

## **Independent Auditors' Review Report**

The Board of Directors  
Acer Incorporated:

We have reviewed the accompanying consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of September 30, 2012, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the nine-month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. We did not review the accompanying consolidated financial statements of the Company and subsidiaries as of and for the nine-month period ended September 30, 2011. Accordingly, we express no other form of assurance on them. Those financial statements are presented for comparative purpose.

We conducted our review in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the Order VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan dated November 15, 2007, and accounting principles generally accepted in the Republic of China.

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language auditors' report shall prevail.

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**September 30, 2012 and 2011**  
(Expressed in thousands of New Taiwan dollars)  
Reviewed, Not Audited

Assets	(Unreviewed) 2012.9.30 NT\$	2011.9.30 NT\$	Liabilities and Stockholders' Equity	(Unreviewed) 2012.9.30 NT\$	2011.9.30 NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	33,553,952	37,796,603	Short-term borrowings	204,980	384,191
Available-for-sale financial assets—current	117,723	102,072	Financial liabilities at fair value through profit or loss—current	542,261	124,935
Financial assets at fair value through profit or loss—current	3,557	1,232,249	Hedging purpose derivative financial liabilities—current	1,862,688	15,859
Hedging purpose derivative financial assets—current	59,022	830,759	Notes and accounts payable	68,697,049	60,509,017
Notes and accounts receivable, net of allowance for impairment of NT\$547,265 and NT\$1,208,686 as of September 30, 2012 and 2011, respectively	81,519,553	87,019,202	Notes and accounts payable to related parties	-	4,769,050
Notes and accounts receivables from related parties	31,657	145,675	Other payables to related parties	10,938	84,301
Other receivables	4,253,539	8,641,591	Royalties payable	8,817,357	9,716,427
Other receivables from related parties	23	39,891	Accrued expenses and other current liabilities	51,342,082	57,962,606
Inventories	48,046,811	40,104,898	Current portion of bonds payable	4,901,648	-
Prepayments and other current assets	2,197,731	4,565,325	Current portion of long-term debt	-	9,150,000
Non-current assets held for sale	-	1,827,855	Deferred income tax liabilities—current	3,776	552,989
Deferred income tax assets—current	2,165,951	2,264,798	<b>Total current liabilities</b>	<u>136,382,779</u>	<u>143,269,375</u>
Restricted deposits	32,124	27,700	<b>Long-term liabilities:</b>		
<b>Total current assets</b>	<u>171,981,643</u>	<u>184,598,618</u>	Financial liabilities at fair value through profit or loss—noncurrent	650,246	1,261,445
<b>Long-term investments:</b>			Bonds payable	4,079,037	14,053,358
Investments accounted for using equity method	187,369	2,068,653	Long-term debt, excluding current portion	9,108,638	129,164
Available-for-sale financial assets—noncurrent	2,882,118	964,727	Other liabilities	790,239	393,883
Financial assets carried at cost—noncurrent	864,530	1,607,402	Deferred income tax liabilities—noncurrent	3,722,040	1,978,546
<b>Total long-term investments</b>	<u>3,934,017</u>	<u>4,640,782</u>	<b>Total long-term liabilities</b>	<u>18,350,200</u>	<u>17,816,396</u>
<b>Property, plant and equipment:</b>			<b>Total liabilities</b>	<u>154,732,979</u>	<u>161,085,771</u>
Land	1,414,906	1,412,803	<b>Stockholders' equity and minority interest:</b>		
Buildings and improvements	3,856,948	3,974,778	Common stock	28,347,268	27,036,055
Computer equipment and machinery	4,289,933	4,729,240	Common stock subscribed	-	94,661
Other equipment	3,284,957	2,818,796	Capital surplus	44,039,553	40,065,421
Construction in progress and advance payments for purchases of equipment	24,701	290,261	Retained earnings:		
	12,871,445	13,225,878	Legal reserve	12,607,933	12,607,933
Less: accumulated depreciation	(5,334,848)	(5,507,595)	Special reserve	6,126,774	4,659,275
Less: accumulated impairment	(818,966)	(831,209)	Unappropriated earnings	769,690	1,687,572
<b>Net property, plant and equipment</b>	<u>6,717,631</u>	<u>6,887,074</u>	Other equity components:		
<b>Intangible assets:</b>			Foreign currency translation adjustment	(5,461,344)	(2,274,044)
Trademark	9,544,395	9,984,557	Minimum pension liability adjustment	(12,429)	(18,185)
Goodwill	24,994,345	21,023,413	Unrealized loss on financial instruments	(1,265,654)	(436,354)
Other intangible assets	8,759,012	5,198,448	Treasury stock	(6,662,028)	(6,390,846)
<b>Total intangible assets</b>	<u>43,297,752</u>	<u>36,206,418</u>	<b>Total stockholders' equity</b>	<u>78,489,763</u>	<u>77,031,488</u>
<b>Other financial assets</b>	1,919,163	1,491,854	<b>Minority interest</b>	<u>2,143</u>	<u>375,361</u>
<b>Property not used in operation</b>	3,139,672	3,420,274	<b>Total stockholders' equity and minority interest</b>	<u>78,491,906</u>	<u>77,406,849</u>
<b>Deferred charges and other assets</b>	2,235,007	1,247,600	<b>Commitments and contingencies</b>		
<b>Total assets</b>	<u>233,224,885</u>	<u>238,492,620</u>	<b>Total liabilities and stockholders' equity</b>	<u>233,224,885</u>	<u>238,492,620</u>

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Income**

**For the nine-month periods ended September 30, 2012 and 2011**

**(Expressed in thousands of New Taiwan dollars, except for earnings per share data)**

**Reviewed, Not Audited**

	<b>2012</b>	<b>(Unreviewed)</b>
	<b>NT\$</b>	<b>2011</b>
		<b>NT\$</b>
<b>Net sales</b>	327,992,374	347,718,746
<b>Cost of sales</b>	<u>(295,405,432)</u>	<u>(320,844,008)</u>
<b>Gross profit</b>	<u>32,586,942</u>	<u>26,874,738</u>
<b>Operating expenses:</b>		
Selling	(25,727,488)	(26,009,507)
Administrative	(3,779,432)	(6,298,346)
Research and development	<u>(2,164,394)</u>	<u>(1,107,159)</u>
<b>Total operating expenses</b>	<u>(31,671,314)</u>	<u>(33,415,012)</u>
<b>Operating income (loss)</b>	<u>915,628</u>	<u>(6,540,274)</u>
<b>Non-operating income and gains:</b>		
Interest income	393,253	319,626
Investment gain recognized using equity method, net	60,763	178,279
Foreign currency exchange gain and valuation gain on financial instruments, net	-	62,608
Gain on disposal of investments, net	7,752	345,836
Gain on disposal of property and equipment, net	656,234	4,839
Other investment income	-	12,230
Other income	<u>595,075</u>	<u>526,046</u>
	<u>1,713,077</u>	<u>1,449,464</u>
<b>Non-operating expenses and loss:</b>		
Interest expense	(620,270)	(781,349)
Foreign currency exchange loss and valuation loss on financial instruments, net	(161,289)	-
Restructuring cost	(160,400)	(1,052,611)
Other investment loss	(32,705)	-
Other losses	<u>(233,216)</u>	<u>(255,762)</u>
	<u>(1,207,880)</u>	<u>(2,089,722)</u>
<b>Income (loss) before income taxes</b>	1,420,825	(7,180,532)
<b>Income tax benefit (expense)</b>	<u>(968,173)</u>	<u>484,404</u>
<b>Consolidated net income (loss)</b>	<u><b>452,652</b></u>	<u><b>(6,696,128)</b></u>
<b>Net income (loss) attributable to:</b>		
Shareholders of the Company	455,129	(6,696,456)
Minority interest	<u>(2,477)</u>	<u>328</u>
	<u><b>452,652</b></u>	<u><b>(6,696,128)</b></u>
<b>Earnings per common share (in New Taiwan dollars):</b>		
	<b>NT\$</b>	<b>NT\$</b>
Basic earnings per common share	<u><b>0.17</b></u>	<u><b>(2.55)</b></u>
Diluted earnings per common share	<u><b>0.17</b></u>	<u><b>(2.55)</b></u>

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the nine-month periods ended September 30, 2012 and 2011**

(Expressed in thousands of New Taiwan dollars)

Reviewed, Not Audited

	Common stock NT\$	Common stock subscribed NT\$	Capital surplus NT\$	Retained earnings				Foreign currency translation adjustment NT\$	Minimum pension liability adjustment NT\$	Unrealized gain (loss) on financial instruments NT\$	Treasury stock NT\$	Total stockholders' equity of parent company NT\$	Minority interest NT\$	Total stockholders' equity NT\$
				Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings NT\$								
<b>Balance at January 1, 2011</b>	27,001,793	21,656	39,578,915	11,096,134	-	24,233,146	(5,095,919)	(23,957)	460,600	(3,522,598)	93,749,770	358,604	94,108,374	
Appropriation approved by the stockholders (note):														
Legal reserve	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	(194)	(9,678,238)	
Common stock subscribed under option plans	34,262	73,005	49,624	-	-	-	-	-	-	-	156,891	-	156,891	
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)	
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358	-	140,358	
Stock-based compensation cost	-	-	321,953	-	-	-	-	-	-	-	321,953	-	321,953	
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,180,468)	-	(1,180,468)	-	(1,180,468)	
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	278,752	-	278,752	-	278,752	
Minimum pension liability adjustment	-	-	-	-	-	-	-	5,772	-	-	5,772	-	5,772	
Foreign currency translation adjustment	-	-	-	-	-	-	2,821,875	-	-	-	2,821,875	16,623	2,838,498	
Adjustments from investments accounted for using equity method	-	-	(25,429)	-	-	-	-	-	4,762	-	(20,667)	-	(20,667)	
2011 consolidated net loss	-	-	-	-	-	(6,696,456)	-	-	-	-	(6,696,456)	328	(6,696,128)	
<b>Balance at September 30, 2011 (Unreviewed)</b>	<b>27,036,055</b>	<b>94,661</b>	<b>40,065,421</b>	<b>12,607,933</b>	<b>4,659,275</b>	<b>1,687,572</b>	<b>(2,274,044)</b>	<b>(18,185)</b>	<b>(436,354)</b>	<b>(6,390,846)</b>	<b>77,031,488</b>	<b>375,361</b>	<b>77,406,849</b>	
<b>Balance at January 1, 2012</b>	27,098,915	-	40,219,518	12,607,933	4,659,275	1,782,060	(3,580,136)	(16,993)	(630,621)	(6,390,846)	75,749,105	2,510	75,751,615	
Appropriation approved by the stockholders:														
Special reserve	-	-	-	-	1,467,499	(1,467,499)	-	-	-	-	-	-	-	
Issuance of common shares for acquisition of a subsidiary	1,221,782	-	3,686,118	-	-	-	-	-	-	-	4,907,900	-	4,907,900	
Common stock subscribed under option plans	26,571	-	74,309	-	-	-	-	-	-	-	100,880	-	100,880	
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(271,182)	(271,182)	-	(271,182)	
Stock-based compensation cost	-	-	163,650	-	-	-	-	-	-	-	163,650	-	163,650	
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	626,984	-	626,984	-	626,984	
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	(1,266,451)	-	(1,266,451)	-	(1,266,451)	
Minimum pension liability adjustment	-	-	-	-	-	-	-	4,564	-	-	4,564	-	4,564	
Foreign currency translation adjustment	-	-	-	-	-	-	(1,881,208)	-	-	-	(1,881,208)	2,110	(1,879,098)	
Adjustments from investments accounted for using equity method	-	-	(104,042)	-	-	-	-	-	4,434	-	(99,608)	-	(99,608)	
2012 consolidated net income	-	-	-	-	-	455,129	-	-	-	-	455,129	(2,477)	452,652	
<b>Balance at September 30, 2012</b>	<b>28,347,268</b>	<b>-</b>	<b>44,039,553</b>	<b>12,607,933</b>	<b>6,126,774</b>	<b>769,690</b>	<b>(5,461,344)</b>	<b>(12,429)</b>	<b>(1,265,654)</b>	<b>(6,662,028)</b>	<b>78,489,763</b>	<b>2,143</b>	<b>78,491,906</b>	

Note: Accrued directors' and supervisors' remuneration of \$89,469 and accrued employee bonuses of \$1,500,000 have been deducted in the 2010 net income.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2012 and 2011

(Expressed in thousands of New Taiwan dollars)

Reviewed, Not Audited

	2012 NT\$	(Unreviewed) 2011 NT\$
<b>Cash flows from operating activities:</b>		
Consolidated net income (loss)	452,652	(6,696,128)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	645,448	532,666
Amortization	1,973,955	1,971,760
Stock-based compensation cost	366,785	321,953
Valuation loss (gain) on financial assets and liabilities	1,729,895	(2,652,137)
Investment gain recognized using equity method, net	(84,067)	(204,167)
Cash dividends received from equity method investments	118,013	142,797
Gain on disposal of investments, net	(7,752)	(345,836)
Amortization of bonds payable discount and transaction cost	300,759	314,914
Unrealized exchange loss (gain) on bonds payable	(359,631)	634,557
Gain on redemption of bonds payable	(88,105)	-
Gain on disposal of property and equipment, net	(656,234)	(4,839)
Deferred income tax benefit	(164,997)	(1,677,493)
Other investment loss (gain), net	32,705	(12,230)
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,019,697	14,711,686
Receivables from related parties	56,968	573,350
Inventories	(8,053,167)	1,085,650
Other receivables, prepayments and other current assets	2,376,420	(3,704,372)
Noncurrent receivable (under other financial assets – noncurrent)	23,362	24,398
Notes and accounts payable	(8,399,727)	(23,725,608)
Payables to related parties	(7,430,992)	(3,450,015)
Royalties payable, accrued expenses and other current liabilities	(852,787)	7,047,223
Other liabilities	458,182	65,173
<b>Cash used in operating activities</b>	<u>(15,542,618)</u>	<u>(15,046,698)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	-	907,185
Increase in long-term investments	-	(101,993)
Proceeds from disposal of investments	7,752	41,286
Proceeds from capital return or liquidation of investees	239,115	133,943
Additions to property, plant and equipment	(500,757)	(718,169)
Proceeds from disposal of property plant and equipment, noncurrent assets held for sale, and property not used in operation	2,677,297	56,010
Decrease in advances to related parties	15,336	7,023
Increase in restricted deposits	(2,982)	(3,502)
Addition to intangible assets	(109,577)	(190,394)
Acquisition of a subsidiary, net of cash acquired	(4,464,660)	-
Increase in refundable deposits, deferred charges and other assets	(329,958)	(836,898)
<b>Cash used in investing activities</b>	<u>(2,468,434)</u>	<u>(705,509)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(153,140)	(1,267,439)
Increase in long-term debt	-	5,278
Repayment of long-term debt	(14,456)	(3,050,000)
Redemption of bonds payable	(5,283,113)	-
Distribution of cash dividends	-	(9,537,686)
Proceeds from exercise of employee stock option	100,880	156,891
Purchase of treasury stock	(271,182)	(2,868,248)
<b>Cash used in financing activities</b>	<u>(5,621,011)</u>	<u>(16,561,204)</u>
<b>Effects of exchange rate changes</b>	<u>(906,566)</u>	<u>1,653,629</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(24,538,629)</u>	<u>(30,659,782)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>58,092,581</u>	<u>68,456,385</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>33,553,952</u></u>	<u><u>37,796,603</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>318,970</u>	<u>277,524</u>
Income taxes paid	<u>649,016</u>	<u>1,442,568</u>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Current portion of long-term debt	<u>-</u>	<u>9,150,000</u>
Current portion of bonds payable	<u>4,901,648</u>	<u>-</u>
Change in unrealized valuation loss on financial instruments	<u>635,033</u>	<u>896,954</u>
<b>Cash acquired from acquisition of a subsidiary:</b>		
Cash consideration	4,520,020	
Issuance of common shares	4,907,900	
Non-cash assets acquired	(6,450,794)	
Liabilities assumed	2,111,698	
Goodwill	(5,033,464)	
<b>Cash acquired from acquisition</b>	<u><u>55,360</u></u>	