

## **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, 2014 and 2013, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2014 and 2013, and for the nine-month periods ended September 30, 2014 and 2013, and changes in equity and cash flows for the nine-month periods ended September 30, 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  
November 6, 2014

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, 2014, December 31, 2013, and September 30, 2013**  
**(September 30, 2014 and 2013 are reviewed, not audited)**  
**(In thousands of New Taiwan dollars)**

<b>Assets</b>	<b>2014.9.30</b>	<b>2013.12.31</b>	<b>2013.9.30</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 39,245,209	42,983,663	33,948,980
Financial assets at fair value through profit or loss—current	1,794,368	246,295	340,429
Hedging derivative financial assets—current	-	12,161	37,442
Available-for-sale financial assets—current	151,440	123,130	116,532
Notes and accounts receivable, net	66,759,726	62,081,029	64,774,995
Accounts receivables from related parties	51,941	22,712	26,979
Other receivables	1,732,959	1,701,702	2,734,232
Other receivables from related parties	26	17	10
Current income tax assets	1,434,122	1,272,678	1,359,279
Inventories	39,794,555	35,566,324	41,999,365
Other current assets	<u>2,885,729</u>	<u>3,079,144</u>	<u>3,074,101</u>
<b>Total current assets</b>	<b><u>153,850,075</u></b>	<b><u>147,088,855</u></b>	<b><u>148,412,344</u></b>
<b>Non-current assets:</b>			
Financial assets at fair value through profit or loss—non-current	-	-	600
Available-for-sale financial assets—non-current	3,792,956	2,900,334	3,077,257
Investments in associates	183,567	176,334	180,109
Property, plant and equipment	5,603,561	6,133,729	6,403,146
Investment property	1,128,440	1,590,433	1,607,991
Intangible assets	26,056,676	28,720,088	28,758,653
Deferred income tax assets	1,994,520	1,903,883	3,512,089
Other non-current assets	619,212	820,243	874,920
Other financial assets—non-current	<u>1,127,129</u>	<u>1,165,811</u>	<u>1,043,280</u>
<b>Total non-current assets</b>	<b><u>40,506,061</u></b>	<b><u>43,410,855</u></b>	<b><u>45,458,045</u></b>
<b>Total assets</b>	<b>\$ <u>194,356,136</u></b>	<b><u>190,499,710</u></b>	<b><u>193,870,389</u></b>

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2014, December 31, 2013, and September 30, 2013**

**(September 30, 2014 and 2013 are reviewed, not audited)**

**(In thousands of New Taiwan dollars)**

<b>Liabilities and Equity</b>	<b>2014.9.30</b>	<b>2013.12.31</b>	<b>2013.9.30</b>
<b>Current liabilities:</b>			
Short-term borrowings	\$ 209,992	389,989	65,000
Financial liabilities at fair value through profit or loss — current	658,977	475,425	910,145
Hedging derivative financial liabilities — current	-	-	14,392
Notes and accounts payable	58,923,821	55,217,361	52,454,012
Accounts payables to related parties	809	665	1,508
Other payables	41,063,620	41,371,865	40,198,103
Other payables to related parties	-	656	-
Current income tax liabilities	1,165,297	847,385	2,089,445
Provisions — current	9,120,883	10,305,579	9,232,524
Current portion of bonds payable	3,392,278	-	-
Current portion of long-term debt	3,600,000	1,800,000	-
Other current liabilities	<u>3,335,787</u>	<u>3,279,566</u>	<u>2,992,320</u>
<b>Total current liabilities</b>	<u>121,471,464</u>	<u>113,688,491</u>	<u>107,957,449</u>
<b>Non-current liabilities:</b>			
Financial liabilities at fair value through profit or loss — non-current	-	496,143	469,971
Bonds payable	5,901,353	8,974,513	8,743,061
Long-term debt	5,400,000	7,200,000	9,000,000
Provisions — non-current	136,245	342,938	120,153
Deferred income tax liabilities	1,983,505	1,946,343	3,092,314
Other non-current liabilities	<u>1,511,778</u>	<u>1,599,912</u>	<u>1,617,084</u>
<b>Total non-current liabilities</b>	<u>14,932,881</u>	<u>20,559,849</u>	<u>23,042,583</u>
<b>Total liabilities</b>	<u>136,404,345</u>	<u>134,248,340</u>	<u>131,000,032</u>
<b>Equity:</b>			
Common stock	27,965,678	28,347,268	28,347,268
Capital surplus	34,008,228	43,707,727	43,707,727
Retained earnings:			
Legal reserve	-	10,012,168	10,012,168
Special reserve	-	6,126,774	6,126,774
Unappropriated earnings (accumulated deficit)	334,448	(24,464,794)	(17,047,996)
Other reserves	(1,172,851)	(1,425,876)	(2,223,700)
Treasury stock	<u>(3,186,038)</u>	<u>(6,054,286)</u>	<u>(6,054,286)</u>
<b>Equity attributable to shareholders of the Company</b>	<u>57,949,465</u>	<u>56,248,981</u>	<u>62,867,955</u>
<b>Non-controlling interests</b>	<u>2,326</u>	<u>2,389</u>	<u>2,402</u>
<b>Total equity</b>	<u>57,951,791</u>	<u>56,251,370</u>	<u>62,870,357</u>
<b>Total liabilities and equity</b>	<u>\$ 194,356,136</u>	<u>190,499,710</u>	<u>193,870,389</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended September 30, 2014 and 2013, and  
for the nine-month periods ended September 30, 2014 and 2013  
(In thousands of New Taiwan dollars, except earnings per share data)  
Reviewed, Not Audited

	July 1, 2014 ~ September 30, 2014	July 1, 2013 ~ September 30, 2013	January 1, 2014 ~ September 30, 2014	January 1, 2013 ~ September 30, 2013
<b>Revenue</b>	\$ 85,686,365	92,145,560	243,747,167	273,496,296
<b>Cost of sales</b>	<u>78,007,646</u>	<u>85,872,246</u>	<u>222,166,467</u>	<u>251,912,467</u>
<b>Gross profit</b>	<u>7,678,719</u>	<u>6,273,314</u>	<u>21,580,700</u>	<u>21,583,829</u>
<b>Operating expenses:</b>				
Selling expenses	4,727,995	5,286,841	14,163,348	17,003,969
Administrative expenses	1,304,973	2,849,418	3,901,832	5,618,887
Research and development expenses	<u>574,269</u>	<u>752,296</u>	<u>1,862,439</u>	<u>2,235,937</u>
<b>Total operating expenses</b>	<u>6,607,237</u>	<u>8,888,555</u>	<u>19,927,619</u>	<u>24,858,793</u>
<b>Other operating income and loss – net</b>	<u>32,309</u>	<u>45,572</u>	<u>240,350</u>	<u>120,728</u>
<b>Operating income (loss)</b>	<u>1,103,791</u>	<u>(2,569,669)</u>	<u>1,893,431</u>	<u>(3,154,236)</u>
<b>Non-operating income and loss:</b>				
Other income	186,691	282,216	311,969	459,433
Other gains and losses – net	(220,680)	(248,759)	13,324	456,087
Finance costs	(21,908)	(145,376)	(502,599)	(531,453)
Share of profits of associates	2,314	(463)	7,800	4,673
Impairment loss on intangible assets	-	(9,943,350)	-	(9,943,350)
<b>Total non-operating income and loss</b>	<u>(53,583)</u>	<u>(10,055,732)</u>	<u>(169,506)</u>	<u>(9,554,610)</u>
<b>Profits (losses) before taxes</b>	<u>1,050,208</u>	<u>(12,625,401)</u>	<u>1,723,925</u>	<u>(12,708,846)</u>
<b>Income tax</b>	<u>399,548</u>	<u>494,241</u>	<u>587,439</u>	<u>239,680</u>
<b>Net profits (losses) for the period</b>	<u>650,660</u>	<u>(13,119,642)</u>	<u>1,136,486</u>	<u>(12,948,526)</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of foreign operations	(251,305)	(681,779)	(397,061)	1,104,651
Change in fair value of available-for-sale financial assets	466,906	15,014	946,031	(202,858)
Change in fair value of cash flow hedges	-	(73,446)	-	396,085
Actuarial gain (loss) from defined benefit plans	-	(490)	-	24,898
Less: Income taxes related to components of other comprehensive income	<u>(781)</u>	<u>532</u>	<u>(46)</u>	<u>12,107</u>
<b>Other comprehensive income for the period, net of taxes</b>	<u>216,382</u>	<u>(741,233)</u>	<u>549,016</u>	<u>1,310,669</u>
<b>Total comprehensive income for the period</b>	<u>\$ 867,042</u>	<u>(13,860,875)</u>	<u>1,685,502</u>	<u>(11,637,857)</u>
<b>Profits attributable to:</b>				
Shareholders of the Company	\$ 650,666	(13,119,673)	1,136,485	(12,948,612)
Non-controlling interests	<u>(6)</u>	<u>31</u>	<u>1</u>	<u>86</u>
	<u>\$ 650,660</u>	<u>(13,119,642)</u>	<u>1,136,486</u>	<u>(12,948,526)</u>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	\$ 867,042	(13,861,065)	1,685,565	(11,637,925)
Non-controlling interests	<u>-</u>	<u>190</u>	<u>(63)</u>	<u>68</u>
	<u>\$ 867,042</u>	<u>(13,860,875)</u>	<u>1,685,502</u>	<u>(11,637,857)</u>
<b>Earnings per share (in New Taiwan dollars):</b>				
Basic earnings per share	<u>\$ 0.24</u>	<u>(4.82)</u>	<u>0.42</u>	<u>(4.76)</u>
Diluted earnings per share	<u>\$ 0.23</u>	<u>(4.82)</u>	<u>0.40</u>	<u>(4.76)</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2014 and 2013  
(In thousands of New Taiwan dollars)  
Reviewed, Not Audited

	Attributable to shareholders of the Company															
	Retained earnings						Other reserves				Other equity – unearned compensation cost arising from restricted stock issued to employees		Non-controlling interests	Total equity		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedges reserve	Total	Treasury stock	Total				
<b>Balance at January 1, 2013</b>	\$ 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
Appropriation approved by the stockholders:																
Decrease in legal reserve to offset accumulated deficit	-	-	(2,595,765)	-	2,595,765	-	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:																
Share-based compensation cost	-	43,194	-	-	-	-	-	-	-	-	-	-	-	43,194	-	43,194
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	-	-	261,000	-	261,000
Net losses for the period	-	-	-	-	(12,948,612)	(12,948,612)	-	-	-	-	-	-	-	(12,948,612)	86	(12,948,526)
Other comprehensive income for the period	-	-	-	-	11,491	11,491	1,105,969	(202,858)	396,085	-	-	1,299,196	-	1,310,687	(18)	1,310,669
Total comprehensive income for the period	-	-	-	-	(12,937,121)	(12,937,121)	1,105,969	(202,858)	396,085	-	-	1,299,196	-	(11,637,925)	68	(11,637,857)
<b>Balance at September 30, 2013</b>	<u>\$ 28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(17,047,996)</u>	<u>(909,054)</u>	<u>(1,124,996)</u>	<u>(1,092,356)</u>	<u>(6,348)</u>	<u>-</u>	<u>-</u>	<u>(2,223,700)</u>	<u>(6,054,286)</u>	<u>62,867,955</u>	<u>2,402</u>	<u>62,870,357</u>
<b>Balance at January 1, 2014</b>	\$ 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
Appropriation approved by the stockholders:																
Decrease in capital surplus to offset accumulated deficit	-	(8,325,852)	-	-	8,325,852	8,325,852	-	-	-	-	-	-	-	-	-	-
Decrease in legal reserve to offset accumulated deficit	-	-	(10,012,168)	-	10,012,168	-	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(3,460,642)	3,460,642	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,666,132)	2,666,132	-	-	-	-	-	-	-	-	-	-	-
Issuance of restricted stock to employees	174,600	136,374	-	-	-	-	-	-	-	-	-	(310,974)	(310,974)	-	-	-
Compensation cost arising from restricted stock issued to employees	-	-	-	-	-	-	-	-	-	-	-	14,919	14,919	14,919	-	14,919
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	-	2,868,248	-	-	-	-
Net profits for the period	-	-	-	-	1,136,485	1,136,485	-	-	-	-	-	-	-	1,136,485	1	1,136,486
Other comprehensive income for the period	-	-	-	-	-	-	(396,951)	946,031	-	-	-	549,080	-	549,080	(64)	549,016
Total comprehensive income for the period	-	-	-	-	1,136,485	1,136,485	(396,951)	946,031	-	-	-	549,080	-	1,685,565	(63)	1,685,502
<b>Balance at September 30, 2014</b>	<u>\$ 27,965,678</u>	<u>34,008,228</u>	<u>-</u>	<u>-</u>	<u>334,448</u>	<u>334,448</u>	<u>(659,182)</u>	<u>(217,614)</u>	<u>-</u>	<u>(296,055)</u>	<u>(1,172,851)</u>	<u>(3,186,038)</u>	<u>57,949,465</u>	<u>2,326</u>	<u>57,951,791</u>	

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine-month periods ended September 30, 2014 and 2013**

**(In thousands of New Taiwan dollars)**

**Reviewed, Not Audited**

	<b>January 1, 2014~ September 30, 2014</b>	<b>January 1, 2013~ September 30, 2013</b>
<b>Cash flows from operating activities:</b>		
<b>Profits (losses) before taxes</b>	\$ <u>1,723,925</u>	<u>(12,708,846)</u>
<b>Adjustments for:</b>		
Non-cash profit and loss:		
Depreciation	607,343	698,662
Amortization	942,823	1,349,393
Valuation gain on derivative financial assets and liabilities	(1,848,503)	(220,659)
Interest expense	502,599	531,453
Interest income	(187,138)	(256,361)
Dividend income	(124,831)	(203,072)
Share-based compensation cost	164,821	255,148
Effects of exchange rate changes on bonds payable	53,297	208,191
Share of profits of associates	(7,800)	(4,673)
Gain on disposal of property, plant and equipment and investment property, net	(64,938)	(106,792)
Gain on disposal of available-for-sale financial assets	-	(218,705)
Loss on disposal of subsidiaries	13,291	-
Gain on disposal of investments in associates	(41,495)	-
Impairment loss on non-financial assets	-	9,943,350
Loss on purchase and redemption of bonds payable	-	73,972
Other investments loss	7,131	-
Intangible assets charged to cost of sales	<u>2,167,141</u>	<u>-</u>
Total non-cash profit and loss	<u>2,183,741</u>	<u>12,049,907</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	(4,678,697)	3,967,905
Receivables from related parties	(29,229)	14,304
Inventories	(4,270,829)	1,299,401
Other receivables and other current assets	162,150	(1,066,623)
Non-current accounts receivables	<u>(1,256)</u>	<u>17,771</u>
Net changes in operating assets	<u>(8,817,861)</u>	<u>4,232,758</u>
Net changes in operating liabilities:		
Notes and accounts payable	3,706,460	(19,184,716)
Payables to related parties	(512)	(406)
Other payables and other current liabilities	(270,198)	1,027,028
Provisions	(1,391,389)	(1,840,188)
Other non-current liabilities	<u>(88,134)</u>	<u>214,928</u>
Net changes in operating liabilities	<u>1,956,227</u>	<u>(19,783,354)</u>
Total changes in operating assets and liabilities	<u>(6,861,634)</u>	<u>(15,550,596)</u>
Cash used in operations	(2,953,968)	(16,209,535)
Interest received	187,166	256,632
Income taxes paid	<u>(549,919)</u>	<u>(821,909)</u>
<b>Net cash used in operating activities</b>	<u>(3,316,721)</u>	<u>(16,774,812)</u>

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine-month periods end September 30, 2014 and 2013**

**(in thousands of New Taiwan dollars)**

**Reviewed, Not Audited**

	<b>January 1, 2014~ September 30, 2014</b>	<b>January 1, 2013~ September 30, 2013</b>
<b>Cash flows from investing activities:</b>		
Purchase of available-for-sale financial assets	(70,000)	-
Proceeds from sale of available-for-sale financial assets	-	264,045
Proceeds from capital return of available-for-sale investment	90,568	85,817
Additions to investments in associates	(6,000)	-
Proceeds from sale of investment in associates	41,495	-
Additions to property, plant and equipment	(153,399)	(298,649)
Proceeds from disposal of property, plant and equipment and investment property	568,580	658,046
Decrease (increase) in advances to related parties	(9)	6
Additions to intangible assets	(11,521)	(146,635)
Decrease in other non-current financial assets and other non-current assets	136,000	157,461
Dividend received	<u>133,545</u>	<u>209,048</u>
<b>Net cash provided by investing activities</b>	<u><b>729,259</b></u>	<u><b>929,139</b></u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(179,997)	(284,974)
Issuance of bonds payable	-	6,000,000
Purchase of bonds payable	-	(6,669,074)
Interest paid	<u>(208,031)</u>	<u>(231,536)</u>
<b>Net cash used in financing activities</b>	<u><b>(388,028)</b></u>	<u><b>(1,185,584)</b></u>
<b>Effects of foreign exchange rate changes</b>	<u><b>(762,964)</b></u>	<u><b>367,673</b></u>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,738,454)</b>	<b>(16,663,584)</b>
<b>Cash and cash equivalents at beginning of period</b>	<u><b>42,983,663</b></u>	<u><b>50,612,564</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 39,245,209</b></u>	<u><b>33,948,980</b></u>