

Independent Accountants' Review Report

The Board of Directors
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of March 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in following paragraph, we conducted our reviews 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Company's long-term equity method investments of NT\$83,027,526 thousand, deferred inter-company profits of NT\$107,815 thousand and foreign currency translation adjustment of NT\$(3,380,767) thousand as of March 31, 2011, and related net investment loss of NT\$111,199 thousand and change in unrealized inter-company profits of NT\$9,068 for the three-month period ended March 31, 2011, were accounted for using the equity method based on the unreviewed financial statements of the related investees of the Company.

Based on our reviews, except for the effects of such adjustment, if any, as might have been determined to be necessary had the investee companies' financial statements as of March 31, 2011 and for the three-month period then ended as discussed in the preceding paragraph been reviewed, we are not aware of any material modification that should be made to the non-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 and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated financial statements of Acer incorporated and subsidiaries as of and for the three-month period ended March 31, 2012, prepared by the Company. Based on our review, we issued an unqualified review report related to the consolidated financial statements as of and for the three-month period ended March 31, 2012.

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ACER INCORPORATED
Non-Consolidated Balance Sheets
March 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2012.3.31</u> NT\$	<u>2011.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2012.3.31</u> NT\$	<u>2011.3.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	24,458,341	20,371,534	Financial liabilities at fair value through profit or loss – current	227,846	219,017
Available-for-sale financial assets – current	91,774	75,052	Hedging purpose derivative financial liabilities – current	194,565	98,259
Financial assets at fair value through profit or loss – current	1,957	594	Notes and accounts payable	66,288,760	53,504,385
Hedging purpose derivative financial assets – current	31,046	1,327	Notes and accounts payable to related parties	3,238,575	3,646,891
Notes and accounts receivable, net of allowance for impairment of NT\$109,029 and NT\$86,789 as of March 31, 2012 and 2011, respectively	8,133,396	8,058,223	Other payables to related parties	509,419	209,729
Notes and accounts receivables from related parties	44,193,608	57,960,774	Royalties payable	9,395,264	7,976,213
Other receivables	2,507,593	1,918,636	Accrued expenses and other current liabilities	14,751,185	16,520,282
Other receivables from related parties	1,190,637	21,722	Current portion of long-term debt	-	6,100,000
Inventories	18,128,301	18,037,288	Deferred inter-company profits	107,894	107,815
Prepayments and other current assets	572,614	331,682	Total current liabilities	<u>94,713,508</u>	<u>88,382,591</u>
Deferred income tax assets – current	465,112	570,135			
Total current assets	<u>99,774,379</u>	<u>107,346,967</u>	Long-term liabilities:		
Long-term investments:			Financial liabilities at fair value through profit or loss – noncurrent	1,258,929	1,500,703
Investments accounted for using equity method	85,016,828	83,348,601	Bonds Payable	13,822,398	13,339,219
Available-for-sale financial assets – noncurrent	873,103	1,783,144	Long-term debt, excluding current portion	9,000,000	6,100,000
Financial assets carried at cost – noncurrent	598,161	699,321	Other liabilities	79,290	30,082
Total long-term investments	<u>86,488,092</u>	<u>85,831,066</u>	Deferred income tax liabilities – noncurrent	1,821,439	3,120,676
			Total long-term liabilities	<u>25,982,056</u>	<u>24,090,680</u>
			Total liabilities	<u>120,695,564</u>	<u>112,473,271</u>
Property, plant and equipment:			Stockholders' equity:		
Land	734,207	734,207	Common stock	28,320,697	27,001,793
Buildings and improvements	1,179,716	1,745,863	Common stock subscribed	72,494	83,886
Computer equipment and machinery	721,631	605,266	Capital surplus	43,963,139	39,673,304
Other equipment	194,872	780,346	Retained earnings:		
Construction in progress and advance payments for purchases of equipment	85,441	9,072	Legal reserve	12,607,933	11,096,134
	2,915,867	3,874,754	Special reserve	4,659,275	-
Less: accumulated depreciation	(929,400)	(889,117)	Unappropriated earnings	2,113,087	25,418,036
Less: accumulated impairment	(236,380)	(236,380)	Other equity components:		
Net property, plant and equipment	<u>1,750,087</u>	<u>2,749,257</u>	Foreign currency translation adjustment	(4,601,561)	(3,380,767)
			Minimum pension liability adjustment	(16,977)	(17,926)
Intangible assets:			Unrealized gain (loss) on financial instruments	(876,298)	95,600
Trademark	7,394,747	7,423,839	Treasury stock	(6,390,846)	(3,522,598)
Other intangible assets	977,199	1,129,637	Total stockholders' equity	<u>79,850,943</u>	<u>96,447,462</u>
Total intangible assets	<u>8,371,946</u>	<u>8,553,476</u>	Commitments and contingencies		
Property not used in operation	3,233,203	3,457,807			
Refundable deposits	198,753	214,551			
Noncurrent receivables	41,526	74,578			
Deferred charges and other assets	688,521	693,031			
Total assets	<u>200,546,507</u>	<u>208,920,733</u>	Total liabilities and stockholders' equity	<u>200,546,507</u>	<u>208,920,733</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the three-month periods ended March 31, 2012 and 2011

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

Unaudited

	<u>2012</u>	<u>2011</u>		
	NT\$	NT\$		
Net Sales	96,492,392	102,169,711		
Cost of sales	<u>(94,272,385)</u>	<u>(97,974,563)</u>		
Gross profit	2,220,007	4,195,148		
Changes in unrealized inter-company profits	<u>(51,491)</u>	<u>(9,068)</u>		
Realized gross profit	<u>2,168,516</u>	<u>4,186,080</u>		
Operating expenses:				
Selling	(1,087,461)	(1,368,687)		
Administrative	(159,968)	(178,585)		
Research and development	(350,411)	(308,372)		
Total operating expenses	<u>(1,597,840)</u>	<u>(1,855,644)</u>		
Operating income	<u>570,676</u>	<u>2,330,436</u>		
Non-operating income and gains:				
Interest income	7,584	17,420		
Investment gain recognized using equity method, net	168,981	-		
Gain on disposal of investments, net	-	12,543		
Other income	<u>45,100</u>	<u>15,148</u>		
	<u>221,665</u>	<u>45,111</u>		
Non-operating expenses and losses:				
Interest expense	(156,662)	(158,894)		
Investment loss recognized using equity method, net	-	(376,218)		
Foreign currency exchange loss and valuation loss on financial instruments, net	(161,165)	(471,815)		
Other losses	<u>(3,856)</u>	<u>-</u>		
	<u>(321,683)</u>	<u>(1,006,927)</u>		
Income before income taxes	470,658	1,368,620		
Income tax expense	<u>(139,631)</u>	<u>(183,730)</u>		
Net income	<u><u>331,027</u></u>	<u><u>1,184,890</u></u>		
	Before	After	Before	After
Earnings per common share (in New Taiwan dollars):	income	income	income	income
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share	<u>0.17</u>	<u>0.12</u>	<u>0.52</u>	<u>0.45</u>
Diluted earnings per common share	<u>0.17</u>	<u>0.12</u>	<u>0.51</u>	<u>0.44</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

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

	<u>Retained earnings</u>						Foreign currency translation adjustment	Minimum Pension liability adjustment	Unrealized gain (loss) on financial Instruments	Treasury stock	Total stockholders' equity
	Common stock NT\$	Common stock subscribed NT\$	Capital surplus NT\$	Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings NT\$					
Balance at January 1, 2011	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
Common stock subscribed under option plans	-	62,230	-	-	-	-	-	-	-	-	62,230
Stock-based compensation cost	-	-	94,798	-	-	-	-	-	-	-	94,798
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(214,232)	-	(214,232)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(152,102)	-	(152,102)
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,031	-	-	6,031
Foreign currency translation adjustment	-	-	-	-	-	-	1,715,152	-	-	-	1,715,152
Adjustments from investments accounted for using equity method	-	-	(409)	-	-	-	-	-	1,334	-	925
2011 net income	-	-	-	-	-	1,184,890	-	-	-	-	1,184,890
Balance at March 31, 2011	<u>27,001,793</u>	<u>83,886</u>	<u>39,673,304</u>	<u>11,096,134</u>	<u>-</u>	<u>25,418,036</u>	<u>(3,380,767)</u>	<u>(17,926)</u>	<u>95,600</u>	<u>(3,522,598)</u>	<u>96,447,462</u>
Balance at January 1, 2012	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
Issuance of common shares for acquisition of a subsidiary	1,221,782	-	3,686,118	-	-	-	-	-	-	-	4,907,900
Common stock subscribed under option plans	-	72,494	-	-	-	-	-	-	-	-	72,494
Stock-based compensation cost	-	-	54,550	-	-	-	-	-	-	-	54,550
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	145,374	-	145,374
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(386,446)	-	(386,446)
Minimum pension liability adjustment	-	-	-	-	-	-	-	16	-	-	16
Foreign currency translation adjustment	-	-	-	-	-	-	(1,021,425)	-	-	-	(1,021,425)
Adjustments from investments accounted for using equity method	-	-	2,953	-	-	-	-	-	(4,605)	-	(1,652)
2012 net income	-	-	-	-	-	331,027	-	-	-	-	331,027
Balance at March 31, 2012	<u>28,320,697</u>	<u>72,494</u>	<u>43,963,139</u>	<u>12,607,933</u>	<u>4,659,275</u>	<u>2,113,087</u>	<u>(4,601,561)</u>	<u>(16,977)</u>	<u>(876,298)</u>	<u>(6,390,846)</u>	<u>79,850,943</u>

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2012</u>	<u>2011</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	331,027	1,184,890
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	63,733	51,505
Amortization	100,865	132,375
Stock-based compensation cost	54,550	94,156
Valuation loss (gain) on financial assets and liabilities	706,644	(16,893)
Investment loss (gain) recognized using equity method, net	(630,691)	94,059
Gain on disposal of investments, net	-	(12,543)
Amortization of bonds payable discount and transaction cost	111,685	104,994
Unrealized exchange loss (gain) on bonds payable	(354,284)	130,338
Gain on disposal of property and equipment, net	(15,891)	(4)
Deferred income tax expense (benefit)	139,631	(141,171)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(275,463)	806,314
Receivables from related parties	(726,166)	(9,428,059)
Inventories	(2,579,507)	373,628
Other receivables, prepayments and other current assets	125,117	91,416
Noncurrent receivables	8,188	7,682
Notes and accounts payable	3,619,060	(9,363,793)
Payables to related parties	(3,468,393)	(3,610,663)
Royalties payable, accrued expenses and other current liabilities	1,018,182	649,175
Deferred inter-company profits	51,491	9,068
Other liabilities	299	2,111
Cash used in operating activities	<u>(1,719,923)</u>	<u>(18,841,415)</u>
Cash flows from investing activities:		
Proceeds from disposal of investments	-	15,379
Increase in long-term investments	(4,770,020)	-
Proceeds from liquidation of investees	12,485	-
Additions to property, plant and equipment	(3,527)	(15,578)
Proceeds from disposal of property, plant and equipment and property not used in operation	126,260	1,429
Decrease (increase) in loans and advances to related parties	(23,531)	1,914,263
Additions to intangible assets	(5,972)	(30,691)
Decrease (increase) in refundable deposits, deferred charges and other assets	747	(136,994)
Cash provided by (used in) investing activities	<u>(4,663,558)</u>	<u>1,747,808</u>
Cash flows from financing activities:		
Proceeds from exercise of employee stock option	72,494	62,230
Cash provided by financing activities	<u>72,494</u>	<u>62,230</u>
Net decrease in cash and cash equivalents	(6,310,987)	(17,031,377)
Cash and cash equivalents at beginning of period	<u>30,769,328</u>	<u>37,402,911</u>
Cash and cash equivalents at end of period	<u>24,458,341</u>	<u>20,371,534</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>44,977</u>	<u>52,932</u>
Income taxes paid	<u>-</u>	<u>27,816</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>
Change in foreign currency translation adjustment	<u>(1,021,425)</u>	<u>1,715,152</u>
Purchase consideration for acquisition of a subsidiary	9,427,920	-
Less: Issuance of common shares	(4,907,900)	-
Cash paid	<u>4,520,020</u>	<u>-</u>