b>	<b><u>18,753</u></b>
Financial liabilities held for trading:		
Foreign currency forward contracts	<b><u>\$ 135,420</u></b>	<b><u>7,054</u></b>

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**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(24) for the disclosure of the Company's credit and currency risks related to financial instruments.

As at December 31, 2020 and 2019, the Company's outstanding foreign currency forward contracts were as follows:

<b>December 31, 2020</b>		
<b>Contract item</b>	<b>Maturity date</b>	<b>Contract amount (in thousands)</b>
Sell USD / Buy NTD	Jan. 2021~Feb. 2021	USD 514,000 / NTD 14,520,265
Sell USD / Buy JPY	Jan. 2021~Feb. 2021	USD 108,000 / JPY 11,209,743
Sell EUR / Buy JPY	Jan. 2021~Feb. 2021	EUR 10,000 / JPY 1,253,050
Sell HKD / Buy USD	Jan. 2021	HKD 500 / USD 64
Sell USD / Buy EUR	Jan. 2021	USD 2,398 / EUR 2,000

<b>December 31, 2019</b>		
<b>Contract item</b>	<b>Maturity date</b>	<b>Contract amount (in thousands)</b>
Sell USD / Buy NTD	Jan. 2020	USD 154,000 / NTD 4,640,720
Sell USD / Buy JPY	Jan. 2020	USD 27,000 / JPY 2,948,070
Sell CNY / Buy USD	Feb. 2020~Mar. 2020	CNY 1,285,305 / USD 184,000
Sell EUR / Buy JPY	Jan. 2020~Feb. 2020	EUR 23,000 / JPY 2,788,285
Sell HKD / Buy USD	Jan. 2020	HKD 60,177 / USD 7,721

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	\$ <u>          -</u>	<u>      7,140,410</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.

Upon the re assessment, the Company considers that it has significant influence over Qisda Corporation ("Qisda"); consequently, at the end of December 2020 the equity investment in Qisda previously classified as financial assets at FVTOCI was reclassified as investments accounted for using the equity method. Refer to Note 6(6) for the relevant information.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$714,041 thousand for the year ended December 31, 2019.

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**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 43,844,611	28,925,839
Less: loss allowance	<u>(200)</u>	<u>(150)</u>
	<u>\$ 43,844,411</u>	<u>28,925,689</u>
Accounts receivable, net	<u>\$ 41,585,707</u>	<u>26,986,723</u>
Accounts receivable from related parties, net	<u>\$ 2,258,704</u>	<u>1,938,966</u>

The Company measures loss allowance for 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:

	<u>December 31, 2020</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance for lifetime expected credit losses</u>
Not past due	\$ 42,955,666	0.00%	88
Past due less than 60 days	887,804	0.01%	112
Past due 61~180 days	<u>1,141</u>	0.00%	<u>-</u>
	<u>\$ 43,844,611</u>		<u>200</u>
	<u>December 31, 2019</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance for lifetime expected credit losses</u>
Not past due	\$ 28,140,278	0.00%	1
Past due less than 60 days	773,489	0.00%	4
Past due 61~180 days	<u>12,072</u>	1.20%	<u>145</u>
	<u>\$ 28,925,839</u>		<u>150</u>

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

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ 150	15,291
Provisions (reversals) charged to (against) expense	50	(487)
Write-offs	<u>-</u>	<u>(14,654)</u>
Balance at end of the year	<u>\$ 200</u>	<u>150</u>

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**AU OPTRONICS CORP.**  
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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(24).

As at December 31, 2020, the Company did not sell its accounts receivables to banks. As at December 31, 2019, the Company's accounts receivables sold and derecognized were as follows:

<b>December 31, 2019</b>							
<u>Underwriting bank</u>	<u>Factoring limit (in thousands)</u>		<u>Amount sold and derecognized (in thousands)</u>		<u>Amount advanced (in thousands)</u>		<u>Principal terms</u>
CTBC Bank	USD	152,000	USD	18,526	NTD	500,000	See Notes(a)~(d)
Taipei Fubon Bank	USD	120,000	USD	56,020	NTD	1,500,000	See Notes(a)~(d)
DBS Bank	USD	154,000	USD	56,730	NTD	1,520,000	See Notes(a)~(d)
Bank of Taiwan	USD	250,000	USD	15,718	USD	14,000	See Notes(a)~(d)

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

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

Note (c): As of December 31, 2019, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of \$487,754 thousand was recognized under other current financial assets. In addition, interest rate for the balance of advanced amount as of December 31, 2019 was ranging from 1.07% to 2.44%.

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.

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## (5) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 6,811,795	7,022,551
Work-in-progress	9,842,574	8,404,901
Raw materials	<u>2,330,407</u>	<u>1,828,809</u>
	<u><b>\$ 18,984,776</b></u>	<u><b>17,256,261</b></u>

For the years ended December 31, 2020 and 2019, the amounts recognized as cost of sales in relation to inventories were \$240,070,378 thousand and \$257,786,100 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 \$(1,693,966) thousand and \$265,330 thousand for the years ended December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, none of the Company's inventories was pledged as collateral.

## (6) Investments in Equity-accounted Investees

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 70,287,701	67,163,450
Associates	<u>15,580,327</u>	<u>3,021,365</u>
	<u><b>\$ 85,868,028</b></u>	<u><b>70,184,815</b></u>

## a. Subsidiaries

Refer to consolidated financial statements for the years ended December 31, 2020 and 2019 for the details.

## b. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2020		December 31, 2019	
			Amount	Ownership interest%	Amount	Ownership interest%
Qisda	Manufacturing and sales of LCD products and projectors; providing medical services	Taiwan ROC	\$ 9,704,923	17	-	-
ADLINK Technology Inc. ("ADLINK")	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	Taiwan ROC	2,311,727	19	-	-
Star Shining Energy Corporation ("SSEC")	Investment	Taiwan ROC	1,586,817	31	953,966	31
Lextar Electronics Corp. ("Lextar")	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	Taiwan ROC	1,549,703	15	1,642,746	15
Star River Energy Corp. ("SREC")	Investment	Taiwan ROC	<u>427,157</u>	32	<u>424,653</u>	32
			<u><b>\$ 15,580,327</b></u>		<u><b>3,021,365</b></u>	

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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.

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of associates':		
Profit (loss)	\$ (49,033)	11,201
Other comprehensive income (loss)	(28,053)	(19,754)
Total comprehensive income (loss)	\$ (77,086)	(8,553)

On February 5, 2020, AUO's Board of Directors resolved to acquire common shares of ADLINK through tender offer. As of December 31, 2020, the Company holds a total of 42,310 thousand common shares of ADLINK for totaling of 19.45% equity interest in ADLINK.

Lextar, upon the resolution of its Board of Directors on June 18, 2020, carried out a joint share exchange with Epistar Corporation ("Epistar") for a newly incorporated company, Ennostar Inc. ("Ennostar"). Such plan was also approved by Lextar's and Epistar's special shareholders' meetings held on August 7, 2020. In November 2020, Lextar received a written decision on anti monopoly examination of the business operators' concentration from the Antitrust authority in China wherein the authority approved and decided not to prohibit the concentration. On the record date, January 6, 2021, Ennostar's shares have been publicly listed on the Taiwan Stock Exchange. In the meanwhile, Lextar's and Epistar's listing and public offering were terminated. Upon completion of the share exchange, the Company still remains significant influence over Ennostar.

In consideration of the operational strategy, the Company has continued to increase its shareholdings in Qisda through its subsidiary, Konly Venture Corp. ("Konly") since November 2020. Upon the re assessment, the Company considers that it has obtained the ability to exercise significant influence over Qisda; consequently, at the end of December 2020, the Company derecognized the investment in Qisda previously classified as financial assets at FVTOCI, and further recognized an investment accounted for using the equity method at fair value. The related cumulative gain of \$3,863,348 thousand that was previously recognized in other comprehensive income under items never be reclassified in profit or loss was reclassified to retained earnings.

As at December 31, 2020 and 2019, none of the Company's investments in equity-accounted investees was pledged as collateral.

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As of December 31, 2020 and 2019, 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 2020 and 2019, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$36,757 thousand and \$52,829 thousand, respectively.

In 2020 and 2019, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$31 thousand and \$14,949 thousand, respectively.

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Capitalized borrowing costs	<b>\$ 37,917</b>	<b>127,318</b>
The interest rates applied for the capitalization	<b>1.63%~ 1.77%</b>	<b>1.77%~ 1.89%</b>

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

(8) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Carrying amount of right-of-use assets		
Land	\$ 8,685,550	9,236,323
Buildings	104,525	78,037
Other equipment	-	32,517
	<b>\$ 8,790,075</b>	<b>9,346,877</b>

(Continued)

**AU OPTRONICS CORP.**  
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	For the years ended December 31,	
	2020	2019
Additions to right-of-use assets	\$ 78,331	143,402
Depreciation charge for right-of-use assets		
Land	\$ 418,269	431,013
Buildings	36,590	25,552
Other equipment	32,517	64,851
	\$ 487,376	521,416

## (ii) Lease liabilities

	December 31, 2020		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 549,953	159,358	390,595
Between one and five years	2,101,865	567,418	1,534,447
More than five years	8,197,137	1,189,227	7,007,910
	\$ 10,848,955	1,916,003	8,932,952
Lease liabilities — current			\$ 390,595
Lease liabilities — noncurrent			8,542,357
			\$ 8,932,952
	December 31, 2019		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 583,994	168,013	415,981
Between one and five years	2,143,485	601,155	1,542,330
More than five years	8,797,303	1,330,039	7,467,264
	\$ 11,524,782	2,099,207	9,425,575
Lease liabilities — current			\$ 415,981
Lease liabilities — noncurrent			9,009,594
			\$ 9,425,575

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**AU OPTRONICS CORP.**

**Notes to the Parent Company Only Financial Statements**

(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 2020 and 2019, AUO modified some of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amounts of the right-of-use assets were reduced by \$147,371 thousand and \$1,064,094 thousand, respectively. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Additional lease information

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 1,539</u>	<u>2,861</u>
COVID-19-related rent concessions (recognized as deduction of rent expense)	<u>\$ 32,385</u>	<u>-</u>

Total cash outflow for the Company's leases in which it acts as a lessee for the years ended December 31, 2020 and 2019 were \$579,531 thousand and \$618,293 thousand, respectively.

b. Lessor

The Company leased out part of its land, recognized as investment properties, 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(19) 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, 2020 and 2019 were \$563 thousand and \$1,803 thousand, respectively.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Year 1	\$ 8,052	8,052
Year 2	8,052	8,052
Year 3	8,052	8,052
Year 4	8,052	8,052
Year 5	8,052	8,052
Year 6 onwards	<u>55,022</u>	<u>63,074</u>
Total undiscounted operating lease receivable	<u><u>\$ 95,282</u></u>	<u><u>103,334</u></u>

(9) Investment Property

<b>For the year ended December 31, 2020</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost:				
Land	\$ <u>465,868</u>	<u>-</u>	<u>-</u>	<u>465,868</u>
Fair Value	<u>\$ 1,578,838</u>			<u>1,578,838</u>
<b>For the year ended December 31, 2019</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost:				
Land	\$ 465,868	-	-	465,868
Buildings	<u>96,000</u>	<u>-</u>	<u>(96,000)</u>	<u>-</u>
	<u>561,868</u>	<u>-</u>	<u>(96,000)</u>	<u>465,868</u>
Accumulated depreciation:				
Buildings	<u>22,432</u>	<u>940</u>	<u>(23,372)</u>	<u>-</u>
Net carrying amounts	<u>\$ 539,436</u>			<u>465,868</u>
Fair Value	<u>\$ 1,500,985</u>			<u>1,578,838</u>

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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 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. 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 2.53% and 15%, respectively.

As at December 31, 2020 and 2019, there was no investment property that was pledged as collateral.

(10) Intangible Assets

	<b>For the year ended December 31, 2020</b>			
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost:				
Goodwill	\$ 11,280,595	-	-	11,280,595
Patent and technology fee	<u>12,078,767</u>	<u>-</u>	<u>-</u>	<u>12,078,767</u>
	<u>23,359,362</u>	<u>-</u>	<u>-</u>	<u>23,359,362</u>
Accumulated amortization:				
Patent and technology fee	<u>11,307,601</u>	<u>245,311</u>	<u>-</u>	<u>11,552,912</u>
Net carrying amounts	<u>\$ 12,051,761</u>			<u>11,806,450</u>
	<b>For the year ended December 31, 2019</b>			
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost:				
Goodwill	\$ 11,280,595	-	-	11,280,595
Patent and technology fee	<u>12,078,767</u>	<u>-</u>	<u>-</u>	<u>12,078,767</u>
	<u>23,359,362</u>	<u>-</u>	<u>-</u>	<u>23,359,362</u>
Accumulated amortization:				
Patent and technology fee	<u>10,882,616</u>	<u>424,985</u>	<u>-</u>	<u>11,307,601</u>
Net carrying amounts	<u>\$ 12,476,746</u>			<u>12,051,761</u>

(Continued)



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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Display business	<b>\$ 11,280,595</b>	<b>11,280,595</b>

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, 2020 and 2019 were 13.63% and 12.25%, 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% and negative 0.5% for the years ended December 31, 2020 and 2019, respectively. 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 for the years ended December 31, 2020 and 2019, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

(11) Other Current Assets and Other Noncurrent Assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Refundable deposits	\$ 381,528	543,530
Refundable and overpaid tax	360,688	404,135
Prepayments for purchases	101,534	134,972
Others	<u>2,315,894</u>	<u>2,503,713</u>
	3,159,644	3,586,350
Less: current	<u>(1,938,708)</u>	<u>(1,836,890)</u>
Noncurrent	<b><u>\$ 1,220,936</u></b>	<b><u>1,749,460</u></b>

(Continued)

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## (12) Long-term Borrowings

<u>Bank or agent bank</u>	<u>Durations</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	\$ 42,000,000	42,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	23,000,000	23,000,000
Bank of Taiwan and others	From May 2017 to May 2022	6,000,000	10,000,000
Unsecured loans	From Aug. 2018 to Oct. 2023	8,200,000	5,000,000
Secured loans	From Nov. 2019 to Dec. 2026	<u>16,737,500</u>	<u>6,200,000</u>
		95,937,500	86,200,000
Less: transaction costs		<u>(297,982)</u>	<u>(233,890)</u>
		95,639,518	85,966,110
Less: current portion		<u>(11,184,508)</u>	<u>(4,000,000)</u>
		<u>\$ 84,455,010</u>	<u>81,966,110</u>
Unused credit facilities		<u>\$ 51,050,000</u>	<u>31,000,000</u>
Interest rate range		<u>0.7500%~ 1.7895%</u>	<u>1.0000%~ 1.8822%</u>

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, 2020.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual consolidated financial statements prepared in accordance with TIFRSs, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2020 and 2019, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 6(24) 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.

## (13) Provisions

	<u>Warranties<sup>(i)</sup></u>	<u>Litigation, claims and others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 1,266,081	206,544	1,472,625
Additions (Reversals)	218,207	-	218,207
Usage	(208,004)	(32,065)	(240,069)
Effect of change in exchange rate	<u>-</u>	<u>(9,013)</u>	<u>(9,013)</u>
Balance at December 31, 2020	1,276,284	165,466	1,441,750
Less: current	<u>(496,784)</u>	<u>(165,466)</u>	<u>(662,250)</u>
Noncurrent	<u>\$ 779,500</u>	<u>-</u>	<u>779,500</u>

(Continued)

**AU OPTRONICS CORP.**  
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	<u>Warranties<sup>(i)</sup></u>	<u>Litigation, claims and others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 1,433,887	739,248	2,173,135
Additions (Reversals)	126,356	(366,612)	(240,256)
Usage	(294,162)	(156,521)	(450,683)
Effect of change in exchange rate	<u>-</u>	<u>(9,571)</u>	<u>(9,571)</u>
Balance at December 31, 2019	1,266,081	206,544	1,472,625
Less: current	<u>(460,352)</u>	<u>(206,544)</u>	<u>(666,896)</u>
Noncurrent	<u>\$ 805,729</u>	<u>-</u>	<u>805,729</u>

<sup>(i)</sup> 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.

(14) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, the Company has established a defined benefit pension plan covering their full-time employees in the ROC. This plan provides 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 this retirement plan by the Company is contributed monthly based on a certain percentage of employees' total salaries and wages. The fund is deposited with Bank of Taiwan.

In 2020, the Company reached an agreement with part of its employees for terminating their defined benefit pension plans and to settle its defined benefit obligation by following relevant regulations. A gain on the settlement amounting to \$458,854 thousand was thereby recognized in the statement of comprehensive income. The amount of the settlement was fully withdrawn from the pension fund, of which \$1,193,962 thousand has not been withdrawn as of December 31, 2020 until January 2021.

(i) Reconciliation for the Company's present value of defined benefit obligation and the fair value of plan assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ (146,554)	(3,122,442)
Fair value of plan assets	<u>256,878</u>	<u>2,542,832</u>
Net defined benefit asset (liability)	<u>\$ 110,324</u>	<u>(579,610)</u>

(Continued)

**AU OPTRONICS CORP.**  
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(ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2020	2019	2020	2019	2020	2019
Balance at January 1	\$ (3,122,442)	(3,224,379)	2,542,832	2,367,273	(579,610)	(857,106)
Service cost	(1,033)	(1,177)	-	-	(1,033)	(1,177)
Interest cost	(27,478)	(39,337)	-	-	(27,478)	(39,337)
Gain on settlement	458,854	-	-	-	458,854	-
Expected return on plan assets	-	-	22,377	28,881	22,377	28,881
Included in profit or loss	430,343	(40,514)	22,377	28,881	452,720	(11,633)
Actuarial (loss) gain arising from:						
demographic assumptions	-	89,851	-	-	-	89,851
financial assumptions	(10,652)	(206,995)	-	-	(10,652)	(206,995)
experience adjustment	68,531	228,466	-	-	68,531	228,466
Return on plan assets excluding interest income	-	-	82,339	76,788	82,339	76,788
Included in other comprehensive income	57,879	111,322	82,339	76,788	140,218	188,110
Contributions paid by the employer	-	-	96,996	101,019	96,996	101,019
Benefits paid	2,487,666	31,129	(2,487,666)	(31,129)	-	-
	2,487,666	31,129	(2,390,670)	69,890	96,996	101,019
Balance at December 31	\$ (146,554)	(3,122,442)	256,878	2,542,832	110,324	(579,610)

(iii) Plan assets

Pursuant to the ROC Labor Standards Act, the Company contributes an amount based on a certain percentage of employees' total salaries and wages paid every month to its pension fund (the "Fund"), which is administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan 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. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

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**AU OPTRONICS CORP.**  
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As of December 31, 2020, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to \$1,450,840 thousand (including the un withdrawn balance aforementioned). 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.

(iv) Present value of defined benefit obligation

(a) Principal actuarial assumptions

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.39%	0.88%
Rate of increase in future salary	2.90%	2.90%

The Company expects to make no contribution to the defined benefit plans in the next year starting from January 1, 2021.

As at December 31, 2020, the weighted-average duration of the defined benefit obligation was 16 years.

b) Sensitivity analysis

Reasonably possible changes at December 31, 2020 and 2019 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Changes in assumptions</u>		<u>Changes in assumptions</u>	
	<u>+ 0.25%</u>	<u>-0.25%</u>	<u>+0.25%</u>	<u>-0.25%</u>
Discount rate	\$ <u>(5,565)</u>	<u>5,854</u>	<u>(150,518)</u>	<u>158,966</u>
Rate of increase in future salary	\$ <u>5,693</u>	<u>(5,445)</u>	<u>156,374</u>	<u>(147,992)</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 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.

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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, the Company contributes 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.

The Company has set up defined contribution plan in accordance with the Act. For the years ended December 31, 2020 and 2019, \$866,143 thousand and \$902,578 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the Labor Insurance.

(15) Capital and Other Components of Equity

a. Common stock

The Company’s authorized common stock, with par value of \$10 per share, all amounted to \$100,000,000 thousand as at December 31, 2020 and 2019.

The Company’s issued common stock, with par value of \$10 per share, all amounted to \$96,242,451 thousand as at December 31, 2020 and 2019.

On September 9, 2019, the Company’s Board of Directors approved the delisting of ADSs from the NYSE and trading on the OTC market. On and from October 1, 2019, the Company’s ADSs has begun trading on the OTC market. As of December 31, 2020, the Company’s has issued 28,060 thousand ADSs, which represented 280,599 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,781,731	1,738,521
	<b><u>\$ 60,587,684</u></b>	<b><u>60,544,474</u></b>

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. 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.

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c. Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, after payment of income taxes and offsetting accumulated deficits, the legal reserve shall be set aside until the accumulated legal reserve equals the Company'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 the Company'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.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company'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 the Company's long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of the Company, 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 the Company, the Company 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.

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

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 1,016,060	
Special reserve	847,770	
Cash dividends to shareholders	<u>4,812,122</u>	0.50
	<u><u>\$ 6,675,952</u></u>	

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

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**AU OPTRONICS CORP.**  
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The Company's annual shareholders' meeting held on June 17, 2020 resolved to set aside a special reserve of \$1,157,614 thousand and not to distribute dividends for 2019.

The aforementioned appropriation of earnings for 2019 was consistent with the resolutions of the Board of Directors' meeting held on March 20, 2020.

Information on the approval of Board of Directors and shareholders for the Company's appropriations of earnings are available at the Market Observation Post System website.

d. Treasury shares

The Company 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):

<b>For the year ended December 31, 2020</b>				
<b>Reason for reacquisition</b>	<b>Number of shares, Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Number of shares, End of Year</b>
Transferring to employees	125,000	-	-	125,000

<b>For the year ended December 31, 2019</b>				
<b>Reason for reacquisition</b>	<b>Number of shares, Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Number of shares, End of Year</b>
Transferring to employees	-	125,000	-	125,000

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 the Company shall not be pledged, and do not hold any shareholder rights before their transfer.

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## e. Other components of equity

	<b>Cumulative translation differences</b>	<b>Unrealized gains (losses) on financial assets at FVTOCI</b>	<b>Total</b>
Balance at January 1, 2020	\$ (3,129,982)	1,124,598	(2,005,384)
Foreign operations – foreign currency translation differences	(3,049,722)	-	(3,049,722)
Net change in fair value of financial assets at FVTOCI	-	2,564,513	2,564,513
Equity-accounted investees – share of other comprehensive income	2,961,666	112,269	3,073,935
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(3,865,163)	(3,865,163)
Related tax	11,518	-	11,518
Balance at December 31, 2020	<u>\$ (3,206,520)</u>	<u>(63,783)</u>	<u>(3,270,303)</u>
Balance at January 1, 2019	\$ (1,449,910)	602,140	(847,770)
Foreign operations – foreign currency translation differences	(1,211,454)	-	(1,211,454)
Net change in fair value of financial assets at FVTOCI	-	536,369	536,369
Equity-accounted investees – share of other comprehensive income	(846,480)	(13,911)	(860,391)
Related tax	377,862	-	377,862
Balance at December 31, 2019	<u>\$ (3,129,982)</u>	<u>1,124,598</u>	<u>(2,005,384)</u>

## (16) Revenue from Contracts with Customers

	For the years ended December 31,					
	2020			2019		
	<u>Display segment</u>	<u>Energy segment</u>	<u>Total segments</u>	<u>Display segment</u>	<u>Energy segment</u>	<u>Total segments</u>
Primary geographical markets:						
PRC (including Hong Kong)	\$ 86,452,733	5,925	86,458,658	92,747,943	1,262,345	94,010,288
Taiwan	82,687,514	4,936,487	87,624,001	76,020,646	4,486,119	80,506,765
Singapore	41,957,591	484	41,958,075	38,550,665	7,666	38,558,331
Japan	18,582,706	70,223	18,652,929	18,861,590	280,429	19,142,019
Others	21,318,155	77,527	21,395,682	21,459,052	1,490,721	22,949,773
	<u>\$ 250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>	<u>247,639,896</u>	<u>7,527,280</u>	<u>255,167,176</u>

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	2020			2019		
Major products:						
Products for Televisions <sup>(i)</sup>	\$ 69,879,294	-	69,879,294	73,700,573	-	73,700,573
Products for Monitors	41,888,242	-	41,888,242	39,522,268	-	39,522,268
Products for Mobile PCs and Devices	77,464,323	-	77,464,323	69,290,266	-	69,290,266
Products for Automotive Solutions	21,302,128	-	21,302,128	26,355,694	-	26,355,694
Products for PID and General Display <sup>(ii)</sup>	35,545,592	-	35,545,592	33,956,801	-	33,956,801
Others <sup>(iii)</sup>	4,919,120	5,090,646	10,009,766	4,814,294	7,527,280	12,341,574
	<u>\$ 250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>	<u>247,639,896</u>	<u>7,527,280</u>	<u>255,167,176</u>
Major customers:						
Customer A	\$ 32,117,615	-	32,117,615	31,426,701	-	31,426,701
Others (individually not greater than 10%)	218,881,084	5,090,646	223,971,730	216,213,195	7,527,280	223,740,475
	<u>\$ 250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>	<u>247,639,896</u>	<u>7,527,280</u>	<u>255,167,176</u>

- (i) Displays for public information that previously included in products for televisions were reclassified to products for PID and general display.
- (ii) Including displays for public information and general utilization.
- (iii) Including sales of solar related products, raw materials and components and from products for other applications and service charges.

(17) Remuneration to Employees and Directors

According to the Company's Articles of Incorporation, the Company 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.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2019. The Company accrued 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. For the year ended December 31, 2020, the Company estimated the remuneration to employees amounting to \$253,493 thousand. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex dividend effect) on the day preceding the Board of Directors' meeting. If there is a change in the proposed amounts after the annual 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.

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

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

(18) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2020			2019		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Salaries and wages	\$14,077,575	5,490,687	19,568,262	14,352,414	5,242,481	19,594,895
Labor and health insurances	1,170,678	367,424	1,538,102	1,322,702	391,763	1,714,465
Retirement benefits	296,886	116,537	413,423	668,826	245,385	914,211
Remuneration to directors	-	42,812	42,812	-	31,681	31,681
Other employee benefits	1,153,079	234,066	1,387,145	1,275,784	214,908	1,490,692
Depreciation <sup>(i)</sup>	20,674,699	3,112,597	23,787,296	20,708,657	2,812,046	23,520,703
Amortization	245,311	-	245,311	424,985	-	424,985

(i) The above depreciation did not include the depreciation of investment property.

Additional information on the number of the Company's employees and the average employee benefit expenses of the Company for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Number of employees	<u>20,616</u>	<u>21,263</u>
Number of non-employee directors	<u>7</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 1,112</u>	<u>1,115</u>
Average salaries expenses	<u>\$ 950</u>	<u>922</u>
Average salary expense adjustment	<u>3%</u>	<u>(1)%</u>
Remuneration to supervisor	<u>\$ -</u>	<u>-</u>

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**AU OPTRONICS CORP.**  
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The Company's compensation policies (including directors, managers and employees) were as follows:

- a. Directors: compensation for directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Association, based on individual Director's level of participation and contributions to the Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, the Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Association.
- b. Managers and employees:
  - (i) The Company provides diversified and competitive overall remuneration and career development opportunities. Apart from basic salary (including principal salary, meal allowance, etc.), various allowances and rewards, such as work allowances, duty allowances, performance bonuses, incentive bonuses and remuneration to employees based on annual profit, are designed for difference job nature and reward purpose.
  - (ii) The Company participates in international market salary surveys every year, and makes salary adjustment based on the market level of each job and individual performance to sustain our market competitiveness. Under the premise of enhancing the Company's overall operations and performance from team work and individual, the Company designs various short-term or long-term reward plans and profit sharing with employees to achieve the purpose of talent attraction, retention, motivation and programmatic cultivation of high-quality talents.
  - (iii) The remuneration for the managers is linked to the Company's operating performance and job duties. While designing the salary package, the Company refers to the salary market level and cooperates with long-term external professional consultants. According to the laws, the remuneration for the managers is proposed by the Remuneration Committee and approved by the Board of Directors. It is established to sustain shareholders' long-term value and build up a management team with entrepreneurial spirit.
  - (iv) Salaries for employees are determined by the factors such as the employees' educational background, professional knowledge and technology, and professional years of experience. Employees would not be discriminated regardless of their gender, race, religious beliefs, political stance, marital status and unions they participate.

(19) Non-Operating Income and Expenses

- a. Interest income

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income on bank deposits	\$ 141,156	272,320
Others	17,809	27,879
	<b>\$ 158,965</b>	<b>300,199</b>

(Continued)

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b. Other income

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Rental income, net	\$ 317,694	351,618
Dividend income	251,423	284,946
Grants and others	326,623	558,270
	<b>\$ 895,740</b>	<b>1,194,834</b>

c. Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange losses, net	\$ (632,825)	(57,872)
Gains on valuation of financial instruments at FVTPL, net	530,999	349,903
Gains on disposals of property, plant and equipment, net	21,322	27,307
Impairment losses on assets	(36,788)	(67,778)
Gains (losses) on litigation and others	(64,823)	366,612
	<b>\$ (182,115)</b>	<b>618,172</b>

d. Finance costs

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest expense on bank borrowings	\$ 1,536,020	1,154,398
Interest expense on lease liabilities	154,795	172,713
Finance expense and other interest expense	80,458	219,289
	<b>\$ 1,771,273</b>	<b>1,546,400</b>

(20) Income Taxes

a. Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense (benefit):		
Current year	\$ -	-
Adjustment to prior years and others	(4)	(244,624)
	<b>(4)</b>	<b>(244,624)</b>

(Continued)

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	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax expense (benefit):		
Temporary differences	(879,735)	553,216
Tax losses carryforwards	-	530,002
	(879,735)	1,083,218
	<b>\$ (879,739)</b>	<b>838,594</b>

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	<b>\$ 28,043</b>	<b>37,622</b>
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	\$ (609,944)	(242,291)
Equity-accounted investees – share of other comprehensive income	598,426	(135,571)
	<b>\$ (11,518)</b>	<b>(377,862)</b>

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 statements of comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Income tax expense (benefit) at statutory tax rate	\$ 499,317	(3,669,333)
Net of non-taxable income and non-deductible expense	49,957	442,825
Change of unrecognized deductible temporary differences	(1,429,009)	4,309,726
Adjustments to prior year	(4)	(244,624)
Income tax expense (benefit)	<b>\$ (879,739)</b>	<b>838,594</b>

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b. Deferred tax assets and liabilities

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deductible temporary differences	\$ 274,984	1,253,853
Unused tax losses carryforwards	<u>14,167,214</u>	<u>14,453,820</u>
	<b><u>\$ 14,442,198</u></b>	<b><u>15,707,673</u></b>

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2020, 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>
2011 (assessed)	\$ 804,946	2021
2012 (assessed)	9,667,511	2022
2019 (filed)	<u>3,694,757</u>	2029
	<b><u>\$ 14,167,214</u></b>	

As of December 31, 2020 and 2019, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to \$832,350 thousand and \$277,670 thousand, respectively.

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

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>		<u>Total</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax losses carryforwards	\$ 2,120,783	2,120,783	-	-	2,120,783	2,120,783
Unrealized loss and expenses	255,257	161,146	-	-	255,257	161,146
Inventories write-down	523,594	857,255	-	-	523,594	857,255
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,213,429)	(2,213,429)	(2,213,429)	(2,213,429)
Remeasurement of defined benefit plans	129,173	157,216	-	-	129,173	157,216
Others	<u>2,221,352</u>	<u>969,080</u>	<u>(121,469)</u>	<u>-</u>	<u>2,099,883</u>	<u>969,080</u>
	<b><u>\$ 5,250,159</u></b>	<b><u>4,265,480</u></b>	<b><u>(2,334,898)</u></b>	<b><u>(2,213,429)</u></b>	<b><u>2,915,261</u></b>	<b><u>2,052,051</u></b>

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	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Deferred tax assets (liabilities):							
Tax losses carryforwards	\$ 2,650,785	(530,002)	-	2,120,783	-	-	2,120,783
Unrealized loss and expenses	300,881	(139,735)	-	161,146	94,111	-	255,257
Inventories write-down	809,322	47,933	-	857,255	(333,661)	-	523,594
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	-	-	(2,213,429)	-	-	(2,213,429)
Remeasurement of defined benefit plans	194,838	-	(37,622)	157,216	-	(28,043)	129,173
Others	1,052,632	(461,414)	377,862	969,080	1,119,285	11,518	2,099,883
	<u>\$ 2,795,029</u>	<u>(1,083,218)</u>	<u>340,240</u>	<u>2,052,051</u>	<u>879,735</u>	<u>(16,525)</u>	<u>2,915,261</u>

c. Assessments by the tax authorities

As of December 31, 2020, the tax authorities have completed the examination of income tax returns of the Company through 2018.

(21) Earnings (loss) per Share

	For the years ended December 31,	
	2020	2019
Basic earnings (loss) per share		
Profit (loss) attributable to shareholders	\$ <u>3,376,324</u>	<u>(19,185,258)</u>
Weighted-average number of common shares outstanding during the year	<u>9,499,245</u>	<u>9,597,268</u>
Basic earnings (loss) per share (NT\$)	\$ <u>0.36</u>	<u>(2.00)</u>
Diluted earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	\$ <u>3,376,324</u>	<u>(19,185,258)</u>
Weighted-average number of common shares outstanding during the year	9,499,245	9,597,268
Effect of employee remuneration in stock	18,107	-
	<u>9,517,352</u>	<u>9,597,268</u>
Diluted earnings (loss) per share (NT\$)	\$ <u>0.35</u>	<u>(2.00)</u>

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Since the Company incurred net loss for the year ended December 31, 2019, there were no potential ordinary shares with dilutive effect for the year.

(22) Cash Flow Information

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

	<b>Long-term borrowings (including current installments)</b>	<b>Guarantee deposits</b>	<b>Lease liabilities</b>	<b>Total liabilities from financing activities</b>
Balance at January 1, 2020	\$ 85,966,110	728,087	9,425,575	96,119,772
Cash flows	9,606,850	51,000	(390,812)	9,267,038
Non-cash changes:				
Addition (decrease) of leases	-	-	(69,426)	(69,426)
Changes in lease payments	-	-	(32,385)	(32,385)
Changes in exchange rate	-	26,144	-	26,144
Amortization on transaction costs	<u>66,558</u>	<u>-</u>	<u>-</u>	<u>66,558</u>
Balance at December 31, 2020	<u><u>\$ 95,639,518</u></u>	<u><u>805,231</u></u>	<u><u>8,932,952</u></u>	<u><u>105,377,701</u></u>
Balance at January 1, 2019	\$ 51,945,545	757,315	10,788,985	63,491,845
Cash flows	33,813,000	-	(442,719)	33,370,281
Non-cash changes:				
Addition (decrease) of leases	-	-	(920,691)	(920,691)
Changes in exchange rate	-	(29,228)	-	(29,228)
Amortization on transaction costs	<u>207,565</u>	<u>-</u>	<u>-</u>	<u>207,565</u>
Balance at December 31, 2019	<u><u>\$ 85,966,110</u></u>	<u><u>728,087</u></u>	<u><u>9,425,575</u></u>	<u><u>96,119,772</u></u>

(23) 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) and other current financial assets.

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, 2020 and 2019 were as follows:

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	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 21,361	21,361	18,753	18,753
Financial assets at FVTOCI	-	-	7,140,410	7,140,410
Financial assets at amortized cost:				
Refundable deposits	381,528	381,528	543,530	543,530
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	135,420	135,420	7,054	7,054
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	95,639,518	95,639,518	85,966,110	85,966,110
Long-term payables (including current installments)	309,900	309,900	464,850	464,850
Guarantee deposits	805,231	805,231	728,087	728,087

b. Valuation techniques and assumptions applied in fair value measurement

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

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

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

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

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

c. Fair value measurements recognized in the 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.

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- (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>
<b>December 31, 2020</b>				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	21,361	-	21,361
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	135,420	-	135,420
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	309,900	-	309,900
<b>December 31, 2019</b>				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	-	18,753	-	18,753
Financial assets at FVTOCI	7,140,410	-	-	7,140,410
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	7,054	-	7,054
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	464,850	-	464,850

There were no transfers between Level 1 and 2 for the years ended December 31, 2020 and 2019.

(24) 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.

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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 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. There should be no major concerns for the performance capability of trading counterparts. 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 equivalents investments.

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 prepayments, 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, 2020 and 2019, the Company's five largest customers accounted for 41.8% and 38.7%, respectively, of the Company's net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(4) for expected credit loss analysis of accounts receivable and the movement in the loss allowance of accounts receivable.

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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, 2020.

(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.

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 but exclude the impact of netting agreements.

	<u>Contractual cash flows</u>	<u>2021.1.1~ 2021.12.31</u>	<u>2022.1.1~ 2023.12.31</u>	<u>2024.1.1~ 2025.12.31</u>	<u>2026 and thereafter</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	\$ 99,192,346	12,648,823	60,145,458	25,235,659	1,162,406
Long-term payables (including current installments)	309,900	154,950	154,950	-	-
Guarantee deposits	805,231	-	-	-	805,231
Derivative financial instruments					
Foreign currency forward contracts – inflows	(18,035,672)	(18,035,672)	-	-	-
Foreign currency forward contracts – outflows	18,152,046	18,152,046	-	-	-
	<u>\$ 100,423,851</u>	<u>12,920,147</u>	<u>60,300,408</u>	<u>25,235,659</u>	<u>1,967,637</u>

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<b>December 31, 2019</b>	<u>Contractual cash flows</u>	<u>2020.1.1~ 2020.12.31</u>	<u>2021.1.1~ 2022.12.31</u>	<u>2023.1.1~ 2024.12.31</u>	<u>2025 and thereafter</u>
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	\$ 90,585,552	5,494,005	39,068,031	45,000,942	1,022,574
Long-term payables (including current installments)	464,850	154,950	309,900	-	-
Guarantee deposits	728,087	-	-	-	728,087
Derivative financial instruments					
Foreign currency forward contracts— inflows	(12,006,046)	(12,006,046)	-	-	-
Foreign currency forward contracts— outflows	<u>12,010,120</u>	<u>12,010,120</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 91,782,563</u>	<u>5,653,029</u>	<u>39,377,931</u>	<u>45,000,942</u>	<u>1,750,661</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, 2020, 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.

(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, while optimizing the return.

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.

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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, 2020			December 31, 2019		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,891,983	28.507	53,934,759	1,133,061	30.1350	34,144,793
JPY	9,691,657	0.2763	2,677,805	19,604,815	0.2768	5,426,613
EUR	31,465	35.0494	1,102,829	45,485	33.7422	1,534,764
<u>Non-monetary items</u>						
USD	1,971,109	28.507	56,190,404	1,765,302	30.1350	53,197,376
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,390,500	28.507	39,638,984	1,236,623	30.1350	37,265,634
JPY	20,124,348	0.2763	5,560,357	23,792,658	0.2768	6,585,808
EUR	3,472	35.0494	121,692	2,910	33.7422	98,190

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 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, 2020 and 2019, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2020 and 2019 as follows:

	For the years ended December 31,	
	2020	2019
1% of depreciation	\$ 123,944	(28,435)
1% of appreciation	(123,944)	28,435

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 losses for the years ended December 31, 2020 and 2019 were \$632,825 thousand and \$57,872 thousand, respectively.

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(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, 2020 and 2019 by \$239,844 thousand and \$215,500 thousand, respectively.

(c) Equity price risk

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

(25) 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Long-term borrowings (including current installments)	\$ 95,639,518	85,966,110
Total liabilities	181,195,885	168,993,027
Total equity	182,804,691	176,671,840
Debt-to-equity ratio	99 %	96 %
Net debt-to-equity ratio <sup>(i)</sup>	22 %	23 %

<sup>(i)</sup> Net debt-to-equity ratio is defined as long-term borrowings less cash and cash equivalents and divided by total equity.

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**7. Related-party Transactions**

(1) Name and relationship of related parties

The following is a summary of subsidiaries and related parties that have had transactions with the Company during the periods presented in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
AU Optronics (L) Corp. (“AULB”)	Subsidiary
Konly	Subsidiary
Ronly Venture Corp. (“Ronly”)	Subsidiary
Darwin Precisions Corporation (“DPTW”)	Subsidiary
AUO Crystal Corp. (“ACTW”)	Subsidiary
Space Money Inc. (“SMI”)	Subsidiary
Da Ping Green Energy Corporation (“DPGE”)	Subsidiary
AUO Health Corporation (“AHTW”)	Subsidiary
U-Fresh Technology Inc. (“UTI”)	Subsidiary
AU Optronics Corporation America (“AUUS”)	Subsidiary
AU Optronics Corporation Japan (“AUJP”)	Subsidiary
AU Optronics Europe B.V. (“AUNL”)	Subsidiary
AU Optronics Korea Ltd. (“AUKR”)	Subsidiary
AU Optronics Singapore Pte. Ltd. (“AUSG”)	Subsidiary
AU Optronics (Czech) s.r.o. (“AUCZ”)	Subsidiary
AU Optronics (Shanghai) Co., Ltd. (“AUSH”)	Subsidiary
AU Optronics (Xiamen) Corp. (“AUXM”)	Subsidiary
AU Optronics (Suzhou) Corp., Ltd. (“AUSZ”)	Subsidiary
AU Optronics (Slovakia) s.r.o. (“AUSK”)	Subsidiary
AFPD Pte., Ltd. (“AUST”)	Subsidiary
AU Optronics (Kunshan) Co., Ltd. (“AUKS”)	Subsidiary
a.u.Vista Inc. (“AUVI”)	Subsidiary
Fortech Electronics (Suzhou) Co., Ltd. (“FTWJ”)	Subsidiary
Darwin Precisions (Xiamen) Corp. (“DPXM”)	Subsidiary
BriView (Xiamen) Corp. (“BVXM”)	Subsidiary
AUO Green Energy America Corp. (“AEUS”)	Subsidiary
AUO Display Plus Netherlands B.V. (“ADPNL”, formerly AUO Green Energy Europe B.V. (“AENL”))	Subsidiary

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
ComQi Inc. (“CQUS”)	Subsidiary
Edgetech Data Technologies (Suzhou) Corp., Ltd. (“EDT”)	Subsidiary
Lextar Electronics Corporation (“Lextar”)	Associate
Wellybond Corporation (“WBC”)	Subsidiary of Lextar
TRENDYLITE CORPORATION (“TRENDYLITE”)	Subsidiary of Lextar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Star River Energy Corp. (“SREC”)	Associate
Evergen Power Corporation (“EGPC”)	Subsidiary of SREC
Star Shining Energy Corporation (“SSEC”)	Associate
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	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
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
Daxin Materials Corp. (“Daxin”)	Associate
ADLINK Technology Inc. (“ADLINK”)	Associate
Qisda Corporation (“Qisda”)	Associate <sup>(ii)</sup>
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Japan Co., Ltd. (“QJTO”)	Subsidiary of Qisda
Mainteq Europe B.V. (“MQE”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Data Image Corporation (“DIC”)	Subsidiary of Qisda
Data Image (Suzhou) Corporation (“DICSZ”)	Subsidiary of Qisda
Sysage Technology Co., Ltd. (“Sysage”)	Subsidiary of Qisda

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
ACE Pillar Co., Ltd. (“ACE”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
Golden Spirit Co., Ltd. (“GSC”)	Subsidiary of Qisda
IRIS Optronics Co., Ltd. (“IOC”)	Associate
BenQ Foundation	Substantive related party
AUO Foundation	Substantive related party

- (i) For the information in respect of the Company’s subsidiaries and related parties, please refer to the consolidated financial statements for the years ended December 31, 2020 and 2019.
- (ii) The Company has accounted for the investment in Qisda using the equity method since December 31, 2020. Qisda and its subsidiaries are changed as the Company’s associates from the same date while previously they are categorized as other related parties. See Note 6(6) for the relevant information.

(2) Compensation to key management personnel

Key management personnel’s compensation comprised:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 218,723	238,873
Post-employment benefits	2,032	2,633
	<b>\$ 220,755</b>	<b>241,506</b>

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

a. Sales

	<b>Sales</b>		<b>Accounts receivable from related parties</b>	
	<b>For the years ended December 31,</b>		<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 4,248,540	4,053,100	291,943	313,465
Associates	765,017	1,124,483	1,966,761	236,971
Others	10,775,744	10,051,582	-	1,388,530
	<b>\$ 15,789,301</b>	<b>15,229,165</b>	<b>2,258,704</b>	<b>1,938,966</b>

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

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

	<u>Purchases</u>		<u>Accounts payable to related parties</u>	
	<u>For the years ended</u>		<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 87,988,257	86,620,411	26,039,202	21,808,772
Associates	3,237,827	3,687,643	3,884,576	1,089,448
Others	12,385,625	12,380,236	-	2,427,054
	<u>\$ 103,611,709</u>	<u>102,688,290</u>	<u>29,923,778</u>	<u>25,325,274</u>

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

c. Acquisition of property, plant and equipment

	<u>Acquisition prices</u>	
	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 275,226	474,357
Associates	8,815	6,555
Others	9,560	5,909
	<u>\$ 293,601</u>	<u>486,821</u>

d. Disposal of property, plant and equipment and others

	<u>Proceeds from disposal</u>		<u>Gains on disposal</u>	
	<u>For the years ended</u>		<u>For the years ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 4	2,261	4	50

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

e. Other related party transactions

<u>Transaction type</u>	<u>Type of related party</u>	<u>December 31, 2020</u>	<u>December 31, 2020</u>
Other receivables due from related parties	Subsidiaries	\$ 1,004,613	1,211,067
	Associates	16,805	328
	Others	-	193
		<u>\$ 1,021,418</u>	<u>1,211,588</u>
Other payables due to related parties, including payables for equipment	Subsidiaries	\$ 642,666	398,081
	Associates	15,154	13,163
	Others	-	22,450
		<u>\$ 657,820</u>	<u>433,694</u>

		<b>For the years ended December 31,</b>	
<u>Transaction type</u>	<u>Type of related party</u>	<u>2020</u>	<u>2019</u>
Rental income	Subsidiaries	\$ 5,901	26,764
	Associates	44,408	40,684
	Others	114,383	107,074
		<u>\$ 164,692</u>	<u>174,522</u>

		<b>For the years ended December 31,</b>	
<u>Transaction type</u>	<u>Type of related party</u>	<u>2020</u>	<u>2019</u>
Administration and other income	Subsidiaries	\$ 30,151	41,585
	Associates	11,986	8,154
	Others	6,155	6,476
		<u>\$ 48,292</u>	<u>56,215</u>
Other expenses	Subsidiaries	\$ 671,967	696,208
	Associates	69,744	17,491
	Others	52,613	46,781
		<u>\$ 794,324</u>	<u>760,480</u>

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

For the years ended December 31, 2020 and 2019, the Company had received cash dividends from related parties of \$371,371 thousand and \$604,468 thousand, respectively.

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

**8. Pledged Assets**

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Restricted cash in banks(i)	Guarantee for warranties	\$ 8,657	8,657
Land and buildings	Long-term borrowings limit	46,628,977	27,800,133
Machinery and equipment	Long-term borrowings limit	45,407,718	42,952,902
		<u>\$ 92,045,352</u>	<u>70,761,692</u>

(i) Classified as 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, 2020, in addition to those disclosed in other notes to the parent company only financial statements, were as follows:

(1) Outstanding letters of credit

As at December 31, 2020, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

<u>Currency</u>	<u>December 31, 2020 (in thousands)</u>
USD	457
JPY	1,767,270

(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

As at December 31, 2020, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$4,309,081 thousand.

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

(4) Litigation

- . Antitrust civil actions lawsuits in the United States and other jurisdictions

A lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel (“Israeli Court”). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. In April 2019, the Central District Court of Israel in Lod approved the settlement. In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis.

In September 2018, AUUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

As of February 3, 2021, 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**

(Continued)

**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

**12. Others**

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 in 2010. 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 have proceeded to file an administrative action for invalidating the environmental assessment again. The matter is still under review by the court. Management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

**13. Additional Disclosures**

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2020.

- a. Financings provided: Please see Table 1 attached.
- b. Endorsements/guarantees provided: Please see Table 2 attached.
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.
- d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached.
- e. Acquisition of individual real estate with costs exceeding NT\$300 million or 20% of the paid-in capital: None
- 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).

(Continued)



**AU OPTRONICS CORP.**  
**Notes to the Parent Company Only Financial Statements**

- (2) Information on investees (excluding information on investment in Mainland China): Please see Table 7 attached.
- (3) Information on investment in Mainland China:
- a. The related information on investment in Mainland China: Please see Table 8.1 and 8.2 attached.
  - b. Upper limit on investment in Mainland China: Please see Table 8.1 and 8.2 attached.
  - c. Significant transactions:  
 Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2020, are disclosed in “Information on significant transactions”.

- (4) Major shareholders:

	Shares	
	Total Shares Owned	Ownership Percentage
<b>Major Shareholder</b>		
Qisda	663,598,620	6.89 %

**14. Segment Information**

The Company has provided the operating segments disclosure in the consolidated financial statements. Disclosure of the segment information in the parent company only financial statements is waived.

(Continued)

## AU OPTRONICS CORP. AND SUBSIDIARIES

### Financings Provided

**For the year ended December 31, 2020**  
(Amount in thousands of New Taiwan Dollars)

Table 1

Financing No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	3,500,000	2,000,000	1,000,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	AUKS	Other receivables from related parties	Yes	1,300,920	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	SMI	Other receivables from related parties	Yes	30,000	30,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	UTI	Other receivables from related parties	Yes	200,000	200,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
1	AULB	AUKS	Other receivables from related parties	Yes	13,792,960	13,585,440	6,135,360	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	22,363,769	22,363,769
2	AUXM	AUKS	Other receivables from related parties	Yes	5,254,560	4,382,400	1,972,080	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,797,418	5,797,418
3	BVXM	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	523,838	523,838

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
4	AUSJ	AUKS	Other receivables from related parties	Yes	1,446,192	1,446,192	788,832	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,587,158	1,587,158
4	AUSJ	UFSD	Other receivables from related parties	Yes	219,120	219,120	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	UFSZ	Other receivables from related parties	Yes	173,104	87,648	35,497	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	A-Care	Other receivables from related parties	Yes	86,552	43,824	4,382	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
5	AUSZ	AUKS	Other receivables from related parties	Yes	6,135,360	6,135,360	3,067,680	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	6,547,160	6,547,160
6	BVHF	AUKS	Other receivables from related parties	Yes	306,768	306,768	306,768	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	327,745	327,745
7	DPSZ	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	523,662	523,662
8	DPTW	DPSK	Other receivables from related parties	Yes	52,863	52,574	29,441	Adjusted by short-term average lending rate	Needs for short-term financing	-	Operating capital	-	-	-	2,482,061	3,971,298
9	FTKS	AUKS	Other receivables from related parties	Yes	433,640	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	558,230	558,230
10	FTWJ	FHWJ	Other receivables from related parties	Yes	65,046	43,824	43,824	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,830,825	1,830,825

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

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

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

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

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

- a. AUO: The total amount available for lending purposes shall not exceed 40% of AUO's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest financial statement.
- b. AULB, AUSZ, AUXM, AUSJ, BVXM and BVHF: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement.
- c. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the aggregate amount available for lending to such borrowers and total amount lendable to a company shall not exceed the net worth of the lending company as stated in its latest financial statement.
- d. DPTW: The total amount available for lending purposes shall not exceed 40% of DPTW's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 25% of DPTW's net worth as stated in its latest financial statement.
- e. DPSZ, FTWJ and FTKS: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company.
- f. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly and indirectly, by DPTW, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Endorsements/Guarantees Provided**  
**For the year ended December 31, 2020**  
**(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/ Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUKS	2	91,402,346	15,391,064	14,373,073	8,654,361	-	7.86%	182,804,691	Yes	No	Yes
1	AUXM	AUO	3	14,493,546	6,354,480	6,354,480	-	-	43.84%	14,493,546	No	Yes	No
2	AUSZ	AUO	3	16,367,899	4,470,048	4,470,048	-	-	27.31%	16,367,899	No	Yes	No
3	DPXM	DPTW	3	1,739,404	438,240	438,240	-	-	10.08%	1,739,404	No	No	No

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

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

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

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

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

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

- a. AUO: The total endorsement/guarantee amount provided shall not exceed the net worth of AUO as stated in its latest 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. AUSZ and AUXM: 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. DPXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of DPXM's net worth as stated in its latest financial statement.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)**

**December 31, 2020**

(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, 2020				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
AUO	BenQ ESCO Corp.'s stock	Related party	Financial assets at FVTPL – noncurrent	1,700	-	17.00%	-	17.00%	
AULB	Abakus Solar AG's stock	-	Financial assets at FVTPL – noncurrent	3	-	2.22%	-	2.22%	
AUSH	T-powertek Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,293	CNY 6,250	1.66%	CNY 6,250	2.16%	
FPWJ	Structured deposit	-	Financial assets at FVTPL – current	-	CNY 54,227	-	CNY 54,227	-	
FTKS	Structured deposit	-	Financial assets at FVTPL – current	-	CNY 72,585	-	CNY 72,585	-	
Konly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	967	113,640	2.26%	113,640	2.34%	
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	13	-	4.74%	-	5.33%	
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,407	7,345	4.00%	7,345	4.01%	
Konly	ChenFeng Optronics Corporation's stock	-	Financial assets at FVTPL – noncurrent	1,500	-	2.35%	-	2.63%	
Konly	Epistar Corporation's stock	-	Financial assets at FVTOCI – noncurrent	7,037	294,668	0.65%	294,668	0.65%	
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	4,000	-	10.87%	-	10.87%	
DPTW	D8AI Holdings Corporation's stock	-	Financial assets at FVTOCI – noncurrent	7,000	8,649	4.59%	8,649	4.59%	
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	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,914	34,968	10.00%	34,968	10.00%	
DPTW	WiBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	3,536	42,432	9.11%	42,432	12.11%	
Ronly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	359	71,517	0.84%	71,517	0.87%	
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	41	-	0.49%	-	0.49%	
Ronly	Profet AI Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	511	10,002	10.16%	10,002	10.16%	

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding**  
**NT\$300 Million or 20% of the Paid-in Capital**  
**For the year ended December 31, 2020**  
**(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	CQIL's stock	Investments in equity-accounted investees	-	-	39,974	576,111	-	305,963	-	-	-	-	39,974	881,300	2
AUO	ADLINK's stock	Investments in equity-accounted investees	-	-	-	-	42,310	2,411,693	-	-	-	-	42,310	2,311,727	1
AUO	SSEC's stock	Investments in equity-accounted investees	-	-	93,000	953,966	62,000	620,000	-	-	-	-	155,000	1,586,817	2
CQHLD	CQUS's stock	Investments in equity-accounted investees	-	-	11	3,863	2	10,250	-	-	-	-	13	14,126	2
CQIL	CQHLD's stock	Investments in equity-accounted investees	-	-	635,709	18,491	21	10,250	-	-	-	-	635,730	29,097	2
DPSZ	Structured deposit	Financial assets at FV/TPL—current	-	-	-	70,488	-	-	CNY 71,372	CNY 71,372	-	-	-	-	-
FPWJ	Structured deposit	Financial assets at FV/TPL—current	-	-	-	100,642	-	CNY 105,750	-	CNY 154,403	CNY 154,403	-	-	CNY 54,227	3
FTKS	Structured deposit	Financial assets at FV/TPL—current	-	-	-	171,493	-	CNY 448,500	-	CNY 553,777	CNY 553,777	-	-	CNY 72,585	3

Note 1: a. The acquisition amount refers to the tender offer consideration for acquiring part of ADLINK's shares. See Note 6(6) for the relevant information.

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

Note 2: The acquisition amount refers to the participation in the investees' capital increase. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 3: The ending balance includes the gain/loss on valuation of the financial asset.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital**  
**For the year ended December 31, 2020**  
**(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	AUKS	Subsidiary of AUO	Purchases	20,126,829	11%	EOM 30 days	-	(3,728,045)	(7)%		
AUO	AUSK	Subsidiary of AUO	Purchases	116,806	-	EOM 45 days	-	(16,849)	-		
AUO	AUST	Subsidiary of AUO	Purchases	4,574,857	2%	EOM 45 days	-	(676,280)	(1)%		
AUO	AUSZ	Subsidiary of AUO	Purchases	35,317,575	19%	EOM 45 days	-	(11,760,985)	(22)%		
AUO	AUXM	Subsidiary of AUO	Purchases	24,270,146	13%	EOM 45 days	-	(9,153,218)	(17)%		
AUO	Qisda	Associate	Purchases	8,412,978	5%	EOM 45 days	-	(1,622,435)	(3)%		
AUO	BMC	Subsidiary of Qisda	Purchases	3,951,995	2%	EOM 90 days	-	(1,119,694)	(2)%		
AUO	Raydium	Associate	Purchases	874,933	-	EOM 120 days	-	(326,321)	(1)%		
AUO	Daxin	Associate	Purchases	2,310,181	1%	EOM 120 days	-	(787,616)	(1)%		
AUO	DPTW	Subsidiary of AUO	Purchases	3,527,426	2%	EOM 60 days	-	(698,675)	(1)%		
AUO	AUNL	Subsidiary of AUO	Sales	(1,354,682)	(1)%	EOM 45 days	-	184,233	-		
AUO	AUSZ	Subsidiary of AUO	Sales	(1,399,835)	(1)%	EOM 45 days	-	-	-		
AUO	AUUS	Subsidiary of AUO	Sales	(269,837)	-	EOM 75 days	-	63,767	-		
AUO	AUXM	Subsidiary of AUO	Sales	(948,058)	-	EOM 45 days	-	-	-		
AUO	DICSZ	Subsidiary of Qisda	Sales	(216,863)	-	EOM 45 days	-	38,126	-		
AUO	QCOS	Subsidiary of Qisda	Sales	(333,463)	-	EOM 55 days	-	59,166	-		
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,192,754)	(3)%	EOM 55 days	-	1,103,551	3%		
AUO	RJPC	Subsidiary of SSEC	Sales	(254,572)	-	EOM 25 days	-	96,436	-		



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	BenQ	Subsidiary of Qisda	Sales	(2,962,512)	(1)%	EOM 55 days	-	630,668	1%		
AUO	SLEC	Subsidiary of SSEC	Sales	(221,114)	-	Payment in advance	-	-	-		
AUO	DPTW	Subsidiary of AUO	Sales	(186,407)	-	EOM 45 days	-	15,384	-		
AUO	FGPC	Subsidiary of SSEC	Sales	(121,267)	-	EOM 25 days	-	22,130	-		
ACMK	ACTW	Subsidiary of AUO	Purchases	20,085	95%	OA 45 days	-	(944)	(98)%		
AUKS	AUO	Ultimate parent company	Purchases	47,732	2%	EOM 45 days	-	(3,557)	-		
AUKS	AUSZ	Subsidiary of AUO	Purchases	181,415	7%	EOM 60 days	-	(57,359)	(7)%		
AUKS	Qisda	Associate	Purchases	26,786	1%	EOM 120 days	-	(14,258)	(2)%		
AUKS	AUO	Ultimate parent company	Sales	(4,777,267)	(100)%	EOM 30 days	-	857,238	100%		
AUNL	AUO	Ultimate parent company	Purchases	42,597	100%	EOM 45 days	-	(5,245)	(100)%		
AUSH	AUO	Ultimate parent company	Sales	(36,314)	(99)%	End of quarter 25 days	-	-	-		
AUSK	AUO	Ultimate parent company	Sales	(3,850)	(83)%	EOM 45 days	-	888	83%		
AUST	AUO	Ultimate parent company	Sales	(154,779)	(100)%	EOM 45 days	-	23,723	100%		
AUSZ	AUO	Ultimate parent company	Purchases	395,440	5%	EOM 45 days	-	-	-		
AUSZ	Qisda	Associate	Purchases	513,274	7%	EOM 120 days	-	(181,382)	(7)%		
AUSZ	BMC	Subsidiary of Qisda	Purchases	253,846	3%	EOM 90 days	-	(69,087)	(3)%		
AUSZ	Raydium	Associate	Purchases	591,588	8%	EOM 120 days	-	(212,094)	(8)%		
AUSZ	DPTW	Subsidiary of AUO	Purchases	204,540	3%	EOM 120 days	-	(63,420)	(2)%		
AUSZ	AUO	Ultimate parent company	Sales	(8,393,763)	(94)%	EOM 45 days	-	2,693,520	97%		
AUSZ	AUKS	Subsidiary of AUO	Sales	(181,390)	(2)%	EOM 60 days	-	57,359	2%		
AUUS	AUO	Ultimate parent company	Purchases	8,104	100%	EOM 75 days	-	(2,235)	(100)%		
AUUS	AUO	Ultimate parent company	Sales	(5,649)	(38)%	EOM 30 days	-	-	-		
AUXM	AUO	Ultimate parent company	Purchases	200,895	4%	EOM 45 days	-	-	-		
AUXM	DPXM	Subsidiary of AUO	Purchases	24,024	-	EOM 120 days	-	(10,098)	(1)%		

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)	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 165,621	3%	EOM 90 days	-	CNY	(50,157)	(3)%	
AUXM	Raydium	Associate	Purchases	CNY 416,679	8%	EOM 120 days	-	CNY	(183,374)	(9)%	
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 198,904	4%	EOM 120 days	-	CNY	(80,964)	(4)%	
AUXM	AUO	Ultimate parent company	Sales	CNY (5,750,142)	(91)%	EOM 45 days	-	CNY	2,098,691	95%	
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (74,146)	(1)%	EOM 45 days	-	-	-	-	
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 74,146	100%	EOM 45 days	-	-	-	-	
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (121,527)	(72)%	EOM 90 days	-	CNY	45,615	78%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 37,633	3%	EOM 60 days	-	CNY	(28,412)	(6)%	
DPXM	Lextar	Associate	Purchases	CNY 37,521	3%	EOM 120 days	-	CNY	(14,937)	(3)%	
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (24,006)	(1)%	EOM 120 days	-	CNY	10,098	2%	
DPXM	DPSZ	Subsidiary of AUO	Sales	CNY (24,190)	(1)%	EOM 120 days	-	CNY	15,743	3%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (618,831)	(38)%	EOM 90 days	-	CNY	287,335	58%	
FPWJ	DPTW	Subsidiary of AUO	Purchases	CNY 92,417	93%	EOM 60 days	-	CNY	(30,239)	(100)%	
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 51,684	9%	EOM 60 days	-	CNY	(243,989)	(52)%	
FTWJ	Lextar	Associate	Purchases	CNY 63,749	11%	EOM 120 days	-	CNY	(23,544)	(5)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (847,131)	(96)%	EOM 90 days	-	CNY	623,056	100%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (3,856,705)	(99)%	EOM 45 days	-	JPY	1,198,928	99%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,068,693	46%	EOM 45 days	-	-	(331,171)	(67)%	
ACTW	ACMK	Subsidiary of AUO	Sales	(625,854)	(16)%	OA 45 days	-	-	26,908	5%	
DPTW	AUO	Ultimate parent company	Purchases	185,387	2%	EOM 45 days	-	-	(15,215)	(1)%	
DPTW	DPSZ	Subsidiary of AUO	Purchases	516,782	5%	EOM 90 days	-	-	(199,291)	(7)%	
DPTW	DPXM	Subsidiary of AUO	Purchases	2,636,646	27%	EOM 90 days	-	-	(1,007,440)	(37)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,613,971	37%	EOM 90 days	-	-	(1,152,320)	(42)%	
DPTW	EFOP	Joint Venture	Purchases	900,611	9%	Payment in advance	-	-	-	-	

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)	
DPTW	AUO	Ultimate parent company	Sales	(3,668,313)	(36)%	EOM 60 days	-	-	657,251	28%	
DPTW	AUSZ	Subsidiary of AUO	Sales	(867,826)	(9)%	EOM 120 days	-	-	277,080	12%	
DPTW	AUXM	Subsidiary of AUO	Sales	(849,740)	(8)%	EOM 120 days	-	-	353,730	15%	
DPTW	DPXM	Subsidiary of AUO	Sales	(161,790)	(2)%	EOM 60 days	-	-	61,385	3%	
DPTW	FPWJ	Subsidiary of AUO	Sales	(391,979)	(4)%	EOM 60 days	-	-	132,114	6%	
DPTW	FTWJ	Subsidiary of AUO	Sales	(220,845)	(2)%	EOM 60 days	-	-	30,096	1%	
DPTW	QCES	Subsidiary of Qisda	Sales	(179,294)	(2)%	EOM 120 days	-	-	63,267	3%	

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.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital**  
**December 31, 2020**  
(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	AUNL	Subsidiary of AUO	184,233	8.46	62	Collected in subsequent period	115,652	-
AUO	QCSZ	Subsidiary of Qisda	1,103,551	7.07	339	Will be collected in next period	-	-
AUO	ACTW	Subsidiary of AUO	1,001,440	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	630,668	5.75	30	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	857,238	7.03	17,285	Collected in subsequent period	CNY 470,258	-
AULB	AUKS	Subsidiary of AUO	220,489	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	183,146	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	33,525	(Note 2)	20	Will be collected in next period	-	-
AUSZ	AUO	Ultimate parent company	2,693,520	3.43	39,752	Collected in subsequent period	CNY 1,541,995	-
AUSZ	AUKS	Subsidiary of AUO	769,017	(Note 2)	13,861	Collected in subsequent period	CNY 17,381	-
AUXM	AUO	Ultimate parent company	2,098,693	(Note 2)	47,660	Collected in subsequent period	CNY 1,469,960	-
AUXM	AUKS	Subsidiary of AUO	459,274	(Note 2)	-	-	-	-
BVHF	AUKS	Subsidiary of AUO	70,591	(Note 2)	-	-	-	-
BVXM	AUKS	Subsidiary of AUO	102,936	(Note 2)	-	-	-	-
DPSZ	AUKS	Subsidiary of AUO	104,956	(Note 2)	-	-	-	-
DPSZ	DPTW	Subsidiary of AUO	45,615	2.97	6,072	Will be collected in next period	-	-
DPXM	DPTW	Subsidiary of AUO	287,342	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	623,056	1.44	-	-	CNY 123,973	-
M.Setek	ACTW	Subsidiary of AUO	1,198,975	(Note 2)	246,932	Will be collected in next period	-	-

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		
ACTW	M.Setek	Subsidiary of AUO	239,156	(Note 2)	-	-	-	-
DPTW	AUO	Ultimate parent company	659,144	(Note 2)	14,382	Will be collected in next period	-	-
DPTW	AUSZ	Subsidiary of AUO	277,080	3.06	-	-	-	-
DPTW	AUXM	Subsidiary of AUO	353,730	1.99	-	-	-	-
DPTW	DPXM	Subsidiary of AUO	124,129	(Note 2)	533	Will be collected in next period	-	-
DPTW	FPWJ	Subsidiary of AUO	132,114	5.93	58,861	Will be collected in next period	-	-
DPTW	FTWJ	Subsidiary of AUO	1,073,393	(Note 2)	-	-	413,975	-

Note 1: Until the end of January 2021.

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.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Business Relationship and Significant Intercompany Transactions**  
**For the year ended December 31, 2020**  
**(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)**

Table 7

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	Trading Terms		
0	AUKS	AUO	Subsidiary to parent	Net revenue	CNY 4,777,267	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days	8%	
0	AUKS	AUO	Subsidiary to parent	Receivables from related parties	CNY 857,238	-	1%	
1	AULB	AUKS	Subsidiary to subsidiary	Receivables from related parties	USD 220,489	-	2%	
2	AUST	AUO	Subsidiary to parent	Net revenue	USD 154,779	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	2%	
3	AUSZ	AUO	Subsidiary to parent	Net revenue	CNY 8,393,763	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	13%	
3	AUSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,693,520	-	3%	
3	AUSZ	AUKS	Subsidiary to subsidiary	Receivables from related parties	CNY 769,017	-	1%	
4	AUXM	AUO	Subsidiary to parent	Net revenue	CNY 5,750,142	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	9%	
4	AUXM	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,098,693	-	2%	
5	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY 618,831	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 847,131	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days	1%	

Inter-company Transactions							
No.	Company Name	Counterparty	Nature of Relationship	Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
6	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY 623,056	-	1%
7	AUO	AUSZ	Parent to subsidiary	Net revenue	1,399,835	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	3,668,313	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 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.

## AU OPTRONICS CORP. AND SUBSIDIARIES

### Information on Investees (Excluding Information on Investment in Mainland China)

For the year ended December 31, 2020

(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, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding company	59,058,698	59,058,698	1,882,189	100.00%	55,909,421	100.00%	2,789,496	Subsidiary	
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	66,537	100.00%	26,306	Subsidiary	
AUO	Konly	Taiwan ROC	Investment	4,227,070	4,227,070	299,764	100.00%	5,471,340	100.00%	132,133	Subsidiary	
AUO	Ronly	Taiwan ROC	Investment	2,078,682	1,778,692	185,576	100.00%	2,277,770	100.00%	(76,865)	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%	2,835,886	28.56%	(1,240,799)	Subsidiary	
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,687,921	418,583	100.00%	2,686,843	100.00%	(91,475)	Subsidiary	
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	427,157	32.01%	107,060	Associate	
AUO	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	889,227	881,076	78,781	15.30%	1,549,703	15.30%	(629,358)	Associate	
AUO	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	9,505,477	-	335,231	17.04%	9,704,923	17.04%	-	Associate (Note 7)	
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	14,235	100.00%	(4,012)	Subsidiary	
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	200,000	100,000	20,000	100.00%	132,024	100.00%	(56,882)	Subsidiary	
AUO	SSEC	Taiwan ROC	Investment	1,550,000	930,000	155,000	31.00%	1,586,817	31.00%	107,523	Associate	
AUO	CQIL	Israel	Holding company	1,182,621	876,659	39,974	100.00%	881,300	100.00%	(42,400)	Subsidiary	



Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	-	42,310	19.45%	2,311,727	243,665	(20,893)	Associate	
AUO	DPGE	Taiwan ROC	Renewable energy power generation	7,000	-	700	100.00%	6,985	(15)	(15)	Subsidiary	
AUO	ADHLD	Cayman	Holding company	-	-	-	70.00%	-	-	-	Subsidiary (Note 5)	
AUO	ADCM	Cayman	Holding company	-	-	-	100.00%	-	-	-	Subsidiary (Note 5)	
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipment	5,000	-	500	100.00%	4,985	(15)	(15)	Subsidiary	
AUO	ADP	Taiwan ROC	Research, development and sales of TFT-LCD panels	1,000	-	100	100.00%	375	(625)	(625)	Subsidiary	
Konly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	703,795	703,795	42,598	6.40%	635,446	(1,240,799)	(79,416)	Subsidiary	
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	20,015	107,060	1,606	Associate	
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	17.11%	809,137	854,600	146,206	Associate	
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	539,718	631,304	117,475	Associate	
Konly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	565,616	450,674	31,182	6.06%	628,659	(629,358)	(32,417)	Associate	
Konly	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	437,875	-	17,817	0.91%	515,805	-	-	Associate (Note 7)	
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	24.41%	1,308	(7,435)	(1,904)	Associate	
Konly	SSEC	Taiwan ROC	Investment	100,000	60,000	10,000	2.00%	102,375	107,523	2,150	Associate	
Konly	WishMobile, Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	5,625	12.50%	5,844	1,991	249	Associate	
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	2,097	(14,423)	(2,326)	Associate	

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	80,542	-	1,191	0.55%	24,718	243,665	(55,704)	Associate	
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	-	400	100.00%	4,000	-	-	Subsidiary	
Konly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	20,000	-	1,000	5.00%	19,483	(37,211)	(517)	Associate	
Ronly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	845,510	845,510	40,509	6.09%	604,283	(1,240,799)	(75,521)	Subsidiary	
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	178,235	631,304	38,795	Associate	
Ronly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	323,431	323,431	34,338	6.67%	675,025	(629,358)	(41,909)	Associate	
Ronly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	68,400	-	3,420	17.10%	66,634	(37,211)	(1,766)	Associate	
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	243,885	(9,160)	(2,721)	Subsidiary	
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	5,595,202	(256,864)	(237,730)	Subsidiary	
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	3,846,168	(216,776)	(220,204)	Subsidiary	
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	101,001	6,826	6,656	Subsidiary	
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	185,735	14,318	7,016	Joint Venture	
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,185	3,357	1,343	Associate	
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	393,218	(75,081)	(75,081)	Subsidiary	

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.0000%	1,945,204	134,827	166,521	Subsidiary	
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,398	11,404,184	99.9991%	1,907,607	154,333	154,332	Subsidiary	
ADCM	ADHLD	Cayman	Holding company	-	-	-	30.00%	-	-	-	Subsidiary (Note 5)	
ADHLD	ADSG	Singapore	Holding company	-	-	-	100.00%	-	-	-	Subsidiary (Note 6)	
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	1,000 USD	1,000 USD	1,000	100.00%	2,741 USD	678 USD	678 USD	Subsidiary	
AULB	AUIP	Japan	Sales support of TFT-LCD panels	276 USD	276 USD	1	100.00%	1,943 USD	78 USD	78 USD	Subsidiary	
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	155 USD	155 USD	-	100.00%	1,026 USD	(50) USD	(50) USD	Subsidiary	
AULB	AUCZ	Czech Republic	Assembly of solar modules	20,531 USD	20,531 USD	-	100.00%	11,275 USD	60 USD	60 USD	Subsidiary	
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	1,359 USD	1,359 USD	-	100.00%	25,415 USD	272 USD	272 USD	Subsidiary	
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	241,487 USD	276,543 USD	907,114	100.00%	89,224 USD	4,917 USD	4,917 USD	Subsidiary	
AULB	AUVI	United States	Research and development and IP related business	5,000 USD	5,000 USD	5,000	100.00%	6,001 USD	127 USD	127 USD	Subsidiary	
AULB	BVLB	Malaysia	Holding company	85,171 USD	85,171 USD	85,171	70.29%	20,241 USD	(310) USD	(218) USD	Subsidiary	
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	9,958 USD	48,321 USD	266,268	100.00%	6,870 USD	2,322 USD	2,322 USD	Subsidiary	
AUSG	AEUS	United States	Sales support of solar-related products	3,510 USD	3,510 USD	9,510	100.00%	3,088 USD	2,274 USD	2,274 USD	Subsidiary	
AUSG	ADPNL	Netherlands	Sales support of solar-related products; sales and sales support of TFT-LCD panels; holding company	3,245 USD	45 USD	-	100.00%	3,398 USD	(76) USD	(76) USD	Subsidiary	
DPLB	DPHK	Hong Kong	Holding company	103,785 USD	103,785 USD	10	100.00%	198,466 USD	(6,892) USD	(6,892) USD	Subsidiary (Note 4)	
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	4,216 USD	4,216 USD	-	100.00%	864 USD	(1,795) USD	(1,795) USD	Subsidiary	
FHVI	FTMI	Mauritius	Holding company	6,503 USD	6,503 USD	6,503	100.00%	72,121 USD	(8,706) USD	(8,706) USD	Subsidiary	
FHVI	FWSA	Samoa	Holding company	19,000 USD	19,000 USD	19,000	100.00%	16,015 USD	586 USD	586 USD	Subsidiary	

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 48,956	USD 789	USD 789	Subsidiary	
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	-	-	Associate (Note 3)	
ADPNL	ADPUS	United States	Sales and sales support of TFT-LCD panels	EUR 1,241	-	1	100.00%	EUR 1,220	-	-	Subsidiary	
ADPNL	ADPIP	Japan	Sales support of TFT-LCD panels	EUR 414	-	1	100.00%	EUR 394	-	-	Subsidiary	
CQIL	CQHLD	United Kingdom	Holding company	USD 29,118	USD 18,868	635,730	100.00%	USD 29,097	USD (26)	USD (26)	Subsidiary	
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00%	USD 139	USD 4	USD 4	Subsidiary	
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 25,857	USD 15,607	13	100.00%	USD 14,126	USD (1,474)	USD (1,474)	Subsidiary	
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	CAD 1,310	-	100.00%	USD 660	USD 123	USD 123	Subsidiary	
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	USD 1,500	-	1	100.00%	USD 1,526	USD 57	USD 57	Subsidiary	
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	USD 8,000	-	18	100.00%	USD 7,856	USD (145)	USD (145)	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: ADCM and ADHLD are new subsidiaries incorporated in August 2020. As of the end of December 2020, no capital injection has been made for these companies.

Note 6: ADSG is a new subsidiary incorporated in October 2020. As of the end of December 2020, no capital injection has been made for this company.

Note 7: On and from December 31, 2020, the investment in Qisda has been accounted for using the equity method. See Note 6(6) for the relevant information.

**AU OPTRONICS CORP. AND SUBSIDIARIES**  
**Information on Investment in Mainland China**  
**For the year ended December 31, 2020**  
**(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, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
A-Care	Design, development and sales of software and hardware for health care industry	65,736	(Note 1)	-	-	-	(20,503)	(20,503)	100%	100%	(20,503)	19,209	-	
AUKS	Manufacturing and sales of TFT-LCD panels	27,395,227	(Note 1)	13,971,566	-	13,971,566	535,802	535,802	51%	51%	273,259	5,342,537	-	
AUSH	Sales support of TFT-LCD panels	85,521	(Note 1)	28,507	-	28,507	(79,696)	(79,696)	100%	100%	(79,696)	342,049	-	
AUSJ	Manufacturing and assembly of TFTLCD modules; leasing	3,078,756	(Note 1)	2,280,560	-	2,280,560	122,802	122,802	100%	100%	122,802	3,967,894	-	
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	7,924,946	(Note 1)	5,701,400	-	5,701,400	1,392,835	1,392,835	100%	100%	1,392,835	16,367,899	-	
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,126,750	(Note 1)	7,126,750	-	7,126,750	867,929	867,929	100%	100%	867,929	14,493,546	-	
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	-	-	-	(8,870)	(8,870)	100%	100%	(8,870)	819,362	-	Note 6
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,629,440	(Note 1)	-	-	-	16,506	16,506	100%	100%	16,506	1,309,594	-	
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,912	(Note 1)	-	-	-	(8,955)	(8,955)	100%	100%	(8,955)	7,971	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	87,648	(Note 1)	-	-	-	(40,387)	(40,387)	100%	100%	(40,387)	33,252	-	

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, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
TYSZ	Design, manufacturing and sales of large-size touch LCD modules	219,120	(Note 1)	-	-	-	(23,057)	50%	50%	(11,528)	97,778	-		
UFSD	Planning, design and development of construction for environmental protection and related project management	8,765	(Note 1)	-	-	-	(3,396)	100%	100%	(3,396)	2,420	-		
UFSS	Planning, design and development of construction for environmental protection and related project management	52,589	(Note 1)	-	-	-	(12,956)	100%	100%	(12,956)	31,846	-		
ADSZ	Management consulting	-	(Note 1)	-	-	-	-	100%	100%	-	-	-		Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
29,108,783 (USD 1,021,110)	38,534,120 (USD 1,344,003 and HKD 60,000)	116,274,219

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 except for TYSZ.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2020.

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

Note 7: ADSZ is a new subsidiary incorporated in December 2020. As of the end of December 2020, no capital injection has been made for this company.

## 2. DPTW:

## (1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 6)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 2 and 6)	Carrying Amount of the Investment as of December 31, 2020 (Note 4)	Accumulated Inward Remittances of Earnings as of December 31, 2020 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	456,112	-	-	456,112	(8,870)	29.71%	29.71%	(8,870)	819,362	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	712,675	(Note 1)	427,605	-	-	427,605	(58,256)	100%	100%	(58,256)	1,309,155	1,309,439	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	1,995,490	(Note 1)	1,995,490	-	-	1,995,490	(139,536)	100%	100%	(139,536)	4,348,510	1,475,238	
FHWJ	Manufacturing and sales of backlight modules and related parts	185,296	(Note 1)	233,757	-	-	233,757	6,826	100%	100%	6,826	50,955	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	826,703	(Note 1)	541,633	-	-	541,633	26,431	100%	100%	26,431	681,619	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,026,252	(Note 1)	1,026,252	-	-	1,026,252	23,320	100%	100%	23,320	1,395,576	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	997,745	(Note 1)	185,296	-	-	185,296	(266,528)	100%	100%	(266,528)	1,830,825	401,223	Note 7

## (2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
4,866,145 (USD 170,700)	5,008,252 (USD 175,685)	5,956,947

Note 1: 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 accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").
- Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
- Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2020 disclosed in the table are presented based on 100% held.
- Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2020.
- Note 7: 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 8: 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 9: The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.



**AU OPTRONICS CORP.**

**Cash and Cash Equivalents**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars,  
unless otherwise indicated)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 2
Cash in banks	Checking accounts	94,074
	Demand deposits	18,233,884
	Foreign currency deposits (note)	14,156,295
	USD : 373,562 thousand	
	JPY : 9,404,584 thousand	
	EUR : 25,834 thousand	
	CNY : 692 thousand	
	HKD : 49 thousand	
	Time deposits	22,200,000
	Foreign currency time deposits (note)	<u>285,070</u>
	USD : 10,000 thousand	
		<u><u>\$ 54,969,325</u></u>

Note : Exchange rate at balance sheet date was as follows:

USD: 28.507

JPY: 0.2763

EUR: 35.0494

CNY: 4.3824

HKD: 3.6773

## AU OPTRONICS CORP.

## Accounts Receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Customer A	From operating activities	\$ 5,702,117	
Customer B	From operating activities	5,514,797	
Customer C	From operating activities	4,581,339	
Customer D	From operating activities	4,461,325	
Customer E	From operating activities	3,503,189	
Customer F	From operating activities	2,550,423	
Customer G	From operating activities	2,241,219	
Customer H	From operating activities	2,117,685	
Others (less than 5% for each customer)	From operating activities	10,913,813	
Less: loss allowance		<u>(200)</u>	
		<u>\$ 41,585,707</u>	

**AU OPTRONICS CORP.**

**Inventories**

**December 31, 2020**

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

<b>Item</b>	<b>Amount</b>		<b>Remark</b>
	<b>Book value (note)</b>	<b>Net realizable value</b>	
Finished goods	\$ 6,811,795	9,710,338	The determination of net realizable value, please refer to Note 4(7) to this parent company only financial statements.
Work-in-progress	9,842,574	12,922,272	
Raw materials	<u>2,330,407</u>	<u>2,350,473</u>	
	<u>\$ 18,984,776</u>	<u>24,983,083</u>	

Note : Provision of inventory obsolescence has been deducted.

**Other Noncurrent Assets**

Please refer to Note 6(11) to this parent company only financial statements for the details.

## AU OPTRONICS CORP.

### Statement of Changes in Investments in Equity-accounted Investees

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars unless otherwise indicated,  
and share in thousands)

Investee Name	Beginning balance (Note (a))		Additions (Deductions) (Note (b))		Reclassification (Note (c))		Share of profit (loss)	Cash dividend	Capital surplus	Cumulative translation differences	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other adjustments (Note (d))	Ending balance (note 1)		Market value or net asset value		Guarantee or pledged		
	Shares	Amount	Shares	Amount	Shares	Amount							Shares	Amount	Shares	Amount		% of Ownership	Unit price
<b>Subsidiaries:</b>																			
AULB	1,882,189	\$ 53,221,601	-	-	-	-	2,789,496	-	-	(101,676)	-	-	1,882,189	55,909,421	100.00	-	55,909,421	None	
Konly	284,302	5,208,936	15,462	-	-	-	132,133	26,091	-	(3,924)	107,690	414	299,764	5,471,340	100.00	-	5,471,340	None	
DPTW	190,108	3,156,574	-	-	-	-	(354,420)	-	-	32,418	1,314	-	190,108	2,835,886	28.56	14.10	2,680,522	None	
ACTW	418,583	2,805,441	-	-	-	-	(91,475)	-	-	(27,123)	-	-	418,583	2,686,843	100.00	-	2,686,843	None	
Ronly	154,757	2,049,860	30,819	299,990	-	-	(76,865)	-	4,817	(1,372)	1,200	140	185,576	2,277,770	100.00	-	2,277,770	None	
COIL	39,974	576,111	-	305,963	-	-	(42,400)	-	-	41,626	-	-	39,974	881,300	100.00	-	280,975	None	
UTI	10,000	88,906	10,000	100,000	-	-	(56,882)	-	-	-	-	-	20,000	132,024	100.00	-	132,024	None	
AUNL	50	37,774	-	-	-	-	26,306	-	-	2,457	-	-	50	66,537	100.00	-	66,537	None	
SMI	3,000	18,247	-	-	-	-	(4,012)	-	-	-	-	-	3,000	14,235	100.00	-	14,235	None	
DPGE	-	-	700	7,000	-	-	(15)	-	-	-	-	-	700	6,985	100.00	-	6,985	None	
AHTW	-	-	500	5,000	-	-	(15)	-	-	-	-	-	500	4,985	100.00	-	4,985	None	
ADP	-	-	100	1,000	-	-	(625)	-	-	-	-	-	100	375	100.00	-	375	None	
		<u>67,163,450</u>		<u>718,953</u>			<u>2,321,226</u>	<u>30,908</u>	<u>(57,594)</u>		<u>1,102,040</u>	<u>554</u>		<u>70,287,701</u>			<u>69,532,012</u>		
<b>Associates:</b>																			
Qisda	-	-	-	-	335,231	9,704,923	-	-	-	-	-	-	335,231	9,704,923	17.04	28.95	9,704,923	None	
ADLINK	-	-	42,310	2,411,693	-	-	(20,893)	(67,697)	(91)	(11,285)	-	-	42,310	2,311,727	19.45	63.40	2,682,480	None	
SSEC	93,000	953,966	62,000	620,000	-	-	33,332	(20,481)	-	-	-	-	155,000	1,586,817	31.00	-	1,586,817	None	
Lextar	78,418	1,642,746	363	8,151	-	-	(95,746)	11,320	(19,177)	-	2,065	344	78,781	1,549,703	15.30	22.25	1,752,887	None	
SREC	37,904	424,653	-	-	-	-	34,274	(31,770)	-	-	-	-	37,904	427,157	32.01	-	427,157	None	
		<u>3,021,365</u>		<u>3,039,844</u>			<u>(49,033)</u>	<u>(119,948)</u>	<u>(30,462)</u>		<u>2,065</u>	<u>344</u>		<u>15,580,327</u>			<u>16,154,264</u>		
		<b>\$ 70,184,815</b>		<b>3,758,797</b>			<b>2,272,193</b>	<b>(119,948)</b>	<b>42,137</b>	<b>(88,056)</b>	<b>1,122,669</b>	<b>898</b>		<b>85,868,028</b>					

Note (a): The amount is net of accumulated impairment.

Note (b): Additions (deductions) includes: (1) 15,462 thousands shares of stock dividends from Konly; (2) 820 thousands shares of stock dividends from Ronly; (3) The Company participated in the capital increase of Ronly, COIL, UTI and SSEC; (4) DPGE, 100% owned by the Company, was incorporated in August 2020; (5) AHTW, 100% owned by the Company, was incorporated in September 2020; (6) ADP, 100% owned by the Company, was incorporated in May 2020; (7) The Company acquired total of 19,45% equity interest in ADLINK through tender offer; (8) The Company acquired total of 0.07% equity interest in Lextar.

Note (c): The equity investment in Qisda previously classified as financial assets at FVTOCI was reclassified as investments accounted for using the equity method at the end of in December 2020.

Note (d): Including share of remeasurement of defined benefit obligation of subsidiaries and associates.

**AU OPTRONICS CORP.**  
**Statement of Changes in Property, Plant and  
Equipment**

Please refer to Note 6(7) to this parent company only financial statements for the details.

**Statement of Changes in Right-of-use Assets**  
**For the year ended December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance, End of Year</b>
<b>Cost:</b>				
Land	\$ 9,667,336	14,867	(147,371)	9,534,832
Buildings	103,589	63,464	(386)	166,667
Other equipment	97,368	-	(97,368)	-
	<u>9,868,293</u>	<u>78,331</u>	<u>(245,125)</u>	<u>9,701,499</u>
<b>Accumulated Depreciation:</b>				
Land	431,013	418,269	-	849,282
Buildings	25,552	36,590	-	62,142
Other equipment	64,851	32,517	(97,368)	-
	<u>521,416</u>	<u>487,376</u>	<u>(97,368)</u>	<u>911,424</u>
Net carrying amounts	<u>\$ 9,346,877</u>	<u>(409,045)</u>	<u>(147,757)</u>	<u>8,790,075</u>

**AU OPTRONICS CORP.**  
**Statement of Changes in Intangible Assets**

Please refer to Note 6(10) to this parent company only financial statements for the details.

**Accounts Payable**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Company I	From Operating activities	\$ 2,702,731	
Company J	From Operating activities	2,430,731	
Company K	From Operating activities	1,624,432	
Company L	From Operating activities	1,287,603	
Others (less than 5% for each vendor)	From Operating activities	<u>16,411,931</u>	
		<u>\$ 24,457,428</u>	

**AU OPTRONICS CORP.****Other Current Liabilities****December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Accrued payroll and bonus		\$ 4,685,780	
Refund liability		1,557,474	
Accrued royalty and others		<u>8,280,373</u>	
		<u>\$ 14,523,627</u>	

**Equipment and Construction Payable**

<u>Vendor name</u>	<u>Amount</u>
Company W	\$ 206,186
Others (less than 5% for each vendor)	<u>1,995,142</u>
	<u>\$ 2,201,328</u>

## AU OPTRONICS CORP.

## Long-term Borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Financial institution</u>	<u>Limit of credit facility</u>	<u>Amount</u>	<u>Duration and repayment terms</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank of Taiwan (agent bank of Syndicated loan)	42,000,000	\$ 42,000,000	From Feb. 2019 to Feb. 2024		Notes 8
Bank of Taiwan (agent bank of Syndicated loan)	23,000,000	23,000,000	From Mar. 2019 to Apr. 2023		Notes 8
Bank of Taiwan (agent bank of Syndicated loan)	10,000,000	6,000,000	From May 2017 to May 2022		Notes 8
Taipei Fubon Bank	6,000,000	4,000,000	From Dec. 2019 to Dec. 2024		Notes 8
ING Bank	1,200,000	1,200,000	From Mar. 2019 to Mar. 2022		Unsecured loans
DBS Bank	2,000,000	2,000,000	From Dec. 2019 to Dec. 2022		Unsecured loans
O-Bank	1,000,000	1,000,000	From Aug. 2018 to Aug. 2023		Unsecured loans
Far Eastern Int'l Bank	1,000,000	1,000,000	From Dec. 2020 to Oct. 2023		Unsecured loans
Land Bank	6,000,000	4,387,500	From Nov. 2019 to Nov. 2026		Notes 8
First Bank	4,600,000	2,600,000	From Dec. 2019 to Dec. 2026		Notes 8
Chang Hwa Bank	4,000,000	1,000,000	From Jan. 2020 to Dec. 2024		Notes 8
CTBC Bank	3,000,000	2,000,000	From Jan. 2020 to Jan. 2023		Unsecured loans
Yuanta Bank	1,000,000	1,000,000	From Jan. 2020 to Jan. 2023		Unsecured loans
Taiwan Cooperative Bank	3,500,000	1,500,000	From Mar. 2020 to Mar. 2025		Notes 8
Hua Nan Bank	1,000,000	1,000,000	From Jun. 2020 to Jun. 2025		Notes 8
Taiwan Business Bank	1,250,000	1,250,000	From Jun. 2020 to Jun. 2025		Notes 8
Shin Kong Bank	1,500,000	<u>1,000,000</u>	From Jun. 2020 to Jun. 2025		Notes 8
Subtotal		95,937,500		0.7500%~ 1.7895%	
Less: transaction costs		(297,982)			
Less: current installments of long-term borrowings		<u>(11,184,508)</u>			
		<u>\$ 84,455,010</u>			



**AU OPTRONICS CORP.**

**Lease Liabilities**

**December 31, 2020**

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

<u>Item</u>	<u>Durations</u>	<u>Discount Rate</u>	<u>Amount</u>
Land	From Sep. 2001 to Dec. 2045	1.8203~1.8853%	\$ 8,825,292
Buildings	From Dec. 2018 to May 2025	1.7381%~1.8853%	<u>107,660</u>
			<u><u>\$ 8,932,952</u></u>

**Net Revenue**

**For the year ended December 31, 2020**

<u>Item</u>	<u>Quantity (Panels in thousands)</u>	<u>Amount</u>	<u>Remark</u>
TFT-LCD Panels ten inches and above in diagonal length	120,154	\$ 212,236,416	
TFT-LCD Panels under ten inches in diagonal length	117,642	34,244,145	
Sales of raw material and others	372,415	<u>9,608,784</u>	
Total		<u><u>\$ 256,089,345</u></u>	

## AU OPTRONICS CORP.

## Cost of Sales

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Raw materials, beginning of year (Note)	\$ 2,811,760
Add: Purchases	77,701,324
Less: Raw materials, end of year (Note)	(3,436,822)
Sale of raw materials	(2,744,092)
Transferred to other expenses and others	<u>(28,085,740)</u>
Raw materials used	46,246,430
Direct labor	10,143,326
Manufacturing expenses	<u>98,307,158</u>
Manufacturing cost	154,696,914
Work in process, beginning of year (Note)	9,862,806
Add : Purchases	79,688,809
Less : Work in process, end of year (Note)	(10,280,519)
Transferred to other expenses and others	<u>(5,395,013)</u>
Cost of finished goods	228,572,997
Finished goods, beginning of year (Note)	8,893,633
Add : Purchases	539,146
Less : Finished goods, end of year (Note)	(7,885,407)
Transferred to other expenses and others	<u>(1,598,377)</u>
Cost of goods sold	228,521,992
Add : Cost of raw materials sold	2,744,092
Other operating cost	8,849,273
Cost of idle capacity	1,648,987
Less: Gain on reversal of decline in inventory valuation	<u>(1,693,966)</u>
Cost of Sales	<u><u>\$ 240,070,378</u></u>

Note : The amounts were stated at cost.

**AU OPTRONICS CORP.**

**Selling and Distribution Expenses**

**For the year ended December 31, 2020**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary expenses		\$ 1,003,768	
Freight expenses		795,220	
Warranty expenses		576,581	
Others (less than 5% for each item)		<u>326,453</u>	
		<u><b>\$ 2,702,022</b></u>	

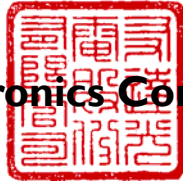
**General and Administrative Expenses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary expenses		\$ 1,531,714	
Professional service fees		524,097	
Depreciation expenses		303,631	
Management fees of the Science Park Administration		236,034	
Computer usage expenses		213,495	
Others (less than 5% for each item)		<u>1,330,684</u>	
		<u><b>\$ 4,139,655</b></u>	

**AU OPTRONICS CORP.**  
**Research and Development Expenses**  
**For the year ended December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary expenses		\$ 2,955,205	
Depreciation expenses		2,781,216	
Indirect material expenses		1,104,330	
Others (less than 5% for each item)		<u>1,213,464</u>	
		<u><b>\$ 8,054,215</b></u>	

**AU Optronics Corporation**



**Representative: Shuang-Lang (Paul) Peng**



