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AU OPTRONICS CORP.
2018 ANNUAL REPORT

-Notice to readers-

This is a translation of the 2018 annual report of AU Optronics Corp. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Printed on March 22 , 2019

AU Optronics Corporation
2018 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 Headquarters: No.1, Li-Hsin 2nd Rd., East Dist., Hsinchu Science Park, Hsinchu
Taoyuan Branch: No.1, Xinhe Rd., Sanhe Vil., Longtan Dist., Taoyuan City
Address of Fabs :

Fab L3B:	No.1, Li-Hsin 2nd Rd., East Dist., Hsinchu
Fab L3C(L5)	No.23, Li-Hsin Rd., East Dist., Hsinchu
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 Rd., Sanhe Vil., Longtan Dist., Taoyuan
Fab Huaya:	No.189, Hwaya 2nd Rd., Wenhua Vil., 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., Yantian Vil., Annan Dist., Tainan City
Fab Kaohsiung:	No.9, Luke 3rd Rd., Luzhu Dist., Kaohsiung City

Tel: (03) 500-8800

Common Share Transfer Agent
Company: Stock-Affairs Agency Dept. of Taishin International Bank
Address: B1, No.96, Sec.1, Jianguo N. Rd., Taipei City
Website: www.taishinbank.com.tw
Tel: (02) 2504-8125

Certified Public Accountant (CPA) and accounting firm for the financial statements of the most recent year:
CPA: Hsin-Hai Wei & Chien-Hui Lu
Company: KPMG Certificated Public Accountants
Address: 68F, No.7, Sec.5, Xinyi Rd., Taipei (TAIPEI 101Tower)
Website: www.kpmg.com/tw
Tel: (02) 8101-6666

Offshore secondary exchange and disclosure information available at:
New York Stock Exchange
Website: www.nyse.com
Company code: AUO
Company website: www.auo.com

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Chapter 1 Letter to Shareholders

Dear Shareholders,

The overall business environment experienced a reversal in 2018, and the demand for display panels dropped precipitously since mid-2018. As new production capacity from China increased, the market anticipated an oversupply, which in turn led to a decline in display panel prices. Fortunately, AU Optronics Corp. (hereinafter "AUO") has shown positive results for its value transformation strategy. AUO has increased its proportion of revenue derived from non-commodity and high-end products, and has continued to optimize its product mix. Consequently, AUO's revenues experienced relatively less fluctuation in comparison with industry peers, as AUO has demonstrated robust operating performance and maintained profitability for six consecutive years. Consolidated revenue in 2018 amounted to NT$307.63 billion, a decline of 9.8% from 2017. Net operating profit was NT$6.67 billion, and net profit attributable to the parent company was NT$10.16 billion equating to basic earnings per share (EPS) of NT$1.06.

Looking back on 2018, AUO has achieved the following results owing to its cutting edge technological advancements:

- AUO launched its bezel-less ALCD TV display integrating high contrast quantum dot (QD) wide color gamut and industry-leading Gate on Array technology. AUO continued to be a pioneer by launching the world's largest 85-inch 8K4K ultra-high resolution bezel-less ALCD TV display with curved design (Note), a product that simultaneously boasts perfect viewing quality and a fashionable design. The product has immediately become the optimal choice among established TV brands around the world.
- To rapidly grow High Spec Gaming displays, AUO integrated a high refresh rate, large screen size, ultra-high definition, QD, curved and a bezel-less design to build a comprehensive product line dedicated exclusively to gaming. AUO continues to maintain its leadership position (Note) for display panels for gaming monitors and gaming notebook PCs. In addition, AUO has launched a series of mini LED backlight gaming displays as well as the supersized 65-inch UHD 4K HDR gaming display with a 144Hz refresh rate. This product clearly possesses precise and fluent screen details allowing gamers to feel immersed in the game scenes.
- AUO's Low Temperature Poly-Silicon (LTPS) technology has advantages including high picture quality, ultra-thin bezel, lightweight form, and energy-efficiency. Aside from a continued dedication to high-end mobile phone displays, AUO also leads the industry in the introduction of this technology to UHD 4K high-end notebook PC displays. AUO successfully launched the world's first (Note) 13.3-inch UHD 4K narrow border LTPS LCD supporting the use of stylus, allowing users to enjoy the highest mobility possible. In addition to integrating a touch function into the panel production process, AUO has gradually introduced LTPS technology to high-end automotive, industrial, and commercial use display panels to enhance product value.
- Top automotive brands now recognize AUO as one of the leaders in the industry. This was achieved by integrating AUO's core technology with its rich experience in R&D to produce high-end automotive displays. This fusion of technologies gives AUO a comprehensive customer portfolio. Moreover, AUO has demonstrated the world's first (Note) 13.2-inch free-form automotive display with a gate circuit in its active area to allow for free-form laser-cutting at the side of the panel, which creates more room and flexibility for product design. AUO has also achieved promising results in a variety of automotive display applications including clusters, central information display, entertainment systems, and rear-view mirrors.
- AUO has successfully developed the world's highest resolution (Note) full-color TFT driven 8-inch micro LED display, and was recognized by the Society for Information Display in 2018 by receiving the "Best in Show" award. This provided further evidence of AUO's innovation strengths which is attributed to years of long-term strategic commitments to advancing display technologies.
- As for solar products, AUO focused on the manufacturing and R&D of high-efficiency module products. By utilizing multi-busbar technology, AUO has developed solar modules with stable, long-term power transmission and high energy-efficiency. In particular, products adding the feature of salt and humidity resistance were recognized by the Ministry of Economic Affairs by receiving the "Taiwan Excellent PV" award in 2018.

Further development trends in the display panel industry:

- Display panel makers in China continue to expand their production capacities, which has had a significant impact on panel supply. In general, oversupply is expected to become "the norm" for the foreseeable future. However, capacity is no longer the sole factor indicating competitive advantage in the TFT-LCD industry. Technological enhancement, operational efficiency, and client management have all become more critical elements allowing panel makers to succeed over their competition.

- The global technology industry has continued to be driven by developments in the Internet of Things (IoT), artificial intelligence, and interdisciplinary application products. A corresponding need for human machine interfaces arising from these field applications has brought new business opportunities for display panels.
- As the consumer product market becomes increasingly saturated, the demand for display panels is predicted to become more diversified in the future. Innovative applications for flexible panels are beginning to take off, and the demand for customized products is fast increasing. AUO will utilize its solid technological foundation and comprehensive product lines to take advantage of these emerging trends.

Facing rapid changes within the industry, regional trade conflicts, and instabilities in the global economy—AUO has prepared itself to thrive in this uncertain environment by insisting on a value creation strategy in 2019.

I. Sustain financial health: For the past few years, AUO has focused on value-added businesses and has improved its financial strength. Initiatives like disposal of idle assets, eliminating impaired assets with no useful value, rigorous inventory control, and a reduction of the net debt ratio to a healthy level have all worked to significantly improve AUO's capital structure. In the future, AUO's expansion will be based on appropriate investment focusing on competitive and high quality capacity. The management team will ensure AUO has sufficient financial resources to undertake value transformation and retain flexibility to quickly respond to fluctuations in the industry.

II. Enhance product value: AUO has actively planned for value transformation. While continuing to optimize its product mix and focus on high value-added products, AUO will launch software and hardware integrated solutions for all kinds of venues, and extend its value chain from panels to downstream applications.

III. Continuous innovation: AUO has long been focusing on the research and development of display technologies. Outstanding technological competency and a comprehensive patent portfolio will continue to form the backbone for AUO's value transformation strategy as AUO seeks further growth opportunities by exploring new areas including healthcare, smart retail, and the circular economy.

Green and sustainable operations have always been our core commitment, as AUO strives to realize a sustainable philosophy of "Go Beyond CSR, Create Shared Values." In terms of the implementation of CSR (Corporate Social Responsibilities), AUO has already reaped rewards in 2018: AUO has been named to the Dow Jones Sustainability World Index (DJSI World) for nine consecutive years and has been named to the MSCI World ESG Leaders Index, and is a key constituent stock in the FTSE4Good Emerging Indexes. AUO also ranks in the top 5% of the Taiwan Stock Exchange's Corporate Governance Evaluation. In addition, AUO has achieved a stellar performance in six key areas, including corporate governance, corporate commitment, science education, cultural preservation, social caring, and environmental sustainability. This has helped AUO win recognition from several esteemed organizations, including the Corporate Social Responsibility Awards sponsored by *Commonwealth Magazine*, the Corporate Social Responsibility & Social Enterprise Awards sponsored by *Global Views Magazine*, and the Taiwan Corporate Sustainability Award. As for providing a friendly workplace environment, AUO has been named one of the "Best Companies to Work for in Asia" by *HR Asia Magazine*. AUO is also the only company in Taiwan to be named to the Bloomberg Gender-Equality Index (GEI).

Looking to the year ahead, the continued imbalance of the industry's supply-demand and uncertainties from global economic fluctuations have become even more challenging. Utilizing its healthy financial status and technological strengths, AUO will persist in its value creation strategy by actively applying its expertise to downstream applications, total solutions, and new applications. While continuing to enhance operating efficiency and maintaining profitability for its shareholders is critical, AUO will make the same efforts to fulfill CSR with real actions, to create more values to benefit the society as well. All of these goals can be achieved through the continued implementation of AUO's philosophy of green and sustainable operations.

Shuang-Lang (Paul) Peng, Chairman	Kuo-Hsin (Michael) Tsai, President	Benjamin Tseng, Chief Financial Officer and Chief Accounting Officer

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* Note: Refers to the market data collected by AUO as of Dec 31, 2018.

Chapter 2 Company Profile

(I) Date of Founding 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 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)
Mar 2007	Received Corporate Citizenship Award from CommonWealth magazine.
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.
Oct 2007	Received First Place in 2007 Benchmark Enterprise in Optoelectronics Industry from CommonWealth magazine.
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.
Mar 2009	AUO's G8.5 fab acknowledged as the world's first LEED Gold-certified TFT-LCD facility.
Jun 2009	Co-invested in module plant with Sichuan Changhong Electric Co., Ltd.
May 2010	Co-invested in solar cell plant with US-based SunPower Technology.
Jul 2010	Acquired 100% ownership of AFPD Pte., Ltd., subsidiary of Toshiba Mobile Display in Singapore.
Dec 2010	Subsidiary Darwin Precisions Corporation was authorized for IPO on the Taiwan Stock Exchange.
Apr 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.
Sep 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 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.
	Received the inaugural National Environmental Education Award.
Sep 2013	AUO Headquarters received the certification of Carbon Neutral Building.
Nov 2013	Named to 2013/2014 Ocean Tomo 300® patent index.
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.
Jan 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.

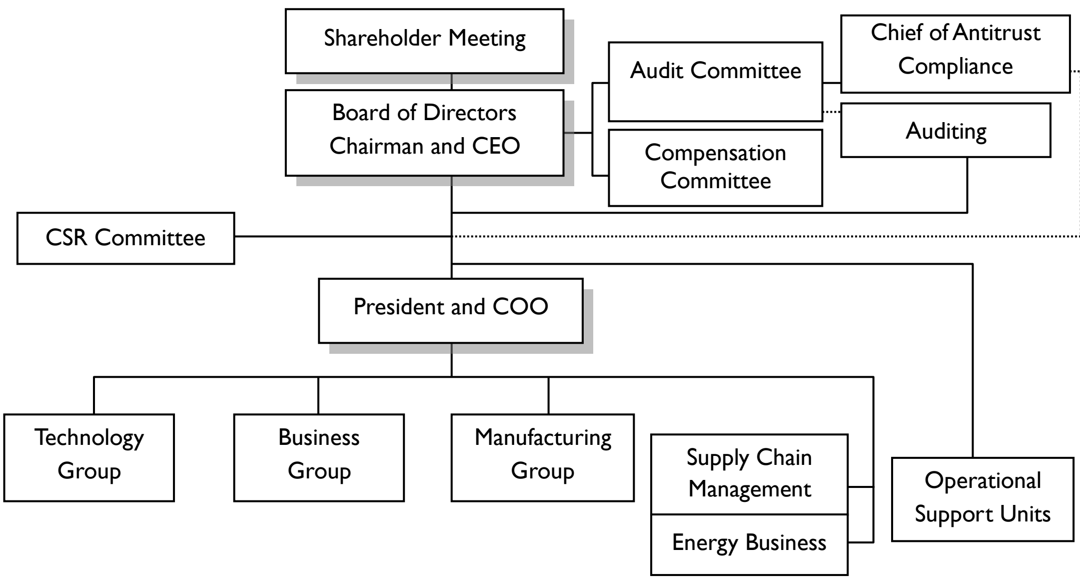
Dec 2015	Merged with subsidiary Taiwan CFI Co., Ltd. AUO Kaohsiung Fab and AUO Tainan Fab were set up at the buildings and fabs of Taiwan CFI Co., Ltd. AUO's Lungtan Fab completed Taiwan's first locally designed and integrated process water full-recycling system.
Nov 2016	AUO Kunshan G6 LTPS LCD fab announced its grand opening with successful mass production.
Dec 2016	Received National Sustainable Development Award from the Executive Yuan for two consecutive years.
May 2017	Received First Place in Environmentally-Friendly Award from Global Views CSR Award.
Jul 2017	Received Excellent and Innovative Product Award from Central Taiwan Science Park.
Aug 2017	Established Global Research Center (GRC).
Sep 2017	Received four awards in the 2017 Gold Panel Awards. Named to DJSI World Index for eight consecutive years.
Oct 2017	Honored with the Golden Wingspan Award from the Ministry of Labor.
Nov 2017	Received five awards from Taiwan Corporate Sustainability Awards, organized by Taiwan Institute for Sustainable Energy (TAISE); Chairman Paul SL Peng honored with the Outstanding Corporate Sustainability Professionals Award.
Dec 2017	High-efficiency solar module series honored with Taiwan Excellent PV Award by the Ministry of Economic Affairs.
Jan 2018	The only Taiwanese enterprise nominated for Bloomberg Gender Equality Index (GEI).
Mar 2018	Acquired 100% ownership of ComQi, a content management service company.
May 2018	Received Grand Prize for "Electronic Technology Industry Category" and Model Awards for both "Happy Enterprise Category," and "Environmentally-Friendly Category" in the 2018 Global Views CSR Award. Honored with 2018 SID (Display Week 2018) Best-in-Show Award.
Jun 2018	Named as one of the "Best Companies to Work for in Asia" by HR Asia Magazine.
Jul 2018	Received Excellent and Innovative Product Award from Central Taiwan Science Park.
Aug 2018	Received four awards from the 2018 Gold Panel Awards; Chairman Paul SL Peng also honored with Exceptional Contribution Award.
Sep 2018	Received Top 10 Benchmark Enterprises Award from CommonWealth Magazine's Corporate Citizen (CSR) awards. Named to DJSI World Index for nine consecutive years.
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 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.
Jan 2019	The only Taiwanese enterprise nominated for Bloomberg Gender Equality Index (GEI).
Feb 2019	Entered into share conversion with subsidiary AUO Crystal Corp.; 100% of AUO Crystal's shares have been acquired by AU Optronics.

Chapter 3 Corporate Governance

I. Organization

(I) Organizational Structure

March 22, 2019



(II) Business Scope for Main Department

Department	Business
CSR Committee	Enhance the management effectiveness of corporate social responsibility (CSR) and to meet the aspirations 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 and design and development of new products.
Business Group	Display sales, marketing and customer service for LCD TVs, desktop monitors, public information displays, car displays, mobile and general devices, in addition to all-round smart solutions for retail, transportation, medical, industrial and commercial purposes.
Manufacturing Group	The planning and management of display manufacturing process, raw materials and finished products.
Supply Chain Management	The management of procurement, export and import affairs.
Energy Business	The provision of high-efficiency solar modules, all-round solar power plant service, and highly integrated service platform concerning energy management & service.
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

February 28, 2019; Unit of shares: thousand units

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	First Elected Date	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experiences	Positions concurrently Held in 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	2016.06.16	3 years	2010.06.18	3,793	0.04	5,075	0.05	1,212	0.01	-M.B.A., Heriot-Watt University, U.K. -President, AU Optronics Corp.	-CEO, AU Optronics Corp. -Director, Qisda Corp. -Director, Darwin Precisions Corp.
Director Kuen-Yao (K.Y.) Lee	Male	Republic of China	2016.06.16	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 BenQ Foundation (Note 2)	-	Republic of China	2016.06.16	3 years	2010.06.18	100	0.00	100	0.00	-	-	-	-
Representative of BenQ Foundation Kuo-Hsin (Michael) Tsai	Male	Republic of China	2016.06.16	-	-	2,392	0.02	2,960	0.03	944	0.01	-Executive M.B.A., National Chiao Tung University -Senior Vice President and the General Manager of Video Solutions Business Group, AU Optronics Corp. -Director, Qisda Corp.	-President and COO, AU Optronics Corp. -Director, Lextar Electronics Corp. -Director, Daxin Materials Corporation
Director Qisda Corp. (Note 2)	-	Republic of China	2016.06.16	3 years	1996.07.18	663,599	6.90	663,599	6.90	-	-	-	-

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	First Elected Date	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experiences	Positions concurrently Held in other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)		
Representative of Qisda Corp. Peter Chen	Male	Republic of China	2016.06.16	-	-	0	0	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. -Director, Alpha Networks Inc. -Director, Darfon Electronics Corp. -Director, BenQ Materials Corp.
Independent Director Vivien Huey-Juan Hsieh	Female	Republic of China	2016.06.16	3 years	2007.06.13 (Note 1)	0	0	0	0	0	0	-Ph.D., Finance, University of Houston, U.S.A. -President, Co-Operative Asset Management Corp. -President, China Development Asset Management Corp. -Investment Vice President, China Development Industrial Bank.	-Independent Director and Member of Audit Committee and Remuneration Committee of Darwin Precisions Corp. -Independent Director and Member of Audit Committee and Remuneration Committee of Apacer Technology Inc.
Independent Director Mei-Yueh Ho	Female	Republic of China	2016.06.16	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.

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	First Elected Date	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experiences	Positions concurrently Held in other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)		
Independent Director Ding-Yuan Yang	Male	Republic of China	2016.06.16	3 years	2010.06.18	0	0	0	0	0	0	-Ph.D., Electrical Engineering, Princeton University, USA -Master of Management Science (Sloan Program), Stanford University, USA -Deputy Director, Electronic Research & Service Organization (ERSO), Industrial Technology Research Institute (ITRI) -Vice Chairman and President, Winbond Electronics Corp.	-Chairman, UniSVR Global Information Technology Corp.
Independent Director Chin-Bing (Philip) Peng	Male	Republic of China	2016.06.16	3 years	2013.06.19	97	0.00	97	0.00	0	0	-MBA, 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 Yen-Shiang Shih	Male	Republic of China	2016.06.16	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.	-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

Position and Name	Gender	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	First Elected Date	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experiences	Positions concurrently Held in other companies
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)		
												-Director General, Taiwan Tobacco & Wine Bureau -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	-Chair Professor, Chung Yuan Christian University –Policy Advisor, Taiwan Electrical and Electronic Manufacturers' Association -Chairman, Sustainable & Circular Economy Development Association
Company shares held by directors in the names of other persons: None. Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.													

Note 1: Date of initial appointment of Independent Directors as stipulated by Article 14-2 in the Securities and Exchange Act.

Note2 : Substantial shareholders of the corporate shareholder

Name of corporate shareholders	Substantial shareholders of the corporate shareholders (Note 3)	
	Name	Shareholding Percentage (%)
BenQ Foundation	N/A	
Qisda Corp.	AU Optronics Corporation	17.04
	ACER Incorporated (Note 4)	4.15
	Darfon Electronics Corp. (Note 4)	1.86
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.53
	Polunin Developing Countries Fund, LLC	1.34
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.15
	Dimensional Emerging Markets Value Fund	1.11
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.99
	CREO VENTURE CORP	0.87
	LSV Emerging Markets Equity Fund, LP	0.75

Note3: Source of information for Qisda Corp. is recorded as of the book closure date of Qisda Corp. on August 9, 2018.

Note4: Substantial shareholders of corporate shareholders who are the substantial shareholders of the Company's corporate shareholders.

Name of the corporate	Substantial shareholders of the corporate (Note 5)	
	Name	Shareholding Percentage (%)
ACER Incorporated	Hung Rouan Investment Corp.	2.39
	Stan Shih	1.66
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.57
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.26
	Management Board of Public Service Pension Fund	1.08
	Acer GDR	1.04
	iShares MSCI Taiwan Capped ETF	0.76
	Polunin Developing Countries Fund, LLC	0.70
	Government Pension Investment Fund - Internal - Re:MTBJ400045849	0.63
	New Labor Retirement Fund	0.60
Darfon Electronics Corp.	Qisda Corp.	20.72
	BenQ Corp.	7.76
	Morgan Stanley & Co. International Plc	2.72
	Norges Bank	2.13
	Mega International Commercial Bank Co., Ltd.	1.68
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.53
	Su, Kai-Chien	1.45
	Dimensional Emerging Markets Value Fund	1.27
	GOLDMAN SACHS INTERNATIONAL	1.13
	J.P. MORGAN SECURITIES LTD	1.05

Note5: Source of information for ACER Incorporated is recorded as of the book closure date of ACER Incorporated on April 17, 2018; Source of information for Darfon Electronics Corp. is recorded as of the book closure date of Darfon Electronics Corp. on April 23, 2018.

Professional qualifications and independence of the Directors:

December 31, 2018

Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Meet conditions of independence (note)										Number of other public companies where the Director concurrently serves as an Independent Director
	An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who is 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	1	2	3	4	5	6	7	8	9	10	
Shuang-Lang (Paul) Peng			✓			✓	✓		✓	✓	✓	✓	✓	0
Kuen-Yao (K.Y.) Lee			✓	✓			✓		✓	✓	✓	✓	✓	0
Representative of BenQ Foundation: Kuo-Hsin (Michael) Tsai			✓			✓	✓		✓	✓	✓	✓		0
Representative of Qisda Corp.: Peter Chen			✓			✓	✓		✓	✓	✓	✓		0
Vivien Huey-Juan Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Mei-Yueh Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ding-Yuan Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chin-Bing (Philip) Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yen-Shiang Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(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 one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(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 of a corporate shareholder that ranks among the top five in shareholdings.
(6) 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.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse. However, members of the Remuneration Committee fulfilling their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are not limited to these terms.
(8) Not a spouse or a relative within the second degree of kinship to any director.
(9) Not been involved in any of situations defined in Article 30 of the Company Act.
(10) 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

February 28, 2019; 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	Position concurrently 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	5,075	0.05	1,212	0.01	M.B.A., Heriot-Watt University, U.K. President, AU Optronics Corp. Director, Qisda Corp.	Director, Qisda Corp. Director, Darwin Precisions Corp.
President and COO	Kuo-Hsin (Michael) Tsai	Male	Republic of China	2005.12.01	2,960	0.03	944	0.01	Executive M.B.A., National Chiao Tung University Senior Vice President and the General Manager of Video Solutions Business Group, AU Optronics Corp. Director, Qisda Corp.	Director, Lextar Electronics Corp. Director, Daxin Materials Corporation.
Senior Vice President	Wei-Lung Liau	Male	Republic of China	2010.06.01	1,563	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 of BenQ Materials Corporation	Director, Raydium Semiconductor Corporation
Vice President	Ting-Li Lin	Male	Republic of China	2016.06.01	590	0.01	0	0.00	Master of Applied Chemistry, National Chiao Tung University	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	Hong-Shiung (Sean) Chen	Male	Republic of China	2010.06.01	1,462	0.02	208	0.00	Master of Mechanical Engineering, Cornell University Director, Darwin Precisions Corp. Director, Raydium Semiconductor Corporation	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	Position concurrently held in other companies (Note 3)
					Number of shares	Shareholding percentage(%)	Number of shares	Shareholding Percentage(%)		
Vice President	Andy Yang	Male	Republic of China	2008.12.01	346	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	1,949	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	344	0.00	895	0.01	Master of Business Administration, University of Rochester; Vice President at ABN AMRO Bank	None
Vice President	Amy Ku	Female	Republic of China	2009.11.01	1,539	0.02	0	0	Master of Human Resources Management, National Central University	None
Vice President	Shih-Kun Chen	Male	Republic of China	2016.01.01	802	0.01	1	0.00	Master of Chemical Engineering, National Tsing Hua University	None
Vice President	Kun-Yu Lin	Male	Republic of China	2005.12.01	181	0.00	479	0.00	Master of EO Engineering, National Chiao Tung 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, Raydium Semiconductor Corporation
Vice President	James CP Chen	Male	Republic of China	2007.10.01	318	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	SK Huang	Male	Republic of China	2008.12.01	1,540	0.02	31	0.00	Master of Business Administration, National Taiwan University; Master of Physics, National Cheng Kung University	None
Senior Associate Vice President	Tina Wu	Female	Republic of China	2013.11.01	659	0.01	0	0	Master of Industrial Administration, Waseda 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	Position concurrently held in other companies (Note 3)
					Number of shares	Shareholding percentage(%)	Number of shares	Shareholding Percentage(%)		
Senior Associate Vice President	Yu-Chieh Lin	Female	Republic of China	2011.05.01	506	0.01	0	0	Master of Physics, National Central University	None
Senior Associate Vice President	Martin Sung	Male	Republic of China	2006.10.01	693	0.01	0	0	Master of Business Administration, University of North Carolina	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	113	0.00	0	0	Ph.D. in Mechanical Engineering, National Cheng Kung University	None
Senior Associate Vice President	Ivan Wu	Male	Republic of China	2010.06.01	719	0.00	12	0.00	Master of EO Engineering, National Chiao Tung University	None
Associate Vice President	TL Chen	Male	Republic of China	2010.08.01	125	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	SI Jeong	Male	Republic of China	2011.05.01	195	0.00	0	0	Bachelor's degree at Korea Aerospace University; FAE Manager at Samsung	None
Associate Vice President	HC Lee	Male	Republic of China	2016.10.01	0	0	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	56	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.

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 Notes" of this Annual Report, which provides information on the itions within the Com which No. 0920001301 Directive decreed on Marces" (pages 101-103)

III. Compensation of Directors, Supervisors, President, and Vice Presidents

(I) Compensation to Directors

Unit: NT$1,000 – 1,000 shares

<table>
<tr><th rowspan="4">Title (Note 1)</th><th rowspan="4">Name (Note 1)</th><th colspan="8">Director’s compensation</th><th colspan="2" rowspan="2">Ratio of sum of items A, B, C and D to profit (%) (Note 9)</th><th colspan="8">Compensation earned by a Director who is an employee of the Company</th><th colspan="2" rowspan="2">Ratio of sum of items A, B, C, D, E, F and G to profit (%) (Note 9)</th><th rowspan="4">Compensation from investees other than AU Optronics Corp.’s subsidiaries (Note 10)</th></tr>
<tr><th colspan="2">Compensation (A) (Note 2)</th><th colspan="2">Pension upon retirement(B) (Note 3)</th><th colspan="2">Director's remuneration (C) (Note 4)</th><th colspan="2">Business execution Expenses (D) (Note 5)</th><th colspan="2">Salaries, bonuses and special expenses (E) (Note 6)</th><th colspan="2">Pension upon retirement (F) (Note 3)</th><th colspan="4">Employee’s remuneration (G) (Note 7)</th></tr>
<tr><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th><th colspan="2">AU Optronics Corp.</th><th colspan="2">AU Optronics Corp. and its subsidiaries (Note 8)</th><th rowspan="2">AU Optronics Corp.</th><th rowspan="2">AU Optronics Corp. and its subsidiaries(Note 8)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman and CEO</td><td>Shuang-Lang (Paul) Peng</td><td rowspan="9">23,200</td><td rowspan="9">24,500</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">24,307</td><td rowspan="9">24,603</td><td rowspan="9">4,011</td><td rowspan="9">5,051</td><td rowspan="9">0.51</td><td rowspan="9">0.53</td><td rowspan="9">75,833</td><td rowspan="9">75,833</td><td rowspan="9">227</td><td rowspan="9">227</td><td rowspan="9">24,500</td><td rowspan="9">0</td><td rowspan="9">24,500</td><td rowspan="9">0</td><td rowspan="9">1.50</td><td rowspan="9">1.52</td><td rowspan="9">21,756</td></tr>
<tr><td>Director</td><td>Kuen-Yao (K.Y.) Lee</td></tr>
<tr><td>Independent Director</td><td>Vivien Huey-Juan Hsieh</td></tr>
<tr><td>Independent Director</td><td>Mei-Yueh Ho</td></tr>
<tr><td>Independent Director</td><td>Ding-Yuan Yang</td></tr>
<tr><td>Independent Director</td><td>Chin-Bing (Philip) Peng</td></tr>
<tr><td>Independent Director</td><td>Yen-Shiang Shih</td></tr>
<tr><td>Corporate Director</td><td>BenQ Foundation</td></tr>
<tr><td>Corporate Director Representative</td><td>Kuo-Hsin (Michael) Tsai</td></tr>
<tr><td>Corporate Director</td><td>Qisda Corporation</td><td>2,000</td><td>2,000</td><td>0</td><td>0</td><td>3,472</td><td>3,472</td><td>0</td><td>0</td><td>0.05</td><td>0.05</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.05</td><td>0.05</td><td>0</td></tr>
<tr><td>Corporate Director Representative</td><td>Peter Chen</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>60</td><td>60</td><td>0.00</td><td>0.00</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.00</td><td>0.00</td><td>27,449</td></tr>
</table>

*In addition to the information disclosed in the table above, has any Director of the Company provided services to any of the companies included in the Financial Statements and received compensation for such services (e.g provided consultation services in a non-employee capacity): None.

Table of compensation ranges

Compensation range for each Director in AU Optronics Corp.	Name of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries(Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries and investees (Note 11)
Less than NT$ 2,000,000	Kuo-Hsin (Michael) Tsai, Peter Chen	Peter Chen	Peter Chen	
NT$ 2,000,000 (inclusive) ~NT$ 5,000,000		Kuo-Hsin (Michael) Tsai		
NT$ 5,000,000 (inclusive) ~NT$ 10,000,000	Shuang-Lang (Paul) Peng, Kuen-Yao(K.Y.) Lee, Vivien Huey-Juan Hsieh, Mei-Yueh Ho, Ding-Yuan Yang, Chin-Bing (Philip) Peng, Yen-Shiang Shih, BenQ Foundation,Qisda Corporation	Shuang-Lang (Paul) Peng, Kuen-Yao(K.Y.) Lee, Vivien Huey-Juan Hsieh, Mei-Yueh Ho, Ding-Yuan Yang, Chin-Bing (Philip) Peng, Yen-Shiang Shih, BenQ Foundation, Qisda Corporation	Kuen-Yao(K.Y.) Lee, Vivien Huey-Juan Hsieh, Mei-Yueh Ho, Ding-Yuan Yang, Chin-Bing (Philip) Peng, Yen-Shiang Shih, BenQ Foundation, Qisda Corporation	Vivien Huey-Juan Hsieh, Mei-Yueh Ho, Ding-Yuan Yang, Chin-Bing (Philip) Peng, Yen-Shiang Shih, Qisda Corporation
NT$ 10,000,000 (inclusive) ~NT$ 15,000,000				BenQ Foundation
NT$ 15,000,000 (inclusive) ~NT$ 30,000,000				Kuen-Yao (K.Y.) Lee, Peter Chen
NT$ 30,000,000 (inclusive) ~NT$ 50,000,000			Kuo-Hsin (Michael) Tsai	Kuo-Hsin (Michael) Tsai
NT$ 50,000,000 (inclusive) ~NT$ 100,000,000			Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng
More than NT$ 100,000,000				
Total	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)

Note 1: The information in the table refers to compensation for current Directors as of the end of 2018.
Note 2: Refers to compensation for Directors in 2018 (including salaries, job allowance, severance pay, bonuses, and performance fees).
Note 3: Refers to pension either allocated or paid out per legal requirements in 2018.
Note 4: Refers to Directors' remunerations in 2018.
Note 5: Refers to Directors' business execution expenses in 2018 (including provisions of compensation, transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items for those serving as representatives of Corporate Directors or supervisors designated by AU Optronics Corp. and its subsidiaries)
Note 6: Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2018 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.
Note 7: Refers to employee's remuneration (including stock and cash) paid to Directors who also served as President, Vice President, other managers, or employees in 2018.
Note 8: Total compensation in various items paid out to AU Optronics Corp.'s Directors.
Note 9: Profit refers to the profit for the year in the 2018 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.
Note 10: Refers to compensation, remunerations (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by Directors who served as Director, supervisor, or manager in investees other than AU Optronics Corp.'s subsidiaries in 2018.
Note 11: Total compensation paid to AU Optronics Corp.'s Directors.

(II) Compensation for President and Vice presidents

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

Title (Note 1)	Name (Note 1)	Salary (A) (Note 2)		Pension upon retirement(B) (Note 3)		Bonuses and special expenses etc (C) (Note 4)		Employee's remuneration (D) (Note 5)				Ratio of sum of items A, B, C and D to profit (%) (Note 7)		Compensation from investees other than AU Optronics Corp.'s subsidiaries (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 8)		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	
								Cash	Stock	Cash	Stock			
Chairman and CEO	Shuang-Lang (Paul) Peng	69,196	73,624	2,457	2,547	157,222	161,530	54,250	0	54,250	0	2.79	2.87	350
President and COO	Kuo-Hsin (Michael) Tsai													
Senior Vice President	Wei-Lung Liau													
Vice President	TY Lin													
Vice President	Ting-Li Lin													
Vice President	Shih-Hong Liao													
Vice President	Hong-Shiung (Sean) Chen													
Vice President	Andy Yang													
Vice President	CS Hsieh													
Vice President	Benjamin Tseng													
Vice President	Amy Ku													
Vice President	Shih-Kun Chen													
Vice President	Kun-Yu Lin													
Vice President	Hong-Jye Hong													
Vice President	James CP Chen													
Vice President	SK Huang													

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.	AU Optronics Corp. and its subsidiaries and investees (Note 9)
Less than NT$ 2,000,000		
NT$ 2,000,000 (inclusive) ~NT$ 5,000,000	Shih-Hong Liao	
NT$ 5,000,000 (inclusive) ~NT$ 10,000,000		
NT$ 10,000,000 (inclusive) ~NT$ 15,000,000	Ting-Li Lin, Hong-Shiung (Sean) Chen, Andy Yang, CS Hsieh, Benjamin Tseng, Amy Ku, Shih-Kun Chen, Kun-Yu Lin, Hong-Jye Hong, James CP Chen, SK Huang	Ting-Li Lin, Hong-Shiung (Sean) Chen, Andy Yang, CS Hsieh, Benjamin Tseng, Amy Ku, Shih-Kun Chen, Kun-Yu Lin, Hong-Jye Hong, James CP Chen, SK Huang, Shih-Hong Liao
NT$ 15,000,000 (inclusive) ~NT$ 30,000,000	Wei-Lung Liau, TY Lin	Wei-Lung Liau, TY Lin
NT$ 30,000,000 (inclusive) ~NT$ 50,000,000	Kuo-Hsin(Michael) Tsai	Kuo-Hsin(Michael) Tsai
NT$ 50,000,000 (inclusive) ~NT$ 100,000,000	Shuang-Lang(Paul) Peng	Shuang-Lang(Paul) Peng
More than NT$ 100,000,000		
Total	16 persons	16persons

Note 1: The information in the table refers to 2018 compensation for current managers such as Vice Presidents or above as of the end of 2018.

Note 2: Refers to compensation for managers such as Vice Presidents or above in 2018, including salaries, job allowance and severance pay.

Note 3: Refers to pension either allocated or paid out per legal requirements in 2018.

Note 4: Refers to compensation for managers such as Vice Presidents or above in 2018, 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 2018.

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

Note 7: Profit refers to the profit for the year in the 2018 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 in 2018.

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

(III) Names of managers provided with employee's remunerations and state of payments

Unit: NT$1,000

	Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total (Note 2)	Ratio of total amount to the net income after taxes (%) (Note 3)
Manager	Chairman and CEO	Shuang-Lang (Paul) Peng	0	67,850	67,850	0.67
	President and COO	Kuo-Hsin (Michael) Tsai				
	Senior Vice President	Wei-Lung Liau				
	Vice President	TY Lin				
	Vice President	Ting-Li Lin				
	Vice President	Shih-Hong Liao				
	Vice President	Hong-Shiung (Sean) Chen				
	Vice President	Andy Yang				
	Vice President	CS Hsieh				
	Vice President	Benjamin Tseng				
	Vice President	Amy Ku				
	Vice President	Shih-Kun Chen				
	Vice President	Kun-Yu Lin				
	Vice President	Hong-Jye Hong				
	Vice President	James CP Chen				
	Vice President	SK Huang				
	Senior Associate Vice President	Tina Wu				
	Senior Associate Vice President	Yu-Chieh Lin				
	Senior Associate Vice President	Martin Sung				
	Senior Associate Vice President	PC Cheng				
	Senior Associate Vice President	CC Hung				
	Senior Associate Vice President	Ivan Wu				
	Associate Vice President	TL Chen				
	Associate Vice President	SI Jeong				
	Associate Vice President	HC Lee				
	Associate Vice President	PH Lin				

Note 1: Current Company managers as of the end of 2018. Information on titles of managers are accurate as of the publication date of the Annual Report.

Note 2: Refers to remunerations for employees in 2018.

Note 3: Net income after taxes refers to the net income after taxes on the 2018 parent company only financial statements.

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

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$1000

Year / Item	2018	2017
Net income after taxes on the Company's Parent Company Only Financial Statements	10,160,598	32,359,417
Ratio of compensation for Directors paid by the Company	0.56%	0.49%
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements	0.59%	0.50%
Ratio of compensation for Managers such as Vice President or above paid by the Company	2.79%	1.26%
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements	2.87%	1.27%

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. Standards of compensation are set in accordance with the "Principles of Compensation Policy for Managers" established by the Remuneration Committee and the Board of Directors. The Remuneration Committee will set the compensations and submit to the Board's approval on an annual basis.
   (3) The Company's major compensation principle is to link job functionalities with performance results, and to provide competitive salary packages to attract, retain and cultivate talent over the long-term, to reflect upon the Company's management risks and the Company's governance structure. To positively reflect the shareholders' long-term value, the Company does not use short-term profitability as the sole indicator for compensation and performance.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

The Company had convened Six Board of Directors meetings in 2018 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Note
Chairman and CEO	Shuang-Lang (Paul) Peng	6	0	100	-
Director	Kuen-Yao (K.Y.) Lee	6	0	100	-
Director	BenQ Foundation Representative: Kuo-Hsin (Michael) Tsai	6	0	100	-
Director	Qisda Corp. Representative: Peter Chen	6	0	100	-
Independent Director	Vivien Huey-Juan Hsieh	5	0	83	-
Independent Director	Mei-Yueh Ho	6	0	100	-
Independent Director	Ding-Yuan Yang	6	0	100	-
Independent Director	Chin-Bing (Philip) Peng	6	0	100	-
Independent Director	Yen-Shiang Shih	6	0	100	-

Other items that shall be recorded:

I. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:
   (I) Matters included in Article 14-3 of the Securities and Exchange Act: regulations from Article 14-3 are not applicable since the Company has already established an Audit Committee. For explanations on matters stipulated in Article 14-5 of the Securities and Exchange Act, please see Operations of the Audit Committee (Page 23).
   (II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated by 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 results of voting counts should be stated.
   Board Meeting convened on February 6, 2018:
   1. Proposal for approving the Company to provide the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd. : pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng has abstained from the discussion and vote of the proposal since he concurrently serves as the Director of AU Optronics (Kunshan) Co., Ltd. The proposal was approved without dissent after discussions among the directors in attendance.
   2. Proposal for approving the 2017 compensation distributions to directors and senior managerial officers : pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, each director has abstained from the discussion and vote of the proposal of his/her part because it's the proposal for directors'compensation and Chairman Shuang-Lang (Paul) Peng and Director Kuo-Hsin (Michael) Tsai, Representative of BenQ Foundation, also serve in concurrent managerial roles at the Company. The proposal was approved without dissent after explanation of its contents and discussions among the directors in attendance.
   3. Proposal for approving the donations: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng, Director Kuen-Yao (K.Y.) Lee and Director Peter Chen, Representative of Qisda Corp., have abstained from the discussion or the vote for the proposal because they also hold concurrent roles as Directors for BenQ Foundation. The proposal was approved without dissent after explanation of its contents and discussions among the directors in attendance.

   Board Meeting convened on March 23, 2018:
   1. Proposal for approving the Company to cancel the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd.: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang

(Paul) Peng has abstained from the discussion and vote of the proposal since he concurrently serves as the Director of AU Optronics (Kunshan) Co., Ltd. The proposal was approved without dissent after discussions among the directors in attendance.

2. Proposal for approving to dispose the common shares of Sanda Materials Corporation: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Director Kuo-Hsin (Michael) Tsai has abstained from the discussion and vote of the proposal since he concurrently serves as the director of AUO Crystal Corp. The proposal was approved without dissent after discussions among the directors in attendance.

Board Meeting convened on April 25, 2018:

1. Proposal for approving the donations: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Independent Director Mei-Yueh Ho has abstained from the discussion and vote of the proposal because she also concurrently serves as the Director of the Science & Technology Ecosystem Development Foundation. The proposal was approved without dissent after explanation of its contents and discussions among the directors in attendance.

Board Meeting convened on July 25, 2018:

1. Proposal for approving AU Optronics (Suzhou) Corp., AU Optronics (Xiamen) Corp. and AU Optronics Manufacturing (Shanghai) Corp. to lend capital to AU Optronics (Kunshan) Co., Ltd.: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng has abstained from the discussion and vote of the proposal since he concurrently serves as the Director of AU Optronics (Kunshan) Co., Ltd. The proposal was approved without dissent after discussions among the directors in attendance.
2. Proposal for approving the distribution of 2017 employees' remuneration for senior managerial officers: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng and Director Kuo-Hsin (Michael) Tsai have abstained from the discussion and vote of the proposal since Chairman Peng concurrently serves as the Company's CEO, and Director Tsai concurrently serves as the Company's President and COO. The proposal was approved without dissent by all other Directors in attendance.

Board Meeting convened on October 30, 2018:

1. Proposal for approving the subsidiaries to lend capital to AU Optronics (Kunshan) Co., Ltd.: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng has abstained from the discussion and vote of the proposal since he concurrently serves as the Director of AU Optronics (Kunshan) Co., Ltd. The proposal was approved without dissent after discussions among the directors in attendance.

Board Meeting convened on December 18, 2018:

1. Proposal for approving that in order to consolidate the resources, the Company will acquire 100% of issued shares of AUO Crystal Corp.: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Director Kuo-Hsin (Michael) Tsai has abstained from the discussion and vote of the proposal since he concurrently serves as the Director of AUO Crystal Corp. Besides partial amendments, the other contents of the proposal was approved without dissent after discussions among the directors in attendance.
2. Proposal for approving to capital lending to AUO Crystal Corp.: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Director Kuo-Hsin (Michael) Tsai has abstained from the discussion and vote of the proposal since he concurrently serves as the director of AUO Crystal Corp. The proposal was approved without dissent after discussions among the directors in attendance.

Board Meeting convened on March 22, 2019:

1. Proposal for approving the 2018 compensation distributions to directors and senior managerial officers: pursuant to Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, each director has abstained from the discussion and vote of the proposal of his/her part because it's the proposal for directors'compensation and Chairman Shuang-Lang (Paul) Peng and Director Kuo-Hsin (Michael) Tsai, Representative of BenQ Foundation, also serve in concurrent managerial roles at the Company. The proposal was approved without dissent after explanation of its contents and discussions among the directors in attendance.
2. Proposal for approving the donations: pursuant to the Rules of Procedure for Board of Directors Meetings to avoid conflicts of interest, Chairman Shuang-Lang (Paul) Peng, Director Kuen-Yao (K.Y.) Lee, Peter Chen (Representative of Qisda Corp.), and Kuo-Hsin (Michael) Tsai (Representative of BenQ Foundation), have abstained from the discussion and vote of the proposal because they also serve in concurrent roles as either Directors or Direcot representatives for BenQ Foundation. The proposal was approved without dissent after discussions among the directors in attendance.

III. 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 Association or the resolutions of the Shareholders' Meetings.
2. The Company has established the Audit Committee on June 13, 2007 to carry out duties concerning the Securities and Exchange Act, Company Act, and other legal regulations. Please see Page 23 of the Annual Report for operations of the Audit Committee.
3. The Company has established the 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 33 of the Annual Report for operations of the Remuneration Committee.
4. The Company held re-elections of its Directors at the Annual General Meeting on June 16, 2016. 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 a majority of all Directors.
5. Please see Page 34 of the Annual Report for the goals and implementations of the Company's CSR Committee.

(II) Operations of the Audit Committee

The Company had convened seven Audit Committee meetings in 2018 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Note
Convener	Vivien Huey-Juan Hsieh	6	0	86	-
Member	Mei-Yueh Ho	7	0	100	-
Member	Ding-Yuan Yang	7	0	100	-
Member	Chin-Bing (Philip) Peng	7	0	100	-
Member	Yen-Shiang Shih	7	0	100	-

Other items that shall be recorded:

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 Pages 51-52 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:
Audit Committee meeting convened on April 25, 2018:

1. Proposal for approving the donations: pursuant to Rules of Procedure for Audit Committee for prevention of conflicts of interest, Audit Committee Member Mei-Yueh Ho has abstained from the discussion or the vote for the proposal because she concurrently serves as a Director for the Science & Technology Ecosystem Development Foundation. The proposal was approved without dissent after explanation of its contents and discussions among all other Independent Directors in attendance.

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) 2019 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. The hiring of CPA.
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) 2018 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) 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		Current Operation (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
		Yes	No	Summary	
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 aim 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 website for the Corporate Governance stipulated by the Company.	No gaps
Shareholding structure & shareholders' rights	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
	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?	✓		The Company reports changes in number of shares held by internal personnel (including Directors, managers, and major shareholders holding 10% or more of shares) on the designated Market Observation Post System (MOPS) website by the Financial Supervisory Commission on a monthly basis.	No gaps
	Does the Company establish and execute the risk management and firewall system with its affiliates?	✓		The Company has established "Management process for the subsidiary" and " SOP - Related parties transaction summary" to establish and implement firewalls and risk control mechanism with its affiliates. The Company has no major difference in procurement/sell prices and payment terms between trading with related parties and non-related parties.	No gaps
	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 Procedures can be found on the Company's website. 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 2018. The Company expects to invite the Company's stock affairs agency to undertake educational training for current managers in 2019 to fulfill advocacy for insider trading prevention in practice. Contents of the training include confidentiality procedures for material information, legal regulations regarding insider	No gaps

<table>
<tr><th colspan="2" rowspan="2">Assessed items</th><th colspan="3">Current Operation (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>Summary</th></tr>
<tr><td></td><td></td><td></td><td></td><td>training, and case studies.</td><td></td></tr>
<tr><td rowspan="2">Composition and Responsibilities of the Board of Directors</td><td>Does the Board develop and implement a diversified policy for the composition of its members?</td><td>✓</td><td></td><td>Pursuant to the Company's "Corporate Governance Principles," the composition of the Board of Directors should take into consideration the policy of diversity. Directors who serve concurrently as the Company's managers should not exceed one third of all Directors and appropriate diversification guidelines have been established based on Company operations, its business model, and development requirements. These guidelines stipulate that Directors should be assessed by standards including but not limited to the following two aspects: 1. basic qualifications and value: gender and age; 2. Professional knowledge and skills: professional background, competencies, and industry experiences etc.
<table>
<tr><th>Management objectives:</th><th>Progress</th></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 2018 is as follows:
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Title</th><th rowspan="2">Gender</th><th colspan="2">Professional knowledge and skills</th><th colspan="3">Age</th><th rowspan="2">Employee position</th></tr>
<tr><th>Industry or Technology</th><th>Legal, finance or accounting</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>Male</td><td>V</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>Male</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Kuo-Hsin (Michael) Tsai</td><td>Director</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td></tr>
<tr><td>Peter Chen</td><td>Director</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Vivien Huey-Juan Hsieh</td><td>Independent Director</td><td>Female</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Mei-Yueh Ho</td><td>Independent Director</td><td>Female</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Ding-Yuan Yang</td><td>Independent Director</td><td>Male</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Chin-Bing (Philip) Peng</td><td>Independent Director</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Yen-Shiang Shih</td><td>Independent Director</td><td>Male</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td></tr>
</table>
Information as of December 31, 2018</td><td>No gaps</td></tr>
<tr><td>Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>Besides having established an Audit Committee and a Remuneration Committee, the Company has also set up a cross-departmental CSR Committee. For organization and operations of the CSR Committee, please see Chapter VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management, and Chapter III. Corporate Governance - fulfillment of corporate social responsibility (Page 90 and Page 34) of this Annual Report.</td><td>No gaps</td></tr>
</table>

Assessed items		Current Operation (Note 1) Yes	No	Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Does the Company establish a standard to measure the performance of the Board, and implement it annually?	✓		The Company's Board of Directors has approved the "Methods to Evaluate Performance 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 institutions or external experts and scholars shall be undertaken at least once every three years. 1. Internal performance evaluation: The members of the Board of Directors and responsible departments for Board of Directors meetings shall undertakes "Board of Directors internal self-assessment" for the overall Board of Directors at the end of each year. The scope of such assessment will include 47 indicators that fall under five aspects: level of participation in Company operations, enhancing quality of decision-making from the Board, composition and structure of the Board, nomination of Directors and continuing education as well as internal control. Assessment results will be classified into three levels: Exceeding Expectations, Meets Expectations, and Room for Improvement. The Board's self-assessment results for the year ending in 2018 was submitted to the Board on January 28, 2019. The assessment results were rated as "Exceeding Expectations" and no material improvement items were found. The Board also decided to conduct performance evaluation for functional committees starting in 2019. 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. Three assessment experts were dispatched from the TCGA to review the Company's relevant documents from August 1, 2017 to July 31, 2018. On-site inspection was conducted on December 18, 2018, and an Assessment Evaluation on the Board of Directors' Effectiveness Report was issued on January 8, 2019. TCGA and its assessment experts have not had any business relations with the Company and are independent third-parties. The conclusion of the report prepared by TCGA was that the Company's Board of Directors maintained three characteristics, including being proactive in terms of fulfilling sustainable governance, in-depth participation in operations and management, and having realized high levels of self-discipline. The Company has submitted the assessment result to the Board meeting on January 28, 2019, and the Board has decided to conduct performance evaluation for functional committees starting in 2019 to meet assessment recommendations from TCGA. At the same time, the Company will also use its recommendations as a reference to continuously enhance the functionalities of the Board. 3. Pursuant to Article 15 of the Articles of Association, directors' remunerations of the Company shall not exceed 1% of the Company's remaining profit for the year. Remuneration Committee and the Board of Directors will establish compensations for Directors based on the Company's management results and compensation policy to the directors and functional committee members and in reference to the Directors' performance evaluation results. The Board's self-assessment results for the year ending in 2017 were rated as "Exceeding Expectations". Compensations to directors in 2017 was resolved by the Remuneration Committee and the Board of Directors and had been fully distributed in accordance with "compensation policy to the directors and functional committee members."	No gaps
	Does the Company regularly	✓		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:	No gaps

<table>
<tr><th rowspan="2" colspan="2">Assessed items</th><th colspan="3">Current Operation (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>Summary</th></tr>
<tr><td></td><td>evaluate the independence of CPAs?</td><td></td><td></td><td>1. The Company's CPA is not a related party with either the Company or its Directors.
2. The Company abides by the Corporate Governance Principles with regard to the 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.
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.
2. The Company has not commissioned the same CPA for five consecutive years.</td><td></td></tr>
<tr><td colspan="2">Does the Company have a dedicated (or part-time) unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for Director/supervisor's business operations, processing board/shareholder meetings in compliance with the law, applying for the Company registration/alteration registration and producing meeting minutes of Board/Shareholders' Meetings)?</td><td>✓</td><td></td><td>The corporate governance affairs of the Company is supervised and arranged by Risk Management Team of CSR Committee and setting a goal to protect shareholder equity and to enhance BOD function. CFO Benjamin Tseng has been appointed to serve as the Company's Corporate Governance Manager since February 2017. His qualifications meet the regulations of Paragraph 1 of Article 3-1 ofthe Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and his competence has been reported to the Board of Directors every year. His functions include providing information to directors and audit committee for them to execute their jobs and the development of the latest regulations regarding corporate business and so as to assist directors and audit committee to comply with the law. Corporate governance related affairs (including handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, assisting directors and the Audit Committee in taking office and continuing education and periodically reporting the progress of corporate governance to the Board of Directors every year.) are executed respectively by the secretary unit of Board of Directors and Stock Affairs department which are both under CFO.
Key corporate governance implementations in 2018 include the following:
1. Six Board of Directors meetings, seven Audit Committee meetings, and 4 Remuneration Committee meetings were convened in 2018.
2. One Annual Shareholders' Meeting was convened in 2018.
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 Board of Directors' internal self-assessment result was "Exceeding Expectations," and the Taiwan Corporate Governance Association (TCGA) was asked for external evaluation of the Board's effectiveness.
6. The Company's results in the 4th Corporate Governance Evaluation had ranked among Top 5%.
Please see Page 49 on the Annual Report for continuing education from the Corporate Governance Manager.</td><td>No gaps</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Assessed items</th><th colspan="3">Current Operation (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>Summary</th></tr>
<tr><td colspan="2">Does the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicate a section of the Company's website for stakeholder affairs and adequately respond to stakeholders' inquiries on significant CSR issues?</td><td>✓</td><td></td><td>The Company has established a spokesperson system. Moreover, we provide the latest information and communication channels of CSR issues in multiple forms, such as the Stakeholder section of the Company's website, external seminars, industry-government-academia conferences and customer satisfaction surveys.</td><td>No gaps</td></tr>
<tr><td colspan="2">Does the Company appoint a professional shareholder service agency to deal with Shareholders' Meetings?</td><td>✓</td><td></td><td>The Company has appointed Stock-Affairs Agency Department of Taishin International Bank as its agency to carry out tasks relevant to Shareholders' Meetings.</td><td>No gaps</td></tr>
<tr><td>Information Disclosure</td><td>Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?</td><td>✓</td><td></td><td>1. Disclosure of financial information
Investor Relations section has been set up on both Company's Chinese and English websites (https://www.auo.com/en-global), and the Company regularly updates financial information as reference for investors.
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 established a Corporate Governance section on the Company website, contents of which include risk management, the Board of Directors and functional committees, performance evaluation of the Board and information related to governance. Company policies, standards, and material documents are also posted to the website (including Articles of Incorporation, Rules and Procedures for Shareholders’ Meeting, Rules for the Election of Directors, Handling Procedures for Acquisition or Disposal of Assets, Handling Procedures for Conducting Derivative Transactions, Handling Procedures for Providing Endorsements and Guarantees for Third Parties, Handling Procedures for Capital Lending, Audit Committee Charter, Remuneration Committee Charter, Management Procedure for Insider Trading Prevention, Policy and Procedures for Complaints and Concerns Regarding Accounting, Internal Accounting Controls or Auditing Matters, Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Senior Management, Corporate Governance Principles, Corporate Social Responsibility Principles, Ethical Corporate Management Principles, Rules and Procedures for Performance Evaluation of the Board of Directors, Tax Policy, Antitrust Compliance Policy, and Corporate Social Responsibility Report and more).
The Company's American Depositary Receipts (ADRs) are traded on the New York Stock Exchange (NYSE); hence, the Company shall also abide by relevant regulations from the NYSE. Pursuant to the NYSE's policies for listed companies, implementations of governance of the Company and material gaps with implementations from domestic U.S. companies shall be disclosed. For disclosure of the aforementioned information, please refer to https://www.auo.com/en-global/Stock_Services/index/Material_Information_and_Announcement_1</td><td>No gaps</td></tr>
</table>

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
		Yes	No	Summary	
	Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		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 Jack Juang from Finance Planning Division to serve as Deputy Spokesperson. 3. Proceedings from the Investors' Conference is uploaded to the Company website: The Company's recordings and abstract information from Investors' Conference are both uploaded to the Investor Relations section of the Company website for all to see. Besides the Investor Relations section, finance, business and operating information from the Investors' Conference are also posted to the Market Observation Post System (MOPS) pursuant to regulations from the TWSE.	No gaps
Does the Company have any other material information to facilitate in understanding the functions of its corporate governance?	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 for employees' rights, please see "V. Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relations" (Pages 75-79).	No gaps
	Care for employees	✓			No gaps
	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
	Supplier Relationship	✓		The Company has established Supplier Evaluation Procedures including the suppliers' quality and service standards, green products, environmental, safety, and health(ESH) risks, Code of Ethical Conduct and social responsibility and reviewed by relevant departments. Only those who have passed the evaluation procedures can be qualified suppliers. In addition, to strengthen the efficiency and transparency of communications with suppliers, the Company sets up a reporting system for whistle-blowing of professional ethical violations(http://integrity.ab1.auo.com), and multiple other systems.	No gaps
	Rights of Stakeholders	✓		For the Company's stakeholders (shareholders and investors, customers, employees, neighborhood and community, environmental groups, suppliers, outsourced agencies, contractors, NGOs, experts and scholars from the industry and government, financial and insurance institutions and the media, etc.), multiple channels have also been established to provide the latest information on the Company. A Stakeholders section has been set up on the Company's website, serving as a channel of communications to assert the rights of both parties.	No gaps
	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 "Directors' continuing education in 2018" for details. 2. The Company's managers may hold concurrent positions as Directors or supervisors of the Company's Subsidiaries. As for continuing education for managers, please see "III. Corporate Governance Report" of this Annual Report, which provides information on "Other important information to achieve better understanding on the state of corporate governance activities" (Page 49).	No gaps
	The implementation of risk-management policies and risk evaluation standard	✓		Please see "VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management " for details (Pages 90-96).	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
		Yes	No	Summary	
	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
	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
	Succession Planning and Operations of Members of the Board of Directors and Key Managerial Officers	✓		The succession plan and the candidates of the directors are set in accordance with future strategic development and transitional plans of the Company and aligned with our diversified policies. Additionally, 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 IDP 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.	No gaps

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 4th Corporate Governance Evaluation from the TWSE in 2017. Furthermore, the Company continues to demonstrate our sustainable competencies in economic, environmental, and social aspects. We will also continue to uphold the core values of honesty and integrity and shoulder long-term sustainable commitment to each stakeholder and society.

To realize our mission of "To Be a Global Leader in Green Solutions," the Company has invested toward new business areas in solar energy, developed environmentally-friendly products, and is committed to in-depth environmental issues in the manufacturing industry.

Energy Management:

To meet the future trend of Big Data and smart management, the Company has organized a group of smart manufacturing experts who are trained by external professional agencies, helping to instill smart management in all detailed of Company operations and thus helping to enhance efficiency. Smart energy-saving management measures have been introduced to large-scale high energy-consuming systems such as water chiller units and air compressor systems, and significant energy-saving performance has been achieved. The Company undertakes approximately hundreds of energy-efficiency improvement projects each year, and we have also invested over hundreds of millions NT$ into energy conservation measures. Statistics in 2018 indicated that we have conserved 96 million kWh in energy. Moreover, we were also the first in the worldwide manufacturing industry to introduce ISO 50001 Energy Management System, which is introduced in line with internationally accredited quantitative measurement and certification standards to carry out the checking and management of internal energy performance.

Environmental management:

The Company has developed an in-house water and effluents processing technology, which promotes zero-emissions engineering of industrial effluents. We collaborate with the government in promoting the use of recycled water and seek for more effective water resource projects and reduce water consumption pressure, in addition to long-term adoption of ISO 14001 Environmental Management System. Through keeping improvement management, environmental management can become a continuous topic of concern for corporate sustainability and external stakeholder engagements.

Green energy: As of December 31, 2018, the Company has indirectly established and implemented a 90MWp solar power system through Star River Energy Corp. and Star Shining Energy Corp.

Note 1: Operations are based on the Company's situations only and either "Yes" or "No" will be ticked. Please see the summary for explanations.

Continuing Education and Training for the Company Directors in 2018:

Title	Name	Date	Organizer	Course Name	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2018.10.15	Financial Supervisory Commission	The 12th Term Taipei Corporate Governance Forum	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.11.22	Taiwan Institute of Sustainable Energy (TAISE)	2018 Global Corporate Sustainability Forum (GCSF)	3 hours
		2018.12.18	Taiwan Corporate Governance Association	Assessment of the Board of Directors' performance	3 hours
Director	Kuen-Yao (K.Y.) Lee	2018.11.21	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Director	Representative of BenQ Foundation: Kuo-Hsin (Michael) Tsai	2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Director	Representative of Qisda Corp.: Peter Chen	2018.11.21	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Independent Director	Vivien Huey-Juan Hsieh	2018.05.08	Taiwan Stock Exchange (TWSE)	The Corporate Governance Roadmap Summit	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
Independent Director	Mei-Yueh Ho	2018.03.21	Corporate Operation Association	Seminar series on the analysis of the latest amendments to the Company Act and relevant practice planning	3 hours
		2018.10.03	Securities and Futures Institute	Review on financial report for directors and supervisors with non-financial background	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Independent Director	Ding-Yuan Yang	2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Independent Director	Chin-Bing (Philip) Peng	2018.03.21	Taiwan Corporate Governance Association	Current development trends of corporate governance and outlook of the IPO capital market in Taiwan	3 hours
		2018.05.09		Influences of international political and economic conditions on Taiwanese information and telecommunications industries	3 hours
		2018.10.30		Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Independent Director	Yen-Shiang Shih	2018.10.15	Financial Supervisory Commission	The 12th Term Taipei Corporate Governance Forum	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours

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

1. Information on the members of the Remuneration Committee

December 31, 2018

Status	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 have 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	Number of other public companies where the member concurrently serves as member in Remuneration Committee	Note
Independent Director	Chin-Bing (Philip) Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Vivien Huey-Juan Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Ding-Yuan Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: 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's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(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 one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(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 of a corporate shareholder that ranks among the top five in shareholdings.
(6) 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.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse. However, members of the Remuneration Committee fulfilling their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are not limited to these terms.
(8) 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 the current Committee: From June 16, 2016 to June 15, 2019.

The Company had convened four Remuneration Committee meetings in 2018 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Rate of actual attendance (%)	Note
Convener	Chin-Bing (Philip) Peng	4	0	100	-
Member	Vivien Huey-Juan Hsieh	4	0	100	-
Member	Ding-Yuan Yang	4	0	100	-

Other items that shall be recorded:

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:

   Remuneration Committee meeting convened on February 6, 2018:
   1. Approved the proportion to the appropriation of employees' and directors' bonus. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   2. Approved the 2017 compensation distributions to directors and senior managerial officers. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   3. Approved the 2018 Manager Compensation Policy. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   4. Approved the management personnel change. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.

   Remuneration Committee meeting convened on March 22, 2018:
   1. Approved the amendments to "Rules and Procedures for Ownership Transfer Protection." The motion to amend the "Rules and Procedures for Ownership Transfer Protection" was approved by all attending committee members without dissent, and the proposal was submitted to the Board for resolution.

   Remuneration Committee meeting convened on July 25, 2018:
   1. Approved the 2017 distribution of employees' remuneration for senior managerial officers. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.

   Remuneration Committee meeting convened on October 30, 2018:
   1. Approved the proposal to amend "Rules and Procedures of Compensations for Directors and Functional Committee Members." The proposal was approved without dissent after explanation of its contents and discussions among the Directors in attendance, and the proposal was submitted to the Board for resolution.

   Remuneration Committee meeting convened on January 28, 2019:
   1. Approved the proportion to the appropriation of employees' and directors' bonus in 2018. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   2. Approved the proportion to the appropriation of employees' and directors' bonus in 2019. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   3. Approved the 2018 Manager Compensation Policy. Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.

   Remuneration Committee meeting convened on March 22, 2019:
   1. Approved the proposal of ratios of employees' and directors' bonuses for 2019. The Convener of the Remuneration Committee consulted the opinion of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
   2. Approved the directors' and managers' compensation for 2018. The Convener of the Remuneration Committee consulted the opinions of all attending Directors, and the proposal was approved without dissent and submitted for resolution at the Board meeting.
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. Establishes and periodically reviews the performance evaluation and policies, system, standards, and structure of the compensations for Directors and managers.
   2. Periodically evaluates and establishes compensations and benefits for Directors and managers.

Note: Chin-Bing (Philip) Peng, Vivien Huey-Juan Hsieh, and Ping-He Yang were appointed as members of the third term of the Remuneration Committee by the Board of Directors. Chin-Bing (Philip) Peng is to serve as Convener of the Committee on June 16, 2016

(V) The Company's CSR practices, such as environmental protection, community engagement, social contribution, community service, social welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation:

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
Corporate Governance Implementation	Does the Company set up CSR policies / systems and review the effectiveness of CSR actions?	✓		1. The Company strives to ensure that the working environment is worry-free, the employees' rights are asserted and respected, pollution prevention has been implemented in manufacturing processes and products, and the corporate social responsibility is fulfilled. The Company has established the "AUO Corporate Sustainability Principles" through comprehensive consideration of relevant international standards, including SA8000, the University Declaration of Human Rights, Responsible Business Alliance (RBA), and Global Sullivan Principles. The AUO Corporate Sustainability Principles include 12 principles that encompass the three major aspects of corporate governance, environment, and society. The principles are carried out and managed by the Sustainability Committee. 2. In consideration that the corporate social responsibility includes economic, environmental, and social perspectives, the Company's Board of Directors has passed the "Corporate Social Responsibility Best Practice Principles" in November 2014. 3. The Company strives to integrate corporate social responsibility into all levels of operations, including policies, internal operating management models, various implementation procedures and educational training plans. Furthermore, to ensure the maximum benefits of clients and other relevant stakeholders can be achieved, the Company regularly carries out audits at suppliers and external contractors.	No gaps
	Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		The Company regularly provides educational training on topics relevant to corporate social responsibility each year. Besides requiring every employee to participate in online and physical training, the Company promotes CSR awareness through posters, broadcasts, and internal publications. The Company has also integrated CSR course materials into new hire training.	No gaps
	Does the Company establish an exclusively (or part-time) dedicated unit for promoting corporate social responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities 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 established in March 2018, and the Sustainability Development Head Office is responsible for the operations of the committee, while the Chairman and CEO is 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. Feedback will be given to each team at the end of a year, and each team is delegated to evaluate and review response measures and to establish target SDG (Sustainable Development Goal) projects, which will be launched after chairperson confirmation at the annual conference during the	No gaps

Assessed items		Yes	No	Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
				subsequent year. 3. Each team reports and reviews its operational effectiveness to the Committee chairperson, as well as topics of concern from the stakeholders on a quarterly basis. Information will be compiled and submitted to the Board of Directors each year.	
	Does the Company establish a reasonable salary remuneration policy, integrate the employee performance appraisal system with its corporate social responsibility policy and set up an effective reward and disciplinary system?	✓		1. To create a workplace environment that can facilitate our employees to enjoy both work and life, the Company provides an atmosphere and work environment that helps our employees to achieve work-life balance, and provides compensation system that is more competitive than industry standards. 2. The Company assesses salary standards for employees based on the employees' academic background and experiences, professional knowledge and skills, seniority of professional practices, and individual performance. Gender, race, religion, political affiliation, marital status and labor unions have no bearing on salary standards. 3. Employee performance evaluation will be proceeded in accordance with Reward and Punishment Rules from the Company's Human Resources Management Policies.	No gaps
Sustainable Environment Development	Does the Company endeavor to improve resource efficiency and use renewable materials that have low impact on the environment?	✓		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. It 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
	Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		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 helps to come out 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

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
	Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inventory, as well as establishing Company strategies for energy conservation and greenhouse gas reduction?	✓		1. Climate change is a global issue, as well as a challenge for AUO in sustainable operation and management. The Company has adopted globally-recognized operating principles as the basis of greenhouse gas (GHG) reductions and carbon asset management. Meanwhile, the Company has proposed the following adaptive and mitigation strategies regarding climate change: ● Information transparency: in response to international standards, the Company actively participates in global carbon information disclosure, enhancing its information accuracy and transparency. ● Mitigation: strive to develop green products, which help energy efficiency management and enhance the recycle and reuse of water resources. ● Responsible participation: participate in setting up policies to support the government and global initiatives on mitigations for climate change. ● Collaborative development: identify risks and opportunities in the Company's value chain and supply chain, and collaborate with relevant stakeholders to develop low-carbon economy. 2. The Company has conducted GHG verification since 2003, and the external third-party verification has been operated since 2005. At the beginning of 2010, the Company has announced a Declaration of Carbon Footprint Reduction. By 2012, AUO has achieved the taget of 30% carbon footprint reduction from the base year of 2009. Since 2015, we have been working step-by-step toward the target of one million ton CO_2e (carbon dioxide equivalent) reduction by 2020. 3. The Company has responded to the Carbon Information Disclosure Evaluation "Carbon Disclosure Project (CDP)" from the CDP organization since 2007. We actively disclose the analysis of risks and opportunities regarding climate change, greenhouse gas (GHG) verification and external verification results, GHG reduction targets and performance, and management mechanism for carbon emissions. At the same time, the Company actively responds to our clients' participation of "Supply Chain Project" survey questionnaires. 4. The Company has established verification and disclosure of Scope 3 (other indirect emissions) of GHG in accordance with ISO 14064 since 2010. Items completed include GHG emission calculations for employee travels, employee commuting to/from work, investment, product use, raw material procurement, upstream logistics, non-operating fuel use and waste treatment. 5. By the operations of the CSR Committee facilitate, the Company actively adopts mitigation and adjustment measures in accordance with the United Nations' Sustainable Development Goals (SDGs) to respond to the challenges of sustainable development from climate change. In addition, the Company has proposed climate change management strategies and procedures as the basis of risk and opportunity evaluation, GHG reduction, and carbon asset management.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
Preserving Public Welfare	Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		To ensure that employee rights are protected and to realize 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. The Company has undertaken human rights risk management for stakeholders in 2018. Vulnerable groups and issues are highlighted for the implementation of countermeasures and monitoring 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 to undertake necessary improvements. ● Advocate for anti-violence measures at the workplace, reinforce the awareness for human rights and ensure that employees fully understand the human rights policy. ● Provide and maintain fluent grievance channels, undertake timely investigations on human rights reporting incidents and actively adopt improvement actions. ● Supervise global business partners to collectively protect human rights through supplier audit. ● Help employees to understand their rights and the Company's CSR policy and methods through CSR courses and human rights policy promotions during new employee training. All employees trained have passed relevant training. Supervision: The Company implements annual internal audits for all fabs, and 12 audits were carried out in 2018. Contents of the audit include the following: employees, health and safety, ethical regulations, and management systems, ensuring that all employees fully understand the importance of human rights and to ensure that Company operations comply with local laws and international standards.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
	Does the Company set up an employee grievance mechanism and channel to handle complaints with appropriate solutions?	✓		To promote a corporate culture of willingness to share and to construct a positive work atmosphere, the Company clearly discloses various systems which employees could utilize to respond/file grievances or suggestions in each of the Company's services. 'Internal Communication Mailbox,' 'General Manager's Mailbox,' 'Audit Committee Mailbox,' 'Grievance Mailbox for Sexual Harassment,' and 'Please help me hotline' have been established under the strictest confidentiality protection to ensure the freedom of employee for being heard and to maintain their anonymity. Monthly meetings, quarterly meetings, labor-management meetings, and Welfare Committee meetings are also regularly held to ensure smooth, barrier-free communications.	No gaps
	Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		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 notifying 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. To effectively enhance the employees' knowledge for environment, safety, and health, the Company has planned seven courses and regularly hosts educational training for the three tiers ranging from general staff and professional staff to executives. Content of courses include environmental protection, safety and health, emergency response, management systems, risk management, social responsibility, green products, and more.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
	Does the Company set up a communication mechanism with employees on a regular basis, as well as reasonably informing employees of any significant changes in operations that may have an impact on them?	✓		1. Each month, the Chairman personally writes a "Management Message" that is disseminated to all Company employees through email, to explain the month's operating status, major accomplishments from each business group, and aspirations from the management team. 2. Business Briefings is hosted for executives such as divisional managers and above at each production facility in each quarter to explain about the operating status of each business group. The Chairman or the President will also explain about the Company's important strategic directions and encourage the staff. 3. Pursuant to legal regulations, labor-management council, is held at each fab on a quarterly basis. All employees can propose suggestions to the Company through either representative of employees or employers. 4. Conferences with the General Managers/ Group Head are hosted every six months, in which fab and divisional managers are invited to undertake in-depth, face-to-face communications. A total of 244 managers participated in such meetings in 2018, and to-do tasks were tracked and followed-up by responsible departments. 5. Strategic dissemination meetings for all level, are held each year. These tiered, top-down approaches will help all employees to understand the Company's annual management goals and strategic objectives. 6. Welfare Committee convenes monthly meetings to discuss the usage of employee benefits. 7. Conferences are held when material operational changes or large-scale organizational restructuring occur. In these cases, the President will explain the Company's response measures to the divisional heads or above ranks at each fab. 8. Based on the needs of each business group, employee relation administrators will undertake organizational observation through random phone or face-to-face interviews to better understand the thoughts of entry-level employees. Reports will be compiled and submitted to the management level as reference information in management. 9. General Manager Mailbox Internal Communication Mailbox, Grievance Mailbox for Sexual Harassment Complaints, Audit Committee Mailbox, and Welfare Committee Mailbox have been established as electronic and physical means to communicate with employees. Relevant employees will be contacted after receiving mail/email to understand the matter and to make necessary responses.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
	Does the Company provide its employees with career development and training sessions?	✓		The Company has established AUO University based on each functional group to foster the career planning of employees. Training programs have been established (e.g., R&D functions fall under the School of Engineering, manufacturing functions fall under the School of Engineering, and management functions fall under the School of Management and more) to systematically and gradually help employees develop their career paths. In addition, the Company has also set up Divisional Education 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
	Does the Company establish any consumer protection mechanisms and appealing procedures regarding research and development, purchasing, producing, operating and service?	✓		1. 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. 2. The Company regularly arranges meetings to communicate with customers, and also carries out customer satisfaction surveys each year. Satisfaction indicators and goals are set up, and if the satisfaction data analysis fails to meet relevant goals, responsible units will be in charge of carrying out improvement measures, and reviews will be done during senior management review meetings. 3. The Company has also set up an online service platform to provide product support directly for our customers. Customers can apply for service on the platform based on the warranty agreement.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
		Yes	No	Summary	
	Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		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, Authorization and Restriction of Chemicals (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, and indicates on the transportation labels that 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 client requests.	No gaps
	Does the Company assess any record of a supplier's impact on the environment and society before engaging in commercial dealings with the said supplier?	✓		1. To ensure that suppliers and contractors are in compliance with the code of conduct from Responsible Business Alliance (RBA) or local laws, the Company undertakes social environmental responsibility audit and assessment for major suppliers and contractors with environmental and social risks. 2. The Company has arranged audit in Taiwan, China, and Singapore to focus on the potential human rights and labor problems in labor contractors and service contractors, and has found that companies in China still have room for improvement in terms of legal compliance, and comepnsation and welfare are also inadequate. AUO will continue to assist manufacturers in making improvements to ensure that our employees are given labor and human rights.	No gaps
	Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the supplier violates the Corporate Social Responsibility policy so as to cause significant impact upon the environment and society?	✓		The Company undertakes social environmental responsibility audit and assessment for all Tier 1 suppliers and contractors to ensure their compliance with local laws. Once the supplier or contractor violates Corporate Social Responsibility policy, it would negatively impact the company's business relationship with AUO.	No gaps

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
Does the Company implement policies that adequately reflect management performance or results on employee compensations?	✓		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 of 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 remuneration standards in order to provide competitive compensation. In addition, compensation adjustments were undertaken in 2018 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 2%-3%.	No gaps
Reinforcement of information disclosure: Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		Besides documenting the comprehensive status of the Company's fulfillment of corporate social responsibility in the annual CSR Report, the Company also designates a section on its website (https://www.auo.com/zh-TW/Report_and_Certificate/index) and provides updates on relevant information to the public.	No gaps

If the Company has established the "Corporate Social Responsibility Best Practice Principles" based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation:

The Company has established a set of "Corporate Social Responsibility Best Practice Principles," which includes principles of environmental protection, community participation, social contribution, community service, social welfare, customer's rights, human rights, safety and health. These principles are available on the Company website: (https://www.auo.com/zh-TW/Policy_and_Documents/index). As for the Company's CSR Report for CSR strategies and status of implementation, please see "III. Corporate Governance Report" of this Annual Report, which provides information on "Fulfillment of Social Responsibility" (Pages 32-44).

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):

The Company believes that giving back to society is not limited to monetary donations, but shall also encompass dedicating human resources, donating materials and offering services to the public. To realize the employee's wish for participation in social welfare, the Company has been committed to promoting volunteer services. Multiple activities have been developed from our four major themes of "Nurturing Honest and Intelligent People," "Caring for Social Welfare/Promoting original culture," "Photonics Science Education," and "Loving the Green Earth/Ecology Energy-Saving Environment Protection." These activities have allowed employees to commit to volunteering events to achieve self-actualization, and to work toward a brighter future for Taiwan. Below is a summary of the major contents of each theme:

Christmas Wish Program

The Christmas Wish Program campaign at AUO has been an ongoing effort since 2002. For the past 17 years, AUO has helped over 100,000 disadvantaged students from remote regions and charity organizations to raise Christmas presents and scholarships. Approximately NT$8.75 million in scholarship funds have been raised. The theme of the Wish Program in 2018 was "helping children's dreams take flight." AUO employees were asked to recommend and to vote for subjects in nearby communities in-need of our assistance, and it was decided that help would be offered to 23 organizations including: Yu-De Children's Home, Reindeer Social Welfare Foundation, Baby Development Center, Lohas Preschool, Funchao Special Education and Nursing Home, Jinshan Elementary School, Catholic Blue Sky Home, Atayal Wen-Yuan Home, NCTU Sanfu Club, Teresa Children's Home, Shiu-Luan Elementary School, Hsin Kuwang Elementary School, Good Shepherd Social Welfare Services (Dexin/Hsiao-Yang Home), Holy Family For Special Education, Nantou County Tong-Lin Elementary School, Taichung Tsi-Hsin Children's Home, De-You Children's Home, St. Raphael Opportunity Center, Taitung Kan-Ding Elementary School, Seed Family, Kid's Bookhouse, and Taiwan His Hands Christian Home. To enhance interaction with disadvantaged children, more than a dozen senior executives and 84 employees and their spouses were invited to volunteer at the end of the year. The volunteers delivered gifts to social welfare organizations and rural schools in a heartfelt attempt to provide for disadvantaged children.

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 13 years, over NT$121 million in scholarships have been provided, assisting more than 30,000 impoverished or students with tragic losses to continue their education. This is a donation project where AUO employees voluntarily contributed one to three days' worth of

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">Current Operation (Note 1)</th><th rowspan="2">Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">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 1,900 kindhearted employees had participated in the Honest-Integrity Scholarship fundraiser in 2018, raising nearly NT$6.8 million of scholarship funds. Besides sponsoring 1,396 elementary and junior high school students from disadvantaged families, 473 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.
<u>Environmental Education</u>
Environmental Education in Taichung
We continued to promote environmental education courses including outdoor teaching, scholarship for schools in remote areas and special projects in 2018 and had a total of 3,083 participants (headcount) in these activities. AUO anticipates to invite even more schools in remote areas to partake in our activities in 2019. In addition, this year marks AUO's 9th year in collaboration with Taichung Municipal Focus Junior High School for the reading project. Participating teachers and students can understand knowledge on culture and energy applications as well as energy conservation through scavenger hunt games. AUO always strives to share the philosophies of environmental education, and reaches more of the public with our influence through interactive experiences, publishing seminar papers, and our Facebook. Internally, we continue to integrate these philosophies with internal activities to help employees understand the meaning of environmental education and to take actions.
AUO has co-organized summer teams with the Taichung Metropolitan Park for three consecutive years now, and two camps were held in 2018, hosting a total of 46 students and 11 educational volunteers. The courses were focused on helping children to understand the water consumption at Dadu Mountain, and featured visits to ancient, mysterious wells in the local community to understand how people used water in the early days. We hope that this experiential-based learning can help children to learn from the wisdom of the ancients and to understand the value of water resources; thus helping them to reflect upon how they currently use water, and to implement water-saving habits in their daily lives.
Environmental Education in Longtan
GreenArk, the first LCD panel water resource park throughout Taiwan is built to convey the philosophy of water resource to society. The park adopts an interactive method that's both easy to understand and friendly to help the public to understand AUO's innovative water recycling engineering technology and related knowledge. To broaden our influence for sustainability, the Company has invested in course building since 2016. Relying on our employees' B2B, E2E and precise execution competencies and through inviting experts and scholars 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 so that they can learn to treasure water. Moreover, the Company can fulfill our commitment to being a green business and foster environmentally-friendly students toward a sustainable society in order to achieve sustainable management and to share resources with the public. Fourteen environmental courses have been held since 2018 to a total of 355 participants. We also had a total of 56 volunteers and 320 participants in guided tours of GreenArk.
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 in 2017, and students from local elementary schools were invited to take part. For two consecutive years, we have co-organized summer camps with the Central Park of Laojie River and the Shihmen Reservoir Education Center. Children were taught the status of water resources and to understand its preciousness to reflect on their own water consumption in the hopes that they could foster water-saving awareness in their daily lives. Four camps were organized in two consecutive years for 93 students, including family members of employees and students from nearby elementary schools.
<u>DADA Science Camp</u>
To broaden the strength of optronics and general 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 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 general science education. Ten camps were organized in 2018 pro bono for 490 recipients of the Honest-Intelligent Scholarship in junior high schools. Course contents included general sciences such as optics, electronics, and solar power. An appropriate amount of hands-on learning, coaching from on-site instructors, and teamwork were also blended to help the students to face or solve problems and to ponder over reasons that could affect the results of experiments.
In addition, Social Return on Investment (SROI) analysis and research from an external agency, KPMG, indicated that a social value of NT$9.12 could be created for every NT$1 of scholarship invested toward DADA Science Camp. Regarding students who took part in DADA Science Camp, besides inspiring their interest toward optronics, some may even wish to undertake in-depth studies in related fields in their future. The camp has also offered significant help toward building their interpersonal relations. For the volunteers, by demonstrating and contributing their knowledge in practice, they were able to express their positive recognition for the Company's commitment toward corporate social responsibility in practice. In addition, our specially prepared DADA Science Camp documentary has been honored with the "2nd CSR Impact Award." The award is a positive recognition of the Company's direction in terms of CSR fulfillment, and we aspire to bring</td></tr>
</table>

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	

more positive influence to society in the future.

Dada's Magic World

Persisting in our emphasis on general science education, AUO continues to promote optronics knowledge through the guided tours and exhibitions at Dada's Magic World. We hope to inspire every visitor's interest in basic optronics science. A total of 2,334 visitors participated in the guided exhibition in 2018. In addition to the regular guided exhibition, we also integrated large-scale AUO activities such as the AUO Green Party Arbor Day event to etch optronics and science education in the heart of every participant. We had a total of 121 volunteer-guide service (headcount) in 2018, adding the cumulative service hours to 302.5 hours.

Furthermore, to help the public to experience optronics education they had never seen before, not only did we undertake a total makeover of the exhibition in the second half of 2018 in the hopes of achieving more effective, continuous performance, but we will also design an optronics-themed course content in 2019. The K-12 basic education curriculum will be integrated into the content, and diversified means will be adopted to make up for any challenges that teachers may encounter from the curriculum in the hopes that optronics and general science education may exert more valuable influence.

Club 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. We had over 8,802 volunteers (headcount) with cumulatively 17,344 hours of service in 2018.

Green Party

In response to Arbor Day, AUO and BenQ Foundation have been organizing the Green Party Festival for ten consecutive years. Over 1 million trees have been planted to date. In celebration of the 2018 Taichung World Flora Exposition (Flora Expo), AUO's Houli Fab, close to the Flora Expo site, has been specially chosen for this year. Over 2,000 AUO employees and their family members joined us in this year's Arbor Day event, planting 8,300 seedlings and flowers around AUO Houli Fab. An environmentally and family-friendly quiz was also organized on-site for the participants to realize our environmental education mission in practice. We hope to fulfill our vision and commitment to environmental sustainability through eco-friendly actions.

Farmland Adoption Program Fundraiser

In response to BenQ Foundation's "Farmland Adoption Program Fundraiser," we have encouraged AUO employees to adopt environmentally-friendly paddy fields throughout Taiwan since 2008. As of 2018, over 60 hectares of farm have been adopted at Nanpu in Hsinchu, Xizhou in Changhua and Daxi in Taoyuan. We called on 690 employees from AUO and subsidiaries to participate in this project and donated approximately NT$810,000 in 2018.

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 combat exploitation and improve logistics. In 2018, Taiwan Uno Fresh picked local seasonal produce including pears from Houli, Taichung, pomelos from Douliu, Yunlin, and pears from Houli, Taichung so that the farming philosophies from small farms could be seen. The produce was welcomed by AUO employees, and more than NT$800,000 worth of produce was sold.

A clear statement should be made if the Company's product or CSR Report has been certified by relevant certification bodies:

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 verification of 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, which not only strengthens the transparency in reports, but also enhances the precision in our internal processes.
2. DJSI evaluates enterprises in economic, environmental, and social perspectives, which is a key reference indicator for worldwide investors. Since officially responding to the DJSI questionnaire in 2009 for the first time, the Company has been nominated for DJSI World Index for nine consecutive years from among intensive competition between top-notch electronics and equipment component companies from all over the world.
3. The Taiwan Corporate Sustainability Awards (TCSA) are hosted by the Taiwan Institute for Sustainable Energy (TAISE), and it is a highly trusted corporate sustainability award within Taiwan. AUO has won numerous awards since the TCSA was first hosted in 2008. Moreover, besides the "Sustainability Reporting Award", AUO was also honored with the "Ten Most Sustainable Company Award", "Circular Economy Leadership Award", and "Climate Leadership Award" in 2017. Chairman Shuang-Lang (Paul) Peng was also honored with the highly competitive "Outstanding Corporate Sustainability Professionals Award". Besides winning the grand prize, "Most Prestigious Sustainability Awards - Top Ten Domestic Corporates" in 2018, we were also honored with "Corporate Sustainability Report - Platinum Award," "English Report Award," "Transparency and Integrity Award," "People Development Award," "Gender Equality Award," "Social Inclusion Award," "Climate Leadership Award," and "Growth through Innovation Award." Chairman Shuang-Lang (Paul) Peng was also honored with the very first "Outstanding Corporate Sustainability Professionals Award."

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.

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Assessed items		Current Operation (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
		Yes	No	Summary	
Establishment of ethical corporate management policies and programs	Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	✓		Besides disclosing AUO's " polices for enterprise integrity " on the Company website, we also disclose the results of ethical corporate management for the year. In addition, a Corporate Integrity Policy and a AUO Enterprise Integrity Handbook have been created, and all employees are required to abide by these principles. The effectiveness of the Ethical Corporate Management is reported to the Board of Directors meeting on an annual basis.	No gaps
	Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Company's Corporate Integrity Policy and Corporate Integrity Handbook have clearly stated the following preventative measures for unethical conduct: ● Prohibition of taking or receiving bribes, and taking or receiving inappropriate benefits. ● Prohibition of Illegal Political Donations ● Prohibition of Unlawful Donations and Sponsorship ● Prohibition of Unreasonable Presents, Hospitality or Other Improper Benefits ● Compliance with Anti-Trust Law ● Prohibition of Infringement on Intellectual Property Moreover, preventative measures for infringement on trade secrets have also been proposed in the "Management Principles for Information Security." For those who breach the Corporate Integrity 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 Integrity Policy is done to obtain inappropriate benefits for the perpetrator, the benefits obtained shall be returned to the victim or the Company. The Company focuses on managers who are defined to be in roles requiring integrity for functionality verification and arrange them to participate in compulsory legal compliance courses each year, requiring them to abide by necessary regulations in performing relevant duties.	No gaps
	Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓			No gaps
Fulfill Ethical Corporate Management Policy	Does the Company evaluate business counterparty's ethical records and include ethics-related clauses in business contracts?	✓		After requiring all contracted vendors to sign code of ethical conduct, the Company can file the information of any trading counterparty or vendor and transaction can be undertaken.	No gaps

Assessed items		Current Operation (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
		Yes	No	Summary	
	Does the Company establish a dedicated (or part-time) unit for implementation of ethical corporate management directly under the Board of Directors and have this unit report to the Board of Directors regularly for the status of implementation?	✓		To strengthen ethical corporate management, AUO's corporate sustainable development will supervise and implement the execution of Ethical Corporate Management Policy and prevention solutions. The corporate sustainable development reports to the Board of Directors at least once a year. The Company advocates for commitment to integrity transactions with contractors during Suppliers Conferences each year. Implementations of ethical corporate management in 2018 include advocacy for commitment to integrity transactions with contractors, 400 suppliers have signed the Code of Ethical Conduct, and audited 24 suppliers for levels of implementation of ethical corporate management to confirm that their levels of implementation are in compliance with Company standards. To establish an ethical corporate culture conducive to sustainable development and to actively prevent any conduct in violation of ethical management, the Company has established the "Ethical Corporate Management Policy" for means of compliance. In addition, the "Ethical Corporate Management Best Practice Principles" have been established for implementation while performing duties. In addition, the signage rate was 100% for both the new employee corporate ethical management training and declaration of ethical code of conduct.	No gaps
	Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		To implement the regulations on conflicts of interest in the Corporate Integrity Handbook in practice and to prevent Company losses from conflicts of interest from its employees, "AUO Reporting Procedures for Conflicts of Interest" had been established, allowing employees to report through the system. Alternatively, employees in specific roles (that require integrity) are required to file their status on the reporting system on an annual basis.	No gaps

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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td rowspan="2"></td><td>Does the Company establish effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</td><td>✓</td><td></td><td>An "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 means.</td><td>No gaps</td></tr>
<tr><td>Does the Company regularly hold internal and external educational training on ethical corporate management?</td><td>✓</td><td></td><td>Besides requiring new recruits to undertake integrity promotion courses, 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 rowspan="3">Operation of the reporting system</td><td>Does the Company establish reporting and reward/punishment systems and a convenient reporting channel, as well as designating appropriate personnel to handle whistleblowing incidents?</td><td>✓</td><td></td><td>Reporting can be made through any of the following channels when breach of ethical or integral conduct is found during any of the Company's business activities:
● Internal: Direct executives, General Manager 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>
<tr><td>Does the Company establish standard operating procedures and related confidential mechanism on investigating accusation cases?</td><td>✓</td><td></td><td rowspan="2">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.</td><td>No gaps</td></tr>
<tr><td>Does the Company adopt measures to ensure that the whistleblower is not subjected to inappropriate actions for the accusation report?</td><td>✓</td><td></td><td>No gaps</td></tr>
<tr><td colspan="2">Reinforcement of information disclosure:
Does the Company disclose its Ethical Corporate Management Best Practice Principles and the results of its implementation on the Company's website and MOPS?</td><td>✓</td><td></td><td>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.</td><td>No gaps</td></tr>
<tr><td colspan="6">Where the Company has stipulated its own Ethical Corporate Management Best Practice Principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any gaps between the prescribed best practices and actual activities taken by the Company:
After completing the Company's "Ethical Corporate Management Best Practice Principles" in 2014, the Company provided "Corporate Integrity Policy" and "Corporate Integrity Handbook" for all employees to follow. With regards to preventative measures for all matters stated in Article 7-2 of the "Ethical Corporate Management Best Practice Principles", relevant regulations have also been stipulated, including reporting mechanism for conflicts of interest, compliance with anti-trust, and information security management standards.</td></tr>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">Other information helpful to understand the ethical corporate management of the Company (e.g., the Company's amendment to its 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 Integrity, online integrity testing, read-alouds of the Corporate Integrity 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.
Integrity Promotions Week is planned every year, in which employees can become more familiar with the Company's internal integrity 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 past examples and 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 to avoid any accidental breach.
Additionally, executives from departments that handle supplier matters and work closely with suppliers have been defined as key roles for honest operations. Considering that risk governance of the Company can only be achieved, thus protecting the Company and any individuals, when management roles are equipped with accurate legal knowledge and actions and can undertake business conduct with high moral standards, executives in key honest roles are inspected in their functionalities and also subjected to compulsory legal compliance courses. The scope of the courses encompass sharing of actual past incidents and standards that shall be followed during business activities. 2018 job rotation rate for those in "integrity" related positions (number of employees that were rotated/number of employees who should have been rotated): 75%.</td></tr>
</table>

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.

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

(VIII) Other important information to achieve better understanding on the state of corporate governance activities

(1) The corporate governance affairs of the Company is supervised and arranged by Risk Management Team of CSR Committee and setting a goal to protect shareholder equity and to enhance BOD function. The Chief of Risk Management Team is occupied by CFO whose qualifications meet the regulations of Paragraph 1 of Article 3-1 of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. His functions include providing information to directors and audit committee for them to execute their jobs and the development of the latest regulations regarding corporate business and so as to assist directors and audit committee to comply with the law. Corporate governance related affairs (including handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, and periodically reporting the progress of corporate governance to the Board of Directors every year.) are executed by the secretary unit of Board of Directors and Stock Affairs department respectively.

(2) The Company has established "Management Methods for Prevention of Insider Trading" 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 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.

(3) 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 2018:

Title	Name	Date of continuing education	Organizer	Course Name	Length of the curriculum
Chairman and CEO	Shuang-Lang (Paul) Peng	2018.10.15	Financial Supervisory Commission	The 12th Term Taipei Corporate Governance Forum	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.11.22	Taiwan Institute of Sustainable Energy (TAISE)	2018 Global Corporate Sustainability Forum (GCSF)	3 hours
		2018.12.18	Taiwan Corporate Governance Association	Assessment of the Board of Directors' performance	3 hours
President and COO	Kuo-Hsin (Michael) Tsai	2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Vice President	Wei-Lung Liau, TY Lin, Hong-Jye Hong, SK Huang, CS Hsieh, Amy Ku	2018.07.25	Taiwan Corporate Governance Association	Risk Management and Corporate Social Responsibility (CSR)	3 hours
Vice President	Wei-Lung Liau, Hong-Jye Hong, SK Huang, Amy Ku	2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
Financial Manager Accounting Manager Cooperate Governance Manager	Benjamin Tseng	2018.05.10	Accounting Research and Development Foundation	Analysis of laws, practice, and latest trends of corporate social responsibility (CSR)	3 hours
		2018.05.30		Corporate governance in practice: Contingency measures for "business crisis" and analysis of case studies	3 hours
		2018.06.19		Using consolidated financial statements to enhance management performance	3 hours
		2018.08.16		Business practice and analysis for response to CPA's audit on "related party transactions"	3 hours
		2018.10.30	Taiwan Corporate Governance Association	Analysis of amendments to the Company Act	3 hours
		2018.12.18		Assessment of the Board of Directors' performance	3 hours
Audit Manager	Maggie Chen	2018.07.25	Taiwan Corporate Governance Association	Risk Management and Corporate Social Responsibility (CSR)	3 hours
		2018.10.30		Analysis of amendments to the Company Act	3 hours
		2018.11.16	Computer Audit Association	Audit of IT department and review of control for information system	6 hours
		2018.12.14	The Institute of Internal Auditors-Chinese Taiwan	Case analysis of Trade Secrets Act and non-compete clause	6 hours

(IX) Implementation of Internal Control System

1. Statement of Internal Control System

AU Optronics Corporation
Statement of Internal Control System

Date: January 28, 2019

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 2018:

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, 2018, 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 consitutes an integral part of the Annual Report for the year 2018 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 January 28, 2019, 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) Peng 彭双浪

President: Kuo-Hsin (Michael) Tsai 蔡国新

2. Companies which 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 75) 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 78-79).

(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 2018 Shareholders' Meeting and Implementation Status

- Accepted 2017 Business Report and Financial Statements
  Implementation status: Resolution passed
- Accepted the proposal for the distribution of 2017 earnings
  Implementation status: resolution passed; the ex-dividend record date was set on July 20, 2018, and earnings have been distributed on August 17, 2018 based on the resolution from the Shareholders' Meeting. Amount of cash dividend distributed was NT$1.5 per share; hence, NT$1,500 would be distributed for each 1,000 shares. Total amounts of cash dividend distributed was NT$14,436,367,673.
- 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 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 proposal to lift non-competition restrictions on board members
  Implementation status: resolution passed; non-competition restrictions were lifted from Director Shuang-Lang (Paul) Peng, Qisda Corp. and its Representative Peter Chen, BenQ Foundation Representative Kuo-Hsin (Michael) Tsai, and Independent Directors Chin-Bing (Philip) Peng, Vivien Huey-Juan Hsieh, and Yen-Shiang Shih.

2. Material Resolutions from the Board of Directors

8th Term 12th Meeting 2018.02.06	◆ Approved the Internal Control Declaration for 2017 (Note) ◆ Approved the proportion to the appropriation of employees' remuneration and directors' remuneration ◆ Approved the 2017 Parent Company Only and Consolidated Financial Statements(Note) ◆ Approved the 2018 services and fees of the Certified Public Accountant (Note) ◆ Approved to acquire shares from ComQi Ltd. (Note) ◆ Approved Subsidiary AU Optronics (L) Corp. to lend capital to Subsidiary AU Optronics (Slovakia) s.r.o. (Note) ◆ Approved the Company to provide the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved the budget for capital expenditure ◆ Approved the 2017 compensation distributions to directors and senior managerial officers ◆ Approved the 2018 Senior Officer Compensation Policy ◆ Approved the changes of senior officers ◆ Approved the donations (Note) ◆ Approved the addition and renewal of banking facilities
8th Term 13th Meeting 2018.03.23	◆ Approved the 2017 Business Report and the 2018 Business Plan (Note) ◆ Approved the distribution of 2017 earnings (Note) ◆ Approved the 2017 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 to lift non-competition restrictions on board members ◆ Approved the date of convening the 2018 Annual General Shareholders' Meeting, meeting agenda and submission period of shareholder proposal ◆ Approved to cancel the issuance of securities in private placement resolved in the 2017 Annual General Shareholders' Meeting (Note) ◆ Approved the Company to cancel the bank guarantee against the bank loan to AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved to dispose the common shares of Sanda Materials Corporation (Note) ◆ Approved the 2018 services and fees of the Certified Public Accountant (Note) ◆ Approved the amendments to the "Change-in-Control Payment Regulations"

8th Term 14th Meeting 2018.04.25	◆ Approved the Consolidated Financial Statements for the period ended March 31, 2018 (Note) ◆ Approved AU Optronics (Suzhou) Corp. to lend capital to BriView(Hefei) Co., Ltd (Note) ◆ Approved the budget for capital expenditure ◆ Approved to conduct Syndication loan ◆ Approved the donations (Note) ◆ Approved the amendments to the Authorization Matrix (Note) ◆ Approved to lift non-competition restrictions on board members ◆ Examined shareholders' proposals for 2018 Annual General Shareholders' Meeting
8th Term 15th Meeting 2018.07.25	◆ Approved the Consolidated Financial Statements for the period ended June 30, 2018 (Note) ◆ Approved AU Optronics (Suzhou) Corp., AU Optronics (Xiamen) Corp. and AU Optronics Manufacturing (Shanghai) Corp. to lend capital to AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved AU Optronics (Suzhou) Corp. to cancel the capital lending to BriView(Hefei) Co., Ltd (Note) ◆ Approved AU Optronics (Slovakia) s.r.o. to dispose its real property (Note) ◆ Approved the budget for capital expenditure ◆ Approved the distribution of 2017 employees' remuneration for senior managerial officers ◆ Approved the addition and renewal of banking facilities
8th Term 16th Meeting 2018.10.30	◆ Approved 2019 annual audit plan (Note) ◆ Approved the amendments to Internal Control Systems (Note) ◆ Approved the Consolidated Financial Statements for the period ended September 30, 2018 (Note) ◆ Approved the subsidiaries to lend capital to AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved the budget for capital expenditure ◆ Approved the changes of senior officers ◆ Approved the setup and donations to AUO Foundation (Note) ◆ Approved the amendments to "compensation policy to the directors and functional committee members" ◆ Approved the addition and renewal of banking facilities
8th Term 17th Meeting 2018.12.18	◆ To consolidate the resources, AUO will acquire 100% of issued shares of AUO Crystal Corp. (Note) ◆ Approved to lend capital to AUO Crystal Corp. (Note)
8th Term 18th Meeting 2019.01.28	◆ Approved the Internal Control Declaration for 2018 (Note) ◆ Approved to amend the proportion to the appropriation of employees' remuneration and directors' remuneration of 2018 ◆ Approved to stipulate the proportion to the appropriation of employees' remuneration and directors' remuneration of 2019 ◆ Approved the financial statements of 2018 (Note) ◆ Approved the 2019 services and fees of the Certified Public Accountant (Note) ◆ Approved AU Optronics Manufacturing (Shanghai) Corp. to lend capital to 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 2019.03.22	◆ Approved the 2018 Business Report and the 2019 Business Plan (Note) ◆ Approved the distribution of 2018 earnings (Note) ◆ Approved the distribution 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 re-election of directors andcandidate nomination list for directors (including independent directors) ◆ Approved the date of convening the 2019 Annual General Shareholders' Meeting, meeting agenda and submission period of shareholder proposal and candidate list ◆ 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 to stipulate the proportion to the appropriation of employees' remuneration and directors' remuneration of 2019 ◆ Approved the 2018 compensation distributions to directors and senior managerial officers ◆ Approved the donations (Note) ◆ Approved to conduct Sustainability-Linked Loan

Note:All conditions listed 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 the Company personnel such as Chairman, President, accounting manager, financial manager, internal audit manager and R&D manager:

Title	Name	Date of Appointment	Date of Discharge	Cause
Chief Strategy Officer	Andy Yang	November 1, 2015	March 1, 2018	Position adjustment
Research and Development Officer	Hong-Jye Hong	June 4, 2016	October 26, 2018	Position adjustment

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

December 31, 2018

Certification Name	Number of Employees	
	Financial Accounting	Audits
R.O.C. CPA	5	1
US CPA	1	-
Chartered Financial Analyst (CFA)	1	-
Financial Risk Manager (FRM)	1	-
Certified Internal Auditor (CIA)	2	1
Basic Ability Test for Corporate Internal Control organized by the Securities and Futures Institute	1	5
Certified Information Systems Auditor (CISA)	-	2
Senior Securities Processing Personnel	6	-
Stock Affairs Personnel	1	-

V. Information on CPA fees

(I) Information on CPA fees

Unit: NT$ thousands

Name of Accounting Firm	Name of CPA	Audit Fee	Non-accounting fee					CPA's Audit Period	Note
			System Design	Corporate Registration	Human Resources	Others (Note)	Subtotal		
KPMG	Wei, Hsin-Hai Lu, Chien-Hui	36,073	-	-	-	129	129	2018.1.1~2018.12.31	Note: The service fees included the fee for Country-by-Country Report (CBCR) filing and so on.

1. Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: Not applicable.
2. Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: Not applicable.
3. Audit fees were reduced by over 15% 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 replacement of CPAs

(I) Former CPA

Date of replacement	March 22, 2017		
Replacement reasons and explanations	The CPAs are changed from Yu, Wan-Yuan and Tseng, Mei-Yu to Wei, Shing-Hai and Lu, Chien-Hui due to the internal adjustment from the accounting firm.		
State whether the Engagement is Terminated or Rejected by the Cosignor or CPAs	Party / Condition	CPA	Consignor
	Engagement terminated automatically		
	Engagement discontinued	V	
The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion (Note)	Not applicable		
Any disagreement in Opinion with the Issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of auditing
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)	Not applicable		

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

(II) Succeeding CPA

Name of the firm	KPMG
Name of the CPA	Wei, Shing-Hai and Lu, Chien-Hui
Date of appointment	March 22, 2017
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPA that are Different from the Former CPA Opinions	Not applicable

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

VII. 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	2018		As of February 28, 2019	
		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	1,699	0	657	0
Director	Kuen-Yao (K.Y.) Lee	0	0	0	0
Corporate Director	BenQ Foundation	0	0	0	0
Representative of Corporate Director President and COO	Kuo-Hsin (Michael) Tsai	(592)	0	1,870	0
Corporate Director	Qisda Corp.	0	(70,000)	0	0
Representative of Corporate Director	Peter Chen	0	0	0	0
Independent Director	Vivien Huey-Juan Hsieh	0	0	0	0
Independent Director	Mei-Yueh Ho	0	0	0	0
Independent Director	Ding-Yuan Yang	0	0	0	0
Independent Director	Chin-Bing (Philip) Peng	0	0	0	0
Independent Director	Yen-Shiang Shih	0	0	0	0
Senior Vice President	Wei-Lung Liau	519	0	567	0
Vice President	TY Lin	37	0	129	0
Vice President	Ting-Li Lin	224	0	(34)	0
Vice President	Shih-Hong Liao	0	0	0	0
Vice President	Hong-Shiung (Sean) Chen	(69)	0	510	0
Vice President	Andy Yang	(87)	0	344	0
Vice President	CS Hsieh	234	0	416	0
Vice President	Benjamin Tseng	0	0	344	0
Vice President	Amy Ku	433	0	0	0
Vice President	Shih-Kun Chen	(182)	0	0	0
Vice President	Kun-Yu Lin	15	0	142	0
Vice President	Hong-Jye Hong	(214)	0	107	0
Vice President	James CP Chen	(143)	0	318	0
Vice President	SK Huang	(206)	0	1,153	0
Senior Associate Vice President	Tina Wu	235	0	207	0
Senior Associate Vice President	Yu-Chieh Lin	(84)	0	375	0
Senior Associate Vice President	Martin Sung	466	0	133	0
Senior Associate Vice President	PC Cheng	659	0	0	0
Senior Associate Vice President	CC Hung	84	0	0	0
Senior Associate Vice President	Ivan Wu	161	0	263	0
Associate Vice President	TL Chen	5	0	107	0
Associate Vice President	SI Jeong	(1)	0	195	0
Associate Vice President	HC Lee	0	0	0	0
Associate Vice President	PH Lin	0	0	0	0

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

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

Name	Reason for equity transfer	Transaction date	Transaction counterparty	Relationship between the counterparty and the Company, its Directors, supervisors and shareholders with shareholding percentage exceeding 10%	Number of shares (thousand shares)	Transaction price
Hong-Jye Hong	Gift	2018.03.27	○-Ting Hung	Underage child of the manager	150	-
			Jui-Chu Shen	Spouse of the manager	150	
Kuo-Hsin (Michael) Tsai	Gift	2018.04.20	Yu-Han Tsai	Over age child of the manager	100	-
			Yu-Hsin Tsai	Over age child of the manager	67	
			Chin-Lan Lin	Spouse of the manager	200	
Kun-Yu Lin	Gift	2018.05.29	Shu-Chuan Chung	Spouse of the manager	150	-
Benjamin Tseng	Gift	2018.06.01	Yu-Wen Lee	Spouse of the manager	335	-
Andy Yang	Gift	2018.06.29	Hsin-Chun Sung	Spouse of the manager	495	-
Hong-Shiung (Sean) Chen	Gift	2018.07.04	○-Ming Chen	Underage child of the manager	173	-
			Fen-Fang Tsai	Spouse of the manager	1,231	
	Accept gift	2018.09.27	Fen-Fang Tsai	Spouse of the manager	850	-

(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 Corp.	663,599	6.90	-	-	-	-	-	-	
Qisda Corp. Representative: Peter Chen	-	-	99	0.00	-	-	-	-	
ADR of AU Optronics Corp.	445,984	4.63	-	-	-	-	-	-	
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.	297,948	3.10	-	-	-	-	-	-	
Tong Hwei Enterprise Co., Ltd.	128,800	1.34	-	-	-	-	-	-	
Tong Hwei Enterprise Co., Ltd., Representative: Tsung-Hsiang Tsai	-	-	-	-	-	-	-	-	
vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	92,925	0.97	-	-	-	-	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	92,037	0.96	-	-	-	-	-	-	
Min Hwei Enterprise Co., Ltd.	90,000	0.94	-	-	-	-	-	-	
Min Hwei Enterprise Co., Ltd., Representative: Tsung-Hsiang Tsai	-	-	-	-	-	-	-	-	
Acadian Emerging Markets Equity II Fund, LLC	66,606	0.69	-	-	-	-	-	-	

Note: Information recorded on the shareholder roster as of the latest book closure date (July 20, 2018) 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 business (Note 2)		Combined investment (Note 2)	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)
Lextar Electronics Corp.	78,418	15.33	61,981	12.11	140,399	27.44
Raydium Semiconductor Corporation	-	-	11,766	16.73	11,766	16.73
Daxin Materials Corporation	-	-	25,639	24.96	25,639	24.96
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 and Shares

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

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
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 March 22, 2019; 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

Shelf registration: Not applicable

(II) Shareholder structure

Shareholding base date: July 20, 2018; Unit: Shares

Shareholder structure / Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	SubTotal
Number of persons	11	99	514	394,957	1,285	396,866
Number of shares held	36,524,178	949,665,788	1,544,766,674	4,022,621,722	3,070,666,753	9,624,245,115
Shareholding Percentage (%)	0.38	9.87	16.05	41.80	31.91	100.00

(III) Distribution of Equity Ownership

Type: Common shares

Shareholding base date: July 20, 2018; Unit: Shares

Class of shareholding	Number of shareholders	Number of shares held	Shareholding percentage (%)
1 to 999	100,340	21,198,556	0.22
1,000 to 5,000	174,595	421,989,483	4.38
5,001 to 10,000	54,174	434,466,808	4.51
10,001 to 15,000	18,831	235,546,579	2.45
15,001 to 20,000	13,834	259,058,170	2.69
20,001 to 30,000	11,874	305,189,449	3.17
30,001 to 40,000	5,782	207,745,789	2.16
40,001 to 50,000	4,414	207,648,360	2.16
50,001 to 100,000	7,317	538,551,320	5.60
100,001 to 200,000	3,040	436,468,079	4.54
200,001 to 400,000	1,339	377,593,622	3.92
400,001 to 600,000	424	208,591,737	2.17
600,001 to 800,000	200	138,353,604	1.44
800,001 to 1,000,000	117	107,505,420	1.12
1,000,001 or more	585	5,724,338,139	59.48
Total	396,866	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 20, 2018

Shares / Names of major shareholders	Number of shares held (thousand shares)	Shareholding Percentage (%)
Qisda Corporation	663,599	6.90
ADR of AU Optronics Corp.	445,984	4.63
Quanta Computer Inc.	443,930	4.61
Fubon Life Insurance Co., Ltd	367,500	3.82
Trust Holding for Employees for AU Optronics Corp.	297,948	3.10
Tong Hwei Enterprise Co., Ltd.	128,800	1.34
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	92,925	0.97
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	92,037	0.96
Min Hwei Enterprise Co., Ltd.	90,000	0.94
Acadian Emerging Markets Equity II Fund, LLC	66,606	0.69

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

Unit: NT$

Item			As of March 22, 2019	2018	2017
Market Price per Share	Highest		12.75	14.30	13.95
	Lowest		10.90	11.30	11.45
	Average(Note1)		11.52	13.03	12.50
Net Value per share	Before distribution		(Note6)	21.08	21.63
	After distribution		-	(Note2)	20.13
Earnings per share	Weighted Average Share Numbers (thousand shares)		9,624,245	9,624,245	9,624,245
	Earnings per share	Before retrospective	(Note6)	1.06	3.36
		After retrospective	-	(Note2)	3.36
Dividend per Share	Cash dividend		-	(Note2)	1.50
	Dividend dividend	Dividend from retained earnings (Shares)	-	(Note2)	-
		Dividend from capital reserve	-	(Note2)	-
	Cumulative unpaid dividend		-	(Note2)	-
Return on investment Analysis	Price/earnings ratio (Note3)		(Note6)	12.08	3.68
	Price/dividend ratio (Note4)		-	(Note2)	8.25
	Cash dividend yield (Note5)		-	(Note2)	12.13%

Note 1: Average market price calculated based on transaction amount and transaction volume.
Note 2: Pending resolution at the 2019 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 recover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid-in capital. Certain amount shall be further allocated as 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 by the Board and approved by 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 by the shareholders' meeting taking into consideration finance, business and operations, etc.
2. Dividend payout plans proposed during the most recent shareholders' meeting

   The Company's Board of Directors' meeting on March 22, 2019 has approved the proposal to distribute cash dividends of NT$4,812,122,558 (NT$0.5 for each share). The proposal is pending for resolution from the 2019 Annual Shareholders' Meeting.
3. Major changes expected in the dividend policy: None

(VII) The impact of dividend distribution proposed by this shareholders' meeting on the Company's operating performance and earnings per share: The Company did not disclose the 2019 financial forecast information and thus does not apply.

(VIII) Compensation for employees and Directors

1. The percentage or range of compensation for employees and Director based on the Article 15 of 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 Company may allocate employees' remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.
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 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.
3. Compensation based on the resolution of the Board of Directors:
   The Company's Board of Directors' meeting on March 22, 2019 has approved:
   (1) Distributions of employees' compensation of NT$1,215,696,307 and Directors' compensation of NT$27,779,785 in cash.
   (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	4,062,113,510
Director's compensation	132,604,358

There is no difference between the actual distribution amount and the recognized amount in 2018.

(IX) Repurchase of shares by the Company: The Company has not implemented repurchase of the Company's shares in the most recent year as of the publication date of this Annual Report.

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

(I) Information regarding Ordinary Corporate Bonds: None.
(II) Information regarding the Conversion Bonds: None
(III) Information regarding the Exchangeable Bonds: None.
(IV) Information regarding Shelf Registration for Corporate Bonds: None.
(V) Information regarding Corporate Bonds with Attached Warrant: None.

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

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

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

Date of issuance (placement)			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)
Issuance and trading place			New York Stock Exchange
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 March 15,2019			257,760,933
The source of securities represented			Common shares of the Company
The amount of securities represented (shares) as of March 15,2019			2,577,609,357
The rights and obligations of holders of depositary receipts			Rights and obligations are the same as common shares
Trustee			N/A
Depository			Citibank, N.A.
Custodian			Citibank Taiwan Ltd.
Outstanding amount (US$) as of March 15, 2019			53,472,491
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period.			The issue-related expenses were proportionally allocated by the Company and the selling shareholder according to the actual number of shares sold. After the issuance, except where otherwise agreed by the Company and the Depositary, the costs of all overseas depositary receipts shall be borne by the Company.
Important Agreements for Depositary and Custody Contracts			Details such as depositary and custody contracts
Market Price Per unit (US$)	2018	Highest	4.99
		Lowest	3.68
		Average	4.28
	As of March 22, 2019	Highest	4.18
		Lowest	3.52
		Average	3.81

Note: 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.

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 1,861thousand 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:

AU Optronics is a leading global manufacturer in optoelectronic solutions that leverages superior proprietary technologies in business competition. AUO specializes in the development, design, manufacture, and marketing of flat panel displays in all sizes. The main products in 2018 have been TFT-LCD (thin film transistor-liquid crystal display) related products, contributing to approximately 94.5% of the consolidated turnover.

Meanwhile, the Company and its subsidiaries have also deployed business expansions into the solar energy, engaging in the manufacture and sale of silicon ingots, silicon wafers and solar cell modules, and power plant investments. This has come while providing full-range services for power plant development, deployment, and maintenance management.

Concerning the main business scope of the Company's subsidiaries, please refer to the basic information of the affiliated companies in Section VIII, Special Notes (pages 98-100), of this annual report.

(II) Industry overview

1. Current status and development of the industry:

Today, the flat panel display industry still focuses on TFT-LCD. Touted for its technological advantages, wide range of applications, and increasing returns to scale, TFT-LCD can cater to the needs in the digital era for comprehensive information based 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. Major TFT-LCD manufacturing countries currently include Taiwan, South Korea, Japan, and mainland China. According to the market survey agency IHS Technology, Taiwan and China were the world's top two TFT-LCD manufacturers in 2018 and their large-size (Note)[1] panel output covered approximately 35.3% and 37.4% of the market, 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 downstream materials and component businesses.

2. Relations among upstream, midstream and downstream industries

Upstream industry	Glass substrate, Color filter, Polarizer, Driver IC, Printed circuit board, Backlight module, Liquid crystal, and so on
Midstream industry	Liquid crystal display panel, liquid crystal display module, 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 for 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 entertainment platforms 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. LCD TVs offer strengths including thinner bezels and lightweight features, energy savings, and relative easy to scale up the size. With the high-generation production lines running, large-size TVs have gone into mass production and prices have also become more affordable. By 2018, the average size of worldwide LCD TVs has exceeded 44 inches, and the mainstream TV size has gradually upgraded from 32 inches to 40~50 inches. This trend of increasing TV sizes is expected to continue in the future. At the same time, as the LED light source technology matured, LEDs with lower power consumption now completely replaced the cold cathode fluorescent lamps in traditional TVs, morphing TV machines into a lighter and thinner appearance. Regarding the development of television software, the introduction of smart TV with network feature and embedded in value-added services platform allowed televisions not only to play TV shows, but also to offer diverse functions for audio-visual interactive entertainment. With the emergence of the Internet of Things, smart TV has now become one of the key focuses toward a digital home.

Demand for high-definition panels has been driven by the pursuit of a real-scene visual experience and achieving even better visual quality on larger TV screens. This in turn has further stimulated the development of UHD 4K panel technology (with a resolution

Note[1]: According to IHS Technology, 9-inch or bigger products including tablets, notebook panels, desktop monitor panels, LCD TV panels, and public displays are categorized as large size.

3840×2160, equivalent to four times the Full HD high resolution) and a TV content ecosystem comprising shooting equipment, image compression technology, and storage and transmission technologies. Since 2014, content vendors such as online streaming and satellite TV operators have begun to introduce ultra-high resolution digital content that supports UHD 4K. 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. With the plan to broadcast the 2020 Tokyo Olympics on 8K4K (resolution 7680x4320) technology, more 8K4K products will be launched in 2019, offering the ultimate visual experience for consumers.

Driven on one side by industrial and commercial video walls commonly used for transportation, video surveillance, and audio/video control, and on the other side by the popularity of interactive multimedia machines and multimedia 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 application of public information displays, along with the Internet of Things 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 have slowed the market for desktop monitors in recent years. Product differentiation is the new direction to stimulate the consumer's incentive, such as the specifically designed AIO(All-In-One) computer with touch and TV function embedded. In response to the combination of information product and consumer electronics applications, high-resolution and high-definition desktop monitors that can be used for work as well as for entertainment and watching TV are emerging. 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 the purpose of 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 light weight. Touch-embedded notebooks or 2-in-1 notebooks also penetrated into the market for high-end or commercial market after the upgrade of Windows operating systems. Premium notebooks, and the gaming notebooks with high resolution display, large size and high refresh rate mentioned earlier, will be the 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

The development of mobile communication technology has evolved from voice and text only in 1990s, to instant network access anywhere after 2001, and to online high-speed, high-definition video/audio services since 2009. Today, telecom operators around the world are racing to invest in mobile networks. This 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, the specification of mobile phones has transformed from a simple hardware configuration feature phone in the early days into a smartphone that comes with a full ecosystem of abundant hardwares and softwares. Its mainstream screen size also increased from 1-2 inches to 5 inches, even 6 inches or more. After 2017, manufacturers have also been pursuing higher screen-to-body ratios, moving from the original 16:9 to 18:9. In addition, nearly full-screen phones are also being achieved through notch and drilling techniques. With the emerging needs for instant high-quality videos, brands also launched phones with UHD 4K high definition after 2015, so that consumers can view 4K media content directly from their smartphone.

- Smartphones have now become a necessity for consumers. According to IHS Technology, 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. Premium product development and shortening smartphone replacement cycles will become the key market growth momentum. 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 control dashboards in vehicles were controlled by buttons and knobs and indicated by pointers. However, the demand for TFT-LCD panels has increased with the digitization of the interior information system. Even more displays will be required in a single car. For example, a touch embedded panel can be introduced in the center console to play audio-visual programs and control air-conditioning and other related functions. Large-size high-resolution panels that integrate navigation, speedometer, and engine related information can also be applied in the dashboard.

In the past, applications from wearable products tended to focus on health and personal life management. With watches, wristbands, and apparel buckles recently launched by electronic manufacturers, these wearable products could go with APPs to expand applications to payment and identity confirmation. On the other hand, major fashion brands and traditional watch manufacturers are also launching more stylish and refined exterior products one after another. 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 Internet of Things become more mature.

Other applications include: industrial computers, medical equipment, automated teller machines, point-of-sale systems, and arcade games. TFT-LCD panels are gradually adopted to represent a large amount of information, relinquishing the old, monotonous and inconvenient method of using signals, negative film, paper, and physical institutions. With cloud computing and Internet of Things technologies reaching maturity, more and more applications and devices have begun to stream and share information with each other, allowing people to access information any time in their daily lives. Therefore, displays will be used in numerous facilities everywhere.

4. Competitive Situation

TFT-LCD is one of flat panel technologies, and is the mainstream technology in the current market. Currently, TFT-LCD companies around the world are mostly dominated by companies in China, Korea, Taiwan, and Japan.

Based on the recent large-size market dynamics of panel manufacturers in various regions, 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, the range of their size being rather restricted due to the relatively concentrated fab generation lines. 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 2018, we demonstrated our latest innovations in major exhibitions and we were recognized with many awards. These technologies include 8K4K TV display panels, extra-large gaming LCD display panels with high resolution and high refresh rate, multi-purpose public information display solutions, high-end gaming laptop display panels, ultra-thin and longer battery life laptop display panels, high performance and climate resistant multimedia system display panels for cars and planes, wide color gamut display panels for medical use, and micro LED display technology. Some important products and technologies are summarized as follows:

- Ultra-large 8K4K LCD TV display panels

  In response to the coming era of ultra high resolution TV and business opportunities associated with the 2020 Tokyo Olympics, AUO has launched its 85 inch 8K4K LCD TV display panels with many industry-leading technologies. These technical strengths include being the first (Note 1) to develop the GOA (Gate on Array) technology, which enables the full lamination and bezel-less design that maximizes viewing area. AUO has also used a new-generation ultra high dynamic range (HDR) technology, together with ultra bright 1200 nits local dimming and ultra low reflectivity, making black even more black, and bright shades even brighter, so that the rich depth and vibrant colors can lead to more refined and realistic images. It is equipped with a 120 Hz high refresh rate, which enables animations to be smooth, bright, and clear, and it accurately renders rapid moving images and high-speed scenes. With quantum dots technology, color saturation surpasses the wide color gamut of 110% NTSC, and can portray vivid color details under any circumstances.

- Professional eSports display panel and high-spec gaming notebook panel

  AUO is a pioneer in eSports monitors. The UHD 4K HDR gaming monitor series is equipped with 144 Hz refresh rate, full-array backlit local dimming with a max brightness of 1000 nits, satisfying the highest grade of the VESA (Video Electronics Standards Association) HDR standard of "VESA Display HDR 1000." Moreover, the wide color gamut coverage of DCI-P3 (Digital Cinema Initiatives) is achieved by utilizing quantum dots (QD) technology. With a beautiful full-laminated bezel-less design, this high-end monitor product has both superb design and image quality.

  In terms of the ultra-large product series, AUO launched the 65-inch UHD 4K gaming display panel, bringing breathtaking gaming experiences with the largest gaming monitor (Note 1) specification in the world. In terms of professional product lines, the 27-inch and 32-inch gaming display panels with mini LED backlit technology are shown. These products have excellent local dimming capability and a streamlined, thin modular design, on top of superb HDR effects, achieving the perfect display of lighting details in gaming.

  For the racing product line, AOU launched the 25-inch gaming display panel with the highest (Note 1) refresh rate in the world of 240 Hz, with Full HD (1920x1080 resolution), full-laminated bezel-less design, and a response time of less than 1 ms. These features completely eliminate display lag and screen tearing, and deliver motion with sharp image quality and without any ghosting. Furthermore, we demonstrated a 27-inch QHD (2560x1440 resolution) AHVA wide viewing angle gaming display

panel with the fastest (Note 1) response time. This panel is equipped with 165 Hz high refresh rate and close to 1 ms response time, providing an accurate and fluid viewing experience to gamers.
For the gaming laptop range, AUO announced the 17.3-inch UHD 4K gaming laptop display panel, which utilizes edge-backlit technology to achieve the high dynamic range of HDR 600. The 17.3-inch Full HD gaming laptop display panel has a bezel that's only 4 mm wide, with the world's highest refresh rate at 144 Hz (Note 1), and the fastest response time of up to 3 ms, demonstrating excellent image quality and dynamic rendering. The 15.6-inch UHD 4K LTPS gaming laptop display panel is the first of its kind (Note 1) to utilize the Mini LED backlit technology, reaching 240 dimming zones and the highest grade of VESA Display HDR standards with maximum brightness of over 1000 nits, demonstrating exquisitely accurate and fluid image details and an immersive and realistic gaming experience for gamers and eSports athletes.

- Ultra-thin, slim-bezel, and low power consumption LTPS notebook PC panel
  On the ultra-thin and slim bezel front, AUO launched the 13.3-inch UHD 4K LTPS notebook PC panel. This panel has an ultra-high 332 ppi pixel density, wide color gamut, and high contrast. With the bezel at only 1.5 mm and a thickness of only 1.8 mm, it is the thinnest (Note 1) UHD 4K notebook PC panel in the industry.
  In terms of low power consumption, we demonstrated a 13.3-inch Full HD LTPS notebook PC panel with a power consumption of less than 1 watt under normal operation of 150 nits. Compared to the display panels of other manufacturers, this panel saves over 50% of power and is the lowest power consumption notebook PC panel in the world (Note 1)[2]. And with a thickness of only 2 mm, its strengths include being extremely thin, lightweight, power efficient, and portable.
- Public information display solutions
  Relying on our solid foundations in panel display technology and production competency, AUO has successfully developed multiple pioneering public information display (PIDs) productions with wide applications including outdoor applications, retail, transportation, education, and entertainment. We provide complete solutions ranging from panels, comprehensive machine systems, broadcasting software, and after-sales services to satisfy needs for applications in various environments.
  AUO has exhibited PIDs for transportation. To provide clear real-time waiting information and advertisements for passengers, we have launched PIDs products and solutions. These include banner type and outdoor solutions as well as double-sided and ultra-thin-bezel wall displays for spaces that require longer broadcasting times. This in turn encompasses train station hallways and platforms and train interiors, as well as outdoor and semi-outdoor environments.
  Our banner displays include 29-inch, 37-inch, and 42-inch display products. In addition, we have also demonstrated a brand-new 48.5-inch horizontal product that adopts an exclusive reticle design. With a better than average cutting process, the new design prevents product damage from embrittlement and deterioration due to temperature changes or humidity during the sealing process. This in turn ensures the quality of the display panel and its long-term reliability. The unique elongated design supports either horizontal or vertical use, which helps the banners to be easily integrated into spare areas in train stations, platforms, and overhead interior spaces inside trains. The banners have also achieved the EN0155 certification, the standard for installation of electronic equipment on rail cars, attesting to their quality and resistance in all types of extreme environments.
  As for outdoor commercial display panels, we have launched the high luminance 21.5-inch, 32-inch 43-inch, 46-inch, 55-inch and 65-inch products as well as demonstrating our largest 85-inch product. All products contain features including high brightness, durability and high stability, and are suitable for adoption in outdoor and semi-outdoor environments including platforms on train stations and outdoor bus shelters. They retain sharpness and focus during direct sun exposure, and brightness can be automatically adjusted with the system to conserve energy and attain the best visual effects.
  AUO has led the industry in launching a new generation of ultra-thin-bezel 55-inch PIDs products. Having successfully developed an ultra-thin-bezel technology where the bezel is only 1.8 mm wide after neighboring screen configuration, the nearly seamless viewing angles coupled with unique color and brightness adjustment technology can present the most perfect evenness for viewing. The product was officially launched at the Arrival and Departure Halls of Taipei Songshan Airport in 2018, where 12 pieces of 55-inch PIDs panels form an extremely large TV wall, helping to improve the high-tech image of Taiwan at the entrance to the country via this remarkable technical competency.

- Automotive and in-flight entertainment system display
  In line with the trend for customized designs for automotive panel displays that are intricately integrated with the car interior, AUO has launched the ultra-high definition dashboard panel displays, which adopt full lamination technology with a 12.3-inch dashboard, a 13.2-inch instrument panel, and a 12.3-inch shotgun panel. The integrated large-scale display is equipped with AHVA super-wide viewing angle and high clarity technology with high contrast and brightness. Its applications include instrument panels that can display high contrast and bright images, allowing drivers to easily read important information. The center console has symmetrical cut-outs in the active area, allowing for installation of buttons or knobs, which is convenient for intuitive controls for navigation systems, multimedia menus, or communications systems. Passengers riding shotgun can also use the in-cell touchscreen mounted in front to easily select and enjoy high quality multimedia content. The 8.8-inch glass panel display has adopted free form laser cutting and has a brightness of 1,000 nits. It is equipped with rear-view mirror display or traditional mirror modes and allows for flexible adjustment of reflection angles. In addition, its anti-glare function also enhances the safety of nighttime driving.
  In-flight entertainment systems (IFE) have become a crucial part of air travel, and requirements for enhanced visual quality, safety, and reliability are also on the rise. AUO has demonstrated the 11.6-inch to 13.3-inch series of UHD 4K ultra-high

Note[2]: Based on market information available to the Company as of December 31, 2018.

definition touchscreen LTPS panels, showing a high brightness of over 300 nits, wide color gamut, and super high contrast; and it carries the AHVA ultra wide-angle high clarity technology. The full lamination touchscreen panel can effectively reduce light reflection and provides lively and coherent visual images, bringing the ultimate visual feast to passengers during long-haul trips.

- Medical display panels and others
  In response to continuous breakthroughs in medical technology and equipment, AUO has launched the 23-inch to 27-inch high definition, wide color gamut, high brightness and high contrast LCD panels for professional medical purposes. Applications include ultrasound, angiography, endoscopy, and minimally invasive surgery. In particular, the 27-inch Mega Color medical panel display includes features ranging from UHD 4K high definition, 800-nits high brightness, and wide viewing angles allowing medical staff to observe clear imaging from different positions and angles. In addition, the wide color gamut technology has focused on displaying the red color in richer depths, conveying nearly true colors and details so that physicians and surgeons can make more precise decisions and analysis during operations.
  In terms of the VR head-mounted display applications, AUO has displayed the 2-inch LTPS panel display, which is equipped with 1,000 ppi ultra-refined visual quality capable of conveying the rich and fine details of images. The active matrix circuit-driven Mini LED backlit module is designed to achieve 1024 Dimming Zones, providing excellent image quality and fine levels of detail.
- Micro LED display technology
  Micro LED is a self-lighting display technology that uses a miniaturized LED array structure and has strengths including high brightness, high contrast, wide color gamut, wide viewing angle, fast response time, lightweight features, and low power consumption.
  AUO is the first in the world to successfully develop the highest (Note 1) full-color active Micro LED display technology, and has been honored with the "Best-in-Show Award" during the Display Week from the Society for Information Display (SID)in May 2018. AUO continuously enhances its R&D competency, and we have demonstrated our efforts through the 12.1-inch Micro LED display technology in which LED of less than 30 μm is used to achieve an extremely high 169 ppi (pixels per inch) and resolution (1920x720). In addition, each pixel can be independently illuminated by LTPS backplane drive technology, displaying strengths including ultimate dynamic contrast and low power consumption. In addition, astounding color performance is achieved via our advanced color conversion technology.

Solar technical research and development:
AUO sees being able to provide solar module products and system solutions with high efficiency, high quality, and high reliability as our goal. In 2018, we have continued to enhance the power of P-type monocrystalline silicon modules to strengthen the structural design of solar power modules against harsh weather conditions. 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 power, high climate resistant application solar module technology
  AUO is the first in the Taiwanese market to adopt the M4 cell mass production multi-busbar high-performance module technology, enhancing the power competitiveness of our module products. In terms of application modules, in addition to the existing salinity resistant, anti-glare module products, we have further launched the floating system-type 72-cell large-size modules with power that exceeds 395 watts and resists up to level 17 wind speed. In the future, we will continue to strengthen our strategic layout in high performance and application module technologies.
- Comprehensive power plant service
  Experienced in industry-level solar power plant building, AUO can provide comprehensive power plant development, construction, and operations and maintenance services. We can build customized power plants that meet clients' requirements through our high performance module and power system design as well as providing complete and professional project development, construction, and operations and maintenance services. Through using IoT technology to integrate power plant data, we can provide complete solar system monitoring and operations/maintenance solutions that include dedicated detection hardware, cloud-based monitoring tools and operations and maintenance expert systems.

AUO's consolidated R&D expenditures in 2018 came to NT$9.5 billion. As of February 28, 2019, consolidated R&D expenditures were NT$1.7 billion. As always, AUO continues to invest in advanced technologies and use them to improve our existing production capacity, in order to strengthen AUO's competitiveness in markets for new and high-end applications. In addition, as of December 31, 2018, AUO has filed for 25,100 patents, and has cumulatively obtained 18,500 patents worldwide. In terms of R&D patents, 98% of our patents are development-focused, and have been named in the US-based Ocean Tomo 300® patent index for 2015 and 2016. AUO's great efforts in proprietary technology and strategic deployment in patents have once again solidified our leadership position in flat panel displays.

The Company plans to invest approximately NT$10 billion in R&D expenditures in 2019. The actual figure will depend on global market conditions and the Company's operations. AUO's major future R&D projects are summarized as below:

Project Title	Descriptions	Current status	Expected production time (Note)	Success factors
8K4K High-end TV panel display project	Continue to lead the industry in developing high-end display technology in the new generation 8K4K products. We have improved the penetration rate to increase brightness, lower reflection, and enhance contrast, improving the viewing quality of high-end panel displays in both bright and dark viewing environments. In terms of product design, we continue to develop ultra-narrow bezel and bezel-less technology to satisfy clients' needs for minimalist styles.	Under development	2019	1. Actively cooperate with material suppliers to develop key materials, so that our technologies and products can be differentiated from others. 2. AUO is working on developing the framework of new products and new processing technology to coordinate with complete technical planning and patent strategies.
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	2019	Developing proprietary new pixel designs by collaborating with suppliers to improve material properties and through internal processing optimization.
Mobile device panel display technology	Continue to develop high-resolution, ultra-light, ultra-thin, and ultra-narrow bezel LTPS panels that include properties such as high transmittance rate, ultra-narrow bezel, and super power-saving to meet the requirements of mobile applications. Separately, we also strengthen the development of applications in emerging areas such as eSports gaming notebooks and Mini LED related applications.	Under development	2019	The Gen 6 LTPS fab continues to optimize processes in coordination with innovative product design. We continue to innovate the industry's highest standards and the latest processes and work with suppliers to develop applications of new Mini LED product framework in high-end product types.
60-cell high performance PV module	Develop monocrystalline high power PV module products of 340 watts.	Under development	2019	1. Monocrystalline cell laser cutting technology. 2. Multi busbar half-cell interconnection technology.

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.

For short-term business development, AUO will increase its production capacity with appropriate investment plan to respond to the client's growing demand. Such capacity enhancement plans include the new 6th Gen LTPS fab in Kunshan, China, which began mass production and reached 25,000 sheets of glass substrate input in 2017. Moreover, the new 8.5-Gen fab in Houli, Taichung has reached maximum production capacity of 27,000 sheets of glass substrate input in 2018. Company profitability is expected to be improved through the high quality capacity expansion. 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-size 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 Product Development in Chapter V, Operational Highlights, in this report. (pages 66-68).

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
IHS Technology data indicates that the top five TFT-LCD large-size panel display producers around the world in 2018 were BOE, LG Display, Innolux, AUO, and Samsung, accounting for worldwide market shares of approximately 27.0%, 17.1%, 16.9%, 13.2%, and 6.8% respectively.
The panel display industry has grown from a scale competition to a value competition. According to data from IHS Technology, the top three of notebook panel were BOE (29.4%), AUO (23.4%) and Innolux (22.1%). On the shipment of 65-inch and 75-inch large TV displays, the top three were Samsung (31.5%), LG Display (25.5%), and AUO (16.0%). On the shipment of desktop monitor displays, the top producers were BOE (24.1%), LG Display (22.9%), Innolux (18.6%), and AUO (17.5%). The top five of automotive panels were Japan Display Inc. (16.8%), LG Display (12.7%), Tianma (12.2%), AUO (12.1%), and Innolux (11.1%).

3. Future market supply/demand and growth
According to IHS Technology, the overall demand for TFT-LCD panels grew by 9% in 2018. Boosted by the recent increase in the panel average size, the market demand for large-size panels has continued to soar. The demand for panels is estimated to grow by 6% in 2019. 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.
As LCD TVs are becoming affordable, consumers are more willing to purchase TVs with larger sizes and higher resolution. Total LCD TV shipment in 2018 is approximately 220 million units, and the quantity is expected to keep flat in 2019. 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 2019. Among them, the total shipment of desktop monitors in 2018 was approximately 137 million units, and is expected to remain constant in 2019. Nevertheless, the ratio of large-size desktop panel displays has shown a steady increase. For notebooks and tablets, the total shipment in 2018 was approximately 310 million units, but it is expected to decline by 4% to 297 million units in 2019. However, shipment of advanced notebooks such as ultra thin, lightweight and ultra low power consumption continuously increase. On the other hand, the 2-in-1 products that unite the operating modes of tablet and notebook also grow in number with years. As for mobile phones, smartphones are advancing toward larger size, higher resolution, and higher screen-to-body ratio. The total shipment in 2018 was approximately 1.41 billion units, and is expected to remain constant in 2019.
With respect to the panel supply side, IHS Technology has indicated that the annual growth rate of TFT-LCD panel production capacity area in 2018 was 9%, and is expected to exceed 10% in 2019, with the help of newly-added high generation lines from the industry. Yet it remains to be observed whether high generation production lines coupled with new technologies can overcome the learning curve required for mass production. 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
Rapid change in the overall economy and uncertainty in the panel industry cycle, coupled with fierce competition that resulted from a nonstop expansion of production capacity, has made the overall industrial environment even more complex and unpredictable. Meanwhile, the ever-increasing demand for terminal product specifications also highlights the importance of technical upgrades. Facing such a competitive environment, AUO will make full use of its own advantages to proactively meet industrial challenges:

- Technology and product strength: In the face of increasing complexity in industrial competition, AUO will continue to focus on improving existing technologies and innovating new ones. Other focuses include product quality upgrades and the development of new products, such as on-cell touch panels, high-resolution panels, curved panels, and commercial display panels. By providing differentiated products with higher added value, AUO aims to strategically create high barriers to entry that will be difficult for competitors to surmount.
- 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 from 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 balanced customer portfolio.

(2) Favorable factors of development prospects:

- Popularization of high resolution ecosystem and telecommunications technology: Consumers are requesting better viewing quality, real-life experience and stylish design. As the UHD 4K ecosystem around the world is increasingly mature and in line with the development of 8K4K, AUO has launched various UHD 4K/8K4K TV products with ultra high resolution, curved design, wide color gamut, and bezel-less features, which guarantees a more immersive visual experience and perfect images for customers looking for competitive high-end products. This is helping AUO to maintain our leadership position in the high-end product market. Demand for related products has also been extended toward desktop monitors, notebooks, and smartphones. The environment for high speed telecommunications has been set up around the world in recent years, bringing faster transmission and high quality real-time communication services to consumers. This also indirectly promotes the trend of opting for smartphones and their growing penetration rate. AUO is also continuing to launch products with larger sizes, higher definition, narrower bezel, and lower power consumption to assist customers in seizing new market opportunities.
- High-growth market: Some TFT-LCD related products still promise high growth rates, 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.
- Internet of Things (IoT) business opportunities: As 5G network commercial launches, with enhanced mobile broadband, higher data transmission speed, ultra-reliable and low latency communications, new services and applications which require both Internet speed and stability will be likely realized. In line with the IoT trends, IoT devices have rapidly surfaced, and there may be chances for accelerated development of new business models and new applications, bringing more diversified and wider display panel applications. Moreover, as various applications are moving toward larger sizes, demand for panel sizes also continues to increase. AUO has targeted smart factory, smart home, smart retail, smart handheld devices, smart wearables, automobiles, and medical and health care applications, and has launched various application products including ultra high definition (UHD), curved design, wide color gamut, ultra high dynamic contrast technology, on-cell touchscreen, and value-added services. By realizing integrated competencies to enhance added-value, AUO will embrace the business opportunities from the Age of IoT by creating differentiated and high-value products with our diversified technical competencies.

(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 and the end of quantitative easing policy 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 Internet of Things 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 market integration driven by the digital age, current major products of TFT-LCD applications include LCD TVs, desktop monitors, tablets, notebooks, mobile phones, car displays, and wearable devices. In the 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.

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	2018				2017			
	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO
1	Samsung	354	11.5	-	Samsung	436	12.8	-
2	Others	2,722	88.5		Others	2,974	87.2	
	Net revenue	3,076	100.0		Net revenue	3,410	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 2017 and 2018 accounted for 10% or more of net purchases; hence this is not applicable.

(V) Production value for the past two years

Unit: NT$Thousand; Thousand piece

Year / Main products	2018			2017		
	Production Capacity (Note)	Production Quantity	Production Value	Production Capacity (Note)	Production Quantity	Production Value
TFT-LCD	12,907	288,702	236,450,884	12,685	285,030	235,903,481
Others	-	-	13,630,518	-	-	14,886,755
Total	12,907	288,702	250,081,402	12,685	285,030	250,790,236

Note: Calculated by Glass substrate (mother glass).

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

Unit: NT$Thousand; Thousand piece

Fiscal Year / Main products	2018				2017			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Shipments	Net Revenue	Shipments	Net Revenue	Shipments	Net Revenue	Shipments	Net Revenue
TFT-LCD	95,889	89,160,297	185,498	191,118,036	107,275	97,802,735	173,380	214,678,642
Others	-	11,343,320	-	16,012,736	-	12,603,212	-	15,943,678
Total	95,889	100,503,617	185,498	207,130,772	107,275	110,405,947	173,380	230,622,320

III. Employee Information

Fiscal Year		As of February 28, 2019	2018	2017
Total number of employees (persons)	Production	37,522	38,688	43,420
	Technical	8,940	8,930	9,055
	Sales and marketing	991	1,013	969
	Management and administrative	3,553	3,610	3,761
	Total	51,006	52,241	57,205
Average age (years)		32.0	32.1	30.3
Average duration of service (years)		5.8	5.6	4.6
Educational distribution ratio (%)	Director of Philosophy	0.4	0.4	0.4
	Master's Degree	12.4	12.3	11.4
	Bachelor's Degree	36.8	36.8	34.3
	Senior high school	31.1	31.7	38.0
	Senior high school or below	19.4	18.8	15.9

IV. Environmental Protection Expenditures

Losses (including indemnity) caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition, and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided):

(I) Loss due to environmental pollution:

Company name	Incident	Amount of indemnity (NT$1000)	Countermeasures and improvements
AU Optronics Corporation	Temporary storage of waste at the Tainan Fab was provided by a facility that did not allow for permeation, and the name of the waste has not been clearly labeled.	6	The waste is removed and label of the material has been posted.
Darwin Precisions Corporation	Negligence on the part of the contractor had led to leakage of effluents to the rain water sewer system at Darwin's Hukou Fab	2,856	1. Maintenance and fixture is completed and patrol and inspection will be reinforced in the future. 2. An overflow dike has been added and an interception device has been installed at the rainwater discharge port.

Except for the above matters, AUO and its subsidiaries were not fined for any other violations against the relevant regulations in the most recent year up to the publication date this report.

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

V. Labor-Management Relations

(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 benefits and implementations
   - (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. Annual sale activities are also held from time to time to provide staff with affordable daily goods.

(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) A fitness center managed by a professional health management team is built at each fab. Apart from permanent facilities, fitness equipment, and sports classrooms, occasional aerobic exercise 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. 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: Physical courses, which are based on the staff's common competency and assisted through online learning, provide job-relevant management knowledge and skills (e.g., cross-departmental communication, project management, business-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. In this year, a total of 663 employees (headcount) participated in external training, which cumulatively cost approximately NT$5.9 million.

(5) Supervisor training: For employees at the management level, AUO conducts a series of management training courses to improve the management of the Company. A new manager receives around 27 hours of educational training each year, while a new assistant manager receives around 40 hours of training per year. The general education courses received by assistant managers are around 4.8 hours per year on average.

2018 Global ALS curriculum and execution status are as follows:

Category	College	Sessions	Total number of persons	Total number of training hours	Total expense (NT$1000)
AUO University course internal training	Institute of the Future	9	707	124	54,697
	Institute of Science	20	3,460	65	
	Institute of Engineering	17	2,241	40	
	Institute of Quality	90	3,179	498	
	Institute of Liberal Arts	40	1,357	250	
	Institute of Leadership	53	2,639	757	
AUO University course external training	External training	-	663	-	
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. Employee Code of Conduct
   (1) Be integrity and upright; be loyal and diligent. To achieve the corporate objectives.
   (2) Defend the Company's integrity, uphold the team spirit, and accomplish tasks by following the Company policies, rules, and systems.
   (3) Commit fully to business secrecy. No business secrets, either within his or her business scope, shall be disclosed, told, delivered or transferred to any third party. The same shall apply after he or she has quit the job.
   (4) Protect the intellectual property rights of the Company whatever the cost, and assist the Company to obtain intellectual property rights such as patents, business secrets, and so on produced by the employees during their work period. The same shall apply after he or she has quit the job. In addition to signing all possible documents requested by the Company, he or she shall assist in relevant lawsuits.
   (5) Refrain from borrowing or lending valuables, or accepting gifts or invitations from suppliers, enterprises or customers that have direct or indirect business dealings with the Company, to the extent that the Company's reputation or business operations may be compromised.
   (6) Follow the regular operating procedures and labor safety and health regulations, to maintain the safety and sanitation of the workplace and its surroundings.
   (7) Prevent sexual harassment in the workplace and ensure equal gender rights. In addition to the relevant regulations as established in the Company's working rules, relevant laws and dispute channels are announced on the Company's internal website to enforce the workplace ethics and behavior.

   AUO has established the following policies to smooth the organizational operation and personnel appointments:
   (1) Grade and Job Position Structure Jobs in the Company are classified by position, category, duty, grade, and title.
   (2) Evaluation rules for employee trial period.
   (3) Non-relatives employment policy.
   (4) Employee attendance and leave policy details the procedure and the calculation method for overtime and various kinds of leave.
   (5) Employee promotion policy describes a comprehensive job evaluation, which is based on the needs of the organizational development, individual performance, individual competency development, and appropriateness of the functional authority.
   (6) Salary and bonus policy lists in detail various salary standards, allowance approval standards, salary/bonus distribution rules, and the importance of salary confidentiality.
5. Protection measures for working environment and employees' 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. In 2014, we launched a three-year safety improvement program, Safety ABC (Note). 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 site, through which each employee was expected to play a safety role in his or her own position, blend safety awareness into work and life, and achieve the vision of zero incidents.

   The three-year program of Safety ABC was underwent the evaluation in 2016. In addition to its target achievements, AUO cared more about the staff's safety values and whether culture of safety was recognized and valued by each organization in a consistent way. To this end, AUO worked with diagnostic experts at academic institutions at the end of that year to develop an evaluation table regarding the self-applied culture of safety. This table is used as a tool to annually assess the culture of safety and the performance of the Safety ABC program.

The Safety Partnership Care & Concern program was initiated in 2017 to encourage employees to remind each other of unsafe behavior, to report high-risk environments, and to develop a culture of mutual safety assistance. In 2018, the safety movement carried over to contractors and outsourcers, which was implemented by means of mutual supervision and assistance, as well as by a verification mechanism for construction management.

(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 hygieneneeds 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) List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided:

1. Existing important labor agreements and executions:

AUO has always valued labor-management relations. Apart from complying with the Labor Standards Law and related regulations, AUO went further to offer more benefits and associated measures. Over the years, very harmonious labor relations have been established. On the other hand, to maintain barrier-free communications with employees, AUO regularly holds quarterly/monthly meetings, labor-management meeting business briefings, and other bilateral meetings in order to deliver important notices and policies. Other means of communication include 24-7 platforms such as an Audit Committee Mailbox, a General Manager's Mailbox, a Grievance Mailbox for Sexual Harassment, and an Internal Communication Box. These channels aim to collect, understand, and resolve employees' needs. No foreseeable labor disputes should occur as the Company has fully engaged in communication with employees.

2. Loss due to labor disputes:

Company name	Incident	Penalty/indemnity amount	Countermeasures and improvements
AU Optronics Corporation	In April 2018, the Hsinchu Science Park Bureau inspected the Taichung, Longke, and Hsinchu Fabs, and found that some employees were working overtime.	NT$160 thousand	1. For the work time management of employees, the Company has voluntarily provided working hour reports to the management level for personnel care and work allocations. 2. Access control systems are implemented, and access will be denied for anyone who has consecutively worked for seven days, and the employee will not be able to enter the
	In June 2018, the Central Taiwan Science Park Bureau inspected the Taichung site, and since job rotation for certain employees fell on national holidays, there was a difference in the amount of salary that should be paid.	NT$20 thousand	

Company name	Incident	Penalty/indemnity amount	Countermeasures and improvements
	In October 2018, the Central Taiwan Science Park Bureau inspected the Taichung site, and found that some employees were working overtime.	NT$50 thousand	working grounds. 3. The Company will regularly promote legal compliance tasks to the management level during meetings. 4. Annual rotation charts will be listed in agendas, and holidays will be set in place after labor relations meetings and employees' opinions have been heard. Holidays will also be publicly announced.
Darwin Precision (Xiamen) Corporation	The employee disagreed with the disincentive measures for violation of the labor contract, and so appealed to the court. The Company stated a note of protest pursuant to the Employee Handbook, but the court has ruled that the Company shall pay for indemnities.	CNY 78 thousand	Employee disputes were rigorously settled in accordance with the regulations.
BriView (Hefei) Co., Ltd.	An intern from industry-academic cooperation has violated the contractual liability and an accident has occurred during the internship period. The court has ruled for the company to pay indemnities based on the ratio of its liability.	CNY 405 thousand	Fulfill intern liability contract clauses in practice and reinforce the management responsibilities of the HR department, as well as to strengthen employee safety management.

Except for the above matters, AUO and its subsidiaries were not fined for any other violations against the relevant regulations in the most recent year up to the date this report's publication.

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	2018.06~2024.03	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
Financing	Bank of Taiwan and other syndicated banks	2015.09~2021.04	Funding medium-term working capital and repaying existing debts	Secured by the building, equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2014.09~2020.02	Repaying existing debts	Secured by the building, 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 license	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 AUO and its subsidiaries, please refer to Appendix I of this Report - the Consolidated Financial Report and CPA Audit Report for the most recent year (pages 66-68).

Chapter 6 Financial Highlights

I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(I) International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit: NT$ 1,000

Item \ Year		Financial data for the most recent five years (Note 1)				
		2018.12.31	2017.12.31	2016.12.31	2015.12.31	2014.12.31
Current assets		149,067,627	180,175,541	163,346,242	161,992,140	185,614,534
Property, plant and equipment		221,586,475	224,933,089	222,741,832	208,785,609	231,814,724
Intangible assets		13,377,263	13,170,892	13,602,834	14,575,279	15,166,350
Other assets (Note 2)		25,800,410	23,171,762	30,078,343	40,201,217	37,264,077
Total assets		409,831,775	441,451,284	429,769,251	425,554,245	469,859,685
Current liabilities	Before distribution	128,937,971	107,236,609	117,266,175	141,349,389	172,440,461
	After distribution	(Note 3)	121,672,977	122,655,752	144,717,875	177,252,584
Non-current liabilities		63,615,116	108,969,560	112,867,894	79,568,451	97,049,300
Total liabilities	Before distribution	192,553,087	216,206,169	230,134,069	220,917,840	269,489,761
	After distribution	(Note 3)	230,642,537	235,523,646	224,286,326	274,301,884
Equity attributable to shareholders of AU Optronics Corp.		202,862,715	208,154,368	181,244,699	181,985,222	180,975,039
Common Stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,622,043	60,540,326	59,979,723	60,249,983	59,258,041
	After distribution	(Note 3)	60,540,326	59,979,723	60,249,983	59,258,041
Retained earnings	Before distribution	46,845,991	51,115,529	24,243,153	20,407,277	20,528,831
	After distribution	(Note 3)	36,679,161	18,853,576	17,038,791	15,716,708
Other components of equity		(847,770)	256,062	779,372	5,085,511	4,945,716
Treasury stock		-	-	-	-	-
Non-controlling interests		14,415,973	17,090,747	18,390,483	22,651,183	19,394,885
Total equity	Before distribution	217,278,688	225,245,115	199,635,182	204,636,405	200,369,924
	After distribution	(Note 3)	210,808,747	194,245,605	201,267,919	195,557,801

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 2019 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 resolution in 2019 Annual Shareholders' Meeting.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$ 1,000 (except for earnings per share: NT$)

Item \ Year	Financial data for the most recent five years (Note)				
	2018	2017	2016	2015	2014
Revenue	307,634,389	341,028,267	329,089,036	360,346,494	408,178,750
Gross profit	28,139,504	61,041,745	34,491,019	39,837,055	48,510,645
Profit from operations	6,667,865	39,139,124	12,338,456	17,521,148	22,165,423
Non-operating income and expenses	4,548,286	224,482	(1,152,554)	(9,922,298)	(2,184,964)
Profit before income tax	11,216,151	39,363,606	11,185,902	7,598,850	19,980,459
Profit from continuing operations for the year	7,959,895	30,258,488	6,606,711	4,842,882	18,064,709
Losses from discontinued operations	-	-	-	-	-
Profit for the year	7,959,895	30,258,488	6,606,711	4,842,882	18,064,709
Other comprehensive income (loss), net of taxes	(1,383,775)	(960,183)	(6,359,644)	(768,225)	1,877,589
Total comprehensive income (loss) for the year	6,576,120	29,298,305	247,067	4,074,657	19,942,298
Profit attributable to shareholders of AU Optronics Corp.	10,160,598	32,359,417	7,818,938	4,931,960	17,628,468
Profit attributable to non-controlling interests	(2,200,703)	(2,100,929)	(1,212,227)	(89,078)	436,241
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	9,085,260	31,754,733	3,326,560	4,838,950	19,087,448
Total comprehensive income (loss) attributable to non-controlling interests	(2,509,140)	(2,456,428)	(3,079,493)	(764,293)	854,850
Earnings per Share (EPS)	1.06	3.36	0.81	0.51	1.83

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 2019 financial data has not been attested or reviewed by CPAs.

Condensed Balance Sheet

Unit: NT$ 1,000

Item		2018.12.31	2017.12.31	2016.12.31	2015.12.31	2014.12.31
Current assets		98,928,620	133,588,893	107,580,230	99,459,796	137,945,812
Property, plant and equipment		148,448,632	141,796,990	135,433,979	143,897,638	151,130,360
Intangible assets		12,476,746	12,983,137	13,602,834	14,575,279	15,164,564
Other assets (Note 2)		87,550,523	85,732,867	101,218,733	115,740,782	97,237,754
Total assets		347,404,521	374,101,887	357,835,776	373,673,495	401,478,490
Current liabilities	Before distribution	110,042,400	91,044,482	94,944,624	124,563,162	146,521,402
	After distribution	(Note 3)	105,480,850	100,334,201	127,931,648	151,333,525
Non-current liabilities		34,499,406	74,903,037	81,646,453	67,125,111	73,982,049
Total liabilities	Before distribution	144,541,806	165,947,519	176,591,077	191,688,273	220,503,451
	After distribution	(Note 3)	180,383,887	181,980,654	195,056,759	225,315,574
Equity attributable to shareholders of AU Optronics Corp.		202,862,715	208,154,368	181,244,699	181,985,222	180,975,039
Common Stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,622,043	60,540,326	59,979,723	60,249,983	59,258,041
	After distribution	(Note 3)	60,540,326	59,979,723	60,249,983	59,258,041
Retained earnings	Before distribution	46,845,991	51,115,529	24,243,153	20,407,277	20,528,831
	After distribution	(Note 3)	36,679,161	18,853,576	17,038,791	15,716,708
Other components of equity		(847,770)	256,062	779,372	5,085,511	4,945,716
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	202,862,715	208,154,368	181,244,699	181,985,222	180,975,039
	After distribution	(Note 3)	193,718,000	175,855,122	178,616,736	176,162,916

Year: Financial data for the most recent five years (Note 1)

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 2019 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 resolution in 2019 Annual Shareholders' Meeting.

Condensed Statement of Comprehensive Income

Unit: NT$ 1,000 (except for earnings per share: NT$)

Item \ Year	Financial data for the most recent five years (Note)				
	2018	2017	2016	2015	2014
Revenue	293,060,339	319,839,895	300,728,680	333,879,825	384,026,509
Gross profit	26,377,798	59,586,501	28,070,086	33,705,034	43,000,393
Profit from operations	11,033,564	43,313,271	12,538,693	17,631,265	22,570,058
Non-operating income and expenses	951,429	(3,306,536)	(2,134,096)	(10,564,577)	(4,941,552)
Profit before income tax	11,984,993	40,006,735	10,404,597	7,066,688	17,628,506
Profit from continuing operations for the year	10,160,598	32,359,417	7,818,938	4,931,960	17,628,468
Losses from discontinued operations	-	-	-	-	-
Profit for the year	10,160,598	32,359,417	7,818,938	4,931,960	17,628,468
Other comprehensive income (loss), net of taxes	(1,075,338)	(604,684)	(4,492,378)	(93,010)	1,458,980
Total comprehensive income (loss) for the year	9,085,260	31,754,733	3,326,560	4,838,950	19,087,448
Profit attributable to shareholders of AU Optronics Corp.	10,160,598	32,359,417	7,818,938	4,931,960	17,628,468
Profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	9,085,260	31,754,733	3,326,560	4,838,950	19,087,448
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per Share (EPS)	1.06	3.36	0.81	0.51	1.83

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 2019 financial data has not been attested or reviewed by CPAs.

(II) The names of CPA and their opinions for the most recent five years.

Year	CPA	Opinion and content	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	-
2014	KPMG / Au Yiu-Kwan KPMG / Huang Hai-Ning	Unqualified opinion	-

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

II. Financial analysis for the most recent five years

(I) International Financial Reporting Standards - Consolidated Financial Analysis

Item analyzed / Year		Financial analysis for the most recent five years (Note 1)				
		2018	2017	2016	2015	2014
Financial structure	Ratio of debts to assets (%)	47.0	49.0	53.5	51.9	57.4
	Ratio of long-term capital to property, plant, and equipment (%)	123.6	145.7	137.3	130.8	123.4
Solvency	Current ratio (%)	115.6	168.0	139.3	114.6	107.6
	Quick ratio (%)	94.3	142.3	113.3	91.5	85.9
	Interest coverage ratio	4.5	12.1	4.3	3.7	5.7
Operating ability	Receivables turnover rate (times)	7.0	7.7	7.9	7.6	7.9
	Average collection days for receivables	52	48	46	48	46
	Inventory turnover rate (times)	10.9	10.7	9.9	9.4	9.7
	Payable turnover rate (times)	4.9	4.9	4.9	4.7	4.7
	Average days for sales	33	34	37	39	38
	Property, plant and equipment turnover rate (times)	1.4	1.5	1.5	1.6	1.6
	Total asset turnover rate (times)	0.7	0.8	0.8	0.8	0.9
Profitability	Return on assets (%)	2.4	7.5	2.1	1.6	4.5
	Return on equity (%)	3.6	14.2	3.3	2.4	9.5
	Ratio of profit before income tax to paid-in capital (%)	11.7	40.9	11.6	7.9	20.8
	Profit margin (%)	2.6	8.9	2.0	1.3	4.4
	Earnings per share (NT$)	1.06	3.36	0.81	0.51	1.83
Cash flow	Cash flow ratio (%)	31.2	78.7	31.2	43.9	36.8
	Cash flow adequacy ratio (%)	136.2	160.6	138.8	164.2	165.4
	Cash flow reinvestment ratio (%)	2.4	7.3	3.1	5.6	6.0
Leveraging	Operating leverage	9.2	2.4	5.8	4.8	4.4
	Financial leverage	1.7	1.1	1.3	1.2	1.2

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

1. The reductions in current ratio and quick ratio are attributable to the decrease in current assets, resulting from capital expenditures, repayments of borrowings, and cash dividends, and the increase in current installments of long-term borrowings.
2. The reductions in interest coverage ratio and various ratios of profitability are attributable to the decrease in profit.
3. The reduction in various ratios related to cash flow is attributable to the decrease in net cash from operating activities resulting from the decline of profit. .
4. The increase in operating leverage is attributable to the decrease in profit from operations.

Note 1: The accompanying financial data has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2019 financial data has not been attested or reviewed by CPAs.

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

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

Item analyzed		Year: 2018	2017	2016	2015	2014
		Financial analysis for the most recent five years (Note)				
Financial structure	Ratio of debts to assets (%)	41.6	44.4	49.4	51.3	54.9
	Ratio of long-term capital to property, plant, and equipment (%)	156.7	196.4	191.0	168.6	165.1
Solvency	Current ratio (%)	89.9	146.7	113.3	79.9	94.2
	Quick ratio (%)	70.5	122.9	87.8	59.7	75.1
	Interest coverage ratio	10.2	23.1	6.0	4.3	6.5
Operating ability	Receivables turnover rate (times)	7.0	7.8	8.0	7.8	8.0
	Average collection days for receivables	52	47	45	47	46
	Inventory turnover rate (times)	13.5	12.7	11.8	11.7	12.6
	Payable turnover rate (times)	4.6	4.7	4.8	4.7	4.8
	Average days for sales	27	29	31	31	29
	Property, plant and equipment turnover rate (times)	2.0	2.3	2.2	2.3	2.3
	Total asset turnover rate (times)	0.8	0.9	0.8	0.9	0.9
Profitability	Return on assets (%)	3.0	9.2	2.6	1.7	5.0
	Return on equity (%)	4.9	16.6	4.3	2.7	10.2
	Ratio of profit before income tax to paid-in capital (%)	12.5	41.6	10.8	7.3	18.3
	Profit margin (%)	3.5	10.1	2.6	1.5	4.6
	Earnings per share (NT$)	1.06	3.36	0.81	0.51	1.83
Cash flow	Cash flow ratio (%)	24.4	89.7	19.4	47.0	34.6
	Cash flow adequacy ratio (%)	132.1	171.3	147.2	116.9	113.1
	Cash flow reinvestment ratio (%)	1.4	8.2	1.7	6.4	5.9
Leveraging	Operating leverage	4.1	1.8	4.2	3.6	3.4
	Financial leverage	1.1	1.0	1.2	1.1	1.2

Explanations on changes in various financial ratios in the most recent two years:
1. The reductions in current ratio and quick ratio are attributable to the decrease in current assets, resulting from capital expenditures, repayments of borrowings, and cash dividends, and the increase in current installments of long-term borrowings.
2. The reductions in interest coverage ratio and various ratios of profitability are attributable to the decrease in profit.
3. The reduction in various ratios related to cash flow is attributable to the decrease in net cash from operating activities resulting from the decline of profit. .
4. The increase in operating leverage is attributable to the decrease in profit from operations.

Note: The accompanying financial data has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2019 financial data has not been attested or reviewed by CPAs.

Below are calculations:

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) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
   (2) Average collection days for 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 flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).

6. Leveraging
(1) Operating leverage = (Net operating revenue - variable operating cost and expenses) / Operation profit.
(2) Financial leverage = Operating profit / (Operating profit - interest expenses).

III. The Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earnings Distribution Proposal for the year of 2018. Wei, Shing-Hai and Lu, Chien-Hui, Certified Public Accountants of KPMG, have audited the Financial Statements. The 2018 Business Report, Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of AU Optronics Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

AU Optronics Corp.
Chair of the Audit Committee

Vivien Huey-Juan Hsieh

March 22, 2019

IV. Consolidated Financial Statements and Independent Auditors' Report of the most recent year: please refer to Appendix 1 (Pages 108-228).

V. Parent Company only Financial Statements and Independent Auditors' Report for the most recent year: Please refer to Appendix 2 (Pages 229-336).

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

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

I. Financial position analysis:

Unit: NT$ 1,000

Item \ Year	2018.12.31	2017.12.31	Difference	
			Increase (decrease) amount	%
Current assets	149,067,627	180,175,541	(31,107,914)	(17.3)
Long-term investment	13,265,790	9,945,421	3,320,369	33.4
Property, plant and equipment	221,586,475	224,933,089	(3,346,614)	(1.5)
Investment property	730,306	717,823	12,483	1.7
Intangible assets	13,377,263	13,170,892	206,371	1.6
Deferred tax assets	6,632,668	7,069,014	(436,346)	(6.2)
Other assets	5,171,646	5,439,504	(267,858)	(4.9)
Total assets	409,831,775	441,451,284	(31,619,509)	(7.2)
Current liabilities	128,937,971	107,236,609	21,701,362	20.2
Non-current liabilities	63,615,116	108,969,560	(45,354,444)	(41.6)
Total liabilities	192,553,087	216,206,169	(23,653,082)	(10.9)
Common stock	96,242,451	96,242,451	-	-
Capital surplus	60,622,043	60,540,326	81,717	0.1
Retained earnings	46,845,991	51,115,529	(4,269,538)	(8.4)
Other components of equity	(847,770)	256,062	(1,103,832)	(431.1)
Equity attributable to shareholders of AU Optronics Corp.	202,862,715	208,154,368	(5,291,653)	(2.5)
Non-controlling interests	14,415,973	17,090,747	(2,674,774)	(15.7)
Total equity	217,278,688	225,245,115	(7,966,427)	(3.5)

Analysis of items that have major changes:

1. The decrease in current assets is attributable to the acquisition of property, plant and equipment (PPE), repayment of long-term loans and distribution of cash dividends in 2018, leading to cash outflow.
2. The increase in long-term investment is attributable to the acquisition of financial assets measured at fair value through other comprehensive income in 2018.
3. The increase in current liabilities is attributable to the reclassification of long-term liabilities as current installments of long-term debt (maturing in less than 1 year).
4. The reduction of non-current liabilities is attributable to the reclassification of long-term borrowings as current installments of long-term borrowings (maturing in less than 1 year) and repayment of long-term borrowings.
5. The decrease in other components of equity is attributable to exchange losses arising from exchange rate fluctuations in 2018, leading to foreign currency translation differences from foreign operations, and changes in fair value for financial assets measured at fair value through other comprehensive income in 2018.

II. Financial performance

(I) Financial performance analysis

Unit: NT$ 1,000

Item \ Year	2018	2017	Change in proportion	
			Increase (decrease) amount	%
Revenue	309,798,066	343,461,163	(33,663,097)	(9.8)
Less: sales return and discount	2,163,677	2,432,896	(269,219)	(11.1)
Net revenue	307,634,389	341,028,267	(33,393,878)	(9.8)
Cost of sales	279,494,885	279,986,522	(491,637)	(0.2)
Gross profit	28,139,504	61,041,745	(32,902,241)	(53.9)
Operating expenses	21,471,639	21,902,621	(430,982)	(2.0)
Profit from operations	6,667,865	39,139,124	(32,471,259)	(83.0)
Non-operating income and expenses	4,548,286	224,482	4,323,804	1,926.1
Profit before income tax for the year	11,216,151	39,363,606	(28,147,455)	(71.5)
Less: income tax expense	3,256,256	9,105,118	(5,848,862)	(64.2)
Profit for the year	7,959,895	30,258,488	(22,298,593)	(73.7)

Analysis of items that have major changes:

1. Decrease in profit from operations from the previous year is attributable to market influences from supply/demand of the TFT-LCD industry, leading the average price of TFT-LCD to decline in 2018 compared with the previous year.
2. Increases in non-operating income and expenses are attributable to the subsidiary's receipt of subsidies from local governments and gain on disposal of property, plant and equipment.

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

Item \ Year	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
Large-sized panels shipments (million units) (Note1)	28.6	28.0	29.8	28.5	114.8
Small-medium-sized panels shipments (million units)	46.6	45.3	42.6	32.1	166.6
Consolidated shipments (million units)	75.2	73.3	72.4	60.6	281.4
Operating margin (%)	4.0	2.8	3.8	(1.9)	2.2
EBITDA (Note 2) margin (%)	15.3	13.5	14.6	9.7	13.3
Inventory turnover (days)	34	34	34	33	33
Net debt to equity (%)	4.8	5.6	11.9	8.1	8.1

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

Change in consolidated cash flow in 2018:

Unit: NT$1,000

Cash balance at the beginning of the period	Net cash flow from operating activities	Net cash flow due to investing activities	Net cash flow due to financing activities	Cash balance at the end of the period (including effect of exchange rate)
105,020,616	40,200,694	(34,497,826)	(41,846,660)	69,163,296

(I) Analysis of changes in consolidated cash flow in 2018

Operating activities: Mainly due to continuous cash flow generated from operation profitability in 2018.
Investing activities: Mainly used in capital expenditures.
Financing activities: for the purpose of repaying existing debts.

(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 major capital expenditures in 2018 were the construction of the 6th generation LTPS plant in Kunshan, China, the expansion of the production line of the G8.5 fab in Houli, Taichung, and the upgrading of equipment assets to meet market demand and optimize the Company's product mix and technical specifications. Based on the consolidated financial statements, the amount of paid-in fixed assets purchased in 2018 was NT$ 34.8 billion, accounting for approximately 11% of net sales, which had no significant impact on the Company's financial 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 2018 Consolidated Financial Statements were NT$311,714 thousand, which was attributable to the continued stable growth in the operating conditions of the major invested companies. The Company will continue to focus on related strategic investment in the industry. The Company will take appropriate measures to dispose the investment positions in addition to continuing to evaluate the investment plan carefully.

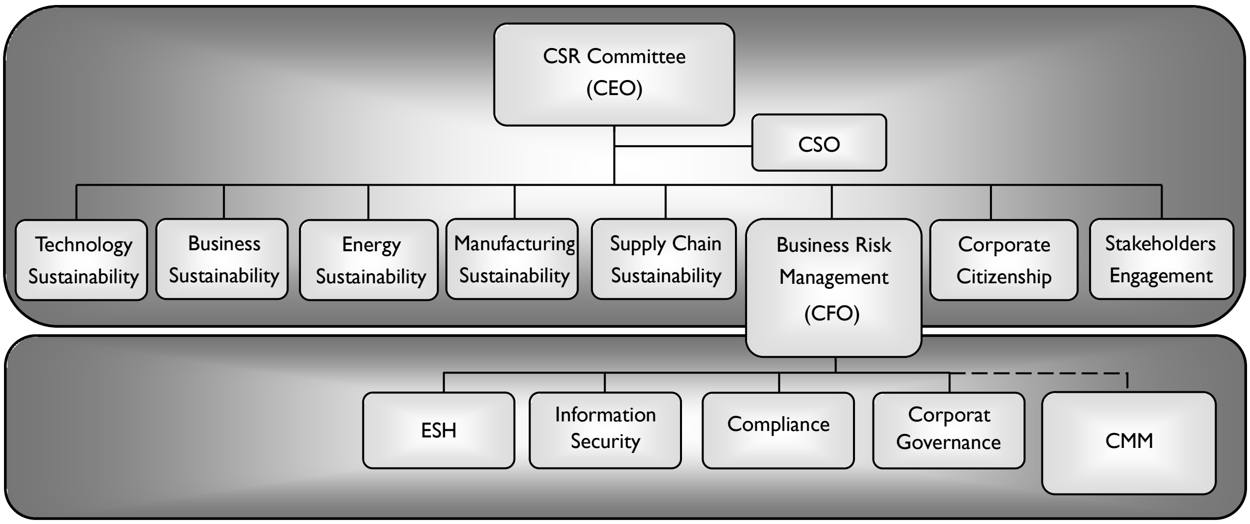
VI. Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

(I) The organizational structure of risk management

AUO's Corporate Sustainability Responsibility Committee (CSR Committee) is headed by the Chairman and CEO. The Risk Management Subcommittee, directly answerable to the CSR Committee, is headed by the CFO, and in charge of managing and carrying out the Company's operating risk identification in each year. Risks are identified based on multiple aspects including strategies, finance, operations and hazards, and evaluated based on the frequency of occurrence and level of impact. Factors of internal control are also taken into consideration to confirm the Company's fragility against each risk in order to propose mitigation, transfer, or preventive strategies against the risks and draw up plans of continuous operation. This helps to uphold the protection of shareholders' rights and to reinforce the functionalities of the Board of Directors.

The Risk Management Subcommittee identifies risks on an annual basis and focuses and proposes risk control plans during the Corporate Management Meeting (CMM). The subcommittee is also in charge of supervising and carrying out relevant tasks. Each team supervised by the Risk Management Subcommittee will report the progress of executions during monthly meetings, and the Chair of the Risk Management subcommittee will subsequently report the progress during CSR Committee meetings in each 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 rates fluctuation

The exposure to changes in interest rate of the Company and its subsidiaries is mainly from floating-rate long-term debt obligations from operating and investment activities. Any change in interest rates will cause the cash flows of interest expense that will be paid in the future to fluctuate over time. The consolidated interest expense for 2018 was NT$2,663,605 thousand. For the floating-rate long-term borrowings of the Company and its subsidiaries in 2018, if an increase in the interest rate by 0.25% would have resulted in a decrease in the net profit before tax by approximately NT$216,955 thousand.

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

◆ Foreign exchange rates fluctuation

The exposure to foreign currency risk of the Company and its subsidiaries arises from cash and cash equivalents, accounts 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, the gain (loss) on valuation of derivatives from foreign currency forward contracts measured at fair value through profit or loss and the foreign currency exchange gain (loss) totaled as a net gain of NT$143,825 thousand in 2018. In the future, hedging transactions will continue to be conducted to reduce foreign currency risks. If NTD appreciates by 1% against the USD, the consolidated gross margin may decrease by approximately 0.5% based on the cost structure of the Company and its subsidiaries in 2018.

◆ Inflation or deflation

According to the estimates of the Directorate General of Budget, Accounting and Statistics, the domestic economic growth rate was 2.63%, and the annual growth rate of the average consumer price index (CPI) was 1.35% in 2018. The increase in prices is still moderate, and there should be no significant impact on the consolidated operating results of the Company and its subsidiaries in 2018. Based on the combined amount of raw material purchased in NTD by the Company and its subsidiaries in 2018, if the inflation rate has increased by 1% (i.e. the consumer price index increases by 1%), the Company's combined purchases will increase by approximately NT$230 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 subsidiarie.

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, the gain (loss) on valuation of derivatives from foreign currency forward contracts measured at fair value through profit or loss and the foreign currency exchange gain (loss) totaled as a net gain of NT$143,825 thousand in 2018, indicating that the hedging performance should be considered as appropriate. 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 deposits, and the net gain on valuation of the derivative from structured deposits measured at fair value was NT$38,963 thousand in 2018.

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

Please see "V. Operational Highlights" of this Annual Report which provides information on the "Technology and R&D Overview" (pages 68-71).

(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 of laws in 2018 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 has acquired 100% ownership of ComQi Ltd., a content management service company, in March 2018.

1. Expected benefits: providing integrated software and hardware integration application service for the upstream and downstream of public information displays.

2. Possible risks: operating performance may not be as expected due to impacts from the overall economic environment.
3. Countermeasures: regularly inspect its operating status to undertake timely review and supervision.

(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 and notebook panels 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) The Company does not have any customer that has accounted for more than 10% of the total net sales in the last two years other than the Samsung Group.

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 adminstative 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 judgements 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:

Investigation for Alleged Violation of Antitrust and Competition Laws

We and certain of our subsidiaries, along with various competitors in the TFT-LCD industry, were under investigation for alleged violation of antitrust and competition laws of certain jurisdictions in the past. Since December 2006, we and certain of our overseas subsidiaries had become involved in antitrust investigations, including but not limited to by the U.S. DOJ, the European Commission Directorate-General for Competition (the "DG COMP"), and the Secretariat of Economic Law of Brazil concerning the allegations of price fixing by manufacturers of TFT-LCD panels. Set forth below is a non-exclusive list of the material antitrust proceedings against us.

United States

In June 2010, we, AUUS and certain of our current and former officers and employees were indicted in the Northern California Court for alleged violations of Section 1 of the Sherman Act. In March 2012, the jury delivered a guilty verdict against us and AUUS. On September 21, 2012, the Northern California Court imposed a fine of US$500 million against us to be payable over three years and sentenced two of our former executives to imprisonment and imposed a fine on them. The US$500 million fine was fully paid by us in September 2015. The Northern California Court also placed us and AUUS on probation for three years, ordered us and AUUS to publish the conviction and fine in three major trade publications in the U.S., as well as assigned a monitor and required us to adopt an effective antitrust compliance program. The probationary period and monitorship ended in December 2016.

Antitrust Civil Actions Lawsuits in the United States and other Jurisdictions

There were also over 100 civil lawsuits filed against us and/or AUUS in the United States and Canada alleging, among other things, antitrust violations. We and AUUS have reached settlement agreements with the relevant plaintiffs. In addition to the above cases in the United States and Canada, a lawsuit was filed by certain consumers in Israel against certain LCD manufacturers, including 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 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 Septmeber 2018, we received a complaint filed 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 on-going 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 43 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

On February 22, 2017, one of AUO's subsidiaries in the PRC, AU Optronics (Suzhou) Corp., Ltd. ("AUSZ") received an administrative complaint filed by Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") alleging that AUSZ infringes two PRC patents, and the complaint requests that AUSZ cease the alleged infringing act. Based on the Company's preliminary assessment, AUO believes that its subsidiary does not infringe the two PRC patents as alleged, and further that the two PRC patents appear to be invalid. In response to such administrative complaint, AUSZ has filed a request to invalidate the two PRC patents accordingly. In April 2017, CSOT filed civil lawsuits in the Intermediate People's Court of Shenzhen Municipality against the subsidiary claiming infringement of the same two PRC patents. In June 2017, CSOT filed civil lawsuits in the No. 1 Intermediate People's Court of Chongqing Municipality against the subsidiary claiming infringement of three PRC patents (including one of the above mentioned PRC patents). CSOT requested that AUSZ cease the alleged infringing act and claimed approximately RMB49.91 million for economic loss for each of the said respective four PRC patents and compensation for reasonable fees and litigation expenses such as notarization fees and attorney fees incurred by CSOT. On September 24, 2017, the relevant parties reached a settlement agreement and agreed to withdraw relevant legal proceedings.

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. We have retained counsel to handle this matter. At this stage, the outcome of this matter remains uncertain. We are reviewing the merits of the lawsuits on an on-going basis, but we are unable to predict the actions of the United States District Court for the Eastern District of Texas or the actions that competent regulatory agencies may take in connection with this proceeding.

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 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 administrative appeal to the Appeals Review Committee of the Executive Yuan requesting a withdrawal of the approval. 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 explanation of litigations involving Company's subsidiary, please refer to Appendix I: Consolidated financial report and CPA audit report for the most recent year. (Pages 108-228) 。

(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 the internal information security management mechanisms, regularly advocating for information security and organizing activities for employee information security educational training in recent years, the Company has also begun to introduce the ISO 27001 Information Security Management System in 2016 to better comply with the trend for international information security management and to respond to information security requests from our clients. The ISO27001 certification has been achieved in June 2017. By introducing the ISO 27001 Information Security 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, online 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, email filtering, Internet access protection, operating system updates, installing anti-virus software, and 24/7 managed security service, the Company also evaluates risks related to information security each quarter through 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.
   Taking the fact that information security insurance is still an emerging type of insurance and such insurance is aligned with information security-level inspection institutions, claims identification institutions and clauses for which settlements or claims will not be made, the Company will continue to assess suitable information security insurance.
4. Routine employee information security training:
   On top of basic information security training during new employee training, the Company also regularly organizes email and social networking engineering drills for the purpose of employees' educational training related to information security knowledge, such as receiving and sending emails, to reduce the risks of employees accidentally clicking on malicious emails. A total of 9,663 employees have participated in an online training course and passed the subsequent examination in 2018. Besides general information security training sessions, the officers from each division are to receive information security management systems training, which are held with the assistance of external professional trainers, to upgrade the information security management capacity of each division. 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. The Company did not experience any material cyber attack incident that has impacted Company operations in 2018.

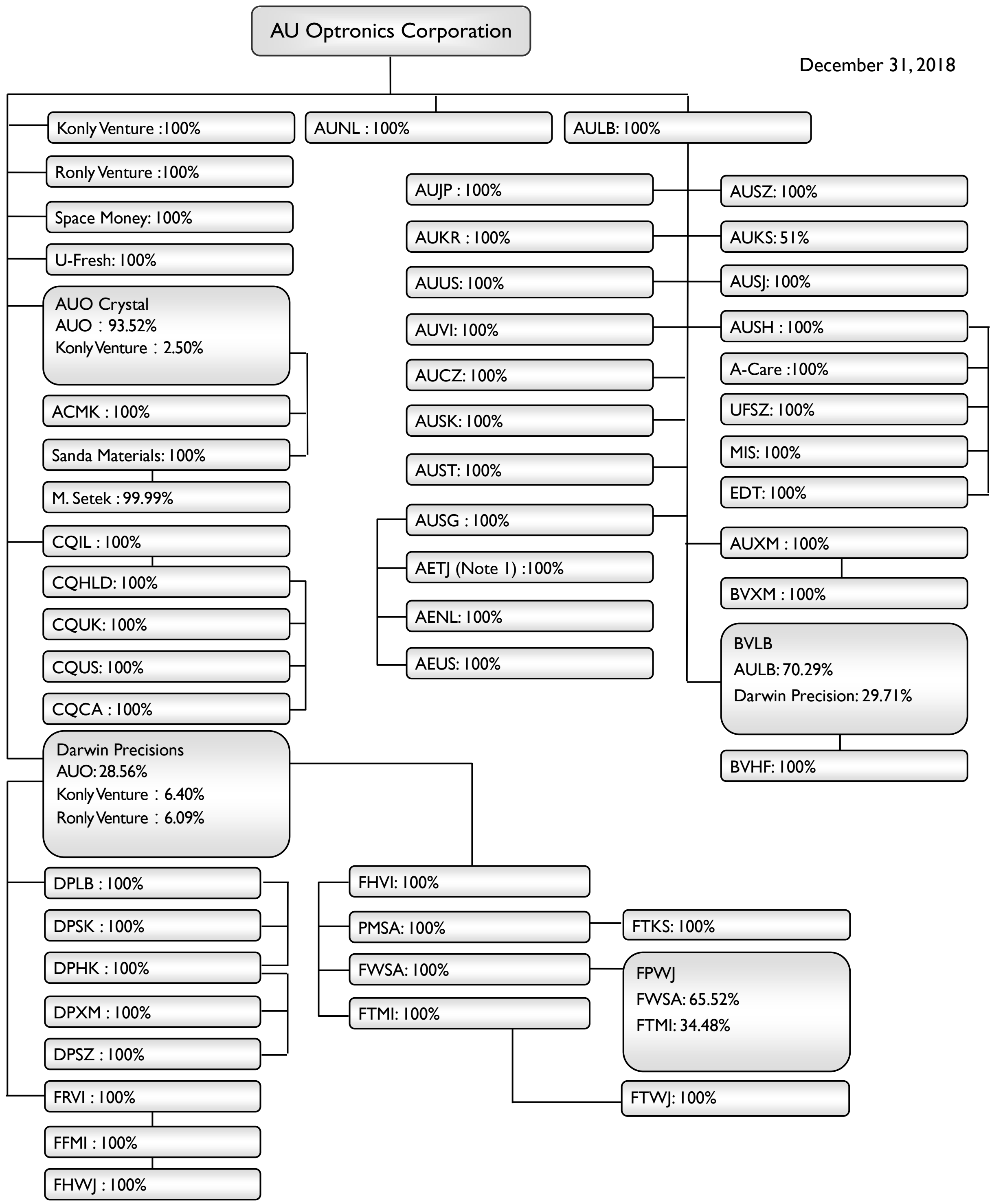
(XV) Other material risks: None.

VII. Other material matters: None.

Chapter 8 Special Notes

I. Information about affiliates

(I) Organization chart of affiliates



Note 1: Liquidation of AETJ has been approved by the Board of Directors in May 2018 and the liquidation procedures are still in progress

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, 2018; NT$ 1000

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
a.u. Vista Inc. (AUVI)	2014.12.18	1525 McCarthy Blvd. Suite 218 Milpitas, CA 95035, 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 773,784	Manufacturing TFT-LCD panels based on low temperature polysilicon technology
AU Optronics (Czech) s.r.o. (AUCZ)	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 40,000	Repairing of TFT-LCD modules
AU Optronics Corporation America (AUUS)	2000.09.11	1525 McCarthy Blvd. Suite 218 Milpitas, CA 95035, 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 support of TFT-LCD panels
AU Optronics Korea Ltd. (AUKR)	2004.07.20	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	SDG 102,028	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 sale of solar wafers
AUO Green Energy America Corp. (AEUS)	2010.07.06	1525 McCarthy Blvd. Suite 218 Milpitas, CA 95035 USA	USD 3,510	Sales support of solar-related products
AUO Green Energy B.V.Europe (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	1425 Norjohn Court, Unit 7, Burlington, ON L7L 0E6	CAD -	Research and development of content management system
ComQi Holding Ltd. (CQHLD)	2007.02.27	Bentinck House, 3-8 Bolsover St. Greater London, UK W1W 6AB	GBP 7,220	Holding company
ComQi Inc. (CQUS)	2007.03.05	134W 26th St. Suite 900 New York, NY USA 10001	USD 1	Sales of content management system and hardware
ComQi Ltd. (CQIL)	2010.02.15	14 Yad Harutzim St. Tel Aviv, Israel 67778	USD 33,574	Holding company
ComQi UK Inc. (CQUK)	2007.01.23	Bentinck House, 3-8 Bolsover St. Greater London, UK W1W 6AB	GBP -	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
DarwinPrecisions (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, assembly and sale of automotive parts
Force International Holding Ltd. (FRVI)	2005.10.04	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, VIRGIN ISLANDS, BRITISH	USD 8,200	Holding company
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

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
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
M.Setek Co., Ltd. (M.Setek)	1978.02.03	Sanwa Build 5F, 3-24-21 Shiba, Minato-ku Tokyo 105-0014, Japan	JPY 18,000	Manufacturing and sale of ingots
Prime Forward International Ltd. (PMSA)	2002.01.25	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 31,993	Holding company
AU Optronics (Suzhou) Corp., Ltd (AUSZ)	2001.06.19	No. 398, Suhongzhong Road, Suzhou Industrial Park, China	USD 278,000	Manufacturing and assembly of TFT-LCD modules
AUO Care Management (Suzhou) Co., Ltd. (A-Care)	2017.09.22	No. 398, Suhongzhong Road, Suzhou Industrial Park, China	CNY 5,000	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, China	CNY 4,000	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, China	CNY 2,000	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, China	CNY 3,000	Development and licensing of software relating to intelligent manufacturing, and related consulting services
Darwin Precisions (Suzhou) Corporation (DPSZ)	2005.12.08	No. 11, Tingxin Street, Suzhou Industrial Park, China	USD 25,000	Manufacturing and sale of backlight modules and related parts
AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	2001.12.20	No. 3, Alley 38, Sanzhuang Rd., Songjiang Export Processing Zone, Shanghai, China	USD 108,000	Manufacturing and assembly of TFT-LCD modules
AU Optronics (Shanghai) Co., Ltd. (AUSH)	2005.09.22	5th Floor, Building B, No. 33, Guangshun Road, Shanghai, China	USD 3,000	Sales support of TFT-LCD panels
AU Optronics (Kunshan) Co., Ltd. (AUKS)	2009.08.21	No. 6, Longteng Road, Kunshan Economic and Technological Development Zones, Jiangsu Province, China	USD 961,000	Manufacturing and sale of TFT-LCD panels
Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	2004.01.02	No. 6, Longteng Road, Kunshan Economic and Technological Development Zones, Jiangsu Province, China	USD 36,000	Manufacturing and sale of backlight modules and related parts
BriView (Hefei) Co., Ltd. (BVHF)	2010.04.09	No. 176, Yuner Road, National Hefei Economic and Technological Development Zone, Hefei, Anhui Province, China	USD 73,450	Manufacturing and sale of liquid crystal products and related parts
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	2002.08.30	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, China	USD 35,000	Manufacturing and sale of backlight modules and related parts
Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	2001.10.09	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, China	USD 6,500	Manufacturing of motorized treadmills
Suzhou Forplax Optronics Co., Ltd. (FPWJ)	2005.02.28	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou, China	USD 29,000	Manufacturing and sale of precision plastic parts
AUO Energy (Tianjin) Corp. (AETJ) (Note 1)	2010.04.09	No. 189, Gaoxin Second Road, Tianjin Binhai Hi-tech Industrial Development Area, Tianjin, China	USD 17,000	Manufacturing and sale of solar modules
AU Optronics (Xiamen) Corp. (AUXM)	2005.12.13	No. 1689, Xiangan North Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiang'an District, Xiamen City, China	USD 250,000	Manufacturing and assembly of TFT-LCD modules
BriView (Xiamen) Corp. (BVXM)	2008.12.02	No. 1998, Fangshan West Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City, China	CNY 600,000	Manufacturing and sale of liquid crystal products and related parts
Darwin Precisions (Xiamen) Corporation (DPXM)	2006.03.31	No. 3089, Xiangan North Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City, Fujian Province, China	USD 70,000	Manufacturing and sale of backlight modules and related parts
Konly Venture Corp. (Konly Venture)	2002.07.29	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan	NTD 2,843,018	Venture capital investment
Ronly Venture Corp. (Ronly Venture)	2005.01.11	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan	NTD 1,494,119	Venture capital investment

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
Space Money Inc. (Space Money)	2015.10.05	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan	NTD 30,000	Sales of content management system and hardware; leasing
U-Fresh Technology Inc. (U-Fresh)	2017.01.23	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan	NTD 50,000	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, Taiwan	NTD 6,655,551	Manufacturing, design and sale 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 4,044,146	Manufacturing and sale of ingots and solar wafers

Note 1: Liquidation of AETJ has been approved by the Board of Directors in May 2018 and the liquidation procedures are still in progress.

(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 subsidiaries can achieve maximum synergies 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, 2018; Unit: in thousand shares; NT$ 1,000; %

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
AUVI	Director	TK Wu, Wei-Lung Liau, Hong-Jye Hong	- AULB holds 5,000 shares	- 100.00
AUST	Director	Kuo-Hsin (Michael) Tsai, Yi-Cheng Chen	- AULB holds 907,114 shares	- 100.00
AUCZ	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 40,000	- 100.00
AUUS	Director	Kuo-Hsin (Michael) Tsai, John Choe, Linh Ha	- AULB holds 1,000 shares	- 100.00
AUJP	Director	Kuo-Hsin (Michael) Tsai, Seki Shih	- AULB holds 1 share	- 100.00
AUNL	Director	Kuo-Hsin (Michael) Tsai	- The Company holds 50 shares	- 100.00
AUKR	Director	Kuo-Hsin (Michael) Tsai	- AULB's investment KRW 173,075	- 100.00
AUSG	Director	Shuang-Lang (Paul) Peng, Yvonne Yun	- AULB holds 266,268 shares	- 100.00
ACMK	Director	Shih-Hong Liao, Jerry HC Liu, Weng Li Wen	- AUO Crystal holds 46,196 shares	- 100.00
AEUS	Director	Shih-Hong Liao	- AUSG holds 9,510 shares	- 100.00
AENL	Director	Robin CC Wu	- AUSG holdings -	- 100.00
BVLB	Director	FC Hsiang, KP Chu	- 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 635,704 shares	- 100.00
CQUS	Director	Hank M. Liu, Andy Yang, TY Lin, Iftah Ifhar, Stuart Armstrong	- CQHLD holdings-	- 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, KP Chu	- Darwin Precisions holds 92,267 shares	- 100.00
DPSK	Director	FC Hsiang	- DPLB's investment EUR 4,000	- 100.00
FRVI	Director	FC Hsiang, KP Chu	- Darwin Precision's investment USD 8,200	- 100.00
FFMI	Director	FC Hsiang, KP Chu	- FRVI's investment USD 6,526	- 100.00
FHVI	Director	FC Hsiang, KP Chu	- Darwin Precision's investment USD 22,006	- 100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
FTMI	Director	FC Hsiang, KP Chu	-	-
			FHVI's investment USD 6,503	100.00
FWSA	Director	FC Hsiang, KP Chu	-	-
			FHVI's investment USD 19,000	100.00
M.Setek	Director	Sheaffer Lee, Jim Lee, Saito Hiroyuki	-	-
	Supervisor	Betty Chen	-	-
			Sanda Materials holds 11,404,184 shares	99.99
PMSA	Director	FC Hsiang, KP Chu	-	-
			FHVI's investment USD 31,993	100.00
AUSZ	Director	Shuang-Lang (Paul) Peng, Kuo-Hsin (Michael) Tsai, Wei-Lung Liau	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB's investment USD 278,000	100.00
A-Care	Director	Andy Yang	-	-
	Supervisor	Jack Juang	-	-
	President	Alex JJ Yeh	-	-
			AUSH's investment CNY 5,000	100.00
UFSZ	Director	SK Huang	-	-
	Supervisor	Jack Juang	-	-
	President	Matt Chien	-	-
			AUSH's investment CNY 4,000	100.00
EDT	Director	Andy Yang	-	-
	Supervisor	Jack Juang	-	-
	President	Linda Zhao	-	-
			AUSH's investment CNY 2,000	100.00
MIS	Director	Andy Yang	-	-
	Supervisor	Jack Juang	-	-
	President	Linda Zhao	-	-
			AUSH's investment CNY 3,000	100.00
DPSZ	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			DPHK's investment USD 25,000	100.00
AUSJ	Director	Shuang-Lang (Paul) Peng, Kuo-Hsin (Michael) Tsai, Wei-Lung Liau	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB's investment USD 108,000	100.00
AUSH	Director	Kuo-Hsin (Michael) Tsai	-	-
	Supervisor	Jack Juang	-	-
	President	Robert Kuo	-	-
			AULB 's investment USD 3,000	100.00
AUKS	Director	Shuang-Lang (Paul) Peng, TY Lin, YorkSon Chu, Caho Tang, Wei-Gang Miao	-	-
			-	-
	Supervisor	Jack Juang	-	-
	President	York Son Chu	AULB's investment USD 490,110	51.00
			Jiangsu Kunshan Development Zone Construction Group's investment USD470,890	49.00
FTKS	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			PMSA's investment USD 36,000	100.00
BVHF	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			BVLB 's investment USD 73,450	100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
FTWJ	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			FTMI 's investment USD 35,000	100.00
FHWJ	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			FFMI 's investment USD 6,500	100.00
FPWJ	Director	FC Hsiang, KP Chu, Chunyen Chuang	-	-
	Supervisor	Cathay Ching	-	-
	President	KP Chu	-	-
			FTMI 's investment USD 10,000	34.48
			FWSA 's investment USD 19,000	65.52
AETJ (Note 1)	Director	James CP Chen, Benjamin Tseng, Daniel Yu	-	-
	Supervisor	Jack Juang	-	-
	President	James CP Chen	-	-
			AUSG's investment USD 17,000	100.00
AUXM	Director	Shuang-Lang (Paul) Peng, Kuo-Hsin (Michael) Tsai, Wei-Lung Liau	-	-
	Supervisor	Jack Juang	-	-
	President	David Lee	-	-
			AULB's investment USD 250,000	100.00
BVXM	Director	Kuo-Hsin (Michael) Tsai, Ting-Li Lin, David Lee	-	-
	Supervisor	Jack Juang	-	-
	President	David Lee	-	-
			AUXM 's investment CNY 600,000	100.00
DPXM	Director	ChunYen Chuang, Limbo FJ, HT Lai	-	-
	Supervisor	Cathay Ching	-	-
	President	Limbo FJ	-	-
			DPHK's investment USD 70,000	100.00
Konly Venture	Director	Representatives of AU Optronics Corp.: Shuang-Lang (Paul) Peng, Kuen-Yao (K.Y.) Lee, Benjamin Tseng	-	-
	Supervisor	Representative of AU Optronics Corp.: Jack Juang	-	-
			The Company holds 284,302 shares	100.00
Ronly Venture	Director	Representatives of AU Optronics Corp.: Shuang-Lang (Paul) Peng, Kuen-Yao (K.Y.) Lee, Benjamin Tseng	-	-
	Supervisor	Representative of AU Optronics Corp.: Jack Juang	-	-
			The Company holds 149,412 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.: SK Huang	-	-
			The Company holds 5,000 shares	100.00
Sanda Materials	Director	Representative of AUO Crystal Corp.: Jerry HC Liu	-	-
			AUO Crystal holds 116,836 shares	100.00
Darwin Precisions	Director	Representatives of AU Optronics Corp.: FC Hsiang, KP Chu, Shuang-Lang (Paul) Peng	-	-
		HB Chen	Holding 563 shares	0.08
		Independent Directors:Austin Chen, YP Chung, Vivien Huey-Juan Hsieh	-	-
			The Company holds 190,108 shares	28.56
AUO Crystal	Director	Representatives of AU Optronics Corp.: Shih-Hong Liao, Kuo-Hsin (Michael) Tsai, Benjamin Tseng	-	-
	Supervisor	Andy Yang	Holding 118 shares	0.03
			The Company holds 378,193 shares	93.52

Note1: Liquidation of AETJ has been approved by the Board of Directors in May 2018 and the liquidation procedures are still in progress

(VI) Overview of affiliates' operations:

December 31, 2018; 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	5,706	87	5,619	1,937	193	169	0.03
AUST	USD	503,867	244,502	37,316	207,186	211,476	6,142	3,929	0.00
AUCZ	CZK	365,000	351,336	29,757	321,578	294,485	15,145	10,519	-
AULB	USD	1,882,189	2,828,648	1,085,934	1,742,714	5,056,586	8	32,185	0.02
AUSK	EUR	40,000	96,860	37,647	59,213	5,387	(5,132)	26,090	-
AUUS	USD	1,000	2,588	686	1,902	5,102	192	83	0.08
AUJP	JPY	40,000	223,891	31,814	192,077	297,769	11,453	8,610	10,762.50
AUNL	EUR	50	840	117	723	1,639	63	50	1.00
AUKR	KRW	173,075	1,949,539	871,250	1,078,289	1,873,300	79,179	100,347	-
AUSG	USD	67,787	64,512	205	64,307	1,200	48	258	0.00
ACMK	USD	15,000	26,629	10,164	16,465	52,830	1,395	1,462	0.03
AEUS	USD	3,510	816	1	815	0	(31)	(21)	0.00
AENL	EUR	43	205	39	166	681	26	18	41.86
BVLB	USD	121,171	31,904	-	31,904	0	(2)	4,671	0.04
CQCA	USD	-	255	834	(579)	2,709	611	584	5,837.20
CQHLD	USD	13,426	245	11,980	(11,735)	148	(1,947)	(1,201)	-
CQUS	USD	1	1,838	10,222	(8,384)	7,693	(303)	(260)	(259.92)
CQIL	USD	33,574	12,680	11,427	1,253	-	(77)	(1,170)	-
CQUK	USD	-	400	2,780	(2,380)	716	360	427	427,068.91
DPHK	USD	58,786	209,333	0	209,333	0	0	312	31.20
DPLB	USD	92,267	212,602	0	212,602	0	0	199	0.00
DPSK	EUR	4,000	4,414	1,555	2,860	5,809	(352)	(96)	-
FRVI	USD	8,200	1,259	0	1,259	0	0	143	0.02
FFMI	USD	6,526	1,259	0	1,259	0	0	143	0.22
FHVI	USD	22,006	137,909	3,913	133,996	0	0	16,223	0.74
FTMI	USD	6,503	79,772	0	79,772	0	0	479	0.07
FWSA	USD	19,000	14,440	0	14,440	0	0	(573)	(0.03)
M.Setek	JPY	18,000	8,799,948	1,863,388	6,936,560	11,992,797	471,211	879,300	0.08
PMSA	USD	31,993	43,696	0	43,696	0	0	19,590	0.61
AUSZ	CNY	2,208,359	3,739,057	826,333	2,912,723	1,848,666	238,150	335,084	-
A-Care	CNY	5,000	5,051	1,689	3,362	1,264	(1,740)	(1,635)	-
UFSZ	CNY	4,000	4,752	686	4,066	3,479	32	66	-
EDT	CNY	2,000	2,001	1	2,000	0	(2)	0	-
MIS	CNY	3,000	3,052	133	2,919	16	(83)	(81)	-
DPSZ	CNY	184,322	472,395	60,408	411,987	290,064	378	12,396	-
AUSJ	CNY	866,978	873,609	14,954	858,655	82,420	(39,012)	(28,859)	-
AUSH	CNY	21,787	112,517	7,511	105,006	30,515	1,527	255	-
AUKS	CNY	5,948,236	12,422,279	9,120,631	3,301,648	2,683,502	(1,112,830)	(1,058,188)	-
FTKS	CNY	281,567	302,220	1,874	300,345	5,631	(3,953)	129,662	-
BVHF	CNY	472,327	630,626	411,787	218,839	653,404	(20,116)	30,932	-
FTWJ	CNY	279,158	1,064,835	565,115	499,720	1,010,359	(26,488)	(17,556)	-
FHWJ	CNY	53,779	29,081	20,431	8,649	0	(4,190)	947	-
FPWJ	CNY	223,933	148,050	216	147,833	0	(14,729)	(5,791)	-
AETJ (Note 2)	CNY	111,710	11,793	-	11,793	0	(610)	12	-
AUXM	CNY	1,804,476	3,443,958	513,779	2,930,179	1,234,061	92,078	189,893	-
BVXM	CNY	600,000	411,281	124,491	286,790	386,131	18,536	32,729	-
DPXM	CNY	505,962	1,885,778	858,925	1,026,853	2,034,804	(26,424)	(12,713)	-
Konly Venture	TWD	2,843,018	5,296,386	196	5,296,190	0	(5,991)	193,482	0.68
Ronly Venture	TWD	1,494,119	2,077,105	1,035	2,076,069	0	(593)	59,387	0.40
Space Money	TWD	30,000	36,411	7,139	29,272	21,359	(791)	(659)	(0.22)
U-Fresh	TWD	50,000	104,130	53,241	50,888	223,617	(904)	1,683	0.34
Sanda Materials	TWD	1,168,361	2,017,770	58	2,017,711	0	(3,085)	237,563	2.03
Darwin Precisions	TWD	6,655,551	27,280,034	15,485,184	11,794,849	21,209,565	(167,939)	321,898	0.48
AUO Crystal	TWD	4,044,146	9,263,138	3,910,296	5,352,842	6,147,635	(512,232)	(638,203)	(1.58)

Note 1: Calculated based on the number of shares outstanding for each company on December 31, 2018.

Note 2: Liquidation of AETJ has been approved by the Board of Directors and the liquidation procedures are still in progress

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, 2018 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. 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

January 28, 2019

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	2018 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 15, 2018 Amount: It has been approved by the Annual Shareholders' Meeting held on June 15, 2018 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 fund raising 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 15, 2018, 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, 2018 and 2017

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, 2018 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. 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: January 28, 2019

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, 2018 and 2017, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Refer to Note 4(17) "Impairment – non-financial assets", Note 5(2) and Note 5(3) "Critical accounting judgments and key sources of estimation and assumption uncertainty", Note 6(13) "Property, plant and equipment", and Note 6(15) "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.

Recognition of deferred tax assets

Refer to Note 4(23) "Income taxes", Note 5(5) "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(31) "Income taxes" to the consolidated financial statements.

Description of key audit matter:

The recognition of deferred tax assets for the related unused tax losses, unused tax credits, and deductible temporary differences arising from operating entities located in other areas is based on management estimates of its future available taxable profits and the probability that the related deferred tax assets will be realized. 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 controls surrounding the Company's assessment process for recognition of deferred tax assets; understanding the Company's significant operating entities for which deferred tax assets are recognized and assessing the management estimates for assumptions used in the future cash flow projection and future taxable profits calculation; retrospectively reviewing the accuracy of assumptions used in prior-period estimates of future cash flow projection and assessing whether there are any other matters that will affect the recognition of deferred tax assets; and assessing the adequacy of the Company's disclosures regarding its deferred tax asset recognition policy and other related disclosures.

Revenue recognition

Refer to Note 4(19) "Revenue from contracts with customers (policy applicable from January 1, 2018)", Note 4(20) "Revenue recognition", Note 6(24) "Revenue from contracts with customers", and Note 6(25) "Revenue" 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, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

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

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)
January 28, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

		December 31,			
		2018		2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 69,163,296	17	105,020,616	24
1110	Financial assets at fair value through profit or loss－current (Note 6(2))	1,709,531	-	70,366	-
1170	Notes and accounts receivable, net (Note 6(6))	44,647,981	11	38,738,211	9
1180	Accounts receivable from related parties, net (Notes 6(6)&7)	2,754,253	1	1,853,062	-
1210	Other receivables from related parties (Note 7)	12,945	-	54,093	-
1220	Current tax assets	69,156	-	27,431	-
130X	Inventories (Note 6(7))	26,309,104	6	24,854,323	6
1476	Other current financial assets (Notes 6(6)&8)	1,459,763	-	518,329	-
1460	Noncurrent assets held for sale (Note 6(8))	-	-	2,407,980	1
1479	Other current assets (Notes 6(9)&(16))	2,941,598	1	6,631,130	1
		149,067,627	36	180,175,541	41
	Noncurrent assets:				
1517	Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3))	6,979,925	2	-	-
1523	Available-for-sale financial assets－noncurrent (Note 6(4))	-	-	4,170,319	1
1543	Financial assets carried at cost－noncurrent (Note 6(5))	-	-	177,815	-
1550	Investments in equity-accounted investees (Note 6(9))	6,285,865	2	5,597,287	1
1600	Property, plant and equipment (Notes 6(13),7&8)	221,586,475	54	224,933,089	51
1760	Investment property (Notes 6(14), (20)&8)	730,306	-	717,823	-
1780	Intangible assets (Note 6(15))	13,377,263	3	13,170,892	3
1840	Deferred tax assets (Note 6(31))	6,632,668	2	7,069,014	2
1900	Other noncurrent assets (Notes 6(9), (16)&8)	5,171,646	1	5,439,504	1
		260,764,148	64	261,275,743	59
	Total assets	**$ 409,831,775**	**100**	**441,451,284**	**100**

		December 31,			
		2018		2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(17))	$ 546,472	-	3,424,376	1
2120	Financial liabilities at fair value through profit or loss－current (Note 6(2))	22,115	-	106,597	-
2170	Notes and accounts payable	50,459,587	12	46,888,691	10
2180	Notes and accounts payable to related parties (Note 7)	8,161,186	2	7,664,731	2
2213	Equipment and construction payable (Note 7)	11,231,333	3	12,131,121	3
2220	Other payables to related parties (Note 7)	27,998	-	21,161	-
2230	Current tax liabilities	3,094,253	1	1,656,734	-
2250	Provisions－current (Note 6(19))	1,507,564	-	819,232	-
2399	Other current liabilities	24,291,532	6	26,368,732	6
2322	Current installments of long-term borrowings (Notes 6(18)&8)	29,595,931	7	8,155,234	2
		128,937,971	31	107,236,609	24
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current installments (Notes 6(18)&8)	56,709,387	14	102,452,776	24
2550	Provisions－noncurrent (Note 6(19))	1,030,485	-	1,066,731	-
2570	Deferred tax liabilities (Note 6(31))	3,845,593	1	3,519,642	1
2600	Other noncurrent liabilities (Note 6(21))	2,029,651	1	1,930,411	-
		63,615,116	16	108,969,560	25
	Total liabilities	192,553,087	47	216,206,169	49
	Equity: (Note 6(22))				
	Equity attributable to shareholders of AU Optronics Corp.:				
3100	Common stock	96,242,451	23	96,242,451	22
3200	Capital surplus	60,622,043	15	60,540,326	14
3300	Retained earnings	46,845,991	11	51,115,529	11
3400	Other components of equity	(847,770)	-	256,062	-
		202,862,715	49	208,154,368	47
	Non-controlling interests:				
36XX	Non-controlling interests	14,415,973	4	17,090,747	4
	Total equity	217,278,688	53	225,245,115	51
	Total Liabilities and Equity	**$ 409,831,775**	**100**	**441,451,284**	**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, 2018 and 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2018		2017	
		Amount	%	Amount	%
4110	**Revenue**	$ 309,798,066	101	343,461,163	101
4190	Less: sales return and discount	2,163,677	1	2,432,896	1
	Net revenue (Notes 6(24),(25)&7)	307,634,389	100	341,028,267	100
5000	**Cost of sales** (Notes 6(7),(20),(26),(27)&7)	279,494,885	91	279,986,522	82
	Gross profit	28,139,504	9	61,041,745	18
	Operating expenses: (Notes 6(10),(20),(23),(26),(27)&7)				
6100	Selling and distribution expenses	3,946,509	1	3,888,969	1
6200	General and administrative expenses	7,978,267	3	8,158,940	2
6300	Research and development expenses	9,546,863	3	9,854,712	3
	Total operating expenses	21,471,639	7	21,902,621	6
	Profit from operations	6,667,865	2	39,139,124	12
	Non-operating income and expenses:				
7010	Other income (Notes 6(28)&7)	5,412,125	2	3,829,897	1
7020	Other gains and losses (Notes 6(8),(10),(12),(13),(29)&7)	1,488,052	-	(976,560)	-
7050	Finance costs (Notes 6(13)&(30))	(2,663,605)	(1)	(2,867,861)	(1)
7060	Share of profit of equity-accounted investees (Note 6(9))	311,714	-	239,006	-
	Total non-operating income and expenses	4,548,286	1	224,482	-
7900	**Profit before income tax**	11,216,151	3	39,363,606	12
7950	**Less: income tax expense** (Note 6(31))	3,256,256	1	9,105,118	3
8200	**Profit for the year**	7,959,895	2	30,258,488	9
8300	**Other comprehensive income:** (Notes 6(9),(21),(22)&(31))				
8310	**Items that will never be reclassified to profit or loss**				
8311	Remeasurement of defined benefit obligations	(56,956)	-	(98,091)	-
8316	Unrealized loss on equity investments at fair value through other comprehensive income	(756,287)	-	-	-
8320	Equity-accounted investees – share of other comprehensive income	4,239	-	243	-
8349	Related tax	38,908	-	16,675	-
		(770,096)	-	(81,173)	-
8360	**Items that are or may be reclassified subsequently to profit or loss**				
8361	Foreign operations – foreign currency translation differences	(785,772)	-	(2,255,410)	(1)
8362	Net change in fair value of available-for-sale financial assets	-	-	1,146,422	-
8363	Effective portion of changes in fair value of cash flow hedges	-	-	(21,992)	-
8370	Equity-accounted investees – share of other comprehensive loss	(19,716)	-	(62,327)	-
8399	Related tax	191,809	-	314,297	-
		(613,679)	-	(879,010)	(1)
8300	**Other comprehensive income (loss), net of tax**	(1,383,775)	-	(960,183)	(1)
8500	**Total comprehensive income for the year**	$ 6,576,120	2	29,298,305	8
	Profit (loss) attributable to:				
8610	Shareholders of AU Optronics Corp.	$ 10,160,598	3	32,359,417	10
8620	Non-controlling interests	(2,200,703)	(1)	(2,100,929)	(1)
		$ 7,959,895	2	30,258,488	9
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of AU Optronics Corp.	$ 9,085,260	3	31,754,733	9
8720	Non-controlling interests	(2,509,140)	(1)	(2,456,428)	(1)
		$ 6,576,120	2	29,298,305	8
	Earnings per share (NT$, Note 6(32))				
9750	Basic earnings per share	$ 1.06		3.36	
9850	Diluted earnings per share	$ 1.04		3.24	

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, 2018 and 2017
(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	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	Unrealized Gains (Losses) on Cash Flow Hedges	Subtotal	Equity Attributable to Shareholders of AU Optronics Corp.	Non-controlling Interests	Total Equity
Balance at January 1, 2017	$ 96,242,451	59,979,723	2,657,792	21,585,361	24,243,153	536,819	-	224,299	18,254	779,372	181,244,699	18,390,483	199,635,182
Appropriation of earnings													
Legal reserve	-	-	781,894	(781,894)	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(5,389,577)	(5,389,577)	-	-	-	-	-	(5,389,577)	-	(5,389,577)
Profit (loss) for the year	-	-	-	32,359,417	32,359,417	-	-	-	-	-	32,359,417	(2,100,929)	30,258,488
Other comprehensive income (loss), net of tax	-	-	-	(81,374)	(81,374)	(1,657,788)	-	1,152,732	(18,254)	(523,310)	(604,684)	(355,499)	(960,183)
Total comprehensive income for the year	-	-	-	32,278,043	32,278,043	(1,657,788)	-	1,152,732	(18,254)	(523,310)	31,754,733	(2,456,428)	29,298,305
Adjustments to capital surplus and retained earnings for changes in investees' equity	-	42,407	-	(16,090)	(16,090)	-	-	-	-	-	26,317	(6,262)	20,055
Differences between consideration and carrying amount arising from disposal of interest in subsidiary	-	518,196	-	-	-	-	-	-	-	-	518,196	(518,196)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,681,150	1,681,150
Balance at December 31, 2017	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 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
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 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**

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Profit before income tax	$ 11,216,151	39,363,606
Adjustments for:		
- depreciation	33,686,561	35,801,230
- amortization	540,969	628,606
- gains on financial instruments at fair value through profit or loss	(406,507)	(795,098)
- interest expense	2,663,605	2,867,861
- interest income	(841,615)	(612,210)
- dividend income	(468,263)	(248,514)
- share of profit of equity-accounted investees	(311,714)	(239,006)
- gains on disposals of property, plant and equipment, net	(1,923,044)	(330,814)
- gains on disposals of investments and financial assets, net	-	(42,788)
- impairment losses on assets	399,363	1,046,668
- unrealized foreign currency exchange losses	545,856	776,962
- others	(132,537)	(126,760)
Changes in operating assets and liabilities:		
- notes and accounts receivable	(3,702,504)	4,643,577
- receivables from related parties	(826,893)	659,522
- inventories	(1,654,060)	2,607,580
- other current assets	3,260,786	1,572,360
- notes and accounts payable	2,776,504	(2,489,088)
- payables to related parties	503,293	(1,164,514)
- net defined benefit liability	(82,176)	(103,668)
- provisions	636,100	(911,810)
- other current liabilities	(3,679,040)	3,974,959
Cash generated from operations	42,200,835	86,878,661
Cash received from interest income	815,890	628,223
Cash received from dividends	670,234	421,550
Cash paid for interest	(2,481,821)	(2,551,944)
Cash paid for income taxes	(1,004,444)	(1,013,159)
Net cash provided by operating activities	40,200,694	84,363,331

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through profit or loss	(2,509,528)	-
Disposals of financial assets at fair value through profit or loss	924,567	-
Acquisitions of financial assets at fair value through other comprehensive income	(3,452,722)	-
Proceeds from disposals of financial assets at fair value through other comprehensive income	59,021	-
Acquisitions of financial assets carried at cost	-	(14,233)
Proceeds from return of capital by financial assets carried at cost	-	32,000
Acquisitions of available-for-sale financial assets	-	(187,201)
Acquisitions of equity-accounted investees	(684,756)	(397,000)
Proceeds from disposals of equity-accounted investees	-	56
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	276,393
Acquisitions of property, plant and equipment	(34,770,263)	(43,881,660)
Proceeds from disposals of property, plant and equipment	6,408,057	1,149,649
Increase in refundable deposits	(169,666)	(404,233)
Increase in intangible assets	-	(196,781)
Increase in other financial assets	(4,635)	(44,469)
Net cash used in investing activities	(34,497,826)	(43,667,479)
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,526,082	10,548,495
Repayments of short-term borrowings	(5,343,976)	(7,644,568)
Proceeds from long-term borrowings	4,271,566	34,872,615
Repayments of long-term borrowings	(28,736,527)	(47,443,813)
Guarantee deposits refunded	(13,402)	(34,654)
Cash dividends	(14,436,368)	(5,389,577)
Net change of non-controlling interests and others	(114,035)	1,681,150
Net cash used in financing activities	(41,846,660)	(13,410,352)
Effect of exchange rate change on cash and cash equivalents	286,472	(2,456,132)
Net increase (decrease) in cash and cash equivalents	(35,857,320)	24,829,368
Cash and cash equivalents at January 1	105,020,616	80,191,248
Cash and cash equivalents at December 31	$ 69,163,296	105,020,616

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
(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 since May 2002.

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 January 28, 2019.

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

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

In preparing the accompanying consolidated financial statements, the Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC with effective date from January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 2, *Share-based Payments - Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4, *Insurance Contracts - Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts*	January 1, 2018
IFRS 9, *Financial Instruments*	January 1, 2018
IFRS 15, *Revenue from Contracts with Customers*	January 1, 2018
Amendments to IAS 7, *Statement of Cash Flows - Disclosure Initiative*	January 1, 2017
Amendments to IAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IAS 40, *Transfers of Investment Property*	January 1, 2018
Annual Improvements to IFRSs 2014 – 2016 Cycle:	
Amendments to IFRS 12, *Disclosure of Interests in Other Entities*	January 1, 2017
Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* and amendments to IAS 28, *Investments in Associates and Joint Ventures*	January 1, 2018
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

(Continued)

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

a. IFRS 9, *Financial Instruments*

IFRS 9 replaces the current standards on accounting for financial instruments, IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 contains three principal classification categories for financial assets: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Under IFRS 9, the classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. This Standard eliminates the classification of financial assets under IAS 39 which are held to maturity, loans and receivables and available for sale. In addition, IAS 39 has an exception for the measurement of investments in equity instruments (and its derivatives) that do not have a quoted market price in an active market and for which fair value cannot therefore be measured reliably; such financial instruments are measured at cost. IFRS 9 removes this exception and requires that all equity instruments (and its derivatives) should be measured at fair value.

See note 4(7) for an explanation of the Company's accounting policies on how it classifies and measures financial assets and accounts for related gains and losses under IFRS 9. In addition, the adoption of IFRS 9 has not had a material impact on the Company's accounting policies related to financial liabilities.

Under IFRS 9, a new "expected credit loss" model is used to measure the impairment of financial assets, which replaces the "incurred loss" model in IAS 39. The new impairment model applies to financial assets at amortized cost and contract assets that result from transactions that are within the scope of IFRS 15, but not to investments in equity instruments.

See note 4(7) for an explanation of the Company's accounting policies related to the impairment of financial assets under IFRS 9.

Upon the initial application of IFRS 9, the Company elected not to restate comparative information for prior reporting period with respect to the classification and measurement (including impairment) changes. The cumulative effect of initially applying this Standard was recognized in retained earnings and the components of other equity as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following tables set out measurement categories, carrying amounts and related reconciliation for each class of the Company's financial assets as at January 1, 2018 when retrospectively applying IFRS 9 (no change in measurement categories and carrying amounts for financial liabilities).

	IAS 39		IFRS 9		
	Measurement category	**Carrying amount** (in thousands)	**Measurement category**	**Carrying amount** (in thousands)	**Note**
Financial assets					
Cash and cash equivalents	Loans and receivables	$ 105,020,616	Amortized cost	$ 105,020,616	
Derivatives	Held for trading	70,366	Mandatorily at FVTPL	70,366	
Investments in equity instruments	Available-for-sale	4,348,134	FVTOCI	4,348,134	(i)
Receivables, net (including related parties)	Loans and receivables	40,645,366	Amortized cost	40,645,366	
Other financial assets, refundable deposits and restricted cash in banks	Loans and receivables	1,107,757	Amortized cost	1,107,757	
Long-term receivables	Loans and receivables	1,790,400	Amortized cost	1,790,400	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Carrying amount as of December 31, 2017 under IAS 39	Reclassification	Remeasurement	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018	Note
	(in thousands)						
Financial assets at FVTOCI	$ -	-	-	-	-	-	
Equity instruments							
- Reclassification from available-for-sale financial assets (including financial assets carried at cost)	-	4,348,134	-	4,348,134	73,020	(73,020)	(i)
	$ -	4,348,134	-	4,348,134	73,020	(73,020)	

	Carrying amount as of December 31, 2017 under IAS 39	Adjustments on initial application of new standards	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018	Note
	(in thousands)					
Investments in equity-accounted investees	$ 5,597,287	(195)	5,597,092	-	(195)	(ii)

(i) The equity investments that previously classified as available-for-sale financial assets (including financial assets measured at cost) under IAS 39 were classified as at FVTPL or designated as at FVTOCI under IFRS 9 considering the Company's strategy for holding these equity investments. The related other equity—unrealized gains (losses) on available-for-sale financial assets of $1,404,832 thousand was reclassified to other equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income. Additionally, since no impairment assessment is required for the aforementioned equity investments which are designated as at FVTOCI under IFRS 9, the impairment losses recognized and carried in retained earnings for these investments under IAS 39 were adjusted with a decrease of $73,020 thousand in other equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income and an increase of $73,020 thousand in retained earnings on January 1, 2018 upon transition to IFRS 9.

(ii) In connection with the retrospective adjustment made upon initial application of IFRS 9 by associates which account for using equity method, corresponding adjustments are made by the Company on January 1, 2018, which resulted in a decrease of investments in equity-accounted investees amounting to $195 thousand, a decrease in other equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income of $27,996 thousand and an increase in other equity—unrealized gains (losses) on available-for-sale financial assets of $27,801 thousand.

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, using a five-step model framework to determine the method, timing and amount of revenue recognized. This Standard replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and the related interpretations. See note 4(19) for an explanation of the relevant accounting policies. The nature and impact of the change in accounting policies are detailed below:

(i) Sales of goods

Under IFRS 15, revenue for the sale of goods is recognized when a customer obtains control of the goods. For contracts that permit a customer to return goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

For contracts with volume discounts to customers, under IFRS 15, 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.

Under IFRS 15, a refund liability (presented under other current liabilities) is measured at the amount of consideration received (or receivable) for which an entity does not expect to be entitled. The refund liability shall be updated at the end of each reporting period for changes in circumstances.

(ii) Rendering of services

Under IFRS 15, for rendering of services, the consideration of the entire contract is allocated on a basis of a relative stand-alone selling price of the services. The stand-alone selling price is determined based on the list price of service at which the Company sells that service separately.

The Company elected to apply this Standard retrospectively only to contracts that are not completed at the date of initial application, and elected not to restate the comparative information for prior reporting period. Upon the initial application of this Standard, there was no cumulative effect and no adjustment was made to retained earnings on January 1, 2018.

The following tables summarize the impacts of adopting IFRS 15 on the Company’s consolidated financial statements for the year ended December 31, 2018.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(i) Related impacts to the consolidated balance sheets

	December 31, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15
		(in thousands)	
Notes and accounts receivable, net	$ 42,801,513	1,846,468	44,647,981
Accounts receivable from related parties, net	2,754,253	-	2,754,253
Impacts to total assets		$ 1,846,468	
Other current liabilities	$ 22,445,064	1,846,468	24,291,532
Impacts to total liabilities		$ 1,846,468	

	January 1, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15
		(in thousands)	
Notes and accounts receivable, net	$ 38,738,211	1,721,331	40,459,542
Accounts receivable from related parties, net	1,853,062	13,218	1,866,280
Impacts to total assets		$ 1,734,549	
Other current liabilities	$ 26,368,732	1,734,549	28,103,281
Impacts to total liabilities		$ 1,734,549	

(ii) Related impacts to the consolidated statement of cash flows

	For the year ended December 31, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15
		(in thousands)	
Notes and accounts receivable	$ (3,577,367)	(125,137)	(3,702,504)
Receivables from related parties	(840,111)	13,218	(826,893)
Other current liabilities	(3,790,959)	111,919	(3,679,040)
Impacts to net cash provided by (used in) operating activities		$ -	
Impacts to net increase (decrease) in cash and cash equivalents		$ -	

The above-mentioned reconciliation items represent volume discounts which the Company expects it may occur. Prior to the application of IFRS 15, the amount of the reconciliation item was recognized as a reduction of receivables. Under IFRS 15, such amount was recorded as a refund liability (presented under other current liabilities).

Notwithstanding the aforementioned difference, there are no material differences between the consolidated statement of comprehensive income prepared under IAS 18, IAS 11 and the related interpretations and the one prepared under IFRS 15 upon the initial application.

(Continued)

c. Amendments to IAS 7, *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company has disclosed a reconciliation between the opening and closing balances for liabilities with changes from financing activities in note 6(18) to meet the requirement as stated above.

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

According to Ruling No. 1070324857 issued on July 17, 2018 by the FSC, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. 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 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

Except for the items discussed below, the Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

IFRS 16, *Leases*

IFRS 16 sets out the accounting standards for leases that will replace 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 will be classified within financing activities; cash payments for interest portion will be classified within operating activities.

When IFRS 16 becomes effective, as a lessee, the Company will apply 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 will not be restated. As a lessor, the Company is not required to make any adjustments for leases except it is an intermediate lessor in a sub-lease.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company has performed an assessment and identification over its current operating leases whether they are in scope of IFRS 16. The main impact to the Company may arise from its lease contracts of land and plant which are currently accounted as operating lease. Please refer to note 6(20) for the related disclosures. The Company has identified whether a contract that contains a lease meets the definition of a lease under this Standard, and if so, a right-of-use asset and a lease liability will be recognized. The Company estimated that the right-of-use asset and the lease liability would increase by $14,059,544 thousand and $12,689,526 thousand, respectively, at January 1, 2019 as a result of the application of IFRS 16.

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

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

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

As of the date that the accompanying consolidated financial statements were issued, the Company continues in assessing the potential impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations. The potential 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").

(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));

(Continued)

(iii) Available-for-sale financial assets measured at fair value (note 6(4)); and

(iv) 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(21)).

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, 2018	Percentage of Ownership (%) December 31, 2017
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 of content management system and hardware; leasing (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(1)
AUO	ComQi Ltd. (CQIL)	Holding company (Israel)	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, Konly and Ronly	AUO Crystal Corp. (ACTW)	Manufacturing and sales of ingots and solar wafers (Taiwan ROC)	96.02(4)	96.03
AUO, Konly, Ronly and ACTW	Sanda Materials Corporation (SDMC)	Holding company (Taiwan ROC)	100.00(5)	99.9950
AUO and AULB	AU Optronics Europe B.V. (AUNL)	Sales support of TFT-LCD panels (Netherlands)	100.00(6)	100.00
Konly	LiGen Power Corporation (LGPC)	Renewable energy power generation (Taiwan ROC)	-(7)	100.00
Konly	ChampionGen Power Corporation (CGPC)	Solar power generation (Taiwan ROC)	-(8)	100.00(1)
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)	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 and assembly of TFT-LCD modules (PRC)	100.00	100.00
AULB	AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	Manufacturing and assembly of TFT-LCD modules (PRC)	100.00	100.00
AULB	AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	Manufacturing and assembly of TFT-LCD modules (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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017
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)(7)	Manufacturing and sales of solar modules (PRC)	100.00	100.00
AUSG	AUO Green Energy America Corp. (AEUS)	Sales and 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(1)
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(1)	-
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(1)	-
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(1)	-
CQIL	ComQi Holdings Ltd. (CQHLD)	Holding company (United Kingdom)	100.00(2)	-
CQHLD	ComQi UK Ltd. (CQUK)	Sales support of content management system (United Kingdom)	100.00(2)	-
CQHLD	ComQi Inc. (CQUS)	Sales of content management system and hardware (United States)	100.00(2)	-
CQHLD	ComQi Canada Inc. (CQCA)	Research and development of content management system (Canada)	100.00(2)	-
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)	Holding company (BVI)	100.00	100.00
FHVI	Fortech International Corp. (FTMI)	Holding company (Mauritius)	100.00	100.00
FHVI	Forward Optronics International Corp. (FWSA)	Holding company (Samoa)	100.00	100.00
FHVI	Prime Forward International Ltd. (PMSA)	Holding company (Samoa)	100.00	100.00
FHVI	Full Luck Precisions Co., Ltd. (FLMI)	Holding company (Mauritius)	-(7)	100.00
FRVI	Forefront Corporation (FFMI)	Holding company (Mauritius)	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
FTMI	Fortech Optronics (Xiamen) Co., Ltd. (FTXM)	Manufacturing and sales of backlight modules and related parts (PRC)	-(7)	100.00

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017
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
FLMI	Full Luck (Wujiang) Precisions Co., Ltd. (FLWJ)	Manufacturing and sales of precision metal parts (PRC)	-(7)	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, assembly 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
DPHK	Darwin Precisions (Chengdu) Corp. (DPCD)	Manufacturing and sales of backlight modules and related parts (PRC)	-(7)	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: UTI was incorporated in January 2017. CGPC was incorporated in May 2017. A-Care was incorporated in September 2017. UFSZ was incorporated in February 2018. EDT and MIS were incorporated in August 2018.

Note 2: 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. Please refer to note 6(10) for further details.

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. Please refer to note 6(11) for further details.

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

Note 7: As part of a business restructuring, DPCD, FTXM, FLMI, FLWJ, AETJ and LGPC have been resolved by their respective boards of directors for dissolution. As of December 31, 2018, except AETJ is still in the process of liquidation, the other entities have been liquidated.

Note 8: The Company disposed all of its shareholdings in CGPC to Star Shining Energy Corporation ("SSEC"), an associate of the Company, in September 2018. Please refer to note 6(12) for further details.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Foreign currency

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized 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.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

a. Financial assets (policy applicable from January 1, 2018)

(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

(Continued)

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.

(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.

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. 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.

(iii) De-recognition of financial assets

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 assets (policy applicable before January 1, 2018)

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, receivables and available-for-sale financial assets.

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

The Company has certain financial assets to hedge its exposure to foreign exchange risk arising from operating and financing activities. When a financial asset is not effective as a hedge, the Company accounts for it as a financial asset at fair value through profit or loss.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, dividend income and foreign currency differences related to monetary financial assets, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available-for-sale financial assets. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss. A regular way, purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are carried at their cost less any impairment losses.

Cash dividends on equity instruments are recognized in profit or loss on the date that the Company's right to receive dividends is established.

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequently, receivables are measured at amortized cost using the effective interest method, less any impairment. If the effect of discounting is immaterial, the short-term receivables are measured at the original amount.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Impairment of financial assets

Financial assets not measured at fair value through profit or loss are assessed at each reporting date for indicators of impairment. Financial assets are considered to be impaired if an objective evidence indicates that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of those assets have been negatively impacted.

When an available-for-sale equity security is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss. Such impairment losses are not reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other components of equity.

For receivables, the Company first assesses whether objective evidence of impairment exists that are individually significant. If there is objective evidence that an impairment loss has occurred, the amount of impairment loss is assessed individually. For receivables other than those aforementioned, the Company groups those assets and collectively assesses them for impairment. An impairment loss for trade receivables is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. If any subsequent recovery of receivable previously written off can be related objectively to an event occurring after the impairment loss was recognized, it is credited against the allowance account and recognized in profit or loss.

For equity instruments without a quoted market price in an active market, the objective evidence of impairment includes the investees' financial information, current operating result, future business plans and relevant industry and public market information. An impairment loss for this kind of equity instruments is reduced from the carrying amount and any impairment loss recognized is not reversed through profit or loss in subsequent periods.

Bad debt expenses and reversal of allowance for doubtful debts for trade receivables are recognized in general and administrative expenses while impairment losses and reversal of impairment for financial assets other than receivables are recognized in other gains and losses.

(iii) De-recognition of financial assets

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

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. 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 and presented under non-operating income and expenses.

(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 and presented under non-operating income and expenses.

(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 and presented under non-operating income and expenses.

d. 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.

(Continued)

(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 process 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

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.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from the acquisition, less any accumulated impairment losses.

The difference between acquisition cost and fair value of associates' 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 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.

If an equity security is not acquired through cash, that is, by providing services or other assets, then the fair value of such security or the fair value of the services or assets surrendered, whichever is more objectively determinable, is the purchase price of the security. If an equity investment of associates is acquired by providing subsequent services and the cost is determined based on the fair value of such services, the Company defers and recognizes revenue using a reasonable amortization method over the future period when the service is rendered.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When an associate 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 as capital surplus provided that the ownership interest in the associate remains unchanged.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate, 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 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 associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced, 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 mentioned above.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to account for the investment using equity method and does not remeasure the interest previously held.

When the Company subscribes for additional shares in an associate 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. 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 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 is reduced due to circumstances as mentioned above, the proportionate amount of the gains or losses previously recognized in other comprehensive income relating to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture 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. 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 are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate, 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Investments in joint ventures

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 joint venture are accounted for in the Company's consolidated financial statements under the equity method.

(12) 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 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.

(13) 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. Depreciation

Excluding land, depreciation is provided over the estimated useful lives of the respective assets, considering significant components of an individual asset, on a straight-line basis less any residual value. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The 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.

The estimated useful lives of the assets, except for land are as follows:

(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.

(14) Long-term prepaid rent

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.

(15) Leases

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.

(Continued)

(16) 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

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

(17) 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 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.

(Continued)

(18) Provisions

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

a. Warranties

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

b. Decommissioning obligation

The Company is subject to decommissioning obligations related to certain assets. 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

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. Management periodically assesses the obligation of all litigation and claims and relative legal costs.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(19) Revenue from contracts with customers (policy applicable from January 1, 2018)

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(18) 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.

(Continued)

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(18) for further details.

c. Financing components

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

(20) Revenue recognition

a. Goods sold (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

b. Government grants

(i) 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.

(ii) 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.

(iii) 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 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.

(Continued)

(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 each 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 each 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

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 per share

Basic earnings 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.

(Continued)

(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 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 Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and TIFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(1) 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)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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) Realization 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 (applicable from January 1, 2018)

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) Estimate of allowance for sales returns and discounts (applicable before January 1, 2018)

The Company records a provision as the deduction of revenue for estimated future sales returns and other allowances in the same period the related revenue is recognized. Estimated sales returns and other allowances are generally made and adjusted based on historical experience, management’s judgment and any known factors that would significantly affect the allowance, and management periodically reviews the reasonableness of the estimates.

(8) 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)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
	(in thousands)	
Cash on hand, demand deposits and checking accounts	$ 30,134,051	40,871,878
Time deposits	38,939,198	57,438,459
Government bonds with reverse repurchase agreements	90,047	6,710,279
	$ 69,163,296	105,020,616

Refer to note 6(34) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2018 and 2017, no cash and cash equivalents were pledged with banks as collaterals.

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

	December 31, 2018	December 31, 2017
	(in thousands)	
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	$ 70,074	-
Structured deposits	1,639,457	-
Financial assets held for trading:		
Foreign currency forward contracts	-	70,366
	$ 1,709,531	70,366
Financial liabilities held for trading:		
Foreign currency forward contracts	$ 22,115	106,597

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to note 6(34) for the disclosure of the Company's credit, currency and interest rate risks related to financial instruments. As of December 31, 2018 and 2017, the Company's outstanding foreign currency forward contracts were as follows:

December 31, 2018

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

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017

Contract item	Maturity date	Contract amount (in thousands)
Sell USD / Buy NTD	Jan. 2018 – Feb. 2018	USD213,100 / NTD6,377,672
Sell USD / Buy JPY	Jan. 2018 – Jun. 2018	USD304,926 / JPY34,092,055
Sell USD / Buy CNY	Jan. 2018 – Apr. 2018	USD137,000 / CNY903,800
Sell EUR / Buy JPY	Jan. 2018 – Feb. 2018	EUR65,000 / JPY8,691,815
Sell EUR / Buy CZK	Jan. 2018 – Mar. 2018	EUR3,280 / CZK83,502
Sell USD / Buy MYR	Jan. 2018 – Mar. 2018	USD931 / MYR3,811
Sell JPY / Buy NTD	Jan. 2018	JPY10,000,000 / NTD2,654,220
Sell CNY / Buy JPY	Jan. 2018 – Apr. 2018	CNY86,623 / JPY1,443,259
Sell USD / Buy SGD	Jan. 2018	USD5,480 / SGD7,366

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

	December 31, 2018 (in thousands)
Investments in equity instruments at FVTOCI:	
Equity securities – listed stocks	$ 6,803,900
Equity securities – non-listed stocks	176,025
	$ 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, whereas, were presented under available-for-sale financial assets and financial assets carried at cost as of December 31, 2017. Please refer to note 6(4) and note 6(5).

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

(4) Available-for-sale Financial Assets－noncurrent

	December 31, 2017 (in thousands)
Equity securities – listed stocks	$ 4,170,319

(Continued)

Available-for-sale securities held by the Company were publicly traded equity shares. If the share price of these securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by $417,032 thousand for the year ended December 31, 2017, respectively.

The abovementioned investments held by the Company were presented under financial assets at FVTOCI (refer to note 6(3)) as of December 31, 2018.

(5) Financial Assets Carried at Cost－noncurrent

		December 31, 2017
		(in thousands)
Equity securities – non-listed stocks	$	177,815

Given that the probabilities for each assumption in the range of estimated fair value of the aforementioned investments held by the Company cannot be reasonably determined, the Company had determined that the fair value thereof cannot be reliably measured and therefore were measured at cost less any impairment loss as of December 31, 2017. The aforementioned investments were presented under financial assets at FVTPL or financial assets at FVTOCI (refer to note 6(3)) as of December 31, 2018.

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

		December 31,	
		2018	2017
		(in thousands)	
Notes and accounts receivable	$	47,453,087	42,021,402
Less: loss allowance		(50,853)	(93,053)
Less: allowance for sales returns and discounts		-	(1,337,076)
	$	47,402,234	40,591,273
Notes and accounts receivable, net	$	44,647,981	38,738,211
Accounts receivable from related parties, net	$	2,754,253	1,853,062

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2018, 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 as of December 31, 2018, which was measured based on the aforementioned method, was as follows:

		Carrying amount of 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, the Company recognized a loss allowance amounting to $49,741 thousand as of December 31, 2018 for notes and accounts receivable with gross carrying amount of $49,741 thousand, as there was objective evidence indicating that, under reasonable expectation, it would not be recovered in total.

As of December 31, 2017, the Company measured the allowance for doubtful debts for notes and accounts receivable using the incurred loss model. Aging analysis of notes and accounts receivable, which were past due but not impaired, as of December 31, 2017, was as follows:

		December 31, 2017
		(in thousands)
Past due less than 60 days	$	560,016
Past due 61~180 days		12,790
	$	**572,806**

(Continued)

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

	For the years ended December 31,		
		2017	
	2018	Individually assessed for impairment	Collectively assessed for impairment
		(in thousands)	
Balance at beginning of the year (IAS 39)	$ 93,053	41,812	62,805
Adjustments on initial application of IFRS 9	-		
Provisions (reversals) charged to (against) expense	(24,302)	(28,236)	18,396
Write-offs	(17,985)	(6)	-
Effect of changes in foreign currency exchange rates	87	(805)	(913)
Balance at end of the year	**$ 50,853**	**12,765**	**80,288**

The payment terms granted to customers are generally 30 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(34).

The Company entered into financing facilities with banks to factor certain of its accounts receivable without recourse. As at December 31, 2018, the Company did not sell its trade receivables to banks. As at December 31, 2017, the Company's trade receivables sold and derecognized were as follows:

December 31, 2017				
Underwriting bank	**Factoring limit**	**Amount advanced**	**Amount sold and derecognized**	**Principal terms**
		(in thousands)		
Taishin Bank	USD 35,000	-	USD 6,382	See notes(a)~(e)

Note (a): Under this facility, the Company transferred accounts receivable to the underwriting bank, which is without recourse subject to the underwriting consent.

Note (b): The Company informed its customers pursuant to the facility to make payment directly to the underwriting bank.

Note (c): As of December 31, 2017, total outstanding receivables after the above transaction, net of fees charged by underwriting bank, of $190,451 thousand were recognized under other current financial assets.

Note (d): To the extent of the amount transferred to the underwriting bank, risks of non-collection or potential payment default by customers in the event of insolvency are borne by the bank. The Company is not responsible for the collection of receivables subject to the facility, or for any legal proceedings and costs thereof in collecting these receivables.

Note (e): The Company bears all risks deriving from the customers except credit risk.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Inventories

	December 31, 2018	December 31, 2017
	(in thousands)	
Finished goods	$ 9,406,248	10,095,820
Work-in-progress	11,133,846	9,405,677
Raw materials	5,769,010	5,352,826
	$ 26,309,104	24,854,323

For the years ended December 31, 2018 and 2017, the amounts recognized as cost of sales in relation to inventories were $279,494,885 thousand and $279,986,522 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to $1,402,367 thousand and $72,466 thousand for the years ended December 31, 2018 and 2017, respectively.

As at December 31, 2018 and 2017, none of the Company's inventories was pledged as collateral.

(8) Noncurrent Assets Held for Sale

In October 2017, in relation to compulsory imposition under regulatory plan and urban construction plan, FTKS has entered into a compensation agreement with Kunshan Economic and Technology Development Zone. The imposed land use right, plant buildings and its related appendages have been reclassified as noncurrent assets held for sale and presented separately in the consolidated balance sheet as at December 31, 2017. The disposal transaction was completed in March 2018. The selling price (net of costs of disposal) and gain on disposal amounted to $983,082 thousand and $561,815 thousand, respectively. As of December 31, 2018, the proceeds from disposal have been fully received.

In December 2017, in order to enhance the utilization of the Company's assets and to increase its working capital, BVHF has entered into a real estate transfer agreement with Hefei Heng Chuang Intelligent Technology Co., Ltd. to dispose its land use right, plant buildings and its related appendages. The aforementioned assets have been reclassified as noncurrent assets held for sale and presented separately in the consolidated balance sheet as at December 31, 2017. The disposal transaction was completed in June 2018. The selling price (net of costs of disposal) and gain on disposal amounted to $2,204,576 thousand and $228,754 thousand, respectively. As of December 31, 2018, the proceeds from disposal have been fully received.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Investments in equity-accounted Investees

	December 31, 2018	December 31, 2017
	(in thousands)	
Associates	$ 5,973,127	5,286,487
Joint ventures	312,738	310,800
	$ 6,285,865	5,597,287

a. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2018 Amount	December 31, 2018 Ownership interest	December 31, 2017 Amount	December 31, 2017 Ownership interest
			(in thousands)	%	(in thousands)	%
Lextar Electronics Corp. ("Lextar")	Manufacturing and sales of Light Emitting Diode	Taiwan ROC	$ 3,082,178	27	$ 3,104,955	27
Raydium Semiconductor Corporation ("Raydium")	IC design	Taiwan ROC	716,381	18	678,908	18
Star River Energy Corp. ("SREC")	Holding company	Taiwan ROC	434,421	34	533,840	34
Daxin Materials Corp. ("Daxin")	Research, manufacturing, and sales of display related chemicals	Taiwan ROC	654,940	25	573,571	25
SSEC	Holding company	Taiwan ROC	1,002,874	33	369,153	37
Others			82,333		26,060	
			$ 5,973,127		$ 5,286,487	

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, 2018	For the years ended December 31, 2017
The Company's share of associates':	(in thousands)	
Profit for the year	$ 307,992	251,699
Other comprehensive loss for the year	(15,477)	(62,084)
Total comprehensive income for the year	$ 292,515	189,615

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Joint ventures

In September 2016, AUSG disposed of its entire 50% interest in AUO SunPower Sdn. Bhd., a joint venture of the Company, to SunPower Technology, Ltd. for total selling price of $5,408,546 thousand (US$170,100 thousand). The selling price will be settled with repayment of installments over the years. As of December 31, 2018 and 2017, the outstanding selling price amounting to US$60,000 thousand and US$61,100 thousand, respectively, which will be received in cash at US$30,000 thousand and US$30,000 thousand in year 2019 and 2020, respectively, are classified under other current assets and other noncurrent assets by its liquidity.

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,	
		2018	**2017**
The Company's share of joint ventures':		(in thousands)	
Profit (loss) for the year	$	3,722	(12,693)
Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year	$	3,722	(12,693)

As at December 31, 2018 and 2017, none of the Company's investments in equity-accounted investees was pledged as collateral.

(10)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.

(Continued)

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.

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

a. Consideration transferred

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

In accordance with the terms of the contingent consideration, in the event that ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 are greater than the agreed revenue targets in the agreement, the Company will 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 may have to pay in the future is 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.

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Identifiable assets acquired and liabilities assumed

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

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

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

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

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

(Continued)

(11) Disposal of Part of Ownership Interest in Subsidiary without Losing Control

In November 2017, the Company disposed its ownership interest in DPTW totaling of 9.99% with consideration (net of costs of disposal) amounting to $1,776,984 thousand in cash. The effect of changes in ownership interest of the subsidiary which is attributable to owners of the parent is summarized as follows:

		For the year ended December 31, 2017
		(in thousands)
Consideration received	$	1,776,984
Carrying amount of the equity interest disposed of		(1,190,529)
Capital surplus – changes in ownership interest of subsidiary		(12,099)
Other equity – effect from foreign currency translation differences arising from foreign operations		(56,160)
Capital surplus – differences between consideration and carrying amount arising from disposal of interest in subsidiary	**$**	**518,196**

(12) Disposal of Subsidiaries

The Company disposed all its shareholdings in CGPC to SSEC, an associate of the Company, in Sepember 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)
Net assets disposed of	**$**	**98,731**

The Company disposed all its shareholdings in Fargen Power Corporation and TronGen Power Corporation to SSEC in December 2017 with consideration amounting to $480,000 thousand in cash. The gain on disposal amounting to $76,331 thousand was recognized under other gains and losses in the consolidated statement of comprehensive income.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Amounts (in thousands)
Cash and cash equivalents	$ 203,607
Accounts receivable and other receivables	4,513
Other current assets	38,649
Property, plant and equipment	260,828
Other assets	54,397
Payable for equipment	(71,076)
Accrued expense and other current liabilities	(3,062)
Long-term borrowings	(84,187)
Net assets disposed of	$ **403,669**

(13) Property, Plant and Equipment

	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)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the year ended December 31, 2017				
	Balance, Beginning of Year	Additions	Disposal or write off	Reclassification and effect of change in exchange rate	Balance, End of Year
			(in thousands)		
Cost:					
Land	$ 8,873,981	865,956	(675,811)	(55,467)	9,008,659
Buildings	130,595,844	433,269	(3,786,388)	(3,231,856)	124,010,869
Machinery and equipment	798,046,434	1,827,188	(14,844,436)	15,135,124	800,164,310
Other equipment	32,419,736	4,140,108	(7,900,925)	700,229	29,359,148
	969,935,995	7,266,521	(27,207,560)	12,548,030	962,542,986
Accumulated depreciation and impairment loss:					
Land	173,397	-	(54,186)	(119,211)	-
Buildings	36,028,301	3,216,571	(3,785,921)	(1,633,576)	33,825,375
Machinery and equipment	698,110,663	27,946,301	(14,694,674)	(4,027,879)	707,334,411
Other equipment	26,154,173	5,655,026	(7,883,150)	(208,469)	23,717,580
	760,466,534	36,817,898	(26,417,931)	(5,989,135)	764,877,366
Prepayments for purchase of land and equipment, and construction in progress	13,272,371	36,289,529	(29,206)	(22,265,225)	27,267,469
Net carrying amounts	$ 222,741,832				224,933,089

As of December 31, 2018 and 2017, 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 2017, the Company wrote down certain machineries and equipment with low utilization resulting from the decline in the application for certain products associated with its display segment and recognized an impairment loss of $895,954 thousand.

In 2018 and 2017, the Company wrote down certain long-term assets with lower capacity utilization associated with its energy segment and recognized impairment losses of $399,363 thousand and $120,714 thousand, respectively.

The capitalized borrowing costs were $421,618 thousand and $624,235 thousand for the years ended December 31, 2018 and 2017, respectively. The interest rates applied for the capitalization, ranged from 1.04% to 5.59% and 1.09% to 5.24% for the years ended December 31, 2018 and 2017, respectively.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Investment Property

	For the year ended December 31, 2018				
	Balance, Beginning of Year	Additions	Disposal	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

	For the year ended December 31, 2017				
	Balance, Beginning of Year	Additions	Disposal	Reclassification and effect of change in exchange rate	Balance, End of Year
	(in thousands)				
Land	$ 465,868	-	-	251,955	717,823
Fair Value	$ 1,402,040				2,213,184

In relation to the cessation of polysilicon production, M.Setek leased part of its lands to third party in 2017, and has reclassified those lands amounting to $251,955 thousand from property, plant and equipment 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.

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. The capitalization rate used in the valuation was 12%. Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land. The overall capital interest rate and the rate of return used in the valuation were 1.86% and 10%, respectively.

Certain investment property were pledged as collateral, see note 8.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(15) Intangible Assets

	For the year ended December 31, 2018					
		Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
				(in thousands)		
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

	For the year ended December 31, 2017					
		Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
				(in thousands)		
Cost:						
Goodwill	$	11,456,176	-	-	-	11,456,176
Patent and technology fee		12,078,767	196,781	-	-	12,275,548
		23,534,943	196,781	-	-	23,731,724
Accumulated amortization and impairment loss:						
Goodwill		175,581	-	-	-	175,581
Patent and technology fee		9,756,528	628,606	-	117	10,385,251
		9,932,109	628,606	-	117	10,560,832
Net carrying amounts	$	13,602,834				13,170,892

The Company acquired goodwill and other intangible assets arising from the business combination in March 2018. Please refer to note 6(10) for the relevant information.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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,	
		2018	2017
		(in thousands)	
Display business	$	11,880,919	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 year 2018 and 2017 were 11.57% and 11.35%, respectively, based on industry weighted average cost of capital. The cash flow projection for the year 2018 and 2017 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 of negative 1% for subsequent years, 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 assessments for the years ended December 31, 2018 and 2017, no impairment losses were recognized as the recoverable amount of the cash-generating unit was higher than its carrying value.

(16) Other Current Assets and Other Noncurrent Assets

		December 31,	
		2018	2017
		(in thousands)	
Prepayment for equipment	$	650,727	457,201
Refundable and overpaid tax		1,351,646	3,291,235
Long-term prepaid rents		1,364,111	1,412,026
Prepayments for purchases		230,793	2,053,554
Long-term receivables		930,001	1,790,400
Refundable deposits		716,097	515,148
Others		2,869,869	2,551,070
		8,113,244	12,070,634
Less: current		(2,941,598)	(6,631,130)
Noncurrent	$	5,171,646	5,439,504

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(17) Short-term Borrowings

		December 31, 2018	December 31, 2017
		(in thousands)	
Unsecured borrowings	$	546,472	3,424,376
Unused credit facility	$	43,533,037	35,866,924
Interest rate		2.54%~ 4.35%	3.62%~ 4.35%

(18) Long-term Borrowings

Bank or agent bank	Durations		December 31, 2018	December 31, 2017
			(in thousands)	
Syndicated loans:				
Bank of Taiwan and others	From Feb. 2015 to Aug. 2019	$	5,912,000	22,704,000
Bank of Taiwan and others	From Apr. 2016 to Apr. 2021		36,175,000	37,500,000
Bank of Taiwan and others	From May 2017 to May 2022		10,000,000	10,000,000
Bank of Taiwan and others	From Jul. 2018 to Jul. 2023		210,000	-
First Commercial Bank and others	From Feb. 2016 to Jan. 2019		1,775,236	2,395,868
Bank of China and others	From Nov. 2015 to Nov. 2023		27,743,519	27,800,680
Unsecured loans	From May 2016 to Aug. 2023		2,976,158	10,203,390
Secured loans	From Apr. 2017 to Apr. 2032		1,990,175	441,035
			86,782,088	111,044,973
Less: transaction costs			(476,770)	(436,963)
			86,305,318	110,608,010
Less: current portion			(29,595,931)	(8,155,234)
		$	56,709,387	102,452,776
Unused credit facility		$	79,933,812	37,220,839
Interest rate range			1.07%~ 6.32%	1.25%~ 5.16%

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, 2018.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual consolidated financial statements prepared in accordance with Taiwan Financial Reporting Standards, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2018 and 2017, the Company complied with all financial covenants required under each of the loan agreements.

Refer to note 6(34) 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

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

		Long-term borrowings	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**

(19) Provisions

		Warranties[(i)]	Litigation and claims	Others	Total
		(in thousands)			
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**
Balance at January 1, 2017	$	1,528,898	1,027,328	265,445	2,821,671
Additions (Reversals)		315,760	90,945	4,346	411,051
Usage		(297,829)	(1,025,032)	-	(1,322,861)
Effect of change in exchange rate		131	(3,721)	(20,308)	(23,898)
Balance at December 31, 2017		1,546,960	89,520	249,483	1,885,963
Less: current		(725,366)	(89,520)	(4,346)	(819,232)
Noncurrent	$	**821,594**	**-**	**245,137**	**1,066,731**

(i) The provisions for warranties for the years ended December 31, 2018 and 2017 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.

(Continued)

(20) Operating Leases

a. Lessees

Future minimum lease payments under non-cancellable operating leases as of December 31, 2018 and 2017 were as follows:

		December 31, 2018	December 31, 2017
		(in thousands)	
Less than one year	$	927,351	858,207
Between one and five years		2,928,983	3,070,676
More than five years		2,085,877	3,491,748
	$	5,942,211	7,420,631

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.

Rental expense for operating leases amounted to $1,064,263 thousand and $1,081,731 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Lessor

The Company leased its investment properties to third parties under operating lease. Refer to note 6(14) for further information on investment properties.

Future minimum lease receivables under non-cancellable operating leases as of December 31, 2018 and 2017 were as follows:

		December 31, 2018	December 31, 2017
		(in thousands)	
Less than one year	$	105,788	46,538
Between one and five years		423,150	404,695
More than five years		2,188,728	2,189,936
	$	2,717,666	2,641,169

In addition to the above-mentioned, the Company also leased partial offices to others. See note 6(28) for rental income for the years ended December 31, 2018 and 2017. Repair and maintenance expenses incurred from aforementioned operating leases for the years ended December 31, 2018 and 2017 amounted to $1,723 thousand and $18,396 thousand, respectively.

(21) Employee Benefits

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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,	
		2018	**2017**
		(in thousands)	
Present value of defined benefit obligation	$	(3,257,962)	(3,128,927)
Fair value of plan assets		2,367,273	2,213,018
Net defined benefit liability	**$**	**(890,689)**	**(915,909)**

(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)	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Balance at January 1,	$ (3,128,927)	(3,027,176)	2,213,018	2,105,690	(915,909)	(921,486)
Included in profit or loss						
Service cost	(5,289)	(6,242)	-	-	(5,289)	(6,242)
Interest cost	(49,598)	(53,624)	-	-	(49,598)	(53,624)
Expected return on plan assets	-	-	35,408	37,902	35,408	37,902
	(54,887)	(59,866)	35,408	37,902	(19,479)	(21,964)
Included in other comprehensive income						
Remeasurements (loss) gain:						
Actuarial (loss) gain arising from:						
- demographic assumptions	(15,795)	(21,054)	-	-	(15,795)	(21,054)
- financial assumptions	(178,212)	(126,708)	-	-	(178,212)	(126,708)
- experience adjustment	84,437	66,016	-	-	84,437	66,016
Return on plan assets excluding interest income	-	-	52,614	(16,345)	52,614	(16,345)
	(109,570)	(81,746)	52,614	(16,345)	(56,956)	(98,091)
Other						
Contributions paid by the employer	-	-	102,831	102,870	102,831	102,870
Benefits paid	36,915	37,528	(36,598)	(17,099)	317	20,429
Effect of changes in exchange rates and others	(1,493)	2,333	-	-	(1,493)	2,333
	35,422	39,861	66,233	85,771	101,655	125,632
Balance at December 31,	**$ (3,257,962)**	**(3,128,927)**	**2,367,273**	**2,213,018**	**(890,689)**	**(915,909)**

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, 2018, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to $2,367,273 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.

(iv) Defined benefit obligation

(a) Principal actuarial assumptions

	December 31,	
	2018	**2017**
Discount rate	0.21%~1.22%	0.21%~1.60%
Rate of increase in future salary	0.77%~4.49%	0.77%~4.49%

The Company anticipates contributing $102,831 thousand to the defined benefit plans in the next year starting from January 1, 2019.

As at December 31, 2018, the weighted-average duration of the defined benefit obligation was between 5 years to 20 years.

(Continued)

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2018 and 2017 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, 2018		December 31, 2017	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	(in thousands)		(in thousands)	
Discount rate	$ (160,307)	169,544	(158,160)	167,594
Rate of increase in future salary	$ 166,250	(158,100)	164,867	(156,470)

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, 2018 and 2017, these companies set aside, $1,024,700 thousand and $1,003,063 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 $923,378 thousand and $892,109 thousand for the years ended December 31, 2018 and 2017, respectively, for the defined contribution plans based on their respective local government regulations.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) 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, 2018 and 2017.

AUO's issued and outstanding common stock, with par value of $10 per share, both amounted to $96,242,451 thousand as at December 31, 2018 and 2017.

AUO's ADSs were listed on the New York Stock Exchange. Each ADS represents 10 shares of common stock. As of December 31, 2018, AUO has issued 51,674 thousand ADSs, which represented 516,741 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2018	December 31, 2017
	(in thousands)	
From common stock	$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,816,090	1,734,373
	$ 60,622,043	60,540,326

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

c. Legal reserve

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

d. Distribution of earnings

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

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 by the shareholders' meeting 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.

AUO's appropriations of earnings for 2016 had been approved in the shareholders' meeting held on June 15, 2017. The appropriations and dividends per share were as follows:

	For fiscal year 2016	
	Appropriation of earnings	**Dividends per share**
	(in thousands, except for per share data)	
Legal reserve	$ 781,894	
Cash dividends to shareholders	5,389,577	$0.56
	$ 6,171,471	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The aforementioned appropriation of earnings for 2016 was consistent with the resolutions of the board of directors' meeting held on March 22, 2017.

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.

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. Other components of equity

		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)

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		Cumulative translation differences	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) on cash flow hedges	Total
			(in thousands)		
Balance at January 1, 2017	$	536,819	224,299	18,254	779,372
Foreign operations – foreign currency translation differences		(1,882,545)	-	-	(1,882,545)
Effective portion of changes in fair value of cash flow hedges		-	-	(21,992)	(21,992)
Net change in fair value of available-for-sale financial assets		-	1,146,422	-	1,146,422
Equity-accounted investees – share of other comprehensive income		(68,637)	6,310	-	(62,327)
Related tax		293,394	-	3,738	297,132
Balance at December 31, 2017	$	(1,120,969)	1,377,031	-	256,062

f. Non-controlling interests, net of tax

		For the years ended December 31, 2018	2017
		(in thousands)	
Balance at the beginning of the year	$	17,090,747	18,390,483
Equity attributable to non-controlling interests:			
Loss for the year		(2,200,703)	(2,100,929)
Adjustment of changes in ownership of investees		(20,996)	(6,262)
Foreign currency translation differences		(306,963)	(355,700)
Unrealized loss on financial assets at FVTOCI		(1,474)	-
Remeasurement of defined benefit plans		-	201
Group reorganization		2,701	-
Effect of disposal of interest in subsidiary to non-controlling interests		-	1,258,788
Others		(147,339)	(95,834)
Balance at the end of the year	$	14,415,973	17,090,747

(23) Share-based Payments

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

a. DPTW Option Plan

DPTW 2011 Employee stock option plan was fully expired on January 6, 2017.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Information about DPTW's outstanding stock options is as follows:

	For the year ended December 31, 2017	
	Weighted-average exercise price (per share)	**Number of options (shares)**
Outstanding at January 1	$ 19.04	2,913,000
Options expired	-	(2,913,000)
Outstanding at December 31	-	-
Exercisable at December 31		-

b. ACTW Option Plan

(i) 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

ACTW 2012 Employee stock option plan was fully expired on August 31, 2017.

(ii) The related employee benefit expenses and capital surplus recognized on ACTW's employee stock options were $167 thousand and $474 thousand for the years ended December 31, 2018 and 2017, respectively.

(iii) 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

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iv) Information about ACTW's outstanding stock options is as follows:

	For the years ended December 31,			
	2018		2017	
	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	16,601,000	$ 10	29,209,000
Options exercised	10	(2,260,000)	10	(1,162,000)
Options expired	-	(1,050,000)	-	(11,446,000)
Outstanding at December 31	10	13,291,000	10	16,601,000
Exercisable at December 31		13,291,000		12,425,000

(24) Revenue from Contracts with Customers

		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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Refer to note 6(25) and note 14 for revenue related information for the year ended December 31, 2017.

(25) Revenue

		For the year ended December 31, 2017 (in thousands)
Sale of goods	$	329,584,136
Other operating revenue		11,444,131
	$	**341,028,267**

Refer to note 6(24) for the disaggregation of revenue for the year ended December 31, 2018.

(26) 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 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 board of directors. For the years ended December 31, 2018 and 2017, AUO estimated the remuneration to employees amounting to $1,215,696 thousand and $4,062,114 thousand, respectively. 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 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Remuneration to employees and directors for 2016 in the amounts of $1,107,486 thousand and $24,226 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 22, 2017. The aforementioned approved amounts are the same as the amounts charged against earnings of 2016.

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

(27) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2018			2017		
	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	$ 27,135,370	7,798,555	34,933,925	28,979,871	8,838,450	37,818,321
Labor and health insurances	1,511,793	497,859	2,009,652	1,477,522	490,166	1,967,688
Retirement benefits	1,585,950	381,607	1,967,557	1,556,374	360,762	1,917,136
Other employee benefits	3,222,160	617,828	3,839,988	2,689,812	507,512	3,197,324
Depreciation	29,980,415	3,706,146	33,686,561	31,660,279	4,140,951	35,801,230
Amortization	518,403	22,566	540,969	628,606	-	628,606

(28) Other Income

	For the years ended December 31,	
	2018	2017
	(in thousands)	
Interest income on bank deposits	$ 832,621	591,995
Interest income on government bonds with reverse repurchase agreements and others	8,994	20,215
Rental income, net	628,401	531,442
Dividend income	468,263	248,514
Grants	2,716,197	1,801,585
Others	757,649	636,146
	$ 5,412,125	3,829,897

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(29) Other Gains and Losses

		For the years ended December 31, 2018	2017
		(in thousands)	
Foreign exchange losses, net	$	(41,391)	(1,364,929)
Gains on valuation of financial instruments at FVTPL, net		507,532	1,646,034
Gains on disposals of investments and financial assets, net		-	42,788
Gains on disposals of property, plant and equipment, net		1,923,044	330,814
Impairment losses on assets		(399,363)	(1,046,668)
Litigation losses and others		(501,770)	(584,599)
	$	**1,488,052**	**(976,560)**

(30) Finance Costs

		For the years ended December 31, 2018	2017
		(in thousands)	
Interest expense on bank borrowings	$	2,442,872	2,519,839
Interest expense on others		220,733	348,022
	$	**2,663,605**	**2,867,861**

(31) Income Taxes

According to the amendment to the ROC Income Tax Act enacted on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable to AUO and its domestic subsidiaries starting from fiscal year 2018 and beyond.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

a. Income tax expenses

The components of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

		For the years ended December 31,	
		2018	**2017**
		(in thousands)	
Current income tax expense:			
Current year	$	2,400,949	936,960
Adjustment to prior years and others		(127,281)	766,122
		2,273,668	1,703,082
Deferred tax expense (benefit):			
Temporary differences		(632,785)	(102,892)
Investment tax credit and tax losses carryforwards		1,998,662	7,504,928
Effect of changes in statutory income tax rate		(383,289)	-
		982,588	7,402,036
Total income tax expense	**$**	**3,256,256**	**9,105,118**

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		For the years ended December 31,	
		2018	**2017**
		(in thousands)	
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	**$**	**(38,908)**	**(16,675)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences	$	(191,809)	(310,559)
Cash flow hedges		-	(3,738)
	$	**(191,809)**	**(314,297)**

(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 (benefit) as reported in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	For the years ended December 31, 2018	2017
	(in thousands)	
Income tax expense at AUO's statutory tax rate	$ 2,243,230	6,691,813
Tax on undistributed earnings, net	1,279,810	167,517
Effect of different subsidiaries income tax rate	(484,055)	348,192
Effect of changes in statutory income tax rate	(383,289)	-
Share of profit (loss) of equity-accounted subsidiaries	774,165	(702,601)
Net of non-taxable income and non-deductible expense	(165,663)	(43,470)
Effect of change of unrecognized deductible temporary differences, tax losses carryforwards, and investment tax credits	138,969	1,847,601
Adjustments to prior year	(127,281)	765,113
Others	(19,630)	30,953
Income tax expense	**$ 3,256,256**	**9,105,118**
Effective tax rate	**29.03%**	**23.13%**

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, 2018	2017
	(in thousands)	
Deductible temporary differences	$ 2,638,778	2,770,941
Unused investment tax credits	853,837	706,648
Unused tax losses carryforwards	28,697,671	25,868,554
	$ 32,190,286	**29,346,143**

The unused investment tax credits with no expiration for the year ended December 31, 2018 from AUST and ACMK were $837,960 thousand and $15,877 thousand, respectively.

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

As of December 31, 2018, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment	Unrecognized deferred tax assets (in thousands)	Expiration in year
2009	$ 8,662	2019
2010	602,694	2019
2011	1,143,264	2020 ~ 2021
2012	10,532,962	2021 ~ 2022
2013	1,748,462	2022 ~ 2023
2014	2,416,663	2019 ~ 2024
2015	4,291,923	2019 ~ 2025
2016	4,339,100	2020 ~ 2026
2017	2,356,880	2021 ~ 2027
2018 (estimated)	1,257,061	2023 ~ 2028
	$ 28,697,671	

As of December 31, 2018, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $15,301 thousand.

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

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
			(in thousands)			
Investment tax credits	$ 542,115	656,480	-	-	542,115	656,480
Tax losses carryforwards	2,760,163	3,942,012	-	-	2,760,163	3,942,012
Unrealized loss and expenses	310,192	284,084	(5,556)	(61,345)	304,636	222,739
Inventories write-down	1,027,680	644,887	-	-	1,027,680	644,887
Foreign investment gains under the equity method	-	-	(1,049,091)	(890,153)	(1,049,091)	(890,153)
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,213,429)	(1,881,415)	(2,213,429)	(1,881,415)
Remeasurement of defined benefit plans	194,838	155,930	-	-	194,838	155,930
Others	1,797,680	1,385,621	(577,517)	(686,729)	1,220,163	698,892
	$ 6,632,668	7,069,014	(3,845,593)	(3,519,642)	2,787,075	3,549,372

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2018
						(in thousands)				
Deferred tax assets (liabilities):										
Investment tax credits	$	840,112	(121,696)	-	(61,936)	656,480	(132,840)	-	18,475	542,115
Tax losses carryforwards		11,324,417	(7,383,232)	-	827	3,942,012	(1,181,429)	-	(420)	2,760,163
Unrealized loss and expenses		367,091	(140,760)	-	(3,592)	222,739	81,893	-	4	304,636
Inventories write-down		587,346	57,791	-	(250)	644,887	386,558	-	(3,765)	1,027,680
Foreign investment losses (gains) under the equity method		(1,091,023)	200,870	-	-	(890,153)	(158,938)	-	-	(1,049,091)
Accumulated amortization of goodwill in accordance with local tax laws		(1,881,415)	-	-	-	(1,881,415)	(332,014)	-	-	(2,213,429)
Remeasurement of defined benefit plans		139,255	-	16,675	-	155,930	-	38,908	-	194,838
Cash flow hedges		(3,738)	-	3,738	-	-	-	-	-	-
Others		377,400	(15,009)	310,559	25,942	698,892	354,182	191,809	(24,720)	1,220,163
	$	10,659,445	(7,402,036)	330,972	(39,009)	3,549,372	(982,588)	230,717	(10,426)	2,787,075

c. Assessments by the tax authorities

As of December 31, 2018, the tax authorities have completed the examination of income tax returns of AUO through 2016.

(32) Earnings per Share

		For the years ended December 31, 2018	2017
		(in thousands, except for per share data)	
Basic earnings per share			
Profit attributable to AUO's shareholders	$	10,160,598	32,359,417
Weighted-average number of common shares outstanding during the year		9,624,245	9,624,245
Basic earnings per share	$	1.06	3.36
Diluted earnings per share			
Profit attributable to AUO's shareholders	$	10,160,598	32,359,417
Weighted-average number of common shares outstanding during the year		9,624,245	9,624,245
Effect of employee remuneration in stock		164,609	347,903
		9,788,854	9,972,148
Diluted earnings per share	$	1.04	3.24

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(33) 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 (loans and receivables) 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.

Except for aforementioned financial instruments, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	$ 1,709,531	1,709,531	-	-
Financial assets held for trading	-	-	70,366	70,366
Financial assets at FVTOCI	6,979,925	6,979,925	-	-
Available-for-sale financial assets－noncurrent	-	-	4,170,319	4,170,319
Financial assets at amortized cost (loans and receivables):				
Long-term receivables	930,001	930,001	1,790,400	1,790,400
Refundable deposits	716,097	716,097	515,148	515,148
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	22,115	22,115	106,597	106,597
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	86,305,318	86,305,318	110,608,010	110,608,010
Guarantee deposits	816,512	816,512	838,482	838,482

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Valuation techniques and assumptions applied in fair value measurement

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

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

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

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

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

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

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

c. Fair value measurements recognized in the consolidated balance sheets

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

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

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

(Continued)

(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, 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
December 31, 2017					
Financial assets at FVTPL:					
Financial assets held for trading	$	-	70,366	-	70,366
Available-for-sale financial assets－noncurrent		4,170,319	-	-	4,170,319
Loans and receivables:					
Long-term receivables		-	1,790,400	-	1,790,400
Financial liabilities at FVTPL:					
Financial liabilities held for trading		-	106,597	-	106,597

There were no transfers between Level 1 and 2 for the years ended December 31, 2018 and 2017.

d. Reconciliation for fair value measurements categorized within Level 3

		For the year ended December 31, 2018
		(in thousands)
Financial assets at FVTOCI — equity instruments without quoted market prices		
Balance at the beginning of the year	$	-
Adjustments on initial application of IFRS 9		177,815
Net gains included in other comprehensive income		9,990
Purchases		34,157
Disposals		(45,937)
Balance at the end of the year	**$**	**176,025**

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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 investments without active market	Market approach	• Price-Book ratio (0.99~5.2 at Dec. 31, 2018) • Price-Earnings ratio (14.69~112.13 at Dec. 31, 2018) • Discount for lack of marketability (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.

(34) 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.

(Continued)

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.

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, 2018 and 2017, the Company's five largest customers accounted for 36.6% and 39.0%, respectively, of the Company's consolidated net revenue. There is no other significant concentration of credit risk.

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2018.

(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. As at December 31, 2018, the Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

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	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
Refundable 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Contractual cash flows	2018.1.1~ 2018.12.31	2019.1.1~ 2020.12.31	2021.1.1~ 2022.12.31	2023 and thereafter
			(in thousands)		
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings	$ 3,424,376	3,424,376	-	-	-
Long-term borrowings (including current installments)	119,344,944	10,941,692	68,455,501	33,892,568	6,055,183
Refundable deposits	838,482	33,510	9,902	-	795,070
Derivative financial instruments:					
Foreign currency forward contracts－inflows	(22,124,574)	(22,124,574)	-	-	-
Foreign currency forward contracts－outflows	22,170,245	22,170,245	-	-	-
	$ 123,653,473	14,445,249	68,465,403	33,892,568	6,850,253

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

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

I. Exposure of currency risk

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

	December 31, 2018			December 31, 2017		
	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	$ 2,092,501	30.8020	64,453,216	2,084,406	29.840	62,198,675
JPY	11,872,572	0.2775	3,294,639	10,228,194	0.2644	2,704,334
EUR	29,681	35.2036	1,044,878	46,517	35.632	1,657,494
Non-monetary items						
USD	2,799	30.8020	86,215	3,300	29.840	98,472
RMB	20,258	4.4813	90,782	19,426	4.5697	88,771
Financial liabilities						
Monetary items						
USD	1,188,175	30.8020	36,598,166	1,048,371	29.840	31,283,391
JPY	25,296,499	0.2775	7,019,778	27,100,546	0.2644	7,165,384
EUR	209	35.2036	7,358	418	35.632	14,894

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, 2018 and 2017, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2018 and 2017 as follows:

	For the years ended December 31,	
	2018	2017
	(in thousands)	
1% of depreciation	$ 251,674	280,968
1% of appreciation	(251,674)	(280,968)

(Continued)

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, 2018 and 2017 were $41,391 thousand and $1,364,929 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.

The following sensitivity analysis is determined based on the exposure to interest rate risk. For floating-rate debts, the analysis assumes that the balances of outstanding debts at the end of the reporting period had been outstanding for the entire year.

For the Company's floating-rate debts, assuming 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, 2018 and 2017 by $216,955 thousand and $277,612 thousand, respectively.

(c) Equity price risk

See note 6(3) and note 6(4) for disclosure of equity price risk analysis.

(35) 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,	
		2018	**2017**
		(in thousands)	
Total liabilities	$	192,553,087	216,206,169
Total equity		217,278,688	225,245,115
Interest-bearing debts		86,851,790	114,032,386
Debt-to-equity ratio		89%	96%
Interest-bearing debt-to-equity ratio		40%	51%
Net debt-to-equity ratio(i)		8%	4%

(i) Net debt-to-equity ratio is defined as interest-bearing debts less cash and cash equivalents divided by total equity.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 its 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 of the Company
Lextar Electronics (Suzhou) Co., Ltd. ("LESZ")	Subsidiary of Lextar
Lextar Electronics (Xiamen) Co., Ltd. ("LEXM")	Subsidiary of Lextar
Lextar Electronics (Chuzhou) Corp. ("LEXCZ")	Subsidiary of Lextar
Wellybond Corporation ("WBC")	Subsidiary of Lextar
Raydium Semiconductor Corporation ("Raydium")	Associate of the Company
Dazzo Technology Corporation ("Dazzo")	Subsidiary of Raydium
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
Fargen Power Corporation ("FGPC")	Subsidiary of SSEC
Sheng Li Energy Corporation ("SLEC")	Subsidiary of SSEC
ChampionGen Power Corporation ("CGPC")	Subsidiary of SSEC[i]
TronGen Power Corporation ("TGPC")	Subsidiary of SSEC
WishMobile, Inc. ("WMI")	Associate of the Company
Daxin Materials Corp. ("Daxin")	Associate of the Company
Darwin Summit Co., Ltd. ("DSC")	Associate of the Company
BVCH Optronics (Sichuan) Corp. ("BVCH")	Joint venture of the Company
Evonik Forhouse Optical Polymers Corp. ("EFOP")	Joint venture of the Company
Wibase Industrial Solutions Inc. ("WIS")	DPTW represented as a director of WIS
Qisda Corporation ("Qisda")	AUO's director
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 Logistic (Shanghai) Co., Ltd. ("BQls")	Subsidiary of Qisda
BenQ Guru Software Co., Ltd. ("GSS")	Subsidiary of Qisda
BenQ Guru Corporation ("GST")	Subsidiary of Qisda
BenQ Material (Suzhou) Co., Ltd. ("BMS")	Subsidiary of Qisda
Daxon Biomedical (Suzhou) Co., Ltd. ("DTB")	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd. ("QCHS")	Subsidiary of Qisda
DFI Inc. ("DFI")	Subsidiary of Qisda
BenQ Foundation	Substantive related party

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(i) The Company disposed all its shareholdings in CGPC to SSEC, an associate of the Company, in September 2018. Refer to note 6(12) for the related disclosures.

(2) Compensation to key management personnel

Key management personnel's compensation comprised:

		For the years ended December 31, 2018	For the years ended December 31, 2017
		(in thousands)	
Short-term employee benefits	$	345,019	566,231
Post-employment benefits		2,547	2,244
	$	347,566	568,475

(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,	
		2018	2017	2018	2017
		(in thousands)			
Associates	$	1,898,336	1,216,868	696,423	184,948
Others		12,050,450	11,959,720	2,057,830	1,668,114
	$	13,948,786	13,176,588	2,754,253	1,853,062

The collection terms for sales to related parties were 30 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Purchases

	Purchases For the years ended December 31, 2018	Purchases For the years ended December 31, 2017	Notes and accounts payable to related parties December 31, 2018	Notes and accounts payable to related parties December 31, 2017
	(in thousands)			
Associates	$ 9,185,563	8,667,555	3,664,742	3,233,050
Joint ventures	1,449,636	1,057,106	-	-
Others	18,589,791	17,549,228	4,496,444	4,431,681
	$ 29,224,990	27,273,889	8,161,186	7,664,731

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

	For the years ended December 31, 2018	For the years ended December 31, 2017
	(in thousands)	
Associates	$ 6,527	1,549
Others	4,449	2,801
	$ 10,976	4,350

d. Disposal of property, plant and equipment and others

	Proceeds from disposal For the years ended December 31, 2018	Proceeds from disposal For the years ended December 31, 2017	Gains on disposal For the years ended December 31, 2018	Gains on disposal For the years ended December 31, 2017
	(in thousands)			
Others	$ -	3,352	-	2,212

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Other related party transactions

Transaction type	Type of related party		December 31, 2018	December 31, 2017
			(in thousands)	
Other receivables due from related parties	Associates	$	8,161	47,746
	Others		4,784	6,347
		$	12,945	54,093
Other payables due to related parties (including payables for equipment)	Associates	$	18,148	9,009
	Joint ventures		-	292
	Others		10,027	15,137
		$	28,175	24,438

Transaction type	Type of related party		For the years ended December 31, 2018	For the years ended December 31, 2017
			(in thousands)	
Rental income	Associates	$	55,044	48,223
	Joint ventures		6,611	6,611
	Others:			
	BMC		66,748	62,787
	Others		24,474	19,640
		$	152,877	137,261
Administration and other income	Associates	$	18,580	14,311
	Joint ventures		1,060	-
	Others		8,789	9,246
		$	28,429	23,557
Rental and other expenses	Associates	$	37,155	28,017
	Joint ventures		567	1,389
	Others		29,336	35,040
		$	67,058	64,446

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, 2018 and 2017, the Company had received cash dividends from related parties of $668,228 thousand and $420,547 thousand, respectively.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Pledged Assets

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

Pledged assets	Pledged to secure		December 31, 2018	December 31, 2017
			(in thousands)	
Restricted cash in banks[i]	Customs duties and guarantee for warranties	$	91,753	87,105
Land and building (including investment property)	Long-term borrowings		27,696,480	42,031,020
Machinery and equipment	Long-term borrowings		37,317,602	17,143,591
		$	65,105,835	59,261,716

(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, 2018, in addition to those disclosed in other notes to the consolidated financial statements, were as follows:

(1) As at December 31, 2018, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31,2018
	(in thousands)
USD	9,417
JPY	727,211

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

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

(4) Starting from 2006, DPTW has entered into a long-term materials supply agreement with 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.

(5) As at December 31, 2018, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $19,983,507 thousand.

(Continued)

(6) There were civil lawsuits filed against AUO, AUUS and various manufacturers in the TFT-LCD industry in the United States and Canada alleging, among other things, antitrust violations. As of January 28, 2019, AUO and AUUS have reached settlement agreements with the relevant plaintiffs. In addition to the above cases in the United States and Canada, a lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel ("Israeli Court"). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. A lawsuit was filed in September 2018 by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

(7) At the end of February 2017, one of AUO's subsidiaries in the PRC, AUSZ received an administrative complaint filed by Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") alleging that AUSZ infringes two PRC patents, and the complaint requests that AUSZ cease the alleged infringing act. Based on the Company's preliminary assessment, it believes that its subsidiary does not infringe the two PRC patents as alleged, and further that the two PRC patents appear to be invalid. In response to such administrative complaint, AUSZ has filed a request to invalidate the two PRC patents accordingly. In April 2017, CSOT filed civil lawsuits in the Intermediate People's Court of Shenzhen Municipality against the subsidiary claiming infringement of the same two PRC patents. In June 2017, CSOT filed civil lawsuits in the No.1 Intermediate People's Court of Chongqing Municipality against the subsidiary claiming infringement of three PRC patents (including one of the above mentioned PRC patents). CSOT requested that AUSZ ceases the alleged infringing act and claimed approximate RMB49.91 million for economic loss for each of the said respective four PRC patents and compensation for reasonable fees and litigation expenses such as notarization fees and attorney fees incurred by CSOT. On September 24, 2017, the relevant parties reached a settlement agreement and agreed to withdraw relevant legal proceedings.

(8) 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. While AUO intends to defend the suits vigorously, the ultimate outcome of the three matters is uncertain. AUO is reviewing the merits of the lawsuits on an on-going basis.

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AU OPTRONICS CORP. AND SUBSIDIARIES

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As of January 28, 2019, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company’s business or results of operations.

10. Significant Disaster Losses: None.

11. Subsequent Event: None.

12. Others

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2018.

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: Please see Table 5 attached.

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

h. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 7 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 8 attached.

(2) Information on investees (excluding information on investment in Mainland China): Please see Table 9 attached.

(3) Information on investment in Mainland China:

a. The related information on investment in Mainland China: Please see Table 10.1 and 10.2 attached.

b. Upper limit on investment in Mainland China: Please see Table 10.1 and 10.2 attached.

c. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2018, for which intercompany transactions were eliminated upon consolidation, are disclosed in note 13(1) "Information on significant transactions".

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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 (formerly named "solar"). 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, 2018 and 2017 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, 2018			
	Display segment	Energy segment	Adjustment and elimination	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 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

	For the year ended December 31, 2017			
	Display segment	Energy segment	Adjustment and elimination	Total segments
	(in thousands)			
Net revenue from external customers	$ 322,335,330	18,692,937	-	341,028,267
Segment profit (loss)	$ 39,971,375	(832,251)	-	39,139,124
Net non-operating income and expenses				224,482
Consolidated profit before income tax				$ 39,363,606
Segment profit (loss) excluding depreciation and amortization	$ 74,787,838	781,122	-	75,568,960
Segment assets				$ 441,451,284

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Geographic information

a. Net revenue from external customers

Region		For the year ended December 31, 2017 (in thousands)
PRC (including Hong Kong)	$	125,341,648
Taiwan		108,288,387
Singapore		35,939,290
Japan		32,739,262
Others		38,719,680
	$	**341,028,267**

Refer to note 6(24) for net revenue from external customers for the year ended December 31, 2018.

b. Consolidated noncurrent assets(i)

		December 31,	
Region		2018	2017
		(in thousands)	
Taiwan	$	172,639,349	165,377,866
PRC (including Hong Kong)		61,284,667	67,846,109
Others		6,941,674	11,037,333
	$	**240,865,690**	**244,261,308**

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

(Continued)

(3) Major customer information

		For the year ended December 31, 2017	
		Amount	% of consolidated net revenue
		(in thousands)	
Customer A	$	43,645,518	13

Refer to note 6(24) for net revenue disaggregated by major customers for the year ended December 31, 2018.

(4) Product information

Information of the Company's net revenue from external customers was as follows:

		For the year ended December 31, 2017
		(in thousands)
Products for Televisions	$	152,442,198
Products for Mobile PCs		56,209,501
Products for Mobile Devices		14,858,803
Products for Monitors		45,696,144
Products for Commercial and Others[(ii)]		53,128,684
Solar Products		18,692,937
	$	341,028,267

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

Refer to note 6(24) for net revenue disaggregated by major products for the year ended December 31, 2018.

AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2018
(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 (Note 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1 and 5)	Limits on Financing Company's Total Financing Amount (Note 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	2,000,000	2,000,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
0	AUO	AUKS	Other receivables from related parties	Yes	3,200,000	295,590	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
0	AUO	AUSK	Other receivables from related parties	Yes	1,321,446	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
1	AULB	AUSK	Other receivables from related parties	Yes	1,114,233	1,003,303	1,003,303	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	53,679,085	53,679,085
1	AULB	AUKS	Other receivables from related parties	Yes	3,360,975	3,360,975	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,471,634	21,471,634
2	AUXM	AUKS	Other receivables from related parties	Yes	3,809,105	3,809,105	896,260	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,252,404	5,252,404
2	AUXM	BVHF	Other receivables from related parties	Yes	1,055,498	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,252,404	5,252,404
3	AUSJ	AUKS	Other receivables from related parties	Yes	1,507,567	1,434,016	1,120,325	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,539,156	1,539,156
4	AUSZ	BVHF	Other receivables from related parties	Yes	586,388	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,221,115	5,221,115
4	AUSZ	AUKS	Other receivables from related parties	Yes	4,481,300	4,481,300	1,792,520	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,221,115	5,221,115

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 (Note 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1 and 5)	Limits on Financing Company's Total Financing Amount (Note 1 and 5)
													Item	Value		
5	DPSZ	AUKS	Other receivables from related parties	Yes	450,020	448,130	448,130	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	738,495	738,495
5	DPSZ	BVHF	Other receivables from related parties	Yes	304,922	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	738,495	738,495
6	DPXM	BVHF	Other receivables from related parties	Yes	258,011	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,840,655	1,840,655
7	FPWJ	BVHF	Other receivables from related parties	Yes	152,461	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	264,994	264,994
8	FTKS	BVHF	Other receivables from related parties	Yes	199,372	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	538,375	538,375
9	FTWJ	FHWJ	Other receivables from related parties	Yes	208,292	89,626	89,626	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	2,239,397	2,239,397

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 between 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 and AUSJ: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited 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 each of such borrowers both shall not exceed the net worth of the lending company as stated in its latest audited financial statement.

d. DPSZ, DPXM, FTWJ, FPWJ 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 shall not exceed the net worth of the lending company, and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/ Guarantees Provided
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Note 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Note 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 (Note 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	101,431,358	16,785,917	15,799,613	14,942,284	-	7.79%	202,862,715	Yes	No	Yes
1	AUXM	AUO and AUST	3、4	13,131,010	2,345,550	2,240,650	-	-	17.06%	13,131,010	No	Yes	No
1	AUXM	AUO	3	13,131,010	9,757,488	9,321,104	-	-	70.99%	13,131,010	No	Yes	No
2	AUSJ	AUO	3	3,847,889	1,501,152	1,434,016	-	-	37.27%	3,847,889	No	Yes	No
3	AUSZ	AUO and AUSK	3、4	13,052,787	1,548,063	1,478,829	-	-	11.33%	13,052,787	No	Yes	No
3	AUSZ	AUO	3	13,052,787	7,411,938	7,080,454	1,344,390	-	54.24%	13,052,787	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.

AU OPTRONICS CORP. AND SUBSIDIARIES

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

December 31, 2018

(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	31-Dec-18				The Highest Ownership during the Year	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	6,604,041	17.04%	6,604,041	17.04%	
AULB	Stock Abakus Solar AG	-	Financial assets at FVTPL— noncurrent	3	-	2.22%	-	2.22%	
AUSH	Shareholding T-powertek Optronics Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	-	CNY 6,250	2.16%	CNY 6,250	2.50%	
FPWJ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 91,753	-	CNY 91,753	-	
FTKS	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 274,091	-	CNY 274,091	-	
Konly	Stock PlayNitride Inc.	-	Financial assets at FVTOCI— noncurrent	609	42,123	2.80%	42,123	3.28%	
Konly	Stock SnapBizz Cloudtech Pvt. Ltd.		Financial assets at FVTOCI— noncurrent	13	33,501	6.13%	33,501	6.13%	
Konly	Stock a2peak power Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,000	-	10.87%	-	10.87%	
Konly	Stock Chen Feng Optronics Corporation	-	Financial assets at FVTPL－noncurrent	1,500	-	3.26%	-	3.26%	
Konly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,200	-	8.52%	-	8.52%	
Konly	Stock Azotek Co., Ltd.	-	Financial assets at FVTOCI－noncurrent	2,006	7,345	4.01%	7,345	4.01%	
Konly	Stock ATS International Inc.	-	Financial assets at FVTOCI－noncurrent	1,667	-	5.15%	-	5.15%	
Konly	Stock Qisda	Related party	Financial assets at FVTOCI－noncurrent	10,145	199,859	0.52%	199,859	0.52%	
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 D8AI Holdings Corporation	-	Financial assets at FVTOCI－noncurrent	7,000	8,649	4.59%	8,649	5.00%	
Ronly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－current	600	-	1.22%	-	1.22%	
Ronly	Stock Exploit Technology Co., Ltd.	-	Financial assets at FVTPL－current	41	-	0.49%	-	0.49%	

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, 2018

(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 SSEC	Investments in equity-accounted investees	-	-	35,000	349,199	58,000	580,000	-	-	-	-	93,000	942,094	3
AUO	Stock CQIL	Investments in equity-accounted investees	The original shareholders	-	-	-	39,974	821,138	-	-	-	-	39,974	766,795	2
AUO	Stock Qisda	Financial assets at FVTOCI－noncurrent	-	-	186,364	3,941,588	148,867	3,418,633	-	-	-	-	335,231	6,604,041	1
AUO	Stock ACTW	Investments in equity-accounted investees	-	-	331,450	5,068,459	46,743	635,810	-	-	-	-	378,193	5,005,774	6
Konly	Stock ACTW	Investments in equity-accounted investees	-	-	53,577	819,283	-	-	43,455	591,081	591,545	-	10,122	133,974	6
DPSZ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 100,000	-	CNY 100,367	CNY 100,367	-	-	-	
FPWJ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 90,000	-	-	-	-	-	CNY 91,753	5
FTKS	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 370,000	-	CNY 102,331	CNY 102,331	-	-	CNY 274,091	5
ACTW	Stock SDMC	Investments in equity-accounted investees	-	-	-	-	151,834	2,338,470	-	-	-	-	116,836	1,987,129	4
AUO	Stock SDMC	Investments in equity-accounted investees	-	-	151,827	2,312,272	-	-	151,827	2,338,360	2,406,420	-	-	-	4

Note 1: The ending balance includes unrealized gain (loss) on equity investments at fair value through other comprehensive income.

Note 2: The acquisition amount of $69,864 thousand is to participate in CQIL's capital injection after the merger. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 3: The acquisition amount is to participate in SSEC's capital injection. The ending balance includes the recognition of investment gain (loss) and capital surplus under the equity method.

Note 4: a. 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.

b. The ending shares include the return of capital of SDMC totaling 34,998 thousand shares. The ending balance includes proceeds from return of capital, cash dividend, and the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 5: The ending balance includes the gain/loss on valuation of the financial asset.

Note 6: a. As part of a business restructuring, Konly and Ronly disposed its shareholdings in ACTW to AUO, respectively, during December 2018. This was treated as an equity transaction as there was no change in control of ACTW by the Company.

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Disposal of Individual Real Estate with Costs Exceeding NT$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms	Note
AUSK	Land and buildings	Nov-18	Feb-10	EUR 54,764	EUR 85,139	EUR 84,395	EUR 30,375	ZNO Slovakia s.r.o.	Third party	To enhance the utilization of assets	Real estate valuation report	None	
BVHF	Land and buildings	Dec-17	February 2011 to February 2017	CNY 433,171	CNY 483,322	CNY 483,322	CNY 50,151	Hefei Heng Chuang Intelligent Technology Co., Ltd.	Third party	To enhance the utilization of assets	Real estate valuation report	None	
FTKS	Land and buildings	Oct-17	August 2004 to December 2016	413,878	CNY 215,527	CNY 215,527	561,815	The Administration Committee of Kunshan Economic and Technology Development Zone	Third party	To meet the regulatory plan and urban construction plan required by Kunshan Economic and Technology Development Zone	Real estate valuation report	None	

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, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note 2)	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes/Accounts Receivable (Payable)	
AUO	ACTW	Subsidiary held by AUO and Konly	Purchases	125,605	-	OA 45 days	-		(15,837)	-	
AUO	AUCZ	Subsidiary 100% held by AULB	Purchases	398,004	-	OA 45 days	-		(57,498)	-	
AUO	AUKS	Subsidiary 51% held by AULB	Purchases	12,170,274	6%	OA 45 days	-		(2,019,995)	(3)%	
AUO	AULB	Subsidiary 100% held by AUO	Purchases	60,863,968	30%	OA 45 days	-		(21,213,644)	(35)%	
AUO	AUSK	Subsidiary 100% held by AULB	Purchases	118,955	-	OA 45 days	-		(14,925)	-	
AUO	BMC	Subsidiary of Qisda	Purchases	5,011,966	2%	OA 90 days	-		(1,350,707)	(2)%	
AUO	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	10,037,876	5%	OA 60 days	-		(2,431,371)	(4)%	
AUO	Daxin	Equity-accounted investee held by Konly and Ronly	Purchases	3,086,760	1%	OA 120 days	-		(1,078,356)	(2)%	
AUO	Qisda	AUO's director	Purchases	8,924,867	4%	OA 45 days	-		(1,539,995)	(3)%	
AUO	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	209,869	-	OA 120 days	-		(71,233)	-	
AUO	Raydium	Equity-accounted investee held by Konly	Purchases	904,598	-	OA 120 days	-		(427,851)	(1)%	
AUO	AUST	Subsidiary 100% held by AULB	Purchases	6,361,928	3%	OA 45 days	-		(1,025,313)	(2)%	
AUO	ACTW	Subsidiary held by AUO and Konly	Sales	(772,213)	-	OA 30 days	-		61,675	-	
AUO	BVXM	Subsidiary 100% held by AUXM	Sales	(1,036,445)	-	OA 45 days	-		229,242	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(3,590,347)	(1)%	EOM 55 days	-		532,512	1%	
AUO	CGPC	Subsidiary of SSEC	Sales	(259,246)	-	EOM 25 days	-		142,800	-	

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	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	(265,229)	-	EOM 45 days	-		31,259	-	
AUO	DPXM	Subsidiary 100% held by DPHK	Sales	(321,831)	-	EOM 45 days	-		21,667	-	
AUO	FGPC	Subsidiary of SSEC	Sales	(964,403)	-	EOM 25 days	-		196,141	-	
AUO	QCOS	Subsidiary of Qisda	Sales	(233,352)	-	EOM 55 days	-		41,401	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,732,441)	(3)%	EOM 55 days	-		1,347,828	3%	
AUO	SGPC	Subsidiary of SREC	Sales	(460,244)	-	EOM 25 days	-		316,757	1%	
AUO	TGPC	Subsidiary of SSEC	Sales	(184,534)	-	EOM 25 days	-		834	-	
ACMK	ACTW	Subsidiary held by AUO and Konly	Purchases	USD 43,008	93%	OA 60 days	-		USD (8,799)	(95)%	
AUCZ	AUO	Ultimate parent company	Sales	CZK (294,485)	(100)%	OA 45 days	-		CZK 45,547	100%	
AUKS	AUSZ	Subsidiary 100% held by AULB	Purchases	CNY 83,084	5%	OA 60 days	-		CNY (33,447)	(5)%	
AUKS	AUXM	Subsidiary 100% held by AULB	Purchases	CNY 46,302	3%	OA 60 days	-		CNY (648)	-	
AUKS	AUO	Ultimate parent company	Sales	CNY (2,682,858)	(100)%	OA 45 days	-		CNY 450,089	100%	
AULB	BMC	Subsidiary of Qisda	Purchases	USD 68,583	2%	OA 90 days	-		USD (18,854)	(2)%	
AULB	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	USD 67,437	2%	EOM 120 days	-		USD (24,222)	(2)%	
AULB	Qisda	AUO's director	Purchases	USD 82,680	2%	OA 120 days	-		USD (31,686)	(3)%	
AULB	Raydium	Equity-accounted investee held by Konly	Purchases	USD 126,863	3%	OA 120 days	-		USD (50,192)	(5)%	
AULB	AUO	Ultimate parent company	Sales	USD (2,015,977)	(100)%	OA 45 days	-		USD 922,752	98%	
AULB	AUXM	Subsidiary 100% held by AULB	Sales	USD (10,774)	-	OA 45 days	-		USD 8,503	1%	
AULB	AUSZ	Subsidiary 100% held by AULB	Sales	USD (12,025)	-	OA 45 days	-		USD 10,716	1%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note 2)	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes/Accounts Receivable (Payable)	
AUSH	AUO	Ultimate parent company	Sales	CNY (29,861)	(98)%	OA 45 days	-		-	-	
AUSJ	AULB	Subsidiary 100% held by AUO	Sales	CNY (82,301)	(100)%	OA 45 days	-		-	-	
AUSK	AUO	Ultimate parent company	Sales	EUR (3,738)	(69)%	OA 45 days	-		EUR 613	16%	
AUST	AUO	Ultimate parent company	Sales	USD (211,476)	(100)%	OA 45 days	-		USD 33,287	100%	
AUSZ	AULB	Subsidiary 100% held by AUO	Purchases	CNY 82,910	30%	OA 45 days	-		CNY (73,544)	(19)%	
AUSZ	AUKS	Subsidiary 51% held by AULB	Sales	CNY (83,084)	(4)%	OA 60 days	-		CNY 33,447	9%	
AUSZ	AULB	Subsidiary 100% held by AUO	Sales	CNY (1,758,886)	(95)%	OA 45 days	-		CNY 339,075	91%	
AUUS	AUO	Ultimate parent company	Sales	USD (5,082)	(100)%	OA 30 days	-		-	-	
AUXM	AULB	Subsidiary 100% held by AUO	Purchases	CNY 74,006	22%	OA 45 days	-		CNY (58,356)	(26)%	
AUXM	AUKS	Subsidiary 51% held by AULB	Sales	CNY (46,301)	(4)%	OA 60 days	-		CNY 648	-	
AUXM	AULB	Subsidiary 100% held by AUO	Sales	CNY (1,148,773)	(93)%	OA 45 days	-		CNY 235,260	95%	
AUXM	BVXM	Subsidiary 100% held by AUXM	Sales	CNY (24,240)	(2)%	OA 45 days	-		CNY 7,107	3%	
BVHF	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY 59,656	13%	EOM 120 days	-		CNY (20,754)	(6)%	
BVHF	Raydium	Equity-accounted investee held by Konly	Purchases	CNY 24,052	5%	EOM 90 days	-		CNY (6,360)	(2)%	
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY 89,387	19%	EOM 60 days	-		CNY (241,581)	(64)%	
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY (653,258)	(100)%	EOM 60 days	-		CNY 430,596	100%	
BVXM	DPXM	Subsidiary 100% held by DPHK	Purchases	CNY 38,496	11%	OA 120 days	-		CNY (15,928)	(14)%	
BVXM	AUXM	Subsidiary 100% held by AULB	Purchases	CNY 24,240	7%	OA 45 days	-		CNY (7,107)	(6)%	
BVXM	AUO	Ultimate parent company	Purchases	CNY 233,645	68%	OA 45 days	-		CNY (51,155)	(43)%	
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY 46,155	27%	EOM 60 days	-		CNY (10,055)	(28)%	
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY (244,732)	(84)%	EOM 90 days	-		CNY 69,383	82%	

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	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY 93,244	7%	EOM 120 days	-		CNY (42,159)	(5)%	
DPXM	AUO	Ultimate parent company	Purchases	CNY 69,600	5%	EOM 45 days	-		CNY (4,896)	(1)%	
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY 40,829	3%	EOM 60 days	-		CNY (368,034)	(47)%	
DPXM	BVXM	Subsidiary 100% held by AUXM	Sales	CNY (38,496)	(2)%	OA 120 days	-		CNY 15,928	2%	
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY (1,956,961)	(96)%	EOM 60 days	-		CNY 935,836	97%	
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY 219,491	31%	EOM 60 days	-		CNY (286,964)	(57)%	
FTWJ	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY 53,137	8%	EOM 120 days	-		CNY (19,693)	(4)%	
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY (825,281)	(82)%	EOM 90 days	-		CNY 551,170	87%	
M.Setek	ACTW	Subsidiary held by AUO and Konly	Sales	JPY (5,129,949)	(100)%	OA 45 days	-		JPY 1,969,947	100%	
ACTW	AUO	Ultimate parent company	Purchases	773,368	18%	OA 30 days	-		(61,675)	(7)%	
ACTW	M.Setek	Subsidiary 99.9991% held by SDMC	Purchases	1,400,989	33%	OA 45 days	-		(545,849)	(65)%	
ACTW	AUO	Ultimate parent company	Sales	(121,373)	(2)%	OA 45 days	-		15,867	1%	
ACTW	ACMK	Subsidiary 100% held by ACTW	Sales	(1,197,270)	(19)%	OA 60 days	-		271,015	25%	
UTI	AUO	Ultimate parent company	Sales	(165,959)	(74)%	OA 60 days	-		6,522	40%	
DPTW	AUO	Ultimate parent company	Purchases	261,444	1%	EOM 45 days	-		(30,133)	(1)%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note 2)	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes/Accounts Receivable (Payable)	
DPTW	FTWJ	Subsidiary 100% held by FTMI	Purchases	3,740,260	18%	EOM 90 days	-		(1,131,005)	(23)%	
DPTW	DPSZ	Subsidiary 100% held by DPHK	Purchases	1,116,381	5%	EOM 90 days	-		(301,590)	(6)%	
DPTW	DPXM	Subsidiary 100% held by DPHK	Purchases	8,869,212	42%	EOM 60 days	-		(2,356,456)	(47)%	
DPTW	EFOP	Equity-accounted investee held by DPTW	Purchases	1,449,636	7%	Payment in advanced	-		-	-	
DPTW	BVHF	Subsidiary 100% held by BVLB	Purchases	2,968,106	14%	EOM 60 days	-		(774,031)	(15)%	
DPTW	BVHF	Subsidiary 100% held by BVLB	Sales	(406,330)	(2)%	EOM 60 days	-		105,625	2%	
DPTW	QCES	Subsidiary of Qisda	Sales	(283,204)	(1)%	EOM 120 days	-		95,563	2%	
DPTW	AUO	Ultimate parent company	Sales	(10,115,728)	(48)%	OA 60 days	-		2,244,059	47%	
DPTW	AULB	Subsidiary 100% held by AUO	Sales	(2,015,968)	(10)%	EOM 120 days	-		746,099	16%	
DPTW	DPXM	Subsidiary 100% held by DPHK	Sales	(185,130)	(1)%	EOM 60 days	-		21,574	-	
DPTW	FTWJ	Subsidiary 100% held by FTMI	Sales	(1,002,942)	(5)%	EOM 60 days	-		204,056	4%	
DPTW	DPSZ	Subsidiary 100% held by DPHK	Sales	(210,629)	(1)%	EOM 60 days	-		39,520	1%	

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

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

AU OPTRONICS CORP. AND SUBSIDIARIES

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

December 31, 2018

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

Table 7

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	CGPC	Subsidiary of SSEC	142,800	3.63	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	532,512	5.54	329	Will be collected in next period	-	-
AUO	AUSZ	Subsidiary 100% held by AULB	1,003,168	-	439	Will be collected in next period	-	-
AUO	QCSZ	Subsidiary of Qisda	1,347,828	7.45	-	-	-	-
AUO	SGPC	Subsidiary of SREC	316,757	2.91	-	-	-	-
AUO	AUXM	Subsidiary 100% held by AULB	672,003	-	15	Will be collected in next period	-	-
AUO	FGPC	Subsidiary of SSEC	196,141	7.73	78,960	Will be collected in next period	-	-
AUO	BVXM	Subsidiary 100% held by AUXM	229,242	6.65	16,576	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 450,089	6.65	CNY 22,514	Collected in subsequent period	CNY 226,444	-
AULB	AUSK	Subsidiary 100% held by AULB	USD 32,601	(Note 2)	-	-	-	-
AULB	AUSZ	Subsidiary 100% held by AULB	USD 10,716	2.22	USD 3	Collected in subsequent period	USD 151	-
AULB	AUO	Ultimate parent company	USD 928,892	(Note 2)	USD 239,722	Collected in subsequent period	USD 399,074	-
AULB	AUXM	Subsidiary 100% held by AULB	USD 8,503	2.49	USD 28	Collected in subsequent period	USD 383	-
AUSJ	AUKS	Subsidiary 51% held by AULB	CNY 252,813	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 33,287	5.86	-	-	-	-
AUSZ	AUKS	Subsidiary 51% held by AULB	CNY 438,946	(Note 2)	CNY 9,000	Collected in subsequent period	CNY 15,367	-
AUSZ	AULB	Subsidiary 100% held by AUO	CNY 339,075	5.07	CNY 79,612	Collected in subsequent period	CNY 137,899	-
AUXM	AUKS	Subsidiary 51% held by AULB	CNY 204,068	(Note 2)	CNY 70	Will be collected in next period	-	-

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUXM	AULB	Subsidiary 100% held by AUO	CNY 235,260	5.49	CNY 56,559	Collected in subsequent period	CNY 88,459	-
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 430,608	(Note 2)	CNY 132,654	Collected in subsequent period	CNY 74,701	-
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 69,952	(Note 2)	CNY 13,602	Collected in subsequent period	CNY 6,793	-
DPSZ	AUKS	Subsidiary 51% held by AULB	CNY 101,353	(Note 2)	-	-	-	-
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 936,387	(Note 2)	-	-	CNY 225,757	-
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 551,170	1.41	-	-	CNY 136,443	-
M.Setek	ACTW	Subsidiary held by AUO and Konly	JPY 1,969,947	5.14	JPY 351,991	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary 99.9991% held by SDMC	253,680	-	-	-	-	-
ACTW	ACMK	Subsidiary 100% held by ACTW	271,028	(Note 2)	-	-	-	-
DPTW	AULB	Subsidiary 100% held by AUO	746,099	2.58	-	-	167,759	-
DPTW	FTWJ	Subsidiary 100% held by FTMI	1,289,509	(Note 2)	31,755	Collected in subsequent period	429,550	-
DPTW	DPXM	Subsidiary 100% held by DPHK	1,651,736	(Note 2)	571	Collected in subsequent period	1,038,715	-
DPTW	BVHF	Subsidiary 100% held by BVLB	1,084,214	(Note 2)	507	Will be collected in next period	-	-
DPTW	AUO	Ultimate parent company	2,244,059	4.99	193,164	Will be collected in next period	-	-

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Business Relationship between the Parent and the Subsidiaries and Significant Intercompany Transactions
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

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	2,682,858	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 45 days.	4%
1	AULB	AUO	Subsidiary to parent	Net revenue	USD	2,015,977	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 45 days.	20%
1	AULB	AUO	Subsidiary to parent	Receivables from related parties	USD	928,892	-	7%
2	AUST	AUO	Subsidiary to parent	Net revenue	USD	211,476	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 45 days.	2%
3	AUSZ	AULB	Subsidiary to subsidiary	Net revenue	CNY	1,758,886	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 45 days.	3%
4	AUXM	AULB	Subsidiary to subsidiary	Net revenue	CNY	1,148,773	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 45 days.	2%
5	BVHF	DPTW	Subsidiary to subsidiary	Net revenue	CNY	653,258	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	1,956,961	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days.	3%
6	DPXM	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY	936,387	-	1%
7	FTWJ	DPTW	Subsidiary to subsidiary	Net revenue	CNY	825,281	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days.	1%
7	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY	551,170	-	1%
8	DPTW	AUO	Subsidiary to parent	Net revenue		10,115,728	The prices of inter-company sales are not comparable with those of third parties. The credit term is OA 60 days.	3%
8	DPTW	AULB	Subsidiary to subsidiary	Net revenue		2,015,968	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 120 days.	1%
8	DPTW	AUO	Subsidiary to parent	Receivables from related parties		2,244,059	-	1%

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

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 9

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			The Highest Ownership during the Year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)				
AUO	AULB	Malaysia	Holding and trading company	59,058,698	59,058,698	1,882,189	100.00%	53,565,171	100.00%	971,698	857,785	Subsidiary
AUO	AUNL	Netherlands	Sales support of TFT-LCD panels	24,275	-	50	100.00%	25,464	100.00%	1,775	-	Subsidiary (Note 7)
AUO	Konly	Taiwan ROC	Venture capital investment	4,227,070	4,227,070	284,302	100.00%	5,296,190	100.00%	193,482	193,482	Subsidiary
AUO	Ronly	Taiwan ROC	Venture capital investment	1,778,692	1,778,692	149,412	100.00%	2,076,069	100.00%	59,387	59,387	Subsidiary
AUO	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	3,569,155	3,569,155	190,108	28.56%	3,369,060	28.56%	321,898	91,946	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,138,528	14,502,718	378,193	93.52%	5,005,774	93.52%	(638,203)	(530,635)	Subsidiary (Note 8)
AUO	SDMC	Taiwan ROC	Holding company	-	4,954,843	-	-	-	99.99%	237,563	20,675	Subsidiary (Note 4)
AUO	SREC	Taiwan ROC	Venture capital investment	379,040	473,800	37,904	32.01%	414,978	32.01%	88,937	28,472	Associate
AUO	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	881,076	881,076	78,418	15.33%	1,740,230	15.33%	49,292	7,551	Associate
AUO	SMI	Taiwan ROC	Sales of content management system and hardware; leasing	30,000	30,000	3,000	100.00%	29,272	100.00%	(659)	(659)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			The Highest Ownership during the Year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)				
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	50,000	50,000	5,000	100.00%	50,888	100.00%	1,682	1,682	Subsidiary
AUO	SSEC	Taiwan ROC	Holding company	930,000	350,000	93,000	31.00%	942,094	35.00%	41,302	13,487	Associate
AUO	CQIL	Israel	Holding company	821,138	-	39,974	100.00%	766,795	100.00%	(35,333)	(55,132)	Subsidiary
Konly	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	703,795	703,795	42,598	6.40%	754,916	6.40%	321,898	20,603	Subsidiary
Konly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	589,793	3,121,856	10,122	2.50%	133,974	13.25%	(638,203)	(78,728)	Subsidiary (Note 8)
Konly	SDMC	Taiwan ROC	Holding company	-	18,844	-	-	-	0.0005%	237,563	-	Subsidiary (Note 4)
Konly	SREC	Taiwan ROC	Holding company	17,760	22,200	1,776	1.50%	19,444	1.50%	88,937	1,334	Associate
Konly	Raydium	Taiwan ROC	IC design	175,857	175,857	11,454	17.63%	716,380	17.91%	561,869	99,333	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	492,348	18.61%	655,535	121,984	Associate
Konly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	450,674	450,674	26,133	5.11%	579,925	5.11%	49,292	2,516	Associate
Konly	LGPC	Taiwan ROC	Renewable energy power generation	-	100,000	-	-	-	100.00%	87	87	(Note 5)
Konly	CGPC	Taiwan ROC	Solar power generation	-	10,000	-	-	-	100.00%	(781)	(781)	(Note 6)
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	26.31%	18,116	26.31%	(11,370)	(7,944)	Associate
Konly	SSEC	Taiwan ROC	Holding company	60,000	20,000	6,000	2.00%	60,780	2.00%	41,302	826	Associate
Konly	WMI	Taiwan ROC	Developing and providing CRM APP	15,000	-	2,500	12.50%	14,041	12.50%	2,081	(729)	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	-	188	16.12%	43,346	16.12%	(11,878)	(2,662)	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	December 31, 2018: Shares	December 31, 2018: Percentage of Ownership	December 31, 2018: Carrying Amount (Note 1 and 2)	The Highest Ownership during the Year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
Ronly	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	845,510	845,510	40,509	6.09%	717,894	6.09%	321,898	19,592	Subsidiary
Ronly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	-	292,430	-	-	-	0.81%	(638,203)	(3,458)	Subsidiary (Note 8)
Ronly	SDMC	Taiwan ROC	Holding company	-	2,107	-	-	-	0.0004%	237,563	-	Subsidiary (Note 4)
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	162,592	6.15%	655,535	40,284	Associate
Ronly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	323,431	323,431	34,338	6.71%	762,023	6.71%	49,292	3,306	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	291,964	29.71%	141,027	41,898	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,384,080	92,267	100.00%	6,432,222	100.00%	6,014	21,786	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,544,294	22,006	100.00%	4,144,583	100.00%	489,776	597,366	Subsidiary
DPTW	FRVI	BVI	Holding company	274,700	274,700	8,200	100.00%	89,147	100.00%	4,322	4,152	Subsidiary
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	221,956	49.00%	(150)	(73)	Joint Venture
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	-	40	40.00%	6,830	40.00%	584	234	Associate
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	507,155	100.00%	44,131	44,131	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	-	116,836	100.00%	1,987,129	100.00%	237,563	186,296	Subsidiary (Note 4)
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,368	24,001,168	11,404,184	99.9991%	1,924,877	99.9991%	240,137	240,135	Subsidiary
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 1,902	100.00%	USD 83	USD 83	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,730	100.00%	USD 78	USD 78	Subsidiary
AULB	AUNL	Netherlands	Sales support of TFT-LCD panels	-	USD 59	-	-	-	100.00%	USD 59	USD 59	Subsidiary (Note 7)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			The Highest Ownership during the Year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)				
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 963	100.00%	USD 91	USD 91	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 14,233	100.00%	USD 484	USD 484	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 54,349	USD 54,349	-	100.00%	USD 67,675	100.00%	USD 30,747	USD 30,747	Subsidiary
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 321,161	USD 384,900	907,114	100.00%	USD 207,186	100.00%	USD 3,929	USD 3,929	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 5,619	100.00%	USD 169	USD 169	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 22,425	70.29%	USD 4,671	USD 3,283	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 86,685	USD 104,716	266,268	100.00%	USD 64,307	100.00%	USD 258	USD 258	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 9,510	9,510	100.00%	USD 815	100.00%	USD (21)	USD (21)	Subsidiary
AUSG	AENL	Netherlands	Sales support of solar-related products	USD 45	USD 45	-	100.00%	USD 189	100.00%	USD 21	USD 21	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 104,484	10	100.00%	USD 209,333	100.00%	USD 312	USD 312	Subsidiary (Note 9)
DPLB	DPSK	Slovakia Republic	Manufacturing, assembly and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 3,268	100.00%	USD (113)	USD (113)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 7,103	6,503	100.00%	USD 79,772	100.00%	USD 479	USD 479	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 14,440	100.00%	USD (573)	USD (573)	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 43,696	100.00%	USD 19,590	USD 19,590	Subsidiary
FHVI	FLMI	Mauritius	Holding company	-	USD 7,774	-	-	-	100.00%	USD 341	USD 341	(Note 5)
FRVI	FFMI	Mauritius	Holding company	USD 8,200	USD 8,200	653	100.00%	USD 1,259	100.00%	USD 143	USD 143	Subsidiary
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)
M.Setek	Langfang Songgong Semiconductor Co., Ltd.	PRC	Manufacturing and sales of monocrystalline solar wafers	JPY 619,952	JPY 619,952	-	56.00%	-	56.00%	-	-	Associate (Note 3)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			The Highest Ownership during the Year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)				
CQIL	CQHLD	United Kingdom	Holding company	USD 4,071	-	635,703	100.00%	USD (11,735)	100.00%	USD (1,201)	USD (1,201)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales support of content management system	-	-	-	100.00%	USD (2,380)	100.00%	USD 427	USD 427	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 1	-	1	100.00%	USD (8,384)	100.00%	USD (260)	USD (260)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	-	-	-	100.00%	USD (579)	100.00%	USD 584	USD 584	Subsidiary

Note 1: All inter-company transactions between 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, Konly and Ronly disposed all of their shareholdings in SDMC to ACTW during the second quarter of 2018.
Note 5: Have been liquidated.
Note 6: Konly disposed all its shareholdings in CGPC to SSEC, an associate of the Company, during the third quarter of 2018.
Note 7: As part of a business restructuring, AULB disposed all of its shareholdings in AUNL to AUO in December 2018.
Note 8: As part of a business restructuring, Konly and Ronly disposed its shareholdings in ACTW to AUO, respectively, in December 2018.
Note 9: The registration of the alteration of DPHK's common stock has not been completed.

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 10

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, 2018 (Note 2)	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of Investee (Note 4 and 5)	% Ownership through Direct or Indirect Investment	The Highest Ownership during the Year	Investor's Share of Profit (Loss) of Investee (Note 4 and 5)	Carrying Amount of the Investment as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
A-Care	Design, development and sales of software and hardware for health care industry	22,407	(Note 1)	-	-	-	-	(7,457)	100%	100%	(7,457)	15,065	-	
AETJ	Manufacturing and sales of solar modules	523,634	(Note 1)	-	-	-	-	54	100%	100%	54	52,847	-	
AUKS	Manufacturing and sales of TFT-LCD panels	29,600,722	(Note 1)	15,096,368	-	-	15,096,368	(4,826,713)	51%	51%	(2,461,624)	7,545,794	-	
AUSH	Sales support of TFT-LCD panels	92,406	(Note 1)	30,802	-	-	30,802	1,164	100%	100%	1,164	470,562	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules	3,326,616	(Note 1)	2,464,160	-	-	2,464,160	(131,634)	100%	100%	(201,026)	3,777,093	-	Note 7
AUSZ	Manufacturing and assembly of TFT-LCD modules	8,562,956	(Note 1)	6,160,400	-	-	6,160,400	1,528,417	100%	100%	1,505,364	13,029,267	-	Note 7
AUXM	Manufacturing and assembly of TFT-LCD modules	7,700,500	(Note 1)	7,700,500	-	-	7,700,500	866,160	100%	100%	856,698	13,121,357	-	Note 7
BVCH	Manufacturing and sales of liquid crystal products and related parts	450,897	(Note 1)	230,091	-	-	230,091	19,978	19%	19%	3,796	90,782	-	
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,262,407	(Note 1)	-	-	-	-	141,089	100%	100%	141,089	980,683	-	Note 6

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, 2018 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of Investee (Note 4 and 5)	% Ownership through Direct or Indirect Investment	The Highest Ownership during the Year	Investor's Share of Profit (Loss) of Investee (Note 4 and 5)	Carrying Amount of the Investment as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow								
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,688,780	(Note 1)	-	-	-	-	149,286	100%	100%	149,286	1,285,191	-	
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	8,963	(Note 1)	-	-	-	-	(2)	100%	100%	(2)	8,961	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	13,444	(Note 1)	-	-	-	-	(372)	100%	100%	(372)	13,079	-	
UFSZ	Planning, design and development of construction project for environmental protection and project management	17,925	(Note 1)	-	-	-	-	300	100%	100%	300	18,220	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2018 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
31,682,321 (USD1,028,580)	41,356,808 (USD1,335,003 and HKD60,000)	130,367,213

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 2018.

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

Note 7: The share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2018 both include the effect of sidestream transactions.

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, 2018 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of Investee (Note 2 and 6)	% Ownership through Direct or Indirect Investment	The Highest Ownership during the Year	Investor's Share of Profit (Loss) of Investee (Note 2 and 6)	Carrying Amount of the Investment as of December 31, 2018 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (Note 4)	Note
					Outflow	Inflow								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,262,407	(Note 1)	492,832	-	-	492,832	141,089	29.71%	29.71%	141,089	980,683	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	770,050	(Note 1)	462,030	-	-	462,030	56,544	100%	100%	56,544	1,846,236	1,026,211	Note 12
DPXM	Manufacturing and sales of backlight modules and related parts	2,156,140	(Note 1)	2,156,140	-	-	2,156,140	(57,989)	100%	100%	(57,989)	4,601,637	1,594,004	
FHWJ	Manufacturing of motorized treadmills	200,213	(Note 1)	252,576	-	-	252,576	4,322	100%	100%	4,322	38,760	-	
FPWJ	Manufacturing and sales of precision plastic parts	893,258	(Note 1)	585,238	-	-	585,238	(26,414)	100%	100%	(26,414)	662,485	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,108,872	(Note 1)	1,108,872	-	-	1,108,872	591,428	100%	100%	591,428	1,345,937	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	1,078,070	(Note 1)	200,213	-	-	200,213	(80,080)	100%	100%	(80,080)	2,239,397	433,524	Note 7
FLWJ	Manufacturing and sales of precision metal parts	-	(Note 1)	172,491	-	(172,491)	-	4,468	-	100%	4,468	-	71,005	Note 9
DPCD	Manufacturing and sales of backlight modules and related parts	-	(Note 1)	-	-	-	-	165	-	100%	165	-	21,532	Note 10
FTXM	Manufacturing and sales of	-	(Note 1)	18,481	-	(18,481)	-	3,113	-	100%	3,113	-	871,148	Note 11

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, 2018 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of Investee (Note 2 and 6)	% Ownership through Direct or Indirect Investment	The Highest Ownership during the Year	Investor's Share of Profit (Loss) of Investee (Note 2 and 6)	Carrying Amount of the Investment as of December 31, 2018 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (Note 4)	Note
					Outflow	Inflow								
	backlight modules and related parts													

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2018 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
5,257,901 (USD170,700)	5,800,109 (USD188,303)	7,076,909

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, 2018 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 2018.

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 paid-in capital of USD10,000 thousand injected from the offshore holding company was from FTWJ's appropriation of earnings remitted to the offshore holding company.

Note 9: The amount of accumulated inward remittance of earnings as of December 31, 2018 was the proceeds of USD2,305 thousand from FLWJ's return of residual capital upon liquidation (exclusive of the original investment amount of USD5,600 thousand).

Note 10: The amount of accumulated inward remittance of earnings as of December 31, 2018 was the proceeds from DPCD's return of residual capital upon liquidation.

Note 11: The amount of accumulated inward remittance of earnings as of December 31, 2018 included the proceeds of USD19,049 thousand (net of tax of USD360 thousand) from FTXM's return of earnings and residual capital upon liquidation in 2018 and the proceeds of USD9,233 thousand (net of tax of USD977 thousand) from the appropriation of earnings in 2016, but did not include the return of the original investment of USD600 thousand in 2018 and USD3,150 thousand in 2013.

Note 12: 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, 2018 and 2017

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.

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, 2018 and 2017, the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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", 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.

Recognition of deferred tax assets

Refer to Note 4(21) "Income taxes", Note 5(5) "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(26) "Income taxes" to the parent company only financial statements.

Description of key audit matter:

The recognition of deferred tax assets for the related unused tax losses, unused tax credits, and deductible temporary differences is based on management estimates of its future available taxable profits and the probability that the related deferred tax assets will be realized. 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 controls surrounding the Company's assessment process for recognition of deferred tax assets; understanding the components of the Company's deferred tax assets and assessing the management estimates for assumptions used in the future cash flow projection and future taxable profits calculation; retrospectively reviewing the accuracy of assumptions used in prior-period estimates of future cash flow projection and assessing whether there are any other matters that will affect the recognition of deferred tax assets; and assessing the adequacy of the Company's disclosures regarding its deferred tax asset recognition policy and other related disclosures.

Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers (policy applicable from January 1, 2018)", Note 4(19) "Revenue recognition", Note 6(19) "Revenue from contracts with customers", and Note 6(20) "Revenue" 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)
January 28, 2019

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, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 30,316,278	9	72,423,147	19
1110	Financial assets at fair value through profit or loss－current (Note 6(2))	52,434	-	36,373	-
1170	Accounts receivable, net (Note 6(5))	41,612,155	12	35,338,161	10
1180	Accounts receivable from related parties, net (Notes 6(5)&7)	4,625,330	1	2,014,346	1
1210	Other receivables from related parties (Note 7)	27,905	-	1,220,323	-
1220	Current tax assets	26,282	-	17,699	-
130X	Inventories (Note 6(6))	20,209,268	6	19,226,315	5
1476	Other current financial assets	304,164	-	20,746	-
1479	Other current assets (Note 6(12))	1,754,804	-	3,291,783	1
		98,928,620	28	133,588,893	36
	Noncurrent assets:				
1517	Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3))	6,604,041	2	-	-
1523	Available-for-sale financial assets－noncurrent (Note 6(4))	-	-	3,941,588	1
1550	Investments in equity-accounted investees (Notes 6(7)&(8))	73,281,985	21	74,112,669	20
1600	Property, plant and equipment (Notes 6(9),7&8)	148,448,632	43	141,796,990	38
1760	Investment property (Notes 6(10),(16)&8)	539,436	-	541,319	-
1780	Intangible assets (Note 6(11))	12,476,746	4	12,983,137	3
1840	Deferred tax assets (Note 6(26))	5,151,811	1	5,629,157	2
1900	Other noncurrent assets (Notes 6(12)&8)	1,973,250	1	1,508,134	-
		248,475,901	72	240,512,994	64
	Total assets	**$ 347,404,521**	**100**	**374,101,887**	**100**

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (Note 6(2))	$ 13,973	-	69,625	-
2170	Accounts payable	29,179,096	9	26,773,865	7
2180	Accounts payable to related parties (Note 7)	31,270,499	9	29,620,912	8
2213	Equipment and construction payable (Note 7)	7,125,831	2	5,935,402	2
2220	Other payables to related parties (Note 7)	224,886	-	256,813	-
2230	Current tax liabilities	1,267,055	-	512,602	-
2250	Provisions－current (Note 6(15))	1,395,690	-	749,501	-
2399	Other current liabilities	17,353,370	5	19,608,762	5
2322	Current installments of long-term borrowings (Notes 6(14)&8)	22,212,000	7	7,517,000	2
		110,042,400	32	91,044,482	24
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current installments (Notes 6(14)&8)	29,733,545	9	70,385,271	19
2550	Provisions－noncurrent (Note 6(15))	777,445	-	786,274	-
2570	Deferred tax liabilities (Note 6(26))	2,356,782	1	2,060,717	1
2600	Other noncurrent liabilities (Note 6(17))	1,631,634	-	1,670,775	-
		34,499,406	10	74,903,037	20
	Total liabilities	144,541,806	42	165,947,519	44
	Equity: (Note 6(18))				
3100	Common stock	96,242,451	28	96,242,451	26
3200	Capital surplus	60,622,043	17	60,540,326	16
3300	Retained earnings	46,845,991	13	51,115,529	14
3400	Other components of equity	(847,770)	-	256,062	-
	Total equity	202,862,715	58	208,154,368	56
	Total Liabilities and Equity	**$ 347,404,521**	**100**	**374,101,887**	**100**

See accompanying notes to the consolidated financial statements.

AU OPTRONICS CORP.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2018 Amount	2018 %	2017 Amount	2017 %
4110	**Revenue**	$ 295,131,127	101	322,136,372	101
4190	Less: sales return and discount	2,070,788	1	2,296,477	1
	Net revenue (Notes 6(19),(20)&7)	293,060,339	100	319,839,895	100
5000	**Cost of sales** (Notes 6(6),(16),(21),(22)&7)	266,682,541	91	260,253,394	81
	Gross profit	26,377,798	9	59,586,501	19
	Operating expenses: (Notes 6(16),(21),(22)&7)				
6100	Selling and distribution expenses	3,079,820	1	3,100,757	1
6200	General and administrative expenses	4,399,773	1	4,564,759	1
6300	Research and development expenses	7,864,641	3	8,607,714	3
	Total operating expenses	15,344,234	5	16,273,230	5
	Profit from operations	11,033,564	4	43,313,271	14
	Non-operating income and expenses:				
7010	Other income (Notes 6(23)&7)	1,397,091	-	1,120,880	-
7020	Other gains and losses (Notes 6(8),(9),(24)&7)	(152,891)	-	(757,058)	-
7050	Finance costs (Notes 6(9)&(25))	(980,812)	-	(1,704,032)	-
7060	Share of profit of equity-accounted investees (Note 6(7))	688,041	-	(1,966,326)	(1)
	Total non-operating income and expenses	951,429	-	(3,306,536)	(1)
7900	**Profit before income tax**	11,984,993	4	40,006,735	13
7950	**Less: income tax expense** (Note 6(26))	1,824,395	1	7,647,318	3
8200	**Profit for the year**	10,160,598	3	32,359,417	10
8300	**Other comprehensive income:** (Notes 6(7),(17),(18)&(26))				
8310	**Items that will never be reclassified to profit or loss**				
8311	Remeasurement of defined benefit obligations	(56,956)	-	(98,091)	-
8316	Unrealized loss on equity investments at fair value through other comprehensive income	(756,179)	-	-	-
8330	Equity-accounted investees – share of other comprehensive income	5,605	-	42	-
8349	Related tax	38,908	-	16,675	-
		(768,622)	-	(81,374)	-
8360	**Items that are or may be reclassified subsequently to profit or loss**				
8361	Foreign operations – foreign currency translation differences	1,685,563	1	(4,482,634)	(1)
8362	Net change in fair value of available-for-sale financial assets	-	-	1,136,818	-
8363	Effective portion of changes in fair value of cash flow hedges	-	-	(21,992)	-
8380	Equity-accounted investees – share of other comprehensive loss	(2,125,649)	(1)	2,567,058	1
8399	Related tax	133,370	-	277,440	-
		(306,716)	-	(523,310)	-
8300	**Other comprehensive income (loss), net of tax**	(1,075,338)	-	(604,684)	-
8500	**Total comprehensive income for the year**	$ **9,085,260**	**3**	**31,754,733**	**10**
	Earnings per share (NT$, Note 6(32))				
9750	Basic earnings per share	$ **1.06**		**3.36**	
9850	Diluted earnings per share	$ **1.04**		**3.24**	

See accompanying notes to the consolidated financial statements.

AU OPTRONICS CORP.
Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Capital Stock		Retained Earnings			Other Components of Equity					
	Common Stock	**Capital Surplus**	**Legal 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**	**Unrealized Gains (Losses) on Cash Flow Hedges**	**Subtotal**	**Total Equity**
Balance at January 1, 2017	$ 96,242,451	59,979,723	2,657,792	21,585,361	24,243,153	536,819	-	224,299	18,254	779,372	181,244,699
Appropriation of earnings											
Legal reserve	-	-	781,894	(781,894)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(5,389,577)	(5,389,577)	-	-	-	-	-	(5,389,577)
Profit for the year	-	-	-	32,359,417	32,359,417	-	-	-	-	-	32,359,417
Other comprehensive income (loss), net of tax	-	-	-	(81,374)	(81,374)	(1,657,788)	-	1,152,732	(18,254	(523,310)	(604,684)
Total comprehensive income for the year	-	-	-	32,278,043	32,278,043	(1,657,788)	-	1,152,732	(18,254	(523,310)	31,754,733
Adjustments to capital surplus and retained earnings for changes in investees' equity	-	42,407	-	(16,090)	(16,090)	-	-	-	-	-	26,317
Differences between consideration and carrying amount arising from disposal of interest in subsidiary	-	518,196	-	-	-	-	-	-	-	-	518,196
Balance at December 31, 2017	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 for the year	-	-	-	10,143,736	10,143,736	(306,716)	(751,760)	-	-	(1,058,476)	9,085,260
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 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

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Profit before income tax	$ 11,984,993	40,006,735
Adjustments for:		
- depreciation	20,870,071	22,902,707
- amortization	506,391	619,697
- interest expense	980,812	1,704,032
- interest income	(288,091)	(220,147)
- dividend income	(452,561)	(246,000)
- share of profit of equity-accounted investees	(688,041)	1,966,326
- losses (gains) on disposals of property, plant and equipment, net	(55,482)	101,697
- impairment losses on assets	4,470	958,373
- gains on financial instruments at fair value through profit and loss	(71,713)	(526,803)
- unrealized foreign currency exchange losses	434,330	506,915
- others	-	(25,532)
Changes in operating assets and liabilities:		
- accounts receivable	(6,056,978)	4,909,692
- receivables from related parties	(2,588,189)	805,441
- inventories	(982,953)	2,415,633
- other current assets	1,019,479	670,469
- accounts payable	1,838,466	(828,537)
- payables to related parties	1,617,660	3,196,536
- net defined benefit liability	(86,706)	(84,660)
- provisions	629,203	(866,773)
- other current liabilities	(2,265,052)	4,185,602
Cash generated from operations	26,350,109	82,151,403
Cash received from interest income	304,697	197,031
Cash received from dividends	1,191,234	954,095
Cash paid for interest	(871,657)	(1,594,689)
Cash paid for income taxes	(132,836)	(66,559)
Net cash provided by operating activities	26,841,547	81,641,281

(Continued)

AU OPTRONICS CORP.

Statements of Cash Flows (Continued)

For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through other comprehensive income	(3,418,633)	-
Acquisitions of equity-accounted investees	(2,061,398)	(400,000)
Proceeds from disposals of equity-accounted investees	2,338,360	1,243,000
Proceeds from return of capital by equity-accounted investees	94,760	3,999,767
Acquisitions of property, plant and equipment	(26,436,621)	(28,770,918)
Proceeds from disposals of property, plant and equipment	78,774	65,567
Increase in refundable deposits	(137,841)	(398,890)
Decrease (increase) in other financial assets	(5,161)	7,772
Decrease (increase) in other receivables from related parties	1,065,570	(1,065,570)
Net cash used in investing activities	(28,482,190)	(25,319,272)
Cash flows from financing activities:		
Proceeds from long-term borrowings	136,200	25,951,100
Repayments of long-term borrowings	(26,217,000)	(42,764,757)
Guarantee deposits refunded	-	(9,825)
Cash dividends	(14,436,368)	(5,389,577)
Others	33,304	-
Net cash used in financing activities	(40,483,864)	(22,213,059)
Effect of exchange rate change on cash and cash equivalents	17,638	(93,074)
Net increase (decrease) in cash and cash equivalents	(42,106,869)	34,015,876
Cash and cash equivalents at January 1	72,423,147	38,407,271
Cash and cash equivalents at December 31	$ 30,316,278	72,423,147

See accompanying notes to the consolidated financial statements

AU OPTRONICS CORP.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2018 and 2017
(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 since May 2002.

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 January 28, 2019.

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

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

In preparing the accompanying 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, 2018.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 2, *Share-based Payments - Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4, *Insurance Contracts - Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts*	January 1, 2018
IFRS 9, *Financial Instruments*	January 1, 2018
IFRS 15, *Revenue from Contracts with Customers*	January 1, 2018
Amendments to IAS 7, *Statement of Cash Flows - Disclosure Initiative*	January 1, 2017
Amendments to IAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IAS 40, *Transfers of Investment Property*	January 1, 2018
Annual Improvements to IFRSs 2014 – 2016 Cycle:	
Amendments to IFRS 12, *Disclosure of Interests in Other Entities*	January 1, 2017
Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* and amendments to IAS 28, *Investments in Associates and Joint Ventures*	January 1, 2018
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

a. IFRS 9, *Financial Instruments*

IFRS 9 replaces the current standards on accounting for financial instruments, IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 contains three principal classification categories for financial assets: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Under IFRS 9, the classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. This Standard eliminates the classification of financial assets under IAS 39 which are held to maturity, loans and receivables and available for sale. In addition, IAS 39 has an exception for the measurement of investments in equity instruments (and its derivatives) that do not have a quoted market price in an active market and for which fair value cannot therefore be measured reliably; such financial instruments are measured at cost. IFRS 9 removes this exception and requires that all equity instruments (and its derivatives) should be measured at fair value.

See note 4(6) for an explanation of the Company's accounting policies on how it classifies and measures financial assets and accounts for related gains and losses under IFRS 9. In addition, the adoption of IFRS 9 has not had a material impact on the Company's accounting policies related to financial liabilities.

Under IFRS 9, a new "expected credit loss" model is used to measure the impairment of financial assets, which replaces the "incurred loss" model in IAS 39. The new impairment model applies to financial assets at amortized cost and contract assets that result from transactions that are within the scope of IFRS 15, but not to investments in equity instruments.

See note 4(6) for an explanation of the Company's accounting policies related to the impairment of financial assets under IFRS 9.

Upon the initial application of IFRS 9, the Company elected not to restate comparative information for prior reporting period with respect to the classification and measurement (including impairment) changes. The cumulative effect of initially applying this Standard was recognized in retained earnings and the components of other equity as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following tables set out measurement categories, carrying amounts and related reconciliation for each class of the Company's financial assets as at January 1, 2018 when retrospectively applying IFRS 9 (no change in measurement categories and carrying amounts for financial liabilities).

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	IAS 39		IFRS 9		
	Measurement category	Carrying amount (in thousands)	Measurement category	Carrying amount (in thousands)	Note
Financial assets					
Cash and cash equivalents	Loans and receivables	$ 72,423,147	Amortized cost	$ 72,423,147	
Derivatives	Held for trading	36,373	Mandatorily at FVTPL	36,373	
Investments in equity instruments	Available-for-sale	3,941,588	FVTOCI	3,941,588	(i)
Receivables, net (including related parties)	Loans and receivables	38,572,830	Amortized cost	38,572,830	
Other financial assets, refundable deposits and restricted cash in banks	Loans and receivables	438,436	Amortized cost	438,436	

(in thousands)

	Carrying amount as of December 31, 2017 under IAS 39	Reclassifi-cation	Remeasure-ment	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018	Note
Financial assets at FVTOCI	$ -	-	-	-	-	-	
Equity instruments							
- Reclassification from available-for-sale financial assets (including financial assets carried at cost)	-	3,941,588	-	3,941,588	-	-	(i)
	$ -	3,941,588	-	3,941,588	-	-	

(in thousands)

	Carrying amount as of December 31, 2017 under IAS 39	Adjustments on initial application of new standards	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018	Note
Investments in equity-accounted investees	$ 74,112,669	(195)	74,112,474	73,020	(73,215)	(ii)

(i) The equity investments that previously classified as available-for-sale financial assets (including financial assets measured at cost) under IAS 39 were classified as at FVTPL or designated as at FVTOCI under IFRS 9 considering the Company's strategy for holding these equity investments. The related other equity－unrealized gains (losses) on available-for-sale financial assets of $1,397,726 thousand was reclassified to other equity－unrealized gains (losses) on financial assets at fair value through other comprehensive income.

(ii) In connection with the retrospective adjustment made upon initial application of IFRS 9 by subsidiaries and associates which account for using equity method, corresponding adjustments are made by the Company on January 1, 2018, which resulted in a decrease of investments in equity-accounted investees amounting to $195 thousand, a decrease in other equity－unrealized gains (losses) on financial

(Continued)

assets at fair value through other comprehensive income of $93,910 thousand, an increase in other equity－unrealized gains (losses) on available-for-sale financial assets of $20,695 thousand and an increase in retained earnings of $73,020 thousand.

b. IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, using a five-step model framework to determine the method, timing and amount of revenue recognized. This Standard replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and the related interpretations. See note 4(18) for an explanation of the relevant accounting policies. The nature and impact of the change in accounting policies are detailed below:

(i) Sales of goods

Under IFRS 15, revenue for the sale of goods is recognized when a customer obtains control of the goods. For contracts that permit a customer to return goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

For contracts with volume discounts to customers, under IFRS 15, 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.

Under IFRS 15, a refund liability (presented under other current liabilities) is measured at the amount of consideration received (or receivable) for which an entity does not expect to be entitled. The refund liability shall be updated at the end of each reporting period for changes in circumstances.

(ii) Rendering of services

Under IFRS 15, for rendering of services, the consideration of the entire contract is allocated on a basis of a relative stand-alone selling price of the services. The stand-alone selling price is determined based on the list price of service at which the Company sells that service separately.

The Company elected to apply this Standard retrospectively only to contracts that are not completed at the date of initial application, and elected not to restate the comparative information for prior reporting period. Upon the initial application of this Standard, there was no cumulative effect and no adjustment was made to retained earnings on January 1, 2018.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's parent company only financial statements for the year ended December 31, 2018.

(i) Related impacts to the balance sheets

	December 31, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	**Adjustments from changes in accounting policies**	**Carrying amount under IFRS 15**
		(in thousands)	
Accounts receivable, net	$ 39,765,687	1,846,468	41,612,155
Accounts receivable from related parties, net	4,625,330	-	4,625,330
Impacts to total assets		$ 1,846,468	
Other current liabilities	$ 15,506,902	1,846,468	17,353,370
Impacts to total liabilities		$ 1,846,468	

	January 1, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	**Adjustments from changes in accounting policies**	**Carrying amount under IFRS 15**
		(in thousands)	
Accounts receivable, net	$ 35,383,161	1,721,331	37,059,492
Accounts receivable from related parties, net	2,014,346	13,218	2,027,564
Impacts to total assets		$ 1,734,549	
Other current liabilities	$ 19,608,762	1,734,549	21,343,311
Impacts to total liabilities		$ 1,734,549	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Related impacts to the statement of cash flows

	For the year ended December 31, 2018		
	Carrying amount under IAS 18 and related standards and interpretations	**Adjustments from changes in accounting policies**	**Carrying amount under IFRS 15**
		(in thousands)	
Accounts receivable	$ (5,931,841)	(125,137)	(6,056,978)
Receivables from related parties	(2,601,407)	13,218	(2,588,189)
Other current liabilities	(2,376,971)	111,919	(2,265,052)
Impacts to net cash provided by (used in) operating activities		$ -	
Impacts to net increase (decrease) in cash and cash equivalents		$ -	

The above-mentioned reconciliation items represent volume discounts which the Company expects it may occur. Prior to the application of IFRS 15, the amount of the reconciliation item was recognized as a reduction of receivables. Under IFRS 15, such amount was recorded as a refund liability (presented under other current liabilities).

Notwithstanding the aforementioned difference, there are no material differences between the statement of comprehensive income prepared under IAS 18, IAS 11 and the related interpretations and the one prepared under IFRS 15 upon the initial application.

c. Amendments to IAS 7, *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company has disclosed a reconciliation between the opening and closing balances for liabilities with changes from financing activities in note 6(14) to meet the requirement as stated above.

(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. 1070324857 issued on July 17, 2018 by the FSC, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. 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 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

Except for the items discussed below, the Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

IFRS 16, *Leases*

IFRS 16 sets out the accounting standards for leases that will replace 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 will be classified within financing activities; cash payments for interest portion will be classified within operating activities.

When IFRS 16 becomes effective, as a lessee, the Company will apply 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 will not be restated. As a lessor, the Company is not required to make any adjustments for leases except it is an intermediate lessor in a sub-lease.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company has performed an assessment and identification over its current operating leases whether they are in scope of IFRS 16. The main impact to the Company may arise from its lease contracts of land and plant which are currently accounted as operating lease. Please refer to note 6(16) for the related disclosures. The Company has identified whether a contract that contains a lease meets the definition of a lease under this Standard, and if so, a right-of-use asset and a lease liability will be recognized. The Company estimated that the right-of-use asset and the lease liability would both increase by $10,788,985 thousand at January 1, 2019 as a result of the application of IFRS 16.

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

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

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 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.

(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) Available-for-sale financial assets measured at fair value (note 6(4)); and

(iv) Defined benefit asset (liability) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation (note 6(17)).

b. Functional and presentation currency

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

(3) Foreign currency

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized 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

(Continued)

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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Cash and cash equivalents

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

(6) Financial instruments

a. Financial assets (policy applicable from January 1, 2018)

(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

(Continued)

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.

(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.

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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. 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.

(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 assets (policy applicable before January 1, 2018)

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, receivables and available-for-sale financial assets.

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

The Company has certain financial assets to hedge its exposure to foreign exchange risk arising from operating and financing activities. When a financial asset is not effective as a hedge, the Company accounts for it as a financial asset at fair value through profit or loss.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, dividend income and foreign currency differences related to monetary financial assets, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available-for-sale financial assets. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss. A regular way, purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are carried at their cost less any impairment losses.

Cash dividends on equity instruments are recognized in profit or loss on the date that the Company's right to receive dividends is established.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequently, receivables are measured at amortized cost using the effective interest method, less any impairment. If the effect of discounting is immaterial, the short-term receivables are measured at the original amount.

(ii) Impairment of financial assets

Financial assets not measured at fair value through profit or loss are assessed at each reporting date for indicators of impairment. Financial assets are considered to be impaired if an objective evidence indicates that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of those assets have been negatively impacted.

When an available-for-sale equity security is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss. Such impairment losses are not reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other components of equity.

For receivables, the Company first assesses whether objective evidence of impairment exists that are individually significant. If there is objective evidence that an impairment loss has occurred, the amount of impairment loss is assessed individually. For receivables other than those aforementioned, the Company groups those assets and collectively assesses them for impairment. An impairment loss for trade receivables is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. If any subsequent recovery of receivable previously written off can be related objectively to an event occurring after the impairment loss was recognized, it is credited against the allowance account and recognized in profit or loss.

For equity instruments without a quoted market price in an active market, the objective evidence of impairment includes the investees' financial information, current operating result, future business plans and relevant industry and public market information. An impairment loss for this kind of equity instruments is reduced from the carrying amount and any impairment loss recognized is not reversed through profit or loss in subsequent periods.

Bad debt expenses and reversal of allowance for doubtful debts for trade receivables are recognized in general and administrative expenses while impairment losses and reversal of impairment for financial assets other than receivables are recognized in other gains and losses.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iii) De-recognition of financial assets

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

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

c. 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 and presented under non-operating income and expenses.

(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 and presented under non-operating income and expenses.

(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 and presented under non-operating income and expenses.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

d. 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 process 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

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

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from the acquisition, less any accumulated impairment losses.

The difference between acquisition cost and fair value of associates' 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 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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If an equity security is not acquired through cash, that is, by providing services or other assets, then the fair value of such security or the fair value of the services or assets surrendered, whichever is more objectively determinable, is the purchase price of the security. If an equity investment of associates is acquired by providing subsequent services and the cost is determined based on the fair value of such services, the Company defers and recognizes revenue using a reasonable amortization method over the future period when the service is rendered.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When an associate 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 as capital surplus provided that the ownership interest in the associate remains unchanged.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate, 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 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 associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced, 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 mentioned above.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to account for the investment using equity method and does not remeasure the interest previously held.

When the Company subscribes for additional shares in an associate 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. 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 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 is reduced due to circumstances as mentioned above, the proportionate amount of the gains or losses previously recognized in other comprehensive income relating to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture 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. Accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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Profits and losses resulting from the transactions between the Company and associates are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate, 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, other comprehensive income and equity in the parent company only financial statement are equal to the profit, 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) Investments in joint ventures

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 joint venture are accounted for in the Company's parent company only financial statements under the equity method.

(12) 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 based on the depreciable amount. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

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(13) 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

Excluding land, depreciation is provided over the estimated useful lives of the respective assets, considering significant components of an individual asset, on a straight-line basis less any residual value. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The 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.

The estimated useful lives of the assets, except for land are as follows:

(i) Buildings: 20~50 years

(ii) Machinery and equipment: 3~10 years

(iii) Other equipment: 3~6 years

(Continued)

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.

(14) Leases

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;

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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(iv) the probability that the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

c. Other intangible assets

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

d. Subsequent expenditure

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

e. Amortization

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

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

(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 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

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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.

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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

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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

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. Management periodically assesses the obligation of all litigation and claims and relative legal costs.

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

(18) Revenue from contracts with customers (policy applicable from January 1, 2018)

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.

(Continued)

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.

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) Revenue recognition

a. Goods sold (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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AU OPTRONICS CORP. AND SUBSIDIARIES

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The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

b. Government grants

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.

(20) Employee benefits

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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.

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Notes to Consolidated Financial Statements

(21) Income taxes

Income tax expense comprises current and deferred taxes.

a. Current taxes

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

In accordance with the ROC Income Tax Act, undistributed earnings, 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 each 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 each 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Business combinations

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

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

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

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

(23) Earnings per share

Basic earnings per share is computed by dividing profit or loss by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(24) 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 Estimation and Assumption Uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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) Realization 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 (applicable from January 1, 2018)

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) Estimate of allowance for sales returns and discounts (applicable before January 1, 2018)

The Company records a provision as the deduction of revenue for estimated future sales returns and other allowances in the same period the related revenue is recognized. Estimated sales returns and other allowances are generally made and adjusted based on historical experience, management’s judgment and any known factors that would significantly affect the allowance, and management periodically reviews the reasonableness of the estimates.

(8) 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.

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Notes to Consolidated Financial Statements

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

		December 31, 2018	December 31, 2017
		(in thousands)	
Cash on hand, demand deposits and checking accounts	$	19,180,244	32,210,938
Time deposits		11,136,034	33,707,074
Government bonds with reverse repurchase agreements		-	6,505,135
	$	30,316,278	72,423,147

Refer to note 6(29) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2018 and 2017, no cash and cash equivalents were pledged with banks as collaterals.

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

		December 31, 2018	December 31, 2017
		(in thousands)	
Financial assets mandatorily measured at FVTPL:			
Foreign currency forward contracts	$	52,434	-
Financial assets held for trading:			
Foreign currency forward contracts		-	36,373
	$	52,434	36,373
Financial liabilities held for trading:			
Foreign currency forward contracts	$	13,973	69,625

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to note 6(29) for the disclosure of the Company's credit and currency risks related to financial instruments. As of December 31, 2018 and 2017, the Company's outstanding foreign currency forward contracts were as follows:

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Notes to Consolidated Financial Statements

December 31, 2018		
Contract item	**Maturity date**	**Contract amount**
		(in thousands)
Sell USD / Buy NTD	Jan. 2019	USD 205,000 / NTD 6,305,641
Sell USD / Buy JPY	Jan. 2019	USD 112,000 / JPY 12,531,420
Sell NTD / Buy JPY	Jan. 2019 – Mar. 2019	NTD 2,054,260 / JPY 7,400,000
Sell EUR / Buy JPY	Jan. 2019	EUR 12,000 / JPY 1,536,180
Sell CNY / Buy JPY	Jan. 2019 – Feb. 2019	CNY 60,800 / JPY 981,383
Sell CNY / Buy USD	Jan.2018 – Feb.2019	CNY 853,328 / USD 124,000

December 31, 2017		
Contract item	**Maturity date**	**Contract amount**
		(in thousands)
Sell USD / Buy NTD	Jan. 2018 – Feb. 2018	USD 188,000 / NTD 5,626,355
Sell USD / Buy JPY	Jan. 2018 – Feb. 2018	USD 252,000 / JPY 28,230,187
Sell JPY / Buy NTD	Jan. 2018	JPY 10,000,000 / NTD 2,654,220
Sell EUR / Buy JPY	Jan. 2018 – Feb. 2018	EUR 65,000 / JPY 8,691,815
Sell CNY / Buy JPY	Jan. 2018 – Mar. 2018	USD 31,500 / JPY 532,493

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

	December 31, 2018
	(in thousands)
Investments in equity instruments at FVTOCI:	
Equity securities – listed stocks	$ 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, whereas, were presented under available-for-sale financial assets as of December 31, 2017. Please refer to note 6(4).

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by $660,404 thousand for the year ended December 31, 2018, respectively.

(4) Available-for-sale Financial Assets－noncurrent

	December 31, 2017
	(in thousands)
Equity securities – listed stocks	$ 3,941,588

Available-for-sale securities held by the Company were publicly traded equity shares. If the share price of these securities appreciates or depreciates by 10% at the reporting date, other comprehensive

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

income would increase or decrease by $394,159 thousand for the year ended December 31, 2017, respectively.

The abovementioned investments held by the Company were presented under financial assets at FVTOCI (refer to note 6(3)) as of December 31, 2018.

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

		December 31, 2018	December 31, 2017
		(in thousands)	
Accounts receivable	$	46,252,776	38,708,016
Less: loss allowance		(15,291)	(19,589)
Less: allowance for sales returns and discounts		-	(1,335,920)
	$	46,237,485	37,352,507
Accounts receivable, net	$	41,612,155	35,338,161
Accounts receivable from related parties, net	$	4,625,330	2,014,346

As of December 31, 2018, 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 as of December 31, 2018, which was measured based on the aforementioned method, was as follows:

		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

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AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In addition, the Company recognized a loss allowance amounting to $14,654 thousand as of December 31, 2018 for accounts receivable with gross carrying amount of $14,654 thousand, as there was objective evidence indicating that, under reasonable expectation, it would not be recovered in total.

As of December 31, 2017, the Company measured the allowance for doubtful debts for accounts receivable using the incurred loss model. Aging analysis of accounts receivable, which were past due but not impaired, as of December 31, 2017, was as follows:

		December 31, 2017
		(in thousands)
Past due less than 60 days	$	464,351
Past due 61~180 days		4,183
	$	468,534

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

		For the years ended December 31,		
			2017	
		2018	Individually assessed for impairment	Collectively assessed for impairment
			(in thousands)	
Balance at beginning of the year (IAS 39)	$	19,589	12,765	6,824
Adjustments on initial application of IFRS 9		-		
Provisions (reversals) charged to (against) expense		(4,298)	-	-
Balance at end of the year	**$**	**15,291**	**12,765**	**6,824**

The payment terms granted to customers are generally 30 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(29).

As at December 31, 2018 and 2017, the Company did not sell its trade receivables to banks.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Inventories

		December 31,	
		2018	2017
		(in thousands)	
Finished goods	$	7,585,386	8,136,934
Work-in-progress		10,467,651	8,794,661
Raw materials		2,156,231	2,294,720
	$	20,209,268	19,226,315

For the years ended December 31, 2018 and 2017, the amounts recognized as cost of sales in relation to inventories were $266,682,541 thousand and $260,253,394 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to $922,443 thousand and $80,587 thousand for the years ended December 31, 2018 and 2017, respectively.

As at December 31, 2018 and 2017, none of the Company's inventories was pledged as collateral.

(7) Investments in equity-accounted Investees

		December 31,	
		2018	2017
		(in thousands)	
Subsidiaries	$	70,184,683	71,500,434
Associates		3,097,302	2,612,235
	$	73,281,985	74,112,669

a. Subsidiaries

Refer to consolidated financial statements for the year ended December 31, 2018 and 2017 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,	
		2018	2017
		(in thousands)	
The Company's share of subsidiaries':			
Profit (loss) for the year	$	638,531	(2,014,868)
Other comprehensive income for the year		(427,892)	(1,919,518)
Total comprehensive income (loss) for the year	$	210,639	(3,934,386)

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Notes to Consolidated Financial Statements

b. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2018 Amount	December 31, 2018 Ownership interest	December 31, 2017 Amount	December 31, 2017 Ownership interest
			(in thousands)	%	(in thousands)	%
Lextar Electronics Corp. ("Lextar")	Manufacturing and sales of Light Emitting Diode	Taiwan ROC	$ 1,740,230	15	$ 1,753,090	15
Star River Energy Corp. ("SREC")	Holding company	Taiwan ROC	414,978	32	509,946	32
Star Shining Energy Corp. ("SSEC")	Holding company	Taiwan ROC	942,094	31	349,199	35
			$ 3,097,302		$ 2,612,235	

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, 2018	For the years ended December 31, 2017
	(in thousands)	
The Company's share of associates':		
Profit for the year	$ 49,510	48,542
Other comprehensive loss for the year	(6,588)	(35,309)
Total comprehensive income for the year	$ 42,922	13,233

As at December 31, 2018 and 2017, none of the Company's investments in equity-accounted investees was pledged as collateral.

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Notes to Consolidated Financial Statements

(8) Acquisition of Subsidiaries

In March 2018, the Company obtained control over ComQi 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 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.

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

a. Consideration transferred

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

In accordance with the terms of the contingent consideration, in the event that ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 are greater than the agreed revenue targets in the agreement, the Company will 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 may have to pay in the future is 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%.

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AU OPTRONICS CORP. AND SUBSIDIARIES

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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.

b. Identifiable assets acquired and liabilities assumed

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

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

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

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

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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Property, Plant and Equipment

	For the year ended December 31, 2018				
	Balance, Beginning of Year	Additions	Disposal or write off	Reclassification	Balance, End of Year
			(in thousands)		
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	(5,743,0020)	-	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

	For the year ended December 31, 2017				
	Balance, Beginning of Year	Additions	Disposal or write off	Reclassification	Balance, End of Year
			(in thousands)		
Cost:					
Land	$ 5,785,702	558,956	-	-	6,344,658
Buildings	87,649,494	-	-	-	87,649,494
Machinery and equipment	662,411,932	1,237,617	(8,555,790)	6,209,081	661,302,840
Other equipment	20,814,990	3,061,241	(5,127,191)	328,796	19,077,836
	776,662,118	4,857,814	(13,682,981)	6,537,877	774,374,828
Accumulated depreciation and impairment loss:					
Land and buildings	19,362,830	1,795,250	-	-	21,158,080
Machinery and equipment	607,605,792	17,802,079	(8,405,113)	-	617,002,758
Other equipment	16,438,235	4,261,870	(5,103,190)	-	15,596,915
	643,406,857	23,859,199	(13,508,303)	-	653,757,753
Prepayments for purchase of land and equipment, and construction in progress	2,178,718	25,539,074	-	(6,537,877)	21,179,915
Net carrying amounts	$ 135,433,979				141,796,990

As of December 31, 2018 and 2017, 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 2017, the Company wrote down certain machineries and equipment with low utilization resulting

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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from the decline in the application for certain products associated with its display segment and recognized an impairment loss of $895,954 thousand.

In 2018 and 2017, the Company wrote down certain long-term assets with lower capacity utilization associated with its energy segment and recognized impairment losses of $4,470 thousand and $62,419 thousand, respectively.

The capitalized borrowing costs were $290,262 thousand and $100,549 thousand for the years ended December 31, 2018 and 2017, respectively. The interest rates applied for the capitalization, ranged from 1.73% to 1.91% and 1.53% to 1.98% for the years ended December 31, 2018 and 2017, respectively.

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

(10) Investment Property

	For the year ended December 31, 2018			
	Balance, Beginning of Year	Additions	Disposal	Balance, End of Year
Cost:	(in thousands)			
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

	For the year ended December 31, 2017			
	Balance, Beginning of Year	Additions	Disposal	Balance, End of Year
Cost:	(in thousands)			
Land	$ 465,868	-	-	465,868
Buildings	96,000	-	-	96,000
	$ 561,868	-	-	561,868
Accumulated depreciation:				
Buildings	$ 18,668	1,881	-	20,549
Net carrying amounts	$ 543,200			541,319
Fair Value	$ 1,480,369			1,502,896

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

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

Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land. The overall capital interest rate and the rate of return used in the valuation were 1.86% and 10%, respectively.

Certain investment property were pledged as collateral, see note 8.

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AU OPTRONICS CORP.AND SUBSIDIARIES

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(11) Intangible Assets

		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:					
Goodwill					
Patent and technology fee		10,376,225	506,391	-	10,882,616
Net carrying amounts	$	12,983,137			12,476,746

		For the year ended December 31, 2017			
		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		9,756,528	619,697	-	10,376,225
Net carrying amounts	$	13,602,834			12,983,137

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,	
		2018	2017
		(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.

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

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The key assumptions used in the estimation of the recoverable amount included discount rate and terminal growth rate. The annual discount rate for the year 2018 and 2017 were 11.57% and 11.35%, respectively, based on industry weighted average cost of capital. The cash flow projection for the year 2018 and 2017 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 of negative 1% for subsequent years, 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 assessments for the years ended December 31, 2018 and 2017, no impairment losses were recognized as the recoverable amount of the cash-generating unit was higher than its carrying value.

(12) Other Current Assets and Other Noncurrent Assets

		December 31, 2018	December 31, 2017
		(in thousands)	
Refundable and overpaid tax	$	414,004	559,496
Refundable deposits		585,697	416,606
Prepayments for purchases		373,119	1,968,726
Others		2,355,234	1,855,089
		3,728,054	4,799,917
Less: current		(1,754,804)	(3,291,783)
Noncurrent	$	1,973,250	1,508,134

(13) Short-term Borrowings

		December 31, 2018	December 31, 2017
		(in thousands)	
Unused credit facility	$	9,831,986	8,610,657

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2018	December 31, 2017
		(in thousands)	
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2015 to Aug. 2019	$ 5,912,000	22,704,000
Bank of Taiwan and others	From Apr. 2016 to Apr. 2021	36,175,000	37,500,000
Bank of Taiwan and others	From May 2017 to May 2022	10,000,000	10,000,000
Unsecured loans	From May 2016 to Aug. 2023	300,000	8,100,000
		52,387,000	78,304,000
Less: transaction costs		(441,455)	(401,729)
		51,945,545	77,902,271
Less: current portion		(22,212,000)	(7,517,000)
		$ 29,733,545	70,385,271
Unused credit facility		$ 75,120,300	36,621,547
Interest rate range		**1.5991%~ 1.9598%**	**1.2860%~ 1.7895%**

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, 2018.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company’s annual consolidated financial statements prepared in accordance with Taiwan Financial Reporting Standards, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2018 and 2017, the Company complied with all financial covenants required under each of the loan agreements.

Refer to note 6(29) for detailed information of exposures to interest rate, currency, and liquidity risks. Refer to note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

		Long-term borrowings	Short-term borrowings	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

(15) Provisions

		Warranties[i]	Litigation and claims	Others	Total
			(in thousands)		
Balance at January 1, 2018	$	1,446,255	89,520	-	1,535,775
Additions (Reversals)		55,884	336,601	305,510	697,455
Usage		(68,252)	-	-	(68,252)
Effect of change in exchange rate		-	5,647	2,510	8,157
Balance at December 31, 2018		1,433,887	431,228	308,020	2,173,135
Less: current		(656,442)	(431,228)	(308,020)	(1,395,690)
Noncurrent	$	777,445	-	-	777,445
Balance at January 1, 2017	$	1,378,941	1,027,327	-	2,406,268
Additions (Reversals)		190,144	90,945	-	281,089
Usage		(122,830)	(1,025,032)	-	(1,147,862)
Effect of change in exchange rate		-	(3,720)	-	(3,720)
Balance at December 31, 2017		1,446,255	89,520	-	1,535,775
Less: current		(659,981)	(89,520)	-	(749,501)
Noncurrent	$	786,274	-	-	786,274

(i) The provisions for warranties for the years ended December 31, 2018 and 2017 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(16) Operating Leases

a. Lessees

Future minimum lease payments under non-cancellable operating leases as of December 31, 2018 and 2017 were as follows:

		December 31, 2018	December 31, 2017
		(in thousands)	
Less than one year	$	570,122	565,046
Between one and five years		2,076,520	2,185,705
More than five years		1,198,438	1,445,412
	$	3,845,080	4,196,163

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 and $706,655 thousand for the years ended December 31, 2018 and 2017, respectively.

b. 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 and 2017 were as follows:

		December 31, 2018	December 31, 2017
		(in thousands)	
Less than one year	$	21,684	21,684
Between one and five years		45,840	32,208
More than five years		71,126	79,178
	$	138,650	133,070

(Continued)

In addition to the above-mentioned, the Company also leased partial offices to others. See note 6(23) for rental income for the years ended December 31, 2018 and 2017. Repair and maintenance expenses incurred from aforementioned operating leases for the years ended December 31, 2018 and 2017 amounted to $3,059 thousand and $3,089 thousand, respectively.

(17) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, the Company has established 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,	
		2018	**2017**
		(in thousands)	
Present value of defined benefit obligation	$	(3,224,379)	(3,099,874)
Fair value of plan assets		2,367,273	2,213,018
Net defined benefit liability	$	**(857,106)**	**(886,856)**

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

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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)	
	2018	2017	2018	2017	2018	2017
			(in thousands)			
Balance at January 1,	$ (3,099,874)	(2,979,116)	2,213,018	2,105,690	(886,856)	(873,426)
Included in profit or loss						
Service cost	(1,935)	(2,487)	-	-	(1,935)	(2,487)
Interest cost	(49,598)	(53,624)	-	-	(49,598)	(53,624)
Expected return on plan assets	-	-	35,408	37,902	35,408	37,902
	(51,533)	(56,111)	35,408	37,902	(16,125)	(18,209)
Included in other comprehensive income						
Remeasurements (loss) gain:						
Actuarial (loss) gain arising from:						
- demographic assumptions	(15,795)	(21,054)	-	-	(15,795)	(21,054)
- financial assumptions	(178,212)	(126,708)	-	-	(178,212)	(126,708)
- experience adjustment	84,437	66,016	-	-	84,437	66,016
Return on plan assets excluding interest income	-	-	52,614	(16,345)	(52,614)	(16,345)
	(109,570)	(81,746)	52,614	(16,345)	(56,956)	(98,091)
Other						
Contributions paid by the employer	-	-	102,831	102,870	102,831	102,870
Benefits paid	36,598	17,099	(36,598)	(17,099)	-	-
Others	36,598	17,099	66,233	85,771	102,831	102,870
Balance at December 31,	**$ (3,224,379)**	**(3,099,874)**	**2,367,273**	**2,213,018**	**(857,106)**	**(886,856)**

(iii)

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, 2018, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to $2,367,273 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iv) Defined benefit obligation

(a) Principal actuarial assumptions

	December 31, 2018	December 31, 2017
Discount rate	1.22%	1.60%
Rate of increase in future salary	2.90%	3.00%

The Company anticipates contributing $102,831 thousand to the defined benefit plans in the next year starting from January 1, 2019.

As at December 31, 2018, the weighted-average duration of the defined benefit obligation was 20 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2018 and 2017 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, 2018 Changes in assumptions		December 31, 2017 Changes in assumptions	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	(in thousands)		(in thousands)	
Discount rate	$ (159,872)	169,102	(158,544)	167,984
Rate of increase in future salary	$ 165,850	(157,706)	165,222	(156,819)

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, 2018 and 2017, $942,864 thousand and $929,853 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the Labor Insurance.

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Notes to Consolidated Financial Statements

(18) 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, 2018 and 2017.

The Company's issued and outstanding common stock, with par value of $10 per share, both amounted to $96,242,451 thousand as at December 31, 2018 and 2017.

The Company's ADSs were listed on the New York Stock Exchange. Each ADS represents 10 shares of common stock. As of December 31, 2018, the Company has issued 51,674 thousand ADSs, which represented 516,741 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

		December 31,	
		2018	**2017**
		(in thousands)	
From common stock	$	52,756,091	52,756,091
From convertible bonds		6,049,862	6,049,862
From others		1,816,090	1,734,373
	$	**60,622,043**	**60,540,326**

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

c. Legal reserve

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

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

d. Distribution of earnings

In accordance with the Company's Articles of Incorporation, where 10 percent of the annual earnings, after payment of income taxes and offsetting accumulated deficits, if any, shall be set aside as a legal reserve until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed after the earnings distribution plan proposed by the board of directors is approved by resolution of 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, while taking into account shareholders' interest, maintenance of balanced dividend and the Company's long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of the Company, dividend to be distributed shall be no less than 20% of the current-year retained earnings available for distribution. If the current-year retained earnings available for distribution do not reach 2% of the paid-in capital of the Company, the Company may decide not to distribute dividend. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year. The dividend distribution ratio aforementioned could be adjusted by the shareholders' meeting 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 2016 had been approved in the shareholders' meeting held on June 15, 2017. The appropriations and dividends per share were as follows:

		For fiscal year 2016	
		Appropriation of earnings	**Dividends per share**
		(in thousands, except for per share data)	
Legal reserve	$	781,894	
Cash dividends to shareholders		5,389,577	$0.56
	$	**6,171,471**	

The aforementioned appropriation of earnings for 2016 was consistent with the resolutions of the board of directors' meeting held on March 22, 2017.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Other components of equity

		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)**

		Cumulative translation differences	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) on cash flow hedges	Total
		(in thousands)			
Balance at January 1, 2017	$	536,819	224,299	18,254	779,372
Foreign operations – foreign currency translation differences		(4,482,634)	-	-	(4,482,634)
Effective portion of changes in fair value of cash flow hedges		-	-	(21,992)	(21,992)
Net change in fair value of available-for-sale financial assets		-	1,136,818	-	1,136,818
Equity-accounted investees – share of other comprehensive income	-	2,551,144	15,914	-	2,567,058
Related tax		273,702	-	3,738	277,440
Balance at December 31, 2017	**$**	**(1,120,969)**	**1,377,031**	**-**	**256,062**

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(19) Revenue from Contracts with Customers

		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

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

Refer to note 6(20) for revenue related information for the year ended December 31, 2017.

(20) Revenue

		For the year ended December 31, 2017
		(in thousands)
Sale of goods	$	310,000,538
Other operating revenue		9,839,357
	$	319,839,895

Refer to note 6(19) for the disaggregation of revenue for the year ended December 31, 2018.

Refer to the consolidated financial statements for segment revenue information for the year ended December 31, 2017.

(Continued)

(21) 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 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 board of directors. For the years ended December 31, 2018 and 2017, the Company estimated the remuneration to employees amounting to $1,215,696 thousand and $4,062,114 thousand, respectively. 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 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.

Remuneration to employees and directors for 2016 in the amounts of $1,107,486 thousand and $24,226 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 22, 2017. The aforementioned approved amounts are the same as the amounts charged against earnings of 2016.

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

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2018			2017		
	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	16,109,604	5,554,392	21,663,996	18,837,334	6,612,117	25,449,451
Labor and health insurances	1,394,015	407,740	1,801,755	1,379,609	400,451	1,780,060
Retirement benefits	707,531	251,458	958,989	702,969	245,093	948,062
Remuneration to directors	-	58,713	58,713	-	168,886	168,886
Other employee benefits	1,236,157	242,955	1,479,112	1,197,272	219,536	1,416,808
Depreciation(i)	18,424,568	2,443,620	20,868,188	19,925,544	2,975,282	22,900,826
Amortization	506,391	-	506,391	619,697	-	619,697

(i) The above depreciation did not include the depreciation of investment property.

The Company had 23,261 and 24,277 employees, including both 7 non-employee directors as of December 31, 2018 and 2017, respectively.

(23) Other Income

		For the years ended December 31,	
		2018	2017
		(in thousands)	
Interest income on bank deposits	$	259,588	200,560
Interest income on government bonds with reverse repurchase agreements and others		28,503	19,587
Rental income, net		364,893	345,576
Dividend income		452,561	246,000
Grants and Others		291,546	309,157
	$	1,397,091	1,120,880

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Notes to Consolidated Financial Statements

(24) Other Gains and Losses

		For the years ended December 31, 2018	2017
		(in thousands)	
Foreign exchange losses, net	$	(111,958)	(1,093,680)
Gains on valuation of financial instruments at FVTPL, net		549,805	1,475,591
Gains (losses) on disposals of property, plant and equipment, net		55,482	(101,697)
Impairment losses on assets		(4,470)	(958,373)
Litigation losses and others		(647,750)	(78,899)
	$	(152,891)	(757,058)

(25) Finance Costs

		For the years ended December 31, 2018	2017
		(in thousands)	
Interest expense on bank borrowings	$	851,067	1,559,195
Interest expense on others		129,745	144,837
	$	980,812	1,704,032

(26) Income Taxes

According to the amendment to the ROC Income Tax Act enacted on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable to the Company starting from fiscal year 2018 and beyond.

a. Income tax expenses

The components of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

		For the years ended December 31, 2018	2017
		(in thousands)	
Current income tax expense:			
Current year	$	1,266,731	168,593
Adjustment to prior years		(388,025)	193
		878,706	168,786
Deferred tax expense (benefit):			
Temporary differences		(413,271)	32,347
Investment tax credit and tax losses carryforwards		1,911,841	7,446,185
Effect of changes in statutory income tax rate		(552,881)	-
		945,689	7,478,532
Total income tax expense	$	1,824,395	7,647,318

(Continued)

AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		For the years ended December 31,	
		2018	**2017**
		(in thousands)	
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	$	(38,908)	(16,675)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		241,618	(762,048)
Cash flow hedges		-	(3,738)
Equity-accounted investees – share of other comprehensive incom		(374,988)	488,346
	$	**(133,370)**	**(277,440)**

Reconciliation of the expected income tax expense (benefit) calculated based on the ROC statutory income tax rate compared with the actual income tax expense (benefit) as reported in the statements of comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

		For the years ended December 31,	
		2018	**2017**
		(in thousands)	
Income tax expense at statutory tax rate	$	2,396,999	6,801,145
Tax on undistributed earnings, net		1,266,731	146,123
Effect of changes in statutory income tax rate		(552,881)	-
Net of non-taxable income and non-deductible expense		(67,590)	(147,606)
Effect of change of unrecognized deductible temporary differences, tax losses carryforwards, and investment tax credits		(830,839)	824,992
Adjustments to prior year		(388,025)	193
Additional income tax under the Alternative Minimum Tax Act		-	22,471
Income tax expense	$	1,824,395	7,647,318

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Deferred tax assets and liabilities

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

		December 31, 2018	December 31, 2017
		(in thousands)	
Deductible temporary differences	$	253,978	338,646
Unused tax losses carryforwards		11,276,085	10,331,010
	$	**11,530,063**	**10,669,656**

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2018, 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)	
2012	$	9,155,302	2022
2015		2,100,232	2025
2016		20,551	2026
	$	**11,276,085**	

As of December 31, 2018, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $15,301 thousand.

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AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
			(in thousands)			
Tax losses carryforwards	$ 2,650,785	3,878,232	-	-	2,650,785	3,878,232
Unrealized loss and expenses	303,467	251,516	(2,586)	(59,650)	300,881	191,866
Inventories write-down	809,322	531,108	-	-	809,322	531,108
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,213,429)	(1,881,415)	(2,213,429)	(1,881,415)
Remeasurement of defined benefit plans	194,838	155,930	-	-	194,838	155,930
Others	1,193,399	812,371	(140,767)	(119,652)	1,052,632	692,719
	$ 5,151,811	5,629,157	(2,356,782)	(2,060,717)	2,795,029	3,568,440

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
				(in thousands)			
Deferred tax assets (liabilities):							
Investment tax credits	$ 11,324,417	(7,446,185)	-	3,878,232	(1,227,447)	-	2,650,785
Unrealized loss and expenses	188,144	3,722	-	191,866	109,015	-	300,881
Inventories write-down	517,408	13,700	-	531,108	278,214	-	809,322
Accumulated amortization of goodwill in accordance with local tax laws	(1,881,415)	-	-	(1,881,415)	(332,014)	-	(2,213,429)
Remeasurement of defined benefit plans	139,255	-	16,675	155,930	-	38,908	194,838
Cash flow hedges	(3,738)	-	3,738	-	-	-	-
Others	468,786	(49,769)	273,702	692,719	226,543	133,370	1,052,632
	$ 10,752,857	(7,478,532)	294,115	3,568,440	(945,689)	172,278	2,795,029

c. Assessments by the tax authorities

As of December 31, 2018, the tax authorities have completed the examination of income tax returns of the Company through 2016.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(27) Earnings per Share

		For the years ended December 31,	
		2018	2017
		(in thousands, except for per share data)	
Basic earnings per share			
Profit attributable to shareholders	$	10,160,598	32,359,417
Weighted-average number of common shares outstanding during the year		9,624,245	9,624,245
Basic earnings per share	$	1.06	3.36
Diluted earnings per share			
Profit attributable to shareholders	$	10,160,598	32,359,417
Weighted-average number of common shares outstanding during the year		9,624,245	9,624,245
Effect of employee remuneration in stock		164,609	347,903
		9,788,854	9,972,148
Diluted earnings per share	$	1.04	3.24

(28) 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 (loans and receivables) 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.

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AU OPTRONICS CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Except for aforementioned financial instruments, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2018 and 2017 were as follows:

		December 31, 2018		December 31, 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in thousands)			
Financial assets:					
Financial assets at FVTPL:					
Financial assets mandatorily measured at FVTPL	$	52,434	52,434	-	-
Financial assets held for trading		-	-	36,373	36,373
Financial assets at FVTOCI		6,604,041	6,604,041	-	-
Available-for-sale financial assets－noncurrent		-	-	3,941,588	3,941,588
Financial assets at amortized cost (loans and receivables):					
Refundable deposits		585,697	585,697	416,606	416,606

		December 31, 2018		December 31, 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:					
Financial liabilities at FVTPL:					
Financial liabilities held for trading	$	13,973	13,973	69,625	69,625
Financial liabilities at amortized cost:					
Long-term borrowings (including current installments)		51,945,545	51,945,545	77,902,271	77,902,271
Guarantee deposits		757,315	757,315	765,883	765,883

b. Valuation techniques and assumptions applied in fair value measurement

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

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

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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

c. Fair value measurements recognized in the balance sheets

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

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

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

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

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

		Level 1	Level 2	Level 3	Total
			(in thousands)		
December 31, 2018					
Financial assets at FVTPL:					
Financial assets mandatorily measured at FVTPL	$	-	52,434	-	52,434
Financial assets at FVTOCI		6,604,041	-	-	6,604,041
Financial liabilities at FVTPL:					
Financial liabilities held for trading		-	13,973	-	13,973
December 31, 2017					
Financial assets at FVTPL:					
Financial assets held for trading	$		36,373	-	36,373
Available-for-sale financial assets－noncurrent		3,941,588	-	-	3,941,588
Loans and receivables:					
Financial liabilities at FVTPL:					
Financial liabilities held for trading		-	69,625	-	69,625

There were no transfers between Level 1 and 2 for the years ended December 31, 2018 and 2017.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(29) 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. The Company also entered into reverse repurchase agreements with securities firms or banks in Taiwan covering government bonds that classified as cash equivalents. There should be no major concerns for the performance capability of trading counterparts. Management performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash and cash equivalent investments.

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

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

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017, the Company's five largest customers accounted for 37.8% and 37.2%, respectively, of the Company's net revenue. There is no other significant concentration of credit risk.

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

For credit of guarantee, the Company's policy is to provide financial guarantees only to subsidiaries. Refer to note 13(1)b. for information about endorsements or guarantees provided by the Company to its subsidiaries as of December 31, 2018.

(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. As at December 31, 2018, the Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	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	-
Refundable 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

	Contractual cash flows	2018.1.1~ 2018.12.31	2019.1.1~ 2020.12.31	2021.1.1~ 2022.12.31	2023 and thereafter
			(in thousands)		
December 31, 2017					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	$ 81,219,844	8,801,654	50,985,378	21,432,812	-
Refundable deposits	765,883	-	-	-	765,883
Derivative financial instruments					
Foreign currency forward contracts－inflows	(18,183,543)	(18,183,543)	-	-	-
Foreign currency forward contracts－outflows	18,233,626	18,233,626	-	-	-
	$ 82,035,810	8,851,737	50,985,378	21,432,812	765,883

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

(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.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, 2018			December 31, 2017		
		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	$	1,716,412	30.8020	52,868,922	1,581,833	29.840	47,201,897
JPY		8,705,129	0.2775	2,415,673	6,301,118	0.2644	1,666,016
EUR		28,478	35.2036	1,002,528	78,578	35.632	2,799,891
Non-monetary items							
USD		1,743,967	30.8020	53,717,672	1,780,476	29.840	53,129,404
Financial liabilities							
Monetary items							
USD		1,511,459	30.8020	46,555,960	1,329,498	29.840	39,672,220
JPY		29,016,969	0.2775	8,052,209	31,045,674	0.2644	8,208,476
EUR		3,490	35.2036	122,861	4,805	35.632	171,212

II. Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD, EUR and JPY at December 31, 2018 and 2017, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2018 and 2017 as follows:

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AU OPTRONICS CORP. AND SUBSIDIARIES

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		For the years ended December 31,	
		2018	2017
		(in thousands)	
1% of depreciation	$	15,561	36,159
1% of appreciation		(15,561)	(36,159)

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, 2018 and 2017 were $111,958 thousand and $1,093,680 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.

The following sensitivity analysis is determined based on the exposure to interest rate risk. For floating-rate debts, the analysis assumes that the balances of outstanding debts at the end of the reporting period had been outstanding for the entire year.

For the Company's floating-rate debts, assuming 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, 2018 and 2017 by $130,968 thousand and $195,760 thousand, respectively.

(c) Equity price risk

See note 6(3) and note 6(4) for disclosure of equity price risk analysis.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(30) 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,	
		2018	2017
		(in thousands)	
Total liabilities	$	144,541,806	165,947,519
Total equity		202,862,715	208,154,368
Interest-bearing debts		51,945,545	77,902,271
Debt-to-equity ratio		71%	80%
Interest-bearing debt-to-equity ratio		26%	37%
Net debt-to-equity ratio(i)		11%	3%

(i) Net debt-to-equity ratio is defined as interest-bearing debts less cash and cash equivalents divided by total equity.

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
LiGen Power Corporation (LGPC)	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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of related party	Relationship with 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 Manufacturing (Shanghai) Corp. (AUSJ)	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 (Suzhou) Corp. (DPSZ)	Subsidiary of the Company
Darwin Precisions (Xiamen) Corp. (DPXM)	Subsidiary of the Company
BriView (Xiamen) Corp. (BVXM)	Subsidiary of the Company
AUO Care Information Tech. (Suzhou) Co., Ltd. (A-Care)	Subsidiary of the Company
AUO Green Energy America Corp. (AEUS)	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
Wellybond Corporation (“WBC”)	Subsidiary of Lextar
Raydium Semiconductor Corporation (“Raydium”)	Associate of the Company
Dazzo Technology Corporation (“Dazzo”)	Subsidiary of Raydium
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
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
Daxin Materials Corp. (“Daxin”)	Associate of the Company
Qisda Corporation (“Qisda”)	AUO’s director
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 Guru Corporation (“GST”)	Subsidiary of Qisda

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of related party	Relationship with the Company
BenQ Europe B.V. ("BQE")	Subsidiary of Qisda
BenQ America Corporation ("BQA")	Subsidiary of Qisda
DFI Inc. ("DFI")	Subsidiary of Qisda
BenQ Foundation	Substantive related party

Note : For the information in respect of the Company's subsidiaries, please refer to the consolidated financial statements for the year ended December 31, 2018 and 2017.

(2) Compensation to key management personnel

Key management personnel's compensation comprised:

		For the years ended December 31,	
		2018	2017
		(in thousands)	
Short-term employee benefits	$	334,713	564,515
Post-employment benefits		2,457	2,244
	$	337,170	566,759

(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,	
		2018	2017	2018	2017
		(in thousands)			
Subsidiaries	$	2,476,237	3,724,043	2,028,364	309,541
Associates		1,871,511	1,207,560	659,372	184,444
Others		11,651,266	11,499,744	1,937,594	1,520,361
	$	15,999,014	16,431,347	4,625,330	2,014,346

The collection terms for sales to related parties were 30 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Purchases

	Purchases		Notes and accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2018	2017	2018	2017
	(in thousands)			
Subsidiaries	$ 90,178,389	82,415,577	26,799,904	25,623,346
Associates	4,201,227	3,668,183	1,577,440	1,365,794
Others	13,949,794	12,299,890	2,893,155	2,631,772
	$ 108,329,410	98,383,650	31,270,499	29,620,912

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

	For the years ended December 31,	
	2018	2017
	(in thousands)	
Subsidiaries	$ 258,967	215,946
Associates	6,527	1,549
Others	3,418	-
	$ 268,912	217,495

d. Disposal of property, plant and equipment and others

	Proceeds from disposal		Gains on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Subsidiaries	$ 36,021	15,899	7,880	-

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Other related party transactions

Transaction type	Type of related party		December 31, 2018	December 31, 2017
			(in thousands)	
Other receivables due from related parties	Subsidiaries	$	21,284	1,207,570
	Associates		1,961	8,937
	Others		4,660	3,816
		$	**27,905**	**1,220,323**
Other payables due to related parties (including payables for equipment)	Subsidiaries	$	211,551	250,451
	Associates		17,757	7,831
	Others		3,615	5,635
		$	**232,923**	**263,917**

Transaction type	Type of related party		Year Ended December 31, 2018	2017
			(in thousands)	
Rental income	Subsidiaries	$	48,560	48,609
	Associates		38,002	31,845
	Others		90,491	81,471
		$	**177,053**	**161,925**
Administration and other income	Subsidiaries	$	62,994	77,224
	Associates		7,626	6,782
	Others		6,149	4,791
		$	**76,769**	**88,797**
Rental and other expenses	Subsidiaries	$	721,134	737,023
	Associates		31,783	16,855
	Others		11,096	14,928
		$	**764,013**	**768,806**

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, 2018 and 2017, the Company had received cash dividends from related parties of $1,191,234 thousand and $954,095 thousand, respectively.

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AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Pledged Assets

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

Pledged assets	Pledged to secure		December 31, 2018	December 31, 2017
			(in thousands)	
Restricted cash in banks[(i)]	Guarantees for warranties	$	6,245	1,084
Land and building (including investment property)	Long-term borrowings		25,903,994	40,192,245
Machinery and equipment	Long-term borrowings		36,075,058	15,339,365
		$	61,985,297	55,532,694

(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, 2018, in addition to those disclosed in other notes to the parent company only financial statements, were as follows:

(1) As at December 31, 2018, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2018
	(in thousands)
USD	6,686
JPY	651,771

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

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

(4) As at December 31, 2018, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $12,318,433 thousand.

(5) There were civil lawsuits filed against AUO, AUUS and various manufacturers in the TFT-LCD industry in the United States and Canada alleging, among other things, antitrust violations. As of January 28, 2019, AUO and AUUS have reached settlement agreements with the relevant plaintiffs. In

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

addition to the above cases in the United States and Canada, a lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel ("Israeli Court"). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. A lawsuit was filed in September 2018 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.

(6) At the end of February 2017, one of AUO's subsidiaries in the PRC, AUSZ received an administrative complaint filed by Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") alleging that AUSZ infringes two PRC patents, and the complaint requests that AUSZ cease the alleged infringing act. Based on the Company's preliminary assessment, it believes that its subsidiary does not infringe the two PRC patents as alleged, and further that the two PRC patents appear to be invalid. In response to such administrative complaint, AUSZ has filed a request to invalidate the two PRC patents accordingly. In April 2017, CSOT filed civil lawsuits in the Intermediate People's Court of Shenzhen Municipality against the subsidiary claiming infringement of the same two PRC patents. In June 2017, CSOT filed civil lawsuits in the No.1 Intermediate People's Court of Chongqing Municipality against the subsidiary claiming infringement of three PRC patents (including one of the above mentioned PRC patents). CSOT requested that AUSZ ceases the alleged infringing act and claimed approximate RMB49.91 million for economic loss for each of the said respective four PRC patents and compensation for reasonable fees and litigation expenses such as notarization fees and attorney fees incurred by CSOT. On September 24, 2017, the relevant parties reached a settlement agreement and agreed to withdraw relevant legal proceedings.

(7) In July 2018, Vista Peak Ventures, LLC ("VPV") filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV's patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. While AUO intends to defend the suits vigorously, the ultimate outcome of the three matters is uncertain. AUO is reviewing the merits of the lawsuits on an on-going basis.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of January 28, 2019, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company's business or results of operations.

10. Significant Disaster Losses: None.

11. Subsequent Event: None.

12. Others

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the Company for the year ended December 31, 2018.

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: Please see Table 5 attached.

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

h. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 7 attached.

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

(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 (2) attached.

b. Upper limit on investment in Mainland China: Please see Table 9(1) and (2) attached.

c. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2018, 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.

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AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2018
(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 (Note 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1 and 5)	Limits on Financing Company's Total Financing Amount (Note 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	2,000,000	2,000,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
0	AUO	AUKS	Other receivables from related parties	Yes	3,200,000	295,590	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
0	AUO	AUSK	Other receivables from related parties	Yes	1,321,446	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	20,286,272	81,145,086
1	AULB	AUSK	Other receivables from related parties	Yes	1,114,233	1,003,303	1,003,303	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	53,679,085	53,679,085
1	AULB	AUKS	Other receivables from related parties	Yes	3,360,975	3,360,975	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,471,634	21,471,634
2	AUXM	AUKS	Other receivables from related parties	Yes	3,809,105	3,809,105	896,260	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,252,404	5,252,404
2	AUXM	BVHF	Other receivables from related parties	Yes	1,055,498	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,252,404	5,252,404
3	AUSJ	AUKS	Other receivables from related parties	Yes	1,507,567	1,434,016	1,120,325	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,539,156	1,539,156
4	AUSZ	BVHF	Other receivables from related parties	Yes	586,388	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,221,115	5,221,115
4	AUSZ	AUKS	Other receivables from related parties	Yes	4,481,300	4,481,300	1,792,520	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,221,115	5,221,115
5	DPSZ	AUKS	Other receivables from related parties	Yes	450,020	448,130	448,130	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	738,495	738,495
5	DPSZ	BVHF	Other receivables from related parties	Yes	304,922	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	738,495	738,495

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 (Note 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1 and 5)	Limits on Financing Company's Total Financing Amount (Note 1 and 5)
													Item	Value		
6	DPXM	BVHF	Other receivables from related parties	Yes	258,011	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,840,655	1,840,655
7	FPWJ	BVHF	Other receivables from related parties	Yes	152,461	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	264,994	264,994
8	FTKS	BVHF	Other receivables from related parties	Yes	199,372	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	538,375	538,375
9	FTWJ	FHWJ	Other receivables from related parties	Yes	208,292	89,626	89,626	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	2,239,397	2,239,397

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 between 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 and AUSJ: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited 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 each of such borrowers both shall not exceed the net worth of the lending company as stated in its latest audited financial statement.

d. DPSZ, DPXM, FTWJ, FPWJ 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 shall not exceed the net worth of the lending company, and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/ Guarantees Provided
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Note 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Note 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 (Note 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	101,431,358	16,785,917	15,799,613	14,942,284	-	7.79%	202,862,715	Yes	No	Yes
1	AUXM	AUO and AUST	3、4	13,131,010	2,345,550	2,240,650	-	-	17.06%	13,131,010	No	Yes	No
1	AUXM	AUO	3	13,131,010	9,757,488	9,321,104	-	-	70.99%	13,131,010	No	Yes	No
2	AUSJ	AUO	3	3,847,889	1,501,152	1,434,016	-	-	37.27%	3,847,889	No	Yes	No
3	AUSZ	AUO and AUSK	3、4	13,052,787	1,548,063	1,478,829	-	-	11.33%	13,052,787	No	Yes	No
3	AUSZ	AUO	3	13,052,787	7,411,938	7,080,454	1,344,390	-	54.24%	13,052,787	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.

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.

AU OPTRONICS CORP. AND SUBSIDIARIES

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

December 31, 2018

(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	31-Dec-18				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	6,604,041	17.04%	6,604,041	
AULB	Stock Abakus Solar AG	-	Financial assets at FVTPL—noncurrent	3	-	2.22%	-	
AUSH	Shareholding T-powertek Optronics Co., Ltd.	-	Financial assets at FVTOCI—noncurrent	-	CNY 6,250	2.16%	CNY 6,250	
FPWJ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 91,753	-	CNY 91,753	
FTKS	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 274,091	-	CNY 274,091	
Konly	Stock PlayNitride Inc.	-	Financial assets at FVTOCI—noncurrent	609	42,123	2.80%	42,123	
Konly	Stock SnapBizz Cloudtech Pvt. Ltd.		Financial assets at FVTOCI—noncurrent	13	33,501	6.13%	33,501	
Konly	Stock a2peak power Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,000	-	10.87%	-	
Konly	Stock Chen Feng Optronics Corporation	-	Financial assets at FVTPL－noncurrent	1,500	-	3.26%	-	
Konly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,200	-	8.52%	-	
Konly	Stock Azotek Co., Ltd.	-	Financial assets at FVTOCI－noncurrent	2,006	7,345	4.01%	7,345	
Konly	Stock ATS International Inc.	-	Financial assets at FVTOCI－noncurrent	1,667	-	5.15%	-	

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	31-Dec-18				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Konly	Stock Qisda	Related party	Financial assets at FVTOCI－noncurrent	10,145	199,859	0.52%	199,859	
DPTW	Stock Wibase Industrial Solutions Inc.	Related party	Financial assets at FVTOCI－noncurrent	4,700	56,400	12.11%	56,400	
DPTW	Stock D8AI Holdings Corporation	-	Financial assets at FVTOCI－noncurrent	7,000	8,649	4.59%	8,649	
Ronly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－current	600	-	1.22%	-	
Ronly	Stock Exploit Technology Co., Ltd.	-	Financial assets at FVTPL－current	41	-	0.49%	-	

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, 2018

(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 SSEC	Investments in equity-accounted investees	-	-	35,000	349,199	58,000	580,000	-	-	-	-	93,000	942,094	3
AUO	Stock CQIL	Investments in equity-accounted investees	The original shareholders	-	-	-	39,974	821,138	-	-	-	-	39,974	766,795	2
AUO	Stock Qisda	Financial assets at FVTOCI－noncurrent	-	-	186,364	3,941,588	148,867	3,418,633	-	-	-	-	335,231	6,604,041	1
AUO	Stock ACTW	Investments in equity-accounted investees	-	-	331,450	5,068,459	46,743	635,810	-	-	-	-	378,193	5,005,774	6
Konly	Stock ACTW	Investments in equity-accounted investees	-	-	53,577	819,283	-	-	43,455	591,081	591,545	-	10,122	133,974	6
DPSZ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 100,000	-	CNY 100,367	CNY 100,367	-	-	-	
FPWJ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 90,000	-	-	-	-	-	CNY 91,753	5
FTKS	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 370,000	-	CNY 102,331	CNY 102,331	-	-	CNY 274,091	5
ACTW	Stock SDMC	Investments in equity-accounted investees	-	-	-	-	151,834	2,338,470	-	-	-	-	116,836	1,987,129	4
AUO	Stock SDMC	Investments in equity-accounted investees	-	-	151,827	2,312,272	-	-	151,827	2,338,360	2,406,420	-	-	-	4

Note 1: The ending balance includes unrealized gain (loss) on equity investments at fair value through other comprehensive income.

Note 2: The acquisition amount of $69,864 thousand is to participate in CQIL's capital injection after the merger. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 3: The acquisition amount is to participate in SSEC's capital injection. The ending balance includes the recognition of investment gain (loss) and capital surplus under the equity method.

Note 4:
a. 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.
b. The ending shares include the return of capital of SDMC totaling 34,998 thousand shares. The ending balance includes proceeds from return of capital, cash dividend, and the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 5: The ending balance includes the gain/loss on valuation of the financial asset.

Note 6:
a. As part of a business restructuring, Konly and Ronly disposed its shareholdings in ACTW to AUO, respectively, during December 2018. This was treated as an equity transaction as there was no change in control of ACTW by the Company.
b. The ending balance includes the recognition of investment gain (loss), foreign currency translation differences and capital surplus, etc. under the equity method.

AU OPTRONICS CORP. AND SUBSIDIARIES
Disposal of Individual Real Estate with Costs Exceeding NT$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms	Note
AUSK	Land and buildings	November 2018	February 2010	EUR 54,764	EUR 85,139	EUR 84,395	EUR 30,375	ZNO Slovakia s.r.o.	Third party	To enhance the utilization of assets	Real estate valuation report	None	
BVHF	Land and buildings	December 2017	February 2011 to February 2017	CNY 433,171	CNY 483,322	CNY 483,322	CNY 50,151	Hefei Heng Chuang Intelligent Technology Co., Ltd.	Third party	To enhance the utilization of assets	Real estate valuation report	None	
FTKS	Land and buildings	October 2017	August 2004 to December 2016	413,878	CNY 215,527	CNY 215,527	561,815	The Administration Committee of Kunshan Economic and Technology Development Zone	Third party	To meet the regulatory plan and urban construction plan required by Kunshan Economic and Technology Development Zone	Real estate valuation report	None	

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, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note 2)	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes/Accounts Receivable (Payable)	
AUO	ACTW	Subsidiary held by AUO and Konly	Purchases	125,605	-	OA 45 days	-		(15,837)	-	
AUO	AUCZ	Subsidiary 100% held by AULB	Purchases	398,004	-	OA 45 days	-		(57,498)	-	
AUO	AUKS	Subsidiary 51% held by AULB	Purchases	12,170,274	6%	OA 45 days	-		(2,019,995)	(3)%	
AUO	AULB	Subsidiary 100% held by AUO	Purchases	60,863,968	30%	OA 45 days	-		(21,213,644)	(35)%	
AUO	AUSK	Subsidiary 100% held by AULB	Purchases	118,955	-	OA 45 days	-		(14,925)	-	
AUO	BMC	Subsidiary of Qisda	Purchases	5,011,966	2%	OA 90 days	-		(1,350,707)	(2)%	
AUO	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	10,037,876	5%	OA 60 days	-		(2,431,371)	(4)%	
AUO	Daxin	Equity-accounted investee held by Konly and Ronly	Purchases	3,086,760	1%	OA 120 days	-		(1,078,356)	(2)%	
AUO	Qisda	AUO's director	Purchases	8,924,867	4%	OA 45 days	-		(1,539,995)	(3)%	
AUO	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	209,869	-	OA 120 days	-		(71,233)	-	
AUO	Raydium	Equity-accounted investee held by Konly	Purchases	904,598	-	OA 120 days	-		(427,851)	(1)%	
AUO	AUST	Subsidiary 100% held by AULB	Purchases	6,361,928	3%	OA 45 days	-		(1,025,313)	(2)%	
AUO	ACTW	Subsidiary held by AUO and Konly	Sales	(772,213)	-	OA 30 days	-		61,675	-	
AUO	BVXM	Subsidiary 100% held by AUXM	Sales	(1,036,445)	-	OA 45 days	-		229,242	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(3,590,347)	(1)%	EOM 55 days	-		532,512	1%	
AUO	CGPC	Subsidiary of SSEC	Sales	(259,246)	-	EOM 25 days	-		142,800	-	
AUO	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	(265,229)	-	EOM 45 days	-		31,259	-	
AUO	DPXM	Subsidiary 100% held by DPHK	Sales	(321,831)	-	EOM 45 days	-		21,667	-	
AUO	FGPC	Subsidiary of SSEC	Sales	(964,403)	-	EOM 25 days	-		196,141	-	
AUO	QCOS	Subsidiary of Qisda	Sales	(233,352)	-	EOM 55 days	-		41,401	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,732,441)	(3)%	EOM 55 days	-		1,347,828	3%	

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	SGPC	Subsidiary of SREC	Sales		(460,244)	-	EOM 25 days	-			316,757	1%	
AUO	TGPC	Subsidiary of SSEC	Sales		(184,534)	-	EOM 25 days	-			834	-	
ACMK	ACTW	Subsidiary held by AUO and Konly	Purchases	USD	43,008	93%	OA 60 days	-		USD	(8,799)	(95)%	Purchases
AUCZ	AUO	Ultimate parent company	Sales	CZK	(294,485)	(100)%	OA 45 days	-		CZK	45,547	100%	Sales
AUKS	AUSZ	Subsidiary 100% held by AULB	Purchases	CNY	83,084	5%	OA 60 days	-		CNY	(33,447)	(5)%	Purchases
AUKS	AUXM	Subsidiary 100% held by AULB	Purchases	CNY	46,302	3%	OA 60 days	-		CNY	(648)	-	Purchases
AUKS	AUO	Ultimate parent company	Sales	CNY	(2,682,858)	(100)%	OA 45 days	-		CNY	450,089	100%	Sales
AULB	BMC	Subsidiary of Qisda	Purchases	USD	68,583	2%	OA 90 days	-		USD	(18,854)	(2)%	Purchases
AULB	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	USD	67,437	2%	EOM 120 days	-		USD	(24,222)	(2)%	Purchases
AULB	Qisda	AUO's director	Purchases	USD	82,680	2%	OA 120 days	-		USD	(31,686)	(3)%	Purchases
AULB	Raydium	Equity-accounted investee held by Konly	Purchases	USD	126,863	3%	OA 120 days	-		USD	(50,192)	(5)%	Purchases
AULB	AUO	Ultimate parent company	Sales	USD	(2,015,977)	(100)%	OA 45 days	-		USD	922,752	98%	Sales
AULB	AUXM	Subsidiary 100% held by AULB	Sales	USD	(10,774)	-	OA 45 days	-		USD	8,503	1%	Sales
AULB	AUSZ	Subsidiary 100% held by AULB	Sales	USD	(12,025)	-	OA 45 days	-		USD	10,716	1%	Sales
AUSH	AUO	Ultimate parent company	Sales	CNY	(29,861)	(98)%	OA 45 days	-			-	-	Sales
AUSJ	AULB	Subsidiary 100% held by AUO	Sales	CNY	(82,301)	(100)%	OA 45 days	-			-	-	Sales
AUSK	AUO	Ultimate parent company	Sales	EUR	(3,738)	(69)%	OA 45 days	-		EUR	613	16%	Sales
AUST	AUO	Ultimate parent company	Sales	USD	(211,476)	(100)%	OA 45 days	-		USD	33,287	100%	Sales
AUSZ	AULB	Subsidiary 100% held by AUO	Purchases	CNY	82,910	30%	OA 45 days	-		CNY	(73,544)	(19)%	Purchases
AUSZ	AUKS	Subsidiary 51% held by AULB	Sales	CNY	(83,084)	(4)%	OA 60 days	-		CNY	33,447	9%	Sales
AUSZ	AULB	Subsidiary 100% held by AUO	Sales	CNY	(1,758,886)	(95)%	OA 45 days	-		CNY	339,075	91%	Sales
AUUS	AUO	Ultimate parent company	Sales	USD	(5,082)	(100)%	OA 30 days	-			-	-	Sales
AUXM	AULB	Subsidiary 100% held by AUO	Purchases	CNY	74,006	22%	OA 45 days	-		CNY	(58,356)	(26)%	Purchases
AUXM	AUKS	Subsidiary 51% held by AULB	Sales	CNY	(46,301)	(4)%	OA 60 days	-		CNY	648	-	Sales
AUXM	AULB	Subsidiary 100% held by AUO	Sales	CNY	(1,148,773)	(93)%	OA 45 days	-		CNY	235,260	95%	Sales
AUXM	BVXM	Subsidiary 100% held by AUXM	Sales	CNY	(24,240)	(2)%	OA 45 days	-		CNY	7,107	3%	Sales
BVHF	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY	59,656	13%	EOM 120 days	-		CNY	(20,754)	(6)%	Purchases
BVHF	Raydium	Equity-accounted investee held by Konly	Purchases	CNY	24,052	5%	EOM 90 days	-		CNY	(6,360)	(2)%	Purchases
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY	89,387	19%	EOM 60 days	-		CNY	(241,581)	(64)%	Purchases
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY	(653,258)	(100)%	EOM 60 days	-		CNY	430,596	100%	Sales
BVXM	DPXM	Subsidiary 100% held by DPHK	Purchases	CNY	38,496	11%	OA 120 days	-		CNY	(15,928)	(14)%	Purchases

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)	
BVXM	AUXM	Subsidiary 100% held by AULB	Purchases	CNY	24,240	7%	OA 45 days	-		CNY	(7,107)	(6)%	Purchases
BVXM	AUO	Ultimate parent company	Purchases	CNY	233,645	68%	OA 45 days	-		CNY	(51,155)	(43)%	Purchases
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY	46,155	27%	EOM 60 days	-		CNY	(10,055)	(28)%	Purchases
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY	(244,732)	(84)%	EOM 90 days	-		CNY	69,383	82%	Sales
DPXM	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY	93,244	7%	EOM 120 days	-		CNY	(42,159)	(5)%	Purchases
DPXM	AUO	Ultimate parent company	Purchases	CNY	69,600	5%	EOM 45 days	-		CNY	(4,896)	(1)%	Purchases
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY	40,829	3%	EOM 60 days	-		CNY	(368,034)	(47)%	Purchases
DPXM	BVXM	Subsidiary 100% held by AUXM	Sales	CNY	(38,496)	(2)%	OA 120 days	-		CNY	15,928	2%	Sales
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY	(1,956,961)	(96)%	EOM 60 days	-		CNY	935,836	97%	Sales
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	Purchases	CNY	219,491	31%	EOM 60 days	-		CNY	(286,964)	(57)%	Purchases
FTWJ	Lextar	Equity-accounted investee held by AUO, Konly and Ronly	Purchases	CNY	53,137	8%	EOM 120 days	-		CNY	(19,693)	(4)%	Purchases
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	Sales	CNY	(825,281)	(82)%	EOM 90 days	-		CNY	551,170	87%	Sales
M.Setek	ACTW	Subsidiary held by AUO and Konly	Sales	JPY	(5,129,949)	(100)%	OA 45 days	-		JPY	1,969,947	100%	Sales
ACTW	AUO	Ultimate parent company	Purchases		773,368	18%	OA 30 days	-			(61,675)	(7)%	Purchases
ACTW	M.Setek	Subsidiary 99.9991% held by SDMC	Purchases		1,400,989	33%	OA 45 days	-			(545,849)	(65)%	Purchases
ACTW	AUO	Ultimate parent company	Sales		(121,373)	(2)%	OA 45 days	-			15,867	1%	Sales
ACTW	ACMK	Subsidiary 100% held by ACTW	Sales		(1,197,270)	(19)%	OA 60 days	-			271,015	25%	Sales
UTI	AUO	Ultimate parent company	Sales		(165,959)	(74)%	OA 60 days	-			6,522	40%	Sales
DPTW	AUO	Ultimate parent company	Purchases		261,444	1%	EOM 45 days	-			(30,133)	(1)%	Purchases
DPTW	FTWJ	Subsidiary 100% held by FTMI	Purchases		3,740,260	18%	EOM 90 days	-			(1,131,005)	(23)%	Purchases
DPTW	DPSZ	Subsidiary 100% held by DPHK	Purchases		1,116,381	5%	EOM 90 days	-			(301,590)	(6)%	Purchases
DPTW	DPXM	Subsidiary 100% held by DPHK	Purchases		8,869,212	42%	EOM 60 days	-			(2,356,456)	(47)%	Purchases
DPTW	EFOP	Equity-accounted investee held by DPTW	Purchases		1,449,636	7%	Payment in advanced	-			-	-	Purchases
DPTW	BVHF	Subsidiary 100% held by BVLB	Purchases		2,968,106	14%	EOM 60 days	-			(774,031)	(15)%	Purchases
DPTW	BVHF	Subsidiary 100% held by BVLB	Sales		(406,330)	(2)%	EOM 60 days	-			105,625	2%	Sales
DPTW	QCES	Subsidiary of Qisda	Sales		(283,204)	(1)%	EOM 120 days	-			95,563	2%	Sales
DPTW	AUO	Ultimate parent company	Sales		(10,115,728)	(48)%	OA 60 days	-			2,244,059	47%	Sales
DPTW	AULB	Subsidiary 100% held by AUO	Sales		(2,015,968)	(10)%	EOM 120 days	-			746,099	16%	Sales

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 100% held by DPHK	Sales	(185,130)	(1)%	EOM 60 days	-		21,574	-	Sales
DPTW	FTWJ	Subsidiary 100% held by FTMI	Sales	(1,002,942)	(5)%	EOM 60 days	-		204,056	4%	Sales
DPTW	DPSZ	Subsidiary 100% held by DPHK	Sales	(210,629)	(1)%	EOM 60 days	-		39,520	1%	Sales

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

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital
December 31, 2018
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables: Amount	Overdue Receivables: Action Taken	Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
AUO	CGPC	Subsidiary of SSEC	142,800	3.63	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	532,512	5.54	329	Will be collected in next period	-	-
AUO	AUSZ	Subsidiary 100% held by AULB	1,003,168	-	439	Will be collected in next period	-	-
AUO	QCSZ	Subsidiary of Qisda	1,347,828	7.45	-	-	-	-
AUO	SGPC	Subsidiary of SREC	316,757	2.91	-	-	-	-
AUO	AUXM	Subsidiary 100% held by AULB	672,003	-	15	Will be collected in next period	-	-
AUO	FGPC	Subsidiary of SSEC	196,141	7.73	78,960	Will be collected in next period	-	-
AUO	BVXM	Subsidiary 100% held by AUXM	229,242	6.65	16,576	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 450,089	6.65	CNY 22,514	Collected in subsequent period	CNY 226,444	-
AULB	AUSK	Subsidiary 100% held by AULB	USD 32,601	(Note 2)	-	-	-	-
AULB	AUSZ	Subsidiary 100% held by AULB	USD 10,716	2.22	USD 3	Collected in subsequent period	USD 151	-
AULB	AUO	Ultimate parent company	USD 928,892	(Note 2)	USD 239,722	Collected in subsequent period	USD 399,074	-
AULB	AUXM	Subsidiary 100% held by AULB	USD 8,503	2.49	USD 28	Collected in subsequent period	USD 383	-
AUSJ	AUKS	Subsidiary 51% held by AULB	CNY 252,813	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 33,287	5.86	-	-	-	-
AUSZ	AUKS	Subsidiary 51% held by AULB	CNY 438,946	(Note 2)	CNY 9,000	Collected in subsequent period	CNY 15,367	-
AUSZ	AULB	Subsidiary 100% held by AUO	CNY 339,075	5.07	CNY 79,612	Collected in subsequent period	CNY 137,899	-
AUXM	AUKS	Subsidiary 51% held by AULB	CNY 204,068	(Note 2)	CNY 70	Will be collected in next period	-	-
AUXM	AULB	Subsidiary 100% held by AUO	CNY 235,260	5.49	CNY 56,559	Collected in subsequent period	CNY 88,459	-
BVHF	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 430,608	(Note 2)	CNY 132,654	Collected in subsequent period	CNY 74,701	-
DPSZ	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 69,952	(Note 2)	CNY 13,602	Collected in subsequent period	CNY 6,793	-
DPSZ	AUKS	Subsidiary 51% held by AULB	CNY 101,353	(Note 2)	-	-	-	-
DPXM	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 936,387	(Note 2)	-	-	CNY 225,757	-
FTWJ	DPTW	Subsidiary held by AUO, Konly and Ronly	CNY 551,170	1.41	-	-	CNY 136,443	-
M.Setek	ACTW	Subsidiary held by AUO and Konly	JPY 1,969,947	5.14	JPY 351,991	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary 99.9991% held by SDMC	253,680	-	-	-	-	-
ACTW	ACMK	Subsidiary 100% held by ACTW	271,028	(Note 2)	-	-	-	-
DPTW	AULB	Subsidiary 100% held by AUO	746,099	2.58	-	-	167,759	-
DPTW	FTWJ	Subsidiary 100% held by FTMI	1,289,509	(Note 2)	31,755	Collected in subsequent period	429,550	-
DPTW	DPXM	Subsidiary 100% held by DPHK	1,651,736	(Note 2)	571	Collected in subsequent period	1,038,715	-
DPTW	BVHF	Subsidiary 100% held by BVLB	1,084,214	(Note 2)	507	Will be collected in next period	-	-
DPTW	AUO	Ultimate parent company	2,244,059	4.99	193,164	Will be collected in next period	-	-

Note 1: Until the end of January 2019.

Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.

Note 3: All inter-company transactions between AUO and its subsidiaries have been eliminated in the consolidated financial statements.

AU OPTRONICS CORP. AND SUBSIDIARIES

Information on Investees (Excluding Information on Investment in Mainland China)

For the year ended December 31, 2018

(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, 2018	Original Investment Amount: December 31, 2017	December 31, 2018: Shares	December 31, 2018: Percentage of Ownership	December 31, 2018: Carrying Amount (Note 1 and 2)	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
AUO	AULB	Malaysia	Holding and trading company	59,058,698	59,058,698	1,882,189	100.00%	53,565,171	971,698	857,785	Subsidiary
AUO	AUNL	Netherlands	Sales support of TFT-LCD panels	24,275	-	50	100.00%	25,464	1,775	-	Subsidiary (Note 7)
AUO	Konly	Taiwan ROC	Venture capital investment	4,227,070	4,227,070	284,302	100.00%	5,296,190	193,482	193,482	Subsidiary
AUO	Ronly	Taiwan ROC	Venture capital investment	1,778,692	1,778,692	149,412	100.00%	2,076,069	59,387	59,387	Subsidiary
AUO	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	3,569,155	3,569,155	190,108	28.56%	3,369,060	321,898	91,946	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,138,528	14,502,718	378,193	93.52%	5,005,774	(638,203)	(530,635)	Subsidiary (Note 8)
AUO	SDMC	Taiwan ROC	Holding company	-	4,954,843	-	-	-	237,563	20,675	Subsidiary (Note 4)
AUO	SREC	Taiwan ROC	Venture capital investment	379,040	473,800	37,904	32.01%	414,978	88,937	28,472	Associate
AUO	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	881,076	881,076	78,418	15.33%	1,740,230	49,292	7,551	Associate
AUO	SMI	Taiwan ROC	Sales of content management system and hardware; leasing	30,000	30,000	3,000	100.00%	29,272	(659)	(659)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)			
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	50,000	50,000	5,000	100.00%	50,888	1,682	1,682	Subsidiary
AUO	SSEC	Taiwan ROC	Holding company	930,000	350,000	93,000	31.00%	942,094	41,302	13,487	Associate
AUO	CQIL	Israel	Holding company	821,138	-	39,974	100.00%	766,795	(35,333)	(55,132)	Subsidiary
Konly	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	703,795	703,795	42,598	6.40%	754,916	321,898	20,603	Subsidiary
Konly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	589,793	3,121,856	10,122	2.50%	133,974	(638,203)	(78,728)	Subsidiary (Note 8)
Konly	SDMC	Taiwan ROC	Holding company	-	18,844	-	-	-	237,563	-	Subsidiary (Note 4)
Konly	SREC	Taiwan ROC	Holding company	17,760	22,200	1,776	1.50%	19,444	88,937	1,334	Associate
Konly	Raydium	Taiwan ROC	IC design	175,857	175,857	11,454	17.63%	716,380	561,869	99,333	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	492,348	655,535	121,984	Associate
Konly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	450,674	450,674	26,133	5.11%	579,925	49,292	2,516	Associate
Konly	LGPC	Taiwan ROC	Renewable energy power generation	-	100,000	-	-	-	87	87	(Note 5)
Konly	CGPC	Taiwan ROC	Solar power generation	-	10,000	-	-	-	(781)	(781)	(Note 6)
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	26.31%	18,116	(11,370)	(7,944)	Associate
Konly	SSEC	Taiwan ROC	Holding company	60,000	20,000	6,000	2.00%	60,780	41,302	826	Associate
Konly	WMI	Taiwan ROC	Developing and providing CRM APP	15,000	-	2,500	12.50%	14,041	2,081	(729)	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	-	188	16.12%	43,346	(11,878)	(2,662)	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	December 31, 2018: Shares	December 31, 2018: Percentage of Ownership	December 31, 2018: Carrying Amount (Note 1 and 2)	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
Ronly	DPTW	Taiwan ROC	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts	845,510	845,510	40,509	6.09%	717,894	321,898	19,592	Subsidiary
Ronly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	-	292,430	-	-	-	(638,203)	(3,458)	Subsidiary (Note 8)
Ronly	SDMC	Taiwan ROC	Holding company	-	2,107	-	-	-	237,563	-	Subsidiary (Note 4)
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	162,592	655,535	40,284	Associate
Ronly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	323,431	323,431	34,338	6.71%	762,023	49,292	3,306	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	291,964	141,027	41,898	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,384,080	92,267	100.00%	6,432,222	6,014	21,786	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,544,294	22,006	100.00%	4,144,583	489,776	597,366	Subsidiary
DPTW	FRVI	BVI	Holding company	274,700	274,700	8,200	100.00%	89,147	4,322	4,152	Subsidiary
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	221,956	(150)	(73)	Joint Venture
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	-	40	40.00%	6,830	584	234	Associate
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	507,155	44,131	44,131	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	-	116,836	100.00%	1,987,129	237,563	186,296	Subsidiary (Note 4)
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,368	24,001,168	11,404,184	99.9991%	1,924,877	240,137	240,135	Subsidiary
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 1,902	USD 83	USD 83	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,730	USD 78	USD 78	Subsidiary
AULB	AUNL	Netherlands	Sales support of TFT-LCD panels	-	USD 59	-	-	-	USD 59	USD 59	Subsidiary (Note 7)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2018			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount (Note 1 and 2)			
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 963	USD 91	USD 91	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 14,233	USD 484	USD 484	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 54,349	USD 54,349	-	100.00%	USD 67,675	USD 30,747	USD 30,747	Subsidiary
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 321,161	USD 384,900	907,114	100.00%	USD 207,186	USD 3,929	USD 3,929	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 5,619	USD 169	USD 169	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 22,425	USD 4,671	USD 3,283	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 86,685	USD 104,716	266,268	100.00%	USD 64,307	USD 258	USD 258	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 9,510	9,510	100.00%	USD 815	USD (21)	USD (21)	Subsidiary
AUSG	AENL	Netherlands	Sales support of solar-related products	USD 45	USD 45	-	100.00%	USD 189	USD 21	USD 21	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 104,484	10	100.00%	USD 209,333	USD 312	USD 312	Subsidiary (Note 9)
DPLB	DPSK	Slovakia Republic	Manufacturing, assembly and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 3,268	USD (113)	USD (113)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 7,103	6,503	100.00%	USD 79,772	USD 479	USD 479	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 14,440	USD (573)	USD (573)	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 43,696	USD 19,590	USD 19,590	Subsidiary
FHVI	FLMI	Mauritius	Holding company	-	USD 7,774	-	-	-	USD 341	USD 341	(Note 5)
FRVI	FFMI	Mauritius	Holding company	USD 8,200	USD 8,200	653	100.00%	USD 1,259	USD 143	USD 143	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	-	-	Associate (Note 3)
M.Setek	Langfang Songgong Semiconductor Co., Ltd.	PRC	Manufacturing and sales of monocrystalline solar wafers	JPY 619,952	JPY 619,952	-	56.00%	-	-	-	Associate (Note 3)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	December 31, 2018: Shares	December 31, 2018: Percentage of Ownership	December 31, 2018: Carrying Amount (Note 1 and 2)	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Note 1 and 2)	Note
CQIL	CQHLD	United Kingdom	Holding company	USD 4,071	-	635,703	100.00%	USD (11,735)	USD (1,201)	USD (1,201)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales support of content management system	-	-	-	100.00%	USD (2,380)	USD 427	USD 427	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 1	-	1	100.00%	USD (8,384)	USD (260)	USD (260)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	-	-	-	100.00%	USD (579)	USD 584	USD 584	Subsidiary

Note 1: All inter-company transactions between 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, Konly and Ronly disposed all of their shareholdings in SDMC to ACTW during the second quarter of 2018.

Note 5: Have been liquidated.

Note 6: Konly disposed all its shareholdings in CGPC to SSEC, an associate of the Company, during the third quarter of 2018.

Note 7: As part of a business restructuring, AULB disposed all of its shareholdings in AUNL to AUO in December 2018.

Note 8: As part of a business restructuring, Konly and Ronly disposed its shareholdings in ACTW to AUO, respectively, in December 2018.

Note 9: The registration of the alteration of DPHK's common stock has not been completed.

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2018
(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, 2018 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of Investee (Note 4 and 5)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Note 4 and 5)	Carrying Amount of the Investment as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
A-Care	Design, development and sales of software and hardware for health care industry	22,407	(Note 1)	-	-	-	-	(7,457)	100%	(7,457)	15,065	-	
AETJ	Manufacturing and sales of solar modules	523,634	(Note 1)	-	-	-	-	54	100%	54	52,847	-	
AUKS	Manufacturing and sales of TFT-LCD panels	29,600,722	(Note 1)	15,096,368	-	-	15,096,368	(4,826,713)	51%	(2,461,624)	7,545,794	-	
AUSH	Sales support of TFT-LCD panels	92,406	(Note 1)	30,802	-	-	30,802	1,164	100%	1,164	470,562	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules	3,326,616	(Note 1)	2,464,160	-	-	2,464,160	(131,634)	100%	(201,026)	3,777,093	-	Note 7
AUSZ	Manufacturing and assembly of TFT-LCD modules	8,562,956	(Note 1)	6,160,400	-	-	6,160,400	1,528,417	100%	1,505,364	13,029,267	-	Note 7
AUXM	Manufacturing and assembly of TFT-LCD modules	7,700,500	(Note 1)	7,700,500	-	-	7,700,500	866,160	100%	856,698	13,121,357	-	Note 7
BVCH	Manufacturing and sales of liquid crystal products and related parts	450,897	(Note 1)	230,091	-	-	230,091	19,978	19%	3,796	90,782	-	
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,262,407	(Note 1)	-	-	-	-	141,089	100%	141,089	980,683	-	Note 6
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,688,780	(Note 1)	-	-	-	-	149,286	100%	149,286	1,285,191	-	

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, 2018 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of Investee (Note 4 and 5)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Note 4 and 5)	Carrying Amount of the Investment as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	8,963	(Note 1)	-	-	-	-	(2)	100%	(2)	8,961	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	13,444	(Note 1)	-	-	-	-	(372)	100%	(372)	13,079	-	
UFSZ	Planning, design and development of construction project for environmental protection and project management	17,925	(Note 1)	-	-	-	-	300	100%	300	18,220	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2018 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
31,682,321 (USD1,028,580)	41,356,808 (USD1,335,003 and HKD60,000)	130,367,213

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 2018.

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

Note 7: The share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2018 both include the effect of sidestream transactions.

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, 2018 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of Investee (Note 2 and 6)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Note 2 and 6)	Carrying Amount of the Investment as of December 31, 2018 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (Note 4)	Note
					Outflow	Inflow							
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,262,407	(Note 1)	492,832	-	-	492,832	141,089	29.71%	141,089	980,683	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	770,050	(Note 1)	462,030	-	-	462,030	56,544	100%	56,544	1,846,236	1,026,211	Note 12
DPXM	Manufacturing and sales of backlight modules and related parts	2,156,140	(Note 1)	2,156,140	-	-	2,156,140	(57,989)	100%	(57,989)	4,601,637	1,594,004	
FHWJ	Manufacturing of motorized treadmills	200,213	(Note 1)	252,576	-	-	252,576	4,322	100%	4,322	38,760	-	
FPWJ	Manufacturing and sales of precision plastic parts	893,258	(Note 1)	585,238	-	-	585,238	(26,414)	100%	(26,414)	662,485	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,108,872	(Note 1)	1,108,872	-	-	1,108,872	591,428	100%	591,428	1,345,937	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	1,078,070	(Note 1)	200,213	-	-	200,213	(80,080)	100%	(80,080)	2,239,397	433,524	Note 7
FLWJ	Manufacturing and sales of precision metal parts	-	(Note 1)	172,491	-	(172,491)	-	4,468	-	4,468	-	71,005	Note 9
DPCD	Manufacturing and sales of backlight modules and related parts	-	(Note 1)	-	-	-	-	165	-	165	-	21,532	Note 10
FTXM	Manufacturing and sales of backlight modules and related parts	-	(Note 1)	18,481	-	(18,481)	-	3,113	-	3,113	-	871,148	Note 11

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2018 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
5,257,901 (USD170,700)	5,800,109 (USD188,303)	7,076,909

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, 2018 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 2018.

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 paid-in capital of USD10,000 thousand injected from the offshore holding company was from FTWJ's appropriation of earnings remitted to the offshore holding company.

Note 9: The amount of accumulated inward remittance of earnings as of December 31, 2018 was the proceeds of USD2,305 thousand from FLWJ's return of residual capital upon liquidation (exclusive of the original investment amount of USD5,600 thousand).

Note 10: The amount of accumulated inward remittance of earnings as of December 31, 2018 was the proceeds from DPCD's return of residual capital upon liquidation.

Note 11: The amount of accumulated inward remittance of earnings as of December 31, 2018 included the proceeds of USD19,049 thousand (net of tax of USD360 thousand) from FTXM's return of earnings and residual capital upon liquidation in 2018 and the proceeds of USD9,233 thousand (net of tax of USD977 thousand) from the appropriation of earnings in 2016, but did not include the return of the original investment of USD600 thousand in 2018 and USD3,150 thousand in 2013.

Note 12: 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.

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