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AU OPTRONICS CORP.
2019 ANNUAL REPORT

-Notice to readers-

This is a translation of the 2019 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 February 25, 2020.

AU Optronics Corporation
2019 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 3C(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.388-1, 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

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Address: B1, No. 96, Sec. 1, Jianguo N. Rd, Zhongshan Dist., Taipei City
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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 101Tower)
Website: 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
Company code: AUOTY

Company website: www.auo.com

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Chapter I Letter to Shareholders

Dear Shareholders,

In 2019, the demand in the end-consumer market for panels was relatively weak as new capacity additions widened the gap between market supply and demand, resulting in panel prices falling sharply. Despite best efforts by the management team to optimize the product mix and control costs, the business performance did not meet expectations. The consolidated revenue in 2019 was NT$268.79 billion, lower by 12.6% from 2018. The net operating loss was NT$20.47 billion, and the net loss attributable to the parent company was NT$19.19 billion, representing a basic loss of NT$2.0 per share. Despite challenges from supply-demand imbalance and the economic impact of international trade conflict, AUO has been able to maintain a healthy financial position. In research and development (R&D), the Company continued to develop value-added products to meet customers' needs.

In 2019, AUO's key product and technology developments were:

- AUO launched 85- and 75-inch 8K bezel-less ALCD TV display panels, which offer excellent colors, contrast, and high-resolution with advanced HDR technology. They offer perfect image quality, have stylish appearance, and are the first choice of well-known TV brands worldwide.
- AUO has established a complete product line in gaming display and has a leading role in the desktop and notebook PC gaming display market. AUO has introduced a high-end 65-inch 4K large-sized gaming display with mini LED backlight and a 17.3-inch 4K LTPS gaming notebook PC display, which is only 3.5 mm thick, making it extremely effortless for gamers to carry it around.
- AUO has developed a 1.2-inch AMOLED panel for personal wearable devices, with the world's slimmest case border of less than 2 mm. It offers a central through-hole design to place authentic watch hands to meet consumer market demand for fashionable design.
- In automobile displays, AUO developed a 12.3-inch dual-cell curved display with pixel-by-pixel local dimming and a 12.3-inch LTPS display showing images with real 3D depth for cluster display for vivid close-up view and more intuitive driving experience. Freeform curved cluster and narrow border rear-view mirror displays were also featured, making the in-vehicle design more stylish.
- In advanced display technology, AUO has developed a 17.3-inch Ink Jet Printing OLED display, which offers high-resolution image quality among same-size products. In addition, AUO has also developed the world's first (Note) optical in-display fingerprint recognition technology, and the world's largest (Note) 12.1-inch TFT driven full-color micro LED cluster display, leading the trend in next-generation display technologies with its innovative capability.

Following are development trends in the display panel industry:

- Although the panel makers in China have slowed down their expansion of late, the supply and demand situation of the industry has worsened. Oversupply has become the norm. However, capacity is no longer the sole competitive advantage in the TFT-LCD industry. In the future, the demand for displays will be diversified and will increase for customized products. Thus, improved technologies, operational management, and deep customer relationship are key to the competitiveness of panel makers.
- The global technology industry in the 5G era is driven by developments in the Internet of Things (IoT), artificial intelligence (AI), and crossover application products. Human-machine interface derived from numerous field applications has also brought in new business opportunities for display panels.

In medium and long term, AUO will continue to enhance its core business value, and will create differentiated display products, offering higher value for users from different application fields.

I. Enhance core business value: In display and energy business, AUO is committed to technology upgrades and product differentiation to build its core competitive strength.

   1. Display business:
      - Commodity products：AUO produces premium products for its customers and creates differentiation with its technological capabilities, such as 8K TV panels, gaming display panels, and products with mini LED backlights.
      - Non-commodity products：Displays for automobile, industrial PC, and wearable devices are highly customized, featuring small quantity but greater variety. AUO’s advantage lies in its competitive cost structure and its ability to manage with flexibility.

   2. Energy business: From expertise developed in hardware products, AUO will provide solar-energy solutions, including high-efficiency solar modules, comprehensive services for solar system projects, and highly integrated energy management service platforms.

II. Field economy strategy:
AUO is deeply involved in the panel industry for long, and has diverse and leading design and production

technologies. It operates in a wide range of application markets and with customer groups around the world. With these advantages, AUO commits to become an AIoT solution provider in the future with displays being the core component, and strategize to form an ecosystem in each application field. In addition, it will engage in value innovation and collaborate with its partners from various fields.
The developments in various fields are outlined here:

- In recent years, AUO has started from display business, leveraging core technologies and capabilities built up from past experience to create new business entities in the fields of smart retailing, health care, circular economy, and smart industrial services. AUO hopes to involve directly and deeply in these fields, and make good use of its existing core advantages and resources to create higher value.
- To meet AUO's existing customers' needs, and to provide more comprehensive software and hardware integration solution services, AUO formed a System and Solution Business (SSB) team in 2019 to collaborate with our customers to design and produce products for specific applications. In the future, with help from the SSB team, AUO will identify potential customers and work toward expanding integration and derive economic benefits.
- To develop key human resources for its transformation goal, AUO will launch a 3A talent acquisition program to attract talented people to work in AI, Advanced Technology, and Application Fields. With the requisite organization and talent for market development and product marketing, the company could develop an appropriate ecosystem for its management to create value.
- Going forward, in response to trend of regionalization and localization in global economy, AUO will level up its global business model by increasing its scale and resources and by providing local services and localized solutions.

AUO's business philosophy is to develop as an excellent sustainable business house. In CSR (Corporate Sustainability Responsibility), AUO has been included the Dow Jones Sustainability World Index for ten consecutive years, and has been the only company from Taiwan to be included in the Bloomberg Gender-Equality Index for three consecutive years. AUO is also among the top 5% in the Taiwan Stock Exchange's Corporate Governance Evaluation. It has also excelled in comprehensive CSR assessment, and has been honored with a number of awards, including the Corporate Social Responsibility Award sponsored by the Commonwealth Magazine, the Corporate Social Responsibility & Social Enterprise Awards sponsored by Global Views Magazine, as well as the Taiwan Corporate Sustainability Awards.

In the coming year, the panel industry will have to face challenges and uncertainties, including regional trade conflicts as also overcome the challenges posed by the recent COVID-19 outbreak. By leveraging AUO's robust R&D capability and healthy financial position, AUO will continue to strive for value creation strategy, expanding the scope of businesses to field economy. This strategy for transformation would gradually come to fruition in the future, which may enable AUO to break away from the drastic business cycle of the panel industry, and to improve profitability as recognition of our shareholders' unstinted support over the long term.

Shuang-Lang (Paul) Peng, Chairman	Frank Ko, President	Benjamin Tseng, Chief Financial Officer and Chief Accounting Officer

* Note: Refers to the market data collected by AUO as of Dec 31, 2019.

Chapter 2 Company Profile

(I) Date of Incorporation: August 12, 1996

(II) Company History:

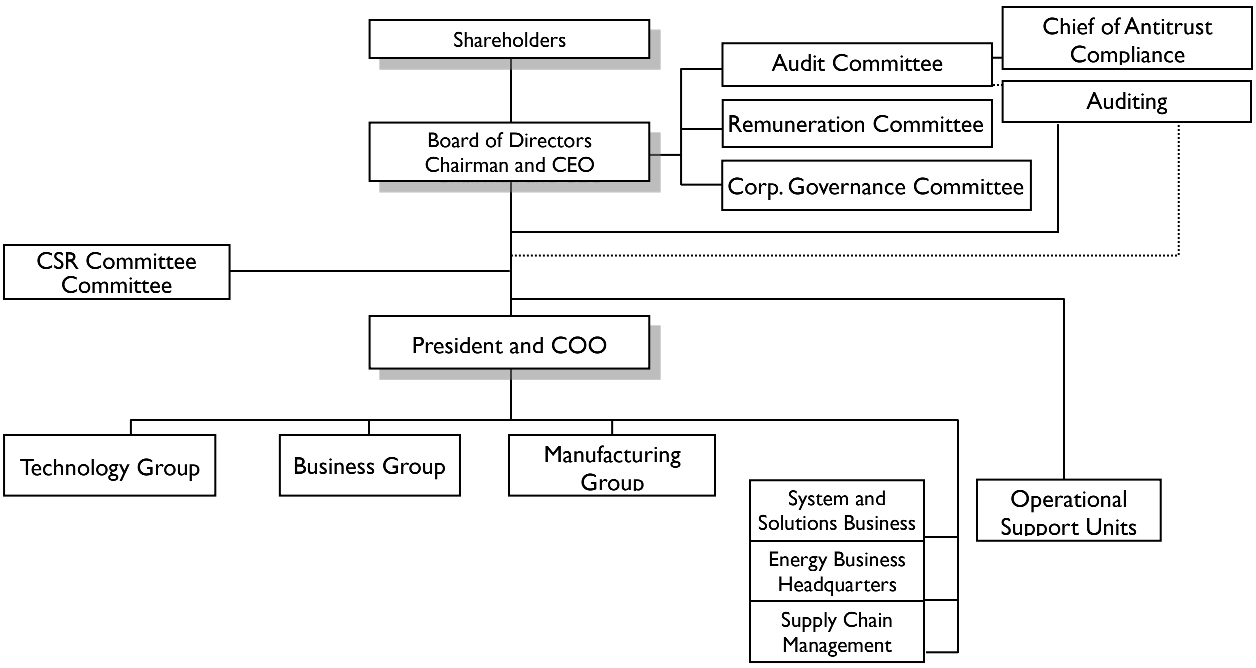
Aug 1996	Acer Display Technology (ADT) was established. The Company specialized in the development and manufacturing of key components and systems of flat display panels.
Apr 1999	Taiwan's first G3.5 TFT-LCD production line was completed and made a successful pilot run.
Sep 2000	ADT began initial public 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.
Aug 2003	Debuted world's first 30"LCD TV panel, with specs surpassing all products of similar sizes.
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)
Jun 2007	Debuted the world's largest 65" TV panel. Received the 2007 Asian Corporate Governance Award from Corporate Governance Asia.
Sep 2007	AUO Xiamen module plant began mass production.
Feb 2008	Unveiled the AUO Green Solutions.
Aug 2008	Received Taiwan's first independent verification GRI A+ for its 2007 CSR Report.
Dec 2008	First 46" LCD TV panel produced at G8.5 fab successfully lit up.
March 2009	AUO's G8.5 fab acknowledged as the world's first LEED Gold-certified TFT-LCD facility.
June 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.
July 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 on the Taiwan Stock Exchange.
April 2011	Ranked among top five enterprises in number of patents granted in China.
May 2011	G8.5 fab in Houli garnered the world's first LEED Platinum certification.
Jun 2011	Obtained the world's first ISO 50001 Certification for manufacturing facilities. AUO Slovakia module plant began mass production.
Sept 2011	Subsidiary Darwin Precisions Corporation was merged with subsidiary Briview Corporation. Darwin Precisions Corporation, the remaining Company after the merger, was renamed Briview.
Jul 2012	Obtained the world's first ISO 14045 Eco-efficiency Assessment of Product Systems Verification.
Mar 2013	Presented Taiwan's first zero liquid discharge solution.
Jun 2013	G8.5 fab in Houli received Taiwan's first Diamond Certification for Green Factory Building.
Sep 2013	AUO Headquarters received the certification of Carbon Neutral Building from the Environmental Protection Agency
Apr 2014	Founded Star River Energy Corporation to create an investment platform for solar power plants.
May 2014	AUO's CSR report was the first in Taiwan to be honored with GRI G4 certification throughout manufacturing industries.
Oct 2014	Subsidiary Briview was merged with Forhouse Corp. Briview, the remaining Company after the merger, was renamed Darwin Precisions Corporation.
Nov 2014	Obtained Taiwan's first certification in environmental education site throughout manufacturing industries.
Oct 2015	Donated DADA's Magic Land to National Museum of Natural Science to promote optronics and science education.
Jun 2015	Sungen Solar Power Plant project received 2015 Top Solar System Award.
Oct 2015	Donated over NT$100 million in Honesty-Intelligence Scholarship over the past 10 years, benefiting over 30,000 students.
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 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.
May 2018	Honored with 2018 SID (Display Week 2018) Best-in-Show Award.
Aug 2018	Received four awards from the 2018 Gold Panel Awards; Chairman Paul SL Peng also honored with Exceptional Contribution Award.
Oct 2018	Participated in 2018 Taichung World Flora Exposition and the AUO Micro Gallery was opened.
Nov 2018	Received ten awards from Taiwan Corporate Sustainability Awards, organized by Taiwan Institute for Sustainable Energy (TAISE); Chairman Paul SL Peng was honored with the Outstanding Corporate Sustainability Professionals Award.
Dec 2018	Subsidiary AUO Crystal Corp. entered into share conversion with subsidiary Sanda Materials Corporation; 100% of Sanda Materials' shares have been acquired by AUO Crystal Corp.
Feb 2019	Entered into share conversion with subsidiary AUO Crystal Corp.; 100% of AUO Crystal's shares have been acquired by AU Optronics.
Mar 2019	Awarded the first Taiwan Circular Economy Award from Chung-Hua Institution for Economic Research.
Jun 2019	Obtained the first certification of International Performance Management & Verification Protocol (IPMVP) in Taiwan.
Jul 2019	Awarded the 2019 Excellent and Innovative Product Award from Central Taiwan Science Park.
Aug 2019	Obtained four awards from the "2019 Display Gold Panel Awards"
Sept 2019	Selected as a constituent of the Dow Jones Sustainability World Index (DJSI World) for ten consecutive years.
Oct 2019	The Company's U.S. depositary receipts were delisted from the New York Stock Exchange and transferred to the U.S. OTC market under the code of AUOTY.
Nov 2019	High-efficiency solar modules were honored with the Gold Panel Awards Award by the Ministry of Economic Affairs.
Jan 2020	Included in the Bloomberg Gender Equality Index for three consecutive years.

Chapter 3 Corporate Governance

I. Organization

(I) Organizational Structure

2020 年 2 月 25 日



(II) Responsibilities and functions of major departments

Department	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.
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.
Technology Group	The R&D of advanced display technologies, design, and development of new products.
Business Group	The provision of a full range of display product planning, sales, marketing and customer service for TV, IT, mobile device, automotive, general, PID/retail and new display applications, in addition to all-round smart solutions for transportation, medical, industrial and commercial purposes.
Manufacturing Group	The planning and management of display manufacturing process, raw materials and finished products.
System & Solution 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.
Supply Chain Management	The management of procurement, export and import affairs.
Operational Support Units	Finance, Legal, Sustainability Development, Human Resource, Information Technology, Corporate Strategic Planning ,etc.
Auditing	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

January 31, 2020; 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	5,631	0.06	1,212	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AU Optronics Corp.	- CEO, AU Optronics Corp. - Director, Qisda Corp. - Director, Darwin Precisions Corp
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	-	-	-	-	0	0	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 Chief Operating Officer, AU Optronics Corp.
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 Corp.

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 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 and Member of Audit Committee and Remuneration Committee, Bank of Kaohsiung, Ltd. - Independent Director and Member of Audit Committee and Remuneration Committee, Kinpo Electronics, Inc. - Independent Director and Member of Audit Committee, ASE Technology Holding Co., Ltd.
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, CTCI 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 Manufacturers' Association

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 (%)		
												- Director General, Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. - Vice Minister, Ministry of Economic Affairs, R.O.C. - Deputy Minister, Ministry of Economic Affairs, R.O.C. - Chairman, CPC Corporation,Taiwan - Minister, Ministry of Economic Affairs, R.O.C. - National Policy Advisor, Office of the President, R.O.C. - Chairman, Sinotech Engineering Consultants, Inc. - Supreme Advisor, Commerce Development Research Institute	- Chairman, Sustainable & Circular Economy Development Association - Chair Professor, Chung Yuan Christian University
Independent Director Yen-Hsueh Su	Female	Republic of China	2019.06.14	3 years	2019.06.14	0	0	0	0	0	0	- Master in Industrial Administration of CarnegieMellon University, U.S.A. - Managing Director, and Head of Asia Technology Hardware Research, UBS - Chief Investment Officer, ASUSTEK Computer Inc. - Chief Investment Officer, Pegatron Corporation	- Director, KINSUS Interconnect Technology Corp. - Independent Director and member of Audit Committee and Remuneration Committee, TXC Corporation - Independent Director and member of Audit Committee and Remuneration Committee, Zhong Yang Technology Co.,Ltd

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	- Stanford Executive Program, Stanford University, Graduate School of Business - Ph.D. in Polymer Material, NYU/Polytechnic University, U.S.A - Master in Chemistry, National Taiwan University - B.S., Chemistry, National Tsing Hua University - ITRI Fellow, Electronics & Optoelectronics System Research Lab - VP and DTC General Director, Display Technology Center, ITRI - Adjunct Professor, Department of Photonics, National Chiao-Tung University - CTO, Kodak LCD Polarizer Films Business - Research Fellow, Eastman Kodak Company	- ITRI Research Fellow, Electronics & Optoelectronics System Research Lab and Industry, Science and Technology International Strategy Center - Executive Supervisor SID Taipei Chapter - Director, Taiwan Display Material & Devices Association - Vice Chairman of Board, Taiwan Display Union Association - Director, Taiwan TFT LCD Association - Chair Professor, National Chiao Tung University

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.

Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.

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:

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 consitute half of the Board, and that more than half of the directors are not an employee or a manager of the Company.

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 54.

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 Corp.	17.04
	Acer Incorporated	4.15
	Darfon Electronics Corp.	1.86
	CTBC Bank as custodian of the dedicated investment account of Yuanta Taiwan Dividend Plus ETF.	1.84
	Polunin Developing Countries Fund, LLC	1.34
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.29
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.18
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.14
	Dimensional Emerging Markets Value Fund	1.11
	CREO VENTURE CORP	0.87

Note 5: The source of the data comes from the data collected as at the company's ex-dividend record date on July 30, 2019.

Professional qualifications and independence of the Directors:

December 31, 2019

Condition / Name	Has more than 5 years of work experience and the following professional qualifications: 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	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	Meet conditions of independence (note): 1	2	3	4	5	6	7	8	9	10	11	12	Number of other public companies where the Director concurrently serves as an Independent Director
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 president, vice president, associate vice president, and managers of each department and division

January 31, 2020; Unit of shares: thousand units

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	5,631	0.06	1,212	0.01	-M.B.A., Heriot-Watt University, U.K. -President, AU Optronics Corp.	-Director, Qisda Corp. –Director, Darwin Precisions Corp
President and COO	Frank Ko	Male	Republic of China	2005.12.01	0	0	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.	None.
Senior Vice President	Wei-Lung Liau	Male	Republic of China	2010.06.01	1,533	0.02	0	0	-Ph.D. in Applied Chemistry, National Chiao Tung University -Director, Qisda Corp. -Director, Darwin Precisions Corp.	Director, Lextar Electronics Corp.
Vice President	TY Lin	Male	Republic of China	2015.06.01	197	0.00	1	0.00	-Master of Industrial Engineering, Chung Yuan Christian University -Director, BenQ Materials Corporation	-Director, Raydium Semiconductor Corporation -Director, Lextar Electronics Corp.
Vice President	Ting-Li Lin	Male	Republic of China	2016.06.01	550	0.01	0	0.00	-Master of Applied Chemistry, National Chiao Tung University	None.
Vice President	TL Tseng	Male	Republic of China	2019.11.01	0	0	0	0	-Master of Industrial Engineering, University of Florida. -Vice president of the smart solutions business group, Qisda Corp.	None.
Vice President	Shih-Hong Liao	Male	Republic of China	2018.11.01	5	0.00	0	0.00	-Master of Chemical Engineering, National Taiwan University	Director, Daxin Materials Corporation
Vice President	Tina Wu	Female	Republic of China	2013.11.01	579	0.01	0	0	-Master of Industrial Administration, Waseda University	None.
Vice President	Andy Yang	Male	Republic of China	2008.12.01	316	0.00	1,795	0.02	-Master of Business Administration, George Washington University -Associate Vice President at ABN AMRO Bank -Director, Lextar Electronics Corporation	None.
Vice President	CS Hsieh	Male	Republic of China	2012.05.01	1,919	0.02	23	0.00	-Master of Electrical Engineering, National Tsing Hua University	None.
Vice President	Benjamin Tseng	Male	Republic of China	2012.09.01	314	0.00	895	0.01	-Master of Business Administration, University of Rochester -Vice President at ABN AMRO Bank	Director, Daxin Materials Corporation
Vice President	Amy Ku	Female	Republic of China	2009.11.01	1,509	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	341	0.00	183	0.00	-Master of Electrical Engineering, University of Massachusetts -Director, Daxin Materials Corp.	Director, Raydium Semiconductor Corporation
Vice President	Shih-Kun Chen	Male	Republic of China	2016.01.01	969	0.01	1	0.00	-Master of Chemical Engineering, National Tsing Hua University	None.
Vice President	James CP Chen	Male	Republic of China	2007.10.01	388	0.00	0	0	-Master of Electrical and Control Engineering -National Chiao Tung University -Section Manager at Electronics Research & Service Organization, ITRI	None.
Vice President	Kevin.Young	Male	Republic of China	2019.11.01	0	0	0	0	-Bachelor of Electrical Engineering, National Taiwan University -Vice Chairman, Admiral Oversea Corporation	None.
Senior Associate Vice President	Martin Sung	Male	Republic of China	2006.10.01	633	0.01	0	0	-Master of Business Administration, University of North Carolina	None.
Senior Associate Vice President	Kun-Yu Lin	Male	Republic of China	2005.12.01	172	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	486	0.01	0	0	-Master of Physics, National Central 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	Ivan Wu	Male	Republic of China	2010.06.01	719	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	39	0.00	0	0	-Bachelor's degree at Korea Aerospace University	None.
Senior Associate Vice President	PC Cheng	Male	Republic of China	2010.09.15	1,362	0.01	1,419	0.01	-Master of Mechanical Engineering, State University of New York	None.
Senior Associate Vice President	CC Hung	Male	Republic of China	2016.08.01	196	0.00	0	0	-Ph.D. in Mechanical Engineering, National Cheng Kung University	None.
Associate Vice President	TL Chen	Male	Republic of China	2010.08.01	45	0.00	0	0	-Master of Asia Pacific Operations Management, Chinese University of Hong Kong -Associate Vice President at Toppoly Optoelectronics Corp.	None.
Associate Vice President	HC Lee	Male	Republic of China	2016.10.01	39	0.00	0	0	-Master of Materials Science and Engineering, National Taiwan University Chairman, Toppan CFI (Taiwan) Co., Ltd.	None.
Associate Vice President	PH Lin	Male	Republic of China	2018.03.01	280	0.00	0	0	-Bachelor's degree at Japan Political Economy Waseda 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 the chief executive officer, and between the president and the chief operating officer. Meanwhile, the independence of the Board of Directors is assured in that independent directors consitute 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 "VIII. Special Notesof" of this Annual Report, which provides information on the "Directors, supervisors, and general managers of affiliated businesses" (pages 91-93)

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

(I) Compensation to Directors

Unit: NT$1,000; 1,000 shares

Title	Name (Note 1)	Director's compensation								Ratio of sum of items A, B, C and D to profit (loss) (%) (Note 10)		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 10)		Compensation from investees other than AU Optronics Corp.'s subsidiaries or Parent Company (Note 11)
		Compensation (A) (Note 3)		Pension upon retirement(B) (Note 4)		Director's remuneration (C) (Note 5)		Business execution Expenses (D) (Note 6)				Salaries, bonuses and special expenses (E) (Note 7)		Pension upon retirement (F) (Note 4)		Employee's remuneration (G) (Note 8)						
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 9)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 9)		AU Optronics Corp.	AU Optronics Corp. and its subsid iaries (Note 9)	
																Cash	Stock	Cash	Stock			
Chairman and CEO	Shuang-Lang (Paul) Peng	6,000	6,000	-	-	-	-	2,070	2,120	(0.04)	(0.04)	42,737	42,737	-	-	-	-	-	-	(0.26)	(0.27)	60
Director	Kuen-Yao (K.Y.) Lee	2,000	2,000	-	-	-	-	70	70	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	14,859
Corporate Director	BenQ Foundation	2,000	2,000	-	-	-	-	-	-	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	4,933
Corporate Director Representative	Peter Chen	-	-	-	-	-	-	70	70	(0.00)	(0.00)	-	-	-	-	-	-	-	-	(0.00)	(0.00)	27,071
Corporate Director	AUO Foundation	1,101	1,101	-	-	-	-	-	-	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Corporate Director Representative	Frank Ko(Note 2)	-	-	-	-	-	-	10	10	(0.00)	(0.00)	19,856	19,856	33	33	-	-	-	-	(0.10)	(0.10)	-
Corporate Director Representative	Kuo-Hsin (Michael) Tsai(Note 2)	-	-	-	-	-	-	750	1,443	(0.00)	(0.01)	20,564	20,564	157	157	-	-	-	-	(0.11)	(0.12)	90
Corporate Director	Qisda Corporation	899	899	-	-	-	-	-	-	(0.00)	(0.00)	-	-	-	-	-	-	-	-	(0.00)	(0.00)	-
Independent Director	Chin-Bing (Philip) Peng	2,820	2,820	-	-	-	-	160	160	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.02)	(0.02)	-
Independent Director	Mei-Yueh Ho	2,400	2,400	-	-	-	-	140	140	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Independent Director	Yen-Shiang Shih	2,510	2,510	-	-	-	-	150	150	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Independent Director	Yen-Hsueh Su	1,432	1,432	-	-	-	-	90	90	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Independent Director	Jang-Lin (John) Chen	1,322	1,322	-	-	-	-	80	80	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Independent Director	Vivien Huey-Juan Hsieh	1,438	2,088	-	-	-	-	80	100	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Independent Director	Ding-Yuan Yang	1,278	1,278	-	-	-	-	90	90	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-

1. 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.
2. 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 9)	AU Optronics Corp.	Parent Company, AU Optronics Corp. and its subsidiaries and investees (Note 12)
Less than NT$ 1,000,000	Peter Chen, Frank Ko, Kuo-Hsin (Michael) Tsai, Qisda Corporation	Peter Chen, Frank Ko, Qisda Corporation	Peter Chen, Qisda Corporation	Qisda Corporation
NT$ 1,000,000 (inclusive) ~NT$ 2,000,000	AUO Foundation, Yen-Hsueh Su, Jang-Lin (John) Chen, Vivien Huey-Juan Hsieh, Ding-Yuan Yang	AUO Foundation, Kuo-Hsin (Michael) Tsai , Yen-Hsueh Su, Jang-Lin (John) Chen, Ding-Yuan Yang	AUO Foundation, Yen-Hsueh Su, Jang-Lin (John) Chen, Vivien Huey-Juan Hsieh, Ding-Yuan Yang	AUO Foundation, Yen-Hsueh Su, Jang-Lin (John) Chen, Vivien Huey-Juan Hsieh, Ding-Yuan Yang
NT$ 2,000,000 (inclusive) ~NT$ 3,500,000	Kuen-Yao (K.Y.) Lee, BenQ Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih	Kuen-Yao (K.Y.) Lee, BenQ Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Vivien Huey-Juan Hsieh	Kuen-Yao (K.Y.) Lee, BenQ Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih	Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih
NT$ 3,500,000 (inclusive) ~NT$ 5,000,000				
NT$ 5,000,000 (inclusive) ~NT$ 10,000,000	Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng		BenQ Foundation
NT$ 10,000,000 (inclusive) ~NT$ 15,000,000				
NT$ 15,000,000 (inclusive) ~NT$ 30,000,000			Frank Ko, Kuo-Hsin (Michael) Tsai	Kuen-Yao (K.Y.) Lee, Peter Chen, Frank Ko, Kuo-Hsin (Michael) Tsai
NT$ 30,000,000 (inclusive) ~NT$ 50,000,000				
NT$ 50,000,000 (inclusive) ~NT$ 100,000,000			Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng
More than NT$ 100,000,000				
Total	15 Persons (including 3 Corporate Directors)	15 Persons (including 3 Corporate Directors)	15 Persons (including 3 Corporate Directors)	15 Persons (including 3 Corporate Directors)

Note 1. On June 14, 2019, the shareholders' general committee was re-elected. Peter Chen and Kuo-Hsin (Michael) Tsai were elected as the Corporate Director Representative of the BenQ Foundation and AUO Foundation; Yen-Hsueh Su and Janglin (John) Chen were elected as Independent Directors; Corporate Director Qisda Corporation and Independent Directors Vivien Huey-Juan Hsieh and Ding-Yuan Yang stepped down.

Note 2. On September 10, 2019, the Corporate Director Representative of the AUO Foundation was reassigned from Kuo-Hsin (Michael) Tsai to Frank Ko.

Note 3. Refers to compensation for Directors in 2019 (including salaries, job allowance, severance pay, bonuses, and performance fees).

Note 4. Refers to pension either allocated or paid out per legal requirements in 2019.

Note 5. Refers to Directors' remunerations in 2019.

Note 6. Refers to Directors' business execution expenses in 2019 (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 7. Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2019 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 8. Refers to employee's remuneration (including stock and cash) paid to Directors who also served as President, Vice President, other managers, or employees in 2019.

Note 9. Total compensation in various items paid out to AU Optronics Corp.'s Directors.

Note 10. Profit refers to the profit (loss) for the year in the 2019 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.

Note 11. 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 2019.

Note 12. Total compensation paid to AU Optronics Corp.'s Directors.

(II) Compensation for President and Vice presidents

Unit: NT$1,000; 1,000 shares

Title	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	66,588	66,588	2,140	2,140	132,342	135,299	0	0	0	0	(1.05)	(1.06)	280
President and COO	Frank Ko													
Senior Vice President	Wei-Lung Liau													
Vice President	TY Lin													
Vice President	Ting-Li Lin													
Vice President	TL Tseng													
Vice President	Shih-Hong Liao													
Vice President	Tina Wu													
Vice President	Andy Yang													
Vice President	CS Hsieh													
Vice President	Benjamin Tseng													
Vice President	Amy Ku													
Vice President	Hong-Jye Hong													
Vice President	Shih-Kun Chen													
Vice President	James CP Chen													
Vice President	Kevin.Young													

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	Kevin Young	Kevin Young
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	TL Tseng, Shih-Hong Liao, Tina Wu, Andy Yang, Benjamin Tseng, Hong-Jye Hong, Shih-Kun Chen, James CP Chen	TL Tseng, Shih-Hong Liao, Tina Wu, Andy Yang, Benjamin Tseng, Hong-Jye Hong, Shih-Kun Chen, James CP Chen
NT$ 10,000,000 (inclusive) ~NT$ 15,000,000	TY Lin, Ting-Li Lin, CS Hsieh, Amy Ku	TY Lin, Ting-Li Lin, CS Hsieh, Amy Ku
NT$ 15,000,000 (inclusive) ~NT$ 30,000,000	Frank Ko, Wei-Lung Liau	Frank Ko, Wei-Lung Liau
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	16 persons	16 persons

Note 1. The information in the table refers to 2019 compensation for current managers such as Vice Presidents or above as of the end of 2019.
Note 2. Refers to compensation for managers such as Vice Presidents or above in 2019, including salaries, job allowance and severance pay.
Note 3. Refers to pension either allocated or paid out per legal requirements in 2019.
Note 4. Refers to compensation for managers such as Vice Presidents or above in 2019, 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 2019.
Note 6. Total compensation in various items paid out to AU Optronics Corp.'s managers such as Vice Presidents or above.
Note 7. Profit (loss) refers to the profit (loss) for the year in the 2019 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 2019.
Note 9. Total compensation paid to managers such as Vice Presidents or above.

(III) The top five executives with the highest remuneration

Unit: NT$1,000; 1,000 shares

Title	Name (Note 1)	Salary (A) (Note 3)		Pension upon retirement(B) (Note 4)		Bonuses and special expenses etc (C) (Note 5)		Employee's remuneration (D) (Note 6)				Ratio of sum of items A, B, C and D to profit (loss) (%) (Note 8)		Compensation from investees other than AU Optronics Corp.'s subsidiaries or Parent Company (Note 9)
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 7)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 7)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 7)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 7)		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 7)	
								Cash	Stock	Cash	Stock			
Chairman and CEO	Shuang-Lang (Paul) Peng	10,012	10,012	-	-	34,725	34,775	-	-	-	-	(0.23)	(0.23)	60
President and COO	Frank Ko (Note 2)	1,850	1,850	33	33	18,006	18,006	-	-	-	-	(0.10)	(0.10)	-
Senior Vice President	Wei-Lung Liau	5,265	5,265	203	203	11,290	11,290	-	-	-	-	(0.09)	(0.09)	60
Vice President	TY Lin	4,384	4,384	108	108	8,902	9,702	-	-	-	-	(0.07)	(0.07)	50
Vice President	Ting-Li Lin	4,526	4,526	194	194	7,950	7,950	-	-	-	-	(0.07)	(0.07)	-

Note 1. The information in the table refers to 2019 compensation for current managers such as Vice Presidents or above as of the end of 2019.
Note 2. Appointed on September 10, 2019.
Note 3. Refers to compensation for managers such as Vice Presidents or above in 2019, including salaries, job allowance and severance pay.
Note 4. Refers to pension either allocated or paid out per legal requirements in 2019.
Note 5. Refers to compensation for managers such as Vice Presidents or above in 2019, 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 6. Refers to remunerations for employee in 2019.
Note 7. Total compensation in various items paid out to AU Optronics Corp.'s managers such as Vice Presidents or above.
Note 8. Profit (loss) refers to the profit (loss) for the year in the 2019 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.
Note 9. 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 in 2019.

(IV) Name of the managers provided with employee's remunerations and state of payments: Not applicable

(V) 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.

1. 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$ 1,000

Item / Year	2019	2018
Net income (loss) after taxes on the Company's Parent Company Only Financial Statements	(19,185,258)	10,160,598
Ratio of compensation paid to Directors by the Company (%)	(0.15)	0.56
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements (%)	(0.16)	0.59
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)	(1.05)	2.79
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements (%)	(1.06)	2.87

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. When earnings are present, the Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Association.
   (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 Committe who will determine the targets for rewards (such as market share, revenue, etc.) according to the Company's strategic development, and who will regulary 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 2019 with the following attendance:

Title	Name		Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks (Note 1)
Chairman	Shuang-Lang (Paul) Peng		7	0	100	Re-election
Director	Kuen-Yao (K.Y.) Lee		7	0	100	Re-election
Director	BenQ Foundation	Representative: Kuo-Hsin (Michael) Tsai	3	0	100	Re-election, assigning a new representative
		Representative: Peter Chen	4	0	100	
Director	AUO Foundation	Representative: Kuo-Hsin (Michael) Tsai	3	0	100	Newly elected, reassigning a representative on September 10, 2019
		Representative: Frank Ko	1	0	100	
Independent Director	Mei-Yueh Ho		7	0	100	Re-election
Independent Director	Chin-Bing (Philip) Peng		7	0	100	Re-election
Independent Director	Yen-Shiang Shih		7	0	100	Re-election
Independent Director	Yen-Hsueh Su		4	0	100	Newly elected
Independent Director	Jang-Lin (John) Chen		4	0	100	Newly elected
Director	Qisda Corporation Representative: Peter Chen		3	0	100	Former
Independent Director	Vivien Huey-Juan Hsieh		3	0	100	Former
Independent Director	Ding-Yuan Yang		3	0	100	Former

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 21).

(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
March 22, 2019	All directors present	Approved the 2018 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 Director Kuen-Yao (K.Y.) Lee Peter Chen, Representative of Qisda Corp. Kuo-Hsin (Michael) Tsai, Representative of BenQ Foundation	Approved the donations	Concurrently the director and the representative of a corporate shareholder of BenQ Foundation	Did not participate in discussion or voting
April 24, 2019	Chairman Shuang-Lang (Paul) Peng	Approved the Company and the subsidiaries to lend capital to AU Optronics (Kunshan) Co., Ltd.	Concurrently serve as a director of AU Optronics (Kunshan) Co., Ltd.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved the Company to conduct derivative transaction on behalf of AU Optronics (Kunshan) Co., Ltd. on its exposure in US dollars	Concurrently serve as a director of AU Optronics (Kunshan) Co., Ltd.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng Director Kuen-Yao (K.Y.) Lee Director Kuo-Hsin (Michael) Tsai Director Peter Chen Director BenQ Foundation Independent Director Chin-Bing (Philip) Peng Independent Director Mei-Yueh Ho Independent Director Yen-Shiang Shih	Approved to lift non-competition restrictions on board members	Directors who are the board candidates seperately recused themselves from the meeting when it came to lifting their non-competition restrictions.	Did not participate in discussion or voting

April 24, 2019	Chairman Shuang-Lang (Paul) Peng Director Kuo-Hsin (Michael) Tsai Independent Director Yen-Shiang Shih	Approved the donations to AUO Foundation	Concurrently serve as a director of AUO Foundation	Did not participate in discussion or voting
June 14, 2019	Independent Director Yen-Shiang Shih Independent Director Yen-Hsueh Su	Appointed the members of the Company's fourth-term Remuneration Committee	Serve as a member of the Remuneration Committe as delegated by the Board of Directors	Did not participate in discussion or voting
July 24, 2019	Chairman Shuang-Lang (Paul) Peng Kuo-Hsin (Michael) Tsai, Director and Representative of AUO Foundation	Approved the distribution of 2018 employees' remuneration for senior managerial officers	Concurrently serve as a manager of the Company	Did not participate in discussion or 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 Compensation 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

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 2018 to October 2019	Board of Directors, Functional Committees (including Audit Committee and Remuneration Committee) and their individual members	Internal self-assessment made by the Board of Directors, Functional Committees (including Audit Committee and Remuneration 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 theFunctional 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 21 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 Page 31 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 32 of the Annual Report for the goals and implementations of the Company's Sustainability Committee.

Note 1:The Company re-elected the directors at the Annual General Meeting on June 14, 2019.

(II) Operations of the Audit Committee

The Company had convened seven Audit Committee meetings in 2019 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks (Note)
Independent Director	Chin-Bing (Philip) Peng	7	0	100	Re-election
Independent Director	Mei-Yueh Ho	7	0	100	Re-election
Independent Director	Yen-Shiang Shih	7	0	100	Re-election
Independent Director	Yen-Hsueh Su	4	0	100	Newly elected
Independent Director	Jang-Lin (John) Chen	4	0	100	Newly elected
Independent Director	Vivien Huey-Juan Hsieh	3	0	100	Former
Independent Director	Ding-Yuan Yang	3	0	100	Former

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 46-48 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 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.

(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
April 24, 2019	Yen-Shiang Shih	To approve the donation to AUO Foundation	Concurrently serve as a director of AUO Foundation	Did not participate in discussion or voting

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):

1. The Company regularly convenes Audit Committee meetings. Where necessary, CPAs, the head of internal audit and relevant executives are also invited to the meeting.
2. 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.
3. 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

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

(II) 2019 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.

Note: The Company re-elected the directors at the Annual General Meeting on June 14, 2019.

(III) 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
	(IV) Does the Company establish internal rules against insiders trading securities with undisclosed information?	✓		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 will enforce educational promotions pertaining to insider trading preventive management for any new director and/or manager within one month of his/her appointment. In addition, the attendance rate for new employee corporate ethics training courses and the signage rate for declaration of integrity have both reached 100% in 2019. In addition, the Company opened a course on "Legal Compliance of Insider Equity Transaction" in November 2019. Insiders were invited to participate in this course. The course content includes three parts: Discussion on relevant regulations and prevention practices of insider transactions; regulations and practices on insider equity changes ; and prevention and practices of short-term trading; so as to specifically implement the publicity of prevention of insider trading.	No gaps

<table>
<tr><th rowspan="2" colspan="2">Assessed items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td rowspan="3">III. Composition and responsibilities of the Board of Directors</td><td>(I) Does the Board develop and implement a diversified policy for the composition of its members?</td><td>✓</td><td></td><td>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:
1. General conditions and values: Gender and age.
2. Professional knowledge and skills: Professional background, professional skills and industrial experience.
The specific management objectives and achievement of the Company's diversity policy are as follows:
<table>
<tr><td>Management objectives:</td><td>Progress</td></tr>
<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>
</table>
The Company's fulfillment of diversification of members of the Board of Directors in 2019 is as follows:
<table>
<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="2">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 55 yrs old</th><th>56-65 yrs old</th><th>66-75 yrs old</th></tr>
<tr><td>Shuang-Lang (Paul) Peng</td><td>Chairman</td><td></td><td></td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td>V</td><td></td><td>V</td></tr>
<tr><td>Kuen-Yao (K.Y.) Lee</td><td>Director</td><td></td><td></td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Frank Ko</td><td>Director</td><td></td><td></td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td></tr>
<tr><td>Peter Chen</td><td>Director</td><td></td><td></td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Chin-Bing (Philip) Peng</td><td>Independent Director</td><td></td><td>V</td><td></td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Mei-Yueh Ho</td><td>Independent Director</td><td></td><td></td><td>V</td><td>Female</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Yen-Shiang Shih</td><td>Independent Director</td><td></td><td>V</td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Yen-Hsueh Su</td><td>Independent Director</td><td>V</td><td></td><td></td><td>Female</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td></tr>
<tr><td>Jang-Lin (John) Chen</td><td>Independent Director</td><td>V</td><td></td><td></td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
</table>
Note: Information as of December 31, 2019.</td><td>No gaps</td></tr>
<tr><td>(II) In addition to remuneration committee and audit committee established according to law, has the Company voluntarily established other functional committees?</td><td>✓</td><td></td><td>In addition to the Audit Committee and the Remuneration Committe, 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. Capital Overview, in which financial performance is reviewed and analyzed and risks satated, and Chapter 3. Corporate Governance - fulfillment of corporate social responsibility (Page 81 and Page 32) of this Annual Report.</td><td>No gaps</td></tr>
<tr><td>(III) Does the company formulate the performance evaluation methods for</td><td>✓</td><td></td><td>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:</td><td>No gaps</td></tr>
</table>

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	
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 conducts internal performance evaluations on the "Board of Directors", "Audit Committee" and "Remuneration Committe" every year, 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 Directorsincludes 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, continuous education and internal control, which are composed of 45 evaluation indicators; the performance evaluation of the functional committees also 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; there are 23 evaluation indicators for the Audit Committee and 19 for the Remuneration Committe. The "Board of Directors", "Audit Committee" and "Remuneration Committe" 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 the Board of Directors, the Audit Committee and the Remuneration Committee of the Company in 2019 were all "Exceeding Expectations", without any major improvement items. The evaluation results are expected to report to the directors for the first board meeting in 2020, which will serve as a reference for members of the Board of Directors and functional committees on their performance, remuneration, nomination and renewal. Meanwhile, as recommended by the directors, the Company also set up a Corporate Governance Committee at the end of 2019, approved by the directors, so as to establish appropriate and adequate functional committee. 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 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. 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. Directors' performance evaluation in 2018 indicated "Exceeding Expectations". Upon resolution from the Remuneration Committee and the Board of Directors in 2018, directors' remuneration in 2018 had been fully distributed in accordance with " Compensation policy to the directors and functional committee members."	
(IV) Does the Company regularly implement assessments on the independence of CPA?	✓		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: 1. CPA of the Company is not a related party with either the Company or its Directors. 2. The Company abides by the Corporate Governance Principles and undertakes rotation of CPA. 3. Pursuant to the Sarbanes-Oxley Act, the accounting firm of the CPA needs to obtain approval from the Audit Committee before undertaking annual audit and non-audit services. 4. Pursuant to the Sarbanes-Oxley Act, the CPA reports to the Audit Committee quarterly for the review/audit results and the compliance of independence. 5. Regularly obtain the Declaration of Independence from CPA.	No gaps

Assessed items	Implementation Status (Note 1) Yes	No	Explanation	Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
			Set forth below is the evaluation result: 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 the regulations of SEC and PCAOB of the United States. The Company has not commissioned the same CPA for five consecutive years.	
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)?	✓		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. Key corporate governance implementations include the following: 1. In 2019, seven Boards meetings and seven Audit Committee meetings were held. 2. One Annual General Meeting was held in 2019. 3. All members of the Board have completed at least six credits of continuing education. 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. 5. The Compnay 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. 6. The Company's results in the 5th Corporate Governance Evaluation had ranked among Top 5%. 7. In 2019, the training hours for the head of corporate governance totaled 21 hours, and the information has been disclosed on the Market Observation Post System. For the complete course information, please refer to page 44 of the annual report.	No gaps
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

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) 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 2018 consolidated and parent-company-only financial report was announced and filed on February 26, 2019; the first, second and third quarter of 2019 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 disclosed other information to facilitate a better understanding of its corporate governance?	(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 employees have also formed a Welfare Committee. As to the employees' rights, please see "V. Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relations" (Pages 67-71).	No gaps
	(II) Employee care	✓			No gaps
	(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 (http://integrity.ab1.auo.com) 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 2019" 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 "III. Other Material Information" of this Annual Report, which provides information on "Other important information to achieve better understanding on the state of corporate governance activities"(Page 44)	No gaps
	(VII) The implementation of risk-management policies and risk evaluation standard	✓		Please see "Chapter 7. for Review, Analysis, Risk Factors of Financial Position and Performance" for details (Pages 79-86.)	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, and regularly review the number of directors and the criteria that should be met, 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 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. 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.	No gaps
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: The Company is named among the top 5% in the 5th Corporate Governance Evaluation from the TWSE in 2018. 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. 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. 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, in order to strengthen energy performance management, the Company is ahead of the industry to introduce internationally recognized measurements, namely International Performance Management & Verification Protocol (IPMVP), so as to make the data quality more reliable. In addition, in order to respond to the trend of intelligent management of big data, the Company trains intelligent professionals through professional training and cultivation, so that all aspects of the Company's operations can employ intelligent management and see the improvement of energy efficiency; on large and high-energy-consumption systems, such as water cooled chiller unit and the air compressor system, we have achieved considerable energy saving performance through intelligent management. Taking 2019 as an example, the overall power saving performance is estimated to be about 100 million kWh. Environmental management: 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]. Green energy: As of December 31, 2019, the Company has indirectly established and implemented a 114MWp solar power system through Star River Energy Corp. and Star Shining Energy Corp.

Note 1: Operations are based on the Company's practices, and either Yes or No will be ticked. Please see the content of the abstract for explanations.

Directors' continuing education in 2019:

Title	Name	Date	Organizer	Course Name	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.10.17		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Director	Kuen-Yao (K.Y.) Lee	2019.05.16	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.11.22		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
Director	Representative of BenQ Foundation: Peter Chen	2019.05.16	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.11.22		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
Director	Representative of AUO Foundation: Frank Ko	2019.02.22	Taiwan Corporate Governance Association	Towards a sustainable enterprise and increase in corporate long-term value	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Independent Director	Mei-Yueh Ho	2019.05.07	Taiwan Stock Exchange (TWSE)	ESG Investment Promotion Forum	3 hours
		2019.10.17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
Independent Director	Chin-Bing (Philip) Peng	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.03.20		Corporate Governance and Legal Compliance- A Perspective from the Points of Anti-Corruption and Economic Crime	1.5 hours
		2019.05.08		Information security and corporate governance	3 hours
		2019.08.07		Recent Securities Regulation and Tax Updates	1.5 hours
		2019.09.27		How does a director or a supervisor supervise a company to do well of enterprise risk management	3 hours
				Corporate Social Responsibility and Sustainable Competitiveness	3 hours
Independent Director	Yen-Shiang Shih	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.08.02	Securities and Futures Institute	Offensive and Defensive Warfare in Trade Secret Protection	3 hours
Independent Director	Yen-Hsueh Su	2019.04.29	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3 hours
		2019. 05.24	Chinese National Association of Industry andCommerce, Taiwan (CNAIC)	Latest Trends and Important Regulations on Preventing Money Laundering and Financing of Terrorism	3 hours
		2019.10.17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
Independent Director	Jang-Lin (John) Chen	2019.05.24	Taiwan Corporate Governance Association	Board functions and effectiveness evaluation	3 hours
		2019.06.25		Reforms and A New Future for a Company Limited by Shares Under the Amendment to the Company Act	3 hours
		2019.06.28		Directors' Fiduciary Duties and Business Judgment Guidelines	3 hours
		2019.08.21		Operations of the Audit Committee	3 hours
		2019.10.17		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours

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

1. Information on the members of the Remuneration Committee

December 31, 2019

Status	Qualifications / Name	Has more than 5 years of work experience and the following professional qualifications: 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	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	Meet conditions of independence (Note 1): 1	2	3	4	5	6	7	8	9	10	Number of other public companies where the member concurrently serves as member in Remuneration Committee	Note
Independent Director	Yen-Shiang Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	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 three Remuneration Committee meetings in 2019 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks (Note)
Convener	Yen-Shiang Shih	1	0	100	Newly elected
Member	Yen-Hsueh Su	1	0	100	Newly elected
Member	Ding-Yuan Yang	3	0	100	Re-election
Convener	Chin-Bing (Philip) Peng	2	0	100	Former
Member	Vivien Huey-Juan Hsieh	2	0	100	Former

Other items that shall be disclosed:
1. 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.
2. 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.
3. Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Date of Meeting	Agenda	Resolutions and opinions of all members
January 28, 2019	Approved to amend the proportion to the appropriation of employees' and directors' remuneration of 2018 Approved the proportion to the appropriation of employees' and directors' remuneration of 2019 Approved the 2019 Manager Remuneration Policy	Approved as proposed and reported to the Board of Directors for resolution.
March 22, 2019	Approved the proportion to the appropriation of employees' and directors' remuneration of 2019 Approved the 2018 distributions to directors and senior managerial officers.	
July 24, 2019	Approved the distribution of 2018 remeneration for senior managerial officers	
February 5, 2020	Approved the 2019 compensation distributions to directors and senior managerial officers.	
	Approved the 2020 Manager Renuneration 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"	

4. 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.

Note: On June 14, 2019, the Board of Directors of the Company appointed Yen-Shiang Shih, Yen-Hsueh Su, and Ding-Yuan Yang members of the fourth Remuneration Committe, with Yen-Shiang Shih as the convener.

(V) 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)	✓		1. In order to respond to major global economic, social and environmental risks, AU Optronics Corp. has established systematic risk response policies and procedures in accordance with the materiality principles and ISO 31000 Risk Management – Principles and Guidelines. Through the Company's CSR Committee, the Chief Financial Officer will review the risk identification work. Risk identification is conducted annually by the various units, including product R&D units, the manufacturing and sales units, as well as the units in charge of finance, legal affairs, human resources, information technology, and environmental safety management, from the perspective of corporate sustainability, e.g. financial considerations such as market risk and liquidity risk, and non-financial risks such as regulatory compliance, information security, climate and environmental protection, and social issues. In addition to mitigating the risks, the Company has been seeking opportunites to counter all the said risks. 2. The risk identification process involves a quantitative assessment considering the frequency of occurrence, the degree of impact, and the degree of control. It covers dimensions such as finance, strategy, operation, and disaster. By doing so, we have identified 74 types of risks and prioritized them using the matrix analysis diagram. 3. In 2019, 19 risks were assessed all together, which comprised external risks, mainly coming form product competition, market strategies and the impact of China-US trade war, and internal risks, mainly coming from information security management and value chain response. With respect to management of external risks, we will keep focusing on the overall strategy, which is creating a competitive edge through product differentiation, high-quality technology, and transformation of product business model. Internal risks are managed in various ways, e.g. enhancement of internal information security management in terms of prevention, response, and recovery; as regards the impact of the value chain, in addition to strengthening the management of suppliers, we also conduct a mid-term and long-term inventory to mitigate climate risks. Doing so is a launch of the Company's 2025 goals and an improvement of resilience for the Company's sustainability.	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?	✓		1. A Corporate Sustainability Responsibility Committee (CSR Committee) has been established along with subcommittees based on the material importance of each task in September 2013. In addition, a Chief Sustainability Officer (CSO) was appointed in March 2018, and the Sustainability Development Department is responsible for the operations of the committee, while the Chairman and CEO are designated as the Chair of the committee. Currently, eight subcommittees have been set up, presided by senior managerial officers, who will facilitate the promotions of relevant tasks. 2. The Committee performs its duties based on the Plan-Do-Check-Act (P-D-C-A) cycle, and regularly review and respond to feedback from stakeholders. 3. Each sub-committee reports to the Chairman quarterly on the progress of implementation, and discuss trendy issues. At the beginning of each year, the implementation results and the response to stakeholders' concerns are reported to the Board of Directors.	No gaps

Assessed items		Implementation Status (Note 1) Yes	No	Explanation	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and root causes
III. Environmental Issues	(I) Has the Company referred to the nature of its industry to establish a suitable environmental management system (EMS)?	✓		1. By proceeding the product carbon footprint inventory, the Company calculates the greenhouse gas emissions during each stage of a product's life cycle, which includes raw materials, production, transportation, sales, usage, disposal, and to recycling. The Company has also developed an online carbon footprint management system, which is conducive to innovative design of reducing materials used and its carbon footprint. 2. The Company has established Environmental Safety, Health and Energy Policies, which encompass six aspects: commitment to legal compliance, reducing environmental burden, promoting safety and health, strengthening communications mechanism, fostering the culture of sustainability, and enhancing management performance. 3. ISO 14001 Environmental Management System has been implemented at all production facilities of the Company.	No gaps
	(II) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		1. The Company strives to design sustainable packaging that is easy to access, light, eco-friendly, easy to recycle, and high impact resistance by using recycled materials. Doing so reduces resources used for packaging and decreases greenhouse gas emissions. Moreover, we also undertake supplier-packaging recycling plan. The Company has already won numerous awards from both Taiwan and overseas institutions because of the design concept, which blends innovation with environmental friendliness. 2. ISO 50001 Energy Management System has been fully implemented at all production facilities of the Company.	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?	✓		1. The Company has set its goals for 2025 pertaining to the Sustainable Development Goals (SDGs). Among them, for SDG13 Climate Action, we have proposed the goal of "To Improve Our Resilience to Climate Changes, and to Relentlessly Mitigate Financial Impacts Brought By Climate Changes". Accordingly, we have established management procedures for continuous improvement, which are regularly reported to the CSR Committee. 2. The CSR Committee also established a Carbon-Energy Working Group (WG), which includes a Risk Adaptation Team. Based on the framework of Task Force on Climate-related Financial Disclosures (TCFD), we have taken stock of risks and opportunities derived from climate changes, including management of a broken supply chain due to physical risks, risks of market strategies arising from transformation, and mastery of regulatory trends. Through the identification work done by each responsible unit, we are able to foresee potential losses, and thus give response accordingly. 3. The Company holds a TCFD Conference annually, during which we review the previous year's climate events and the effectiveness of our countermeasures, re-examine the climate scenario, and re-assess the financial impacts, so as to actively face the constantly changing risks.	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	
	(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?	✓		1. 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 4 "Environment Sustainability" can be referred to for further information. 2. In order to implement relevant sustainability actions, a CSR Committee was set up in 2013. In addition, we have also formulated our Corporate Social Responsibility Best Practice Principles, as well as other sustainability policies (available for download on the official website), including policies to mitigate climate change, reduce environmental load, and improve the efficiency of energy and resource use. 3. In order to integrate internationally, in 2018, the Company focused on 9 trendy SDGs and set our CSR goals for 2025, including: three pillars, namely EPS (Environment, People & Society), and ten major goals, e.g. environmental sustainability, inclusive growth and flexibility and innovation; among them, in the environmental sustainability part, we will continue to work towards the mid-term goal of [Have the value chain jointly cope with the water crisis and conserve use of tap water; Reduce carbon emissions at each stage of the product life cycle; And lead the development of a circular value chain to expand economic benefits].	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?	✓		To ensure that employee rights are protected and to fulfill social responsibility, the Company has drawn up management systems in 2006 in reference to international standards such as the International Labor Organization (ILO), the Global Sullivan Principles, the UN Guiding Principles on Business and Human Rights, and Code of Conduct of the Responsible Business Alliance. In 2019, the Company conducted inventory on human rights risks of stakeholders, listed vulnerable groups and issues, and established mitigation measures and supervision mechanisms. Mitigations: The Company strives to protect employees' human rights in the following manner: legal compliance, freedom of employment, humane treatment, anti-prejudice and anti-sexual harassment, protection of employees' rights to express their opinions, establishing diversified and effective communication mechanisms, having a sound compensation and benefits system, and training for development opportunities and course options. We also fulfill human rights protection through the following means: ● The Company evaluates risks of human rights, policy, and impacts in accordance with the Company's human rights risk evaluation form, and undertake actions for necessary improvements accordingly. ● Advocate for anti-violence measures at the workplace, reinforce the awareness of human rights and ensure that employees fully understand the human rights policy. ● Provide and maintain fluent grievance channels, undertake timely investigations into human rights reporting incidents and actively adopt improvement actions. ● Supervise global business partners to collectively protect human rights through a supplier audit. ● For new employees, we provide courses of corporate social responsibility, as well as publicity of human rights policy, so that colleagues understand their rights, and the Company's policies and practices of corporate social responsibility. A total of 424 people completed training in 2019, with a signing rate of 100%	No gaps

Assessed items	Implementation Status (Note 1) Yes	No	Explanation	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and root causes
			Supervision: The Company conducts annual internal audits of all fabs each year. 11 times of audit were conducted in 2019, the content of which includes labor, health and safety, ethics norms, and management systems, etc., so as to ensure that all employees fully understand the importance of human rights and that the Company's operations comply with local laws and regulations, as well as international standards.	
(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?	✓		1. Article 15 of the Company's Articles of Association has stipulated that employee compensations shall be no less than 5% of the year's profit. 2. Based on the Company's Procedures for Distributing Bonuses, and in reference to performance from each business department and individual performance, reasonable compensation will be given to employees upon approval from their respective executives. 3. The Company regularly participates in international market salary and compensation surveys, adjusting compensation ranges in order to provide competitive compensation. In addition, compensation adjustments were undertaken in 2019 in consideration of the Company's performance, the consumer price index (CPI), the economic growth rate, and individual performance, among other factors, and the average adjustment rate ranged at 1%-3%. 4. For the Company's employee benefits measures and implementation status, please refer to the "Labor Relations" in Chapter 5 "Operational Highlights" of this Annual Report. (pages 67-70)	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?	✓		1. Besides abiding by relevant legal regulations in Taiwan, to provide a safe work environment for employees, all production facilities of the Company have passed the internationally-accredited OHSAS 18001 Occupational Health and Safety Management System certification. 2. The Company has stipulated Chemical Substance Management Principles and continues to update its content based on domestic and overseas legal regulations, environmental assessments, and customer requests, as well as notify suppliers to comply with relevant regulations to ensure that chemicals provided by suppliers do not contain prohibited substances. 3. The Company has undertaken labor work environment inspection and health checkup pursuant to legal regulations and has improved the work environment based on results of inspection, provided necessary protection, and adjusted the work environment accordingly. 4. In order to effectively raise the awareness of all employees about the environment, safety and health, the Company regularly organizes education and trainings in this respect.	No gaps
(IV) Has the Company established effective career and competence development and training plans?	✓		The Company has established AUO College based on each training group to foster the career planning of employees. Training programs have been established (e.g., R&D functions fall under the College of Engineering, manufacturing functions fall under the College of Engineering, and management functions fall under the College of Management and more) to systematically and gradually help employees develop their career paths. In addition, the Company has also set up Training Executive Committee to foster the professional skills of employees. Internal lecturers will hold classes to effectively pass on their professional knowledge and skill-sets.	No gaps

Assessed items	Implementation Status (Note 1) Yes	No	Explanation	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and root causes
(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?	✓		1. The Company had established an inter-departmental Green Product Team to make necessary responses since the EU had announced the Restriction of the use of Hazardous Substance (RoHS) in 2005. In addition, to respond to the European Union's Registration, Evaluation, and Authorization of Chemical (REACH) regulation, the Company maintains the status of products that contain Substances of Very High Concern (SVHCs) to ensure compliance with REACH. We also regularly collect information on major environmental laws around the world to stay on top of the latest international regulatory trends. 2. The Company's solar products have received International Electrotechnical Commission (IEC) and Electrical Testing Laboratories (ETL) Listed certification, which are indicated on the transportation labels. Since monitor/display products are not terminal products, if product carbon footprint labels are requested by AUO's clients, the Company will provide relevant data per clients' requests. 3. The Company pays attention to customers' service satisfaction and its corporate image, brand value, and recognition for service quality. Therefore, the Company strives to provide comprehensive product solutions and a wide range of innovative products. To achieve the most efficient services, designated departments will be in charge during each phase of the product, from product development, design, production, transportation, to maintenance. 4. 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 objectives to supervise customer satisfaction. If satisfaction data analysis shows that objective has not been met, the designated department will be responsible for carrying out improvement measures, and review will be undertaken by senior executives during management review meetings. 5. The Company has also set up an online service platform to provide product warranty services directly for our customers. Customers can apply for service on the platform based on the warranty agreement.	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	
(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?	✓		1. The Company has an "AUO Supplier/Subcontractor Code of Conduct" and requires all suppliers and subcontractors to sign the "Statement of Compliance with AUO Supplier/ Subcontractor Code of Conduct", which covers occupational safety, industrial hygiene,, environmental protection, and labor rights, so as to ensure that suppliers and subcontractors comply with the Responsible Business Alliance(RBA) Code of Conduct or local laws. 2. The RBA Audit Team consists of the procurement, quality assurance, environmental safety and human resources management. Audit methods include on-site audits, document reviews, and employee interviews. Due to the large number and variety of the Company's subcontractors and raw material suppliers, the RBA's annual audit mainly focuses on the three categories: the top 70% manufacturers of the Company's procurement, the high CSR risk rating in the supply chain, and the key consulting suppliers. 3. The Company conducts social and environmental responsibility audits for all first-tier suppliers and subcontractors to ensure that they comply with relevant local laws and regulations. The Company also arranges for suppliers to participate in a series of social, environmental, and energy saving courses. Once a supplier or a subcontractor violates Corporate Social Responsibility policy, it would negatively impact the Company's business relationship with AUO.	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 non-financial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	✓		1. The Company's first CSR Report was published in 2006. Since 2007, the Company has compiled the CSR Report in compliance with GRI-G4. The reports have been verified by independent third-party institutions. Besides following the existing standards, we have also autonomously adopted the accounting system ISAE 3000 for assurance for our 2016 CSR Report and the reports thereafter, which not only strengthens the transparency of reports but also enhances the precision of our internal work. 2. Since the Company officially responded to the Dow Jones Sustainability Index (DJSI) questionnaire in 2009, it has been included in the DJSI World for 10 consecutive years.	No gaps

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:
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: (https://www.auo.com/zh-TW/Policy_and_Documents/index). As for the Company's CSR strategies and status of implementation, please see "Chapter 3 Corporate Governance" of this Annual Report, which provides information on "Fulfillment of Social Responsibility" (Pages 32-39).

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):
Adhering to the spirit that corporate sustainability needs to take into account economic, environmental and social aspects, the Company has established the AUO Foundation to promote various sustainable actions such as environmental protection and social participation. AUO Foundation has three business pillars, namely "Popular Science Education on Environmental Protection, Green Sustainability Life, Care for Nature and Culture", and four volunteer systems respecting Love, Green, Education, and Culture, so as to maintain the natural ecology, improve the quality of living environment, promote environmental education, and care for public welfare. Doing so also encourages employees to volunteer, and realize themselves, while working for a better society for Taiwan. Below is a summary of the major contents of each theme:

[Popular Science Education on Environmental Protection]

Environmental Education in Taichung

Taichung fab has been promoting environmental education for the fifth year. This year, the fab secured an extension of the certification of an environmental education facility granted by the Environmental Protection Administration. The fab developed two sets of courses, namely "Energy" and "Culture", based on the characteristics of the field. The courses are open to elementary school groups if appointment is made in advance. The fab also subsidized rural schools to come to experience the courses. This year's Energy course introduces VR so that students can better understand the energy-saving facilities of green plants. In addition, in order to expand its influence, the fab actively cooperates with relevant units

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	

such as the Environmental Training Institute of the Environmental Protection Administration, Environmental Protection Bureau of Taichung City Government, and other environmental education facilities to share AU Optronics Corp.'s environmental education courses and concepts, either in the form of activity experience, professional visits, and paper contribution in a seminar; internally, through large-scale company events (such as Green Party and Family Day), the environmental literacy of employees and their dependents is enhanced in an easy-to-understand manner for them to put into action. Since 2015, we have jointly organized summer camps with Taichung Metropolitan Park each year, in which the fab staff guide students to understand the water use of Datu Mountain, and lead them deep into the community to visit the mysterious ancient well. In addition to the theme of "Water Resources", in 2019, the fab for the first time cooperated with the FORMOSAN ASSOCIATION FOR G.M.T. CULTURE to hold summer camps, with the theme of "culture", in which the fab guided students to understand the development history of Datu Mountain dating back to ancient times. Students were led to Xi Dadun Kiln and Gomach to understand the history and culture, as well as the relationship between human life and environmental changes. The fab has held 4 events on the two themes, participated by 97 people and 16 volunteers.

Environmental Education in Longtan

GreenArk, the first LCD panel water resource park throughout Taiwan was built to convey the skills and knowledge of AUO's innovative water-recycling engineering technology. The Company has started course strcuturing since 2016. Experts and scholars were invited to undertake on-site effectiveness review and coaching, on top of inviting schools in nearby communities to host trial courses. We have received the certification for a water resource teaching venue in July 2018, making us the 12th environmental educational facility in Taoyuan City. GreenArk at Longtan Fab has designed environmental educational courses that are easy to understand for 5th and 6th graders. The purpose of this is to instill the awareness for the importance of sustainable water resources in younger students. 42 environmental courses have been held since 2019, including 18 outdoor courses (including 2 courses in remote school) and 22 courses for adults, two summer camps, and one environmental protection promotion course, with a total of 919 participants and 92 volunteers. So far, participants have reached a total of 1,174 people.

To reinforce teaching experience and to advocate the concept of sustainable consumption of water to our employees, summer camp activities have been held each summer starting from 2017, and students from local elementary schools were invited to take part. For three consecutive years, we have co-organized summer camps with the Chungli Laojie River Education Center and the Shihmen Reservoir Education Center. So far, six summer camps have been held, participated by employees and their dependents and local elementary schools, totaling 131 participants.

DADA's Magic Science Camp

To broaden the strength of optronics and popular science education, by drawing upon our competitive edge in our core business and collaborating with the National Museum of Natural Science and Yuan T. Lee Foundation Science Education for All, we have organized " DADA's Magic Science Camp," an exciting one-day camp for recipients of the Honest-Intelligent Scholarship in junior high schools since 2016. The purpose of the camp is to help high-performing yet impoverished students to attain access to diversified education opportunities and inspire them to optronics and popular science education. 10 camps were held in 2019, providing free participation for 649 winners of junior high school students. Courses covered popular science topics including optics, electricity and solar power.

Dada's Magic Land

AUO has been committed to the promotion of popular science education for a long time. Since 2009, it has cooperated with the National Museum of Natural Science to develop "Dada's Magic Land", a learning base for photoelectric principles, in which Interactive explanation of optical principles, combined with living examples, are provided to let visitors and students understand the application of photoelectricity. In 2019, a total of 1,005 people participated in the guided tour, and 233,095 people visited the museum. In addition to the normal guided tour, AUO also instills popular science education in every participant at the Company's large-scale events, such as AUO Green Party, 2019 Family Day, among others. Volunteer services of guided tours in 2019 were given by 182 people, with accumulated service hours reaching 1,513 hours.

[Green Sustainability Life]

Green Party

In response to Arbor Day, AUO has been organizing the Green Party Festival for ten consecutive years. To date, over 1 million trees have been planted. In 2019, we have for the first time invited local suppliers in Taichung to participate in this event. Over 1,500 AUO employees and their family members joined us in this year's Arbor Day event, planting about 5,000 seedlings around AUO Houli Fab in cold rainy dawn. Through this concrete action, they have demonstrated their determination to build a sustainable planet. In the event, entertaining activities held at each booth for parents and their children have deepened the philosophy of environmental education, thereby fulfilling our philosophy and commitment to environmental protection.

Energy Saving and Plastic Reduction

In order to convey the concept of environmental sustainability of AUO, on April 22nd, the Earth Day, we have launched a non-plastic operation in all fabs. In addition to sharing environmental protection ideas online and participating in the 21 Days to a Green Life, there are were concrete actions of reduction of plastic for dining use. Environmental protection-promoting manufacturers were invited to set up booths in the fab area to publicize the awareness of environmental protection for colleagues. This event has been participated by 2,979 people. In addition, from June to September, AUO has held summer energy-saving activities. In addition to temperature control in various fabs, and "cool biz", a clothing promotion for summer days, we have awoken colleagues 'energy-saving awareness through various soft activities. In addition to designing games to establish colleagues' energy-saving knowledge, we also held a power-saving contest in each fab, publicizing residential power-saving activities and inviting colleagues to save power with their families. This year, nearly 1,200 people responded, saving 33,000 Kwh of electricity.

Farmland Adoption Program Fundraiser

In response to BenQ Foundation's "Farmland Adoption Program Fundraiser" project, we have encouraged AUO employees to adopt environmentally-friendly paddy fields throughout Taiwan since 2008. As of 2019, over 10 hectares of farm have been adopted at Nanpu in Hsinchu, and Xizhou in Changhua. In 2019, a total of 602 colleagues were called to participate, and donated more than NT$ 670,000.

Supporting Taiwanese Local Produce

Taiwan's agricultural products have always been on the AUO agenda. Starting from 2008, more than 20 agricultural products were directly purchased in an attempt to help farmers. In 2019, we were the first in Taiwan to cooperate with Buy Nearby, a social enterprise. Through social enterprises, we have cultivated local small farmers and helped farmers in remote areas and tribes, thereby bringing good quality agricultural

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	
products directly to the market. In 2019, Taiwan Uno Fresh picked local seasonal produce including Xinxing pears from Houli, Taichung,pomelos from Douliu, Yunlin, Ruixue pears from Houli, Taichung, and wax apples from Pingtung, so that the farming philosophies from small farms could be seen. The produce was welcomed by AUO employees, and more than NT$1.3 million worth of produce was sold. **[Care for Nature and Culture]** **Christmas Wish Program** The Christmas Wish Program campaign at AUO has been an ongoing effort since 2002. For the past 18 years, AUO has helped over 102,000 disadvantaged students from remote regions and charity organizations to raise Christmas presents and scholarships. Approximately NT$11.6 million in scholarship funds have been raised. The dream project in 2019 is titled "Children's Wishing Stars, Liting the Dreams and Hearts". Colleagues recommend those who need help around them, including 16 recipients, namely Yude Children's Home, Holy Family for Special Education, Baby Development Center, Jinshan Elementary School, Hsin Kwang Elementary School, Hao-Shen Children's Home, Good Shepherd Social Welfare Foundation (Dexin / Lamb's Home), Atayal Garden, Mountain Climbing Service Club of National Chiao Tung University, Nantou Tonglin Elementary School, Nantou Guangxing Elementary School, Seed Family and Kid's Book House in Taitung. For the first time, we have cooperated with "Teach For Taiwan (TFT)", a plan to cultivate long-term front-line teachers to teach in remote areas, so that we could bring stable and high-quality education to the rural schools, and help children regain the joy of learning. In order to make the recipient children feel the enthusiasm of AUO, on the eve of Christmas, more than ten senior executives and more than 110 employees and their family members were invited to work as volunteers, and sent gifts to social welfare institutions and local schools in person to convey love and care. The mileage accumulated over the 18 years is a whopping 7,000 kilometers, delivering love across thousands of miles to realize children's Christmas dream. **Honest-Intelligent Scholarship** To implement our vision of giving back to society in practice, the Honest-Intelligence Scholarship was established by AUO in 2006. Over the past 14 years, over NT$129 million in scholarships have been provided, assisting more than 32,500 impoverished students, or students with tragic losses, to continue their education. This is a donation project where AUO employees voluntarily contributed one to several days' worth of their salaries. Since the target of the donation was very clear, the proceeding was handled with transparency with a very convenient application procedure. It had achieved widespread popularity and positive recognition among AUO staff, providing students with much-needed assistance. Approximately 2,000 kindhearted employees had participated in the Honest-Integrity Scholarship fundraiser in 2019, raising nearly NT$8.35 million of scholarship funds. Besides sponsoring 2,035 elementary and junior high school students from disadvantaged families, 649 junior high school students were also invited to participate in the DADA Science Camp, helping them to set solid foundations for their future scientific learning and knowledge. **Social Welfare Clubs and Volunteering Activities** Seven social welfare clubs have been gradually established at AUO's Taiwan facilities since 2013, in which AUO employees regularly undertake community service at nearby welfare institutions. The subjects of these efforts have included children being sheltered by the Department of Social Welfare, physically and mentally challenged children and children who have dropped out of school. AUO employees have assisted in providing companionship, cleaning their environment, and/or course counseling. In addition, the annual Christmas Wish Program and scholarship fundraisers have also helped disadvantaged children placed in social institutions to continue their schooling. In 2019, more than 7,600 employees volunteered, rendering services for more than 22,000 hours. **Cultural achievements of Sidadun Kiln** Since 2010, the AUO Taichung fab and the Focus Junior High School have jointly planned the "Fuke Walk-through" event, inviting fresh junior high school students to learn about the environment, culture and industry of their hometown by walking through. The event has been held for ten years, with a total of 5,937 fresh junior high school students participating. The content of the event is based on the theme of "cultural preservation, renewable energy and green plants". Through AUO's professional guided tours and interactive quizzes, students will be guided to understand the local environment and culture. Doing so also communicates the Company's philosophy and care for environmental education. It is expected that in 2020, the Sidadun Kiln Cultural Museum will be rebuilt by employing the 3R environment-friendly construction method employed by AUO Micro Gallery, so as to pass on local cultures.				

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.

(VI) 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: ● Bribing or receiving bribes, and taking or receiving inappropriate benefits. ● Providing illegal political contributions ● Improper charitable donation or sponsorship ● Unreasonable Presents, Hospitality or Other Improper Benefits ● Violation against Anti-trust Law ● Infringement on Intellectual Property Moreover, preventative measures for infringement on trade secrets have also been proposed in the Management Principles for Information Security.	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?	✓		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 warnings, 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 operation	(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

<table>
<tr><th colspan="2" rowspan="2">Assessed items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td>(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?</td><td>✓</td><td></td><td>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 2019, we communicated the ethical transaction commitment to suppliers, had 421 suppliers sign the Code of Conduct, and audited the implementation of ethical corporate management of 39 suppliers.
The signing rate of new employees for ethics training courses, as well as Declaration of Ethics, is 100%.</td><td>No gaps</td></tr>
<tr><td></td><td>(III) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?</td><td>✓</td><td></td><td>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.</td><td>No gaps</td></tr>
<tr><td></td><td>(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?</td><td>✓</td><td></td><td>"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.</td><td>No gaps</td></tr>
<tr><td></td><td>(V) Does the Company regularly hold internal and external training related to ethical corporate management?</td><td>✓</td><td></td><td>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.</td><td>No gaps</td></tr>
<tr><td>III. Operation of whistle-blowing mechanisms in the Company</td><td>(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?</td><td>✓</td><td></td><td>Reporting can be made through any of the following channels when a 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 (http://integrity.ab1.auo.com)
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.</td><td>No gaps</td></tr>
</table>

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	
(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
V. 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: In 2014, the Company formulated the "Code of Ethical Management" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies". There is no significant difference between the Company 's ethical corporate management and the said laws.				
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 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. 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. 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. 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. 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 770 people declared in 2019, with completion rate being 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.				

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.

(VII) 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 "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 see either the MOPS or the Company website for the Company's Corporate Governance Principles.

(VIII) 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 has the power to: 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 2019:

Title	Name	Date of continuing education	Organizer	Course title	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.10.17		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
President and COO	Frank Ko	2019.02.22	Taiwan Corporate Governance Association	Towards a sustainable enterprise and increase in corporate long-term value	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Senior Vice President	Wei-Lung Liau	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.10.17		Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Vice President	Hong-Jye Hong, Amy Ku	2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
Vice President	Shih-Hong Liao	2019.06.13	Accounting Research and Development Foundation	Corporate Governance Practices: An Analysis of the Trends and Cases of "Comprehensive Enterprise Value Management"	3 hours
Vice President	Ting-Li Lin, Hong-Jye Hong, James CP Chen, CS Hsieh	2019.10.17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
	TY Lin	2019.11.22			
Vice President	Wei-Lung Liau, TY Lin, Ting-Li Lin, hih-Hong Liao, CS Hsieh	2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Financial Manager Accounting Manager Cooperate Governance Manager	Benjamin Tseng	2019.02.27	Accounting Research and Development Foundation	The Key Role of "Breaking News" in Economic Crimes: Legal Liability and Case Study	3 hours
		2019.03.12	Taiwan Corporate Governance Association	2019 Global risk trends	3 hours
		2019.03.15	Accounting Research and Development Foundation	Analysis of amendments to IFRS financial reporting standards and analysis of common deficiencies	3 hours
		2019.05.23		Corporate governance practices: an analysis of the trends and cases of "Comprehensive Enterprise Value Management"	3 hours
		2019.10.15		Analysis of IFRS 16 "Leases"	3 hours
		2019.10.04	Taiwan Stock Exchange (TWSE)	ESG Investment Forum	2 hours
		2019.10.17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours
Audit Manager	Maggie Chen	2019.03.12	Taiwan Corporate Governance Association	2019 global risk trends	3 hours
		2019.09.10	The Institute of Internal Auditors-Chinese Taiwan	How internal auditors interpret business performance and risks from IFRS financial statements	6 hours
		2019.10.04	Accounting Research and Development Foundation	Analysis of Cases of "Audit Transformation" and "Data Analysis" Brought by Emerging Technology	6 hours
		2019.10.17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3 hours
		2019.11.21	Securities and Futures Institute	Legal compliance for insider equity transaction	3 hours

(IX) Implementation of Internal Control System

1. Statement of Internal Control System

AU Optronics Corporation
Statement of Internal Control System

Date: February 5, 2020

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 2019:

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 abovementioned assessment, the Company believes that, as of December 31, 2019, 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 2019 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 5, 2020, 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 that CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: None.

(X) 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 "V. Operational Highlights" (Page 67) of this Annual Report, which provides information on "Environmental Protection Expenditures".
2. As to penalties on labor conflicts, please see "V. Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relation"(Pages 70-71).

(XI) 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 2019 Shareholders' Meeting and Implementation Status
   - Elected nine directors (including five independent directors) being the ninth-term directors
     Implementation status: Directors elected comprise Shuang-Lang (Paul) Peng, Kuen-Yao (K.Y.) Lee, Kuo-Hsin (Michael) Tsai, the Representative of AUO Foundation, Peter Chen, the representative of BenQ Foundation, Mei-Yueh Ho (independent director), Chin-Bing (Philip) Peng (independent director), Yen-Shiang Shih (independent director), Yen-Hsueh Su (independent director), Jang-Lin (John) Chen (independent director). The term of office is from June 14, 2019 to June 13, 2022.
   - Accepted 2018 Business Report and Financial Statements
     Implementation status: Resolution was passed
   - Accepted the proposal for the distribution of 2018 earnings
     Implementation status: resolution passed; the ex-dividend record date was set on July 19, 2019, and earnings have been distributed on August 16, 2019 based on the resolution from the Shareholders' Meeting. Amount of cash dividend distributed was NT$0.5 per share; hence, NT$500 would be distributed for each 1,000 shares. Total cash dividend distributed was NT$4,812,122,558.
   - 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 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 amendment to the Articles of Incorporation
     Implementation status: resolution was passed, and the amended Articles of Incorporation became effective on June 14, 2019.
   - Approved the amendments to Handling Procedures for Acquisition or Disposal of Assets, Handling Procedures for Conducting Derivative Transactions, Handling Procedures for Capital Lending, Handling Procedures for Providing Endorsements and Guarantees for Third Parties.
     Implementation status: resolution was passed, and the amended procedures became effective on June 14, 2019.
   - Approved to lift non-competition restrictions on board members
     Implementation status: resolution was passed, and the non-competition restrictions were lifted on the director candidates, namely Shuang-Lang (Paul) Peng, Kuen-Yao (K.Y.) Lee, Kuo-Hsin (Michael) Tsai, BenQ Foundation, Peter Chen, Mei-Yueh Ho, Chin-Bing (Philip) Peng, Yen-Shiang Shih, Yen-Hsueh Su, and Jang-Lin (John) Chen

2. Material Resolutions from the Board of Directors

8th Term 18th Meeting 2019.01.28	◆ Approved the Internal Control Declaration for 2018 (note) ◆ Approved the amendment of proportion to the appropriation of employees' remuneration and directors' remuneration in 2018 ◆ Approved the proportion to the appropriation of employees' remuneration and directors' remuneration in 2019 ◆ Approved the 2018 Parent Company Only and Consolidated Financial Statements (note) ◆ Approved the 2019 services and fees of the Certified Public Accountant (note) ◆ Approved Subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital to Subsidiaries, U-Fresh Technology (Suzhou) Co., Ltd. and AUO Care Management (Suzhou) Co., Ltd. (note) ◆ Approved the amendments to the Authorization Matrix(note) ◆ Approved the 2019 Senior Officer Compensation Policy ◆ Approved the addition and renewal of banking facilities
8th Term 19th Meeting 2019.3.22	◆ Approved the 2018 Business Report and the 2019 Business Plan (note) ◆ Approved the distribution of 2018 earnings (note) ◆ Approved the distributions of 2018 employees' and directors' remuneration ◆ 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) ◆ Approved the amendment to Articles of Incorporation ◆ Approved the amendment to Handling Procedures for Acquisition or Disposal of Assets, Handling Procedures for Conducting Derivative Transactions, Handling Procedures for Capital Lending, Handling Procedures for Providing Endorsements and Guarantees for Third Parties(note) ◆ Approved the directors' election and the list of the nominated candidates of the directors (including independent directors) ◆ Approved the date of convening the 2019 Annual General Shareholders' Meeting, meeting agenda and submission period of shareholder proposals and directors ◆ Approved to cancel the issuance of securities in private placement resolved in the 2018 Annual General Shareholders' Meeting (note) ◆ Approved the increase/reduction of capital expenditure budget ◆ Approved the proportion to the appropriation of employees' remuneration and directors' remuneration in 2019 ◆ Approved the 2018 compensation to directors and senior managerial officers ◆ Approved the donations(note) ◆ Approved to conduct Sustainability-Linked Loan
8th Term 20th Meeting 2019.4.24	◆ Approved the Consolidated Financial Statements for the period ended March 31, 2019 (note) ◆ Approved the Company and the subsidiaries to lend capital to AU Optronics (Kunshan) Co., Ltd. (note) ◆ Approved the Company to conduct derivative transaction on behalf of AU Optronics (Kunshan) Co., Ltd. on its exposure in US dollars(note) ◆ Approved the capital injection from the Company to the subsidiary, ComQi Ltd. (note) ◆ Approved to lift non-competition restrictions on board members ◆ Approved the amendment to Articles of Incorporation Examined shareholders' proposals for 2019 Annual General Shareholders' Meeting ◆ Approved the SOP of processing the requirements from the directors ◆ Approved the donations to AUO Foundation(note) ◆ Approved the addition and renewal of banking facilities
9th Term 1st Meeting 2019.6.14	◆ Elected of the Chairman ◆ Appointed the members of the Company's fourth-term Remuneration Committee
9th Term 2nd Meeting 2019.7.24	◆ Approved the Consolidated Financial Statements for the period ended June 30, 2019 (note) ◆ Approved to invest the common shares of Star Shining Energy Corporation(note) ◆ Approved the distribution of 2018 employees' remuneration for senior managerial officers ◆ Approved the addition and renewal of banking facilities
9th Term 3rd Meeting 2019.9.9	◆ Intention to delist the Company's ADSs from the NYSE (note) ◆ Approved the Company to repurchase its outstanding common shares ◆ Approved the changes of senior officers
9th Term 4th Meeting 2019.10.29	◆ Approved 2020 annual audit plan (note) ◆ Approved the amendments to Internal Control Systems(note) ◆ Approved the Consolidated Financial Statements for the period ended September 30, 2019 (note) ◆ Approved the subsidiaries to lend capital to AU Optronics (Kunshan) Co., Ltd. (note) ◆ Approved to lend capital to the subsidiary, AUO Crystal Corporation(note) ◆ Approved to cancel the endorsements and guarantees of the subsidiaries (note) ◆ Approved the amendments to Corporate Governance Principles, Corporate Social Responsibility Principles, Ethical Corporate Management Principles and Performance Evaluation Principles of Board of Directors ◆ Approved the set-up of the Corporate Governance Committee and to stipulate the Corporate Governance Committee Charter ◆ Approved the changes of senior officers ◆ Approved the addition and renewal of banking facilities
9th Term 5th Meeting 2020.2.5	◆ Approved the Internal Control Declaration for 2019 (note) ◆ Approved the amendments to Internal Control Systems(note) ◆ Approved the 2019 Parent Company Only and Consolidated Financial Statements (note) ◆ Approved the proportion to the appropriation of employees' remuneration and directors' remuneration

	◆ Approved to lend capital to the subsidiary, SPACE MONEY INC. (note) ◆ Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital (note) ◆ Approved the Company to cancel the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd. (note) ◆ Approved the amendments to "compensation policy to the directors and functional committee members" ◆ Approved the 2019 compensation to directors and senior managerial officers ◆ Approved the 2020 Senior Officer Compensation Policy ◆ Approved the reduction of capital expenditure budget ◆ Approved the donations(note) ◆ Approved to conduct Syndication loan ◆ Approved the addition and renewal of banking facilities
9th Term 6th Meeting 2020.2.5	◆ The Company intends to publicly acquire the common shares of ADLINK Technology Inc. (note)

Note: Matters included in Article 14-5 of the Securities and Exchange Act.

(XII) 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.

(XIII) 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:

Title	Name	Date of appointment	Date of Discharge	Cause
President and COO	Kuo-Hsin (Michael) Tsai	November 01, 2015	September 09, 2019	Position adjustment

(XIV) Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

December 31, 2019

Title of Licence	Number of persons	
	Financial Accounting	Audits
R.O.C. CPA	3	1
US CPA	1	-
Chartered Financial Analyst (CFA)	1	-
Financial Risk Manager (FRM)	1	-
Certified Internal Auditor (CIA)	2	1
Certified Information Systems Auditor (CISA)	-	2
Senior Securities Processing Personnel	7	1
Certified Securities Investment Analyst (CSIA)	-	1
Intermediate Intangible Asset Appraiser	-	1
Stock Affairs Personnel	1	1
Basic Ability Test for Corporate Internal Control organized by the Securities and Futures Institute	1	6
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 Fees	Non-accounting fee					CPA's Audit Period	Note
			System Design	Corporate Registration	Human Resources	Others (Note)	Subtotal		
KPMG Certificated Public Accountants	Wei Hsin-Hai Lu Chien-Hui	35,610	-	-	-	936	936	2019.1.1~2019.12.31	Note: The service fees included the fee for CSR assurance and consulting service 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: Not applicable.

(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 change of accountants in the past two years: None.

VII. Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within 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	2019		As of January 31, 2020	
		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	1,212	0	0	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	0	0	0	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 Liau	537	0	0	0
Vice President	TY Lin	129	0	0	0
Vice President	Ting-Li Lin	(62)	0	(12)	0
Vice President	TL Tseng	0	0	0	0
Vice President	Shih-Hong Liao	0	0	0	0
Vice President	Tina Wu	177	0	(50)	0
Vice President	Andy Yang	314	0	0	0
Vice President	CS Hsieh	386	0	0	0
Vice President	Benjamin Tseng	314	0	0	0
Vice President	Amy Ku	(30)	0	0	0
Vice President	Hong-Jye Hong	107	0	0	0
Vice President	Shih-Kun Chen	218	0	(51)	0
Vice President	James CP Chen	388	0	0	0
Vice President	Kevin.Young	0	0	0	0
Senior Associate Vice President	Martin Sung	133	0	(60)	0
Senior Associate Vice President	Kun-Yu Lin	142	0	(9)	0
Senior Associate Vice President	Yu-Chieh Lin	355	0	0	0

Senior Associate Vice President	Ivan Wu	263	0	0	0
Senior Associate Vice President	SI Jeong	39	0	0	0
Senior Associate Vice President	PC Cheng	0	0	0	0
Senior Associate Vice President	CC Hung	83	0	0	0
Associate Vice President	TL Chen	27	0	0	0
Associate Vice President	HC Lee	39	0	0	0
Associate Vice President	PH Lin	225	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
Shuang-Lang (Paul) Peng	Gift	2019.03.13	AUO Foundation	Chairman of the transaction counterparty	101	-
CS Hsieh	Gift	2019.03.15		Director of the transaction counterparty	30	-
Benjamin Tseng	Gift	2019.03.19			30	-
Amy Ku	Gift	2019.03.20			30	-

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	-	-	-	-	
ADR of AU Optronics Corp.	522,594	5.43	-	-	-	-	-	-	
Quanta Computer Inc.	443,930	4.61	-	-	-	-	-	-	
Quanta Computer Inc. Representative: Barry Lam	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	367,500	3.82	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	-	-	-	-	-	-	-	-	
Trust Holding for Employees for AU Optronics Corp.	353,829	3.68	-	-	-	-	-	-	
Tong Hwei Enterprise Co., Ltd.	150,000	1.56	-	-	-	-	-	-	
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	110,309	1.15	-	-	-	-	-	-	
Cathay Life Insurance Co., Ltd.	103,400	1.07	-	-	-	-	-	-	
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	-	-	-	-	-	-	-	-	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	92,925	0.97	-	-	-	-	-	-	
CTBC bank, Yuanta Taiwan 50 Securities Funds	71,075	0.74	-	-	-	-	-	-	

Note: Information recorded on the shareholder roster as of the latest book closure date (July 19, 2019) 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 3)	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)
Lextar Electronics Corp.	78,418	15.10	61,845	11.91	140,263	27.01
Raydium Semiconductor Corp.	-	-	11,759	18.09	11,759	18.09
Daxin Materials Corp.	-	-	25,748	25.07	25,748	25.07
Star River Energy Corp.	37,904	32.01	1,776	1.50	39,680	33.51
Star Shining Energy Corp.	93,000	31.00	6,000	2.00	99,000	33.00
Ubitech Corp.	-	-	357	26.31	357	26.31
WishMobile, Inc.	-	-	2,500	12.50	2,500	12.50
SkyREC Ltd.	-	-	188	16.12	188	16.12

Note 1. Invested by the Consolidated Company using the equity method

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 Employee stock options	-	Note 27
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 February 25, 2020; Unit: Shares

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

Note: The said outstanding shares include 125,000 thousand treasury shares held by the Company.

Shelf registration: Not applicable

(II) Shareholder structure

Shareholding base date: July 19, 2019; Unit: Shares

Shareholder structure / Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	SubTotal
Number of persons	10	150	488	385,477	1,231	387,356
Number of shares held	65,542,148	1,036,429,869	1,469,894,698	4,001,520,578	3,050,857,822	9,624,245,115
Shareholding Percentage (%)	0.68	10.77	15.27	41.58	31.70	100.00

(III) Distribution of Equity Ownership

Type: Common shares

Shareholding Base Date: July 19, 2019; Unit: Shares

Class of shareholding	Number of shareholders	Number of shares held	Shareholding percentage (%)
1 to 999	98,826	20,260,479	0.21
1,000 to 5,000	168,550	407,492,742	4.23
5,001 to 10,000	52,505	418,156,795	4.34
10,001 to 15,000	18,596	233,434,216	2.43
15,001 to 20,000	13,883	259,132,328	2.69
20,001 to 30,000	12,175	312,087,997	3.24
30,001 to 40,000	5,985	214,454,047	2.23
40,001 to 50,000	4,157	194,830,947	2.02
50,001 to 100,000	7,142	522,099,929	5.42
100,001 to 200,000	3,029	431,069,701	4.48
200,001 to 400,000	1,281	361,173,378	3.75
400,001 to 600,000	377	186,159,313	1.93
600,001 to 800,000	183	127,406,303	1.32
800,001 to 1,000,000	122	111,077,831	1.15
1,000,001 or more	545	5,825,409,109	60.53
Total	387,356	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 base date: July 19, 2019

Names of major shareholders \ Shares	Number of shares held (thousand shares)	Shareholding Percentage (%)
Qisda Corporation	663,599	6.90
ADR of AU Optronics Corp.	522,594	5.43
Quanta Computer Inc.	443,930	4.61
Fubon Life Insurance Co., Ltd.	367,500	3.82
Trust Holding for Employees for AU Optronics Corp.	353,829	3.68
Tong Hwei Enterprise Co., Ltd.	150,000	1.56
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	110,309	1.15
Cathay Life Insurance Co., Ltd.	103,400	1.07
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	92,925	0.97
CTBC bank, Yuanta Taiwan 50 Securities Funds	71,075	0.74

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

Unit: NT$

Item \ Year			As of February 25, 2020	2019	2018
Market Price per Share	Highest		11.65	12.75	14.30
	Lowest		9.51	6.92	11.30
	Average (Note 1)		10.67	9.37	13.03
Net Value per Share	Before distribution		(Note 6)	18.36	21.08
	After distribution		-	(Note 2)	20.58
Earnings per Share (EPS)	Weighted Average of Share Number (thousand shares)		9,499,245	9,597,268	9,624,245
	Earnings per Share (EPS)		(Note 6)	(2.00)	1.06
Dividend per Share	Cash dividend		-	(Note 2)	0.5
	Stock Dividends	Dividend from retained earnings (Shares)	-	(Note 2)	-
		Dividend from capital reserve	-	(Note 2)	-
	Cumulative unpaid dividends		-	(Note 2)	-
Return on investment (ROI) Analysis	Price-to-Earning Ratio (Note 3)		(Note 6)	-	12.08
	Price-Dividend ratio (Note 4)		-	(Note 2)	25.62
	Cash dividend yield (Note 5)		-	(Note 2)	3.90%

Note 1. Average market price calculated based on transaction amount and transaction volume.
Note 2. Pending resolution at the 2020 Annual Shareholders' Meeting.
Note 3. Price/earnings ratio = Average closing price for each share for the year/Earnings per share (before retrospective).
Note 4. Price/dividend ratio = Average closing price for each 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. Up to the publication date of this annual report, no information has been attested or approved by an independent auditor.

(VI) Dividend Policy and Implementation:

1. The dividend policy set forth in Article 15-1 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 cover 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 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 can be distributed after the distribution plan proposed and approved. Dividend distribution in the form of shares (in whole or in part) shall be approved by the shareholders’ meeting. Dividend distribution in the form of cash shall be approved by the Board and a report of such distribution shall be submitted to the shareholders’ 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
As of the publication date of the annual report, the Board of Directors of the Company has not resolved the 2019 earnings distribution proposal. The Board of Directors meeting will be held no later than 40 days before the annual general meeting to make a resolution. The relevant information will be announced on the Company's website and Market Observation Post System (Mops) at that time.
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 2020 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:
   (1) Amount of compensation for employees and Directors: None.
   (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:

Unit: NT$

Item	Amount
Employee's compensation in cash	1,215,696,307
Director's compensation	27,779,785

There was no difference between the actual distribution amount and the recognized amount in 2019.

(IX) The situation of the Company's repurchase of its own shares in the most recent year and up to the publication date of this Annual Report:

February 25, 2020

Batch Order of Repurchase	The Third Time (batch)
Purpose of Repurchase	Shares Transferred to Employees
Repurchase for Period	Sep. 17, 2019 - Nov. 4, 2019
Repurchase price range (NT $)	5.71~11.84
Shares types and quantities of Repurchased(shares)	125,000,000 common shares
Amount of the Share Repurchased (NTD)	1,013,422,848
Ratio of bought-back quantity to planned Repurchased quantity (%)	100
Number of cancelled and transferred shares	0
Accumulated quantity of the Company's shares held (Shares)	125,000,000
Percentage of total company shares held (%)	1.30

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)			05.29.2002/ 07.31.2003/ 06.23.2004/ 07.12.2004/ 07.22.2005/ 08.26.2005/ 08.30.2006/ 10.01.2006/ 09.06.2007/ 08.22.2008/ 09.09.2009/ 05.07.2013 (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
Total number of issued units (units) as of February 15, 2020			51,036,874 (Note 3)
The source of securities represented			Common shares of the Company
The amount of securities represented (shares) as of February 15, 2020			510,368,769 (Note 3)
The rights and obligations of holders of depositary receipts			Rights and obligations are the same as common shares
Trustee			N/A
Depository institutions			Citibank, N.A.
Custodian			Citibank Taiwan Ltd.
Outstanding amount (US$) as of February 15, 2020			44,073,132
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period.			The issue-related expenses were proportionally allocated by the Company and the selling shareholder according to the actual number of shares sold. After the issuance, except where otherwise agreed by the Company and the Depositary, the costs of all overseas depositary receipts shall be borne by the Company.
Important Agreements for Depository and Custody Contracts			Details such as depository and custody contracts
Market Price Per unit (US$)	2019	Highest	4.23
		Lowest	2.16
		Average	3.09
	As of February 25, 2020	Highest	3.76
		Lowest	3.13
		Average	3.42

Note 1. 07.31.2003, 07.12.2004, 08.26.2005, 08.30.2006, 09.06.2007, 08.22.2008, and 09.09.2009 : The issuance of new shares through capital increase by retained earnings. 10.01.2016: 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. Per FSC'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 1,679 thousand and 1,962 thousand shares 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:

As a global leader in optoelectronic solutions, AU Optronics leverages its solid foundation of R&D and manufacturing of displays, providing display products coved all kinds of applications and smart integrating software and hardware. At the same time, it extends its core expertise to enter new business areas, such as solar, smart retailing, general health, circular economy, and smart industrial services. The turnover of display products in 2019 accounted for approximately 95.5% of the consolidated turnover.

Concerning the main business scope of the Company's subsidiaries, please refer to the basic information of the affiliated companies in Chapter 8 Special Disclosure (Pages 88-90) 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 TFT-LCD industry development, one can notice its industrial cycle and its capital- and technology-intensive characteristics. At present, the world's major TFT-LCD producers include Taiwan, South Korea, Japan, and mainland China. According to a survey conducted by Witsview, a market survey agency, Taiwan and mainland China are the world's top two TFT-LCD manufacturers in 2019 in that the two's market share of large size (Note) panel shipments is approximately 33.4% and 42.1%, 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. Moreover, as the trend for service convergence continues to cultivate the integration of related products, demand also continues to grow for novel features of mobile device panels such as wider viewing angles, higher resolution, lightweight and energy-saving features, and touch controls. Meanwhile, in response to the popularity of networking and smart features, multimedia entertainments are moving toward large-size, high-definition panels with ultra-narrow bezels, which enable devices to transmit data without distortion 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 savings, and relative ease in coming in larger sizes. After the next-generation TFT-LCD capacity gradually became available, large-size TVs have entered mass production and prices have also become more affordable. By 2019, the average size of LCD TVs around the world has exceeded 46 inches, and the mainstream TV size has gradually changed from 32 inches to 40 inches and then to 50 inches. This trend of increasing TV sizes is expected to continue in the future. As LED (light-emitting diode) technology has matured, LED backlights have now completely replaced traditional CCFL (cold cathode fluorescent lamp) TV backlights since they conserve more energy and are making TVs' wight even lighter and bezels even thinner. Regarding the 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

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.

technology (with a resolution 3840×2160) and a TV content ecosystem comprising shooting equipment, image compression technology, and storage and transmission technologies. Since 2014, content providers such as online streaming and satellite TV operators have begun to introduce UHD 4K digital content. Other emerging 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 2020 Tokyo Olympics plans to broadcast the events by employing 8K4K (resolution 7680x4320) technology. As such, more 8K4K products will be launched in 2020, offering the ultimate visual experience for consumers.

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 advertising, large-size display demand is increasing. Comprehensive digitization of commodity advertisements, catering, drive-thru, and various outdoor/ semi-outdoor signages 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 incessantly access public information any time, this will further push demand for public information displays.

- Desktop monitors

  The growing popularity of mobile communication development and mobile computing products has slowed the market's appetite for desktop monitors in recent years. In this way, product differentiation is the only way going forward for desktop displays. That is to embark on the trend of integration of information products and consumer electronics applications and develop high-resolution and high-definition desktop monitors that can be used for work, entertainment and watching TV. On the other hand, applications that targeted professional market segments, such as gaming products, high-definition display, and high refresh rate features become important. On top of this, curve-contoured and bezel-less or 21:9 ultra-wide screens, whose designs are based on ergonomics, are all for a better user experience.

- Notebooks and Tablets

  Notebook products have continuously improved toward high performance and lightweight. Brands launched ultra-thin notebooks aimed to break from previous designs, with novel features such as fast response time, longer battery life, and lightweight. Touch-embedded notebooks with a stylus, or 2-in-1 notebooks that have the features of a tablet, also penetrated into the high-end or commercial market. Premium notebooks, and the gaming notebooks with a high-resolution display, large size and high refresh rate mentioned earlier, will be the main growth segments of notebook product.

  Tablets have changed the user's interface experience due to numerous embedded applications and a well-developed ecosystem to support mobile entertainment and fast Internet access. In addition, their lightweight, energy-saving, and high mobility features also played a role in driving up a high demand within just a few years. However, the tablet market has significantly declined in recent years due to the increasing popularity of larger-screen mobile phones, low-priced notebooks, and 2-in-1 notebooks.

- Mobile phones and related products

  Mobile communication technology has been evolving. High-speed, high-definition video/audio services that were initially provided in 2009 have now attracted investment from a wide base of global telecom operators. In addition, the popularity of mobile network allows mobile application panel shipments to keep the leading position among small-medium size panel applications To satisfy consumers' increasing need for mobile telecommunications, Internet, and entertainment, specifications of cell phones have developed from hardware allocations with simple functions, to today's smartphones with enriched hardware and software with complete ecosystems. The average size of screens has grown from 1 to 2 inches to today's mainstream 6 inches or above. After 2017, manufacturers have also been pursuing higher screen-to-body ratios, moving from the original 16:9 to 18:9, or 19.5:9. In addition, nearly full-screen phones are also being achieved through notch and drilling techniques. With the emergence of visual needs for instant high-quality videos, cell phone vendors have also launched phones with UHD 4K high definition after 2015, so that consumers can view 4K media content directly from their smartphone screens.4G5G

  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 dashboards, industrial computers, medical equipment, ATMs, point-of-sale systems, and arcade games. 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 console 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.

In the past, wearable products tended to focus their own application on health and personal life management. Now they are refined by prestigious electronics manufactures, who have launched watches and wristbands, among other products, that can go with APPs to be used for online payment and identity confirmation, and by prestigious fashion designers and traditional watchmakers, who have provided more fashionable and exquisite exterior designs; the trend goes on to include interactive audio system, which facilitates the convenience and diversification of product application. Separately, virtual reality products have gradually boomed owing to more and more applications in games, shopping, and media entertainment. A head-mounted display could introduce users to a reality-like experience. Associated business opportunities are waiting for another surge when wireless transmissions and IoT become more mature.

Other applications include industrial computers, programmable logic controllers (PLC), medical equipment, automated teller machines, point-of-sale systems, and arcade games, which gradually substitute TFT-LCD panels 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, more and more applications and devices have begun to stream and share information with each other. To allow people to access information any time in their daily lives, displays will be used in more facilities everywhere.5G

4. Competitive situation

TFT-LCD is one flat panel technology and is the mainstream technology in the current market. At present, the global TFT-LCD manufacturers are mainly China's BOE, CSOT, Tianma, and other panel factories, South Korea's SDC and LGD, Taiwan's AU Optronics Corp, Innolux, HannStar and Japan's SHARP and JDI.

Those manufacturers in recent years had different focus when it came to the large-size panel market. Korean manufacturers turned their focus to AMOLED panel technology development and production and shut down several old TFT-LCD production lines. Japanese manufacturers invested in small-medium size panels instead. Manufacturers in 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 limited growth of production capacity, Taiwanese manufacturers have continued to launch panels of differentiated sizes and technology-intensive products.

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 UHD 4K/ 8K 4K 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.

(III) Technology and R&D overview

AUO has continued to push our innovative R&D capacity. In 2019, we demonstrated our latest innovations in major exhibitions and were recognized with many awards. Our major products and technologies are stated as follows:

- 8K HDR TV panels

  In order to grab the business opportunities of broadcasting the 2020 Tokyo Olympics and to embark on the global sales trend of large-size TVs, brands having adopted AUO 8K panels in their products have gone on the market beforehand. However, AUO is the first in the industry with the ability to mass produce ultra-large 8K4K TV displays. AUO's 85-inch 8K bezel-less ALCD TV display possesses advanced HDR technology which increases dimming zones up to 1,024 zones and offers peak brightness up to 2,000 nits with strengthened local dimming effect. Equipped with ultra-high-density LED backlight modules, this advanced display presents the most optimized colors, contrast, and details in every scene. With the highly-detailed image quality of over 33 million pixels, viewers feel as if the objects on-screen are real in this immersive sensory experience. Through its ultra-high resolution and highly-detailed image quality, the 8K HDR TV display demonstrates AUO's solid technology leading position in the industry.

- Comprehensive high-end Mini 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.

  We have launched a 17.3-inch 4K LTPS gaming laptop panel with a maximum brightness of more than 1,000 nits, which qualifies for the highest level of VESA Display HDR1000. The module thickness is only 3.5 mm, which is portable and conducive to players' enjoyment of the game.

For VR headset applications, AUO's 2.9-inch LTPS display with active-matrix Mini LED backlight module design presents 2,304 dimming zones and an ultra-high pixel density of 1,688 PPI, offering exceptionally realistic VR experiences with high dynamic images. AUO's Mini LED backlight technology also extends to vehicle applications. The 12.3-inch LTPS curved cluster panel has a high resolution and smooth 750R curved design and offers excellent local dimming capabilities with 1,000 nits ultra brightness to display sharp and detailed images.

- Vehicle display panels

  As smart vehicles and autonomous car technologies continue to evolve, HMI systems for vehicles are becoming smarter and more personalized. Vehicle interiors are also turning away from traditional mechanical designs and showing more flexibility. Larger display screens allow the driver to access all vehicle functions on one screen, and AUO has developed high-performance automotive displays with multiple panel laminations, such as the joint 12.3-inch CID and 20.3-inch passenger display panel which provides high brightness and high-resolution images and a streamlined 1,200R curvature design. AUO's 13.3-inch CID panel features an in-cell touch solution integrated with TDDI IC, resulting in a thinner display and a tightly-joined interior arrangement. The display area has three holes for buttons or knobs, offering more design possibilities for a more intuitive and convenient driving experience.

  AUO has expanded its IoV system integration capabilities from vehicle display modules to system integration services. AUO provides comprehensive vehicle display solutions that integrate dashboard systems, display interfaces, and back-end code design. AUO's 7-inch smart dashboard integrates a high-resolution full-color display and automotive-grade SOCs into a system-level product, that has been successfully implemented by AUO with a European premium motorcycle brand. Another smart dashboard system featuring a multi-color LED digital display with advanced MCUs has also been adopted by an international electric scooter brand. By offering a one-stop shop for software and hardware integration and development services, AUO continues to create additional value for IoV systems and provides users a safe and smart riding experience.

- Smartphone displays

  To provide the best mobile user experience possible, AUO is dedicated to enhancing both the performance and appearance of smartphone displays. AUO has launched a 6-inch full-screen in-display LTPS fingerprint scanning panel, which is the world's first (Note) to build the optical sensor in the LCD panel for scanning fingerprints and equipped with AHVA technology, full HD+ (1080 x 2160) resolution, and 403 PPI pixel density. Also, the full-screen scanning area has 403 PPI pixels and 30 ms swift sensor response time, exhibiting the smoothest and most accurate sensing performance possible on a smartphone.

  The 6.2-inch in-cell touch LTPS LCD sports the world's smallest (Note) through-hole design. At merely 4.2 mm, the tiny drill hole is barely noticeable on a 21:9 full HD+ (1080 x 2520) screen, whose cinemascope aspect ratio combining AHVA technology is a perfect choice for film enthusiasts to entertain themselves on the move.

  Also applying the AHVA technology, the 6.3-inch in-cell touch LTPS LCD has full HD+ (1080 x 2304) resolution and possesses the world's narrowest (Note) 1.0 mm bottom border, which is around 40% narrower than that of its counterpart in the market, making it a true work of art to marvel at with equally narrow border on all four sides of the display.

- Medical display panels

  As the world's population continues to increase and age, the demand for medical display equipment in various areas is expanding rapidly. AUO's comprehensive portfolio of medical displays supports a multitude of professional medical devices in many areas, including ultrasound, imaging modality, endoscopic and surgeries. For instance, AUO has showcased medical display panels of 23-inch, 27-inch, and 32-inch.

  AUO's 23-inch ultrasound display offers an exceptionally high contrast ratio of 2,200:1 and a wide viewing angle with ultra-low color washout in a dark room to reveal extremely delicate grayscale shadings even in rapidly dynamic scans, that are crucial to assist doctors in conducting precise diagnoses. Also, AUO's bezel-less 27-inch medical panel equipped with blue light filter properties incorporates QHD resolution and AHVA (Advanced Hyper-Viewing Angle) technology to present high-quality professional medical images. Furthermore, AUO's 32-inch 4K high resolution surgical display supports 100% Adobe wide color gamut technologies, which provide meticulous presentations of different layers and shades of the color red, which is crucial for surgeries. The realistic colors and details on the monitors are a great help for surgeons who need to make timely and accurate medical diagnosis.

- Advanced reflectionless technology

  For art galleries and professional showcasing scenarios, AUO specifically designed a series of advanced reflectionless technology (A.R.T.) displays that can reduce light reflection and glare from ambient lighting and present excellent image quality under complex illumination conditions. The complete lineup of 75-inch 8K, 32-inch 4K, and 17-inch square 2K displays, incorporated with high resolution, high contrast, and color performance, delivers the most authentic and exquisite image details and will be nicely implemented at art galleries and other artwork showcasing venues.

- Ink Jet Printing OLED display technology

  OLED display has the advantages of high resolution, wide viewing angle, high contrast, and fast response time

Note: This is the market information available for the Company as of December 31, 2019.

that can create outstanding image quality. Overcoming material and equipment limitations, AUO takes the lead in the industry to launch a 17.3-inch UHD 4K Ink Jet Printing (IJP) OLED display with high pixel density of 255 PPI which can offer excellent image quality and dynamic motion pictures; it also integrates high brightness, 120 Hz high refresh rate, and wide color gamut to deliver rich depth, bright color, as well as sharp and smooth details. With a more cost-competitive manufacturing process, AUO pioneers the IJP OLED display technology development, setting a milestone and securing its leading position in the display industry.

- Foldable AMOLED touch display technology
  AUO has long invested in flexible AMOLED display technology and accumulated many proprietary manufacturing processes, materials, and panel design know-how. AUO will showcase its 5.6-inch foldable AMOLED touch panel that can be folded inwards or outwards for a customized design according to client requirements. Using a plastic substrate and integrated with AUO's proprietary flexible touch panel, the foldable AMOLED technology can still present outstanding image quality even at 4mm folding radius and can be continuously folded over 200,000 times, creating infinite possibilities for mobile devices.

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 2019, 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 is the first in Taiwan to mass-produce multi-busbar module products. We further utilize the high-efficiency half-cut cell module technology to increase the module's photovoltaic power output. A 60-cell module can produce power up to 350 watts. At the same time, the circuit layout of the half-cut cell module can effectively reduce the hot spot temperature of the module and improve the power performance when the module is partially shaded by such as fallen leaves in the environment.
- Comprehensive solar power plant services
  AUO has abundant experience in power plant planning and construction and provides a full range of power plant construction services. We combine high-efficiency modules and our diversified capabilities and resources to provide services such as power plant development, EPC engineering solutions, and maintenance services as per clients' needs. AUO's comprehensive solar power plant solution can meet the different needs of rooftop, ground-mounted, and floating power plants. Aside from creating excellent energy efficiency for customers, the innovative plant platform establishes a compound application, which merges solar farm with traditional agricultural, fish-farming, and livestock-farming fields, and the concept of a green plant. By doing so, AUO innovates a new model of power plant operation and builds up a customized power plant, so as to create a win-win situation for sustainability and the environment.
  AUO uses IoT technology to integrate power plant data. With the introduction of artificial intelligence, we provide a comprehensive and cross-platform solution for monitoring and intelligent maintenance. In addition, we collect field data before and after the power plant is built for system diagnosis, planning, analysis, and long-term maintenance, so as to optimize the cost and efficiency of power generation.
- Energy generation and storageintegrated technology platform
  In response to the developing trends in green energy, AUO plans to engage in the application of energy storage systems and develop a platform that kneads power generation technology with energy storage technology. In the future, we will provide integration and development of customized energy storage system as per the needs of each project.

AUO's consolidated R&D expenditure in 2019 was NT$9.8 billion. By the end of January 2020, the R&D expenditure was NT$800 million. As always, AUO continues to invest in advanced technologies and utilize them to improve its existing production capacity to strengthen AUO's competitiveness in high-end and new applications market. As of December 31, 2019, AUO has filed for applications of 26,400 patents and has cumulatively obtained 19,400 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 2019. Among the application of all three kinds of patents, namely invention patents, utility model patents, and design patents, the Company ranked first 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 2020, the Company expects to invest about NT $ 10 billion in research and development, subject to timely adjustments based on global market conditions and the Company's actual operating situation. AUO's major future R&D projects are summarized as below:

Project Title	Descriptions	Current status	Expected mass production time (Note)	Success factors
High-End TV Panel Display	For characteristics of the high-end 8K displays, namely large-size, ultra-narrow bezels, high brightness, low reflectivity, and high contrast, we have steadily improved them to satisfy the high resolution demand in both bright and dark viewing environments. In addition, with minimal and differentiated appearance, we have also developed corresponding technologies.	Under development	2020	1. AUO independently develops new product architectures and new manufacturing process technologies and works with key material suppliers to develop key materials. 2. Complete technical planning and patent certification, achieving

Project Title	Descriptions	Current status	Expected mass production time (Note)	Success factors
				technological and product differentiation, thereby improving the added-value of products.
Public Information Display Technology	Continue to develop application display technology with high reliability, high brightness, and special shapes to satisfy the different application environments for both indoors and outdoors.	Under development	2020	Developing proprietary new pixel designs by collaborating with suppliers to improve material properties and through internal processing optimization.
Mobile Device Display Technology	Continue to develop high-resolution, ultra-light, ultra-thin, and ultra-narrow bezel LTPS panels that include properties such as high	Under development	2020	The 6th-generation LTPS fabs continue to optimize the process, coupled with product innovation design, and cooperation with suppliers to develop new Mini LED products for high-end product models.
AMOLED Technology	Inkjet and flexible AMOLED technologies have been continuously developed to increase cost competitiveness and meet different usage scenarios.	Under development	2021	By integrating key equipment and cooperating with material suppliers, AUO verifies the feasibility of optimized mass production with proprietary technology.
Bifacial-type PV Module	Developing bifacial-type high-power PV module products.	Under development	2021	1. Package design and reliability of bifacial-type modules. 2. Simulating the power generation gain and integration optimization of the bifacial-type module in the system.
Construction of a pilot site of integrating energy generation and storage.	Build an integrated energy generation and storage software platform on a pilot site where solar power and energy storage systems are connected.	Under development	2021	1. Independent R&D capabilities in energy management. 2. Proficiency in product development of energy storage systems.

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 development 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 base panels starting from 2017. Moreover, the new 8.5-Gen fab in Houli, Taichung has reached the maximum production capacity of 27,000 base panels 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 TFT and LTPS TFT with innovative technology and product design, to produce competitive value-added products. Applications to large-sized products include high resolution, curved products, wide color gamut, high dynamic range, and bezel-less design. Among the small-and-medium-sized products are high-end mobile phone panels with FHD, WQHD (resolution 1440x2560), UHD 4K and multiple screen-to-body ratios, high-resolution automotive dashboard panels, notebook panels, as well as solutions for low reflectivity and on-cell touch panel, and so on. Besides, AUO also has completed generation 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 process capabilities and advanced display technologies such as AMOLED, Mini LED, and Micro LED, 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 branded customers for business expansion across the world. In terms of products, AUO will emphasize more on value chain integration and value-added product 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 features will continue to play a role in AUO's long-term competitiveness. For long-term business development plans in response to each product development trend, please refer to the section of Various

Trends of the Products Development in Chapter 5 Operational Highlights in this Annual Report. (pages 60-63)

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 2019 are BOE, Innolux, LG Display, AU Optronics, and Samsung Display, accounting for approximately 28.5 %, 17.2%, 15.3%, 13.6%, 5.7%. of 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 Witsview, a market research agency, the top three manufacturers of notebook computer panels in the world in 2019 are BOE (29.5%) and AUO (23.3%) and Innolux (20.9%); in terms of large-size 8K TV panel shipments, the top two manufacturers are Samsung Display and AUO; in terms of desktop display panel shipments, the top four are BOE (24.5%), LG Display (22.1%), AUO (17.8%) and Innolux (16.4%). According to the OMDIA, the top three of automotive panels in the world in 2019 were Japan Display Inc. (15.8%), Tianma (14.4%), AUO (14.0%)

3. Future market supply/ demand and growth
According to the market survey agency, Witsview, the overall demand for TFT-LCD panel area grew by 3.3% in 2019. Boosted by the recent increase in the average size of application panels, the market demand for large-sized panels has continued to soar. The demanded panel area is estimated to grow by 3.9% in 2020. 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.
The overall output volume in 2019 was approximately 227 million panels, and the volume is expected to have a mild increase in 2020. As LCD TVs are becoming increasingly affordable, consumers are more willing to purchase TVs with larger sizes and higher resolution. As for the mature PC market, a prolonged replacement cycle has hindered consumer demand. However, operating systems upgrades have started to provide incentives for enterprises to replace machines. Such commercial demand is expected to carry on in 2020. Among them, the total output delivery volume of desktop displays in 2019 was approximately 140 million units, and is expected to remain constant, or have a mild decrease, in 2020. Nevertheless, the ratio of desktop panel displays has shown a steady increase. For notebooks, the total shipment volume in 2019 was approximately 161 million units and is expected to increase to 162 million units in 2020, 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 are advancing toward larger size, higher resolution, and higher screen-to-body ratio. The total shipment in 2019 was approximately 1.36 billion units and is expected to return to positive growth in 2020.
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 2019, 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 shut down, and thus It is expected that the growth rate of capacity area in 2020 will be lower than in 2019. In addition, various applications are developing toward higher-value products, including higher resolution, lighter weight design, on-cell touch panels, and software/hardware integration systems. Judging from the market supply and demand, 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 in industrial competition, AUO will continue to focus on improving the existing technologies and innovating new ones. Other focuses include 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 talent. Its long-term accumulated R&D and manufacturing experience helps to effectively mitigate the learning curve for new products. Moreover, AUO's long-term strategic layout in patent quantity and quality also creates a sufficient reserve of technology capability to support the superiority of its 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-line 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.

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 UHD 4K ecosystem around the world is increasingly mature and in line with the development of 8K4K ALCD, AUO has launched various UHD 4K/8K4K TV products with ultra high resolution, flexible screens, wide color gamut, total flatscreens, 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. As for wearable devices that require thin, lightweight, and power-saving displays, AUO's AMOLED, conventional TFT-LCD and transflective TFT-LCD technologies are all ready for mass production. In particular, the AMOLED smart watch panel adopts the circular panel technology to make the panel more circular in shape, allowing the watch brands more flexibility in design to satisfy various customized demands.
- Business opportunities of IoT: As business services are gradually launched, ultra-high reliability and low latency communications are enabled through even more extensive network coverage and support for even more effective data transmission. This in turn will help to expand and cater to service application needs requiring both speed and stability. 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 targeted smart manufacturing, smart home, smart retail, smart handheld and wear devices, car, and medical care applications, by launching products with ultra-high resolution, curved surface, wide color gamut, high dynamic range, on-cell touch, and other value-added applications. We greeted 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.5G

3) Unfavorable factors and countermeasures

- Mainland China progressively expanding plants: In recent years, competitors in China have focused on high generation production lines and have steadily expanded production capacities. This has affected 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; equally important aspects of business deployment include technology, management, operations, and clientele. 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.
- 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. However, the progressively improving technologies, which have produced more affordable products with high-resolution, high-definition images, may stimulate another surge of product replacement in mature markets. By way of product diversification and

market decentralization, AUO will minimize the impact of economic fluctuations.

- Numerous consumer product markets are reaching saturation: The demand for LCD TVs, tablets, and smartphones has gradually saturated in developed markets. The overall shipment and growth strength of panels have gradually slowed down as well. Yet, emerging areas including cloud communication, big data and the IoT are soaring and promise business opportunities for new display applications. In the future, demand for varied and customized displays will increase. AUO will continue to upgrade our technology, striving to lead the position in image quality, design differentiation and solutions. We will meet the technical requirements for new product trends with our solid technical competencies.

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

1. Important applications

TFT-LCD products are digital display devices used to transmit information. Their application is broad, and includes commercial and industrial information displays, computers, telecommunication-related products, and consumer electronic displays. With the 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, wearable devices. In general industrial and commercial areas, TFT-LCD related products include automatic teller machines, vending machines, public information displays, other touch screen products, and portable electronic devices.3C

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 additionally requires numerous raw materials and components. The primary raw materials and key components include glass substrates, driver ICs, polarizers, backlit modules, liquid crystals, printed circuit boards, color filters and flexible printed circuits, and so on. AUO has always maintained a good working relationship with domestic and overseas raw material suppliers. For key materials and components, it retains 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 two 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 million

Year / Item	2019				2018			
	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO
1	Samsung	331	12.3	-	Samsung	354	11.5	-
2	Others	2,357	87.7		Others	2,722	88.5	
	Net revenue	2,688	100.0		Net revenue	3,076	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 2018 and 2019 accounted for 10% or more of net purchases; hence this is not applicable.

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

Unit: NT $ 100 million; 1,000 pieces

Year / Main products	2019			2018		
	Production Capacity (Note)	Production Quantity	Production Value	Production Capacity (Note)	Production Quantity	Production value
TFT-LCD	13,085	238,455	2,260	12,907	288,702	2,365
Others	-	-	85	-	-	136
Total	13,085	238,455	2,345	12,907	288,702	2,501

Note: Calculated by Glass substrate (mother glass).

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

Unit: NT $ 100 million; 1,000 pieces

Main products \ Year	2019				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
TFT-LCD	70,084	743	169,174	1,717	95,889	892	185,498	1,911
Others	-	73	-	155	-	113	-	160
Total	70,084	816	169,174	1,872	95,889	1,005	185,498	2,071

III. Employee Information

Fiscal Year		As of January 31, 2020	2019	2018
Total number of employees (persons)	Production	33,134	32,809	38,688
	Technical	8,070	8,074	8,930
	Sales and marketing	1,134	1,133	1,013
	Management and administrative	3,434	3,446	3,610
	Total	45,772	45,462	52,241
Average age (years)		32.8	32.9	32.1
Average duration of service (years)		6.5	6.5	5.6
Educational distribution ratio (%)	Director of Philosophy	0.4	0.4	0.4
	Master's Degree	13.1	13.2	12.3
	Bachelor's Degree	36.8	37.1	36.8
	Senior high school	32.3	33.7	31.7
	Senior high school or below	17.4	15.6	18.8

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: None.

(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 Relations

(I) 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:

1. 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 monthly salaries, annual bonuses such as those for the Mid-Autumn Festival, Dragon Boat Festival and Lunar new year are also available. 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 fab. 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, new employees are given training programs. Through the Win Camp, they are introduced to AUO's corporate guiding principles including the corporate social responsibility and related policies.s. 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, the corporate development direction, management guidelines, and related policies. Also included are cultural courses run by Win Camp to 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: Classroom 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-departmental communication, project management, usiness-related skills, and 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. Training 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) Management 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.

2019 Global ALS curriculum and execution process are as follows:

Category	College	Sessions	Total number of persons	Total number of training hours	Total expense (NT$1000)
AUO University course internal training	College of the Future	16	1,430	461	50,151
	College of Science	19	3,329	57	
	College of Engineering	356	9,474	17,562	
	College of Liberal Arts	29	2,358	223	
	College of Leadership	27	1,397	628	
AUO University course external training	External training	--	796	--	
Learning development system maintenance and project implementation expense					

3. Retirement Policy and execution:
   (1) The Company has provided Retirement Policy.
   (2) Supervisory Committee of Workers' Pension Preparation Fund was established in August 1997 and began to allocate pension in May 1998. The Allocation is based on 2% to 15% of the monthly salary.
   (3) Starting from July 2005, the 2nd-tier new labor pension plan 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 OHSAS 18001 Occupational Health and Safety Management System Certification. 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 has been promoting a culture of safety since 2012. Safety improvement was also included in the five major missions of the annual B2B (Back to Basics) 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 staff's safety and hygiene awareness, AUO planned seven thematic courses for general employees, professionals, and supervisors. These courses cover a series of topics including environmental protection, safety and hygiene, emergency response, management systems, risk management, social responsibility, and green products. This plan's purpose is to allow staff to recognize hazards and then follow the corresponding safety standard procedures to protect themselves. On top of training, a departmental safety officer was appointed to regularly collect employees' safety and hygiene needs for work, and to transmit safety management measures and notices for healthy two-way communication.
   (4) Promoting employees' health
   AUO has arranged for 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. In addition, 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) Continuous monitoring and auditing
To ensure the safety of sites, various environmental tests and personnel working environment measurements were performed in accordance with the law. A complete audit procedure was also established that includes routine inspections, high-risk operation inspections, supervisor inspections, and cross-plant audits performed by safety experts from each fab site. Domestic and overseas third-party verification units and customers also carry out audits at our sites from time to time. Moreover, management review committees at the corporate and plant levels are formed and relevant meetings are held by the senior manager and the site chief, respectively. These committees are 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.

1. Loss due to labor-management disputes:

Company name	Incident	Penalty/indemnity amount (NT$1,000)	Countermeasures and improvements
AU Optronics Corporation	1. Disposition date: April 16, 2019 2. Disposition reference number: Environmental Protection Section of Hsinchu Science Park No. 1080010900 3. Violated clauses: Article 38, Paragraph 2 of the Labor Standards Act 4. Content of violated clauses: Annual paid leaves from the preceding paragraph are to be arranged by workers. The employer, however, in the light of the urgent needs of the business operation or employees' personal factors, may consult and make adjustments with workers. 5. Content of disposition: The labor inspection conducted by the Science Park spotted that annual paid leaves were not arranged by labors.	20	1. From 2020 onwards, the Company will conduct an intention survey prior to a bridge holiday. Labors may, based on their arrangement of work and holiday, work on the questionnaire system and make a reply as to whether they will attend that day, or whether they will have the Company fill out a leave request on their behalf. 2. 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. 3. Access control systems are implemented, to record who has consecutively worked for seven days, and the employee will not be able to enter the working grounds. 4. The Company will regularly promote legal compliance tasks to the management level regular meetings.
	1. Disposition date: April 18, 2019 2. Disposition reference number: Environmental Protection Section of Central Science Park No.1080008208 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Content of violated clauses: The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month; 5. Content of disposition: Labor inspection conducted by Central Science Park spotted that labors had worked overtime.	70	
	1. Disposition date: February 17, 2020 2. Disposition reference number: Environmental Protection Section of Central Science Park No.1090003562 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Content of violated clauses: The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month; 5. Content of disposition: Labor inspection conducted by Central Science Park spotted that labors had worked overtime.	50	
	1. Disposition date: June 13, 2019	90	Strengthen supervisors' awareness of legal

Company name	Incident	Penalty/indemnity amount (NT$1,000)	Countermeasures and improvements
Darwin Precisions Corporation	2. Disposition reference number: Labor Affairs Bureau of Taichung City Government No. 1080135486 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Content of violated clauses: Extending labor's working hours by a number exceeding the legal threshold. 5. Content of disposition: Labor Affairs Bureau of Taichung City Government inspect the Daya Fab and spotted that it had extended labors working hours by a number exceeding the legal threshold.		compliance and put employees' overtime hours under control.
	1. Disposition date: October 18, 2019 2. Disposition reference number: Labor Affairs Bureau of Taichung City Government No. 1080248742 3. Violated clauses: Article 22, Paragraph 2 of the Labor Standards Act 4. Content of violated clauses: Wages were not paid in full directly to employees. 5. Contents of disposition: The labor inspection Conducted by the Labor Affairs Bureau of Taichung City Government found that employees of Fab Daya had taken their leaves in advance due to the company's adjustment of their attendance days. The said leaves taken in advance had not been made up when employees left their jobs, resulting in the company's deduction of their wages.	20	Implementation and compliance with relevant laws and regulations.
	1. Disposition date: January 14, 2020 2. Disposition reference number: Labor Affairs Bureau of Taichung City Government No. 1080267718 3. Violated clauses: Articles 42 and Article 57, Paragraph 9 of the Employment Services Act 4. Content of violated clauses: No employment of foreign worker may jeopardize nationals' opportunity in employment. 5. Content of disposition: In that the Company refused to accept dismissed employees who wished to do the jobs performed by foreigners, Taichung City Government deemed it a violation against the Employment Service Act.	60	Implementation and compliance with relevant laws and regulations.

2. In the most recent year and up to the date of publication of this Annual Report, the Company and its subsidiaries were not, except for above-mentioned matters, fined for violation of other relevant regulations.

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	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 license	Subject to the agreement
Patent/technology licensing	Toppan Printing Co., Ltd.	Subject to the agreement	Specific color filter patent/technology license	Subject to the agreement
Patent license	Semiconductor Energy Laboratory Co., Ltd.	Subject to the agreement	Specific LCD and OLED product patent license	Subject to the agreement
Patent cross-license	Japan Display Inc. (former Japan Display East Inc., Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display, Co., Ltd. (former 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	Sharp Corporation	Subject to the agreement	Patent cross- license for specific TFT-LCD products	Subject to the agreement
Patent cross-license	LG Display Co., Ltd.	Subject to the agreement	Patent cross- license for specific TFT-LCD products	Subject to the agreement
Patent cross-license	Samsung Electronics Co., Ltd.	Subject to the agreement	Patent cross- license for specific TFT-LCD products	Subject to the agreement
Patent cross-license	Hydis Technologies Co., Ltd.	Subject to the agreement	Patent cross- license for specific LCD products	Subject to the agreement
Patent cross-license	Seiko Epson Corporation	Subject to the agreement	Patent cross- license 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 license or cross-license 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 and Independent Auditor's Report (pages 97-193).

Chapter 6 Financial Highlights

I. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five 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)				
		2019.12.31	2018.12.31	2017.12.31	2016.12.31	2015.12.31
Current assets		143,200,211	149,067,627	180,175,541	163,346,242	161,992,140
Property, plant and equipment		206,734,543	221,586,475	224,933,089	222,741,832	208,785,609
Intangible assets		12,808,326	13,377,263	13,170,892	13,602,834	14,575,279
Other assets (Note 2)		34,894,511	25,800,410	23,171,762	30,078,343	40,201,217
Total assets		397,637,591	409,831,775	441,451,284	429,769,251	425,554,245
Current liabilities	Before distribution	90,528,089	128,937,971	107,236,609	117,266,175	141,349,389
	After distribution	(Note 3)	133,750,093	121,672,977	122,655,752	144,717,875
Non-current liabilities		119,132,753	63,615,116	108,969,560	112,867,894	79,568,451
Total liabilities	Before distribution	209,660,842	192,553,087	216,206,169	230,134,069	220,917,840
	After distribution	(Note 3)	197,365,209	230,642,537	235,523,646	224,286,326
Equity attributable to shareholders of AU Optronics Corp.		176,671,840	202,862,715	208,154,368	181,244,699	181,985,222
Common stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,544,474	60,622,043	60,540,326	59,979,723	60,249,983
	After distribution	(Note 3)	60,622,043	60,540,326	59,979,723	60,249,983
Retained earnings	Before distribution	22,903,722	46,845,991	51,115,529	24,243,153	20,407,277
	After distribution	(Note 3)	42,033,869	36,679,161	18,853,576	17,038,791
Other components of equity		(2,005,384)	(847,770)	256,062	779,372	5,085,511
Treasury stock		(1,013,423)	-	-	-	-
Non-controlling interests		11,304,909	14,415,973	17,090,747	18,390,483	22,651,183
Total equity	Before distribution	187,976,749	217,278,688	225,245,115	199,635,182	204,636,405
	After distribution	(Note 3)	212,466,566	210,808,747	194,245,605	201,267,919

Note 1: The financial data for the most recent five years has been audited by CPAs. As of the date of this Annual Report, the 2020 financial data has not been audited or reviewed by CPAs.

Note 2: Other assets are non-current assets excluding property, plant and equipment, and intangible assets.

Note 3: Pending resolution in 2020 Annual Shareholders' Meeting.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$ thousands (except for earnings per share: NT$)

Year / Item	Financial data for the past five years (Note)				
	2019	2018	2017	2016	2015
Net revenue	268,791,694	307,634,389	341,028,267	329,089,036	360,346,494
Gross profit	455,943	28,139,504	61,041,745	34,491,019	39,837,055
Profit (loss) from operations	(20,467,948)	6,667,865	39,139,124	12,338,456	17,521,148
Non-operating income and expenses	623,194	4,548,286	224,482	(1,152,554)	(9,922,298)
Profit (loss) before income tax	(19,844,754)	11,216,151	39,363,606	11,185,902	7,598,850
Profit (loss) from continuing operations for the year	(21,599,416)	7,959,895	30,258,488	6,606,711	4,842,882
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	(21,599,416)	7,959,895	30,258,488	6,606,711	4,842,882
Other comprehensive income (loss), net of taxes	(1,411,771)	(1,383,775)	(960,183)	(6,359,644)	(768,225)
Total comprehensive income (loss) for the year	(23,011,187)	6,576,120	29,298,305	247,067	4,074,657
Profit (loss) attributable to shareholders of AU Optronics Corp.	(19,185,258)	10,160,598	32,359,417	7,818,938	4,931,960
Profit (loss) attributable to non-controlling interests	(2,414,158)	(2,200,703)	(2,100,929)	(1,212,227)	(89,078)
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	(20,192,454)	9,085,260	31,754,733	3,326,560	4,838,950
Total comprehensive income (loss) attributable to non-controlling interests	(2,818,733)	(2,509,140)	(2,456,428)	(3,079,493)	(764,293)
Earnings (loss) per share (EPS)	(2.00)	1.06	3.36	0.81	0.51

Note: The financial data for the most recent five years has been audited by CPAs. As of the date of this Annual Report, the 2020 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)				
		2019.12.31	2018.12.31	2017.12.31	2016.12.31	2015.12.31
Current assets		96,317,458	98,928,620	133,588,893	107,580,230	99,459,796
Property, plant and equipment		144,142,738	148,448,632	141,796,990	135,433,979	143,897,638
Intangible assets		12,051,761	12,476,746	12,983,137	13,602,834	14,575,279
Other assets (Note 2)		93,152,910	87,550,523	85,732,867	101,218,733	115,740,782
Total assets		345,664,867	347,404,521	374,101,887	357,835,776	373,673,495
Current liabilities	Before distribution	73,270,709	110,042,400	91,044,482	94,944,624	124,563,162
	After distribution	(Note 3)	114,854,522	105,480,850	100,334,201	127,931,648
Non-current liabilities		95,722,318	34,499,406	74,903,037	81,646,453	67,125,111
Total liabilities	Before distribution	168,993,027	144,541,806	165,947,519	176,591,077	191,688,273
	After distribution	(Note 3)	149,353,928	180,383,887	181,980,654	195,056,759
Equity attributable to shareholders of AU Optronics Corp.		176,671,840	202,862,715	208,154,368	181,244,699	181,985,222
Common stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,544,474	60,622,043	60,540,326	59,979,723	60,249,983
	After distribution	(Note 3)	60,622,043	60,540,326	59,979,723	60,249,983
Retained earnings	Before distribution	22,903,722	46,845,991	51,115,529	24,243,153	20,407,277
	After distribution	(Note 3)	42,033,869	36,679,161	18,853,576	17,038,791
Other components of equity		(2,005,384)	(847,770)	256,062	779,372	5,085,511
Treasury stock		(1,013,423)	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	176,671,840	202,862,715	208,154,368	181,244,699	181,985,222
	After distribution	(Note 3)	198,050,593	193,718,000	175,855,122	178,616,736

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 the Annual Report, the 2020 financial data has not been attested or reviewed by CPAs.

Note 2: Other assets are non-current assets excluding property, plant and equipment, and intangible assets.

Note 3: Pending resoluting in 2020 Annual Shareholders' Meeting.

Condensed Statement of Comprehensive Income

Unit: NT$ thousands (except for earnings per share: NT$)

Item \ Year	Financial data for the most recent five years (Note)				
	2019	2018	2017	2016	2015
Net revenue	255,167,176	293,060,339	319,839,895	300,728,680	333,879,825
Gross profit	(2,618,924)	26,377,798	59,586,501	28,070,086	33,705,034
Profit (loss) from operations	(17,726,245)	11,033,564	43,313,271	12,538,693	17,631,265
Non-operating income and expenses	(620,419)	951,429	(3,306,536)	(2,134,096)	(10,564,577)
Profit (loss) before income tax	(18,346,664)	11,984,993	40,006,735	10,404,597	7,066,688
Profit (loss) from continuing operations for the year	(19,185,258)	10,160,598	32,359,417	7,818,938	4,931,960
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	(19,185,258)	10,160,598	32,359,417	7,818,938	4,931,960
Other comprehensive income (loss), net of taxes	(1,007,196)	(1,075,338)	(604,684)	(4,492,378)	(93,010)
Total comprehensive income (loss) for the year	(20,192,454)	9,085,260	31,754,733	3,326,560	4,838,950
Profit (loss) attributable to shareholders of AU Optronics Corp.	(19,185,258)	10,160,598	32,359,417	7,818,938	4,931,960
Profit (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	(20,192,454)	9,085,260	31,754,733	3,326,560	4,838,950
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings (loss) per share (EPS)	(2.00)	1.06	3.36	0.81	0.51

Note: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2020 financial data has not attested or reviewed by CPAs

(III) The names of CPAs and their opinions for the most recent five years

Year	CPA	Audit Opinion	Note
2019	KPMG / Wei Shing-Hai KPMG / Lu Chien-Hui	Unmodified opinion (Note)	-
2018	KPMG / Wei Shing-Hai KPMG / Lu Chien-Hui	Unmodified opinion (Note)	-
2017	KPMG / Wei Shing-Hai KPMG / Lu Chien-Hui	Unmodified opinion (Note)	-
2016	KPMG / Yu Wan-Yuan KPMG / Tseng Mei-Yu	Unqualified opinion	-
2015	KPMG / Yu Wan-Yuan KPMG / Tseng Mei-Yu	Unqualified opinion	-

Note: Starting in 2016, the new auditing standards of the Republic of China requires "An Unqualified Opinion" be replaced by "An Unmodified Opinion.

II. Financial Analyses for the Most Recent Fiscal Years

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

Item analyzed	Year	Financial analysis for the past five years (Note 1)				
		2019	2018	2017	2016	2015
Financial structure	Ratio of debts to assets (%)	52.7	47.0	49.0	53.5	51.9
	Ratio of long-term capital to property, plant, and equipment (%)	140.5	123.6	145.7	137.3	130.8
Solvency	Current ratio (%)	158.2	115.6	168.0	139.3	114.6
	Quick ratio (%)	130.7	94.3	142.3	113.3	91.5
	Interest coverage ratio	(Note 2)	4.5	12.1	4.3	3.7
Operating ability	Receivables turnover rate (times)	6.8	7.0	7.7	7.9	7.6
	Average collection days for receivables	54	52	48	46	48
	Inventory turnover rate (times)	10.8	10.9	10.7	9.9	9.4
	Payable turnover rate (times)	4.9	4.9	4.9	4.9	4.7
	Average days for sales	34	33	34	37	39
	Property, plant and equipment turnover rate (times)	1.3	1.4	1.5	1.5	1.6
	Total assets turnover rate (times)	0.7	0.7	0.8	0.8	0.8
Profitability	Return on assets (%)	(4.7)	2.4	7.5	2.1	1.6
	Return on equity (%)	(10.7)	3.6	14.2	3.3	2.4
	Ratio of pre-tax income to paid-in capital (%)	(20.6)	11.7	40.9	11.6	7.9
	Net margin (%)	(8.0)	2.6	8.9	2.0	1.3
	Earnings (loss) per share (NT$)	(2.00)	1.06	3.36	0.81	0.51
Cash flow	Cash flow ratio (%)	22.9	31.2	78.7	31.2	43.9
	Cash flow adequacy ratio (%)	109.1	136.2	160.6	138.8	164.2
	Cash flow reinvestment ratio (%)	1.5	2.4	7.3	3.1	5.6
Leverage	Operating leverage	(Note 3)	9.2	2.4	5.8	4.8
	Financial leverage	(Note 3)	1.7	1.1	1.3	1.2

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

1. The improvement of current ratio and quick ratio was mainly due to the increase in cash and cash equivalents as a result of an increase in proceeds from long-term borrowings.
2. The decline in various ratios related to profitability analysis was mainly due to losses for the year 2019.
3. The decline in various ratios related to cash flow analysis was mainly due to the decrease in net cash inflow from operating activities as a result of losses occured in the current year.

Note 1: The accompanying financial data for the years stated has been audited by CPAs. As of the date of this Annual Report, the 2020 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) for calculation formula used in this table.

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

Item analyzed	Year	Financial analysis for the past five years (Note 1)				
		2019	2018	2017	2016	2015
Financial structure	Ratio of debts to assets (%)	48.9	41.6	44.4	49.4	51.3
	Ratio of long-term capital to property, plant, and equipment (%)	179.4	156.7	196.4	191.0	168.6
Solvency	Current ratio (%)	131.5	89.9	146.7	113.3	79.9
	Quick ratio (%)	106.3	70.5	122.9	87.8	59.7
	Interest coverage ratio	(Note 2)	10.2	23.1	6.0	4.3
Operating ability	Receivables turnover rate (times)	6.8	7.0	7.8	8.0	7.8
	Average collection days for receivables	54	52	47	45	47
	Inventory turnover rate (times)	13.8	13.5	12.7	11.8	11.7
	Payable turnover rate (times)	4.7	4.6	4.7	4.8	4.7
	Average days for sales	27	27	29	31	31
	Property, plant and equipment turnover rate (times)	1.74	2.0	2.3	2.2	2.3
	Total assets turnover rate (times)	0.7	0.8	0.9	0.8	0.9
Profitability	Return on assets (%)	(5.2)	3.0	9.2	2.6	1.7
	Return on equity (%)	(10.1)	4.9	16.6	4.3	2.7
	Ratio of pre-tax income to paid-in capital (%)	(19.1)	12.5	41.6	10.8	7.3
	Net margin (%)	(7.5)	3.5	10.1	2.6	1.5
	Earnings (loss) per share (NT$)	(2.00)	1.06	3.36	0.81	0.51
Cash flow	Cash flow ratio (%)	15.1	24.4	89.7	19.4	47.0
	Cash flow adequacy ratio (%)	107.9	132.1	171.3	147.2	116.9
	Cash flow reinvestment ratio (%)	0.7	1.4	8.2	1.7	6.4
Leverage	Operating leverage	(Note 3)	4.1	1.8	4.2	3.6
	Financial leverage	(Note 3)	1.1	1.0	1.2	1.1

Explanations on changes in financial ratios over the most recent two years:
1. The improvement of current ratio and quick ratio was mainly due to the increase in cash and cash equivalents as a result of an increase in proceeds from long-term borrowings.
2. The decline in various ratios related to profitability analysis was mainly due to losses for the year 2019.
3. The decline in various ratios related to cash flow analysis was mainly due to the decrease in net cash inflow from operating activities as a result of losses occured in the current year.

Note 1: The accompanying financial data has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2020 financial data has not been attested or reviewed by CPAs.
Note 2: The ratio is zero or negative.
Note 3: The ratio was not calculated due to operating losses.

Below is the Glossary:
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 liabilities) / 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) Receivables (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 receivables = 365/Receivables turnover rate
   (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 payables of various periods (including accounts payable and notes payable due to business operations)
   (5) Average days for sales = 365 / Inventory turnover rate
   (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 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. Leveraging
   (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / Operating profit
   (2) Financial leverage = Operating profit / (Operating profit - interest expenses)

III. The Audit Committee's Review Report

As of the date of this Annual Report, the Company's Audit Committee has not presented their Review Report. Relevant information will be published in the 2020 Annual General Meeting's handbook, and the handbook will be uploaded to the Market Observation Post System (MOPS) 30 days prior to the 2020 Annual General Meeting.

IV. Consolidated Financial Statement and Independent Auditors' Report for the most recent year: please refer to Appendix 1 (Pages 97-193).

V. Parent-company-only Financial Statement and Independent Auditors' Report for the most recent year: please refer to Appendix 2 (Pages 194-290).

VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the date of this Annual Report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

Chapter 7 Review and Analysis of Financial Position and Financial Performance, and Risk Management

I. Financial position analysis

Unit: NT$ thousands

Item \ Year	2019.12.31	2018.12.31	Difference	
			Increase (decrease) amount	%
Current assets	143,200,211	149,067,627	(5,867,416)	(3.9)
Long-term investment	13,544,650	13,265,790	278,860	2.1
Property, plant and equipment	206,734,543	221,586,475	(14,851,932)	(6.7)
Right-of-use assets	12,207,768	-	12,207,768	-
Investment property	1,555,130	730,306	824,824	112.9
Intangible assets	12,808,326	13,377,263	(568,937)	(4.3)
Deferred tax assets	5,181,617	6,632,668	(1,451,051)	(21.9)
Other assets	2,405,346	5,171,646	(2,766,300)	(53.5)
Total assets	397,637,591	409,831,775	(12,194,184)	(3.0)
Current liabilities	90,528,089	128,937,971	(38,409,882)	(29.8)
Non-current liabilities	119,132,753	63,615,116	55,517,637	87.3
Total liabilities	209,660,842	192,553,087	17,107,755	8.9
Common stock	96,242,451	96,242,451	-	-
Capital surplus	60,544,474	60,622,043	(77,569)	(0.1)
Retained earnings	22,903,722	46,845,991	(23,942,269)	(51.1)
Other components of equity	(2,005,384)	(847,770)	(1,157,614)	136.5
Treasury stock	(1,013,423)	-	(1,013,423)	-
Equity attributable to shareholders of AU Optronics Corp.	176,671,840	202,862,715	(26,190,875)	(12.9)
Non-controlling interests	11,304,909	14,415,973	(3,111,064)	(21.6)
Total equity	187,976,749	217,278,688	(29,301,939)	(13.5)

Analysis of items that have major changes:

1. The increase in investment property was mainly due to the transfer of leased-out plants and right-of-use assets to investment property in 2019.
2. The decrease in deferred tax assets was mainly due to the decrease in tax losses carryforwards.
3. The decrease in other assets was mainly due to the reclassification of long-term prepaid rents to right-of-use assets upon the application of IFRS16 and the reclassification of long-term receivables due within one year to current assets.
4. The decrease in current liabilities was mainly due to the decrease in long-term loans due within one year.
5. The increase in non-current liabilities was mainly due to the increase in proceeds from long-term loans.
6. The decrease in other components of equity was mainly due to currency exchange losses incurred in the translation of foreign operations due to exchange rate fluctuations in 2019.

II. Financial performance

(I) Financial performance analysis

Unit: NT$ thousands

Item \ Year	2019	2018	Change in proportion: Increase (decrease) amount	Change in proportion: %
Revenue	270,794,105	309,798,066	(39,003,961)	(12.6)
Less: sales return and discount	2,002,411	2,163,677	(161,266)	(7.5)
Net revenue	268,791,694	307,634,389	(38,842,695)	(12.6)
Cost of sales	268,335,751	279,494,885	(11,159,134)	(4.0)
Gross profit (loss)	455,943	28,139,504	(27,683,561)	(98.4)
Operating expenses	20,923,891	21,471,639	(547,748)	(2.6)
Profit (loss) from operations	(20,467,948)	6,667,865	(27,135,813)	(407.0)
Non-operating income and expenses	623,194	4,548,286	(3,925,092)	(86.3)
Profit (loss) before income tax for the year	(19,844,754)	11,216,151	(31,060,905)	(276.9)
Less: income tax expense	1,754,662	3,256,256	(1,501,594)	(46.1)
Profit (loss) for the year	(21,599,416)	7,959,895	(29,559,311)	(371.4)

Analysis of items that have major changes:

1. Profit from operations decreased in 2019 mainly due to a decline in the average selling price of TFT-LCD panels owing to an oversupply market condition.
2. Decrease in non-operating income and expenses was mainly due to a disposal gain on property, plant and equipment from our subsidiaries in 2018, and an asset impairment recognized associated with our energy business in 2019.

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

Item \ Year	2019 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
Large-sized panels shipments (million units) (Note1)	25.9	27.2	28.7	26.4	108.2
Small-medium-sized panels shipments (million units)	25.0	33.0	35.6	37.4	131.0
Consolidated shipments (million units)	50.9	60.2	64.3	63.8	239.2
Operating margin (%)	(7.6)	(4.9)	(7.8)	(10.5)	(7.6)
EBITDA (Note 2) margin (%)	6.1	8.1	5.0	4.2	5.9
Inventory turnover (days)	37	36	34	35	34
Net debt to equity (%)	12.6	13.6	18.4	17.7	17.7

Note 1: Large-size refers to panels that are 10 inches and above.

Note 2: EBITDA =Operating profit + D&A.

(III) Estimated sales volume and supporting info

AUO is a leading global 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.

III. Cash flow

Changes in consolidated cash flows in 2019:

Unit: NT$ thousands

Cash balance 12/31/2018	Net cash flow from operating activities	Net cash flow from investing activities	Net cash flow from financing activities	Cash balance 12/31/2019 (including effect of exchange rate)
69,163,296	20,730,639	(28,112,356)	20,742,067	80,449,772

(I) Analysis of changes in consolidated cash flows in 2019

Operating activities:Mainly include net loss, along with depreciation and amortization expenses.

Investing activities: Mainly used in capital expenditures.

Financing activities: Mainly include proceeds from long-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 Expenditures of the Most Recent Year and Impact on the Company's Finances and Operations

The Company's material capital expenditure in 2019 mainly comprised final payment for Gen 8.5 production line expansion equipment in Taichung, Houli, and activation and upgrade of equipment assets to respond 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 2019 was NT$ 29.5 billion, accounting for approximately 11% 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. The Company seeks appropriate long-term strategic partnerships, and the major scope of reinvestments include 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 2019 Consolidated Financial Statements were NT$ 149,907 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. The Company will continue to focus on related strategic investment in the industry, as well as increase investment in the field of the downstream application. The Company will take appropriate measures to dispose the investment positions in addition to continuing to evaluate the investment plan carefully.

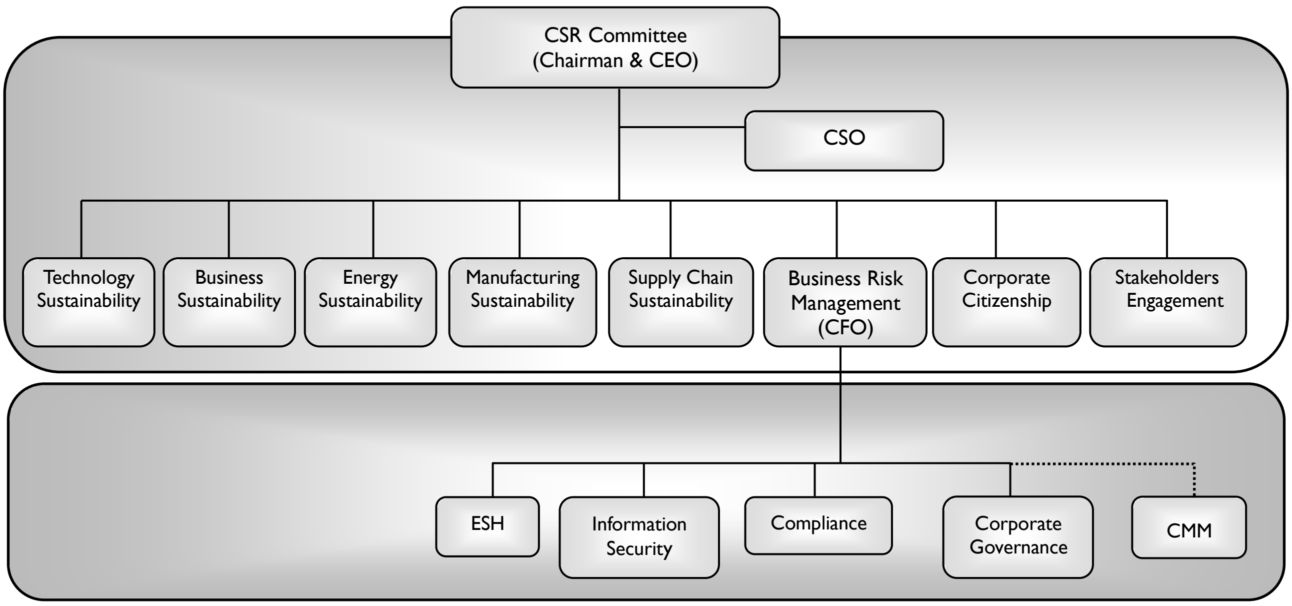
VI. Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

(I) The organizational structure of risk management

AUO's CSR Committee is chaired by the Chairman and CEO, and the Risk Management Subcommittee under the CSR Committee is chaired by the Chief Financial Officer. The Risk Management Subcommittee manages and executes the Company's annual risk identification from the perspective of business sustainability with a conduct process of identification, analysis, evaluation of risks. The annual risk identification also takes into account the frequency of occurrence, the level of impact and the level of control to carry out a quantitative evaluation, covering strategic, operational, financial, and disaster aspects and formulates risk mitigation strategies accordingly to reduce, transfer, and avoid risks; and, set up the Business Continuity Plan.

The identified risk issues are discussed in the Corporate Management Meeting (CMM) each year, so that the management team can focus on the overall strategy, draw up the Risk Control Plan, and strengthen and complete the vulnerability of our internal system, thereby improving the Company's resilience of sustainable operation. The Risk Control Plan is supervised and implemented by the Risk Management Subcommittee, of which the Chairman reports the progress of the implementation to the CSR Committee every quarter.

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 rate 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 paid in the future to fluctuate over time. The consolidated interest expense for 2019 was NT$3,251,370 thousand, which was calculated based on the long-term borrowing of the Company and its subsidiaries with floating interest rates for 2019. If the market interest rate increases by 0.25% in the future, the net profit before tax will be reduced by approximately NT$280,558 thousand.

  In terms of assets, the capital allocation of the Company and its subsidiaries base on the principle of prudence and stability. It mainly allocates in bank deposits and high liquidity short-term government bonds with reverse repurchase agreements to preserve principal and maintain liquidity.

- Foreign exchange rate fluctuation

  The exposure to foreign currency risk of the Company and its subsidiaries arises from cash and cash equivalents, accounts receivables, 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 minimize 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 valuation of forward contract derivatives and foreign exchanges gains and losses measured at fair value in 2019 of that period as a net gain of NT$148,053 thousand. In the future, these hedges will continue to reduce foreign currency risks. Calculated based on the cost structure of the Company and its subsidiaries in 2019, if NT$ 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 2019, the domestic economic growth rate was 2.71%, and the average annual growth rate of the consumer price index (CPI) was 0.56%. As such, such a mild price increase should not have a material impact on the Company's consolidated operating resultsin 2019. Based on the combined amount of raw material purchased in NTD by the Company and its subsidiariesin 2019, 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$200 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 funds 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 and losses on valuation of forward contract derivatives and foreign exchanges gains and losses measured at fair value in 2019 of that period as a net gain of NT$148,053 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 rates. The Company and its subsidiaries will also take business 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, and gains and losses of the derivative from structured time deposits measured at fair value for the year in 2019 was a net gain of NT$65,068 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 60-63)

(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 law in 2019 has 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.

Display market demand is currently trending toward features including larger size, ultra high resolution, wide color gamut, high contrast, wide viewing angle, fast response time, narrow bezel, 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), and High Refresh Rate, HDR (High Dynamic Range), curved, free-form cutting, on-cell/in-cell touch, etc., to meet the needs of market. At the same time, AUO continues to develop new technologies such as AMOLED, Mini LED, Micro LED and other related technologies to accelerate technology adoption and the development of the entire value chain, delivering the best image performance possible for viewers worldwide.

(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's Board of Directors resolved to tender offer the common stock of ADLINK Technology Co., Ltd. at a consideration of NT $ 57 per share in cash on February 5, 2020. The tender offer period was from February 7, 2020 to March 12, 2020 and the expected volume of the securities to be acquired was 65,249,177 shares. To enhance the competitiveness, the Company plans to cooperate with ADLINK to establish a strategic partnership for the Industrial and Commercial AIoT Ecosystem through the ADLINK tender offer.

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

AUO is committed to providing customers with an innovative and high value-added product portfolio. 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, VR/ AR displays, and notebook computer panel products in the next few years. Based on past LTPS experiences, AUO has invested and constructed the Gen 6 LTPS fab at Kunshan, China, and the fab has begun mass production in 2017. 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 Gen 8.5 fab in Taiwan have also been accomplished in 2016 and 2018 respectively. AUO will also carefully increase production capacity in the future in line with the complete product lines, and create market differentiation in response to market changes in supply and demand.

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

1. Risks from sales concentration and response measures:
   (1) The Company's major customers accounted for a significant proportion of the Company's revenue, and the list of major customers has experienced some changes in response to changes in product mix. The Company's revenues and profitability will be affected in case orders from major customers have decreased, are delayed, or canceled, or should major customers be faced with financial difficulties. 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 67).

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 a 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 plant. The Company is also committed to bring in new suppliers and expects to minimize the risks involved.
   (2) Equipment
   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 for 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 so that the suppliers can pre-arrange the production plans of the machines. Thus, the suppliers can be expected to provide production 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.

Other Litigation

In July 2018, Vista Peak Ventures, LLC ("VPV") filed three lawsuits in the United States District Court for the Eastern District of Texas against the Company, claiming infringement of certain of VPV's patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other items, unspecified monetary damages for past damages and an injunction against future infringement. On September 27, 2019, the relevant parties reached a settlement agreement, and all pending lawsuits that have been filed by VPV against AUO were dismissed on October 10, 2019.

In addition to the matters described above, we and/or our subsidiaries are also a party to other litigations or proceedings that arise during our or their ordinary course of business. Except as mentioned above, we and/or our subsidiaries are not involved in any material litigation or proceeding which could be expected to have a material adverse effect on our business or results of operations.

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 1: Consolidated Financial Statement and Independent Auditors' Report of the most recent year (Pages 97-193).

(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 President. 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, several information security implementation teams have 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 ISO27001 Information Security Management System in order to better meet international information security management trends and respond to customer information security requirements. By regular verification conducted by ISO 27001 Information Safety Management System, we have implemented our information security policy and protected customer data and the Company's intellectual property. We have also strengthened our crisis management ability regarding information security incidents and achieved our information security policy KPI.

3. Information security and cyber risk control:
   Cyber attacks are ever evolving and changing, and information systems cannot completely prevent any third-party denial-of-service attacks. Cyber attacks may introduce malware to the Company's internal network for intentional damage or information theft via emails, phishing, or brute-force attacks. Brute-force attacks may force the Company's production and operations to stop, while information theft attacks may lead to leaks of material operating information, or personal information from employees or customers. The Company adopts active information security strengthening procedures. Besides introducing next-generation firewalls, intrusion prevention system, malicious email filtering, employee Internet access protection, operating system updates, installing anti-virus software, and 24/7 information security surveillance service, the Company also evaluates risks related to information security quarterly through the internal risk management system and reports status of risk control and improvement plans to the Risk Management Committee to control and mitigate relevant cyber risks.
   The Company arranged an information security insurance policy in 2019 to respond to insurance claims that may incur related expenses (such as restoration and identification) 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 commercial email scams 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 commercial email scams, and optimizes internal processes to ensure the security of receipts and payments. Considering the importance of business secret protection, 9,663 employees were offered online training courses and exams on business secret protection in this respect in 2019. 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.

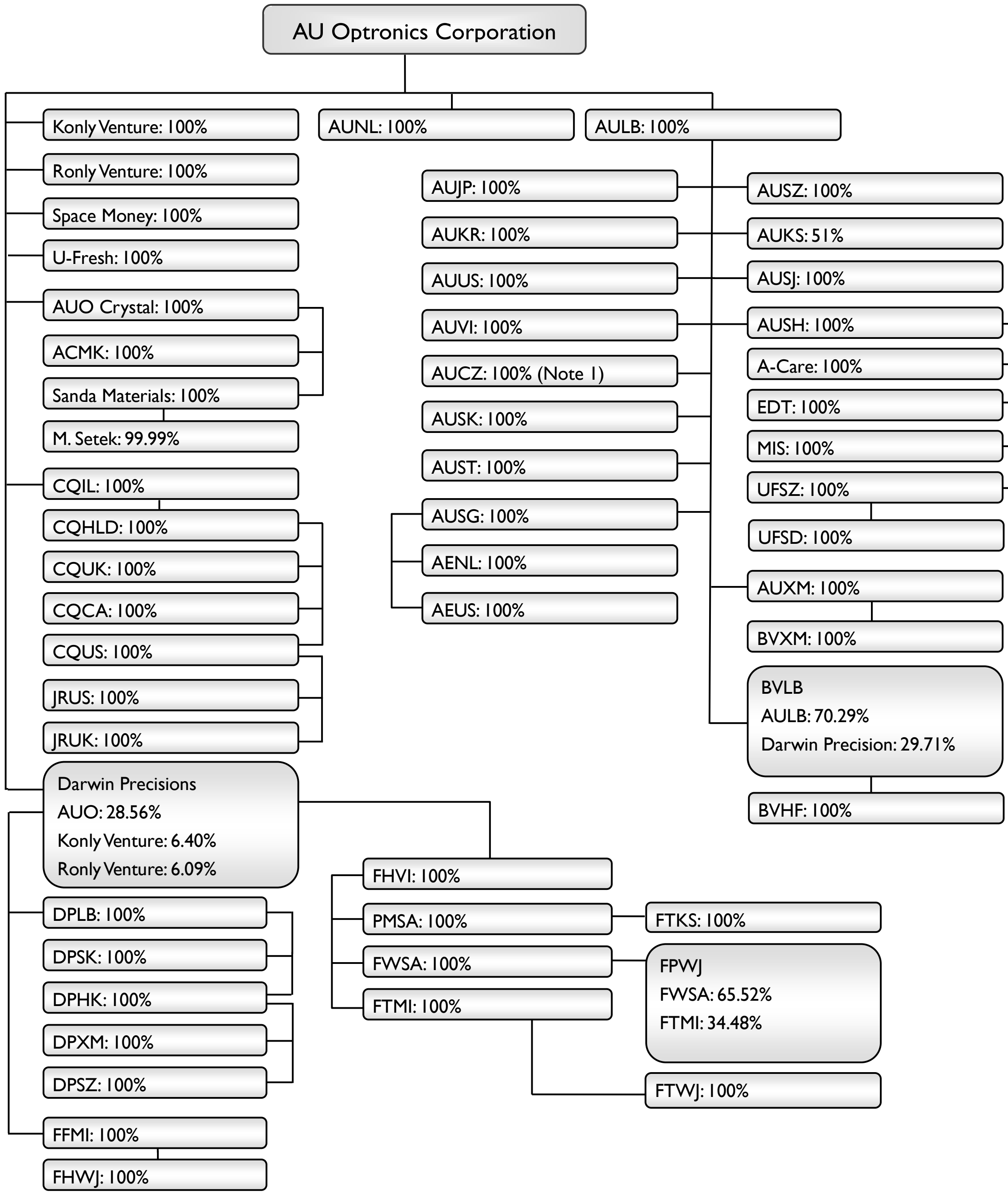
VII. Other material matters: None.

Chapter 8 Special Disclosure

I. Information about affiliates

(I) Organization chart of affiliates

December 31, 2019



Note 1: AUCZ is in the process of liquidation.

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

(II) Basic information of affiliates

December 31, 2019; Unit: NT$1,000

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 677,065	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, 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 and trading 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 (AUUS)	2000.09.11	37085 Grand River Avenue, #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	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 50	Sales and sales support of TFT-LCD panels
AU Optronics Korea Ltd. (AUKR)	2004.07.01	No.906, 9F, Gwanggyo Business Center, 156, Gwanggyo-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, 16506, 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 60,577	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 Green Energy America Corp. (AEUS)	2010.09.30	1525 McCarthy Blvd. Suite 218 Milpitas, CA 95035 USA	USD 3,510	Sales support of solar-related products
AUO Green Energy Europe B.V. (AENL)	2010.09.29	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 43	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 Holding Ltd. (CQHLD)	2007.02.27	Bentinck House, 3-8 Bolsover Street, London, England W1W 6AB	USD 27,819	Holding company
ComQi Inc. (CQUS)	2007.03.05	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 14,120	Sales of content management system and hardware
ComQi Ltd. (CQIL)	2010.02.15	14 Yad Harutzim St. Tel Aviv, Israel 67778	USD 34,659	Holding company
ComQi UK Ltd. (CQUK)	2007.01.23	Bentinck House, 3-8 Bolsover Street, London, England W1W 6AB	USD 2,781	Sales support of content management system
Darwin Precisions (Hong Kong) Limited (DPHK)	2007.11.21	Room 706, Haleson Building, 1 Jubilee Street, Central, 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 parts
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	GBP 0	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 0	Development and sales of content management system and sales of the related hardware

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
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 sales 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 TFT-LCD modules
AUO Care Management (Suzhou) Co., Ltd. (A-Care)	2017.09.22	No.398, Suhongzhong Road. Suzhou Industrial Park	CNY 10,000	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 6,000	Planning, design and development of construction for environmental protectionand and related project management
Edgetech Data Technologies (Suzhou) Corp., 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 Manufacturing (Suzhou) Corp., Ltd. (MIS)	2018.08.28	No.398, Suhongzhong Road. Suzhou Industrial Park	CNY 5,000	Development and licensing of software relating to intelligent manufacturing, and related consulting services
Darwin Precisions (Suzhou) Corp. (DPSZ)	2005.12.08	No. 11, Tingxin Street, Suhongzhong Road. Suzhou Industrial Park	USD 25,000	Manufacturing and sales of backlight modules related parts
AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	2001.12.20	No.3, Lane 58, Sanzhuang road, 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	Floor 5, 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 Rd. Kunshan Economic&Technical Development Zone,Kunshan ,Jiangsu	USD 961,000	Manufacturing and sales of TFT-LCD panels
Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	2004.01.02	No.6 LongTeng Rd. Kunshan Economic&Technical Development Zone,Kunshan ,Jiangsu	USD 36,000	Manufacturing and sales of backlight modules and related parts
BriView (Hefei) Co., Ltd. (BVHF)	2010.04.09	No. 176, Yuner Rd., Economic and Technology Development Dist., Hefei City, Anhui Province	USD 73,450	Manufacturing and sales of liquid crystal products and related parts
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	2002.08.30	No.399, Jin Hu Rd., Wujiang Economic and Technology Development Dist., Suzhou City, Jiang Su Province	USD 35,000	Manufacturing and sales of backlight modules and related parts
Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	2001.10.09	No.399, Jin Hu Rd., Wujiang Economic and Technology Development Dist., Suzhou City, Jiang Su Province	USD 6,500	Manufacturing of motorized treadmills
Suzhou Forplax Optronics Co., Ltd. (FPWJ)	2005.02.28	No.399, Jin Hu Rd., Wujiang Economic and Technology Development Dist., Suzhou City, Jiang Su Province	USD 29,000	Manufacturing and sales of precision plastic parts
U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSD)	2019.05.27	South area, Floor 2, 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 protectionand and related project management
AU Optronics (Xiamen) Corp. (AUXM)	2005.12.13	No.1689, Xiang'An North Road, Xiang'An Branch,Torch Hi-tech Industrial Development Zone Xiamen	USD 250,000	Manufacturing , assembly and sales assembly of TFT-LCD modules
BriView (Xiamen) Corp. (BVXM)	2008.12.02	No.1998 Fangshan West Road,(Xiang'An)Industrial Area,Xiamen Torch Hi-tech Zone	CNY 600,000	Manufacturing and sales of liquid crystal products and related parts
Darwin Precisions (Xiamen) Corporation (DPXM)	2006.03.31	No. 3089 Xiang'an North Rd., Xiang'an District, Xiamen City, 361102, Fujian Province	USD 70,000	Manufacturing and sales of backlight modules and related parts
Konly Venture Corp. (Konly Venture)	2002.07.29	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City 115	NTD 2,843,018	Venture capital investment
Ronly Venture Corp. (Ronly Venture)	2005.01.11	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City 115	NTD 1,547,568	Venture capital investment
Space Money Inc. (Space Money)	2015.10.05	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City 115	NTD 30,000	Sales and leasing of content management system and hardware

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
U-Fresh Technology Inc. (U-Fresh)	2017.01.23	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City 115	NTD 100,000	Planning, design and development of construction for environmental protectionand and related project management
Sanda Materials Corporation (Sanda Materials)	2014.04.23	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan	NTD 1,168,361	Holding company
Darwin Precisions Corporation (Darwin Precisions)	1989.10.13	No. 20-1, Guangfu N. Rd., Hukou Township, Hsinchu County 303	NTD 6,655,551	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts
AUO Crystal Corporation (AUO Crystal)	2009.05.22	No. 335, Sec. 2, Houke Road, Central Taiwan Science Park, Houli District, Taichung City, Taiwan	NTD 4,186,206	Manufacturing and sales 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, back-lighting modules and color filter; development of solar business related products and solar power plant. Some of the related enterprises have been set up for investment purpose 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, 2019; Unit: in thousand shares; NT$1,000;%

Name of business	Title	Name	Shareholding: Shares (Investment Amount)	%
AUVI	Director	TK Wu, Wei-Lung Liau, Hong-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's investment CZK 365,000	- 100.00
AULB	Director	Shuang-Lang (Paul) Peng	- The Company holds 1,882,189 shares	- 100.00
AUSK	Director	Kuo-Hsin (Michael) Tsai	- AULB's investment EUR 1,000	- 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 shares	- 100.00
AUNL	Director	James CP Chen	- The Company holds 50 shares	- 100.00
AUKR	Director	James CP Chen	- AULB's investment KRW 173,075	- 100.00
AUSG	Director	Shuang-Lang (Paul) Peng, Yi-Cheng Chen	- AULB holds 266,268 shares	- 100.00
ACMK	Director	Shih-Hong Liao, Frank CC Cheng, Cheng-Lung Chan	- AUO Crystal holds 46,196 shares	- 100.00
AEUS	Director	Shih-Hong Liao	- AUSG holds 9,510 shares	- 100.00
AENL	Director	Shih-Hong Liao	- AUSG holdings -	- 100.00
BVLB	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- AULB holds 85,171 shares Darwin Precisions holds 36,000 shares	- 70.29 29.71
CQCA	Director	Hank M. Liu, TY Lin, Iftah Ifhar, Gregory Galvin	- CQHLD holdings-	- 100.00
CQHLD	Director	Hank M. Liu, Andy Yang, Iftah Ifhar	- CQIL holds 635,709 shares	- 100.00
CQUS	Director	Hank M. Liu, Andy Yang, TY Lin, Iftah Ifhar, Stuart Armstrong	- CQHLD holds 11 shares	- 100.00
CQIL	Director	Hank M. Liu, Andy Yang, Iftah Ifhar	- The Company holds 39,974 shares	- 100.00
CQUK	Director	Hank M. Liu, Andy Yang, Iftah Ifhar	- CQHOLD holdings-	- 100.00
DPHK	Director	DarwinPrecisions (L) Corp. FC Hsiang	DPLB holds 10 shares -	100.00 -
DPLB	Director	FC Hsiang , Kuo-Hsin (Michael) Tsai	- Darwin Precisions holds 92,267 shares	- 100.00
DPSK	Director	FC Hsiang	- DPLB's investment EUR 4,000	- 100.00
FFMI	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- Darwin Precisions' investment USD 6,526	- 100.00
FHVI	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- Darwin Precisions' investment USD 22,006	- 100.00
FTMI	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- FHVI's investment USD 6,503	- 100.00
FWSA	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- FHVI's investment USD 19,000	- 100.00
JRUK	Director	Hank M. Liu, Andy Yang, Iftah Ifhar	- CQUS holds-	- 100.00
JRUS	Director	Hank M. Liu, Andy Yang, Iftah Ifhar	- CQUS holds 10 shares	- 100.00
M.Setek	Director Supervisor	Sheaffer Lee, Jim Lee, Saito Hiroyuki Betty Chen	- - Sanda Materials holds 11,404,184 shares	- - 99.99
PMSA	Director	FC Hsiang, Kuo-Hsin (Michael) Tsai	- FHVI's investment USD 31,993	- 100.00

Name of business	Title	Name	Shareholding: Shares (Investment Amount)	Shareholding: %
AUSZ	Director Supervisor President	Shuang-Lang (Paul) Peng, Wei-Lung Liau, Ting-Li Lin Jack Juang Robert Kuo	- - - AULB's investment USD 278,000	- - - 100.00
A-Care	Director Supervisor President	Andy Yang Jack Juang Alex JJ Yeh	- - - AUSH's investment CNY 10,000	- - - 100.00
UFSZ	Director Supervisor President	SK Huang Jack Juang Matt Chien	- - - AUSH's investment CNY 6,000	- - - 100.00
EDT	Director Supervisor President	Andy Yang Jack Juang Linda Zhao	- - - AUSH's investment CNY 5,000	- - - 100.00
MIS	Director Supervisor President	Andy Yang Jack Juang Linda Zhao	- - - AUSH's investment CNY 5,000	- - - 100.00
DPSZ	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - DPHK's investment USD 25,000	- - - 100.00
AUSJ	Director Supervisor President	Shuang-Lang (Paul) Peng, Wei-Lung Liau, Ting-Li Lin Jack Juang Robert Kuo	- - - AULB's investment USD 108,000	- - - 100.00
AUSH	Director Supervisor President	Shuang-Lang (Paul) Peng Jack Juang Robert Kuo	- - - AULB's investment USD 3,000	- - - 100.00
AUKS	Director Supervisor President	Shuang-Lang (Paul) Peng, TY Lin, York-Son Chu, Bo Song, Wei-Gang Miao Jack Juang York-Son Chu	- - - AULB's investment USD 490,110 Jiangsu Kunshan Development Zone Construction Group's investment USD 470,890	- - - - 51.00 49.00
FTKS	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - PMSA's investment USD 36,000	- - - 100.00
BVHF	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - BVLB's investment USD 73,450	- - - 100.00
FTWJ	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - FTMI's investment USD 35,000	- - - 100.00
FHWJ	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - FFMI's investment USD 6,500	- - - 100.00
FPWJ	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, HT Lai Cathay Ching HT Lai	- - - FTMI's investment USD 10,000 FWSA's investment USD 19,000	- - - 34.48 65.52
UFSD	Director Supervisor President	SK Huang Jack Juang Joe Chou	- - - UFSZ's investment CNY2,000	- - - 100.00
AUXM	Director Supervisor President	Shuang-Lang (Paul) Peng, Wei-Lung Liau, Ting-Li Lin Jack Juang David Lee	- - - AULB's investment USD 250,000	- - - 100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
BVXM	Director Supervisor President	Ting-Li Lin, Wei-Lung Liau, David Lee Jack Juang David Lee	- - - AUXM's investment CNY 600,000	- - - 100.00
DPXM	Director Supervisor President	Chung-Yen Chuang, Chun-Kun Fu, Limbo FJ Cathay Ching Limbo FJ	- - - DPHK's investment USD 70,000	- - - 100.00
Konly Venture	Director	Representative of AU Optronics Corp.: Shuang-Lang (Paul) Peng	- The Company holds 284,302 shares	- 100.00
Ronly Venture	Director	Representative of AU Optronics Corp.: Shuang-Lang (Paul) Peng	- The Company holds 154,757 shares	- 100.00
Space Money	Director	Representative of AU Optronics Corp.: Andy Yang	- The Company holds 3,000 shares	- 100.00
U-Fresh	Director	Representative of AU Optronics Corp.: HC Lee	- The Company holds 10,000 shares	- 100.00
Sanda Materials	Director	Representative of AUO Crystal: Frank CC Cheng	- AUO Crystal holds 116,836 shares	- 100.00
Darwin Precisions	Director	Representatives of AU Optronics Corp.: FC Hsiang, Shuang-Lang (Paul) Peng, Kuo-Hsin (Michael) Tsai HB Chen Independent Directors: Austin Chen, YP Chung, Vivien Huey-Juan Hsieh	- - Holding 563 shares - - The Company holds 190,108 shares	- - 0.08 - - 28.56
AUO Crystal	Director	Representative of AU Optronics Corp.: Shih-Hong Liao	- The Company holds 418,583 shares	- 100.00

Note 1:AUCZ is in the process of liquidation.

(VI) Overview of affiliates' operations:

December 31, 2019; Unit: other than earnings per share, the rest is in NT$1,000

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 1) (dollar; after income tax)
AUVI	USD	5,000	5,937	62	5,875	2,203	266	255	0.05
AUST	USD	433,867	205,036	65,730	139,306	184,271	5,819	2,120	0.00
AUCZ (Note 1)	CZK	365,000	242,234	3,347	238,886	99,079	(15,836)	(82,692)	-
AULB	USD	1,882,189	1,807,283	41,177	1,766,106	108,218	13	44,203	0.02
AUSK	EUR	1,000	28,002	7,569	20,433	5,112	558	220	-
AUUS	USD	1,000	4,526	2,463	2,063	9,969	281	161	0.16
AUJP	JPY	40,000	232,950	40,749	192,202	269,164	10,313	125	156.25
AUNL	EUR	50	6,130	5,011	1,119	22,850	441	396	7.92
AUKR	KRW	173,075	2,071,690	896,034	1,175,656	1,883,314	72,017	97,367	-
AUSG	USD	37,787	34,573	125	34,448	956	39	903	0.00
ACMK	USD	15,000	28,193	10,360	17,833	47,599	1,322	1,368	0.03
AEUS	USD	3,510	815	1	814	-	(12)	(1)	0.00
AENL	EUR	43	201	47	155	515	20	(11)	(25.58)
BVLB	USD	121,171	27,134	-	27,134	-	(3)	(4,313)	(0.04)
CQCA	USD	1,016	758	208	550	2,283	108	88	797.96
CQHLD	USD	27,189	18,491	-	18,491	5,503	4,816	4,811	0.01
CQUS	USD	14,120	6,895	3,032	3,863	7,689	(1,790)	(1,873)	(165.85)
CQIL	USD	34,659	16,402	(4)	16,406	-	(22)	(1,778)	(0.04)
CQUK	USD	2,781	605	95	510	643	126	123	61,474.99
DPHK	USD	58,786	205,804	-	205,804	-	-	(248)	(24.80)
DPLB	USD	92,267	208,351	-	208,351	-	-	(903)	(0.01)
DPSK	EUR	4,000	4,937	2,663	2,274	5,843	(698)	(586)	-
FFMI	USD	6,526	1,437	-	1,437	-	-	200	0.31
FHVI	USD	22,006	134,946	-	134,946	-	-	3,105	0.14
FTMI	USD	6,503	75,756	-	75,756	-	-	(2,786)	(0.43)
FWSA	USD	19,000	14,364	-	14,364	-	-	146	0.01
JRUK	GBP	-	-	-	-	-	-	-	-
JRUS	USD	-	-	-	-	-	-	-	-
M.Setek	JPY	18,000	8,608,315	1,576,836	7,031,479	10,447,680	316,980	665,134	0.06
PMSA	USD	31,993	44,825	-	44,825	-	-	1,832	0.06
AUSZ	CNY	2,208,359	6,093,157	2,683,069	3,410,088	8,276,555	462,000	497,364	-
A-Care	CNY	10,000	6,197	2,032	4,165	4,187	(4,254)	(4,197)	-
UFSZ	CNY	6,000	6,672	2,383	4,288	7,512	(1,172)	(1,778)	-
EDT	CNY	5,000	5,131	1,224	3,907	1,999	(1,157)	(1,092)	-
MIS	CNY	5,000	6,272	4,265	2,006	5,325	(3,042)	(2,912)	-
DPSZ	CNY	184,322	473,323	61,006	412,316	177,075	(10,820)	330	-
AUSJ	CNY	866,978	881,819	5,043	876,777	9	(16,526)	18,122	-
AUSH	CNY	21,787	103,856	7,219	96,637	32,876	1,657	(8,369)	-
AUKS	CNY	5,948,236	11,558,212	9,292,798	2,265,414	2,771,208	(1,033,607)	(1,036,234)	-
FTKS	CNY	281,567	312,882	(130)	313,012	-	1,596	12,666	-
BVHF	CNY	472,327	292,590	103,555	189,035	381,235	(29,847)	(29,804)	-
FTWJ	CNY	279,158	1,041,297	561,372	479,926	853,255	(19,427)	(19,795)	-
FHWJ	CNY	53,779	25,382	15,346	10,035	-	(4,047)	1,386	-
FPWJ	CNY	223,933	149,537	166	149,371	-	(7,904)	1,538	-
UFSD	CNY	2,000	1,449	104	1,344	-	(658)	(656)	-
AUXM	CNY	1,804,476	5,303,762	2,198,959	3,104,803	6,494,665	163,804	174,624	-
BVXM	CNY	600,000	484,611	189,630	294,981	787,073	(1,861)	8,191	-
DPXM	CNY	505,962	1,348,601	323,792	1,024,809	1,202,761	(20,347)	(2,045)	-
Konly Venture	TWD	2,843,018	5,209,097	160	5,208,937	-	(4,220)	171,825	0.60
Ronly Venture	TWD	1,547,568	2,049,980	120	2,049,860	-	(153)	9,126	0.06
Space Money	TWD	30,000	31,671	13,425	18,247	18,197	(11,097)	(11,025)	(3.68)
U-Fresh	TWD	100,000	174,669	85,763	88,906	219,386	(11,111)	(11,183)	(1.12)
Sanda Materials	TWD	1,168,361	1,983,132	811	1,982,321	-	(893)	171,314	1.47
Darwin Precisions	TWD	6,655,551	21,551,256	10,500,304	11,050,952	15,372,936	(204,196)	(190,141)	(0.29)
AUO Crystal	TWD	4,186,206	6,462,954	3,657,513	2,805,441	4,804,614	(632,386)	(2,648,071)	(6.33)

Note 1: AUCZ is in the process of liquidation.

Note 2: Calculated based on the number of shares outstanding for each company on December 31, 2019.

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, 2019 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 5, 2020

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	2019 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 June 14, 2019. Amount: It has been approved by the Annual Shareholders' Meeting held on June 14, 2019, to authorize the Board of Directors depending on the principles approved by Annual General Shareholders' Meeting, within the limit of 950,000,000 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	1. 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. 2. 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. 3. 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.
The method to determine specific investor(s)	The investors to subscribe to the Private Placement Shares and/or Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so 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 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 place 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 14, 2019, 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.

Appendix 1

Stock Code：2409

AU OPTRONICS CORP.
AND SUBSIDIARIES

Consolidated Financial Statements and
Independent Auditors' Report

For the Years Ended
December 31, 2019 and 2018

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 version and Chinese version, the Chinese-language independent auditors' report and consolidated financial statements 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, 2019 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 declare

Company Name: AU Optronics Corp.

Chairman: Shuang-Lang (Paul) Peng

Date: February 5, 2020

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, 2019 and 2018, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

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

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.

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

Refer to Note 4(16) "Impairment – non-financial assets", Note 5(2) and Note 5(3) "Critical accounting judgments and key sources of estimation and assumption uncertainty", Note 6(9) "Property, plant and equipment", Note 6(10) "Lease arrangements", and Note 6(12) "Intangible assets" to the consolidated financial statements.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Revenue recognition

Refer to Note 4(19) "Revenue from contracts with customers" and Note 6(21) "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, 2019 and 2018, on which we have issued an unmodified audit opinion with the paragraph on emphasis of matter and unmodified audit opinion, 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.

Auditor's 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 25, 2020

<u>Notice to Readers</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the 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.

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

		December 31,			
		2019		2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 80,449,772	20	69,163,296	17
1110	Financial assets at fair value through profit or loss－current (Note 6(2))	1,521,406	-	1,709,531	-
1170	Notes and accounts receivable, net (Note 6(4))	30,308,675	8	44,647,981	11
1180	Accounts receivable from related parties, net (Notes 6(4)&7)	1,778,499	-	2,754,253	1
1210	Other receivables from related parties (Note 7)	3,956	-	12,945	-
1220	Current tax assets	79,886	-	69,156	-
130X	Inventories (Note 6(5))	23,460,072	6	26,309,104	6
1476	Other current financial assets (Notes 6(4)&8)	2,302,383	1	1,459,763	-
1479	Other current assets (Note 6(13))	3,295,562	1	2,941,598	1
		143,200,211	36	149,067,627	36
	Noncurrent assets:				
1517	Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3))	7,545,171	2	6,979,925	2
1550	Investments in equity-accounted investees (Note 6(6))	5,999,479	2	6,285,865	2
1600	Property, plant and equipment (Notes 6(9),7&8)	206,734,543	52	221,586,475	54
1755	Right-of-use assets (Note 6(10))	12,207,768	3	-	-
1760	Investment property (Note 6(11))	1,555,130	-	730,306	-
1780	Intangible assets (Notes 6(7)&(12))	12,808,326	3	13,377,263	3
1840	Deferred tax assets (Note 6(27))	5,181,617	1	6,632,668	2
1900	Other noncurrent assets (Notes 6(13)&8)	2,405,346	1	5,171,646	1
		254,437,380	64	260,764,148	64
	Total Assets	**$ 397,637,591**	**100**	**409,831,775**	**100**

		December 31,			
		2019		2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(14))	$ 1,725,602	-	546,472	-
2120	Financial liabilities at fair value through profit or loss－current (Note 6(2))	18,859	-	22,115	-
2170	Accounts payable	44,307,437	11	50,459,587	12
2180	Accounts payable to related parties (Note 7)	6,950,828	2	8,161,186	2
2213	Equipment and construction payable (Note 7)	6,316,902	2	11,231,333	3
2220	Other payables to related parties (Note 7)	40,584	-	27,998	-
2230	Current tax liabilities	1,523,879	-	3,094,253	1
2250	Provisions－current (Note 6(16))	708,268	-	1,507,564	-
2280	Lease liabilities－current (Note 6(10))	682,367	-	-	-
2399	Other current liabilities	18,718,165	5	24,291,532	6
2322	Current installments of long-term borrowings (Notes 6(15)&8)	9,535,198	3	29,595,931	7
		90,528,089	23	128,937,971	31
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current installments (Notes 6(15)&8)	102,433,194	26	56,709,387	14
2550	Provisions－noncurrent (Note 6(16))	1,053,290	-	1,030,485	-
2570	Deferred tax liabilities (Note 6(27))	3,264,100	1	3,845,593	1
2580	Lease liabilities－noncurrent (Note 6(10))	10,408,710	3	-	-
2600	Other noncurrent liabilities (Note 6(18))	1,973,459	-	2,029,651	1
		119,132,753	30	63,615,116	16
	Total liabilities	209,660,842	53	192,553,087	47
	Equity: (Note 6(19))				
	Equity attributable to shareholders of AU Optronics Corp.:				
3100	Common stock	96,242,451	24	96,242,451	23
3200	Capital surplus	60,544,474	15	60,622,043	15
3300	Retained earnings	22,903,722	6	46,845,991	11
3400	Other components of equity	(2,005,384)	(1)	(847,770)	-
3500	Treasury stock	(1,013,423)	-	-	-
		176,671,840	44	202,862,715	49
	Non-controlling interests:				
36XX	Non-controlling interests	11,304,909	3	14,415,973	4
	Total equity	187,976,749	47	217,278,688	53
	Total Liabilities and Equity	**$ 397,637,591**	**100**	**409,831,775**	**100**

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2019 Amount	2019 %	2018 Amount	2018 %
4110	**Revenue**	$ 270,794,105	101	309,798,066	101
4190	Less: sales return and discount	2,002,411	1	2,163,677	1
	Net revenue (Notes 6(21)&7)	268,791,694	100	307,634,389	100
5000	**Cost of sales** (Notes 6(5),(10),(17),(18),(20),(22),(23)&7)	268,335,751	100	279,494,885	91
	Gross profit	455,943	-	28,139,504	9
	Operating expenses: (Notes 6(7),(10),(17),(18),(20),(22),(23)&7)				
6100	Selling and distribution expenses	3,751,070	1	3,946,509	1
6200	General and administrative expenses	7,363,234	3	7,978,267	3
6300	Research and development expenses	9,809,587	3	9,546,863	3
	Total operating expenses	20,923,891	7	21,471,639	7
	Profit (loss) from operations	(20,467,948)	(7)	6,667,865	2
	Non-operating income and expenses:				
7010	Other income (Notes 6(24)&7)	5,320,271	2	5,412,125	2
7020	Other gains and losses (Notes 6(7),(8),(9),(25)&7)	(1,595,614)	(1)	1,488,052	-
7050	Finance costs (Notes 6(9),(10)&(26))	(3,251,370)	(1)	(2,663,605)	(1)
7060	Share of profit of equity-accounted investees (Note 6(6))	149,907	-	311,714	-
	Total non-operating income and expenses	623,194	-	4,548,286	1
7900	**Profit (loss) before income tax**	(19,844,754)	(7)	11,216,151	3
7950	**Less: income tax expense** (Note 6(27))	1,754,662	1	3,256,256	1
8200	**Profit (loss) for the year**	(21,599,416)	(8)	7,959,895	2
8300	**Other comprehensive income:** (Notes 6(6),(18),(19)&(27))				
8310	**Items that will never be reclassified to profit or loss**				
8311	Remeasurement of defined benefit obligations	188,110	-	(56,956)	-
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income	519,100	-	(756,287)	-
8320	Equity-accounted investees – share of other comprehensive income	3,288	-	4,239	-
8349	Related tax	(37,622)	-	38,908	-
		672,876	-	(770,096)	-
8360	**Items that are or may be reclassified subsequently to profit or loss**				
8361	Foreign operations – foreign currency translation differences	(2,505,864)	(1)	(785,772)	-
8370	Equity-accounted investees – share of other comprehensive income (loss)	(38,512)	-	(19,716)	-
8399	Related tax	459,729	-	191,809	-
		(2,084,647)	(1)	(613,679)	-
8300	**Other comprehensive income (loss), net of tax**	(1,411,771)	(1)	(1,383,775)	-
8500	**Total comprehensive income (loss) for the year**	**$ (23,011,187)**	**(9)**	**6,576,120**	**2**
	Profit (loss) attributable to:				
8610	Shareholders of AU Optronics Corp.	$ (19,185,258)	(7)	10,160,598	3
8620	Non-controlling interests	(2,414,158)	(1)	(2,200,703)	(1)
		$ (21,599,416)	**(8)**	**7,959,895**	**2**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of AU Optronics Corp.	$ (20,192,454)	(8)	9,085,260	3
8720	Non-controlling interests	(2,818,733)	(1)	(2,509,140)	(1)
		$ (23,011,187)	**(9)**	**6,576,120**	**2**
	Earnings (loss) per share (NT$, Note 6(28))				
9750	Basic earnings (loss) per share	**$ (2.00)**		**1.06**	
9850	Diluted earnings (loss) per share	**$ (2.00)**		**1.04**	

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	Equity Attributable to Shareholders of AU Optronics Corp.													
	Capital Stock		Retained Earnings				Other Components of Equity							
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal	Cumulative Translation Differences	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Subtotal	Treasury Shares	Equity Attributable to Shareholders of AU Optronics Corp.	Non-controlling Interests	Total Equity
Balance at January 1, 2018	$ 96,242,451	60,540,326	3,439,686	-	47,675,843	51,115,529	(1,120,969)	-	1,377,031	256,062	-	208,154,368	17,090,747	225,245,115
Adjustments on initial application of new standards	-	-	-	-	73,020	73,020	-	1,303,816	(1,377,031)	(73,215)	-	(195)	-	(195)
Adjusted balance at January 1, 2018	96,242,451	60,540,326	3,439,686	-	47,748,863	51,188,549	(1,120,969)	1,303,816	-	182,847	-	208,154,173	17,090,747	225,244,920
Appropriation of earnings														
Legal reserve	-	-	3,235,942	-	(3,235,942)	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(14,436,368)	(14,436,368)	-	-	-	-	-	(14,436,368)	-	(14,436,368)
Profit (loss) for the year	-	-	-	-	10,160,598	10,160,598	-	-	-	-	-	10,160,598	(2,200,703)	7,959,895
Other comprehensive income (loss), net of tax	-	-	-	-	(16,862)	(16,862)	(306,716)	(751,760)	-	(1,058,476)	-	(1,075,338)	(308,437)	(1,383,775)
Total comprehensive income (loss) for the year	-	-	-	-	10,143,736	10,143,736	(306,716)	(751,760)	-	(1,058,476)	-	9,085,260	(2,509,140)	6,576,120
Changes in deemed contributions from shareholders	-	33,304	-	-	-	-	-	-	-	-	-	33,304	-	33,304
Adjustments for changes in investees' equity	-	28,889	-	-	158	158	-	-	-	-	-	29,047	(20,996)	8,051
Group reorganization	-	19,524	-	-	-	-	(22,225)	-	-	(22,225)	-	(2,701)	2,701	-
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(50,084)	(50,084)	-	50,084	-	50,084	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(147,339)	(147,339)
Balance at December 31, 2018	96,242,451	60,622,043	6,675,628	-	40,170,363	46,845,991	(1,449,910)	602,140	-	(847,770)	-	202,862,715	14,415,973	217,278,688
Appropriation of earnings														
Legal reserve	-	-	1,016,060	-	(1,016,060)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	847,770	(847,770)	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(4,812,122)	(4,812,122)	-	-	-	-	-	(4,812,122)	-	(4,812,122)
Loss for the 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	-	(1,157,614)	-	(1,007,196)	(404,575)	(1,411,771)
Total comprehensive income (loss) for the year	-	-	-	-	(19,034,840)	(19,034,840)	(1,680,072)	522,458	-	(1,157,614)	-	(20,192,454)	(2,818,733)	(23,011,187)
Changes in deemed contributions from shareholders	-	547	-	-	-	-	-	-	-	-	-	547	-	547
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(1,013,423)	(1,013,423)	-	(1,013,423)
Adjustments for changes in investees' equity	-	(40,085)	-	-	-	-	-	-	-	-	-	(40,085)	-	(40,085)
Changes in ownership interest in subsidiaries	-	(15,749)	-	-	(95,307)	(95,307)	-	-	-	-	-	(111,056)	111,056	-
Differences between acquisition price and carrying amount arising from acquisition of subsidiaries	-	(22,282)	-	-	-	-	-	-	-	-	-	(22,282)	22,282	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(425,669)	(425,669)
Balance at December 31, 2019	$ 96,242,451	60,544,474	7,691,688	847,770	14,364,264	22,903,722	(3,129,982)	1,124,598	-	(2,005,384)	(1,013,423)	176,671,840	11,304,909	187,976,749

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Profit (loss) before income tax	$ (19,844,754)	11,216,151
Adjustments for:		
- depreciation	35,693,033	33,686,561
- amortization	564,686	540,969
- gains on financial instruments at fair value through profit or loss	(41,065)	(406,507)
- interest expense	3,251,370	2,663,605
- interest income	(885,520)	(841,615)
- dividend income	(295,575)	(468,263)
- share of profit of equity-accounted investees	(149,907)	(311,714)
- gains on disposals of property, plant and equipment, net	(106,546)	(1,923,044)
- losses on disposals of investments and financial assets, net	13,154	-
- impairment losses on assets	2,298,646	399,363
- unrealized foreign currency exchange losses (gains)	(430,183)	545,856
- others	26,468	(132,537)
Changes in operating assets and liabilities:		
- notes and accounts receivable	13,685,703	(3,702,504)
- receivables from related parties	984,744	(826,893)
- inventories	2,794,115	(1,654,060)
- other current assets	(926,326)	3,260,786
- accounts payable	(5,014,990)	2,776,504
- payables to related parties	(1,197,773)	503,293
- net defined benefit liability	(89,422)	(82,176)
- provisions	(759,948)	636,100
- other current liabilities	(4,906,788)	(3,679,040)
Cash generated from operations	24,663,122	42,200,835
Cash received from interest income	919,840	815,890
Cash received from dividends	568,871	670,234
Cash paid for interest	(3,417,833)	(2,481,821)
Cash paid for income taxes	(2,003,361)	(1,004,444)
Net cash provided by operating activities	20,730,639	40,200,694

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through profit or loss	(3,668,175)	(2,509,528)
Disposals of financial assets at fair value through profit or loss	3,970,809	924,567
Acquisitions of financial assets at fair value through other comprehensive income	(47,182)	(3,452,722)
Disposals of financial assets at fair value through other comprehensive income	-	59,021
Acquisitions of equity-accounted investees	-	(684,756)
Proceeds from disposals of equity-accounted investees	904,050	-
Proceeds from return of capital by equity-accounted investees	-	99,200
Net cash outflow arising from acquisition of subsidiaries	-	(448,488)
Net cash inflows resulting from disposals of subsidiaries	-	51,387
Acquisitions of property, plant and equipment	(29,546,642)	(34,770,263)
Proceeds from disposals of property, plant and equipment	170,880	6,408,057
Decrease (increase) in refundable deposits	49,670	(169,666)
Increase in intangible assets	(1,711)	-
Decrease (increase) in other financial assets	55,945	(4,635)
Net cash used in investing activities	(28,112,356)	(34,497,826)
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,576,584	2,526,082
Repayments of short-term borrowings	(1,388,334)	(5,343,976)
Proceeds from long-term borrowings	79,880,000	4,271,566
Repayments of long-term borrowings	(53,378,766)	(28,736,527)
Payment of lease liabilities	(694,922)	-
Guarantee deposits refunded	(1,828)	(13,402)
Cash dividends	(4,812,122)	(14,436,368)
Repurchase of treasury shares	(1,013,423)	-
Net change of non-controlling interests and others	(425,122)	(114,035)
Net cash provided by (used in) financing activities	20,742,067	(41,846,660)
Effect of exchange rate change on cash and cash equivalents	(2,073,874)	286,472
Net increase (decrease) in cash and cash equivalents	11,286,476	(35,857,320)
Cash and cash equivalents at January 1	69,163,296	105,020,616
Cash and cash equivalents at December 31	$ 80,449,772	69,163,296

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

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

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

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

2. The Authorization of Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors of AUO on February 5, 2020.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9, *Prepayment Features with Negative Compensation*	January 1, 2019
IFRS 16, *Leases*	January 1, 2019
Amendments to IAS 19, Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23, Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	January 1, 2019

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

IFRS 16, *Leases*

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

Upon the initial application of IFRS 16, if the Company is a lessee, it is required to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with exception for leases of low-value assets and short-term leases which the Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17. Additionally, a depreciation expense charged on the right-of-use asset and an interest expense accrued on the lease liability, for which interest is computed by using effective interest method, are recognized separately on the statement of comprehensive income. On the statement of cash flows, cash payments for the principal amount of the lease liability is classified within financing activities; cash payments for interest portion is classified within operating activities. See Note 4(14) for an explanation of the Company's accounting policies on leases.

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

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

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

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

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

(Continued)

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

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

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

New, Revised or Amended Standards and Interpretations	**Effective Date Issued by IASB**
Amendments to IFRS 3, *Definition of a Business*	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of Material*	January 1, 2020

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

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

A summary of the new or/and amended IFRSs issued by the IASB but not yet endorsed by the FSC is set out below.

New, Revised or Amended Standards and Interpretations	**Effective Date Issued by IASB**
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Subject to IASB's announcement
IFRS 17, *Insurance Contracts*	January 1, 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*	January 1, 2022

Note: The aforementioned new, revised and amended standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

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

4. Summary of Significant Accounting Policies

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)

(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(18)).

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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2019	Percentage of Ownership (%) December 31, 2018
AUO	AU Optronics (L) Corp. (AULB)	Holding and trading company (Malaysia)	100.00	100.00
AUO	Konly Venture Corp. (Konly)	Venture capital investment (Taiwan ROC)	100.00	100.00
AUO	Ronly Venture Corp. (Ronly)	Venture capital investment (Taiwan ROC)	100.00	100.00
AUO	Space Money Inc. (SMI)	Sales and leasing of content management system and hardware (Taiwan ROC)	100.00	100.00
AUO	U-Fresh Technology Inc. (UTI)	Planning, design and development of construction for environmental protection and related project management (Taiwan ROC)	100.00	100.00
AUO	ComQi Ltd. (CQIL)	Holding company (Israel)	100.00	100.00(1)
AUO	AU Optronics Europe B.V. (AUNL)	Sales and sales support of TFT-LCD panels (Netherlands)	100.00	100.00(2)
AUO, Konly and Ronly	Darwin Precisions Corporation (DPTW)	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts (Taiwan ROC)	41.05(3)	41.05(3)
AUO and Konly	AUO Crystal Corp. (ACTW)	Manufacturing and sales of ingots and solar wafers (Taiwan ROC)	100.00(4)	96.02(4)
ACTW	Sanda Materials Corporation (SDMC)	Holding company (Taiwan ROC)	100.00	100.00(5)
ACTW	AUO Crystal (Malaysia) Sdn. Bhd. (ACMK)	Manufacturing and sales of solar wafers (Malaysia)	100.00	100.00
SDMC	M.Setek Co., Ltd. (M.Setek)	Manufacturing and sales of ingots (Japan)	99.9991	99.9991
AULB	AU Optronics Corporation America (AUUS)	Sales and sales support of TFT-LCD panels (United States)	100.00	100.00
AULB	AU Optronics Corporation Japan (AUJP)	Sales support of TFT-LCD panels (Japan)	100.00	100.00
AULB	AU Optronics Korea Ltd. (AUKR)	Sales support of TFT-LCD panels (South Korea)	100.00	100.00
AULB	AU Optronics Singapore Pte. Ltd. (AUSG)	Holding company and sales support of TFT-LCD panels (Singapore)	100.00	100.00
AULB	AU Optronics (Czech) s.r.o. (AUCZ)(6)	Assembly of solar modules (Czech Republic)	100.00	100.00
AULB	AU Optronics (Shanghai) Co., Ltd. (AUSH)	Sales support of TFT-LCD panels (PRC)	100.00	100.00
AULB	AU Optronics (Xiamen) Corp. (AUXM)	Manufacturing, assembly and sales of TFT-LCD modules (PRC)	100.00	100.00
AULB	AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	Manufacturing, assembly and sales of TFT-LCD modules (PRC)	100.00	100.00
AULB	AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	Manufacturing and assembly of TFT-LCD modules; leasing (PRC)	100.00	100.00
AULB	AU Optronics (Slovakia) s.r.o. (AUSK)	Repairing of TFT-LCD modules (Slovakia Republic)	100.00	100.00
AULB	AFPD Pte., Ltd. (AUST)	Manufacturing TFT-LCD panels based on low temperature polysilicon technology (Singapore)	100.00	100.00
AULB	AU Optronics (Kunshan) Co., Ltd. (AUKS)	Manufacturing and sales of TFT-LCD panels (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 Energy (Tianjin) Corp. (AETJ)(6)	Manufacturing and sales of solar modules (PRC)	-	100.00
AUSG	AUO Green Energy America Corp. (AEUS)	Sales support of solar-related products (United States)	100.00	100.00
AUSG	AUO Green Energy Europe B.V. (AENL)	Sales support of solar-related products (Netherlands)	100.00	100.00
AUXM	BriView (Xiamen) Corp. (BVXM)	Manufacturing and sales of liquid crystal products and related parts (PRC)	100.00	100.00
AUSH	AUO Care Information Tech. (Suzhou) Co., Ltd. (A-Care)	Design, development and sales of software and hardware for health care industry (PRC)	100.00	100.00
AUSH	U-Fresh Technology (Suzhou) Co., Ltd. (UFSZ)	Planning, design and development of construction project for environmental protection and related project management (PRC)	100.00	100.00(7)
AUSH	Edgetech Data Technologies (Suzhou) Corp., Ltd. (EDT)	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing (PRC)	100.00	100.00(7)
AUSH	Mega Insight Smart Manufacturing (Suzhou) Corp., Ltd. (MIS)	Development and licensing of software relating to intelligent manufacturing, and related consulting services (PRC)	100.00	100.00(7)

(Continued)

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2019	Percentage of Ownership (%) December 31, 2018
UFSZ	U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSD)	Planning, design and development of construction project for environmental protection and related project management (PRC)	100.00(7)	-
CQIL	ComQi Holdings Ltd. (CQHLD)	Holding company (United Kingdom)	100.00	100.00(1)
CQHLD	ComQi UK Ltd. (CQUK)	Sales support of content management system (United Kingdom)	100.00	100.00(1)
CQHLD	ComQi Inc. (CQUS)	Sales of content management system and hardware (United States)	100.00	100.00(1)
CQHLD	ComQi Canada Inc. (CQCA)	Research and development of content management system (Canada)	100.00	100.00(1)
CQUS	JohnRyan Limited (JRUK)	Development and sales of content management system and sales of related hardware (United Kingdom)	100.00(7)	-
CQUS	JohnRyan Inc. (JRUS)	Development and sales of content management system and sales of related hardware (United States)	100.00(7)	-
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	Force International Holding Ltd. (FRVI)(6)	Holding company (BVI)	-	100.00
DPTW and FRVI	Forefront Corporation (FFMI)	Holding company (Mauritius)	100.00(6)	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 of motorized treadmills (PRC)	100.00	100.00
FTMI	Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	Manufacturing and sales of backlight modules and related parts (PRC)	100.00	100.00
FWSA and FTMI	Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Manufacturing and sales of precision plastic parts (PRC)	100.00	100.00
PMSA	Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	Manufacturing and sales of backlight modules and related parts (PRC)	100.00	100.00
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 of automotive parts (Slovakia Republic)	100.00	100.00
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ)	Manufacturing and sales of backlight modules and related parts (PRC)	100.00	100.00
DPHK	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales of backlight modules and related parts (PRC)	100.00	100.00
BVLB	BriView (Hefei) Co., Ltd. (BVHF)	Manufacturing and sales of liquid crystal products and related parts (PRC)	100.00	100.00

Note 1: In March 2018, the Company acquired 100% of the shareholdings of CQIL and its subsidiaries (hereinafter referred to as “ComQi”) and therefore, obtained control over ComQi. Refer to Note 6(7) for further details.

Note 2: As part of a business restructuring, AULB disposed all of its shareholdings in AUNL to AUO in December 2018. This was treated as an equity transaction as there was no change in control of AUNL by the Company.

Note 3: 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 4: As part of a business restructuring, Konly and Ronly successively disposed its shareholdings in ACTW to AUO in December 2018 and February 2019. This was treated as an equity transaction as there was no change in control of ACTW by the Company.

Note 5: As part of a business restructuring, AUO, Konly and Ronly disposed all of their shareholdings in SDMC to ACTW during the second quarter of 2018. This was treated as an equity transaction as there was no change in control of SDMC by the Company.

Note 6: As of December 31, 2019, AETJ and FRVI were liquidated and AUCZ is still in the process of liquidation. After the liquidation of FRVI, its ownership in FFMI was transferred to DPTW.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Foreign currency transactions and operations

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

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

b. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using 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 (attributed to shareholders of AUO and non-controlling interests as appropriate).

(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.

(Continued)

(6) Cash and cash equivalents

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

(7) Financial instruments

a. Financial assets

(i) Classification of financial assets

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

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

(Continued)

(b) Other financial liabilities

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

(ii) De-recognition of financial liabilities

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

c. Offsetting of financial assets and liabilities

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

(8) Inventories

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

(9) Noncurrent assets held for sale

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

When intangible assets and property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated. In addition, once an equity-accounted investee is classified as held for sale, it is no longer equity accounted.

(10) 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 cost of the investment includes transaction costs. The consolidated

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

(11) 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.

(12) 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 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

(13) Long-term prepaid rent (policy applicable before January 1, 2019)
Long-term prepaid rent is for the right to use of land (classified as other noncurrent assets), which is amortized over the shorter of economic useful life or the covenant period on a straight-line basis.

(14) Leases
Leases (policy applicable from January 1, 2019)
a. Identifying a lease
A contract is, or contains, a lease when all the following conditions are satisfied:
(i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
(ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
(iii) the Company has the right to direct the use of the identified asset throughout the period of use.

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

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

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

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

(Continued)

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.

Leases (policy applicable before January 1, 2019)

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 leased asset, and recognized as an expense on a straight-line basis over the lease term.

b. Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(15) 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.

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

(Continued)

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.

(16) 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.

(17) 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.

(Continued)

a. Warranties

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

b. Decommissioning obligation

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

c. Onerous contracts

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

d. Loss contingencies

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.

(18) 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.

(19) 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(17) for further details.

b. Construction contracts

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

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

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

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

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

The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(17) for further details.

(Continued)

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.

(20) 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.

(21) 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.

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.

(22) 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

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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.

(23) 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.

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.

(24) 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.

(Continued)

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.

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.

(25) 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.

(26) 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.

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:

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(1) Estimate of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within the warranty period, the historical and anticipated warranty claims rate associated with similar products and services, and the projected unit cost of maintenance. The Company regularly reviews the basis of the estimate and if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any changes of the basis of the estimate.

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company's resources and the amount can be reasonably estimated. While the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability.

(2) 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.

(3) 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.

(4) Measurement of defined benefit obligations

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Cost Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, long-term average future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(5) 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.

(6) Estimate of variable consideration of revenue

The Company estimates the amount of variable consideration by using methods either the expected value or the most likely amount based on historical experience, market and economic situation and any known factors that would significantly affect the estimates. The amount of variable consideration is recognized as a reduction of revenue in the same period the related revenue is recognized. The Company periodically reviews the reasonableness of the estimated variable consideration. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration.

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(7) 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

	December 31, 2019	December 31, 2018
	(in thousands)	
Cash on hand, demand deposits and checking accounts	$ 46,290,722	30,134,051
Time deposits	34,124,011	38,939,198
Government bonds with reverse repurchase agreements	35,039	90,047
	$ 80,449,772	69,163,296

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

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

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

	December 31, 2019	December 31, 2018
	(in thousands)	
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	$ 42,815	70,074
Structured deposits	1,478,591	1,639,457
	$ 1,521,406	1,709,531
Financial liabilities held for trading:		
Foreign currency forward contracts	$ 18,859	22,115

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(31) for the disclosure of the Company's credit and currency risks related to financial instruments. As of December 31, 2019 and 2018, the Company's outstanding foreign currency forward contracts were as follows:

December 31, 2019

Contract item	Maturity date	Contract amount
		(in thousands)
Sell USD / Buy NTD	Jan. 2020	USD176,600 / NTD5,319,611
Sell USD / Buy JPY	Jan. 2020 – Apr. 2020	USD47,292 / JPY5,150,510
Sell USD / Buy CNY	Jan. 2020 – Jun. 2020	USD61,500 / CNY432,823
Sell USD / Buy SGD	Jan. 2020 – Feb. 2020	USD39,276 / SGD53,372
Sell USD / Buy MYR	Jan. 2020 – Mar. 2020	USD703 / MYR2,905
Sell CNY / Buy USD	Feb. 2020 – Mar. 2020	CNY1,935,305 / USD276,672
Sell EUR / Buy JPY	Jan. 2020 – Feb. 2020	EUR23,000 / JPY2,788,285
Sell HKD / Buy USD	Jan. 2020	HKD60,177 / USD7,721

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December 31, 2018		
Contract item	Maturity date	Contract amount
		(in thousands)
Sell USD / Buy NTD	Jan. 2019	USD223,000 / NTD6,858,785
Sell USD / Buy JPY	Jan. 2019 – Apr. 2019	USD147,470 / JPY16,493,633
Sell NTD / Buy JPY	Jan. 2019 – Mar. 2019	NTD2,054,260 / JPY7,400,000
Sell USD / Buy CNY	Jan. 2019 – Jun. 2019	USD87,000 / CNY597,420
Sell EUR / Buy JPY	Jan. 2019	EUR12,000 / JPY1,536,180
Sell EUR / Buy USD	Jan. 2019	EUR28,500 / USD32,441
Sell EUR / Buy CZK	Jan. 2019 – Mar. 2019	EUR3,240 / CZK84,081
Sell USD / Buy MYR	Jan. 2019 – Mar. 2019	USD879 / MYR3,670
Sell CNY / Buy JPY	Jan. 2019 – Feb. 2019	CNY60,800 / JPY981,383
Sell USD / Buy SGD	Jan. 2019	USD5,793 / SGD7,940
Sell CNY / Buy USD	Jan. 2019 – Feb. 2019	CNY853,328 / USD124,000

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

	December 31, 2019	December 31, 2018
	(in thousands)	
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	$ 7,356,501	6,803,900
Equity securities – non-listed stocks	188,670	176,025
	$ 7,545,171	6,979,925

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.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by $754,517 thousand and $697,993 thousand for the years ended December 31, 2019 and 2018, respectively.

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

	December 31, 2019	December 31, 2018
	(in thousands)	
Notes and accounts receivable	$ 32,104,912	47,453,087
Less: loss allowance	(17,738)	(50,853)
	$ 32,087,174	47,402,234
Notes and accounts receivable, net	$ 30,308,675	44,647,981
Accounts receivable from related parties, net	$ 1,778,499	2,754,253

(Continued)

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

	December 31, 2019		
	Carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance for lifetime expected credit losses**
	(in thousands)		(in thousands)
Not past due	$ 31,061,173	0.00%	1
Past due less than 60 days	1,010,918	0.00%	4
Past due 61~180 days	15,233	0.95%	145
	$ 32,087,324		**150**

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

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 $17,588 thousand and $49,741 thousand as of December 31, 2019 and 2018, respectively.

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

	For the years ended December 31,	
	2019	**2018**
	(in thousands)	
Balance at beginning of the year	$ 50,853	93,053
Provisions (reversals) charged to (against) expense	(14,543)	(24,302)
Write-offs	(18,404)	(17,985)
Effect of changes in foreign currency exchange rates	(168)	87
Balance at end of the year	**$ 17,738**	**50,853**

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(31).

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As at December 31, 2018, 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**		**Amount sold and derecognized**		**Amount advanced**		**Principal terms**
	(in thousands)		(in thousands)		(in thousands)		
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, 2019	December 31, 2018
	(in thousands)	
Finished goods	$ 9,005,001	9,406,248
Work-in-progress	9,537,700	11,133,846
Raw materials	4,917,371	5,769,010
	$ 23,460,072	26,309,104

For the years ended December 31, 2019 and 2018, the amounts recognized as cost of sales in relation to inventories were $268,335,751 thousand and $279,494,885 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to $33,451 thousand and $1,402,367 thousand for the years ended December 31, 2019 and 2018, respectively.

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

(Continued)

(6) Investments in Equity-accounted Investees

	December 31, 2019	December 31, 2018
	(in thousands)	
Associates	$ 5,820,759	5,973,127
Joint ventures	178,720	312,738
	$ 5,999,479	6,285,865

a. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2019 Amount	December 31, 2019 Ownership interest	December 31, 2018 Amount	December 31, 2018 Ownership interest
			(in thousands)	%	(in thousands)	%
Lextar Electronics Corp. ("Lextar")	Manufacturing and sales of Light Emitting Diode	Taiwan ROC	$ 2,909,521	27	$ 3,082,178	27
Star Shining Energy Corporation ("SSEC")	Investment	Taiwan ROC	1,015,512	33	1,002,874	33
Raydium Semiconductor Corporation ("Raydium")	IC design	Taiwan ROC	740,504	17	716,381	18
Daxin Materials Corp. ("Daxin")	Research, manufacturing, and sales of display related chemicals	Taiwan ROC	688,813	25	654,940	25
Star River Energy Corp. ("SREC")	Investment	Taiwan ROC	444,550	34	434,421	34
Others			21,859		82,333	
			$5,820,759		$5,973,127	

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

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
The Company's share of associates':		
Profit	$ 195,865	307,992
Other comprehensive loss	(35,224)	(15,477)
Total comprehensive income	$ 160,641	292,515

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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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.

		For the years ended December 31,	
		2019	**2018**
The Company's share of joint ventures':		(in thousands)	
Profit (loss)	$	(45,958)	3,722
Other comprehensive income		-	-
Total comprehensive income (loss)	$	(45,958)	3,722

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

(7) Acquisition of Subsidiaries

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

If the acquisition had taken place on January 1, 2018, management estimated that the Company's consolidated revenue and net profit for the year ended December 31, 2018 would have been $307,673,560 thousand and $7,956,563 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018. The aforementioned pro-forma information is presented for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

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

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

(Continued)

a. Consideration transferred

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

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

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

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

b. Identifiable assets acquired and liabilities assumed

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

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

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Disposal of Subsidiary

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

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

		Amounts (in thousands)
Cash and cash equivalents	$	70,516
Other current assets		48,148
Payable for equipment		(19,933)
	$	98,731

(9) Property, Plant and Equipment

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 Yaer
				(in thousands)			
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
		1,001,141,427	(2,620)	6,556,604	(14,896,737)	13,173,497	1,005,972,171
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
		785,955,661	(855)	37,119,138	(14,837,239)	(4,126,719)	804,109,986
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	$	221,586,475					206,734,543

For the year ended December 31, 2018

		Balance, Beginning of Year	Additions	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
				(in thousands)		
Cost:						
Land	$	9,008,659	-	(161,728)	12,392	8,859,323
Buildings		124,010,869	53,706	(5,271,527)	2,426,312	121,219,360
Machinery and equipment		800,164,310	2,145,769	(13,164,282)	46,787,823	835,933,620
Other equipment		29,359,148	5,077,326	(1,775,217)	2,467,867	35,129,124
		962,542,986	7,276,801	(20,372,754)	51,694,394	1,001,141,427
Accumulated depreciation and impairment loss:						
Buildings		33,825,375	3,097,807	(1,754,678)	862,822	36,031,326
Machinery and equipment		707,334,411	25,620,993	(12,828,449)	1,706,393	721,833,348
Other equipment		23,717,580	5,367,124	(1,775,840)	782,123	28,090,987
		764,877,366	34,085,924	(16,358,967)	3,351,338	785,955,661
Prepayments for purchase of land and equipment, and construction in progress		27,267,469	26,228,260	-	(47,095,020)	6,400,709
Net carrying amounts	$	224,933,089				221,586,475

(Continued)

As of December 31, 2019 and 2018, 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 order to enhance the utilization of the Company's assets and to increase its working capital, AUSK disposed its land, plant buildings and related appendages to third party in December 2018 with consideration (net of costs of disposal) amounting to $3,029,191 thousand. The gain on disposal was amounting to $1,080,720 thousand.

In 2019, the Company wrote down certain machineries and equipment with extremely low utilization resulting from the decline in the application for certain products associated with its display segment and recognized an impairment loss of $52,829 thousand.

In 2019 and 2018, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of $14,949 thousand and $399,363 thousand, respectively.

In 2019, ACTW has experienced significant fluctuations in its industry with oversupply capacity worldwide resulting in lower capacity utilization; therefore, the management performed 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 of 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.

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

The estimated recoverable amount of 2019 was calculated by pre-tax discount rate of 10.63%.

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

	For the years ended December 31,	
	2019	**2018**
	(in thousands)	
Capitalized borrowing costs	$ 141,966	421,618
Interest rates applied for capitalization	1.07%~ 5.71%	1.04%~ 5.59%

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Lease Arrangements

a. Lessees

(i) Right-of-use assets

		December 31, 2019
		(in thousands)
Carrying amount of right-of-use assets		
Land	$	11,595,815
Buildings		575,724
Other equipment		36,229
	$	12,207,768

		For the year ended December 31, 2019
		(in thousands)
Additions to right-of-use assets	$	192,655
Depreciation charge for right-of-use assets		
Land	$	566,982
Buildings		238,969
Other equipment		66,590
	$	872,541

(ii) Lease liabilities

	December 31, 2019		
	Future minimum lease payments	Interests	Present value of minimum lease payments
		(in thousands)	
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
	$ 13,342,287	2,251,210	11,091,077
Lease liabilities－current			$ 682,367
Lease liabilities－noncurrent			$ 10,408,710

(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 2019, AUO modified one of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amount of the right-of-use asset was reduced by $1,064,094 thousand. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Sublease of right-of-use assets

The Company subleased part of its right-of-use assets under operating leases. In 2019, the income from sublease was $8,199 thousand. Right-of-use assets that meet the definition of investment properties are reclassified to investment properties. Refer to Note 6(11) for further information on investment properties.

(Continued)

(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 year ended December 31, 2019
	(in thousands)
Expenses relating to short-term leases	$ 15,832
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 315

Total cash outflow for the Company's leases in which it acts as a lessee for the year ended December 31, 2019 was $920,666 thousand.

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 lessees, therefore, those leases were recognized as operating leases. Refer to Note 6(24) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases amounted to $3,007 thousand for the year ended December 31, 2019.

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

	December 31, 2019
	(in thousands)
Year 1	$ 110,905
Year 2	110,316
Year 3	110,025
Year 4	106,272
Year 5	105,721
Year 6 onwards	2,079,849
Total undiscounted operating lease receivable	$ 2,623,088

Refer to Note 6(17) for the Company's respective information as lessor and lessee as of December 31, 2018.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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(11) Investment Property

For the year ended December 31, 2019

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

For the year ended December 31, 2018

	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
		(in thousands)		
Land	$ 717,823	-	12,483	730,306
Fair Value	$ 2,213,184			2,252,170

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 has 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.

(Continued)

The significant inputs used in the fair value measurement were as follows:

	December 31, 2019	December 31, 2018
Overall capital interest rate	2.53%	1.86%
Rate of return	15.00%	10.00%
Capitalization rate	8.00%~12.00%	12.00%

As at December 31, 2019 and 2018, there was no investment property that was pledged as collateral.

(12) Intangible Assets

For the year ended December 31, 2019 (in thousands)

	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	150,436	-	-	150,436
	24,478,678	1,711	(7,140)	24,473,249
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	22,565	127,871	-	150,436
	11,101,415	564,686	(1,178)	11,664,923
Net carrying amounts	$ 13,377,263			12,808,326

For the year ended December 31, 2018 (in thousands)

	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	$ 11,456,176	-	600,324	-	12,056,500
Patent and technology fee	12,275,548	-	-	(3,806)	12,271,742
Others	-	-	150,436	-	150,436
	23,731,724	-	750,760	(3,806)	24,478,678
Accumulated amortization and impairment loss:					
Goodwill	175,581	-	-	-	175,581
Patent and technology fee	10,385,251	518,404	-	(386)	10,903,269
Others	-	22,565	-	-	22,565
	10,560,832	540,969	-	(386)	11,101,415
Net carrying amounts	$ 13,170,892				13,377,263

The Company acquired goodwill and other intangible assets arising from the business combination in March 2018. Please refer to Note 6(7) for the relevant information.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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	December 31, 2019	December 31, 2018
	(in thousands)	
Display business	$ 11,880,919	11,880,919

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, 2019 and 2018 were 12.25% and 11.57%, 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 0.5% and negative 1% for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

(13) Other Current Assets and Other Noncurrent Assets

	December 31, 2019	December 31, 2018
	(in thousands)	
Refundable and overpaid tax	$ 1,458,170	1,351,646
Refundable deposits	663,911	716,097
Prepayment for equipment	453,300	650,727
Prepayments for purchases	158,521	230,793
Long-term receivables	5,812	930,001
Long-term prepaid rents	-	1,364,111
Others	2,961,194	2,869,869
	5,700,908	8,113,244
Less: current	(3,295,562)	(2,941,598)
Noncurrent	$ 2,405,346	5,171,646

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

(14) Short-term Borrowings

	December 31, 2019	December 31, 2018
	(in thousands)	
Unsecured borrowings	$ 1,725,602	546,472
Unused credit facilities	$ 37,982,721	43,533,037
Interest rate range	**1.20%~ 4.35%**	**2.54%~ 4.35%**

(15) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2019	December 31, 2018
		(in thousands)	
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	$ 42,000,000	-
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	23,000,000	-
Bank of Taiwan and others	From May 2017 to May 2022	10,000,000	10,000,000
Bank of Taiwan and others	From Apr. 2016 to Apr. 2019	-	36,175,000
Bank of Taiwan and others	From Feb. 2015 to Feb. 2019	-	5,912,000
Bank of Taiwan and others	From Jul. 2018 to Oct. 2019	-	210,000
First Commercial Bank and others	From Feb. 2016 to Jan. 2019	-	1,775,236
Bank of China and others	From Nov. 2015 to Nov. 2023	21,500,826	27,743,519
Unsecured loans	From Apr. 2017 to Aug. 2023	8,050,310	2,976,158
Secured loans	From Apr. 2017 to Apr. 2032	7,671,932	1,990,175
		112,223,068	86,782,088
Less: transaction costs		(254,676)	(476,770)
		111,968,392	86,305,318
Less: current portion		(9,535,198)	(29,595,931)
		$ 102,433,194	**56,709,387**
Unused credit facilities		**$ 32,265,575**	**79,933,812**
Interest rate range		**1.00%~ 5.43%**	**1.07%~ 6.32%**

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, 2019.

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, 2019 and 2018, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 6(31) 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(16) Provisions

	Warranties(i)	Litigation and claims	Others	Total
		(in thousands)		
Balance at January 1, 2019	$ 1,463,869	431,228	642,952	2,538,049
Additions (Reversals)	251,512	(116,094)	(252,208)	(116,790)
Usage	(422,976)	(156,521)	(63,661)	(643,158)
Effect of change in exchange rate	(159)	(6,312)	(10,072)	(16,543)
Balance at December 31, 2019	1,292,246	152,301	317,011	1,761,558
Less: current	(486,517)	(152,301)	(69,450)	(708,268)
Noncurrent	$ 805,729	-	247,561	1,053,290
Balance at January 1, 2018	$ 1,546,960	89,520	249,483	1,885,963
Additions (Reversals)	176,092	336,061	570,898	1,083,051
Usage	(259,109)	-	(187,842)	(446,951)
Effect of change in exchange rate	(74)	5,647	10,413	15,986
Balance at December 31, 2018	1,463,869	431,228	642,952	2,538,049
Less: current	(686,424)	(431,228)	(389,912)	(1,507,564)
Noncurrent	$ 777,445	-	253,040	1,030,485

(i) The provisions for warranties for the years ended December 31, 2019 and 2018 were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

(17) Operating Leases

a. Lessees

Future minimum lease payments under non-cancellable operating leases as of December 31, 2018 were as follows:

	December 31, 2018
	(in thousands)
Less than one year	$ 927,351
Between one and five years	2,928,983
More than five years	2,085,877
	$ 5,942,211

AUO entered into various operating lease agreements for land with Hsinchu Science Park Bureau beginning from March 1, 1994 for a period of 20 years, with renewal option upon expiration. AUO had on July 2003 and November 2006, entered into various operating lease for land with Central Science Park Administration Bureau for period from July 28, 2003 till December 31, 2023 and November 9, 2006 till December 31, 2025. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

AUO had also on February 2008 and October 2018, respectively, renewed its lease agreements with Hsinchu Science Park Bureau and Southern Taiwan Science Park Bureau, respectively, for the lands in Longtan Science Park and Kaohsiung Science Park. The period covers from February 9, 2008 till December 31, 2027 and October 23, 2018 till October 22, 2038, respectively. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

(Continued)

Rental expense for operating leases amounted to $1,064,263 thousand for the year ended December 31, 2018.

b. Lessor

The Company leased its investment properties to third parties under operating lease. Refer to Note 6(11) for further information on investment properties.

Future minimum lease receivables under non-cancellable operating leases as of December 31, 2018 were as follows:

	December 31, 2018
	(in thousands)
Less than one year	$ 105,788
Between one and five years	423,150
More than five years	2,188,728
	$ 2,717,666

In addition to the above-mentioned, the Company also leased partial offices to others. See Note 6(24) for rental income. Repair and maintenance expenses incurred from aforementioned operating leases for the year ended December 31, 2018 amounted to $1,723 thousand.

(18) 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.

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

	December 31,	
	2019	2018
	(in thousands)	
Present value of defined benefit obligation	$ (3,155,988)	(3,257,962)
Fair value of plan assets	2,542,831	2,367,273
Net defined benefit liability	$ (613,157)	(890,689)

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2019	2018	2019	2018	2019	2018
			(in thousands)			
Balance at January 1,	$ (3,257,962)	(3,128,927)	2,367,273	2,213,018	(890,689)	(915,909)
Included in profit or loss						
Service cost	(4,104)	(5,289)	-	-	(4,104)	(5,289)
Interest cost	(39,337)	(49,598)	-	-	(39,337)	(49,598)
Expected return on plan assets	-	-	28,880	35,408	28,880	35,408
	(43,441)	(54,887)	28,880	35,408	(14,561)	(19,479)
Included in other comprehensive income						
Remeasurements (loss) gain:						
Actuarial (loss) gain arising from:						
- demographic assumptions	89,851	(15,795)	-	-	89,851	(15,795)
- financial assumptions	(206,995)	(178,212)	-	-	(206,995)	(178,212)
- experience adjustment	228,466	84,437	-	-	228,466	84,437
Return on plan assets excluding interest income	-	-	76,788	52,614	76,788	52,614
	111,322	(109,570)	76,788	52,614	188,110	(56,956)
Other						
Contributions paid by the employer	-	-	101,019	102,831	101,019	102,831
Benefits paid	33,936	36,915	(31,129)	(36,598)	2,807	317
Effect of changes in exchange rates and others	157	(1,493)	-	-	157	(1,493)
	34,093	35,422	69,890	66,233	103,983	101,655
Balance at December 31,	**$ (3,155,988)**	**(3,257,962)**	**2,542,831**	**2,367,273**	**(613,157)**	**(890,689)**

(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, 2019, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to $2,542,854 thousand. 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.

(Continued)

(iv) Defined benefit obligation

(a) Principal actuarial assumptions

	December 31, 2019	December 31, 2018
Discount rate	0.18%~0.88%	0.21%~1.22%
Rate of increase in future salary	0.77%~4.49%	0.77%~4.49%

The Company anticipates contributing $100,799 thousand to the defined benefit plans in the next year starting from January 1, 2020.

As at December 31, 2019, the weighted-average duration of the defined benefit obligation was between 5 years to 20 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2019 and 2018 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2019		December 31, 2018	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	(in thousands)		(in thousands)	
Discount rate	$ (150,970)	159,425	(160,307)	169,544
Rate of increase in future salary	$ 156,774	(148,385)	166,250	(158,100)

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, 2019 and 2018, these companies set aside, $977,908 thousand and $1,024,700 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the Labor Insurance. Except for the aforementioned companies, other foreign subsidiaries recognized pension expenses of $784,169 thousand and $923,378 thousand for the years ended December 31, 2019 and 2018, respectively, for the defined contribution plans based on their respective local government regulations.

(19) Capital and Other Components of Equity

a. Common stock

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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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, 2019, AUO has issued 50,123 thousand ADSs, which represented 501,229 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31,	
	2019	**2018**
	(in thousands)	
From common stock	$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,738,521	1,816,090
	$ 60,544,474	**60,622,043**

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

c. Legal reserve

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

d. Distribution of earnings

In accordance with AUO's Articles of Incorporation, 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.

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

(Continued)

as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

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

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

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

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

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

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

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

e. Treasury shares

According to the resolution approved by the board of directors' meeting held on September 9, 2019, AUO expects to repurchase 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:

For the year ended December 31, 2019				
Reason for reacquisition	**Number of shares, Beginning of Year**	**Additions**	**Reductions**	**Number of shares, End of Year**
	(in thousands of shares)			
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 AUO shall not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

f. Other components of equity

		Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
			(in thousands)	
Balance at January 1, 2019	$	(1,449,910)	602,140	(847,770)
Foreign operations – foreign currency translation differences		(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	**$**	**(3,129,982)**	**1,124,598**	**(2,005,384)**

		Cumulative translation differences	Unrealized gains (losses)on financial assets at FVTOCI	Unrealized gains (losses) on available-for-sale financial assets	Total
			(in thousands)		
Balance at January 1, 2018	$	(1,120,969)	-	1,377,031	256,062
Adjustments on initial application of new standards		-	1,303,816	(1,377,031)	(73,215)
Foreign operations – foreign currency translation differences		(336,902)	-	-	(336,902)
Net change in fair value of financial assets at FVTOCI		-	(754,813)	-	(754,813)
Equity-accounted investees – share of other comprehensive income		(19,716)	3,053	-	(16,663)
Realized gain on sales of securities reclassified to profit or loss		(107,457)	-	-	(107,457)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal		-	50,084	-	50,084
Group reorganization		(22,225)	-	-	(22,225)
Related tax		157,359	-	-	157,359
Balance at December 31, 2018	**$**	**(1,449,910)**	**602,140**	**-**	**(847,770)**

g. Non-controlling interests, net of tax

		For the years ended December 31, 2019	2018
		(in thousands)	
Balance at the beginning of the year	$	14,415,973	17,090,747
Equity attributable to non-controlling interests:			
Loss for the year		(2,414,158)	(2,200,703)
Adjustment of changes in ownership of investees		111,056	(20,996)
Foreign currency translation differences		(404,575)	(306,963)
Unrealized losses on financial assets at FVTOCI		-	(1,474)
Effect of acquisition of non-controlling interests		(389,430)	-
Proceeds from subsidiaries capital increase and others		(13,957)	(144,638)
Balance at the end of the year	**$**	**11,304,909**	**14,415,973**

(Continued)

(20) Share-based Payments

The Company's employee stock option plans were as follows:

ACTW Option Plan

a. The key terms and conditions related to the grants under ACTW's outstanding employee stock option plan were disclosed as follows:

	Grant date	Total number of options issued (units in thousands)	Contractual life of options	Exercisable period	Exercise price (per share)
2014 Employee stock option plan	Sep. 1, 2014	20	Sep.1, 2014 – Aug. 31, 2019	After Aug. 31, 2016	$10

b. The related employee benefit expenses and capital surplus recognized on ACTW's employee stock options were nil and $167 thousand for the years ended December 31, 2019 and 2018, respectively.

c. The fair value of the employee stock options granted by ACTW was measured at the dates of grant using the Binomial option pricing model. The valuation information was as follows:

	2014 Employee Stock Option Plan
Expected volatility	38.88%
Risk-free interest rate	1.1648%
Expected duration	5 years
Fair value at the grant date	NT$0.20/per share

d. Information about ACTW's outstanding stock options is as follows:

	For the years ended December 31,			
	2019		2018	
	Weighted-average exercise price (per share)	Number of options (shares)	Weighted-average exercise price (per share)	Number of options (shares)
Outstanding at January 1	$ 10	13,291,000	$ 10	16,601,000
Options exercised	10	(11,995,000)	10	(2,260,000)
Options expired	-	(1,296,000)	-	(1,050,000)
Outstanding at December 31	-	-	10	13,291,000
Exercisable at December 31		-		13,291,000

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(21) Revenue from Contracts with Customers

	For the year ended December 31, 2019		
	Display segment	Energy segment	Total segments
		(in thousands)	
Primary geographical markets:			
PRC (including Hong Kong)	$ 97,084,436	1,277,799	98,362,235
Taiwan	78,394,325	4,835,269	83,229,594
Singapore	38,526,625	7,666	38,534,291
Japan	19,877,671	1,046,332	20,924,003
Others	22,784,165	4,957,406	27,741,571
	$ 256,667,222	**12,124,472**	**268,791,694**

	For the year ended December 31, 2019		
	Display segment	Energy segment	Total segments
		(in thousands)	
Major products:			
Products for Televisions	$ 87,269,763	-	87,269,763
Products for Mobile PCs and Devices	69,305,510	-	69,305,510
Products for Monitors	39,522,268	-	39,522,268
Products for Commercial and Others(i)	60,569,681	-	60,569,681
Solar Products	-	12,124,472	12,124,472
	$ 256,667,222	**12,124,472**	**268,791,694**
Major customers:			
Customer A	$ 33,142,985	-	33,142,985
Others (individually not greater than 10%)	223,524,237	12,124,472	235,648,709
	$ 256,667,222	**12,124,472**	**268,791,694**

	For the year ended December 31, 2018		
	Display segment	Energy segment	Total segments
		(in thousands)	
Primary geographical markets:			
PRC (including Hong Kong)	$ 112,542,529	1,089,508	113,632,037
Taiwan	93,126,115	6,231,767	99,357,882
Singapore	39,363,415	7,515	39,370,930
Japan	19,748,373	1,418,491	21,166,864
Others	26,004,322	8,102,354	34,106,676
	$ 290,784,754	**16,849,635**	**307,634,389**
Major products:			
Products for Televisions	$ 113,194,567	-	113,194,567
Products for Mobile PCs and Devices	74,375,305	-	74,375,305
Products for Monitors	47,024,353	-	47,024,353
Products for Commercial and Others(i)	56,190,529	-	56,190,529
Solar Products	-	16,849,635	16,849,635
	$ 290,784,754	**16,849,635**	**307,634,389**
Major customers:			
Customer A	$ 35,358,013	-	35,358,013
Others (individually not greater than 10%)	255,426,741	16,849,635	272,276,376
	$ 290,784,754	**16,849,635**	**307,634,389**

(Continued)

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

(22) Remuneration to Employees and Directors

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

AUO did not accrue remuneration to employees and directors 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, 2018, AUO estimated the remuneration to employees amounting to $1,215,696 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.

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

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

(23) The Nature of Expenses

	For the years ended December 31,					
	2019			2018		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
			(in thousands)			
Employee benefits expenses:						
Salaries and wages	$23,538,794	7,286,093	30,824,887	27,135,370	7,798,555	34,933,925
Labor and health insurances	1,439,339	477,905	1,917,244	1,511,793	497,859	2,009,652
Retirement benefits	1,399,297	377,341	1,776,638	1,585,950	381,607	1,967,557
Other employee benefits	3,075,827	559,544	3,635,371	3,222,160	617,828	3,839,988
Depreciation	31,599,910	4,093,123	35,693,033	29,980,415	3,706,146	33,686,561
Amortization	436,815	127,871	564,686	518,403	22,566	540,969

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(24) Other Income

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Interest income on bank deposits	$ 879,053	832,621
Interest income on government bonds with reverse repurchase agreements and others	6,467	8,994
Rental income, net	488,811	628,401
Dividend income	295,575	468,263
Grants	2,734,987	2,716,197
Others	915,378	757,649
	$ 5,320,271	5,412,125

(25) Other Gains and Losses

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Foreign exchange gains (losses), net	$ (168,499)	(41,391)
Gains on valuation of financial instruments at FVTPL, net	381,620	507,532
Gains (losses) on disposals of investments and financial assets, net	(13,154)	-
Gains on disposals of property, plant and equipment, net	106,546	1,923,044
Impairment losses on assets	(2,298,646)	(399,363)
Gains (losses) from litigation and others	396,519	(501,770)
	$ (1,595,614)	1,488,052

(26) Finance Costs

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Interest expense on bank borrowings	$ 2,714,080	2,442,872
Interest expense on lease liabilities	209,607	-
Interest expense on others	327,683	220,733
	$ 3,251,370	2,663,605

(Continued)

(27) Income Taxes

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

a. Income tax expenses

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Current income tax expense:		
Current year	$ 745,844	2,400,949
Adjustment to prior years and others	(258,671)	(127,281)
	487,173	2,273,668
Deferred tax expense (benefit):		
Temporary differences	584,559	(632,785)
Investment tax credit and tax losses carryforwards	682,930	1,998,662
Effect of changes in statutory income tax rate	-	(383,289)
	1,267,489	982,588
Total income tax expense	**$ 1,754,662**	**3,256,256**

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**$ 37,622**	**(38,908)**
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	**$ (459,729)**	**(191,809)**

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Reconciliation of the expected income tax expense (benefit) calculated based on the ROC statutory income tax rate compared with the actual income tax expense as reported in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Income tax expense at AUO's statutory tax rate	$	(3,968,951)	2,243,230
Tax on undistributed earnings, net		690	1,279,810
Effect of different subsidiaries income tax rate		38,756	(484,055)
Effect of changes in statutory income tax rate		-	(383,289)
Share of profit (loss) of equity-accounted subsidiaries		(75,209)	774,165
Net of non-taxable income and non-deductible expense		43,202	(165,663)
Effect of change of unrecognized deductible temporary differences, tax losses carryforwards, and investment tax credits		5,947,778	138,969
Adjustments to prior year		(258,672)	(127,281)
Others		27,068	(19,630)
Income tax expense	**$**	**1,754,662**	**3,256,256**
Effective tax rate		**(8.84)%**	**29.03%**

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,	
		2019	**2018**
		(in thousands)	
Deductible temporary differences	$	3,620,044	2,638,778
Unused investment tax credits		981,360	853,837
Unused tax losses carryforwards		32,445,130	28,697,671
	$	**37,046,534**	**32,190,286**

As of December 31, 2019, the unused investment tax credits include $974,909 thousand and $6,297 thousand from AUST and ACMK, respectively, with no expiration and $154 thousand from a domestic subsidiary, UTI.

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

(Continued)

As of December 31, 2019, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment	Unrecognized deferred tax assets	Expiration in year
	(in thousands)	
2011	$ 2,904,785	2020 ~ 2021
2012	11,042,933	2021 ~ 2022
2013	1,747,050	2022 ~ 2023
2014	2,347,376	2023 ~ 2024
2015	2,159,621	2020 ~ 2025
2016	4,259,267	2020 ~ 2026
2017	2,314,089	2021 ~ 2026
2018	1,279,958	2023 ~ 2028
2019 (estimated)	4,390,051	2023 ~ 2029
	$ 32,445,130	

As of December 31, 2019, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $277,670 thousand.

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

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(in thousands)					
Investment tax credits	$ 385,728	542,115	-	-	385,728	542,115
Tax losses carryforwards	2,223,440	2,760,163	-	-	2,223,440	2,760,163
Unrealized loss and expenses	166,393	310,192	(5,321)	(5,556)	161,072	304,636
Inventories write-down	879,267	1,027,680	-	-	879,267	1,027,680
Foreign investment gains under the equity method	-	-	(1,043,486)	(1,049,091)	(1,043,486)	(1,049,091)
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	157,216	194,838	-	-	157,216	194,838
Foreign operations – foreign currency translation differences	886,062	426,333	-	-	886,062	426,333
Others	483,511	1,371,347	(1,864)	(577,517)	481,647	793,830
	$ 5,181,617	6,632,668	(3,264,100)	(3,845,593)	1,917,517	2,787,075

(Continued)

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Notes to Consolidated Financial Statements

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2019
					(in thousands)				
Deferred tax assets (liabilities):									
Investment tax credits	$ 656,480	(132,840)	-	18,475	542,115	(148,453)	-	(7,934)	385,728
Tax losses carryforwards	3,942,012	(1,181,429)	-	(420)	2,760,163	(534,477)	-	(2,246)	2,223,440
Unrealized loss and expenses	222,739	81,893	-	4	304,636	(143,534)	-	(30)	161,072
Inventories write-down	644,887	386,558	-	(3,765)	1,027,680	(148,035)	-	(378)	879,267
Foreign investment losses (gains) under the equity method	(890,153)	(158,938)	-	-	(1,049,091)	5,605	-	-	(1,043,486)
Accumulated amortization of goodwill in accordance with local tax laws	(1,881,415)	(332,014)	-	-	(2,213,429)	-	-	-	(2,213,429)
Remeasurement of defined benefit plans	155,930	-	38,908	-	194,838	-	(37,622)	-	157,216
Foreign operations – foreign currency translation differences	234,524	-	191,809	-	426,333	-	459,729	-	886,062
Others	464,368	354,182	-	(24,720)	793,830	(298,595)	-	(13,588)	481,647
	$ 3,549,372	(982,588)	230,717	(10,426)	2,787,075	(1,267,489)	422,107	(24,176)	1,917,517

c. Assessments by the tax authorities

As of December 31, 2019, the tax authorities have completed the examination of income tax returns of AUO through 2017.

(28) Earnings (Loss) per Share

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands, except for per share data)	
Basic earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Basic earnings (loss) per share (NT$)	$ (2.00)	1.06
Diluted earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Effect of employee remuneration in stock	-	164,609
	9,597,268	9,788,854
Diluted earnings (loss) per share (NT$)	$ (2.00)	1.04

Since AUO incurred net loss for the year ended December 31, 2019, there were no potential ordinary shares with dilutive effect for the year.

(Continued)

(29) Cash Flow Information

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

	Long-term borrowings (including current installments)	Short-term borrowings	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
			(in thousands)		
Balance at January 1, 2019	$ 86,305,318	546,472	816,512	12,689,526	100,357,828
Cash flows	26,501,234	1,188,250	(1,828)	(694,922)	26,992,734
Non-cash changes:					
Increase (decrease) in lease liabilities	-	-	-	(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	$ 111,968,392	1,725,602	785,456	11,091,077	125,570,527

	Long-term borrowings (including current installments)	Short-term borrowings	Guarantee deposits	Total liabilities from financing activities
		(in thousands)		
Balance at January 1, 2018	$ 110,608,010	3,424,376	838,482	114,870,868
Cash flows	(24,464,961)	(2,817,894)	(13,402)	(27,296,257)
Non-cash changes:				
Changes in exchange rate	27,663	(60,010)	(8,568)	(40,915)
Amortization on transaction costs	134,606	-	-	134,606
Balance at December 31, 2018	$ 86,305,318	546,472	816,512	87,668,302

(30) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company’s current non-derivative financial instruments, including financial assets at amortized cost 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, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in thousands)		
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	$ 1,521,406	1,521,406	1,709,531	1,709,531
Financial assets at FVTOCI	7,545,171	7,545,171	6,979,925	6,979,925
Financial assets at amortized cost:				
Long-term receivables	5,812	5,812	930,001	930,001
Refundable deposits	663,911	663,911	716,097	716,097
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	18,859	18,859	22,115	22,115
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	111,968,392	111,968,392	86,305,318	86,305,318

(Continued)

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	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Guarantee deposits	785,456	785,456	816,512	816,512

b. Valuation techniques and assumptions applied in fair value measurement

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

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

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

Fair value of long-term receivables 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).

(Continued)

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

		Level 1	Level 2	Level 3	Total
			(in thousands)		
December 31, 2019					
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
December 31, 2018					
Financial assets at FVTPL:					
Financial assets mandatorily measured at FVTPL	$	-	1,709,531	-	1,709,531
Financial assets at FVTOCI		6,803,900	-	176,025	6,979,925
Financial assets at amortized cost:					
Long-term receivables		-	930,001	-	930,001
Financial liabilities at FVTPL:					
Financial liabilities held for trading		-	22,115	-	22,115

There were no transfers between Level 1 and 2 for the years ended December 31, 2019 and 2018.

d. Reconciliation for fair value measurements categorized within Level 3

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Financial assets at FVTOCI — equity instruments without active market			
Balance at beginning of the year	$	176,025	-
Adjustments on initial application of IFRS 9		-	177,815
Net gains (losses) included in other comprehensive income		(33,501)	9,990
Purchases		47,182	34,157
Disposals		-	(45,937)
Effect of exchange rate change		(1,036)	-
Balance at end of the year	**$**	**188,670**	**176,025**

(Continued)

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Notes to Consolidated Financial Statements

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

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTOCI–equity instruments without active market	Market approach	• Price-Book ratio (0.7~2.95 at Dec. 31, 2019 and 0.99~5.2 at Dec. 31, 2018) • Price-Earnings ratio (7.85~31.28 at Dec. 31, 2019 and 14.69~112.13 at Dec. 31, 2018) • Discount for lack of marketability (20%~28% at Dec. 31, 2019 and 20% at Dec. 31, 2018)	• The higher the price-book ratio is, the higher the fair value is. • The higher the price-earnings ratio is, the higher the fair value is. • The greater degree of lack of marketability is, the lower the fair value is.

(31) Financial Risk Management

a. Risk management framework

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

b. Financial risk information

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

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

(i) Credit risk

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

(a) The carrying amount of financial assets recognized in the consolidated balance sheets.

(b) The amount of contingent liabilities as a result from the Company providing financial guarantee to its customers.

The Company's potential credit risk is derived primarily from cash in bank, cash equivalents and trade receivables. The Company deposits its cash and cash equivalent investments 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.

(Continued)

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, 2019 and 2018, the Company's five largest customers accounted for 38.7% and 36.6%, 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, 2019.

(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.

(Continued)

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

		Contractual cash flows	2020.1.1~ 2020.12.31	2021.1.1~ 2022.12.31	2023.1.1~ 2024.12.31	2025 and thereafter
				(in thousands)		
December 31, 2019						
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
Derivative financial instruments						
Foreign currency forward contracts－inflows		(8,731,109)	(8,731,109)	-	-	-
Foreign currency forward contracts－outflows		8,727,770	8,727,770	-	-	-
	$	121,692,926	13,895,628	55,131,778	50,630,751	2,034,769

		Contractual cash flows	2019.1.1~ 2019.12.31	2020.1.1~ 2021.12.31	2022.1.1~ 2023.12.31	2024 and thereafter
				(in thousands)		
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	$	546,472	546,472	-	-	-
Long-term borrowings (including current installments)		92,485,536	31,854,500	45,935,987	14,395,139	299,910
Guarantee deposits		816,512	36,977	-	-	779,535
Derivative financial instruments						
Foreign currency forward contracts－inflows		(12,453,853)	(12,453,853)	-	-	-
Foreign currency forward contracts－outflows		12,436,885	12,436,885	-	-	-
	$	93,831,552	32,420,981	45,935,987	14,395,139	1,079,445

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, 2019, 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.

(Continued)

(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, 2019			December 31, 2018		
		Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
		(in thousands)		(in thousands)	(in thousands)		(in thousands)
Financial assets							
Monetary items							
USD	$	1,499,405	30.1350	45,184,570	2,092,501	30.8020	64,453,216
JPY		22,122,120	0.2768	6,123,403	11,872,572	0.2775	3,294,639
EUR		46,595	33.7422	1,572,218	29,681	35.2036	1,044,878
Non-monetary items							
USD		1,726	30.1350	52,013	2,799	30.8020	86,215
RMB		-	4.3155	-	20,258	4.4813	90,782
Financial liabilities							
Monetary items							
USD		1,515,582	30.1350	45,672,064	1,188,175	30.8020	36,598,166
JPY		22,187,729	0.2768	6,141,563	25,296,499	0.2775	7,019,778
EUR		239	33.7422	8,064	209	35.2036	7,358

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, 2019 and 2018, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2019 and 2018 as follows:

		For the years ended December 31,	
		2019	2018
		(in thousands)	
1% of depreciation	$	10,585	251,674
1% of appreciation		(10,585)	(251,674)

(Continued)

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Notes to Consolidated Financial Statements

III. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the consolidated entities of the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange losses for the years ended December 31, 2019 and 2018 were $168,499 thousand and $41,391 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, 2019 and 2018 by $280,558 thousand and $216,955 thousand, respectively.

(c) Equity price risk

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

(32) Capital Management

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

	December 31,	
	2019	**2018**
	(in thousands)	
Short-term borrowings	$ 1,725,602	546,472
Long-term borrowings (including current installments)	111,968,392	86,305,318
Total liabilities	209,660,842	192,553,087
Total equity	187,976,749	217,278,688
Debt-to-equity ratio	112%	89%
Net debt-to-equity ratio(i)	18%	8%

(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.

(Continued)

7. Related-party Transactions

All inter-company transactions and balances between AUO and its subsidiaries are eliminated in the consolidated financial statements and are not disclosed in this note. The transactions between the Company and other related parties are set out as follows:

(1) Name and relationship of related parties

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

Name of related party	Relationship with the Company
Lextar Electronics Corporation (“Lextar”)	Associate
Lextar Electronics (Suzhou) Co., Ltd. (“LESZ”)	Subsidiary of Lextar
Lextar Electronics (Xiamen) Co., Ltd. (“LEXM”)	Subsidiary of Lextar
Lextar Electronics (Chuzhou) Corp. (“LEXCZ”)	Subsidiary of Lextar
Wellybond Corporation (“WBC”)	Subsidiary of Lextar
TRENDYLITE CORPORATION (“TRENDYLITE”)	Subsidiary of Lextar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Raydium Semiconductor (Kunshan) Co., Ltd. (“RKS”)	Subsidiary of Raydium
Dazzo Technology Corporation (“Dazzo”)	Subsidiary of Raydium(i)
Star River Energy Corp. (“SREC”)	Associate
Sungen Power Corporation (“SGPC”)	Subsidiary of SREC
Evergen Power Corporation (“EGPC”)	Subsidiary of SREC
Star Shining Energy Corporation (“SSEC”)	Associate
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	Subsidiary of SSEC
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC(ii)
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Ri Ji Power Corporation (“RJPC”)	Subsidiary of SSEC
Ri Jing Power Corporation (“RGPC”)	Subsidiary of SSEC
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 Co., Ltd. (“DSC”)	Associate
Ubitech Inc. (“Ubitech”)	Associate
BVCH Optronics (Sichuan) Corp. (“BVCH”)	Joint venture(iii)
Evonik Forhouse Optical Polymers Corp. (“EFOP”)	Joint venture
Wibase Industrial Solutions Inc. (“WIS”)	DPTW represented as a director of WIS
Qisda Corporation (“Qisda”)	Corporate shareholder of AUO of which accounts for AUO using the equity method
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 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of related party	Relationship with the Company
BenQ Material (Suzhou) Co., Ltd. (“BMS”)	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd. (“QCHS”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Data Image Corporation (“DIC”)	Subsidiary of Qisda
Data Image (Suzhou) Corporation (“DICSZ”)	Subsidiary of Qisda
Sysage Technology Co., Ltd. (“Sysage”)	Subsidiary of Qisda
BenQ Foundation	Substantive related party
AUO Foundation	Substantive related party

(i) Dazzo was merged with and into Raydium, an associate of the Company, on April 1, 2019
(ii) The Company disposed all its shareholdings in CGPC to SSEC, an associate of the Company, in September 2018. Refer to Note 6(8) for the relevant disclosures.
(iii) BVCH had been liquidated in December 2019.

(2) Compensation to key management personnel

Key management personnel’s compensation comprised:

		For the years ended December 31,	
		2019	2018
		(in thousands)	
Short-term employee benefits	$	243,203	345,019
Post-employment benefits		2,633	2,547
	$	245,836	347,566

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

a. Sales

		Sales		Accounts receivable from related parties	
		For the years ended December 31,		December 31,	
		2019	2018	2019	2018
		(in thousands)			
Associates	$	1,227,987	1,898,336	280,009	696,423
Others		10,347,963	12,050,450	1,498,490	2,057,830
	$	11,575,950	13,948,786	1,778,499	2,754,253

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

b. Purchases

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2019	2018	2019	2018
	(in thousands)			
Associates	$ 8,664,439	9,185,563	2,825,292	3,664,742
Joint ventures	1,027,147	1,449,636	72,942	-
Others	17,077,497	18,589,791	4,052,594	4,496,444
	$ 26,769,083	29,224,990	6,950,828	8,161,186

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

c. Acquisition of property, plant and equipment

	Acquisition prices	
	For the years ended December 31,	
	2019	2018
	(in thousands)	
Associates	$ 6,555	6,527
Others	17,436	4,449
	$ 23,991	10,976

d. Disposal of property, plant and equipment

	Proceeds from disposal		Gain on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
	(in thousands)		(in thousands)	
Others	$ 835	-	72	-

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Other related party transactions

Transaction type	Type of related party		December 31, 2019	December 31, 2018
			(in thousands)	
Other receivables due from related parties	Associates	$	2,727	8,161
	Others		1,229	4,784
		$	3,956	12,945
Other payables due to related parties (including payables for equipment)	Associates	$	13,980	18,148
	Others		35,991	10,027
		$	49,971	28,175

Transaction type	Type of related party		For the years ended December 31, 2019	For the years ended December 31, 2018
			(in thousands)	
Rental income	Associates	$	52,227	55,044
	Joint ventures		6,611	6,611
	Others:			
	BMC		83,477	66,748
	Others		24,110	24,474
		$	166,425	152,877
Administration and other income	Associates	$	17,980	18,580
	Joint ventures		223	1,060
	Others		7,996	8,789
		$	26,199	28,429
Other expenses	Associates	$	20,157	37,155
	Joint ventures		36	567
	Others		59,287	29,336
		$	79,480	67,058

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, 2019 and 2018, the Company had received cash dividends from related parties of $566,865 thousand and $668,228 thousand, respectively.

(Continued)

8. Pledged Assets

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

Pledged assets	Pledged to secure		December 31, 2019	December 31, 2018
			(in thousands)	
Restricted cash in banks[i]	Customs duties and guarantee for warranties	$	35,809	91,753
Land and building	Long-term borrowings		28,423,642	27,696,480
Machinery and equipment	Long-term borrowings		42,968,184	37,317,602
		$	71,427,635	65,105,835

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

9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of December 31, 2019, 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, 2019, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2019
	(in thousands)
USD	5,768
JPY	1,951,409

(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., 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.

As at December 31, 2019, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $7,639,758 thousand.

(4) Litigation

a. 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

b. Alleged patent infringements

In July 2018, Vista Peak Ventures, LLC (“VPV”) filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV’s patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. On September 27, 2019, the relevant parties reached a settlement agreement, and all pending lawsuits that have been filed by VPV against AUO were dismissed on October 10, 2019.

As of February 5, 2020, 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:

On February 5, 2020, AUO’s Board of Directors resolved to acquire common shares of ADLINK Technology Inc. through tender offer. The tender offer consideration for each common share is NT$57 in cash. The planned acquisition amount is 65,249 thousand shares of ADLINK. The tender offer period will run from February 7, 2020 to March 12, 2020.

(Continued)

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

13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2019.

a. Financings provided: Please see Table 1 attached.
b. Endorsements/guarantees provided: Please see Table 2 attached.
c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.
d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT$300 million or 20% of the paid-in capital: Please see Table 4 attached.
e. Acquisition of individual real estate with costs exceeding NT$300 million or 20% of the paid-in capital: None.
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 between the parent and the subsidiaries and significant intercompany transactions: Please see Table 7 attached.

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

(3) Information on investment in Mainland China:

a. The related information on investment in Mainland China: Please see Table 9.1 and 9.2 attached.
b. Upper limit on investment in Mainland China: Please see Table 9.1 and 9.2 attached.
c. Significant transactions:
Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2019, for which intercompany transactions were eliminated upon consolidation, are disclosed in “Information on significant transactions”.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2019 and 2018 with the financial results received by the Company's chief operating decision maker. The accounting policies for the operating segments are the same as those used in preparation of the consolidated financial statements of the Company. The Company uses the net revenue, profit (loss) from operations and segment profit (loss) excluding depreciation and amortization as the basis of segment performance assessment.

	For the year ended December 31, 2019		
	Display segment	Energy segment	Total segments
		(in thousands)	
Net revenue from external customers	$ 256,667,222	12,124,472	268,791,694
Segment profit (loss)	$ (19,484,401)	(983,547)	(20,467,948)
Net non-operating income and expenses			623,194
Consolidated profit (loss) before income tax			$ (19,844,754)
Segment profit (loss) excluding depreciation and amortization	$ 15,753,181	36,590	15,789,771
Segment assets			$ 397,637,591

	For the year ended December 31, 2018		
	Display segment	Energy segment	Total segments
		(in thousands)	
Net revenue from external customers	$ 290,784,754	16,849,635	307,634,389
Segment profit (loss)	$ 7,792,505	(1,124,640)	6,667,865
Net non-operating income and expenses			4,548,286
Consolidated profit (loss) before income tax			$ 11,216,151
Segment profit (loss) excluding depreciation and amortization	$ 40,773,745	121,650	40,895,395
Segment assets			$ 409,831,775

(2) Geographic information

a. Net revenue from external customers: See Note 6(21).

b. Consolidated noncurrent assets(i)

	December 31,	
	2019	2018
	(in thousands)	
Region		
Taiwan	$ 174,518,271	172,639,349
PRC (including Hong Kong)	54,890,846	61,284,667
Others	6,301,996	6,941,674
	$ 235,711,113	240,865,690

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

(3) Major customer and product information: See Note 6(21).

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	3,500,000	1,725,000	1,200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
0	AUO	AUKS	Other receivables from related parties	Yes	1,524,810	1,294,650	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
1	AULB	AUSK	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	53,221,601	53,221,601
1	AULB	AUKS	Other receivables from related parties	Yes	10,633,245	10,572,975	2,805,075	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,288,641	21,288,641
2	AUXM	BVHF	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511
2	AUXM	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	3,452,400	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511
3	BVXM	AUKS	Other receivables from related parties	Yes	434,010	431,550	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	509,196	509,196
4	AUSJ	UFSZ	Other receivables from related parties	Yes	92,090	86,310	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730

(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	1,467,264	1,380,960	949,410	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,513,492	1,513,492
4	AUSJ	A-Care	Other receivables from related parties	Yes	46,045	43,155	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730
5	AUSZ	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	4,099,725	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,886,493	5,886,493
6	DPSZ	AUKS	Other receivables from related parties	Yes	460,450	431,550	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	711,740	711,740
7	FTKS	AUKS	Other receivables from related parties	Yes	450,170	431,550	431,550	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	540,321	540,321
8	FTWJ	FHWJ	Other receivables from related parties	Yes	92,090	64,733	64,733	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	2,071,120	2,071,120

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 audited financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest audited financial statement.

b. AULB, AUSZ, AUXM, AUSJ and BVXM: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest audited 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 audited financial statement.

d. 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.

e. 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUKS	2	88,335,920	16,140,185	15,317,737	11,507,216	-	8.67%	176,671,840	Yes	No	Yes
1	AUXM	AUO &AUST	3,4	13,398,777	2,302,250	-	-	-	-	13,398,777	No	Yes	No
1	AUXM	AUO	3	13,398,777	9,577,360	6,257,475	-	-	46.70%	13,398,777	No	Yes	No
2	AUSJ	AUO	3	3,783,730	1,473,440	-	-	-	-	3,783,730	No	Yes	No
3	AUSZ	AUO	3	14,716,233	7,275,110	4,401,810	-	-	29.91%	14,716,233	No	Yes	No
3	AUSZ	AUO &AUSK	3,4	14,716,233	1,519,485	-	-	-	-	14,716,233	No	Yes	No

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

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

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

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

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

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

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 3

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
AUO	Stock BenQ ESCO Corp.	Related party	Financial assets at FVTPL— noncurrent	1,700	-	17.00%	-	17.00%	
AUO	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	335,231	7,140,410	17.04%	7,140,410	17.04%	
AULB	Stock Abakus Solar AG	-	Financial assets at FVTPL— noncurrent	3	-	2.22%	-	2.22%	
AUSH	Stock T-powertek Optronics Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	352	CNY 6,250	2.16%	CNY 6,250	2.16%	
DPSZ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 70,488	-	CNY 70,488	-	
FPWJ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 100,642	-	CNY 100,642	-	
FTKS	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 171,493	-	CNY 171,493	-	
Konly	Stock PlayNitride Inc.	-	Financial assets at FVTOCI— noncurrent	609	42,123	1.80%	42,123	2.80%	
Konly	Stock SnapBizz CloudTech Pte. Ltd.	-	Financial assets at FVTOCI— noncurrent	13	-	5.33%	-	6.13%	
Konly	Stock a2peak power Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,000	-	10.87%	-	10.87%	
Konly	Stock ChenFeng Optronics Corporation	-	Financial assets at FVTPL－noncurrent	1,500	-	2.63%	-	3.26%	
Konly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,200	-	8.52%	-	8.52%	

(Continued)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
Konly	Stock Azotek Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,407	7,345	4.01%	7,345	4.01%	
Konly	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	10,145	216,091	0.52%	216,091	0.52%	
Konly	Stock ATS International Inc.	-	Financial assets at FVTOCI— noncurrent	1,667	-	5.15%	-	5.15%	
DPTW	Stock Wibase Industrial Solutions Inc.	Related party	Financial assets at FVTOCI— noncurrent	4,700	56,400	12.11%	56,400	12.11%	
DPTW	Stock Evertrust Technology Ltd.	-	Financial assets at FVTOCI— noncurrent	150	1,500	16.13%	1,500	16.13%	
DPTW	Stock D8AI Holdings Corporation	-	Financial assets at FVTOCI— noncurrent	7,000	8,649	4.59%	8,649	4.59%	
DPTW	Stock HUAI I Precision Technology Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,914	34,968	10.00%	34,968	10.00%	
DPTW	Stock Disign Incorporated	-	Financial assets at FVTOCI— noncurrent	2	10,714	19.89%	10,714	19.89%	
Ronly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	600	-	1.22%	-	1.22%	
Ronly	Stock Exploit Technology Co., Ltd.	-	Financial assets at FVTPL－noncurrent	41	-	0.49%	-	0.49%	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding NT$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain/Loss on Disposal	Shares	Amount	
AUO	Stock ACTW	Investments in equity-accounted investees	-	-	378,193	5,005,774	40,390	549,393	-	-	-	-	418,583	2,805,441	1
DPSZ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 140,000	-	CNY 71,331	CNY 71,331	-	-	CNY 70,488	2
FPWJ	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 91,753	-	CNY 200,000	-	CNY 194,885	CNY 194,885	-	-	CNY 100,642	2
FTKS	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 274,091	-	CNY 510,000	-	CNY 621,552	CNY 621,552	-	-	CNY 171,493	2

Note 1: a. As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.
b. The ending balance includes the recognition of investment gain (loss), foreign currency translation differences and capital surplus, etc. under the equity method.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Purchases from or Sales to Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BMC	Subsidiary of Qisda	Purchases	4,049,902	2%	EOM 90 days	-		(988,782)	(2)%	
AUO	Raydium	Associate	Purchases	980,406	1%	EOM 120 days	-		(238,957)	-	
AUO	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	8,306,875	4%	EOM 45 days	-		(1,437,067)	(3)%	
AUO	Daxin	Associate	Purchases	2,665,305	1%	EOM 120 days	-		(831,009)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	6,101,237	3%	EOM 60 days	-		(887,617)	(2)%	
AUO	AUCZ	Subsidiary of AUO	Purchases	129,946	-	EOM 45 days	-		-	-	
AUO	AUSZ	Subsidiary of AUO	Purchases	35,474,816	18%	EOM 45 days	-		(9,447,956)	(19)%	
AUO	AUST	Subsidiary of AUO	Purchases	5,692,940	3%	EOM 45 days	-		(873,769)	(2)%	
AUO	AUSK	Subsidiary of AUO	Purchases	134,558	-	EOM 45 days	-		(19,847)	-	
AUO	AULB	Subsidiary of AUO	Purchases	956,615	-	EOM 45 days	-		(381,063)	(1)%	
AUO	AUKS	Subsidiary of AUO	Purchases	12,385,120	6%	EOM 30 days	-		(2,151,131)	(4)%	
AUO	AUXM	Subsidiary of AUO	Purchases	25,695,562	13%	EOM 45 days	-		(8,029,959)	(16)%	
AUO	TGPC	Subsidiary of SSEC	Sales	(161,763)	-	EOM 25 days	-		109,566	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,126,336)	(3)%	EOM 55 days	-		930,165	3%	
AUO	QCOS	Subsidiary of Qisda	Sales	(244,442)	-	EOM 55 days	-		27,621	-	
AUO	FGPC	Subsidiary of SSEC	Sales	(663,428)	-	EOM 25 days	-		76,082	-	
AUO	DPXM	Subsidiary of AUO	Sales	(130,396)	-	EOM 45 days	-		7,822	-	
AUO	DPTW	Subsidiary of AUO	Sales	(413,290)	-	EOM 45 days	-		43,577	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(2,571,371)	(1)%	EOM 55 days	-		399,935	1%	
AUO	AUXM	Subsidiary of AUO	Sales	(989,043)	-	EOM 45 days	-		-	-	
AUO	AUUS	Subsidiary of AUO	Sales	(131,140)	-	EOM 75 days	-		36,724	-	
AUO	AUSZ	Subsidiary of AUO	Sales	(1,036,086)	-	EOM 45 days	-		-	-	
AUO	AUNL	Subsidiary of AUO	Sales	(696,101)	-	EOM 45 days	-		136,045	-	
AUO	RGPC	Subsidiary of SSEC	Sales	(109,168)	-	EOM 25 days	-		-	-	
AUO	ACTW	Subsidiary of AUO	Sales	(581,352)	-	EOM 45 days	-		82,862	-	
ACMK	ACTW	Subsidiary of AUO	Purchases	USD 36,650	93%	OA 60 days	-		USD (5,971)	(92)%	
AUCZ	AUO	Ultimate parent company	Sales	CZK (99,079)	(100)%	EOM 45 days	-		-	-	
AUKS	AUSZ	Subsidiary of AUO	Purchases	CNY 130,338	8%	EOM 60 days	-		CNY (42,137)	(6)%	
AUKS	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY 23,017	1%	EOM 120 days	-		CNY (10,475)	(2)%	
AUKS	AUO	Ultimate parent company	Sales	CNY (2,770,165)	(100)%	EOM 30 days	-		CNY 500,963	100%	
AULB	AUO	Ultimate parent company	Sales	USD (30,931)	(72)%	EOM 45 days	-		USD 8,711	100%	

(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)	
AULB	AUSZ	Subsidiary of AUO	Sales	USD (11,445)	(11)%	EOM 45 days	-		-	-	
AULB	AUXM	Subsidiary of AUO	Sales	USD (18,769)	(17)%	EOM 45 days	-		-	-	
AUNL	AUO	Ultimate parent company	Purchases	EUR 20,734	100%	EOM 45 days	-		EUR (4,009)	(100)%	
AUSH	AUO	Ultimate parent company	Sales	CNY (31,870)	(97)%	End of quarter 25 days	-		-	-	
AUSK	AUO	Ultimate parent company	Sales	EUR (4,275)	(84)%	EOM 45 days	-		EUR 746	82%	
AUST	AUO	Ultimate parent company	Sales	USD (184,271)	(100)%	EOM 45 days	-		USD 28,995	100%	
AUSZ	Raydium	Associate	Purchases	CNY 560,109	8%	EOM 120 days	-		CNY (222,287)	(10)%	
AUSZ	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY 569,724	8%	EOM 120 days	-		CNY (235,978)	(10)%	
AUSZ	DPTW	Subsidiary of AUO	Purchases	CNY 178,762	3%	EOM 120 days	-		CNY (67,252)	(3)%	
AUSZ	AUO	Ultimate parent company	Purchases	CNY 227,034	3%	EOM 45 days	-		-	-	
AUSZ	AULB	Subsidiary of AUO	Purchases	CNY 75,930	1%	EOM 45 days	-		-	-	
AUSZ	BMC	Subsidiary of Qisda	Purchases	CNY 274,748	4%	EOM 90 days	-		CNY (82,462)	(4)%	
AUSZ	AULB	Subsidiary of AUO	Sales	CNY (36,846)	-	EOM 45 days	-		-	-	
AUSZ	AUKS	Subsidiary of AUO	Sales	CNY (130,338)	(2)%	EOM 60 days	-		CNY 42,137	2%	
AUSZ	AUO	Ultimate parent company	Sales	CNY (7,869,533)	(95)%	EOM 45 days	-		CNY 2,196,988	88%	
AUUS	AUO	Ultimate parent company	Purchases	USD 4,555	100%	EOM 75 days			USD (1,215)	(100)%	
AUUS	AUO	Ultimate parent company	Sales	USD (5,539)	(56)%	EOM 30 days	-		-	-	
AUXM	Raydium	Associate	Purchases	CNY 377,685	7%	EOM 120 days	-		CNY (130,325)	(7)%	
AUXM	Lextar	Associate	Purchases	CNY 42,203	1%	EOM 120 days	-		CNY (18,499)	(1)%	
AUXM	AULB	Subsidiary of AUO	Purchases	CNY 125,815	2%	EOM 45 days	-		-	-	
AUXM	AUO	Ultimate parent company	Purchases	CNY 194,961	3%	EOM 45 days	-		-	-	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 180,358	3%	EOM 90 days	-		CNY (46,691)	(2)%	
AUXM	DPXM	Subsidiary of AUO	Purchases	CNY 43,398	1%	EOM 120 days	-		CNY (13,923)	(1)%	
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 308,620	5%	EOM 120 days	-		CNY (115,982)	(6)%	
AUXM	AULB	Subsidiary of AUO	Sales	CNY (27,290)	-	EOM 45 days	-		-	-	
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (760,742)	(12)%	EOM 45 days	-		CNY 183,553	9%	
AUXM	AUO	Ultimate parent company	Sales	CNY (5,704,904)	(88)%	EOM 45 days	-		CNY 1,865,262	91%	
BVHF	DPTW	Subsidiary of AUO	Purchases	CNY 52,126	21%	EOM 60 days	-		CNY (36,531)	(58)%	
BVHF	Lextar	Associate	Purchases	CNY 30,865	12%	EOM 120 days	-		CNY (5,229)	(8)%	
BVHF	DPTW	Subsidiary of AUO	Sales	CNY (381,196)	(100)%	EOM 60 days	-		CNY 88,590	100%	
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 759,427	100%	EOM 45 days	-		CNY (182,131)	(100)%	
DPSZ	DPTW	Subsidiary of AUO	Purchases	CNY 24,407	25%	EOM 60 days			CNY (2,649)	(7)%	
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (134,962)	(76)%	EOM 90 days	-		CNY 36,326	70%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 24,058	3%	EOM 60 days			CNY (19,029)	(7)%	
DPXM	AUO	Ultimate parent company	Purchases	CNY 28,887	4%	EOM 45 days	-		CNY (1,936)	(1)%	
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (43,246)	(4)%	EOM 120 days	-		CNY 13,923	3%	

(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)	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (1,074,429)	(89)%	EOM 90 days	-		CNY 384,021	83%	
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 116,790	21%	EOM 60 days	-		CNY (283,725)	(57)%	
FTWJ	Lextar	Associate	Purchases	CNY 57,349	10%	EOM 120 days	-		CNY (22,443)	(5)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (765,048)	(90)%	EOM 90 days	-		CNY 552,530	91%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (5,215,104)	(99)%	EOM 45 days	-		JPY 1,643,976	100%	
ACTW	AUO	Ultimate parent company	Purchases	581,454	17%	EOM 45 days	-		(82,862)	(11)%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,480,568	43%	EOM 45 days	-		(455,053)	(62)%	
ACTW	ACMK	Subsidiary of AUO	Sales	(1,079,766)	(22)%	OA 60 days	-		179,946	22%	
UTI	AUO	Ultimate parent company	Sales	(150,409)	(69)%	EOM 60 days	-		15,093	89%	
DPTW	BVHF	Subsidiary of AUO	Purchases	1,726,072	13%	EOM 60 days	-		(143,375)	(5)%	
DPTW	AUO	Ultimate parent company	Purchases	410,921	3%	EOM 45 days	-		(43,343)	(1)%	
DPTW	EFOP	Joint Venture	Purchases	1,027,147	7%	EOM 45 days	-		(72,942)	(2)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,428,533	25%	EOM 90 days	-		(998,087)	(32)%	
DPTW	DPXM	Subsidiary of AUO	Purchases	4,819,703	35%	EOM 90 days	-		(1,390,592)	(45)%	
DPTW	DPSZ	Subsidiary of AUO	Purchases	606,434	4%	EOM 90 days	-		(156,919)	(5)%	
DPTW	DPXM	Subsidiary of AUO	Sales	(107,170)	(1)%	EOM 60 days	-		36,730	1%	
DPTW	FTWJ	Subsidiary of AUO	Sales	(521,864)	(3)%	EOM 60 days	-		196,827	7%	
DPTW	DPSZ	Subsidiary of AUO	Sales	(110,489)	(1)%	EOM 60 days	-		11,445	-	
DPTW	BVHF	Subsidiary of AUO	Sales	(236,590)	(2)%	EOM 60 days	-		9,589	-	
DPTW	AUXM	Subsidiary of AUO	Sales	(1,379,316)	(9)%	EOM 120 days	-		501,004	18%	
DPTW	AUO	Ultimate parent company	Sales	(6,456,889)	(42)%	EOM 60 days	-		845,012	31%	
DPTW	QCES	Subsidiary of Qisda	Sales	(208,913)	(1)%	EOM 120 days	-		80,000	3%	
DPTW	Darwin Summit Corporation, Ltd.	Associate	Sales	(100,201)	(1)%	EOM 90 days	-		42,033	2%	
DPTW	AUSZ	Subsidiary of AUO	Sales	(797,366)	(5)%	EOM 120 days	-		290,507	11%	

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, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUO	TGPC	Subsidiary of SSEC	109,566	2.93	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,284,439	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	399,935	5.52	114	Will be collected in next period	-	-
AUO	AUNL	Subsidiary of AUO	136,045	10.23	16	Collected in subsequent period	70,516	-
AUO	QCSZ	Subsidiary of Qisda	930,165	6.26	935	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 500,963	5.83	CNY 28,896	Collected in subsequent period	CNY 240,556	-
AULB	AUO	Ultimate parent company	USD 9,189	(Note 2)	USD 8,711	Will be collected in next period	-	-
AULB	AUKS	Subsidiary of AUO	USD 95,056	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	CNY 224,528	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 28,995	5.92	-	-	-	-
AUSZ	AUKS	Subsidiary of AUO	CNY 1,016,582	(Note 2)	CNY 14,634	Collected in subsequent period	CNY 16,118	-
AUSZ	AUO	Ultimate parent company	CNY 2,196,989	(Note 2)	CNY 27,024	Collected in subsequent period	CNY 1,511,352	-
AUXM	BVXM	Subsidiary of AUO	CNY 183,895	(Note 2)	CNY 1,421	Collected in subsequent period	CNY 106,300	-
AUXM	AUKS	Subsidiary of AUO	CNY 818,914	(Note 2)	CNY 137	Collected in subsequent period	CNY 250	-
AUXM	AUO	Ultimate parent company	CNY 1,865,262	6.10	CNY 93,824	Collected in subsequent period	CNY 1,082,848	-
BVHF	DPTW	Subsidiary of AUO	CNY 88,996	(Note 2)	CNY 49,549	Will be collected in next period	-	-
DPSZ	DPTW	Subsidiary of AUO	CNY 36,326	2.55	-	-	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 384,031	(Note 2)	-	-	CNY 24,417	-
FTKS	AUKS	Subsidiary of AUO	CNY 101,547	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 552,530	1.39	-	-	CNY 97,667	-
M.Setek	ACTW	Subsidiary of AUO	JPY 1,643,976	5.75	JPY 418,115	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary of AUO	220,875	-	-	-	-	-
ACTW	ACMK	Subsidiary of AUO	188,510	(Note 2)	-	-	-	-
DPTW	AUSZ	Subsidiary of AUO	290,507	5.49	-	-	-	-
DPTW	FTWJ	Subsidiary of AUO	1,230,770	(Note 2)	29,182	Collected in subsequent period	414,948	-
DPTW	AUXM	Subsidiary of AUO	501,004	5.36	-	-	-	-
DPTW	AUO	Ultimate parent company	845,532	(Note 2)	71,466	Will be collected in next period	-	-
DPTW	BVHF	Subsidiary of AUO	157,802	(Note 2)	-	-	-	-

Note 1: Until the end of January 2020.

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, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				
				Financial Statement Account	Amount		Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
0	AUKS	AUO	Subsidiary to parent	Net revenue	CNY	2,770,165	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	5%
0	AUKS	AUO	Subsidiary to parent	Receivables from related parties	CNY	500,963	-	1%
1	AULB	AUKS	Subsidiary to subsidiary	Receivables from related parties	USD	95,056	-	1%
2	AUST	AUO	Subsidiary to parent	Net revenue	USD	184,271	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	7,869,533	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	2,196,989	-	2%
3	AUSZ	AUKS	Subsidiary to subsidiary	Receivables from related parties	CNY	1,016,582	-	1%
4	AUXM	AUO	Subsidiary to parent	Net revenue	CNY	5,704,904	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	9%
4	AUXM	BVXM	Subsidiary to subsidiary	Net revenue	CNY	760,742	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
4	AUXM	AUKS	Subsidiary to subsidiary	Receivables from related parties	CNY	818,914	-	1%
4	AUXM	AUO	Subsidiary to parent	Receivables from related parties	CNY	1,865,262	-	2%
5	BVHF	DPTW	Subsidiary to subsidiary	Net revenue	CNY	381,196	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days.	1%
6	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY	1,074,429	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days.	2%
7	FTWJ	DPTW	Subsidiary to subsidiary	Net revenue	CNY	765,048	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			
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
7	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY 552,530	-	1%
8	M.Setek	ACTW	Subsidiary to subsidiary	Net revenue	JPY 5,215,104	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
9	DPTW	AUXM	Subsidiary to subsidiary	Net revenue	1,379,316	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 120 days.	1%
9	DPTW	AUO	Subsidiary to parent	Net revenue	6,456,889	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days.	2%

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, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 8

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			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, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding and trading company	59,058,698	59,058,698	1,882,189	100.00%	53,221,601	100.00%	1,367,091	1,481,004	Subsidiary
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	37,774	100.00%	13,707	13,707	Subsidiary
AUO	Konly	Taiwan ROC	Venture capital investment	4,227,070	4,227,070	284,302	100.00%	5,208,936	100.00%	171,825	171,825	Subsidiary
AUO	Ronly	Taiwan ROC	Venture capital investment	1,778,692	1,778,692	154,757	100.00%	2,049,860	100.00%	9,126	9,126	Subsidiary
AUO	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	3,569,155	3,569,155	190,108	28.56%	3,156,574	28.56%	(190,141)	(54,311)	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,138,528	418,583	100.00%	2,805,441	100.00%	(2,648,071)	(2,614,702)	Subsidiary (Note 4)
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	424,653	32.01%	110,266	35,300	Associate
AUO	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	881,076	881,076	78,418	15.10%	1,642,746	15.33%	(309,651)	(46,855)	Associate
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	18,247	100.00%	(11,025)	(11,025)	Subsidiary
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	100,000	50,000	10,000	100.00%	88,906	100.00%	(11,183)	(11,183)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	930,000	930,000	93,000	31.00%	953,966	31.00%	73,407	22,756	Associate
AUO	CQIL	Israel	Holding company	876,659	821,138	39,974	100.00%	576,111	100.00%	(54,995)	(182,866)	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%	707,303	6.40%	(190,141)	(12,170)	Subsidiary
Konly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	-	589,793	-	-	-	2.50%	(2,648,071)	(2,381)	Subsidiary (Note 4)
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	19,897	1.50%	110,266	1,654	Associate
Konly	Raydium	Taiwan ROC	IC design	175,857	175,857	11,454	17.10%	740,504	17.63%	674,300	117,334	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	517,812	18.61%	650,420	121,032	Associate
Konly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	450,674	450,674	26,133	5.03%	547,439	5.11%	(309,651)	(15,614)	Associate

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			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, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	26.31%	1,262	26.31%	(7,584)	(16,854)	Associate
Konly	SSEC	Taiwan ROC	Investment	60,000	60,000	6,000	2.00%	61,546	2.00%	73,407	1,468	Associate
Konly	WishMobile ,Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	2,500	12.50%	5,899	12.50%	1,334	(7,932)	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	4,304	16.12%	(14,143)	(38,982)	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%	672,617	6.09%	(190,141)	(11,573)	Subsidiary
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	171,001	6.15%	650,420	39,969	Associate
Ronly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	323,431	323,431	34,338	6.61%	719,336	6.71%	(309,651)	(20,517)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	242,935	29.71%	(133,388)	(39,630)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	6,172,423	100.00%	(27,931)	(17,834)	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	4,008,112	100.00%	96,028	20,304	Subsidiary
DPTW	FRVI	BVI	Holding company	-	274,700	-	-	-	100.00%	6,200	6,029	Subsidiary (Note 5)
DPTW	FFMI	Mauritius	Holding company	274,700	-	653	100.00%	93,524	100.00%	6,200	-	Subsidiary (Note 5)
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	178,719	49.00%	(88,238)	(43,237)	Joint Venture
DPTW	Darwin Summit Corporation , Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	10,394	40.00%	7,765	3,106	Associate
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	537,395	100.00%	42,306	42,306	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.00%	1,948,642	100.00%	171,314	168,217	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,368	11,404,184	99.9991%	1,946,295	99.9991%	188,831	188,830	Subsidiary
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 2,063	100.00%	USD 161	USD 161	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,765	100.00%	USD 1	USD 1	Subsidiary
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,014	100.00%	USD 83	USD 83	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 10,534	100.00%	USD (3,607)	USD (3,607)	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 54,349	-	100.00%	USD 22,879	100.00%	USD 246	USD 246	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	December 31, 2019: Shares	December 31, 2019: Percentage of Ownership	December 31, 2019: Carrying Amount (Notes 1 and 2)	Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 276,543	USD 321,161	907,114	100.00%	USD 139,306	100.00%	USD 2,120	USD 2,120	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 5,875	100.00%	USD 255	USD 255	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 19,073	70.29%	USD (4,313)	USD (3,032)	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 48,321	USD 86,685	266,268	100.00%	USD 34,448	100.00%	USD 903	USD 903	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 3,510	9,510	100.00%	USD 814	100.00%	USD (1)	USD (1)	Subsidiary
AUSG	AENL	Netherlands	Sales support of solar-related products	USD 45	USD 45	-	100.00%	USD 174	100.00%	USD (12)	USD (12)	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 205,804	100.00%	USD (248)	USD (248)	Subsidiary (Note 6)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 2,546	100.00%	USD (655)	USD (655)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 75,756	100.00%	USD (2,786)	USD (2,786)	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 14,364	100.00%	USD 146	USD 146	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 44,825	100.00%	USD 1,832	USD 1,832	Subsidiary
FRVI	FFMI	Mauritius	Holding company	-	USD 8,200	-	-	-	100.00%	USD 200	USD 200	Subsidiary (Note 5)
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	38.46%	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 18,868	USD 4,071	635,709	100.00%	USD 18,491	100.00%	USD 4,811	USD 4,811	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	-	-	100.00%	USD 510	100.00%	USD 123	USD 123	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 15,607	USD 1	11	100.00%	USD 3,863	100.00%	USD (1,873)	USD (1,873)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	-	-	100.00%	USD 550	100.00%	USD 88	USD 88	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	-	-	-	100.00%	-	100.00%	-	-	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	-	-	10	100.00%	-	100.00%	-	-	Subsidiary

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.
Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.
Note 3: The carrying amount includes accumulated impairment loss.
Note 4: As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.
Note 5: FRVI was liquidated in the fourth quarter of 2019. FRVI transferred all of its shareholdings in FFMI to DPTW.
Note 6: The registration of the alteration of DPHK's common stock has not been completed.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 9

1. AUO：

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows Outflow	Investment Flows Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
A-Care	Design, development and sales of software and hardware for health care industry	43,155	(Note 1)	-	-	-	-	(18,772)	100%	100%	(18,772)	17,973	-	
AETJ	Manufacturing and sales of solar modules	-	(Note 1)	-	-	-	-	847	-	100%	847	-	-	Note 8
AUKS	Manufacturing and sales of TFT-LCD panels	28,959,735	(Note 1)	14,769,465	-	-	14,769,465	(4,634,866)	51%	51%	(2,363,782)	4,985,961	-	
AUSH	Sales support of TFT-LCD panels	90,405	(Note 1)	30,135	-	-	30,135	(37,431)	100%	100%	(37,431)	417,037	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules; leasing	3,254,580	(Note 1)	2,410,800	-	-	2,410,800	81,056	100%	100%	152,141	3,783,730	-	Note 7
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	8,377,530	(Note 1)	6,027,000	-	-	6,027,000	2,224,611	100%	100%	2,248,227	14,716,233	-	Note 7
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,533,750	(Note 1)	7,533,750	-	-	7,533,750	781,059	100%	100%	790,751	13,398,777	-	Note 7
BVCH	Manufacturing and sales of liquid crystal products and related parts	-	(Note 1)	225,108	-	-	225,108	(14,325)	-	19%	(2,722)	-	-	Note 8
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	-	-	-	-	(133,307)	100%	100%	(133,307)	815,781	-	Note 6
BVXM	Manufacturing and sales of liquid crystal	2,589,300	(Note 1)	-	-	-	-	36,637	100%	100%	36,637	1,272,990	-	

(Continued)

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow								
	products and related parts													
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,578	(Note 1)	-	-	-	-	(4,886)	100%	100%	(4,886)	16,862	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	21,578	(Note 1)	-	-	-	-	(13,025)	100%	100%	(13,025)	8,659	-	
UFSZ	Planning, design and development of construction project for environmental protection and related project management	25,893	(Note 1)	-	-	-	-	(7,951)	100%	100%	(7,951)	18,506	-	
UFSD	Planning, design and development of construction project for environmental protection and related project management	8,631	(Note 1)	-	-	-	-	(2,932)	100%	100%	(2,932)	5,802	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
30,996,258 (USD 1,028,580)	40,462,497 (USD 1,335,003 and HKD 60,000)	112,786,050

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 BVCH.
Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.
Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.
Note 7: Investor's share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2019 both include the effect of sidestream transactions.
Note 8: AETJ and BVCH were liquidated in the fourth quarter of 2019.

(Continued)

2. DPTW:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2019 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	482,160	-	-	482,160	(133,307)	29.71%	29.71%	(133,307)	815,781	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	753,375	(Note 1)	452,025	-	-	452,025	1,474	100%	100%	1,474	1,779,351	1,003,989	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	2,109,450	(Note 1)	2,109,450	-	-	2,109,450	(9,145)	100%	100%	(9,145)	4,422,562	1,559,487	
FHWJ	Manufacturing of motorized treadmills	195,878	(Note 1)	247,107	-	-	247,107	6,200	100%	100%	6,200	43,308	-	
FPWJ	Manufacturing and sales of precision plastic parts	873,915	(Note 1)	572,565	-	-	572,565	6,879	100%	100%	6,879	644,612	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,084,860	(Note 1)	1,084,860	-	-	1,084,860	56,654	100%	100%	56,654	1,350,802	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	1,054,725	(Note 1)	195,878	-	-	195,878	(88,537)	100%	100%	(88,537)	2,071,120	424,136	Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
5,144,045 (USD 170,700)	5,674,511 (USD 188,303)	6,630,571

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, 2019 disclosed in the table are presented based on 100% held.
Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.
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.

Appendix 2

Stock Code：2409

AU OPTRONICS CORP.

Parent Company Only Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018

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 version and Chinese version, the 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, 2019 and 2018, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

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

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.

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

Refer to Note 4(15) "Impairment – non-financial assets", Note 5(2) and Note 5(3) "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 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.

Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers" and Note 6(18) "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.

Auditor's 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 25, 2020

Notice 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.

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 version and Chinese version, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

AU OPTRONICS CORP.
Balance Sheets
December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

		December 31,			
		2019		2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 45,928,070	13	30,316,278	9
1110	Financial assets at fair value through profit or loss－current (Note 6(2))	18,753	-	52,434	-
1170	Accounts receivable, net (Note 6(4))	26,986,723	8	41,612,155	12
1180	Accounts receivable from related parties, net (Notes 6(4)&7)	1,938,966	1	4,625,330	1
1210	Other receivables from related parties (Note 7)	1,211,588	-	27,905	-
1220	Current tax assets	28,303	-	26,282	-
130X	Inventories (Note 6(5))	17,256,261	5	20,209,268	6
1476	Other current financial assets (Note 6(4))	1,111,904	-	304,164	-
1479	Other current assets (Note 6(12))	1,836,890	1	1,754,804	-
		98,317,458	28	98,928,620	28
	Noncurrent assets:				
1517	Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3))	7,140,410	2	6,604,041	2
1550	Investments in equity-accounted investees (Notes 6(6)&(7))	70,184,815	20	73,281,985	21
1600	Property, plant and equipment (Notes 6(8),7&8)	144,142,738	42	148,448,632	43
1755	Right-of-use assets (Note 6(9))	9,346,877	3	-	-
1760	Investment property (Note 6(10)&8)	465,868	-	539,436	-
1780	Intangible assets (Note 6(11))	12,051,761	3	12,476,746	4
1840	Deferred tax assets (Note 6(24))	4,265,480	1	5,151,811	1
1900	Other noncurrent assets (Notes 6(12)&8)	1,749,460	1	1,973,250	1
		249,347,409	72	248,475,901	72
	Total Assets	$ 345,664,867	100	347,404,521	100

		December 31,			
		2019		2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (Note 6(2))	$ 7,054	-	13,973	-
2170	Accounts payable	24,296,415	7	29,179,096	9
2180	Accounts payable to related parties (Note 7)	25,325,274	8	31,270,499	9
2213	Equipment and construction payable (Note 7)	4,568,963	1	7,125,831	2
2220	Other payables to related parties (Note 7)	405,656	-	224,886	-
2230	Current tax liabilities	-	-	1,267,055	-
2250	Provisions－current (Note 6(15))	666,896	-	1,395,690	-
2280	Lease liabilities－current (Note 6(9))	415,981	-	-	-
2399	Other current liabilities	13,584,470	4	17,353,370	5
2322	Current installments of long-term borrowings (Notes 6(13)&8)	4,000,000	1	22,212,000	7
		73,270,709	21	110,042,400	32
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current installments (Notes 6(13)&8)	81,966,110	24	29,733,545	9
2550	Provisions－noncurrent (Note 6(15))	805,729	-	777,445	-
2570	Deferred tax liabilities (Note 6(24))	2,213,429	1	2,356,782	1
2580	Lease liabilities－noncurrent (Note 6(9))	9,009,594	3	-	-
2600	Other noncurrent liabilities (Note 6(16))	1,727,456	-	1,631,634	-
		95,722,318	28	34,499,406	10
	Total liabilities	168,993,027	49	144,541,806	42
	Equity (Note 6(17)):				
3100	Common stock	96,242,451	28	96,242,451	28
3200	Capital surplus	60,544,474	18	60,622,043	17
3300	Retained earnings	22,903,722	6	46,845,991	13
3400	Other components of equity	(2,005,384)	(1)	(847,770)	-
3500	Treasury stock	(1,013,423)	-	-	-
	Total equity	176,671,840	51	202,862,715	58
	Total Liabilities and Equity	$ 345,664,867	100	347,404,521	100

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.
Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2019		2018	
		Amount	**%**	**Amount**	**%**
4110	**Revenue**	$ 257,130,650	101	295,131,127	101
4190	Less: sales return and discount	1,963,474	1	2,070,788	1
	Net revenue (Notes 6(18)&7)	255,167,176	100	293,060,339	100
5000	**Cost of sales** (Notes 6(5),(9),(14),(19),(20)&7)	257,786,100	101	266,682,541	91
	Gross profit (loss)	(2,618,924)	(1)	26,377,798	9
	Operating expenses: (Notes 6(9),(14),(19),(20)&7)				
6100	Selling and distribution expenses	2,873,009	1	3,079,820	1
6200	General and administrative expenses	4,244,405	2	4,399,773	1
6300	Research and development expenses	7,989,907	3	7,864,641	3
	Total operating expenses	15,107,321	6	15,344,234	5
	Profit (loss) from operations	(17,726,245)	(7)	11,033,564	4
	Non-operating income and expenses:				
7010	Other income (Notes 6(21)&7)	1,495,033	1	1,397,091	-
7020	Other gains and losses (Notes 6(7),(8),(22)&7)	618,172	-	(152,891)	-
7050	Finance costs (Notes 6(8),(9)&(23))	(1,546,400)	(1)	(980,812)	-
7060	Share of profit of equity-accounted investees (Note 6(6))	(1,187,224)	-	688,041	-
	Total non-operating income and expenses	(620,419)	-	951,429	-
7900	**Profit (loss) before income tax**	(18,346,664)	(7)	11,984,993	4
7950	**Less: income tax expense** (Note 6(24))	838,594	-	1,824,395	1
8200	**Profit (loss) for the year**	(19,185,258)	(7)	10,160,598	3
8300	**Other comprehensive income:** (Notes 6(6),(16),(17),(24))				
8310	**Items that will never be reclassified to profit or loss**				
8311	Remeasurement of defined benefit obligations	188,110	-	(56,956)	-
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income	536,369	-	(756,179)	-
8330	Equity-accounted investees – share of other comprehensive income (loss)	(13,981)	-	5,605	-
8349	Related tax	(37,622)	-	38,908	-
		672,876	-	(768,622)	-
8360	**Items that are or may be reclassified subsequently to profit or loss**				
8361	Foreign operations – foreign currency translation differences	(1,211,454)	-	1,685,563	1
8380	Equity-accounted investees – share of other comprehensive loss	(846,480)	-	(2,125,649)	(1)
8399	Related tax	377,862	-	133,370	-
		(1,680,072)	-	(306,716)	-
8300	**Other comprehensive income (loss), net of tax**	(1,007,196)	-	(1,075,338)	-
8500	**Total comprehensive income (loss) for the year**	$ (20,192,454)	(7)	9,085,260	3
	Earnings (loss) per share (NT$, Note 6(25))				
9750	Basic earnings (loss) per share	$ (2.00)		1.06	
9850	Diluted earnings (loss) per share	$ (2.00)		1.04	

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	Capital Stock		Retained Earnings				Other Components of Equity					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal	Cumulative Translation Differences	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Loss)	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Subtotal	Treasury Shares	Total Equity
Balance at January 1, 2018	$ 96,242,451	60,540,326	3,439,686	-	47,675,843	51,115,529	(1,120,969)	-	1,377,031	256,062	-	208,154,368
Adjustments on initial application of new standards	-	-	-	-	73,020	73,020	-	1,303,816	(1,377,031)	(73,215)	-	(195)
Adjusted balance at January 1, 2018	96,242,451	60,540,326	3,439,686	-	47,748,863	51,188,549	(1,120,969)	1,303,816	-	182,847	-	208,154,173
Appropriation of earnings												
Legal reserve	-	-	3,235,942	-	(3,235,942)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(14,436,368)	(14,436,368)	-	-	-	-	-	(14,436,368)
Profit for the year	-	-	-	-	10,160,598	10,160,598	-	-	-	-	-	10,160,598
Other comprehensive income (loss), net of tax	-	-	-	-	(16,862)	(16,862)	(306,716)	(751,760)	-	(1,058,476)	-	(1,075,338)
Total comprehensive income (loss) for the year	-	-	-	-	10,143,736	10,143,736	(306,716)	(751,760)	-	(1,058,476)	-	9,085,260
Changes in deemed contributions from shareholders	-	33,304	-	-	-	-	-	-	-	-	-	33,304
Adjustments for changes in investees' equity	-	28,889	-	-	158	158	-	-	-	-	-	29,047
Group reorganization	-	19,524	-	-	-	-	(22,225)	-	-	(22,225)	-	(2,701)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(50,084)	(50,084)	-	50,084	-	50,084	-	-
Balance at December 31, 2018	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												
Legal reserve	-	-	1,016,060	-	(1,016,060)	-	-	-	-	-	-	-
Special reserve	-	-	-	847,770	(847,770)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(4,812,122)	(4,812,122)	-	-	-	-	-	(4,812,122)
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	-	-	-	-	-	-	-	-	-	547
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(1,013,423)	(1,013,423)
Adjustments for changes in investees' equity	-	(40,085)	-	-	-	-	-	-	-	-	-	(40,085)
Changes in ownership interest in subsidiaries	-	(15,749)	-	-	(95,307)	(95,307)	-	-	-	-	-	(111,056)
Differences between acquisition price and carrying amount arising from acquisition of subsidiaries	-	(22,282)	-	-	-	-	-	-	-	-	-	(22,282)
Balance at December 31, 2019	$ 96,242,451	60,544,474	7,691,688	847,770	14,364,264	22,903,722	(3,129,982)	1,124,598	-	(2,005,384)	(1,013,423)	176,671,840

See accompanying notes to the parent company only financial statements

(Continued)

AU OPTRONICS CORP.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Profit (loss) before income tax	$ (18,346,664)	11,984,993
Adjustments for:		
- depreciation	23,520,703	20,870,071
- amortization	424,985	506,391
- interest expense	1,546,400	980,812
- interest income	(300,199)	(288,091)
- dividend income	(284,946)	(452,561)
- share of loss (profit) of equity-accounted investees	1,187,224	(688,041)
- gains on disposals of property, plant and equipment, net	(27,307)	(55,482)
- impairment losses on assets	67,778	4,470
- losses (gains) on financial instruments at fair value through profit or loss	26,762	(71,713)
- unrealized foreign currency exchange losses (gains)	(488,929)	434,330
- others	943	-
Changes in operating assets and liabilities:		
- accounts receivable	14,270,038	(6,056,978)
- receivables from related parties	2,702,681	(2,588,189)
- inventories	2,953,007	(982,953)
- other current assets	(718,394)	1,019,479
- notes and accounts payable	(4,128,050)	1,838,466
- payables to related parties	(5,764,455)	1,617,660
- net defined benefit liability	(89,386)	(86,706)
- provisions	(690,939)	629,203
- other current liabilities	(3,349,523)	(2,265,052)
Cash generated from operations	12,511,729	26,350,109
Cash received from interest income	301,758	304,697
Cash received from dividends	604,468	1,191,234
Cash paid for interest	(1,319,874)	(871,657)
Cash paid for income taxes	(1,024,452)	(132,836)
Net cash provided by operating activities	11,073,629	26,841,547

(Continued)

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.
Statements of Cash Flows (Continued)
For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

		2019	2018
Cash flows from investing activities:			
Acquisitions of financial assets at fair value through other comprehensive income		-	(3,418,633)
Acquisitions of equity-accounted investees		(654,914)	(2,061,398)
Proceeds from disposals of equity-accounted investees		-	2,338,360
Proceeds from return of capital by equity-accounted investees		-	94,760
Acquisitions of property, plant and equipment		(21,196,552)	(26,436,621)
Proceeds from disposals of property, plant and equipment		16,855	78,774
Decrease (increase) in refundable deposits		40,026	(137,841)
Increase in other financial assets		(2,412)	(5,161)
Decrease (increase) in other receivables from related parties		(1,200,000)	1,065,570
Net cash used in investing activities		(22,996,997)	(28,482,190)
Cash flows from financing activities:			
Proceeds from long-term borrowings		75,900,000	136,200
Repayments of long-term borrowings		(42,087,000)	(26,217,000)
Payments of lease liabilities		(442,719)	-
Cash dividends		(4,812,122)	(14,436,368)
Repurchase of treasury shares		(1,013,423)	-
Others		547	33,304
Net cash provided by (used in) financing activities		27,545,283	(40,483,864)
Effect of exchange rate change on cash and cash equivalents		(10,123)	17,638
Net increase (decrease) in cash and cash equivalents		15,611,792	(42,106,869)
Cash and cash equivalents at January 1		30,316,278	72,423,147
Cash and cash equivalents at December 31	$	45,928,070	30,316,278

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2019 and 2018
(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.

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.

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 5, 2020.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9, *Prepayment Features with Negative Compensation*	January 1, 2019
IFRS 16, *Leases*	January 1, 2019
Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures*	January 1, 2019
IFRIC 23, *Uncertainty over Income Tax Treatments*	January 1, 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	January 1, 2019

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

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

IFRS 16, Leases

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

Upon the initial application of IFRS 16, if the Company is a lessee, it is required to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with exception for leases of low-value assets and short-term leases which the Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17. Additionally, a depreciation expense charged on the right-of-use asset and an interest expense accrued on the lease liability, for which interest is computed by using effective interest method, are recognized separately on the statement of comprehensive income. On the statement of cash flows, cash payments for the principal amount of the lease liability is classified within financing activities; cash payments for interest portion is classified within operating activities. See Note 4(13) for an explanation of the Company's accounting policies on leases.

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

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

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

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

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

(Continued)

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized by the Company at January 1, 2019 is 1.82%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating leases on December 31, 2018 is presented as follows:

		Amounts (in thousands)
The future minimum lease payments of non-cancellable operating leases on December 31, 2018	$	3,845,080
Other leases in scope of IFRS 16		119,504
Undiscounted amount on January 1, 2019	**$**	**3,964,584**
Discounted amount using the incremental borrowing rate on January 1, 2019	$	3,639,324
Extension of lease that reasonably certain to be exercised		7,149,661
Lease liabilities recognized on January 1, 2019	**$**	**10,788,985**

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

	January 1, 2019		
	Carrying amount under IAS 17 and related standards and interpretations	**Adjustments from changes in accounting policies**	**Carrying amount under IFRS 16**
		(in thousands)	
Right-of-use assets	$ -	10,788,985	10,788,985
Impacts to total assets		**$ 10,788,985**	
Lease liabilities–current	$ -	442,879	442,879
Lease liabilities–noncurrent	-	10,346,106	10,346,106
Impacts to total liabilities		**$ 10,788,985**	
Impacts to total equity		**$ -**	

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3, *Definition of a Business*	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of Material*	January 1, 2020

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

(Continued)

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

A summary of the new or/and amended IFRSs issued by the IASB but not yet endorsed by the FSC is set out below.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Subject to IASB's announcement
IFRS 17, *Insurance Contracts*	January 1, 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*	January 1, 2022

Note: The aforementioned new, revised and amended standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

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. 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").

(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(16)).

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.

(Continued)

(3) Foreign currency transactions and operations

a. Transactions in foreign currencies are translated to the functional currency 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.

(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.

(Continued)

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(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.

(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)

(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.

(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.

(Continued)

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(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.

(8) Noncurrent assets held for sale

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

When intangible assets and property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated. In addition, once an equity-accounted investee is classified as held for sale, it is no longer equity accounted.

(9) Investments in associates and joint ventures

Associates are those entities in which the Company together with 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 cost of the investment includes transaction costs. 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

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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.

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.

(10) 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

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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.

(11) 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.

(12) 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:

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

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.

(13) Leases

Leases (policy applicable from January 1, 2019)

a. Identifying a lease
A contract is, or contains, a lease when all the following conditions are satisfied:
(i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
(ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
(iii) the Company has the right to direct the use of the identified asset throughout the period of use.

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

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

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

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

(Continued)

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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.

Leases (policy applicable before January 1, 2019)

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 leased asset, and recognized as an expense on a straight-line basis over the lease term.

b. Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(14) 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.

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

(Continued)

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.

(15) Impairment – non-financial assets

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

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

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

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

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

(16) Provisions

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

a. Warranties

(Continued)

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

b. Decommissioning obligation

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

c. Onerous contracts

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

d. Loss contingencies

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.

(17) Treasury shares

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

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

(18) Revenue from contracts with customers

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

a. Sales of goods

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

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

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

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

b. Construction contracts

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

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

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

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

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

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

(Continued)

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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.

(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.

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.

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) 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.

(Continued)

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.

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

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.

(Continued)

(22) 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.

(23) 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) Estimate of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within the warranty period, the historical and anticipated warranty claims rate associated with similar products and services, and the projected unit cost of maintenance. The Company regularly reviews the basis of the estimate and if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any changes of the basis of the estimate.

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company’s resources and the amount can be reasonably estimated. While the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability.

(2) 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.

(3) 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.

(Continued)

(4) Measurement of defined benefit obligations

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Cost Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, long-term average future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(5) 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.

(6) Estimate of variable consideration of revenue

The Company estimates the amount of variable consideration by using methods either the expected value or the most likely amount based on historical experience, market and economic situation and any known factors that would significantly affect the estimates. The amount of variable consideration is recognized as a reduction of revenue in the same period the related revenue is recognized. The Company periodically reviews the reasonableness of the estimated variable consideration. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration.

(7) Valuation of inventories

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

(Continued)

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Notes to Parent Company Only Financial Statements

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
	(in thousands)	
Cash on hand, demand deposits and checking accounts	$ 32,188,485	19,180,244
Time deposits	13,739,585	11,136,034
	$ 45,928,070	30,316,278

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

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

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

	December 31, 2019	December 31, 2018
	(in thousands)	
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	$ 18,753	52,434
Financial liabilities held for trading:		
Foreign currency forward contracts	$ 7,054	13,973

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

As of December 31, 2019 and 2018, the Company's outstanding foreign currency forward contracts were as follows:

December 31, 2019

Contract item	Maturity date	Contract amount
		(in thousands)
Sell USD / Buy NTD	Jan. 2020	USD154,000 / NTD4,640,720
Sell USD / Buy JPY	Jan. 2020	USD27,000 / JPY2,948,070
Sell CNY / Buy USD	Feb. 2020 – Mar. 2020	CNY1,285,305 / USD184,000
Sell EUR / Buy JPY	Jan. 2020 – Feb. 2020	EUR23,000 / JPY2,788,285
Sell HKD / Buy USD	Jan. 2020	HKD60,177 / USD7,721

December 31, 2018

Contract item	Maturity date	Contract amount
		(in thousands)
Sell USD / Buy NTD	Jan. 2019	USD205,000 / NTD6,305,641
Sell USD / Buy JPY	Jan. 2019	USD112,000 / JPY12,531,420
Sell NTD / Buy JPY	Jan. 2019 – Mar. 2019	NTD2,054,260 / JPY7,400,000
Sell EUR / Buy JPY	Jan. 2019	EUR12,000 / JPY1,536,180
Sell CNY / Buy JPY	Jan. 2019 – Feb. 2019	CNY60,800 / JPY981,383
Sell CNY / Buy USD	Jan. 2018 – Feb. 2019	CNY853,328 / USD124,000

(Continued)

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Notes to Parent Company Only Financial Statements

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

		December 31	
		2019	2018
		(in thousands)	
Investments in equity instruments at FVTOCI:			
Equity securities – listed stocks	$	7,140,410	6,604,041

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.

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 and $660,404 thousand for the years ended December 31, 2019 and 2018, respectively.

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

		December 31,	
		2019	2018
		(in thousands)	
Accounts receivable	$	28,925,839	46,252,776
Less: loss allowance		(150)	(15,291)
	$	28,925,689	46,237,485
Accounts receivable, net	$	26,986,723	41,612,155
Accounts receivable from related parties, net	$	1,938,966	4,625,330

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:

		December 31, 2019		
		Carrying amount of accounts receivable	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
		(in thousands)		(in thousands)
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		12,072	1.20%	145
	$	28,925,839		150

		December 31, 2018		
		Carrying amount of accounts receivable	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
		(in thousands)		(in thousands)
Not past due	$	45,576,334	0.00%	89
Past due less than 60 days		653,327	0.07%	439
Past due 61~180 days		8,461	1.29%	109
	$	46,238,122		637

In addition, there was objective evidence indicating that, under reasonable expectation, some of the accounts receivable would not be recovered in total; therefore, the Company recognized a loss allowance amounting to $0 and $14,654 thousand as of December 31, 2019 and 2018.

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

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

		December 31, 2019	December 31, 2018
		(in thousands)	
Balance at beginning of the year	$	15,291	19,589
Reversals against expense		(487)	(4,298)
Write-offs		(14,654)	-
Balance at end of the year	$	150	15,291

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

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

As at December 31, 2018, 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	Amount sold and derecognized	Amount advanced	Principal terms
	(in thousands)	(in thousands)	(in thousands)	
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 1.0700% to 2.4419%.

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.

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

(5) Inventories

	December 31,	
	2019	2018
	(in thousands)	
Finished goods	$ 7,022,551	7,585,386
Work-in-progress	8,404,901	10,467,651
Raw materials	1,828,809	2,156,231
	$ 17,256,261	20,209,268

For the years ended December 31, 2019 and 2018, the amounts recognized as cost of sales in relation to inventories were $257,786,100 thousand and $266,682,541 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to $265,330 thousand and $922,443 thousand for the years ended December 31, 2019 and 2018, respectively.

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

(6) Investments in Equity-accounted Investees

	December 31,	
	2019	2018
	(in thousands)	
Subsidiaries	$ 67,163,450	70,184,683
Associates	3,021,365	3,097,302
	$ 70,184,815	73,281,985

a. Subsidiaries

Refer to consolidated financial statements for the years ended December 31, 2019 and 2018 for the details.

The following table summarized the amount recognized by the Company at its share of those subsidiaries.

	For the years ended December 31,	
	2019	2018
	(in thousands)	
The Company's share of subsidiaries':		
Profit (loss)	$ (1,198,425)	638,531
Other comprehensive loss	(2,052,161)	(427,892)
Total comprehensive income (loss)	$ (3,250,586)	210,639

(Continued)

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Notes to Parent Company Only Financial Statements

b. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2019 Amount	December 31, 2019 Ownership interest	December 31, 2018 Amount	December 31, 2018 Ownership interest
			(in thousands)	%	(in thousands)	%
Lextar Electronics Corp. ("Lextar")	Manufacturing and sales of Light Emitting Diode	Taiwan ROC	$ 1,642,746	15	$ 1,740,230	15
Star Shining Energy Corporation ("SSEC")	Investment	Taiwan ROC	953,966	31	942,094	31
Star River Energy Corp. ("SREC")	Investment	Taiwan ROC	424,653	32	414,978	32
			$3,021,365		$ 3,097,302	

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

		For the years ended December 31, 2019	For the years ended December 31, 2018
		(in thousands)	
The Company's share of associates':			
Profit	$	11,201	49,510
Other comprehensive loss		(19,754)	(6,588)
Total comprehensive income (loss)	$	(8,553)	42,922

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

(7) Acquisition of Subsidiaries

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

If the acquisition had taken place on January 1, 2018, management estimated that the Company's consolidated revenue and consolidated net profit for the year ended December 31, 2018 would have been $307,673,560 thousand and $7,956,563 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018. The aforementioned pro-forma information is presented for illustrative purposes only and is not necessarily an indication of consolidated revenue and consolidated results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

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

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

(Continued)

d. Consideration transferred

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

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

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

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

a. Identifiable assets acquired and liabilities assumed

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

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

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

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

(Continued)

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(8) Property, Plant and Equipment

	For the year ended December 31, 2019				
	Balance, Beginning of Year	Additions	Disposal or write off (in thousands)	Reclassification	Balance, End of Year
Cost:					
Land	$ 6,344,658	-	-	-	6,344,658
Buildings	87,696,804	-	-	96,988	87,793,792
Machinery and equipment	694,184,513	1,028,763	(2,678,152)	14,060,356	706,595,480
Other equipment	24,056,317	3,789,557	(3,444,483)	1,363,450	25,764,841
	812,282,292	4,818,320	(6,122,635)	15,520,794	826,498,771
Accumulated depreciation and impairment loss:					
Buildings	22,950,335	1,793,785	-	23,372	24,767,492
Machinery and equipment	626,632,857	17,204,842	(2,671,407)	-	641,166,292
Other equipment	19,233,488	4,068,438	(3,442,271)	-	19,859,655
	668,816,680	23,067,065	(6,113,678)	23,372	685,793,439
Prepayments for purchase of land and equipment, and construction in progress	4,983,020	13,879,180	-	(15,424,794)	3,437,406
Net carrying amounts	$ 148,448,632				144,142,738

	For the year ended December 31, 2018				
	Balance, Beginning of Year	Additions	Disposal or write off (in thousands)	Reclassification	Balance, End of Year
Cost:					
Land	$ 6,344,658	-	-	-	6,344,658
Buildings	87,649,494	(530)	-	47,840	87,696,804
Machinery and equipment	661,302,840	1,410,817	(5,753,325)	37,224,181	694,184,513
Other equipment	19,077,836	3,950,266	(71,087)	1,099,302	24,056,317
	774,374,828	5,360,553	(5,824,412)	38,371,323	812,282,292
Accumulated depreciation and impairment loss:					
Buildings	21,158,080	1,792,255	-	-	22,950,335
Machinery and equipment	617,002,758	15,373,101	(5,743,002)	-	626,632,857
Other equipment	15,596,915	3,707,302	(70,729)	-	19,233,488
	653,757,753	20,872,658	(5,813,731)	-	668,816,680
Prepayments for purchase of land and equipment, and construction in progress	21,179,915	22,174,428	-	(38,371,323)	4,983,020
Net carrying amounts	$ 141,796,990				148,448,632

As of December 31, 2019 and 2018, 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 2019, the Company wrote down certain machineries and equipment with extremely low utilization resulting from the decline in the application for certain products associated with its display segment and recognized an impairment loss of $52,829 thousand.

(Continued)

AU OPTRONICS CORP.

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In 2019 and 2018, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of $14,949 thousand and $4,470 thousand, respectively.

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

	For the years ended December 31,	
	2019	**2018**
	(in thousands)	
Capitalized borrowing costs	$ 127,318	290,262
Interest rates applied for the capitalization	1.77%~ 1.89%	1.73%~ 1.91%

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

(9) Lease Arrangements

a. Leasees

(i) Right-of-use assets

	December 31, 2019
	(in thousands)
Carrying amount of right-of-use assets	
Land	$ 9,236,323
Buildings	78,037
Other equipment	32,517
	$ 9,346,877

	For the year ended December 31, 2019
	(in thousands)
Additions to right-of-use assets	$ 143,402
Depreciation charge for right-of-use assets	
Land	$ 431,013
Buildings	25,552
Other equipment	64,851
	$ 521,416

(ii) Lease liabilities

	December 31, 2019		
	Future minimum lease payments	**Interests**	**Present value of minimum lease payments**
		(in thousands)	
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

(Continued)

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(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 January 2019, AUO modified one of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amount of the right-of-use asset was reduced by $1,064,094 thousand. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Additional lease information

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

		For the year ended December 31, 2019
		(in thousands)
Expenses relating to short-term leases	**$**	**2,861**

Total cash outflow for the Company's leases in which it acts as a lessee for the year ended December 31, 2019 was $618,293 thousand.

b. Lessor

The Company leased out its investment properties and part of its land and buildings and did not transfer substantially all the risks and rewards incidental to their ownership to the lessees, therefore, those leases were recognized as operating leases. Refer to Note 6(21) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases amounted to $ 1,803 thousand for the year ended December 31, 2019.

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

		December 31, 2019
		(in thousands)
Year 1	$	8,052
Year 2		8,052
Year 3		8,052
Year 4		8,052
Year 5		8,052
Year 6 onwards		63,074
Total undiscounted operating lease receivable	**$**	**103,334**

Refer to Note 6(14) for the Company's respective information as lessor and lessee as of December 31, 2018.

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(10) Investment Property

	For the year ended December 31, 2019			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
		(in thousands)		
Cost:				
Land	$ 465,868	-	-	465,868
Buildings	96,000	-	(96,000)	-
	561,868	-	(96,000)	465,868
Accumulated depreciation:				
Buildings	22,432	940	(23,372)	-
Net carrying amounts	$ 539,436			465,868
Fair Value	$ 1,500,985			1,578,838

	For the year ended December 31, 2018			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
		(in thousands)		
Cost:				
Land	$ 465,868	-	-	465,868
Buildings	96,000	-	-	96,000
	561,868	-	-	561,868
Accumulated depreciation:				
Buildings	20,549	1,883	-	22,432
Net carrying amounts	$ 541,319			539,436
Fair Value	$ 1,502,896			1,500,985

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 significant inputs used in the fair value measurement were as follows:

	December 31,	
	2019	2018
Overall capital interest rate	2.53%	1.86%
Rate of return	15.00%	10.00%

As at December 31, 2019 and 2018, there was no investment property that was pledged as collateral.

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(11) Intangible Assets

	For the year ended December 31, 2019			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
	(in thousands)			
Cost:				
Goodwill	$ 11,280,595	-	-	11,280,595
Patent and technology fee	12,078,767	-	-	12,078,767
	23,359,362	-	-	23,359,362
Accumulated amortization:				
Patent and technology fee	10,882,616	424,985	-	11,307,601
Net carrying amounts	$ 12,476,746			12,051,761

	For the year ended December 31, 2018			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
	(in thousands)			
Cost:				
Goodwill	$ 11,280,595	-	-	11,280,595
Patent and technology fee	12,078,767	-	-	12,078,767
	23,359,362	-	-	23,359,362
Accumulated amortization:				
Patent and technology fee	10,376,225	506,391	-	10,882,616
Net carrying amounts	$ 12,983,137			12,476,746

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

	December 31,	
	2019	2018
	(in thousands)	
Display business	$ 11,280,595	11,280,595

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, 2019 and 2018 were 12.25% and 11.57%, 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 0.5% and negative 1% for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

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(12) Other Current Assets and Other Noncurrent Assets

	December 31, 2019	December 31, 2018
	(in thousands)	
Refundable deposits	$ 543,530	585,697
Refundable and overpaid tax	404,135	414,004
Prepayments for purchases	134,972	373,119
Others	2,503,713	2,355,234
	3,586,350	3,728,054
Less: current	(1,836,890)	(1,754,804)
Noncurrent	$ 1,749,460	1,973,250

(13) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2019	December 31, 2018
		(in thousands)	
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2015 to Feb. 2019	$ -	5,912,000
Bank of Taiwan and others	From Apr. 2016 to Apr. 2019	-	36,175,000
Bank of Taiwan and others	From May 2017 to May 2022	10,000,000	10,000,000
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	42,000,000	-
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	23,000,000	-
Unsecured loans	From Aug 2018 to Aug. 2023	5,000,000	300,000
Secured loans	From Nov. 2019 to Dec. 2026	6,200,000	-
		86,200,000	52,387,000
Less: transaction costs		(233,890)	(441,455)
		85,966,110	51,945,545
Less: current portion		(4,000,000)	(22,212,000)
		$ 81,966,110	29,733,545
Unused credit facilities		$ 31,000,000	75,120,300
Interest rate range		1.0000%~ 1.8822%	1.5991%~ 1.9598%

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, 2019.

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, 2019 and 2018, the Company complied with all financial covenants required under each of the loan agreements.

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

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(14) Operating Leases

a. Lessees

Future minimum lease payments under non-cancellable operating leases as of December 31, 2018 were as follows:

		December 31, 2018
		(in thousands)
Less than one year	$	570,122
Between one and five years		2,076,520
More than five years		1,198,438
	$	**3,845,080**

The Company entered into various operating lease agreements for land with Hsinchu Science Park Bureau beginning from March 1, 1994 for a period of 20 years, with renewal option upon expiration. The Company had on July 2003 and November 2006, entered into various operating lease for land with Central Science Park Administration Bureau for period from July 28, 2003 till December 31, 2023 and November 9, 2006 till December 31, 2025. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

The Company had also on February 2008 and October 2018, respectively, renewed its lease agreements with Hsinchu Science Park Bureau and Southern Taiwan Science Park Bureau, respectively, for the lands in Longtan Science Park and Kaohsiung Science Park. The period covers from February 9, 2008 till December 31, 2027 and October 23, 2018 till October 22, 2038, respectively. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

Rental expense for operating leases amounted to $691,663 thousand for the year ended December 31, 2018.

c. Lessor

The Company leased its investment properties to third parties under operating lease. Refer to Note 6(10) for further information on investment properties.

Future minimum lease receivables under non-cancellable operating leases as of December 31, 2018 were as follows:

		December 31, 2018
		(in thousands)
Less than one year	$	21,684
Between one and five years		45,840
More than five years		71,126
	$	**138,650**

In addition to the above-mentioned, the Company also leased partial offices to others. See Note 6(21) for rental income. Repair and maintenance expenses incurred from aforementioned operating leases for the year ended December 31, 2018 amounted to $3,059 thousand.

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(15) Provisions

		Warranties(i)	Litigation, claims and others	Total
			(in thousands)	
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		-	(9,571)	(9,571)
Balance at December 31, 2019		1,266,081	206,544	1,472,625
Less: current		(460,352)	(206,544)	(666,896)
Noncurrent	$	805,729	-	805,729
Balance at January 1, 2018	$	1,446,255	89,520	1,535,775
Additions (Reversals)		55,884	641,571	697,455
Usage		(68,252)	-	(68,252)
Effect of change in exchange rate		-	8,157	8,157
Balance at December 31, 2018		1,433,887	739,248	2,173,135
Less: current		(656,442)	(739,248)	(1,395,690)
Noncurrent	$	777,445	-	777,445

(ii) The provisions for warranties for the years ended December 31, 2019 and 2018 were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

(16) 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.

(i) Reconciliation for the Company's present value of defined benefit obligation and the fair value of plan assets

		December 31, 2019	December 31, 2018
		(in thousands)	
Present value of defined benefit obligation	$	(3,122,442)	(3,224,379)
Fair value of plan assets		2,542,832	2,367,273
Net defined benefit liability	$	(579,610)	(857,106)

(Continued)

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2019	2018	2019	2018	2019	2018
			(in thousands)			
Balance at January 1,	$ (3,224,379)	(3,099,874)	2,367,273	2,213,018	(857,106)	(886,856)
Included in profit or loss						
Service cost	(1,177)	(1,935)	-	-	(1,177)	(1,935)
Interest cost	(39,337)	(49,598)	-	-	(39,337)	(49,598)
Expected return on plan assets	-	-	28,881	35,408	28,881	35,408
	(40,514)	(51,533)	28,881	35,408	(11,633)	(16,125)
Included in other comprehensive income						
Remeasurements (loss) gain:						
Actuarial (loss) gain arising from:						
- demographic assumptions	89,851	(15,795)	-	-	89,851	(15,795)
- financial assumptions	(206,995)	(178,212)	-	-	(206,995)	(178,212)
- experience adjustment	228,466	84,437	-	-	228,466	84,437
Return on plan assets excluding interest income	-	-	76,788	52,614	76,788	52,614
	111,322	(109,570)	76,788	52,614	188,110	(56,956)
Other						
Contributions paid by the employer	-	-	101,019	102,831	101,019	102,831
Benefits paid	31,129	36,598	(31,129)	(36,598)	-	-
Others	31,129	36,598	69,890	66,233	101,019	102,831
Balance at December 31,	$ (3,122,442)	(3,224,379)	2,542,832	2,367,273	(579,610)	(857,106)

(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.

As of December 31, 2019, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to $2,542,832 thousand. 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.

(Continued)

(iv) Defined benefit obligation

(a) Principal actuarial assumptions

	December 31, 2019	December 31, 2018
Discount rate	0.88%	1.22%
Rate of increase in future salary	2.90%	2.90%

The Company anticipates contributing $100,799 thousand to the defined benefit plans in the next year starting from January 1, 2020.

As at December 31, 2019, the weighted-average duration of the defined benefit obligation was 20 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2019 and 2018 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2019 Changes in assumptions + 0.25%	December 31, 2019 Changes in assumptions - 0.25%	December 31, 2018 Changes in assumptions + 0.25%	December 31, 2018 Changes in assumptions - 0.25%
	(in thousands)		(in thousands)	
Discount rate	$ (150,518)	158,966	(159,872)	169,102
Rate of increase in future salary	$ 156,374	(147,992)	165,850	(157,706)

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, 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, 2019 and 2018, $902,578 thousand and $942,864 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the Labor Insurance.

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(17) Capital and Other Components of Equity

a. Common stock

The Company's authorized common stock, with par value of $10 per share, both amounted to $100,000,000 thousand as at December 31, 2019 and 2018.

The Company's issued common stock, with par value of $10 per share, both amounted to $96,242,451 thousand as at December 31, 2019 and 2018.

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, 2019, the Company has issued 50,123 thousand ADSs, which represented 501,229 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2019	December 31, 2018
	(in thousands)	
From common stock	$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,738,521	1,816,090
	$ 60,544,474	60,622,043

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

c. Legal reserve

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

d. Distribution of earnings

In accordance with 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.

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

(Continued)

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

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

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

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:

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

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

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

e. Treasury shares

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

For the year ended December 31, 2019				
Reason for reacquisition	**Number of shares, Beginning of Year**	**Additions**	**Reductions**	**Number of shares, End of Year**
	(in thousands of shares)			
Transferring to employees	-	125,000	-	125,000

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

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

f. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
		(in thousands)	
Balance at January 1, 2019	$ (1,449,910)	602,140	(847,770)
Foreign operations – foreign currency translation differences	(1,211,454)	-	(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	**$ (3,129,982)**	**1,124,598**	**(2,005,384)**

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Unrealized gains (losses) on available-for-sale financial assets	Total
		(in thousands)		
Balance at January 1, 2018	$ (1,120,969)	-	1,377,031	256,062
Adjustments on initial application of new standards	-	1,303,816	(1,377,031)	(73,215)
Foreign operations – foreign currency translation differences	1,685,563	-	-	1,685,563
Net change in fair value of financial assets at FVTOCI	-	(756,179)	-	(756,179)
Equity-accounted investees – share of other comprehensive income	(2,125,649)	4,419	-	(2,121,230)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	50,084	-	50,084
Group reorganization	(22,225)	-	-	(22,225)
Related tax	133,370	-	-	133,370
Balance at December 31, 2018	**$ (1,449,910)**	**602,140**	**-**	**(847,770)**

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(18) Revenue from Contracts with Customers

		For the year ended December 31, 2019	
	Display segment	Energy segment	Total segments
		(in thousands)	
Primary geographical markets:			
PRC (including Hong Kong)	$ 92,747,943	1,262,345	94,010,288
Taiwan	76,020,646	4,486,119	80,506,765
Singapore	38,550,665	7,666	38,558,331
Japan	18,861,590	280,429	19,142,019
Others	21,459,052	1,490,721	22,949,773
	$ 247,639,896	7,527,280	255,167,176
Major products:			
Products for Televisions	$ 86,426,165	-	86,426,165
Products for Mobile PCs and Devices	69,290,266	-	69,290,266
Products for Monitors	39,522,268	-	39,522,268
Products for Commercial and Others(i)	52,401,197	-	52,401,197
Solar Products	-	7,527,280	7,527,280
	$ 247,639,896	7,527,280	255,167,176
Major customers:			
Customer A	$ 31,426,701	-	31,426,701
Others (individually not greater than 10%)	216,213,195	7,527,280	223,740,475
	$ 247,639,896	7,527,280	255,167,176

		For the year ended December 31, 2018	
	Display segment	Energy segment	Total segments
		(in thousands)	
Primary geographical markets:			
PRC (including Hong Kong)	$ 109,586,951	1,031,491	110,618,442
Taiwan	91,085,995	5,464,243	96,550,238
Singapore	39,367,379	-	39,367,379
Japan	16,888,485	460,783	17,349,268
Others	24,898,667	4,276,345	29,175,012
	$ 281,827,477	11,232,862	293,060,339
Major products:			
Products for Televisions	$ 110,451,334	-	110,451,334
Products for Mobile PCs and Devices	74,393,888	-	74,393,888
Products for Monitors	47,032,467	-	47,032,467
Products for Commercial and Others(i)	49,949,788	-	49,949,788
Solar Products	-	11,232,862	11,232,862
	$ 281,827,477	11,232,862	293,060,339
Major customers:			
Customer A	$ 34,869,029	-	34,869,029
Others (individually not greater than 10%)	246,958,448	11,232,862	258,191,310
	$ 281,827,477	11,232,862	293,060,339

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

(19) 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, 2018, the Company estimated the remuneration to employees amounting to $1,215,696 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.

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

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

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

(20) The Nature of Expenses

	For the years ended December 31,					
	2019			2018		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
	(in thousands)					
Employee benefits expenses:						
Salaries and wages	14,352,414	5,242,481	19,594,895	16,109,604	5,554,392	21,663,996
Labor and health insurances	1,322,702	391,763	1,714,465	1,394,015	407,740	1,801,755
Retirement benefits	668,826	245,385	914,211	707,531	251,458	958,989
Remuneration to directors	-	31,681	31,681	-	58,713	58,713
Other employee benefits	1,275,784	214,908	1,490,692	1,236,157	242,955	1,479,112
Depreciation(i)	20,708,657	2,812,046	23,520,703	18,424,568	2,443,620	20,868,188
Amortization	424,985	-	424,985	506,391	-	506,391

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(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, 2019 and 2018 were as follows:

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Number of employees		21,263	23,261
Number of non-employee directors		7	7
Average employee benefit expenses	$	1,115	1,114
Average salaries expenses	$	922	931
Average salary expense adjustment		(1)%	

(21) Other Income

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Interest income on bank deposits	$	272,320	259,588
Interest income on government bonds with reverse repurchase agreements and others		27,879	28,503
Rental income, net		351,618	364,893
Dividend income		284,946	452,561
Grants and Others		558,270	291,546
	$	1,495,033	1,397,091

(22) Other Gains and Losses

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Foreign exchange losses, net	$	(57,872)	(111,958)
Gains on valuation of financial instruments at FVTPL, net		349,903	549,805
Gains on disposals of property, plant and equipment, net		27,307	55,482
Impairment losses on assets		(67,778)	(4,470)
Gains (losses) on litigation and others		366,612	(641,750)
	$	618,172	(152,891)

(23) Finance Costs

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Interest expense on bank borrowings	$	1,154,398	851,067
Interest expense on lease liabilities		172,713	-
Interest expense on others		219,289	129,745
	$	1,546,400	980,812

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(24) Income Taxes

a. Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Current income tax expense (benefit):			
Current year	$	-	1,266,731
Adjustment to prior years and others		(244,624)	(388,025)
		(244,624)	878,706
Deferred tax expense (benefit):			
Temporary differences		553,216	(413,271)
Investment tax credit and tax losses carryforwards		530,002	1,911,841
Effect of changes in statutory income tax rate		-	(552,881)
		1,083,218	945,689
Total income tax expense	**$**	**838,594**	**1,824,395**

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31,	
		2019	**2018**
		(in thousands)	
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	**$**	**37,622**	**(38,908)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences	$	(242,291)	241,618
Equity-accounted investees – share of other comprehensive income		(135,571)	(374,988)
	$	**(377,862)**	**(133,370)**

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, 2019 and 2018, was as follows:

(Continued)

		For the years ended December 31,	
		2019	2018
		(in thousands)	
Income tax expense at statutory tax rate	$	(3,669,333)	2,396,999
Tax on undistributed earnings, net		-	1,266,731
Effect of changes in statutory income tax rate		-	(552,881)
Net of non-taxable income and non-deductible expense		442,825	(67,590)
Effect of change of unrecognized deductible temporary differences, tax losses carryforwards, and investment tax credits		4,309,726	(830,839)
Adjustments to prior year		(244,624)	(388,025)
Income tax expense	$	**838,594**	**1,824,395**

b. Deferred tax assets and liabilities

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

		December 31,	
		2019	2018
		(in thousands)	
Deductible temporary differences	$	976,183	253,978
Unused tax losses carryforwards		14,453,820	11,276,085
	$	**15,430,003**	**11,530,063**

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2019, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment		Unrecognized deferred tax assets	Expiration in year
		(in thousands)	
2011	$	1,801,079	2021
2012		9,667,511	2022
2019 (estimated)		2,985,230	2029
	$	**14,453,820**	

As of December 31, 2019, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $277,670 thousand.

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

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			(in thousands)			
Tax losses carryforwards	$ 2,120,783	2,650,785	-	-	2,120,783	2,650,785
Unrealized loss and expenses	161,146	303,467	-	(2,586)	161,146	300,881
Inventories write-down	857,255	809,322	-	-	857,255	809,322
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	157,216	194,838	-	-	157,216	194,838
Others	969,080	1,193,399	-	(140,767)	969,080	1,052,632
	$ 4,265,480	5,151,811	(2,213,429)	(2,356,782)	2,052,051	2,795,029

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019
				(in thousands)			
Deferred tax assets (liabilities):							
Tax losses carryforwards	$ 3,878,232	(1,227,447)	-	2,650,785	(530,002)	-	2,120,783
Unrealized loss and expenses	191,866	109,015	-	300,881	(139,735)	-	161,146
Inventories write-down	531,108	278,214	-	809,322	47,933	-	857,255
Accumulated amortization of goodwill in accordance with local tax laws	(1,881,415)	(332,014)	-	(2,213,429)	-	-	(2,213,429)
Remeasurement of defined benefit plans	155,930	-	38,908	194,838	-	(37,622)	157,216
Others	692,719	226,543	133,370	1,052,632	(461,414)	377,862	969,080
	$ 3,568,440	(945,689)	172,278	2,795,029	(1,083,218)	340,240	2,052,051

c. Assessments by the tax authorities

As of December 31, 2019, the tax authorities have completed the examination of income tax returns of the Company through 2017.

(25) Earnings (Loss) per Share

	For the years ended December 31,	
	2019	2018
	(in thousands, except for per share data)	
Basic earnings (loss) per share		
Profit (loss) attributable to shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Basic earnings (loss) per share (NT$)	$ (2.00)	1.06
Diluted earnings (loss) per share		
Profit (loss) attributable to shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Effect of employee remuneration in stock	-	164,609
	9,597,268	9,788,854
Diluted earnings (loss) per share (NT$)	$ (2.00)	1.04

(Continued)

Since AUO incurred net loss for the year ended December 31, 2019, there were no potential ordinary shares with dilutive effect for the year.

(26) Cash Flow Information

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

		Long-term borrowings (including current installments)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
			(in thousands)		
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:					
Increase (decrease) in lease liabilities		-	-	(920,691)	(920,691)
Changes in exchange rate		-	(29,228)	-	(29,228)
Amortization on transaction costs		207,565	-	-	207,565
Balance at December 31, 2019	$	85,966,110	728,087	9,425,575	96,119,772

		Long-term borrowings (including current installments)	Guarantee deposits	Total liabilities from financing activities
			(in thousands)	
Balance at January 1, 2018	$	77,902,271	765,883	78,668,154
Cash flows		(26,080,800)	-	(26,080,800)
Non-cash changes:				
Changes in exchange rate		-	(8,568)	(8,568)
Amortization on transaction costs		124,074	-	124,074
Balance at December 31, 2018	$	51,945,545	757,315	52,702,860

(27) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company's current non-derivative financial instruments, including financial assets at amortized cost 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, 2019 and 2018 were as follows:

		December 31, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(in thousands)		
Financial assets:					
Financial assets at FVTPL:					
Financial assets mandatorily measured at FVTPL	$	18,753	18,753	52,434	52,434
Financial assets at FVTOCI		7,140,410	7,140,410	6,604,041	6,604,041
Financial assets at amortized cost:					
Refundable deposits		543,530	543,530	585,697	585,697
Financial liabilities:					
Financial liabilities at FVTPL:					
Financial liabilities held for trading		7,054	7,054	13,973	13,973

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	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	85,966,110	85,966,110	51,945,545	51,945,545
Guarantee deposits	728,087	728,087	757,315	757,315

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.

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.
(ii) Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
(iii) Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3	Total
	(in thousands)			
December 31, 2019				
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
December 31, 2018				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	-	52,434	-	52,434

(Continued)

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Financial assets at FVTOCI	6,604,041	-	-	6,604,041
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	13,973	-	13,973

There were no transfers between Level 1 and 2 for the years ended December 31, 2019 and 2018.

(28) Financial Risk Management

a. Risk management framework

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

b. Financial risk information

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

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

(i) Credit risk

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

(a) The carrying amount of financial assets recognized in the 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 and cash equivalent investments 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 in banks and cash equivalents.

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, 2019 and 2018, the Company's five largest customers accounted for 38.7% and 37.8%, respectively, of the Company's net revenue. There is no other significant concentration of credit risk.

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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, 2019.

(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.

	Contractual cash flows	2020.1.1~ 2020.12.31	2021.1.1~ 2022.12.31	2023.1.1~ 2024.12.31	2025 and thereafter
			(in thousands)		
December 31, 2019					
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
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	12,010,120	12,010,120	-	-	-
	$ 91,317,713	5,498,079	39,068,031	45,000,942	1,750,661

	Contractual cash flows	2019.1.1~ 2019.12.31	2020.1.1~ 2021.12.31	2022.1.1~ 2023.12.31	2024 and thereafter
			(in thousands)		
December 31, 2018					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	$ 53,691,689	22,903,847	28,468,316	2,319,526	-
Guarantee deposits	757,315	-	-	-	757,315
Derivative financial instruments					
Foreign currency forward contracts－inflows	(16,354,682)	(16,354,682)	-	-	-
Foreign currency forward contracts－outflows	16,337,417	16,337,417	-	-	-
	$ 54,431,739	22,886,582	28,468,316	2,319,526	757,315

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, 2019, the management believes the Company's existing unused credit facilities under its existing loan agreements, together with net cash flows expected

(Continued)

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.

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 six months, 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, 2019			December 31, 2018		
	Foreign currency amounts (in thousands)	**Exchange rate**	**NTD** (in thousands)	**Foreign currency amounts** (in thousands)	**Exchange rate**	**NTD** (in thousands)
Financial assets						
Monetary items						
USD	$ 1,133,061	30.1350	34,144,793	1,716,412	30.8020	52,868,922
JPY	19,604,815	0.2768	5,426,613	8,705,129	0.2775	2,415,673
EUR	45,485	33.7422	1,534,764	28,478	35.2036	1,002,528
Non-monetary items						
USD	1,765,302	30.1350	53,197,376	1,743,967	30.8020	53,717,672
Financial liabilities						
Monetary items						
USD	1,236,623	30.1350	37,265,634	1,511,459	30.8020	46,555,960
JPY	23,792,658	0.2768	6,585,808	29,016,969	0.2775	8,052,209
EUR	2,910	33.7422	98,190	3,490	35.2036	122,861

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, 2019 and 2018, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2019 and 2018 as follows:

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

		For the years ended December 31, 2019	For the years ended December 31, 2018
		(in thousands)	
1% of depreciation	$	(28,435)	15,561
1% of appreciation		28,435	(15,561)

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, 2019 and 2018 were $57,872 thousand and $111,958 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, 2019 and 2018 by $215,500 thousand and $130,968 thousand, respectively.

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

(29) Capital Management

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

		December 31, 2019	December 31, 2018
		(in thousands)	
Long-term borrowings (including current installments)	$	85,966,110	51,945,545
Total liabilities		168,993,027	144,541,806
Total equity		176,671,840	202,862,715
Debt-to-equity ratio		96%	71%
Net debt-to-equity ratio(i)		23%	11%

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

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

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.

Name of related party	Relationship with the Company
AU Optronics (L) Corp. ("AULB")	Subsidiary of the Company
Konly Venture Corp. ("Konly")	Subsidiary of the Company
Ronly Venture Corp. ("Ronly")	Subsidiary of the Company
Darwin Precisions Corporation ("DPTW")	Subsidiary of the Company
AUO Crystal Corp. ("ACTW")	Subsidiary of the Company
Space Money Inc. ("SMI")	Subsidiary of the Company
U-Fresh Technology Inc. ("UTI")	Subsidiary of the Company
AU Optronics Corporation America ("AUUS")	Subsidiary of the Company
AU Optronics Corporation Japan ("AUJP")	Subsidiary of the Company
AU Optronics Europe B.V. ("AUNL")	Subsidiary of the Company
AU Optronics Korea Ltd. ("AUKR")	Subsidiary of the Company
AU Optronics Singapore Pte. Ltd. ("AUSG")	Subsidiary of the Company
AU Optronics (Czech) s.r.o. ("AUCZ")	Subsidiary of the Company
AU Optronics (Shanghai) Co., Ltd. ("AUSH")	Subsidiary of the Company
AU Optronics (Xiamen) Corp. ("AUXM")	Subsidiary of the Company
AU Optronics (Suzhou) Corp., Ltd. ("AUSZ")	Subsidiary of the Company
AU Optronics (Slovakia) s.r.o. ("AUSK")	Subsidiary of the Company
AFPD Pte., Ltd. ("AUST")	Subsidiary of the Company
AU Optronics (Kunshan) Co., Ltd. ("AUKS")	Subsidiary of the Company
a.u. Vista Inc. ("AUVI")	Subsidiary of the Company
Fortech Electronics (Suzhou) Co., Ltd. ("FTWJ")	Subsidiary of the Company
Darwin Precisions (Xiamen) Corp. ("DPXM")	Subsidiary of the Company
BriView (Xiamen) Corp. ("BVXM")	Subsidiary of the Company
AUO Green Energy Europe B.V. ("AENL")	Subsidiary of the Company
ComQi Inc. ("CQUS")	Subsidiary of the Company
Lextar Electronics Corporation ("Lextar")	Associate of the Company
Raydium Semiconductor Corporation ("Raydium")	Associate of the Company
Star River Energy Corp. ("SREC")	Associate of the Company
Sungen Power Corporation ("SGPC")	Subsidiary of SREC
Evergen Power Corporation (EGPC)	Subsidiary of SREC
Star Shining Energy Corporation ("SSEC")	Associate of the Company
TronGen Power Corporation ("TGPC")	Subsidiary of SSEC
Fargen Power Corporation ("FGPC")	Subsidiary of SSEC
Ri Ji Power Corporation ("RJPC")	Subsidiary of SSEC
Ri Jing Power Corporation ("RGPC")	Subsidiary of SSEC
ChampionGen Power Corporation ("CGPC")	Subsidiary of SSEC
Daxin Materials Corp. ("Daxin")	Associate of the Company
Qisda Corporation ("Qisda")	Corporate shareholder of the Company of which accounts for the Company using the equity method
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 Parent Company Only Financial Statements

Name of related party	Relationship with the Company
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
TRENDYLITE CORPORATION (“TRENDYLITE“)	Subsidiary of Lextar
BenQ Foundation	Substantive related party
AUO Foundation	Substantive related party

Note : For the information in respect of the Company’s subsidiaries, please refer to the consolidated financial statements for the years ended December 31, 2019 and 2018.

(2) Compensation to key management personnel

Key management personnel’s compensation comprised:

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Short-term employee benefits	$ 238,873	334,713
Post-employment benefits	2,633	2,457
	$ 241,506	337,170

(Continued)

(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

	Sales		Accounts receivable from related parties	
	For the years ended December 31,		December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	$ 4,053,100	2,476,237	313,465	2,028,364
Associates	1,124,483	1,871,511	236,971	659,372
Others	10,051,582	11,651,266	1,388,530	1,937,594
	$ 15,229,165	15,999,014	1,938,966	4,625,330

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

b. Purchases

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	$ 86,620,411	90,178,389	21,808,772	26,799,904
Associates	3,687,643	4,201,227	1,089,448	1,577,440
Others	12,380,236	13,949,794	2,427,054	2,893,155
	$ 102,688,290	108,329,410	25,325,274	31,270,499

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

c. Acquisition of property, plant and equipment

	Acquisition prices	
	For the years ended December 31,	
	2019	2018
	(in thousands)	
Subsidiaries	$ 474,357	258,967
Associates	6,555	6,527
Others	5,909	3,418
	$ 486,821	268,912

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

d. Disposal of property, plant and equipment and others

	Proceeds from disposal For the years ended December 31,		Gains on disposal For the years ended December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	$ 2,261	36,021	50	7,880

e. Other related party transactions

Transaction type	Type of related party	December 31, 2019	December 31, 2018
		(in thousands)	
Other receivables due from related parties	Subsidiaries	$ 1,211,067	21,284
	Associates	328	1,961
	Others	193	4,660
		$ 1,211,588	27,905
Other payables due to related parties (including payables for equipment)	Subsidiaries	$ 398,081	211,551
	Associates	13,163	17,757
	Others	22,450	3,615
		$ 433,694	232,923

Transaction type	Type of related party	For the years ended December 31, 2019	For the years ended December 31, 2018
		(in thousands)	
Rental income	Subsidiaries	$ 26,764	48,560
	Associates	40,684	38,002
	Others	107,074	90,491
		$ 174,522	177,053
Administration and other income	Subsidiaries	$ 41,585	62,994
	Associates	8,154	7,626
	Others	6,476	6,149
		$ 56,215	76,769
Other expenses	Subsidiaries	$ 696,208	721,134
	Associates	17,491	31,783
	Others	46,781	11,096
		$ 760,480	764,013

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, 2019 and 2018, the Company had received cash dividends from related parties of $604,468 thousand and $1,191,234 thousand, respectively.

(Continued)

8. Pledged Assets

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

Pledged assets	Pledged to secure		December 31, 2019	December 31, 2018
			(in thousands)	
Restricted cash in banks[(i)]	Guarantees for warranties	$	8,657	6,245
Land and building	Long-term borrowings		27,800,133	25,903,994
Machinery and equipment	Long-term borrowings		42,952,902	36,075,058
		$	70,761,692	61,985,297

(i) Classified as other noncurrent assets.

9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of December 31, 2019, 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, 2019, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2019
	(in thousands)
USD	5,768
JPY	1,951,409

(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., 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, 2019, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $5,545,232 thousand.

(4) Litigation

a. 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.

(Continued)

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

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.

b. Alleged patent infringements
In July 2018, Vista Peak Ventures, LLC ("VPV") filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV's patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. On September 27, 2019, the relevant parties reached a settlement agreement, and all pending lawsuits that have been filed by VPV against AUO were dismissed on October 10, 2019.

As of February 5, 2020, 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

On February 5, 2020, AUO's Board of Directors resolved to acquire common shares of ADLINK Technology Inc. through tender offer. The tender offer consideration for each common share is NT$57 in cash. The planned acquisition amount is 65,249 thousand shares of ADLINK. The tender offer period will run from February 7, 2020 to March 12, 2020.

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 proceedings were initiated by six residents in Houli District, Taichung City (the "Plaintiffs") to object the administrative dispositions of the environmental assessment and development approval issued in 2010 by the Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan to the third phrase development area in the Central Taiwan Science Park (the "Project"). On August 8, 2014, the Plaintiffs reached a settlement with the defendants (i.e. the governmental authorities, including the EPA of the Executive Yuan of Taiwan, the Ministry of Science and Technology (former National Science Council of the ROC Executive Yuan) and the Central Taiwan Science Park Development Office) in the Taipei High Administrative Court. The second phase environmental impact assessment for the Project continues to proceed. On December 14, 2017, the EPA of the Executive Yuan of Taiwan held the third review meeting of the investigation group. The review meeting reached the conclusion of suggesting approval for the Project. On November 6, 2018, the EPA approved the Project, but on December 6, 2018, five residents in Houli District, Taichung City filed administrative appeal to the Appeals Review

(Continued)

Committee of the Executive Yuan requesting a withdrawal of the approval. Currently management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

13. Additional Disclosures

(4) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2019.

a. Financings provided: Please see Table 1 attached.
b. Endorsements / guarantees provided: Please see Table 2 attached.
c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.
d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT$300 million or 20% of the paid-in capital: Please see Table 4 attached.
e. Acquisition of individual real estate with costs exceeding NT$300 million or 20% of the paid-in capital: None.
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).

(5) Information on investees (excluding information on investment in Mainland China): Please see Table 7 attached.

(6) 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, 2019, for which intercompany transactions were eliminated upon consolidation, are disclosed in Note 13(1) "Information on significant transactions".

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, 2019
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	3,500,000	1,725,000	1,200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
0	AUO	AUKS	Other receivables from related parties	Yes	1,524,810	1,294,650	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
1	AULB	AUSK	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	53,221,601	53,221,601
1	AULB	AUKS	Other receivables from related parties	Yes	10,633,245	10,572,975	2,805,075	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,288,641	21,288,641
2	AUXM	BVHF	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511
2	AUXM	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	3,452,400	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511
3	BVXM	AUKS	Other receivables from related parties	Yes	434,010	431,550	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	509,196	509,196
4	AUSJ	UFSZ	Other receivables from related parties	Yes	92,090	86,310	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730
4	AUSJ	AUKS	Other receivables from related parties	Yes	1,467,264	1,380,960	949,410	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,513,492	1,513,492

(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	A-Care	Other receivables from related parties	Yes	46,045	43,155	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730
5	AUSZ	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	4,099,725	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,886,493	5,886,493
6	DPSZ	AUKS	Other receivables from related parties	Yes	460,450	431,550	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	711,740	711,740
7	FTKS	AUKS	Other receivables from related parties	Yes	450,170	431,550	431,550	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	540,321	540,321
8	FTWJ	FHWJ	Other receivables from related parties	Yes	92,090	64,733	64,733	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	2,071,120	2,071,120

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 audited financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest audited financial statement.

b. AULB, AUSZ, AUXM, AUSJ and BVXM: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest audited 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 audited financial statement.

d. 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.

e. 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUKS	2	88,335,920	16,140,185	15,317,737	11,507,216	-	8.67%	176,671,840	Yes	No	Yes
1	AUXM	AUO &AUST	3,4	13,398,777	2,302,250	-	-	-	-	13,398,777	No	Yes	No
1	AUXM	AUO	3	13,398,777	9,577,360	6,257,475	-	-	46.70%	13,398,777	No	Yes	No
2	AUSJ	AUO	3	3,783,730	1,473,440	-	-	-	-	3,783,730	No	Yes	No
3	AUSZ	AUO	3	14,716,233	7,275,110	4,401,810	-	-	29.91%	14,716,233	No	Yes	No
3	AUSZ	AUO &AUSK	3,4	14,716,233	1,519,485	-	-	-	-	14,716,233	No	Yes	No

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

8. A company with which it does business.
9. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
10. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
11. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
12. 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.
13. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
14. 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:

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 3

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AUO	Stock BenQ ESCO Corp.	Related party	Financial assets at FVTPL— noncurrent	1,700	-	17.00%	-	
AUO	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	335,231	7,140,410	17.04%	7,140,410	
AULB	Stock Abakus Solar AG	-	Financial assets at FVTPL— noncurrent	3	-	2.22%	-	
AUSH	Stock T-powertek Optronics Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	352	CNY 6,250	2.16%	CNY 6,250	
DPSZ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 70,488	-	CNY 70,488	
FPWJ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 100,642	-	CNY 100,642	
FTKS	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 171,493	-	CNY 171,493	
Konly	Stock PlayNitride Inc.	-	Financial assets at FVTOCI— noncurrent	609	42,123	1.80%	42,123	
Konly	Stock SnapBizz CloudTech Pte. Ltd.	-	Financial assets at FVTOCI— noncurrent	13	-	5.33%	-	
Konly	Stock a2peak power Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,000	-	10.87%	-	
Konly	Stock ChenFeng Optronics Corporation	-	Financial assets at FVTPL－noncurrent	1,500	-	2.63%	-	
Konly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,200	-	8.52%	-	

(Continued)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Konly	Stock Azotek Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,407	7,345	4.01%	7,345	
Konly	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	10,145	216,091	0.52%	216,091	
Konly	Stock ATS International Inc.	-	Financial assets at FVTOCI— noncurrent	1,667	-	5.15%	-	
DPTW	Stock Wibase Industrial Solutions Inc.	Related party	Financial assets at FVTOCI— noncurrent	4,700	56,400	12.11%	56,400	
DPTW	Stock Evertrust Technology Ltd.	-	Financial assets at FVTOCI— noncurrent	150	1,500	16.13%	1,500	
DPTW	Stock D8AI Holdings Corporation	-	Financial assets at FVTOCI— noncurrent	7,000	8,649	4.59%	8,649	
DPTW	Stock HUAI I Precision Technology Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,914	34,968	10.00%	34,968	
DPTW	Stock Disign Incorporated	-	Financial assets at FVTOCI— noncurrent	2	10,714	19.89%	10,714	
Ronly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	600	-	1.22%	-	
Ronly	Stock Exploit Technology Co., Ltd.	-	Financial assets at FVTPL－noncurrent	41	-	0.49%	-	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding NT$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain/Loss on Disposal	Shares	Amount	
AUO	Stock ACTW	Investments in equity-accounted investees	-	-	378,193	5,005,774	40,390	549,393	-	-	-	-	418,583	2,805,441	1
DPSZ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 140,000	-	CNY 71,331	CNY 71,331	-	-	CNY 70,488	2
FPWJ	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 91,753	-	CNY 200,000	-	CNY 194,885	CNY 194,885	-	-	CNY 100,642	2
FTKS	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 274,091	-	CNY 510,000	-	CNY 621,552	CNY 621,552	-	-	CNY 171,493	2

Note 1: a. As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.
b. The ending balance includes the recognition of investment gain (loss), foreign currency translation differences and capital surplus, etc. under the equity method.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

Table 5

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BMC	Subsidiary of Qisda	Purchases	4,049,902	2%	EOM 90 days	-		(988,782)	(2)%	
AUO	Raydium	Associate	Purchases	980,406	1%	EOM 120 days	-		(238,957)	-	
AUO	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	8,306,875	4%	EOM 45 days	-		(1,437,067)	(3)%	
AUO	Daxin	Associate	Purchases	2,665,305	1%	EOM 120 days	-		(831,009)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	6,101,237	3%	EOM 60 days	-		(887,617)	(2)%	
AUO	AUCZ	Subsidiary of AUO	Purchases	129,946	-	EOM 45 days	-		-	-	
AUO	AUSZ	Subsidiary of AUO	Purchases	35,474,816	18%	EOM 45 days	-		(9,447,956)	(19)%	
AUO	AUST	Subsidiary of AUO	Purchases	5,692,940	3%	EOM 45 days	-		(873,769)	(2)%	
AUO	AUSK	Subsidiary of AUO	Purchases	134,558	-	EOM 45 days	-		(19,847)	-	
AUO	AULB	Subsidiary of AUO	Purchases	956,615	-	EOM 45 days	-		(381,063)	(1)%	
AUO	AUKS	Subsidiary of AUO	Purchases	12,385,120	6%	EOM 30 days	-		(2,151,131)	(4)%	
AUO	AUXM	Subsidiary of AUO	Purchases	25,695,562	13%	EOM 45 days	-		(8,029,959)	(16)%	
AUO	TGPC	Subsidiary of SSEC	Sales	(161,763)	-	EOM 25 days	-		109,566	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,126,336)	(3)%	EOM 55 days	-		930,165	3%	
AUO	QCOS	Subsidiary of Qisda	Sales	(244,442)	-	EOM 55 days	-		27,621	-	
AUO	FGPC	Subsidiary of SSEC	Sales	(663,428)	-	EOM 25 days	-		76,082	-	
AUO	DPXM	Subsidiary of AUO	Sales	(130,396)	-	EOM 45 days	-		7,822	-	
AUO	DPTW	Subsidiary of AUO	Sales	(413,290)	-	EOM 45 days	-		43,577	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(2,571,371)	(1)%	EOM 55 days	-		399,935	1%	
AUO	AUXM	Subsidiary of AUO	Sales	(989,043)	-	EOM 45 days	-		-	-	
AUO	AUUS	Subsidiary of AUO	Sales	(131,140)	-	EOM 75 days	-		36,724	-	
AUO	AUSZ	Subsidiary of AUO	Sales	(1,036,086)	-	EOM 45 days	-		-	-	
AUO	AUNL	Subsidiary of AUO	Sales	(696,101)	-	EOM 45 days	-		136,045	-	
AUO	RGPC	Subsidiary of SSEC	Sales	(109,168)	-	EOM 25 days	-		-	-	
AUO	ACTW	Subsidiary of AUO	Sales	(581,352)	-	EOM 45 days	-		82,862	-	
ACMK	ACTW	Subsidiary of AUO	Purchases	USD 36,650	93%	OA 60 days	-		USD (5,971)	(92)%	

(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)	
AUCZ	AUO	Ultimate parent company	Sales	CZK	(99,079)	(100)%	EOM 45 days	-			-	-	
AUKS	AUSZ	Subsidiary of AUO	Purchases	CNY	130,338	8%	EOM 60 days	-		CNY	(42,137)	(6)%	
AUKS	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY	23,017	1%	EOM 120 days	-		CNY	(10,475)	(2)%	
AUKS	AUO	Ultimate parent company	Sales	CNY	(2,770,165)	(100)%	EOM 30 days	-		CNY	500,963	100%	
AULB	AUO	Ultimate parent company	Sales	USD	(30,931)	(72)%	EOM 45 days	-		USD	8,711	100%	
AULB	AUSZ	Subsidiary of AUO	Sales	USD	(11,445)	(11)%	EOM 45 days	-			-	-	
AULB	AUXM	Subsidiary of AUO	Sales	USD	(18,769)	(17)%	EOM 45 days	-			-	-	
AUNL	AUO	Ultimate parent company	Purchases	EUR	20,734	100%	EOM 45 days	-		EUR	(4,009)	(100)%	
AUSH	AUO	Ultimate parent company	Sales	CNY	(31,870)	(97)%	End of quarter 25 days	-			-	-	
AUSK	AUO	Ultimate parent company	Sales	EUR	(4,275)	(84)%	EOM 45 days	-		EUR	746	82%	
AUST	AUO	Ultimate parent company	Sales	USD	(184,271)	(100)%	EOM 45 days	-		USD	28,995	100%	
AUSZ	Raydium	Associate	Purchases	CNY	560,109	8%	EOM 120 days	-		CNY	(222,287)	(10)%	
AUSZ	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY	569,724	8%	EOM 120 days	-		CNY	(235,978)	(10)%	
AUSZ	DPTW	Subsidiary of AUO	Purchases	CNY	178,762	3%	EOM 120 days	-		CNY	(67,252)	(3)%	
AUSZ	AUO	Ultimate parent company	Purchases	CNY	227,034	3%	EOM 45 days	-			-	-	
AUSZ	AULB	Subsidiary of AUO	Purchases	CNY	75,930	1%	EOM 45 days	-			-	-	
AUSZ	BMC	Subsidiary of Qisda	Purchases	CNY	274,748	4%	EOM 90 days	-		CNY	(82,462)	(4)%	
AUSZ	AULB	Subsidiary of AUO	Sales	CNY	(36,846)	-	EOM 45 days	-			-	-	
AUSZ	AUKS	Subsidiary of AUO	Sales	CNY	(130,338)	(2)%	EOM 60 days	-		CNY	42,137	2%	
AUSZ	AUO	Ultimate parent company	Sales	CNY	(7,869,533)	(95)%	EOM 45 days	-		CNY	2,196,988	88%	
AUUS	AUO	Ultimate parent company	Purchases	USD	4,555	100%	EOM 75 days			USD	(1,215)	(100)%	
AUUS	AUO	Ultimate parent company	Sales	USD	(5,539)	(56)%	EOM 30 days	-			-	-	
AUXM	Raydium	Associate	Purchases	CNY	377,685	7%	EOM 120 days	-		CNY	(130,325)	(7)%	
AUXM	Lextar	Associate	Purchases	CNY	42,203	1%	EOM 120 days	-		CNY	(18,499)	(1)%	
AUXM	AULB	Subsidiary of AUO	Purchases	CNY	125,815	2%	EOM 45 days	-			-	-	
AUXM	AUO	Ultimate parent company	Purchases	CNY	194,961	3%	EOM 45 days	-			-	-	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY	180,358	3%	EOM 90 days	-		CNY	(46,691)	(2)%	

(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	DPXM	Subsidiary of AUO	Purchases	CNY 43,398	1%	EOM 120 days	-		CNY (13,923)	(1)%	
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 308,620	5%	EOM 120 days	-		CNY (115,982)	(6)%	
AUXM	AULB	Subsidiary of AUO	Sales	CNY (27,290)	-	EOM 45 days	-		-	-	
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (760,742)	(12)%	EOM 45 days	-		CNY 183,553	9%	
AUXM	AUO	Ultimate parent company	Sales	CNY (5,704,904)	(88)%	EOM 45 days	-		CNY 1,865,262	91%	
BVHF	DPTW	Subsidiary of AUO	Purchases	CNY 52,126	21%	EOM 60 days	-		CNY (36,531)	(58)%	
BVHF	Lextar	Associate	Purchases	CNY 30,865	12%	EOM 120 days	-		CNY (5,229)	(8)%	
BVHF	DPTW	Subsidiary of AUO	Sales	CNY (381,196)	(100)%	EOM 60 days	-		CNY 88,590	100%	
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 759,427	100%	EOM 45 days	-		CNY (182,131)	(100)%	
DPSZ	DPTW	Subsidiary of AUO	Purchases	CNY 24,407	25%	EOM 60 days			CNY (2,649)	(7)%	
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (134,962)	(76)%	EOM 90 days	-		CNY 36,326	70%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 24,058	3%	EOM 60 days			CNY (19,029)	(7)%	
DPXM	AUO	Ultimate parent company	Purchases	CNY 28,887	4%	EOM 45 days	-		CNY (1,936)	(1)%	
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (43,246)	(4)%	EOM 120 days	-		CNY 13,923	3%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (1,074,429)	(89)%	EOM 90 days	-		CNY 384,021	83%	
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 116,790	21%	EOM 60 days	-		CNY (283,725)	(57)%	
FTWJ	Lextar	Associate	Purchases	CNY 57,349	10%	EOM 120 days	-		CNY (22,443)	(5)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (765,048)	(90)%	EOM 90 days	-		CNY 552,530	91%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (5,215,104)	(99)%	EOM 45 days	-		JPY 1,643,976	100%	
ACTW	AUO	Ultimate parent company	Purchases	581,454	17%	EOM 45 days	-		(82,862)	(11)%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,480,568	43%	EOM 45 days	-		(455,053)	(62)%	
ACTW	ACMK	Subsidiary of AUO	Sales	(1,079,766)	(22)%	OA 60 days	-		179,946	22%	
UTI	AUO	Ultimate parent company	Sales	(150,409)	(69)%	EOM 60 days	-		15,093	89%	
DPTW	BVHF	Subsidiary of AUO	Purchases	1,726,072	13%	EOM 60 days	-		(143,375)	(5)%	
DPTW	AUO	Ultimate parent company	Purchases	410,921	3%	EOM 45 days	-		(43,343)	(1)%	
DPTW	EFOP	Joint Venture	Purchases	1,027,147	7%	EOM 45 days	-		(72,942)	(2)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,428,533	25%	EOM 90 days	-		(998,087)	(32)%	
DPTW	DPXM	Subsidiary of AUO	Purchases	4,819,703	35%	EOM 90 days	-		(1,390,592)	(45)%	
DPTW	DPSZ	Subsidiary of AUO	Purchases	606,434	4%	EOM 90 days	-		(156,919)	(5)%	

(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	DPXM	Subsidiary of AUO	Sales	(107,170)	(1)%	EOM 60 days	-		36,730	1%	
DPTW	FTWJ	Subsidiary of AUO	Sales	(521,864)	(3)%	EOM 60 days	-		196,827	7%	
DPTW	DPSZ	Subsidiary of AUO	Sales	(110,489)	(1)%	EOM 60 days	-		11,445	-	
DPTW	BVHF	Subsidiary of AUO	Sales	(236,590)	(2)%	EOM 60 days	-		9,589	-	
DPTW	AUXM	Subsidiary of AUO	Sales	(1,379,316)	(9)%	EOM 120 days	-		501,004	18%	
DPTW	AUO	Ultimate parent company	Sales	(6,456,889)	(42)%	EOM 60 days	-		845,012	31%	
DPTW	QCES	Subsidiary of Qisda	Sales	(208,913)	(1)%	EOM 120 days	-		80,000	3%	
DPTW	Darwin Summit Corporation, Ltd.	Associate	Sales	(100,201)	(1)%	EOM 90 days	-		42,033	2%	
DPTW	AUSZ	Subsidiary of AUO	Sales	(797,366)	(5)%	EOM 120 days	-		290,507	11%	

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, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUO	TGPC	Subsidiary of SSEC	109,566	2.93	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,284,439	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	399,935	5.52	114	Will be collected in next period	-	-
AUO	AUNL	Subsidiary of AUO	136,045	10.23	16	Collected in subsequent period	70,516	-
AUO	QCSZ	Subsidiary of Qisda	930,165	6.26	935	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 500,963	5.83	CNY 28,896	Collected in subsequent period	CNY 240,556	-
AULB	AUO	Ultimate parent company	USD 9,189	(Note 2)	USD 8,711	Will be collected in next period	-	-
AULB	AUKS	Subsidiary of AUO	USD 95,056	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	CNY 224,528	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 28,995	5.92	-	-	-	-
AUSZ	AUKS	Subsidiary of AUO	CNY 1,016,582	(Note 2)	CNY 14,634	Collected in subsequent period	CNY 16,118	-
AUSZ	AUO	Ultimate parent company	CNY 2,196,989	(Note 2)	CNY 27,024	Collected in subsequent period	CNY 1,511,352	-
AUXM	BVXM	Subsidiary of AUO	CNY 183,895	(Note 2)	CNY 1,421	Collected in subsequent period	CNY 106,300	-
AUXM	AUKS	Subsidiary of AUO	CNY 818,914	(Note 2)	CNY 137	Collected in subsequent period	CNY 250	
AUXM	AUO	Ultimate parent company	CNY 1,865,262	6.10	CNY 93,824	Collected in subsequent period	CNY 1,082,848	-
BVHF	DPTW	Subsidiary of AUO	CNY 88,996	(Note 2)	CNY 49,549	Will be collected in next period	-	-
DPSZ	DPTW	Subsidiary of AUO	CNY 36,326	2.55	-	-	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 384,031	(Note 2)	-	-	CNY 24,417	-
FTKS	AUKS	Subsidiary of AUO	CNY 101,547	(Note 2)	-	-	- -	
FTWJ	DPTW	Subsidiary of AUO	CNY 552,530	1.39	-	-	CNY 97,667	-
M.Setek	ACTW	Subsidiary of AUO	JPY 1,643,976	5.75	JPY 418,115	Will be collected in next period	- -	
ACTW	M.Setek	Subsidiary of AUO	220,875	-	-	-	- -	
ACTW	ACMK	Subsidiary of AUO	188,510	(Note 2)	-	-	- -	
DPTW	AUSZ	Subsidiary of AUO	290,507	5.49	-	-	- -	

(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		
DPTW	FTWJ	Subsidiary of AUO	1,230,770	(Note 2)	29,182	Collected in subsequent period	414,948	-
DPTW	AUXM	Subsidiary of AUO	501,004	5.36	-	-	-	-
DPTW	AUO	Ultimate parent company	845,532	(Note 2)	71,466	Will be collected in next period	-	-
DPTW	BVHF	Subsidiary of AUO	157,802	(Note 2)	-	-	-	-

Note 1: Until the end of January 2020.

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
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 7

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			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, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding and trading company	59,058,698	59,058,698	1,882,189	100.00%	53,221,601	100.00%	1,367,091	1,481,004	Subsidiary
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	37,774	100.00%	13,707	13,707	Subsidiary
AUO	Konly	Taiwan ROC	Venture capital investment	4,227,070	4,227,070	284,302	100.00%	5,208,936	100.00%	171,825	171,825	Subsidiary
AUO	Ronly	Taiwan ROC	Venture capital investment	1,778,692	1,778,692	154,757	100.00%	2,049,860	100.00%	9,126	9,126	Subsidiary
AUO	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	3,569,155	3,569,155	190,108	28.56%	3,156,574	28.56%	(190,141)	(54,311)	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,138,528	418,583	100.00%	2,805,441	100.00%	(2,648,071)	(2,614,702)	Subsidiary (Note 4)
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	424,653	32.01%	110,266	35,300	Associate
AUO	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	881,076	881,076	78,418	15.10%	1,642,746	15.33%	(309,651)	(46,855)	Associate
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	18,247	100.00%	(11,025)	(11,025)	Subsidiary
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	100,000	50,000	10,000	100.00%	88,906	100.00%	(11,183)	(11,183)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	930,000	930,000	93,000	31.00%	953,966	31.00%	73,407	22,756	Associate
AUO	CQIL	Israel	Holding company	876,659	821,138	39,974	100.00%	576,111	100.00%	(54,995)	(182,866)	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%	707,303	6.40%	(190,141)	(12,170)	Subsidiary
Konly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	-	589,793	-	-	-	2.50%	(2,648,071)	(2,381)	Subsidiary (Note 4)
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	19,897	1.50%	110,266	1,654	Associate
Konly	Raydium	Taiwan ROC	IC design	175,857	175,857	11,454	17.10%	740,504	17.63%	674,300	117,334	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	517,812	18.61%	650,420	121,032	Associate

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	December 31, 2019: Shares	December 31, 2019: Percentage of Ownership	December 31, 2019: Carrying Amount (Notes 1 and 2)	Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
Konly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	450,674	450,674	26,133	5.03%	547,439	5.11%	(309,651)	(15,614)	Associate
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	26.31%	1,262	26.31%	(7,584)	(16,854)	Associate
Konly	SSEC	Taiwan ROC	Investment	60,000	60,000	6,000	2.00%	61,546	2.00%	73,407	1,468	Associate
Konly	WishMobile,Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	2,500	12.50%	5,899	12.50%	1,334	(7,932)	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	4,304	16.12%	(14,143)	(38,982)	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%	672,617	6.09%	(190,141)	(11,573)	Subsidiary
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	171,001	6.15%	650,420	39,969	Associate
Ronly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	323,431	323,431	34,338	6.61%	719,336	6.71%	(309,651)	(20,517)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	242,935	29.71%	(133,388)	(39,630)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	6,172,423	100.00%	(27,931)	(17,834)	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	4,008,112	100.00%	96,028	20,304	Subsidiary
DPTW	FRVI	BVI	Holding company	-	274,700	-	-	-	100.00%	6,200	6,029	Subsidiary (Note 5)
DPTW	FFMI	Mauritius	Holding company	274,700	-	653	100.00%	93,524	100.00%	6,200	-	Subsidiary (Note 5)
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	178,719	49.00%	(88,238)	(43,237)	Joint Venture
DPTW	Darwin Summit Corporation, Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	10,394	40.00%	7,765	3,106	Associate
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	537,395	100.00%	42,306	42,306	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.00%	1,948,642	100.00%	171,314	168,217	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,368	11,404,184	99.9991%	1,946,295	99.9991%	188,831	188,830	Subsidiary
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 2,063	100.00%	USD 161	USD 161	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,765	100.00%	USD 1	USD 1	Subsidiary
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,014	100.00%	USD 83	USD 83	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 10,534	100.00%	USD (3,607)	USD (3,607)	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 54,349	-	100.00%	USD 22,879	100.00%	USD 246	USD 246	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	December 31, 2019 Shares	December 31, 2019 Percentage of Ownership	December 31, 2019 Carrying Amount (Notes 1 and 2)	Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 276,543	USD 321,161	907,114	100.00%	USD 139,306	100.00%	USD 2,120	USD 2,120	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 5,875	100.00%	USD 255	USD 255	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 19,073	70.29%	USD (4,313)	USD (3,032)	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 48,321	USD 86,685	266,268	100.00%	USD 34,448	100.00%	USD 903	USD 903	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 3,510	9,510	100.00%	USD 814	100.00%	USD (1)	USD (1)	Subsidiary
AUSG	AENL	Netherlands	Sales support of solar-related products	USD 45	USD 45	-	100.00%	USD 174	100.00%	USD (12)	USD (12)	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 205,804	100.00%	USD (248)	USD (248)	Subsidiary (Note 6)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 2,546	100.00%	USD (655)	USD (655)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 75,756	100.00%	USD (2,786)	USD (2,786)	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 14,364	100.00%	USD 146	USD 146	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 44,825	100.00%	USD 1,832	USD 1,832	Subsidiary
FRVI	FFMI	Mauritius	Holding company	-	USD 8,200	-	-	-	100.00%	USD 200	USD 200	Subsidiary (Note 5)
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	38.46%	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 18,868	USD 4,071	635,709	100.00%	USD 18,491	100.00%	USD 4,811	USD 4,811	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	-	-	100.00%	USD 510	100.00%	USD 123	USD 123	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 15,607	USD 1	11	100.00%	USD 3,863	100.00%	USD (1,873)	USD (1,873)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	-	-	100.00%	USD 550	100.00%	USD 88	USD 88	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	-	-	-	100.00%	-	100.00%	-	-	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	-	-	10	100.00%	-	100.00%	-	-	Subsidiary

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.
Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.
Note 3: The carrying amount includes accumulated impairment loss.
Note 4: As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.
Note 5: FRVI was liquidated in the fourth quarter of 2019. FRVI transferred all of its shareholdings in FFMI to DPTW.
Note 6: The registration of the alteration of DPHK's common stock has not been completed.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

1. AUO：

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow								
A-Care	Design, development and sales of software and hardware for health care industry	43,155	(Note 1)	-	-	-	-	(18,772)	100%	100%	(18,772)	17,973	-	
AETJ	Manufacturing and sales of solar modules	-	(Note 1)	-	-	-	-	847	-	100%	847	-	-	Note 8
AUKS	Manufacturing and sales of TFT-LCD panels	28,959,735	(Note 1)	14,769,465	-	-	14,769,465	(4,634,866)	51%	51%	(2,363,782)	4,985,961	-	
AUSH	Sales support of TFT-LCD panels	90,405	(Note 1)	30,135	-	-	30,135	(37,431)	100%	100%	(37,431)	417,037	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules; leasing	3,254,580	(Note 1)	2,410,800	-	-	2,410,800	81,056	100%	100%	152,141	3,783,730	-	Note 7
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	8,377,530	(Note 1)	6,027,000	-	-	6,027,000	2,224,611	100%	100%	2,248,227	14,716,233	-	Note 7
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,533,750	(Note 1)	7,533,750	-	-	7,533,750	781,059	100%	100%	790,751	13,398,777	-	Note 7
BVCH	Manufacturing and sales of liquid crystal products and related parts	-	(Note 1)	225,108	-	-	225,108	(14,325)	-	19%	(2,722)	-	-	Note 8
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	-	-	-	-	(133,307)	100%	100%	(133,307)	815,781	-	Note 6
BVXM	Manufacturing and sales of liquid crystal	2,589,300	(Note 1)	-	-	-	-	36,637	100%	100%	36,637	1,272,990	-	

(Continued)

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow								
	products and related parts													
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,578	(Note 1)	-	-	-	-	(4,886)	100%	100%	(4,886)	16,862	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	21,578	(Note 1)	-	-	-	-	(13,025)	100%	100%	(13,025)	8,659	-	
UFSZ	Planning, design and development of construction project for environmental protection and related project management	25,893	(Note 1)	-	-	-	-	(7,951)	100%	100%	(7,951)	18,506	-	
UFSD	Planning, design and development of construction project for environmental protection and related project management	8,631	(Note 1)	-	-	-	-	(2,932)	100%	100%	(2,932)	5,802	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
30,996,258 (USD 1,028,580)	40,462,497 (USD 1,335,003 and HKD 60,000)	112,786,050

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 BVCH.
Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.
Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.
Note 7: Investor's share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2019 both include the effect of sidestream transactions.
Note 8: AETJ and BVCH were liquidated in the fourth quarter of 2019.

(Continued)

2. DPTW:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2019 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	482,160	-	-	482,160	(133,307)	29.71%	29.71%	(133,307)	815,781	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	753,375	(Note 1)	452,025	-	-	452,025	1,474	100%	100%	1,474	1,779,351	1,003,989	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	2,109,450	(Note 1)	2,109,450	-	-	2,109,450	(9,145)	100%	100%	(9,145)	4,422,562	1,559,487	
FHWJ	Manufacturing of motorized treadmills	195,878	(Note 1)	247,107	-	-	247,107	6,200	100%	100%	6,200	43,308	-	
FPWJ	Manufacturing and sales of precision plastic parts	873,915	(Note 1)	572,565	-	-	572,565	6,879	100%	100%	6,879	644,612	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,084,860	(Note 1)	1,084,860	-	-	1,084,860	56,654	100%	100%	56,654	1,350,802	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	1,054,725	(Note 1)	195,878	-	-	195,878	(88,537)	100%	100%	(88,537)	2,071,120	424,136	Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
5,144,045 (USD 170,700)	5,674,511 (USD 188,303)	6,630,571

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, 2019 disclosed in the table are presented based on 100% held.

Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.

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.

(Continued)

AU OPTRONICS CORP.

Cash and Cash Equivalents

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Item	Description	Amount
Petty cash		$ 2
Cash in Banks	Checking accounts	26,949
	Demand deposits	21,343,944
	Foreign currency deposits (note)	10,817,590
	USD : 155,001 thousand	
	JPY： 19,086,238 thousand	
	EUR：25,505 thousand	
	CNY：691 thousand	
	Time deposits	11,600,000
	TWD : 11,600 thousand	
	Foreign currency time deposits (note)	
	USD : 71,000 thousand	2,139,585
		$ 45,928,070

Note：Exchange rate at balance sheet date was as follows:

USD ：30.135

JPY ：0.2768

EUR ：33.7422

CNY ：4.3155

(Continued)

AU OPTRONICS CORP.

Accounts Receivable

December 31, 2019

(In thousands of New Taiwan Dollars)

Customer Name	Description	Amount	Remark
Customer A	From operating activities	$ 3,485,653	
Customer B	From operating activities	3,308,630	
Customer C	From operating activities	3,164,298	
Customer D	From operating activities	1,938,715	
Customer E	From operating activities	1,922,559	
Customer F	From operating activities	1,486,619	
Others (less than 5% for each customer)	From operation activities	11,680,399	
Less: Loss allowance		(150)	
		$ 26,986,723	

(Continued)

AU OPTRONICS CORP.

Inventories

December 31, 2019

(In thousands of New Taiwan Dollars)

	Amount		
Item	**Book value (note)**	**Net realizable value**	**Remark**
Finished goods	$ 7,022,551	9,458,583	The determination of net realizable value, please refer to Note 4(7) to this parent company only financial statements.
Work in process	8,404,901	10,518,485	
Raw materials	1,828,809	1,872,171	
	$ **17,256,261**	**21,849,239**	

Note：Cost less allowance of inventories written down.

Other Current Assets and Other Non-Current Assets

Please refer to Note 6(12) to this parent company only financial statements for the details.

(Continued)

AU OPTRONICS CORP.
Changes in Investments in Equity-accounted Investees
For the year ended December 31, 2019
(In thousands of New Taiwan Dollars, unless otherwise indicated, and shares in thousands)

	Beginning balance (note 1)		Addition (Disposal) (note 2)								Ending balance (note 1)			Market value or net asset value		
Investee Name	Shares	Amount	Shares	Amount	Share of profit (loss)	Capital surplus	Cash dividend	Cumulative translation differences	Unrealized gains (losses) on financial assets at fair value though other comprehensive income	Other adjustments (note 3)	Shares	Amount	% of Ownership	Unit price	Total price	Guarantee or Pledged
AULB	1,882,189	$53,565,171	-	-	1,481,004	-	-	(1,824,574)	-	-	1,882,189	53,221,601	100.00	-	53,221,601	None
ACTW	378,193	5,005,774	40,390	549,393	(2,614,702)	(153,994)	-	18,970	-	-	418,583	2,805,441	100.00	-	2,805,441	None
Konly	284,302	5,296,190	-	-	171,825	2,750	(202,127)	(43,211)	(16,463)	(28)	284,302	5,208,936	100.00	-	5,208,936	None
DPTW	190,108	3,369,060	-	-	(54,311)	-	(64,637)	(93,538)	-	-	190,108	3,156,574	28.56	15.15	2,880,136	None
Ronly	149,412	2,076,069	5,345	-	9,126	(6,754)	-	(29,345)		(13)	154,757	2,049,860	100.00	-	2,049,860	None
									777							
SMI	3,000	29,272	-	-	(11,025)	-	-	-	-	-	3,000	18,247	100.00	-	18,247	None
UTI	5,000	50,888	5,000	50,000	(11,183)	-	(799)	-	-	-	10,000	88,906	100.00	-	88,906	None
Lextar	78,418	1,740,230	-	-	(46,855)	(15,425)	(15,450)	(21,500)		(29)	78,418	1,642,746	15.10	18.15	1,423,295	None
									1,775							
SSEC	93,000	942,094	-	-	22,756	-	(10,884)	-	-	-	93,000	953,966	31.00	-	953,966	None
SREC	37,904	414,978	-	-	35,300	-	(25,625)	-	-	-	37,904	424,653	32.01	-	424,653	None
CQIL	39,974	766,795	-	55,521	(182,866)	-	-	(63,339)	-	-	39,974	576,111	100.00	-	576,111	None
AUNL	50	25,464	-	-	13,707	-	-	(1,397)	-	-	50	37,774	100.00	-	37,774	None
		$73,281,985		654,914	(1,187,224)	(173,423)	(319,522)	(2,057,934)	(13,911)	(70)		70,184,815				

Note 1：The amount is net of accumulated impairment.

Note 2：Including: (1) The Company acquired shareholdings in ACTW from Konly and Ronly; (2) The Company received stock dividends from Ronly；(3) The Company joined the capital injuction in UTI and CQIL.

Note 3：Including share of actuarial gains (losses) in investees' defined benefits plan and so on.

(Continued)

AU OPTRONICS CORP.

Changes in Property, Plant and Equipment

Please refer to Note 6(8) to this parent company only financial statements for the details.

Changes in Right-of-use Asset

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Balance, Beginning of Year	Adjustments on initial application of new standards	Additions	Disposal or write off	Balance, End of Year
Costs:					
Land	$ -	10,692,259	39,171	(1,064,094)	9,667,336
Buildings	-	-	103,589	-	103,589
Other equipment	-	96,726	642	-	97,368
	-	10,788,985	143,402	(1,064,094)	9,868,293
Accumulated Depreciation:					
Land	-	-	431,013	-	431,013
Buildings	-	-	25,552	-	25,552
Other equipment	-	-	64,851	-	64,851
	-	-	521,416	-	521,416
Net carrying amounts	**$ -**	**10,788,985**	**(378,014)**	**(1,064,094)**	**9,346,877**

(Continued)

AU OPTRONICS CORP.

Intangible Assets

December 31, 2019

Please refer to Note 6(11) to this parent company only financial statements for the details.

Accounts Payable

December 31, 2019

(In thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Remark
Company A	Using in operation	$ 2,964,269	
Company B	Using in operation	2,448,898	
Company C	Using in operation	1,801,739	
Company D	Using in operation	1,432,966	
Company E	Using in operation	1,225,773	
Others (less than 5% for each vendor)	Using in operation	14,422,770	
		$ **24,296,415**	

(Continued)

AU OPTRONICS CORP.

Other Current Liabilities

December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Accrued payroll and bonus		$ 4,286,761	
Refund liability		2,036,113	
Accrued royalty and others		7,261,596	
		$ 13,584,470	

Equipment and Construction Payable

Vendor name	Amount
Company W	$ 305,390
Company X	304,518
Company Y	254,572
Others (less than 5% for each vendor)	3,704,483
	$ 4,568,963

(Continued)

AU OPTRONICS CORP.

Long-term Borrowings

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Financial institution	Limit of credit facility	Amount	Duration and repayment terms	Interest rate	Collateral
Bank of Taiwan (agent bank of Syndicated loan)	$ 10,000,000	$ 10,000,000	from May 2017 to May 2022		Notes 8
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
O-Bank	1,000,000	1,000,000	from Aug. 2018 to Aug. 2023		Unsecured loans
ING Bank	1,200,000	1,200,000	From Mar. 2019 to Mar. 2022		Unsecured loans
Far Eastern Int'l Bank	800,000	800,000	from Oct. 2019 to Oct. 2022		Unsecured loans
Land Bank	6,000,000	600,000	from Nov. 2019 to Nov. 2026		Notes 8
First Bank	4,600,000	2,600,000	from Dec. 2019 to Dec. 2026		Notes 8
Taipei Fubon Bank	6,000,000	3,000,000	from Dec. 2019 to Dec. 2024		Notes 8
DBS Bank	2,000,000	2,000,000	from Dec. 2019 to Dec. 2022		Unsecured loans
Subtotal		86,200,000		1.0000%~ 1.8822%	
Less: transaction costs		(233,890)			
Less: Current installments of long-term borrowings		(4,000,000)			
		$ 81,966,110			

(Continued)

AU OPTRONICS CORP.

Lease Liabilities

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Item	Durations	Discount Rate	Amount
Land	from Sep. 2001 to Dec. 2045	1.8203~1.8853%	$ 9,313,209
Buildings	from Dec. 2018 to Nov. 2024	1.8853%	79,552
Other equipment	from Jul. 2005 to Jul. 2020	1.8203%	32,814
			$ 9,425,575

Net Revenue

For the year ended December 31, 2019

Item	Quantity	Amount	Remark
	(Panels in thousands)		
Products ten inches and above in diagonal length	108,160	$ 198,981,031	
Products which are under ten inches in diagonal length	131,116	43,844,572	
Sales of raw material and others	365,379	12,341,573	
Total		$ 255,167,176	

(Continued)

AU OPTRONICS CORP.

Cost of Sales

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Balance, beginning of year (note)	$ 2,853,559
Add：Purchases	86,548,105
Less：Raw materials, end of year (note)	(2,811,760)
Sale of raw materials	(5,722,744)
Transferred to other expenses and others	(30,864,444)
Subtotal	50,002,716
Direct labor	9,948,290
Manufacturing expenses	110,225,743
Manufacturing cost	170,176,749
Work in process, beginning of year (note)	11,474,466
Add：Purchases	74,498,347
Less：Work in process, end of year (note)	(9,862,806)
Transferred to other expenses and others	(8,040,779)
Cost of finished goods	238,245,977
Finished goods, beginning of year (note)	9,927,850
Add：Purchases	314,253
Less：Finished goods, end of year (note)	(8,893,633)
Transferred to other expenses and others	(1,278,678)
Cost of goods sold	238,315,769
Add：Cost of raw materials sold	5,722,744
Other operating cost	11,081,848
Write-downs of inventories	265,330
Cost of idle capacity	2,400,409
Cost of Sales	$ **257,786,100**

Note：The amounts were stated at cost.

(Continued)

AU OPTRONICS CORP.

Selling and Distribution Expenses

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Salary expenses		$ 978,512	
Freight expenses		939,031	
Warranty expenses		566,517	
Others (less than 5% for each item)		388,949	
		$ 2,873,009	

General and Administrative Expenses

Item	Description	Amount	Remark
Salary expenses		$ 1,429,819	
Professional service fees		555,999	
Depreciation expenses		314,215	
Management fees of the Science Park Administration		243,416	
Repairs and maintenance expenses		229,876	
Others (less than 5% for each item)		1,471,080	
		$ 4,244,405	

(Continued)

AU OPTRONICS CORP.

Research and Development Expenses

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Salary expenses		$ 2,834,150	
Depreciation expenses		2,476,822	
Indirect material expenses		1,374,329	
Others (less than 5% for each item)		1,304,606	
		$ 7,989,907	

AU Optronics Corporation

Representative: Shuang-Lang (Paul) Peng

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