

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, 2011 and 2010, 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, related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

KPMG
April 20, 2011

ACER INCORPORATED
Non-Consolidated Balance Sheets
March 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2011.3.31</u> NT\$	<u>2010.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2011.3.31</u> NT\$	<u>2010.3.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	20,371,534	9,253,476	Notes and accounts payable	53,504,385	58,218,465
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$86,789 and NT\$171,162 as of March 31, 2011 and 2010, respectively	8,058,223	11,315,412	Notes and accounts payable to related parties	3,646,891	8,994,617
Notes and accounts receivables from related parties	57,960,774	74,174,365	Financial liabilities at fair value through profit or loss—current	219,017	507
Other receivables from related parties	21,722	57,420	Other payables to related parties	209,729	6,924,487
Other receivables	1,918,636	2,409,105	Hedging purpose derivative financial liabilities—current	98,259	32,404
Inventories	18,037,288	17,910,035	Royalties payable	7,976,213	10,943,001
Financial assets at fair value through profit or loss—current	594	1,029	Accrued expenses and other current liabilities	16,520,282	18,959,900
Available-for-sale financial assets—current	75,052	106,781	Current portion of long-term debt	6,100,000	-
Hedging purpose derivative financial assets—current	1,327	324,277	Deferred inter-company profits	107,815	66,116
Deferred income tax assets—current	570,135	1,284,315	Total current liabilities	<u>88,382,591</u>	<u>104,139,497</u>
Prepayments and other current assets	<u>560,150</u>	<u>892,638</u>			
Total current assets	<u>107,575,435</u>	<u>117,728,853</u>	Long-term liabilities:		
Long-term investments:			Financial liabilities at fair value through profit or loss—noncurrent	1,500,703	-
Investments accounted for using equity method	83,348,601	77,426,258	Bonds Payable	13,339,219	-
Available-for-sale financial assets—noncurrent	1,783,144	2,490,213	Long-term debt, excluding current portion	6,100,000	12,200,000
Financial assets carried at cost—noncurrent	<u>699,321</u>	<u>796,169</u>	Other liabilities	30,082	28,787
Total long-term investments	<u>85,831,066</u>	<u>80,712,640</u>	Deferred income tax liabilities—noncurrent	<u>3,120,676</u>	<u>3,430,505</u>
			Total long-term liabilities	<u>24,090,680</u>	<u>15,659,292</u>
			Total liabilities	<u>112,473,271</u>	<u>119,798,789</u>
Property, plant and equipment:			Stockholders' equity:		
Land	734,207	379,379	Common stock	27,001,793	26,882,283
Buildings and improvements	973,858	581,047	Common stock subscribed	83,886	-
Computer equipment and machinery	604,782	584,478	Capital surplus	39,673,304	38,616,522
Other equipment	774,951	767,293	Retained earnings:		
Construction in progress and advance payments for purchases of property and equipment	<u>9,072</u>	<u>94,036</u>	Legal reserve	11,096,134	9,960,796
	3,096,870	2,406,233	Special reserve	-	1,991,615
Less: accumulated depreciation	(889,117)	(748,508)	Unappropriated earnings	25,418,036	19,917,077
Less: accumulated impairment	<u>(236,380)</u>	<u>-</u>	Other equity components:		
Net property, plant and equipment	<u>1,971,373</u>	<u>1,657,725</u>	Foreign currency translation adjustment	(3,380,767)	(305,102)
			Minimum pension liability adjustment	(17,926)	(4,367)
Intangible assets:			Unrealized gain on financial instruments	95,600	860,955
Trademark	7,423,839	7,452,932	Treasury stock	<u>(3,522,598)</u>	<u>(3,522,598)</u>
Other intangible assets	<u>1,077,051</u>	<u>833,601</u>	Total stockholders' equity	96,447,462	94,397,181
Total intangible assets	<u>8,500,890</u>	<u>8,286,533</u>	Commitments and contingencies		
Property not used in operation	3,457,807	4,170,858			
Refundable deposits	214,551	230,096			
Noncurrent receivable	74,578	118,723			
Deferred charges and other assets	<u>1,295,033</u>	<u>1,290,542</u>			
Total assets	<u>208,920,733</u>	<u>214,195,970</u>	Total liabilities and stockholders' equity	<u>208,920,733</u>	<u>214,195,970</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the three-month periods ended March 31, 2011 and 2010

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

Unaudited

	<u>2011</u> NT\$	<u>2010</u> NT\$		
Net Sales	102,169,711	139,847,115		
Cost of sales	<u>(97,974,563)</u>	<u>(135,192,556)</u>		
Gross profit	4,195,148	4,654,559		
Changes in unrealized inter-company profits	<u>(9,068)</u>	<u>(7,764)</u>		
Realized gross profit	<u>4,186,080</u>	<u>4,646,795</u>		
Operating expenses:				
Selling	(1,368,687)	(1,258,490)		
Administrative	(178,585)	(211,261)		
Research and development	<u>(308,372)</u>	<u>(235,769)</u>		
Total operating expenses	<u>(1,855,644)</u>	<u>(1,705,520)</u>		
Operating income	<u>2,330,436</u>	<u>2,941,275</u>		
Non-operating income and gains:				
Interest income	17,420	2,483		
Investment gain recognized using equity method, net	-	1,394,708		
Gain on disposal of investments, net	12,543	20,124		
Other income	<u>15,148</u>	<u>9,997</u>		
	<u>45,111</u>	<u>1,427,312</u>		
Non-operating expenses and losses:				
Interest expense	(158,894)	(60,855)		
Investment loss recognized using equity method, net	(376,218)	-		
Foreign currency exchange loss and valuation loss on financial instruments, net	<u>(471,815)</u>	<u>(378,362)</u>		
	<u>(1,006,927)</u>	<u>(439,217)</u>		
Income before income taxes	1,368,620	3,929,370		
Income tax expense	<u>(183,730)</u>	<u>(634,893)</u>		
Net income	<u><u>1,184,890</u></u>	<u><u>3,294,477</u></u>		
	Before income tax NT\$	After income tax NT\$	Before income tax NT\$	After income tax NT\$
Earnings per common share (in New Taiwan dollars):				
Basic earnings per common share—retroactively adjusted	<u>0.52</u>	<u>0.45</u>	<u>1.49</u>	<u>1.25</u>
Diluted earnings per common share – retroactively adjusted	<u>0.51</u>	<u>0.44</u>	<u>1.47</u>	<u>1.23</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the three-month periods ended March 31, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

Unaudited

	Retained earnings										
	Common stock NT\$	Common stock subscribed NT\$	Capital surplus NT\$	Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings NT\$	Foreign currency translation adjustment NT\$	Minimum pension liability adjustment NT\$	Unrealized gain (loss) on financial instruments	Treasury stock NT\$	Total stockholders' equity NT\$
Balance at January 1, 2010	26,882,283	-	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844
Stock-based compensation cost	-	-	118,481								118,481
2010 net income	-	-		-	-	3,294,477	-	-	-	-	3,294,477
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	54,943	-	54,943
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(11,077)	-	(11,077)
Minimum pension liability adjustment	-	-	-	-	-	-	-	3,541	-	-	3,541
Foreign currency translation adjustment	-	-	-	-	-	-	(1,264,723)	-	-	-	(1,264,723)
Adjustments from investments accounted for using equity method	-	-	3,923	-	-	-	-	-	(197,228)	-	(193,305)
Balance at March 31, 2010	<u>26,882,283</u>	<u>-</u>	<u>38,616,522</u>	<u>9,960,796</u>	<u>1,991,615</u>	<u>19,917,077</u>	<u>(305,102)</u>	<u>(4,367)</u>	<u>860,955</u>	<u>(3,522,598)</u>	<u>94,397,181</u>
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
2011 net income	-	-		-	-	1,184,890	-	-	-	-	1,184,890
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
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>

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2011</u> NT\$	<u>2010</u> NT\$
Cash flows from operating activities:		
Net income	1,184,890	3,294,477
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	51,505	46,940
Amortization	132,375	115,057
Unrealized exchange gain on payables to related parties	-	(80,712)
Stock-based compensation cost	94,156	116,872
Valuation loss (gain) on financial assets and liabilities	(16,893)	796,128
Investment loss (gain) recognized using equity method, net	94,059	(1,560,297)
Gain on disposal of investments, net	(12,543)	(20,124)
Amortization of bonds payable discount and transaction cost	104,994	-
Unrealized exchange loss on bonds payable	130,338	-
Gain on disposal of property and equipment, net	(4)	-
Deferred income tax expense (benefit)	(141,171)	198,951
Changes in operating assets and liabilities:		
Notes and accounts receivable	806,314	1,640,937
Receivables from related parties	(9,428,059)	13,541,273
Inventories	373,628	1,084,225
Other receivables, prepayments and other current assets	91,416	(897,526)
Noncurrent receivable	7,682	(100,969)
Notes and accounts payable	(9,363,793)	(13,488,161)
Payables to related parties	(3,610,663)	893,644
Royalties payable, accrued expenses and other current liabilities	649,175	(1,138,563)
Deferred inter-company profits	9,068	7,764
Other liabilities	2,111	(72)
Cash provided by (used in) operating activities	<u>(18,841,415)</u>	<u>4,449,844</u>
Cash flows from investing activities:		
Proceeds from disposal of investments	15,379	53,482
Proceeds from capital return of investees	-	41,837
Additions to property, plant and equipment	(15,578)	(47,979)
Proceeds from disposal of property, plant and equipment and property not used in operation	1,429	26,853
Decrease in loans and advances to related parties	1,914,263	58,193
Additions to intangible assets	(30,691)	(2,252)
Decrease (increase) in refundable deposits, deferred charges and other assets	(136,994)	20,271
Cash provided by investing activities	<u>1,747,808</u>	<u>150,405</u>
Cash flows from financing activities:		
Proceeds from exercise of employee stock option	62,230	-
Cash provided by financing activities	<u>62,230</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(17,031,377)</u>	<u>4,600,249</u>
Cash and cash equivalents at beginning of period	<u>37,402,911</u>	<u>4,653,227</u>
Cash and cash equivalents at end of period	<u><u>20,371,534</u></u>	<u><u>9,253,476</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>52,932</u>	<u>43,218</u>
Income taxes paid	<u>27,816</u>	<u>-</u>
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	<u>6,100,000</u>	<u>-</u>
Change in unrealized valuation loss on financial instruments	<u>(365,000)</u>	<u>(153,362)</u>
Change in foreign currency translation adjustment	<u>1,715,152</u>	<u>(1,264,723)</u>
Supplementary disclosures of partial cash outflow from investing activities:		
Purchase price of intangible assets acquired	-	4,919,452
Less: Payables to related parties	-	(4,836,488)
Unrealized foreign exchange gain	-	(80,712)
Cash paid	<u>-</u>	<u>2,252</u>

