

Independent Accountants' 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 March 31, 2012, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the three-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 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 three-month period ended March 31, 2011. Accordingly, we express no any other form of assurance on them. Those financial statements are presented for comparative purpose.

We conducted our review in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and of 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 modifications 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.

KPMG
April 25, 2012

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2012 and 2011
(in thousands of New Taiwan dollars)
Unaudited

Assets	2012 NT\$	2011 NT\$	Liabilities and Stockholders' Equity	2011 NT\$	2010 NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	60,097,596	50,809,155	Short-term borrowings	108,514	1,510,990
Available-for-sale financial assets – current	137,220	204,243	Financial liabilities at fair value through profit or loss – current	270,728	528,125
Financial assets at fair value through profit or loss – current	120,866	42,831	Hedging purpose derivative financial liabilities – current	580,502	213,317
Hedging purpose derivative financial assets – current	111,732	119,650	Notes and accounts payable	79,806,340	70,152,497
Notes and accounts receivable, net of allowance for impairment of NT\$660,861 and NT\$1,222,060 as of March 31, 2012 and 2011, respectively	77,039,100	108,783,371	Notes and accounts payable to related parties	3,692,440	5,001,386
Notes and accounts receivables from related parties	180,823	638,037	Other payables to related parties	108,572	322,743
Other receivables	5,501,110	8,820,436	Royalties payable	11,022,762	9,056,196
Other receivables from related parties	6,230	38,172	Accrued expenses and other current liabilities	49,808,998	53,518,088
Inventories	43,403,552	38,127,280	Current portion of long-term debt	-	6,100,000
Prepayments and other current assets	2,412,924	2,133,287	Deferred income tax liabilities – current	2,607	564,058
Noncurrent assets held for sale	-	1,827,855	Total current liabilities	<u>145,401,463</u>	<u>146,967,400</u>
Deferred income tax assets – current	1,518,004	1,677,124	Long-term liabilities:		
Restricted deposits	28,877	34,798	Financial liabilities at fair value through profit or loss – noncurrent	1,258,929	1,500,703
Total current assets	<u>190,558,034</u>	<u>213,256,239</u>	Bonds payable	13,822,398	13,339,219
Long-term investments:			Long-term debt, excluding current portion	9,123,375	6,231,729
Investments accounted for using equity method	1,905,759	2,431,242	Other liabilities	724,374	340,154
Available-for-sale financial assets – noncurrent	903,364	2,036,212	Deferred income tax liabilities – noncurrent	1,824,979	3,120,677
Financial assets carried at cost – noncurrent	1,068,846	1,728,650	Total long-term liabilities	<u>26,754,055</u>	<u>24,532,482</u>
Total long-term investments	<u>3,877,969</u>	<u>6,196,104</u>	Total liabilities	<u>172,155,518</u>	<u>171,499,882</u>
Property, plant and equipment:			Stockholders' equity and minority interest:		
Land	1,424,639	1,420,272	Common stock	28,320,697	27,001,793
Buildings and improvements	3,898,016	4,545,084	Common stock subscribed	72,494	83,886
Computer equipment and machinery	4,224,735	3,177,598	Capital surplus	43,963,139	39,673,304
Other equipment	2,748,392	3,280,069	Retained earnings:		
Construction in progress and advance payments for purchases of equipment	600,524	73,734	Legal reserve	12,607,933	11,096,134
	12,896,306	12,496,757	Special reserve	4,659,275	-
Less: accumulated depreciation	(5,071,071)	(5,061,455)	Unappropriated earnings	2,113,087	25,418,036
accumulated impairment	(820,943)	(819,765)	Other equity components:		
Net property, plant and equipment	<u>7,004,292</u>	<u>6,615,537</u>	Foreign currency translation adjustment	(4,601,561)	(3,380,767)
Intangible assets			Minimum pension liability adjustment	(16,977)	(17,926)
Trademark	9,737,603	9,976,761	Unrealized gain (loss) on financial instruments	(876,298)	95,600
Goodwill	24,165,072	20,583,616	Treasury stock	(6,390,846)	(3,522,598)
Other intangible assets	9,687,354	5,794,070	Total stockholders' equity	<u>79,850,943</u>	<u>96,447,462</u>
Total intangible assets	<u>43,590,029</u>	<u>36,354,447</u>	Minority interest	2,403	362,251
Other financial assets	1,782,132	1,146,877	Total stockholders' equity and minority interest	<u>79,853,346</u>	<u>96,809,713</u>
Property not used in operation	3,200,780	3,454,858	Commitments and contingencies		
Deferred charges and other assets	1,995,628	1,285,533			
Total assets	<u>252,008,864</u>	<u>268,309,595</u>	Total liabilities and stockholders' equity	<u>252,008,864</u>	<u>268,309,595</u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
For the three-month periods ended March 31, 2012 and 2011
(in thousands of New Taiwan dollars, except earnings per share data)
Unaudited

	2012 NT\$	2011 NT\$
Net sales	113,038,630	127,777,905
Cost of sales	<u>(102,432,002)</u>	<u>(114,586,231)</u>
Gross profit	<u>10,606,628</u>	<u>13,191,674</u>
Operating expenses:		
Selling	(8,386,868)	(9,227,194)
Administrative	(1,450,894)	(1,666,499)
Research and development	<u>(630,926)</u>	<u>(390,159)</u>
Total operating expenses	<u>(10,468,688)</u>	<u>(11,283,852)</u>
Operating income	<u>137,940</u>	<u>1,907,822</u>
Non-operating income and gains:		
Interest income	128,696	86,146
Investment gain recognized using equity method, net	35,856	64,311
Gain on disposal of investments, net	-	19,609
Gain on disposal of property and equipment, net	632,265	1,516
Other investment income	-	58
Other income	<u>216,126</u>	<u>194,914</u>
	<u>1,012,943</u>	<u>366,554</u>
Non-operating expenses and loss:		
Interest expense	(218,609)	(282,226)
Other investment loss	(5,362)	-
Foreign currency exchange loss and valuation loss on financial instruments, net	(242,733)	(223,160)
Other loss	<u>(72,243)</u>	<u>(275,369)</u>
	<u>(538,947)</u>	<u>(780,755)</u>
Income before income taxes	611,936	1,493,621
Income tax expense	<u>(280,926)</u>	<u>(308,627)</u>
Consolidated net income	<u>331,010</u>	<u>1,184,994</u>
Net income attributable to:		
Shareholders of the Company	331,027	1,184,890
Minority interest	<u>(17)</u>	<u>104</u>
	<u>331,010</u>	<u>1,184,994</u>
Earnings per common share (in New Taiwan dollars):		
	NT\$	NT\$
Basic earnings per common share	<u>0.12</u>	<u>0.45</u>
Diluted earnings per common share	<u>0.12</u>	<u>0.44</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

**For the three-month periods ended March 31, 2012 and 2011
(in thousands of New Taiwan dollars)
Unaudited**

	2012 NT\$	2011 NT\$
Cash flows from operating activities:		
Consolidated net income	331,010	1,184,994
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	180,930	174,614
Amortization	801,563	573,917
Stock-based compensation cost	54,550	94,798
Valuation loss (gain) on financial assets and liabilities	1,120,433	(296,546)
Investment gain recognized using equity method, net	(43,356)	(72,757)
Gain on disposal of investments, net	-	(19,609)
Amortization of bonds payable discount and transaction costs	111,685	104,994
Unrealized exchange loss (gain) on bonds payable	(354,284)	130,338
Gain on disposal of property and equipment, net	(632,265)	(1,516)
Deferred income tax expense	158,173	3,277
Other investment loss (gain), net	18,823	(58)
Changes in operating assets and liabilities:		
Notes and accounts receivable	6,500,150	(7,052,483)
Receivables from related parties	(92,198)	80,987
Inventories	(3,428,808)	3,094,759
Other receivables, prepayments and other current assets	942,721	(1,475,378)
Noncurrent receivables (under other financial assets – noncurrent)	8,188	7,389
Notes and accounts payable	2,709,564	(14,082,128)
Payables to related parties	(3,640,848)	(2,979,236)
Royalties payable, accrued expenses and other current liabilities	(265,829)	1,956,313
Other liabilities	392,317	11,445
Cash provided by (used in) operating activities	<u>4,872,519</u>	<u>(18,561,886)</u>
Cash flows from investing activities:		
Proceeds from disposal of investments	-	43,074
Increase in long-term investments	-	(113,180)
Proceeds from capital return or liquidation of investees	69,551	3,318
Additions to property, plant and equipment and property not used in operation	(253,987)	(88,038)
Proceeds from disposal of property and equipment, noncurrent assets held for sale, and property not used in operation	2,583,901	24,069
Decrease in advances to related parties	27,843	8,742
Decrease (increase) in restricted deposits	265	(10,600)
Additions to intangible assets	(116,097)	(175,216)
Acquisition of a subsidiary, net of cash acquired	(4,464,660)	-
Increase in refundable deposits, deferred charges, and other assets	(143,705)	(272,384)
Cash used in by investing activities	<u>(2,296,889)</u>	<u>(580,215)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(249,606)	(140,640)
Increase in long-term debt	281	7,844
Proceeds from exercise of employee stock option	72,494	62,230
Cash used in financing activities	<u>(176,831)</u>	<u>(70,566)</u>
Effects of exchange rate changes	<u>(393,784)</u>	<u>1,565,437</u>
Net increase (decrease) in cash and cash equivalents	2,005,015	(17,647,230)
Cash and cash equivalents at beginning of period	58,092,581	68,456,385
Cash and cash equivalents at end of period	<u>60,097,596</u>	<u>50,809,155</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>108,578</u>	<u>205,792</u>
Income taxes paid	<u>604,803</u>	<u>656,664</u>
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	<u>-</u>	<u>6,100,000</u>
Change in unrealized valuation loss on financial instruments	<u>245,677</u>	<u>365,000</u>
Decrease in valuation allowance of deferred income tax assets against goodwill	<u>33,225</u>	<u>148,399</u>
Cash acquired from acquisition of a subsidiary:		
Cash consideration	4,520,020	
Issuance of common shares	4,907,900	
Non-cash assets acquired	(5,653,376)	
Liabilities assumed	193,708	
Goodwill	(3,912,892)	
Cash acquired from acquisition	<u>55,360</u>	