

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 March 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2014 and 2013. 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 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.

Base 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" and the International Accounting Standards 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

We have previously audited, in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China, the consolidated balance sheet of Acer Incorporated and subsidiaries as of December 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2013. In our report dated March 27, 2014, we expressed an unqualified audit opinion on those consolidated financial statements. In such opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2013, is fairly presented, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG

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

March 31, 2014, December 31, 2013, and March 31, 2013
(March 31, 2014 and 2013 are reviewed, not audited)
(In thousands of New Taiwan dollars)

Assets	2014.3.31	2013.12.31	2013.3.31
Current assets:			
Cash and cash equivalents	\$ 42,746,540	42,983,663	47,373,516
Financial assets at fair value through profit or loss—current	178,396	246,295	70,481
Hedging derivative financial assets—current	-	12,161	504,677
Available-for-sale financial assets—current	127,679	123,130	116,617
Notes and accounts receivable, net	60,509,657	62,081,029	67,334,715
Accounts receivables from related parties	24,377	22,712	46,441
Other receivables	1,681,235	1,701,702	3,258,950
Other receivables from related parties	26	17	17
Current income tax assets	1,306,879	1,272,678	1,195,973
Inventories	28,222,631	35,566,324	39,856,555
Other current assets	<u>2,861,600</u>	<u>3,079,144</u>	<u>2,713,396</u>
Total current assets	<u>137,659,020</u>	<u>147,088,855</u>	<u>162,471,338</u>
Non-current assets:			
Available-for-sale financial assets—non-current	3,225,084	2,900,334	3,344,581
Investments in associates	184,620	176,334	195,357
Property, plant and equipment	6,036,062	6,133,729	6,583,798
Investment property	1,458,270	1,590,433	1,761,139
Intangible assets	28,819,181	28,720,088	39,535,035
Deferred income tax assets	2,083,119	1,903,883	3,286,155
Other non-current assets	709,722	820,243	1,078,352
Other financial assets—non-current	<u>1,351,753</u>	<u>1,165,811</u>	<u>1,184,509</u>
Total non-current assets	<u>43,867,811</u>	<u>43,410,855</u>	<u>56,968,926</u>
Total assets	\$ <u>181,526,831</u>	<u>190,499,710</u>	<u>219,440,264</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014, December 31, 2013, and March 31, 2013

(March 31, 2014 and 2013 are reviewed, not audited)

(In thousands of New Taiwan dollars)

Liabilities and Equity	2014.3.31	2013.12.31	2013.3.31
Current liabilities:			
Short-term borrowings	\$ 1,079,738	389,989	1,411,262
Financial liabilities at fair value through profit or loss — current	495,483	475,425	181,980
Hedging derivative financial liabilities — current	-	-	228,310
Notes and accounts payable	45,988,884	55,217,361	62,868,517
Accounts payables to related parties	2,088	665	-
Other payables	40,066,282	41,371,865	38,714,930
Other payables to related parties	-	656	10,503
Current income tax liabilities	858,248	847,385	2,102,658
Provisions — current	9,945,130	10,305,579	10,242,347
Current portion of bonds payable	-	-	4,941,395
Current portion of long-term debt	1,800,000	1,800,000	-
Other current liabilities	<u>3,152,563</u>	<u>3,279,566</u>	<u>3,548,793</u>
Total current liabilities	<u>103,388,416</u>	<u>113,688,491</u>	<u>124,250,695</u>
Non-current liabilities:			
Financial liabilities at fair value through profit or loss — non-current	507,597	496,143	667,905
Bonds payable	9,112,768	8,974,513	4,107,661
Long-term debt	7,200,000	7,200,000	9,000,000
Provisions — non-current	150,754	342,938	107,657
Deferred income tax liabilities	1,988,188	1,946,343	3,123,311
Other non-current liabilities	<u>1,528,592</u>	<u>1,599,912</u>	<u>1,487,426</u>
Total non-current liabilities	<u>20,487,899</u>	<u>20,559,849</u>	<u>18,493,960</u>
Total liabilities	<u>123,876,315</u>	<u>134,248,340</u>	<u>142,744,655</u>
Equity:			
Common stock	28,347,268	28,347,268	28,347,268
Capital surplus	43,707,727	43,707,727	43,435,754
Retained earnings:			
Legal reserve	10,012,168	10,012,168	12,607,933
Special reserve	6,126,774	6,126,774	6,126,774
Accumulated deficit	(24,463,676)	(24,464,794)	(6,180,553)
Other reserves	(27,845)	(1,425,876)	(1,589,599)
Treasury stock	<u>(6,054,286)</u>	<u>(6,054,286)</u>	<u>(6,054,286)</u>
Equity attributable to shareholders of the Company	<u>57,648,130</u>	<u>56,248,981</u>	<u>76,693,291</u>
Non-controlling interests	<u>2,386</u>	<u>2,389</u>	<u>2,318</u>
Total equity	<u>57,650,516</u>	<u>56,251,370</u>	<u>76,695,609</u>
Total liabilities and equity	<u>\$ 181,526,831</u>	<u>190,499,710</u>	<u>219,440,264</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2014 and 2013
(In thousands of New Taiwan dollars, except earnings per share data)
Reviewed, Not Audited

	January 1, 2014 ~ March 31, 2014	January 1, 2013 ~ March 31, 2013
Revenue	\$ 76,724,224	91,972,997
Cost of sales	<u>70,349,801</u>	<u>84,140,660</u>
Gross profit	<u>6,374,423</u>	<u>7,832,337</u>
Operating expenses:		
Selling expenses	4,548,073	5,631,752
Administrative expenses	1,163,156	1,369,566
Research and development expenses	672,818	747,382
Other expenses	-	90,016
Total operating expenses	<u>6,384,047</u>	<u>7,838,716</u>
Other operating income and loss – net	<u>136,868</u>	<u>35,092</u>
Operating income	<u>127,244</u>	<u>28,713</u>
Non-operating income and loss:		
Other income	57,386	77,641
Other gains and losses – net	113,461	533,441
Finance costs	(153,739)	(192,792)
Share of profits of associates	1,592	2,994
Total non-operating income and loss	<u>18,700</u>	<u>421,284</u>
Earnings before taxes	145,944	449,997
Income tax benefit (expense)	<u>(144,817)</u>	<u>64,573</u>
Net profits for the period	<u>1,127</u>	<u>514,570</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	1,135,913	1,388,850
Change in fair value of available-for-sale financial assets	262,861	13,737
Change in fair value of cash flow hedges	-	558,344
Actuarial gain from defined benefit plans	-	24,504
Less: Income taxes related to components of other comprehensive income	755	40,637
Other comprehensive income for the year, net of taxes	<u>1,398,019</u>	<u>1,944,798</u>
Total comprehensive income for the year	\$ <u><u>1,399,146</u></u>	\$ <u><u>2,459,368</u></u>
Profits attributable to:		
Shareholders of the Company	\$ 1,118	514,551
Non-controlling interests	9	19
	\$ <u><u>1,127</u></u>	\$ <u><u>514,570</u></u>
Total comprehensive income attributable to:		
Shareholders of the Company	\$ 1,399,149	2,459,384
Non-controlling interests	(3)	(16)
	\$ <u><u>1,399,146</u></u>	\$ <u><u>2,459,368</u></u>
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	\$ <u>0.0004</u>	<u>0.19</u>
Diluted earnings per share	\$ <u>0.0004</u>	<u>0.19</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2014 and 2013

(In thousands of New Taiwan dollars)

Reviewed, Not Audited

	Attributable to shareholders of the Company													Non-controlling interests	Total equity
	Retained earnings					Other reserves					Treasury stock	Total			
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedges reserve	Total					
Balance at January 1, 2013	\$ 28,347,268	43,403,533	12,607,933	6,126,774	(6,706,640)	12,028,067	(2,230,965)	(889,498)	(402,433)	(3,522,896)	(6,054,286)	74,201,686	2,334	74,204,020	
Net profits for the period	-	-	-	-	514,551	514,551	-	-	-	-	-	514,551	19	514,570	
Other comprehensive income for the period	-	-	-	-	11,536	11,536	1,388,458	13,737	531,102	1,933,297	-	1,944,833	(35)	1,944,798	
Total comprehensive income for the period	-	-	-	-	526,087	526,087	1,388,458	13,737	531,102	1,933,297	-	2,459,384	(16)	2,459,368	
Share-based compensation cost	-	32,221	-	-	-	-	-	-	-	-	-	32,221	-	32,221	
Balance at March 31, 2013	<u>28,347,268</u>	<u>43,435,754</u>	<u>12,607,933</u>	<u>6,126,774</u>	<u>(6,180,553)</u>	<u>12,554,154</u>	<u>(842,507)</u>	<u>(875,761)</u>	<u>128,669</u>	<u>(1,589,599)</u>	<u>(6,054,286)</u>	<u>76,693,291</u>	<u>2,318</u>	<u>76,695,609</u>	
Balance at January 1, 2014	\$ 28,347,268	43,707,727	10,012,168	6,126,774	(24,464,794)	(8,325,852)	(262,231)	(1,163,645)	-	(1,425,876)	(6,054,286)	56,248,981	2,389	56,251,370	
Net profits for the period	-	-	-	-	1,118	1,118	-	-	-	-	-	1,118	9	1,127	
Other comprehensive income for the period	-	-	-	-	-	-	1,135,170	262,861	-	1,398,031	-	1,398,031	(12)	1,398,019	
Total comprehensive income for the period	-	-	-	-	1,118	1,118	1,135,170	262,861	-	1,398,031	-	1,399,149	(3)	1,399,146	
Balance at March 31, 2014	<u>28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(24,463,676)</u>	<u>(8,324,734)</u>	<u>872,939</u>	<u>(900,784)</u>	<u>-</u>	<u>(27,845)</u>	<u>(6,054,286)</u>	<u>57,648,130</u>	<u>2,386</u>	<u>57,650,516</u>	

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2014 and 2013

(In thousands of New Taiwan dollars)

Reviewed, Not Audited

	2014	2013
Cash flows from operating activities:		
Profits before taxes	\$ <u>145,944</u>	<u>449,997</u>
Adjustments for:		
Non-cash profit and loss:		
Depreciation	221,141	232,743
Amortization	328,038	499,118
Share-based compensation cost	50,242	102,236
Valuation loss (gain) on derivative financial assets and liabilities	111,572	(935,037)
Interest expense	153,739	192,792
Interest income	(56,518)	(77,641)
Dividend income	(868)	-
Effects of exchange rate changes on bonds payable	59,994	223,637
Share of profits of associates	(1,592)	(2,994)
Gain on disposal of property, plant and equipment and investment property, net	(32,709)	(75,081)
Gain on disposal of available-for-sale financial assets	-	(187,208)
Loss on disposal of subsidiaries	13,291	-
Other investments loss	<u>7,131</u>	<u>-</u>
Total non-cash profit and loss	<u>853,461</u>	<u>(27,435)</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	1,571,372	1,496,205
Receivables from related parties	(1,665)	(5,158)
Inventories	7,329,232	3,474,942
Other receivables and other current assets	238,344	(1,288,346)
Non-current accounts receivables	<u>727</u>	<u>7,191</u>
Net changes in operating assets	<u>9,138,010</u>	<u>3,684,834</u>
Net changes in operating liabilities:		
Notes and accounts payable	(9,228,477)	(8,770,211)
Payables to related parties	767	8,589
Other payables and other current liabilities	(1,440,831)	110,070
Provisions	(552,633)	(842,861)
Other non-current liabilities	<u>(71,320)</u>	<u>85,270</u>
Net changes in operating liabilities	<u>(11,292,494)</u>	<u>(9,409,143)</u>
Total changes in operating assets and liabilities	<u>(2,154,484)</u>	<u>(5,724,309)</u>
Cash used in operations	(1,155,079)	(5,301,747)
Interest received	56,191	77,327
Income taxes paid	<u>(128,135)</u>	<u>(388,076)</u>
Net cash used in operating activities	<u>(1,227,023)</u>	<u>(5,612,496)</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month periods end March 31, 2014 and 2013

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	2014	2013
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(70,000)	-
Proceeds from sale of available-for-sale financial assets	-	232,548
Proceeds from capital return of available-for-sale investment	-	36,275
Additions to property, plant and equipment	(67,395)	(57,240)
Proceeds from disposal of property, plant and equipment and investment property	171,351	478,770
Additions to intangible assets	(10,753)	(73,272)
Decrease (increase) in other non-current financial assets and other non-current assets	(150,743)	15,537
Dividend received	868	-
Net cash provided by (used in) investing activities	<u>(126,672)</u>	<u>632,618</u>
Cash flows from financing activities:		
Increase in short-term borrowings	689,749	1,061,288
Interest paid	(62,943)	(108,582)
Net cash provided by financing activities	<u>626,806</u>	<u>952,706</u>
Effects of foreign exchange rate changes	<u>489,766</u>	<u>788,124</u>
Net decrease in cash and cash equivalents	(237,123)	(3,239,048)
Cash and cash equivalents at beginning of period	<u>42,983,663</u>	<u>50,612,564</u>
Cash and cash equivalents at end of period	\$ <u>42,746,540</u>	<u>47,373,516</u>