Acer Incorporated
2012 Annual Report

http://www.acer-group.com
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APPENDIX

1. Name, Title and Contact Details of Company's Spokespersons:

Principal	Eva Ho	CFO	+886-2-2696-1234	Eva.Ho@acer.com
Deputy	Henry Wang	Director	+886-2-2696-1234	Henry.Wang@acer.com

2. Address and Telephone Numbers of Company's Headquarter and Branches

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F., No.371, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F.-2, No.38, Xinguang Rd., Lingya Dist., Kaohsiung City 802, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	No.138, Nangong Rd., Luzhu Township, Taoyuan County 338, Taiwan	+886-3-322-2421

3. Address and Contact Details of Acer Shareholders' Services

Address: 7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan
Tel: +886-2-2719-5000
E-mail: stock.affairs@acer.com

4. Address and Contact Details of Auditing CPAs in the Most Recent Year

Name: Sonia Chang and Steven Shih at KPMG
Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan
Tel: +886-2-8101-6666
Website: www.kpmg.com.tw

5. Listed Market for GDRs: London Stock Exchange Market

For further information, please refer to Website: www.Londonstockexchange.com

6. Acer Group Website: www.acer-group.com

DISCLAIMER

This is a translation of the 2012 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

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Explore beyond limits

01

Business Report

1. Business Report to Shareholders

In fiscal year 2012, Acer's business suffered from the impacts of company transformation, sluggish European and US economies, key component supply issues, and less than anticipated sales of Windows 8 devices. Our consolidated revenue of NT$429.5B (US$14.7B) was down 9.6% year-on-year, and operating income was NT$1.03B (US$35.2M). Besides, in compliance with the GAAP we recognized NT$3.5B (US$120M) for the impairment of intangible assets in trademark rights, which resulted in profits after tax (PAT) losses of -NT$2.91B (-US$100M), and earnings per share (EPS) of -NT$1.07.

The intangible asset impairment comes from the revaluation of the Gateway, Packard Bell, eMachines, and Eten brands. It is part of an accounting procedure separate from cash expenses, and does not affect the company's business operation and working capital. The revaluation required exhaustive calculations along with rational estimations that take into full account of feasibility and appropriateness.

In terms of shipments, Acer ranked No. 4 for total PCs and No. 3 for notebooks worldwide in 2012 according to market research firm, IDC. In the last year, the whole ICT industry experienced a profound paradigm shift, with changing criteria on customer purchase, and the market sell-through becoming harder to forecast. To minimize our risks, we are no longer focused on maximizing volume growth only. Instead, Acer's main priorities now are to develop innovative products with differentiation, establish a clear brand positioning, and create value for our customers before pursuing for shipment growth.

In today's ICT industry, personal computers and the Wintel architecture no longer serve their former dominant roles. In place are the three ecosystems — iOS, Android and Windows — which shall co-exist and compete with each other. Without a single operating platform, industry players now have more opportunities for innovation but the keys to success still lie in providing the ultimate user experience, and creating product differentiation and customer value. Hence, Acer already began implementing its new strategy in the second half of 2012 to strengthen our marketing and R&D capabilities, invest more resources, and importantly, engrain marketing in the daily process of R&D and design.

The ICT industry faced many uncertainties last year, such as the weak demand for Windows 8 devices due to several unfavorable factors. However, so far this year we have seen the U.S. economy showing signs of recovery, the European economy stabilizing, fewer factors of uncertainty, rising demand for touch and type "duality" products, and maturity of the tablet PC market ready for higher growth. Based on these observations I expect the overall industry condition to be better than last year.

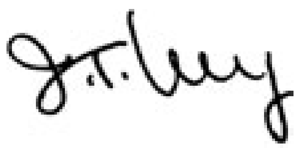
As for our product offering, we can no longer focus on traditional notebooks and netbooks. The growing momentum for the future comes from tablets, Ultrabooks, and touch notebooks. This year, Acer will strive to gain the leading position for touch devices, increase the sales of tablet PCs, and expand our smartphone business step by step. Today, there are more and more categories in the PC industry than before and the emergence of many cross-category devices. Acer will embrace these new opportunities for our onward growth.

In terms of cloud services, AcerCloud supports cross platforms for the three major operating systems: Windows, Android, and iOS. The most important feature of AcerCloud is that it allows users to easily manage their personal multimedia and data files on a variety of digital devices, regardless of which operating system they are running. Through AcerCloud, we expect to highlight our brand differentiation and build customer loyalty.

Following the company transition Acer now has a stronger organization and management team with a clear set of strategies. And as the overall external conditions start to look more promising we are confident of a turnaround and back on the right track for steady growth and profitability. With the determination to create product innovation and differentiation in the long term, we will gradually build Acer into a valuable global brand.

Lastly, please continue to support Acer as we will strive to create more benefits for all our shareholders. Thank you.

Sincerely,



J.T. Wang
Chairman & CEO

1.1 Acer's Core Values

Core Value	Rational Meaning	Emotional Meaning
Value-creating	• Generating profit for shareholders • Growing the business by achieving the challenging financial and strategic objectives • Leveraging our key assets: Brands, People, Customers and Channel	• Value for shareholders (good dividends and shares value) • Value for customers (good products, services, easy to do business) • Value for employees (good company, environment, opportunities)
Customer-centric	• Recognizing that customers are the essence of our business • Placing first priority on listening to and satisfying customer needs • Delivering first-class products and services	• Love and respect for our customers • Listen, learn and improve • Walk the talk (delivering on our promises)
Ethical	• Being a good corporate citizen by playing a role in social growth • Caring for the environment all across the business value chain • Building on trust and honesty internally and externally by respecting people, diversities and cultures	• Trust, respect and honesty • Care for the environment • An example to others
Caring	• Creating an attractive workplace and ensuring a proper work-life balance • Providing employees with development and professional growth opportunities • Fostering teamwork and collaboration	• Energetic and inspiring workplace • Growth potential • Teamwork
Innovative	• Challenging the way of doing things and adopting new ideas • Supporting continuous improvement in processes and products • Creating impact through original thinking	• Think big • Think smart • Think outside of the box (innovatively)
Fast	• Putting speed in execution at the heart of our operations • Being proactive in making decisions • Anticipating changes ahead of competition as key to success	• Think fast • Act quickly • Get there first
Effective	• Doing the right things right • Creating an empowered environment with clear responsibilities and targets • Recognizing the power of being simple and attentive to basics	• Clear objectives • Clear responsibilities • Keep it simple

Acer's Core Value

The challenge for all businesses is to be unique. Whether you're a customer, an employee or a shareholder, the only way any business will attract you is if it stands out from the crowd.

Being unique, however, isn't a quality you can simply switch on and off.

At Acer, we have built our reputation on creating value in every aspect of the company throughout our history. We create value for our:
• customers by offering a continuous stream of innovative and empowering solutions that anticipate and satisfy their needs.
• investors by consistently providing positive returns year after year.
• employees, allowing us to realize our full potential and achieve our goals.
• business partners with win-win solutions with our vendors and our valuable channel partners.

Creating value through brand recognition is the way forward rather than competitive pricing. There's no other way to win tomorrow's business than to believe in the power of our brands right now.

To be a successful global brand company, it is critical that employees have a consistent set of core values as a solid basis. The defined core values will bring to the Company both short-term benefits and long-term advantages.

The approaches that we must base our actions: Value-creating, Customer-centric, Ethical and Caring.
The way we must act: Innovative, Fast and Effective.

We encourage all employees to understand, practice and emphasize the core values in our respective roles.

1.2 2012 Operating Report

1.2.1 Consolidated Operating Results

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information				
	2008	2009	2010	2011	2012
Operating revenue	546,274,115	573,982,544	629,058,973	475,258,118	429,510,913
Gross profit	57,285,660	58,327,860	64,481,268	38,522,725	43,195,744
Operating (loss) income	14,072,302	15,339,466	18,203,913	(6,480,072)	1,024,706
Non-operating income and gain	5,353,038	1,719,037	4,321,397	1,566,430	1,984,494
Non-operating expense and loss	4,618,613	2,075,520	3,195,923	2,510,688	5,642,904
Continuing operating income before tax	14,806,728	14,982,983	19,329,387	(7,424,330)	(2,633,704)
Income(loss) from discontinued segment	99,843	0	0	0	0
Extraordiniary items	0	0	0	0	0
Cumulative effect of changes in accounting principle	0	0	0	0	0
Income after income taxes	11,742,135	11,353,374	15,117,997	(6,601,968)	(2,910,326)
EPS	4.67	4.31	5.71	(2.52)	(1.07)

1.2.2 Budget Expenditure in 2012

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NT$ Thousand

Item		2012
Financial Income	Operating revenue	429,510,913
	Gross profit	43,195,744
	Income after tax	(2,910,326)
Earning Abilities	Return on assets(%)	(0.94)
	Return on equity(%)	(3.86)
	Net income ratio(%)	(0.68)
	EPS(NTD)	(1.07)

1.3 2013 Business Plan

1.3.1 Business Direction

A. Strengthen marketing and R&D capabilities, invest more resources and engrain marketing in the daily process of R&D and design.

B. Develop innovative products with differentiation, establish a clear brand positioning, and create value for our customers before pursuing for shipment growth.

C. Strengthen the tablet, Ultrabook and touch device business, and expand smartphone operations step by step.

D. Maintain fast and efficient logistics capability.

E. Carry out corporate social responsibilities.

1.3.2 Goals

A. Increase the shipments of tablets, Ultrabooks, touch devices, and smartphones.

B. Gradually increase proportion of revenues for commercial products.

C. Pursue for better operating income.

1.3.3 Partner Policy

A. Reinforce our cooperation with first-tier suppliers and channel partners.

B. Fully capitalize on partners' resources.

C. Share the success by rewarding our partners.

1.3.4 Future Strategy

A. Create value for customers and enhance our brand positioning.

B. Highlight our brand differentiation and build customer loyalty through "AcerCloud" service.

C. Implement sustainable development in order to accumulate long-term value for the company.

1.3.5 Impact on Company Due to Competition, Governmental Regulations and Overall Macro Market

A. The ICT industry experienced a profound paradigm shift, with changing criteria on customer purchase, and the market sell-through harder to forecast.

B. The ICT industry transformed from having a single to multiple operating system platforms. However the keys to success still lie in creating product differentiation and customer value, and providing the ultimate user experience.

C. Rising demand for touch and type "duality" products and the maturing of tablet PC market and supply chain shall bring higher growth.

D. Based on the observations that the U.S. economy is showing signs of recovery, the European economy is stabilizing, and fewer factors of uncertainty, the overall industry condition for 2013 shall be better than last year.

02

Company in Gerenal

2. Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986

- Commercialized microprocessor technology

1987 – 2000

- Created the Acer brand name and went global

2001 – 2007

- Transformed from manufacturing to a marketing and sales company

2008 – beyond

- Enhancing worldwide presence with a new multi-brand strategy

1976

- Acer was founded under the name Multitech, focusing on trade and product design.

1978

- Established the Microprocessor Training Centre, training 3,000 engineers for Taiwan's information industry.

1979

- Designed Taiwan's first mass-produced computer for export.

1981

- Acer manufacturing operations were established in the Hsinchu Science-based Industrial Park, Taiwan.
- MicroProfessor-I debuted as Acer's first branded product.

1982

- MicroProfessor-II was unveiled as Taiwan's first 8-bit home computer.

1983

- First company to promote 16-bit PC products in Taiwan.

1984

- Acer Peripherals, Inc. (now BenQ Corp.) and Multiventure Investments, Inc. were established.

1985

- AcerLand, Taiwan's first and largest franchised computer retail chain was founded.

1986

- Beat IBM with 32-bit PCs.

1987

- The Acer name was created.

1988

- Acer Inc. launched IPO.

1989

- TI-Acer DRAM joint venture with Texas Instruments was formed.

1991

- Introduced ChipUp™ technology – world's first 386-to-486 single-chip CPU upgrade solution.

1992

- Created the world's first 386SX-33 chipset.
- Stan Shih introduced the Smiling Curve concept.

1993

- Developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows® NT.

1994

- Introduced the world's first dual Intel® Pentium® PC.

1995

- The popular Aspire multimedia PC brought Acer closer to the consumer electronics market.

1996

- Announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere.

1998

- As official IT Sponsor of the 13th Asian Games in Bangkok, Acer introduced the world's first PC-based management system for a major international sporting event.

1999

- Aspire Academy was set up in Aspire Park to help managers of Asian firms and MNCs with offices in Asia to improve their organizational and leadership effectiveness.

2000

- As part of Acer's latest re-engineering, Acer split off its OEM business unit to create Wistron Corp., an independent design and IT manufacturing company.

2001

- Adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology.

2002

- The Product Value Labs were inaugurated to enhance Acer's customer-centric focus, and integrated technologies that add value to customers' lives.
- TravelMate C100 was the first convertible Tablet PC available in the worldwide market.

2004

- Launched a new Folio design for notebooks, featuring pure functional simplicity, smooth curves and subtle elegance.
- BusinessWeek selected Stan Shih as one of the "25 Stars of Asia."
- Acer Founder Stan Shih retired from the Group.

2005

- J.T. Wang assumed the position of Chairman and Chief Executive Officer, while Gianfranco Lanci stepped into the role of President of Acer Inc.
- Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
- A series of Empowering Technology products were unveiled.
- Became the worldwide No. 4 vendor for Total PCs and notebooks.
- Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006

- First-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks.
- Became a Sponsor of Scuderia Ferrari.
- Celebrated its 30th anniversary.
- Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification.
- Became the No. 3 notebook and No. 4 desktop brand worldwide.

2007

- Acer readies for Windows Vista™ with full range of Vista-certified LCD monitors.
- Set the trend in product design with new Aspire Gemstone-design consumer notebooks.
- Completed the merger of Gateway, Inc.
- Announced its joining as an Olympic Worldwide Partner for the Winter Olympics in Vancouver 2010 and Summer Olympics in London 2012.
- Became the No. 2 notebook and No. 3 desktop PC vendor worldwide.

2008

- Announced the acquisition of E-ten and plan to enter the smart handheld market.
- Launched the new Aspire Gemstone Blue notebooks, the first to feature full HD widescreen 18.4" and 16" LCDs, Blue-Ray Disc™ drive, and latest generation Dolby® Surround sound.
- Aspire One was launched as Acer's first mobile internet device, and won the Japan Good Design award for quality design.
- Ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

2009

- Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- BusinessWeek named Acer among the "10 Hottest Tech Company of 2009."
- Voted Reader's Digest gold-medal Computer TrustedBrand in Asia for the 11th consecutive year.
- Announced its first netbook based on the Android operating system.
- Taiwan's Ministry of Economic Affairs presented Gianfranco Lanci with an Economic Medal for outstanding leadership, and building the Acer brand name worldwide.
- Launched the high-end and stylish Liquid smartphones.
- Became the world No. 2 company in Total PCs.

2010

- Launched the green Aspire Timeline notebook - free from PVC and BFR materials
- Provided and managed computing facilities to ensure the smooth running of sports events at the Vancouver 2010 Olympic Winter Games.
- Chairman J.T. Wang named in TIME magazine's annual list of 100 most influential people in the world.
- Acer launched clear.fi, a new entertainment experience allowing real-time sharing and playing of multi-format content over multi-platform devices.
- Integrated Founder Tech's PC sales team and channels in the China market.
- Successfully issued US$500 million in convertible bonds.
- Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.
- Hosted the third annual CSR Forum with the ultimate goal of building a sustainable supply chain.

2011

- Acer products began to ship from China's Chongqing production base.
- Acer EMEA cleared its high channel inventory with a one-time US$150 million write-off.
- Sir Julian Horn-Smith and Dr. F.C. Tseng were elected as independent board directors.
- Debuted first Ultrabook™: Aspire S3.
- Announced key management reshuffle - Scott Lin to concurrently head China operations, and Oliver Ahrens to front EMEA operations.

2012

- Acquired US-based iGware with US$320 million for mid- to long-term investment in cloud technology.
- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Announced AcerCloud application results.
- Recruited Eva Ho as the new CFO.
- Introduced new Full HD tablet, the ICONIA TAB A700.
- Strengthened executives' remuneration management system in order to enhance corporate governance and maintain shareholders' long-term interests.
- Supplied all computing equipment for the London 2012 Olympic Games; successfully completed the mission and earned high appraisals from the assembly.
- Appointed Michael Birkin as Chief Marketing Officer to strengthen Acer as a marketing-oriented company.
- Launched a full range of Windows 8 touch products for the most complete user experience.
- Revitalized the global website — Acer.com — to provide web surfers with a highly intuitive and excellent user experience.
- Aspire S7 was named as CES Innovations 2013 Design and Engineering Award Honoree.
- Appointed Tiffany Huang as president of Personal Computer Global Operations.

2013

- Extended AcerCloud to support top three operating systems, making it easy to share files and media among Windows, iOS and Android devices.
- Recognized a total of NT$3.5B (US$120.1M) intangible asset impairment based on the Generally Accepted Accounting Principle (GAAP) and thorough assessment.
- Launched B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and complied with EPEAT standards for environmental protection.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.

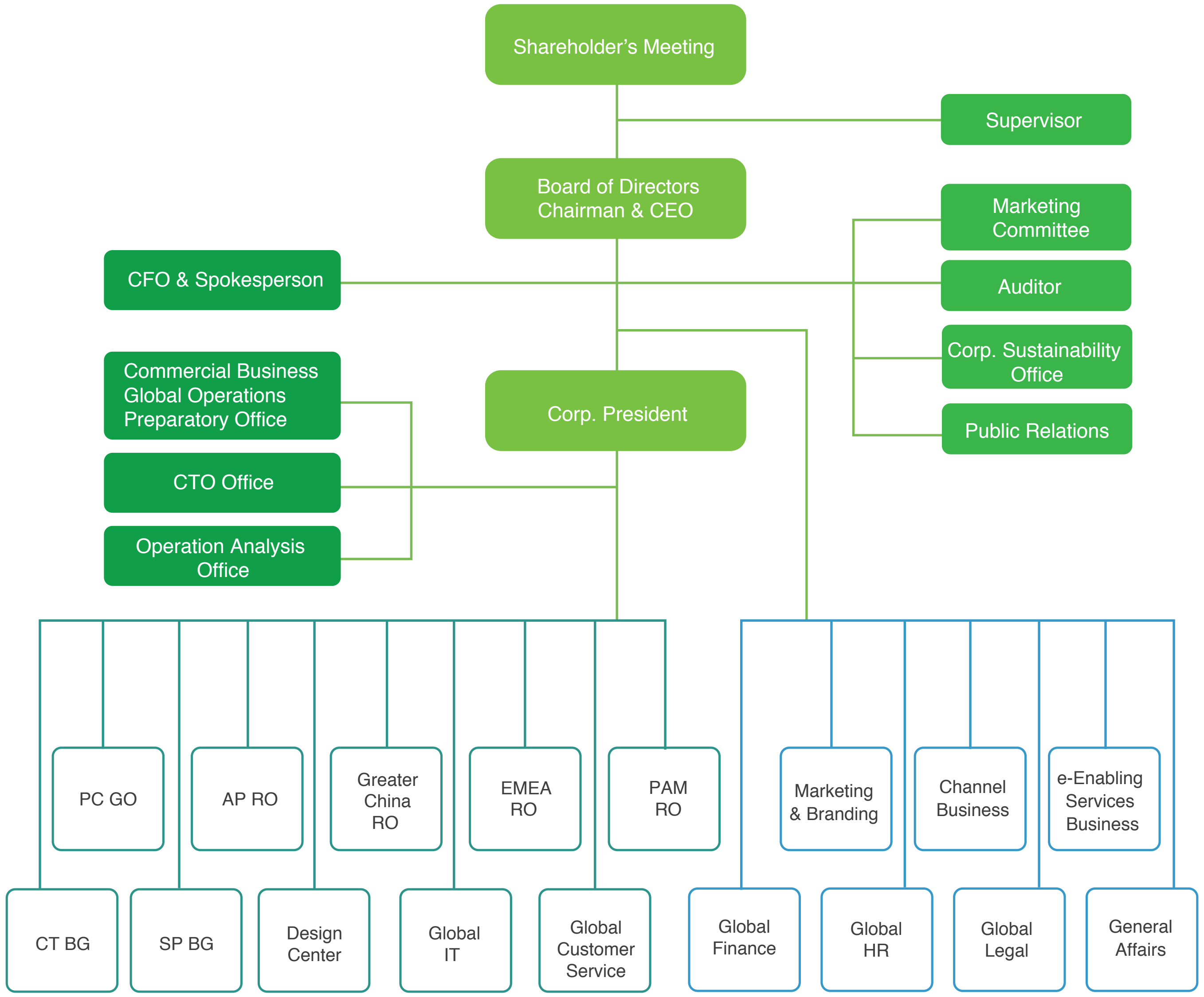
03

Corporate Governance Principles

3. Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions



Corporate Functions

Marketing Committee
- Integrating brand positioning and marketing strategies

Auditor
- Evaluation, planning and improvement of Acer's internal operations

Corp. Sustainability Office
- Strategic planning and management in corporate sustainability, with the aim of fulfilling corporate social responsibilities.

Public Relations
- Managing external public relations

CFO & Spokesperson
- Managing long-term finance, investments and corporate spokesperson

Commercial Business Global Operations Preparatory Office
- Business development, product solution management, R&D, presales & technical support of commercial business of global accounts.

CTO Office
- Managing mid-to long-term technology development planning, technology integration and collaboration

Operation Analysis Office
- Planning, analysis and improvement of business model and business management

PC Global Operations
- Product marketing and supply chain management of Acer's PC products and services

Asia Pacific Operations
- Sales, marketing and after-sales service of Acer's IT products in Asia Pacific

Greater China Operations
- Sales, marketing and after-sales service of Acer's IT products in Greater China

EMEA Operations
- Sales, marketing and after-sales service of Acer's IT products in Europe, Middle East and Africa

Pan America Operations
- Sales, marketing and after-sales service of Acer's IT products in Pan America

Cloue Technology Business
- Establishing Acer Cloud infrastructure and providing value-added cloud service to customer.

Smartphone Business
- Product marketing and supply chain management of Acer's smartphone products and services

Design Center
- Research and development, design and patent of Acer's product.

Global Information Technology
- Corporate information infrastructure and information systems management

Global Customer Service
- Global services strategy and global service center management

Marketing & Branding
- Corporate brand management, consolidation and implementation of global marketing strategies

Channel Business
- Channel distribution of non-Acer branded 3C products in Taiwan

e-Enabling Services Business
- ICT solutions and services provider, including information security management, mobility applications, software systems development, systems integration, system operation services, value-added business solutions, and Internet data center services

Global Finance
- Corporate finance, investment, treasury, credit and risk control and accounting services management

Global Human Resources
- Human resources and organizational strategy

Global Legal
- Corporate and legal affairs, intellectual property

General Affairs
- General affairs, transportation service, office facilities management

3.2 Information Regarding Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (April 21, 2013)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	J.T. Wang	06/15/2011	3	15,142,159	0.53	15,142,159	0.53		206,771	0.01	Bachelor	(Note 1)	None	-	-
Director	Stan Shih	06/15/2011	3	74,806,719	2.64	74,733,499	2.64		17,634,157	0.62	Master	1. Director of Qisda Corp. 2. Director of Wistron Corp. 3. Independent director of TSMC Co, Ltd. 4. Director of Dragon Investment Co., Ltd. 5.Director of Acer SoftCapital	Supervisor	Carolyn Yeh	Wife
Director	Hsin-I Lin	06/15/2011	3	0	0	0	0		0	0	Bachelor	1. Director of Yulon Motor Co, Ltd. 2. Director of China Motor Corp. Co 3. Independent director of E.Sun Financial Holdings Co Ltd. 4. Independent director of Sinyi Realty Inc.	None	-	-
Director	Hung Rouan Investment Corp.	06/15/2011	3	67,799,202	2.39	67,799,202	2.39		0	0	-	-	None	-	-
Director	Smart Capital Corp.	06/15/2011	3	11,260	0	11,260	0		0	0	-	-	None	-	-
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	06/15/2011	3	1,003,469	0.04	1,003,469	0.04		258,007	0.01	Master	1. Director of Wistron Corp. 2. Director of iDSoftCapital Inc. 3. Supervisor of Dragon 4. Investment Co., Ltd. 5. Others (Note 1)	None	-	-
Independent Director	Julian Michael Horn-Smith	06/15/2011	3	0	0	0	0		0	0	Bachelor	-	None	-	-
Independent Director	F.C. Tseng	06/15/2011	3	0	0	0	0		0	0	Ph. D.	1. Vice Chairman of TSMC Limited 2. Chairman of Global Unichip Corp. 3. Chairman of TSMC China Company Limited 4. Director of Digimax, Inc. 5. Director of Vanguard International Semiconductor Corp.	None	-	-
Supervisor	Carolyn Yeh	06/15/2011	3	17,707,377	0.62	17,634,157	0.62		74,733,499	2.64	Bachelor	1. Chairman of iDSoftCapital Inc. 2.Others (Note 1)	Director	Stan Shih	Husband
Supervisor	George Huang	06/15/2011	3	6,261,844	0.22	6,261,844	0.22		1,386,315	0.05	Bachelor	1. Supervisor of Apacer Technology Inc. 2. Supervisor of Les Enphants Co., Ltd. 3. Supervisor of Motech Industries Inc 4. Independent director of PChome Online Inc 5. Independent director of Bio Net Corp. 6. Independent Supervisor of InterServ International Inc. 7. Independent director of Taiwan Taxi Corp.	None	-	-

Note1: Appointed by Company to be Director and/or President of certain subsidiaries.

Major Institutional Shareholders (April 21, 2013)

Name of Acer's Institutional Shareholders	Major Shareholders of Acer's Institutional Shareholders	Percentage of Shares
Smart Capital Corp.	Philip Peng	66.67%
	Jill Ho	33.33%
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	Shih Hsuen Rouan Charity Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience				Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company		1	2	3	4	5	6	7	8	9	10	
J.T. Wang			✔					✔	✔		✔	✔	✔	✔	0
Stan Shih			✔		✔				✔				✔	✔	1
Hsin-I Lin			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2
Hung Rouan Investment Corp.		Not applicable.								Not applicable.					
Smart Capital Corp. Philip Peng (Representative of Smart Capital Corp.)		Not applicable.								Not applicable.					
Julian Michael Horn-Smith			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
F.C. Tseng			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Carolyn Yeh			✔		✔								✔	✔	0
George Huang			✔		✔			✔	✔		✔	✔	✔	✔	3

Note:
Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Key Managers (April 21, 2013)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
Chairman & CEO	J.T. Wang	04/20/2011	15,142,159	0.53	206,771	0.01		0	0	Bachelor	(Note3)	None	-	-
Corp. President	Jim Wong	11/01/2001	4,301,026	0.15	0	0		0	0	Master	(Note3)	None	-	-
Sr. Corp.VP & Chairman of Marketing Committee	Walter Deppeler	09/29/2007	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Sr. Corp.VP & President of GC	Scott Lin	11/01/2001	1,155,001	0.04	7,593	0		0	0	Bachelor	(Note3)	None	-	-
Sr. Corp.VP & President of AAP	Steve Lin	11/01/2001	2,080,822	0.07	0	0		0	0	Bachelor	-	None	-	-
Sr. Corp.VP & President of EMEA	Oliver Ahrens	04/01/2009	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Corp.VP & President of PA	Emmanuel Fromont	01/01/2011	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Corp.VP & President of CBG	James Chiang	01/01/2003	1,207,457	0.04	5,168	0		0	0	Bachelor	(Note3)	None	-	-
Corp.VP & President of ETBG (Note 1)	Simon Hwang	09/01/2008	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
President of EBBG	Ben Wan	05/16/2002	0	0	0	0		0	0	Master	(Note3)	None	-	-
President of PCGO (Note 1)	Campbell Kan	03/28/2007	0	0	0	0		0	0	Master	-	None	-	-
President of PCGO (Note 2)	Tiffany Huang	01/01/2013	163	0	83	0		0	0	Bachelor	-	None	-	-
CTO and President of Design Center	Jackson Lin	02/16/2004	320,083	0.01	7,329	0		0	0	Master	-	None	-	-
President of SPBG	ST Liew	01/01/2012	0	0	0	0		0	0	Bachelor	-	None	-	-
GM of SPBG	Dave Chan	01/01/2012	0	0	0	0		0	0	Master	-	None	-	-
VP of SPBG (Note 2)	Wayne Ma	11/01/2008	0	0	0	0		0	0	Bachelor	-	None	-	-
VP of GCRO	Peter Shieh	11/01/2001	507,737	0.02	78,387	0		0	0	Bachelor	-	None	-	-
VP of GCRO	Jafa Lin	07/01/1996	181,228	0.01	0	0		0	0	Bachelor	-	None	-	-
VP of EBBG	Michael Wang	11/01/2008	7,261	0	0	0		0	0	Bachelor	-	None	-	-
CFO	Eva Ho	03/01/2012	0	0	0	0		0	0	Master	-	None	-	-
CFO(acting) (Note 1)	Lilia Wang	09/21/2011	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Director of Branch Office	PH Wu	01/12/2006	20,457	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office	TC Yang	01/12/2006	107,561	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office	YS Shiau	01/12/2006	272,358	0.01	0	0		0	0	Bachelor	-	None	-	-

Note 1: Lilia Wang released on 2012.03.01
Simon Hwang released on 2012.03.29
Campbell Kan released on 2013.01.01

Note 2: Wayne Ma assumed position on 2012.10.24
Tiffany Huang assumed position on 2013.01.01

Note 3: Appointed by Company to be Director and/or President of certain subsidiaries.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held nine meetings. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	J.T. Wang	9	0	100%	
Director	Stan Shih	9	0	100%	
Director	Hsin-I Lin	6	3	67%	
Director	Hung Rouan Investment Corp.	9	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	9	0	100%	
Director	Julian Michael Horn-Smith	7	1	78%	
Director	F.C. Tseng	9	0	100%	

3.3.2 Operational Situation of the Audit Committee: Not applicable.

3.3.3 Supervisor's Participation of Meetings Held by the Board

The Board of Directors held nine meetings. The record of the supervisors' attendances is shown below:

Title	Name	No. of Meetings Attended	Meeting Attendance Rate (%)	Note
Supervisor	Carolyn Yeh	9	100%	
Supervisor	George Huang	7	78%	

3.3.4 Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
A. The ownership structure and shareholders' rights		
a. The handling of the shareholders' proposals and disputes	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.	No discrepancy
b. Information held on the identities of major shareholders and their ultimate controlling persons	The Company holds information on the identities of major shareholders and their ultimate controlling persons	No discrepancy
c. The establishment of risk control mechanism and firewalls with affiliates	The Company has established the appropriate risk control mechanism and firewalls according to internal rules such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets etc.	No discrepancy
B. The composition and duties of Board of Directors		
a. The election of independent directors	The Company elected two independent directors in 2011 AGM.	No discrepancy
b. The regular evaluation of the independence of CPA	The evaluation of the CPA is one of the main duties of the Financial Statement and Internal Control Review Committee	No discrepancy
C. The establishment of communication channels with stakeholders	The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders.	No discrepancy
D. The disclosure of information		
a. The utilization of website to disclose the information on finance, operations and corporate governance	The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
b. Others means of disclosing information	The Company has one chief speaker, one acting speakers and designated team to be responsible for gathering and disclosing the information.	No discrepancy

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
E. The establishment and enforcement of Nomination and Compensation Committee or any other Functional Committees	Following the enactment of "Regulations Governing the Establishment of and Exercise of Powers by Remuneration Committee" by Financial Supervisory Commission on March 18, 2011 the Company adjusted the establishment of Remuneration Committee, which approved by the BOD on August 31, 2011, and the initial meeting was convened on September 1, 2011. The duty of Remuneration Committee is to determine and regularly review the performance evaluation and remuneration strategies, policies, standard, structures of Board directors, supervisors, and Company officers, and determine and review their remuneration.	No discrepancy
F. If the Company has implemented the corporate governance principles according to TSE Corporate Governance Best-Practice Principles, please identify the discrepancy between your principles and their implementation: The Company follows the spirit inside of TSE Corporate Governance Best-Practice Principles even though Company did not enact the corporate governance principles.		
G. Other important information that may facilitate better understanding of the status of corporate governance (e.g. human rights, employee rights, investors relationships, supplier relationships, interested parties' rights, D&O liabilities insurance, etc.): • The Company has actively participated in community or charitable activities, the details please refer to"6. Corporate Social Responsibility." • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • The Chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. • The Company has purchased liability insurance for directors and officers.		

3.3.5 The Establishment and Enforcement of Remuneration Committee

The Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines" and "Executive Remuneration Guideline" are proposed by Remuneration Committee and effective after the approval of Acer Inc. Board of Directors. The compensation of Board Directors is defined in "Acer's Articles of Incorporation". Where this Company has earnings at the end of the fiscal year, after paying all relevant taxes, making up losses of previous year, this Company shall first set aside ten percent (10%) of said earnings as legal reserve, except that such legal reserve amounts to the total authorized capital. Thereafter, this Company shall set aside or reverse a special reserve in accordance with the applicable laws and regulations. Then, if still any balance left over, not more than one percent (1%) shall be distributed as profit sharing for Board of directors and supervisors according to Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines". Employee Director shall receive no Director profit sharing.

The remuneration of Acer executive is governed under Acer Group "Executive remuneration guideline". The short-term incentive links to both individual and company overall team performance, while the long-term incentive links to long-term shareholders' value. The annual KPIs, which includes a portion of strategic KPIs assigned by the top management whether financial or non-financial, ensures the executive team move on the same direction to reach the strategic goal of the company. Standards of Business Conduct (SBC) is reminded and confirmed by each executive on the compensation sign back letter each year.

Remuneration Committee held five meetings from Jan.1, 2012 to Dec. 31, 2012. The record of their attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Julian Michael Horn-Smith	5	0	100%	Chair
Independent Director	F.C. Tseng	5	0	100%	
Director	Hsin-I Lin	5	0	100%	

3.3.6 Status and Measures of Ethical Practice

As good corporate citizens Acer Group respect human rights, local communities and compliance with laws, environment, ethics, safety standards, regulations and social norms. Based on our core values of "Serve with honor and work with pride", we have formulated a Standards of Business Conduct (SBC) document to guide us on how we interact with each other, our customers, our business partners, our shareholders and the communities where the Acer Group does business. This is done every day in every decision and every action by each one of us. We continue to build on our reputation for trust, integrity and honesty, both internally and externally, by appreciating people, their diversities and cultures.
You are welcome to visit Acer Group website (http://www.acer-group.com) for the details of our "Standards of Business Conduct."

3.3.7 Statement of Personnel Having Licenses Associated with Financial Information Transparency from Competent Authorities

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	3
US Certified Public Accountants (US CPA)	0	1
Certified Internal Auditor (CIA)	1	3
BS7799/ISO 27001 Lead Auditor	1	0
Certificated Business Valuator	0	1

3.3.8 Statement of Internal Control System

Date: March 28, 2013

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2012:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.

3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each constituent element further contains several items. Please refer to the Regulations for details.

4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria. While performing the internal control audit, the Company found a sales employee who convicted crime by deceiving supervisor during the shipping process. Total loss caused by this case is about NTD 15M which has no significant impact to the Company. The Company has taken quick actions to review and adjust the whole Sales and AR processes, to enhance the control over customer order management, shipping address management and AR reconciliation. In the meantime, the Company has restated the importance of Code of Conduct and urged employees to comply with it and act for the best of The Company.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2012, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the achievement of the above-stated objectives.

6. This Statement will be an essential content of the Company's Annual Report for the year 2012 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.

7. This Statement has been passed by the Board of Directors in their meeting held on March 28, 2013, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

Chairman of the Board of Directors

CEO of Acer Inc. & Corp. President

3.3.9 Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
January 12,2012	First 2012 Special BOD Meeting	I. To Agree the "Application of Taiwan Bonus Guidelines" and "Bonus Payment Amount" for CEO, Corp. President, and TWN Employed 1st Tier Executives and Officers II. To Agree the 2012 Remuneration Proposal for CEO, Corp. President, and 1st Tier Executives and Officers III. To Release Ms. Angelina Hwang From Acer Management Team IV. To Appoint Mr.S.T.Liew and Mr.Dave Chan as the Co-President of Smart Phone BG V. To Agree on The New Appointment and Remuneration Proposal of 1st Tier Executive of The Company
March 29,2012	First 2012 BOD Meeting	I. To Approve the 2011 Financial Statements and Business Report II. To Approve Acer's Statement of Internal Control System for 2011 III. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated IV. To Approve the Agenda and Logistics of 2012 General Shareholder's Meetings V. To Approve Amendments to Acer's Articles of Incorporation, VI. To Approve Amendments to Acer Incorporated Regulations for the Conduct of Shareholders'Meeting VII. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds VIII. To Approve the "Board of Directors and Supervisors Remuneration Guidelines" IX. To Propose the Name and Amount of Fixed Compensation for Board of Directors and Supervisors X. To Agree on 2011 Bonus Result of Company 1st Tier Executives XI. To Release Mr. Wayne Ma and Mr. Simon Hwang from Acer Management Team XII. To Approve Amendments to Acer's "Procedures of Acquiring or Disposing of Assets" XIII. To Approve The Internal Control Procedure of "Management of the Adoption of International Financial Reporting Standards" and "Management of Accounting Professional Judgment Procedures, Accounting Policies and Changes in Accounting Estimates" XIV. To Approve the Amendment of Acer's Internal Control Policies and 2012 Annual Audit Plan XV. To Decide the Effective Date of the New Issued Shares for the Execution of Acer and E-ten Employee Stock Option XVI. To Approve Acer's Corporate Guarantees Related Issues
April 25,2012	Second 2012 BOD Meeting	I. To Approve the First Quarter of 2012 Financial Statements II. To Approve the Related Items of Adoption IFRSs III. To Approve the Proposal for Loss off-setting of 2011 Retained Earnings IV. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds V. To Decide the Effective Date of the New Issued Shares for the Execution of Acer Employee Stock Option VI. The Corporate Guarantees of Acer Incorporated and its Subsidiaries.
July 2,2012	Second 2012 Special BOD Meeting	I. To repurchase the Company's shares as Treasury Stock for purpose of retaining the key employees

Date	Meeting	Major Resolutions
August 30,2012	Third 2012 BOD Meeting	I. To Approve the First Half of FY2012 Financial Statements II. To Approve the Addition of the ECB Opening Entries Related to IFRS Adoption III. To approve Acer Global Marketing Organization Plan IV. To Approve The Existing Executive Quarterly Incentive (2011Q3~2012Q2) and Related Incentive Payout Proposal V. To Implement "Acer Executive 2012 Remuneration Target Amount" Approved On Apr.2012 Until Jan.1,2013 VI. To Approve The 2012 KPI Items And Target Amount For 1st Tier Executive's Individual MBO Following Current Existing MIBO Scheme VII. To Agree On The Proposal Of Title Change For Selective 1st Tier Executives. VIII. To Approve the Actual and Estimated Increase or Decrease of Acer's Corporate Guarantees
October 24,2012	Fourth 2012 BOD Meeting	I. To Amend the Regulations Governing Procedure for Board of Directors Meeting II. To Amend the Accrual of Employee Bonus for 212 III. To Approve the Third Quarter of FY2012 Financial Statements IV. Global Operation Model Proposal V. To Establish Three 100% owned Entities for Business Requirements VI. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds VII. To Execute Capital Injection in Brazil for USD40,000,000 VIII. To Proposed to Dispose E-TEN Tai-Shan Building IX. To Entrust The HIB Portfolio and M&A Cases To iD SoftCapital Inc. X. Review the proposed Acer's 1st tier organization and personnel Adjustments XI. Propose to appoint Mr. Wayne Ma, current Special Assistant of Corp. President Office as VP of Smart Phone Business Group XII. To Approve Acer's 2013 Annual Audit Plan XIII. To Amend the "Internal Control Procedure of Stock Affairs" XIV. The Renewal of The Bank Facilities XV. To Approve the Actual and Estimated Increase or Decrease of Acer's Corporate Guarantees
December 4,2012	Third 2012 Special BOD Meeting	I. To Approve to dispose North Sioux City Buildings (NSC Buildings) of Gateway II. To Approve the proposed Acer's 1st tier organization and personnel Adjustments
March 28,2013	First 2013 BOD Meeting	I. To Approve the Non-Financial Assets Impairment Test Result II. To Approve the 2012 Financial Statements and Business Report III. To Approve Acer's Statement of Internal Control System for 2012 IV. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated V. To Approve the Impact Amounts of Retained Earnings and Special Reserve from First-Time Adoption of IFRS VI. To Approve the Agenda and Logistics of 2013 General Shareholder's Meeting VII. To Approve the second Issuance of Unsecured Convertible Corporate Bonds VIII. To Approve the Issuance of Acer's Performance Guarantee for Acer India(Private)Limited Acquiring Government Tender IX. To Approve the Compensation Proposal of New Appointed 1ST Tier Executives X. To Approve the Proposal of 2013 STI/LPI KPI Target Setting of CEO, Corp. President and Company 1st Tier Executives XI. To Approve the Proposal of 2013 LTI Incentive Tools XII. To Approve the Personnel Appointment of Company 1st Tier Organization XIII. To Approve the Acer's Corporate Guarantees

Date	Meeting	Major Resolutions
May 7,2013	Second 2013 BOD Meeting	I. To Approve the First Quarter of 2013 Financial Statements II. To Approve the appropriation of retained earnings for 2012 losses III. To Amend Acer's Articles of Incorporation IV. To Propose to Amend the Convene Issue of the Company's 2013 General Shareholder's Meeting V. To Restructure the Investment Framework of Acer Operations in Mainland China VI. Proposal of the Contingency Plan for 2011 Deferred Incentive for Selective 1st Tier Executives VII. Proposal of the 2012 MBO Bonus Result for CEO, Corp. President and 1st Tier Executive VIII. Propose to Approve the Charter, Suggested Chairman and Members and Follow Up Plan for "Key Position Recruiting Committee" IX. Proposal to Modify Partial Articles In Acer Group "Executive Remuneration Guidelines" X. The Corporate Guarantees of Acer Incorporated and its Subsidiaries XI. Reports of the Procedures Governing Lending of Capital to other for Acer subsidiaries and related items

Implementation of Resolutions in 2012 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To approve Amendments to Acer Incorporated Regulations for the Conduct of Shareholders' Meetings	The shareholder meeting resolution passes according to the document
2. To accept 2011 Financial Statements and Business Report	The shareholder meeting resolution passes according to the document
3. To approve the Proposal for 2011 Profit & Loss Appropriation	The shareholder meeting resolution passes according to the document
4. To approve Amendments to Acer's Articles of Incorporation	The shareholder meeting resolution passes according to the document
5. To approve Amendments to Acer's "Procedures of Acquiring or Disposing of Assets"	The shareholder meeting resolution passes according to the document
6. To approve Amendments to Acer's "Procedures Governing Lending of Capital to Others"	The shareholder meeting resolution passes according to the document

04

Capital and Shares

4. Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 21, 2013)

Unit: Share/NT$ Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
June, 2012	Share/NT$10	3,500,000,000	35,000,000	2,834,726,828	28,347,268	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,834,726,828	665,273,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 21, 2013)

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	14	42	504	357,065	972	358,597
Shares	9,868,451	21,293,287	269,495,181	1,818,138,698	715,931,211	2,834,726,828
Percentage	0.35%	0.75%	9.50%	64.14%	25.26%	100.00%

4.1.3 Distribution of Shareholdings (April 21, 2013)

Category	The Number of Shareholders	Shares	Percentage
1~999	128,066	37,290,838	1.32%
1,000~5,000	164,943	371,820,690	13.12%
5,001~10,000	34,712	264,335,414	9.32%
10,001~15,000	10,918	135,412,802	4.78%
15,001~20,000	6,582	120,290,859	4.24%
20,001~30,000	5,311	133,650,411	4.71%
30,001~50,000	3,969	156,182,471	5.51%
50,001~100,000	2,432	174,707,956	6.16%
100,001~200,000	900	126,446,189	4.46%
200,001~400,000	362	101,051,263	3.56%
400,001~600,000	119	58,282,237	2.06%
600,001~800,000	74	51,633,617	1.82%
800,001~1,000,000	49	44,387,751	1.57%
1,000,001 and above	160	1,059,234,330	37.37%
Total	**358,597**	**2,834,726,828**	**100.00%**

4.1.4 List of Major Shareholders (April 21, 2013)

Shares / Name	Number	Percentage
Stan Shih	74,733,499	2.64%
Yen, Wei	74,687,775	2.63%
Hung Rouan Investment Corp.	67,799,202	2.39%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	54,392,905	1.92%
Government of Singapore	36,139,150	1.27%
Management Board of Public Service Pension Fund	34,988,175	1.23%
Acer GDR	34,569,790	1.22%
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	27,324,037	0.96%
MSCI Equity Index Fund B - Taiwan	19,368,472	0.68%
Carolyn Yeh	17,634,157	0.62%

4.1.5 Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NT$

Item	Period		2011	2012	Until Mar. 31st, 2013
Market Price Per Share	Highest		91.00	46.15	28.20
	Lowest		27.30	22.30	23.90
	Average		49.01	31.58	25.83
Net Value Per Share	Before Distribution		29.05	27.56	28.17
	After Distribution		29.05	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,624,535 Thousand shares	2,722,601 Thousand shares	2,722,361 Thousand shares
	Earning Per Share	Current	-2.52	-1.07	0.19
		Adjusted	5.71	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT$)		0	0	Un-appropriated
	Stock Dividend	Retained Earning (%)	-	-	
		Capital Surplus (%)	-	-	
	Accumulated unpaid dividends		-	-	-
Return on Investment Analysis	P/E Ratio		-19.45	-29.51	135.94
	P/D Ratio		-	-	-
	Cash Dividend Yield		0.00%	-	-

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations, which was approved at the Shareholder's Meeting on June 17, 2004.
The proposed dividend distribution plan, agreed by the Company's Board of Directors, will be submitted to the Shareholders' Meeting on June 15, 2012 for approval:
FY2012 beginning balance of the un-appropriated retained earnings of the Company is NT$314,561,453 in 2012. After plus the net loss after tax of 2012, NT$2,910,326,078 for FY2012, the deficit to be compensated is 2,595,764,625. It is proposed to compensate the deficit by the legal reserve of 2,595,764,625. After Subject to the appropriation, the ending balance of the un-appropriated retained earnings is 0.

4.1.7 Analysis on Impact of Proposed Stock Dividends Appropriation in Terms of Operating Results, Earnings Per Share and Rate of Return of Shareholders' Investment

None

4.1.8 Employees' Bonuses and Remunerations to Directors, Supervisors

1. Where this Company has earnings at the end of the business operational year, after paying all relevant taxes, making up losses of previous year, setting aside a legal reserve of ten percent (10%) and setting aside or reversing a special reserve as required by laws or competent authorities, the balance of the earnings shall be distributed as follows:
   (1) Over five percent (5%) as employee bonuses; Employees may include subsidiaries that that meet certain criteria set by the board of directors.
   (2) Not more than one percent (1%) as remuneration of directors and supervisors; and
   (3) The remainder may be allocated to shareholders as bonuses. The Company shall not pay dividends or bonuses when there is no profit.

2. The Board of Directors proposed a dividend distribution plan of year 2012 as follows:
   NT$0 as cash bonuses to employees, NT$0 as remuneration to directors and supervisors.

3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2012:

	2012			
	Dividend Distribution Approved by the Shareholders' Meeting	Dividend Distribution Proposed by the BOD	Different Value	Different Reason
The Dividend Distribution:			-	-
1.Cash Bonuses to Employees (Unit: NT$ Thousand)	NT$0	NT$0		
2.Stock Bonuses to Employees				
(1)Number of Shares	0 shares	0 shares		
(2)Value (Unit: NT$ Thousand)	0	0		
(3)Circulation Rate of Shares in Stock Market on Ex-right Day	0%	0%		
3.Remunerations to Directors, Supervisors (Unit: NT$ Thousand)	NT$0	NT$0		
Earning Per Share (EPS):			-	-
Original EPS	NT$-2.52	NT$-2.52		
Reset EPS	NT$-2.52	NT$-2.52		

4.1.9 Buyback of Treasury Stock: (March 31, 2013)

Term of Buyback	The First Buyback in Year 2011	The Second Buyback in Year 2011	The Buyback in Year 2012
Purpose of Buyback	Shares Transferred to Employees	Shares Transferred to Employees	Shares Transferred to Employees
Period of Buyback	March 31, 2011 to May 30, 2011	June 2, 2011 to August 1, 2011	July 3, 2012 to September 2, 2012
Price Range of Buyback	NT$55 to NT$100	NT$55 to NT$80	NT$28 to NT$35
Class and Quality of Bought back	Common Shares: 28,619,000 shares	Common Shares: 27,000,000 shares	Common Shares: 10,000,000 shares
Amount of Shares Bought back	NT$1,526,797,373	NT$ 1,341,450,925	NT$ 271,182,250
Number of Shares having been written off and Transferred	-	-	-
Number of the Company Shares Held in accumulation	28,619,000 shares	55,619,000 shares	65,619,000 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	1.011%	1.964%	2.314%

4.2 Corporate Bonds:

Corporate Bonds	The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Issuing Date	August 10,2010	August 10,2010
Denomination	US$100,000	US$100,000
Listing	Expected to be on the Singapore Stock Exchange	Expected to be on the Singapore Stock Exchange
Issue Price	US$100.0000	US$100.0000
Issue Size	US$300,000,000	US$200,000,000
Coupon Rate	0%	0%
Maturity Date	5 years from the Issuing Date	7 years from the Issuing Date
Cuarantor	None	None
Trustee	Citigroup International Limited	Citigroup International Limited
Underwriters	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation
Legal Counsel	None	None
Auditor	Sonia Chang and Agnes Yang	Sonia Chang and Agnes Yang
Repayment	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 0.43% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 2.5% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
Outstanding	US$173,400,000	US$148,800,000

Corporate Bonds		The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Redemption or Early Repayment Clause		A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax	A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax
Covenants		None	None
Credit Rating		None	None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	US$126,600,000	US$51,200,000
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		When all The 1st and 2nd Overseas Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 6.14%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.	
Paying & Conversion Agent		Citibank N.A. London Branch	Citibank N.A. London Branch

4.2.1 The Data of Convertible Bonds

1. The 1st Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 1st Overseas Unsecured Convertible Bonds	
Item / Period		2012	As of March 31, 2013
Market Price	Highest	US$99.837	US$ 100.382
	Lowest	US$93.594	US$ 99.298
	Average	US$98.005	US$ 99.770
Conversion Price		NTD$102.01	NTD$102.01
Conversion Price in Issuing Date		August 10,2010 NTD$110.76	August 10,2010 NTD$110.76
Conversion Target		Common Shares of Acer	Common Shares of Acer

2. The 2nd Overseas Unsecured Convertible Bonds

Overseas Unsecured Convertible Bonds		The 2nd Overseas Unsecured Convertible Bonds	
Item / Period		2012	As of March 31, 2013
Market Price	Highest	US$103.201	US$ 103.758
	Lowest	US$86.959	US$ 102.918
	Average	US$98.833	US$ 103.370
Conversion Price		NTD$104.96	NTD$104.96
Conversion Price in Issuing Date		August 10,2010 NTD$113.96	August 10,2010 NTD$113.96
Conversion Target		Common Shares of Acer	Common Shares of Acer

4.3 Special Shares:

Not applicable.

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2013)

Description / Date of issuance			November 1,1995	July 23, 1997
Date of issuance			November 1,1995	July 23, 1997
Location of issuance and transaction			London	London
Total amount of issuance			US$220,830,000	US$160,600,000
Unit price of issuance			US$32.475	US$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			6,913,939 units of Global Deposit Receipt as representing 34,569,695 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2012	Highest	US$ 7.46	
		Lowest	US$ 3.66	
		Average	US$ 5.30	
	Until March 31, 2013	Highest	US$ 4.61	
		Lowest	US$ 4.06	
		Average	US$ 4.29	

4.5 Employee Stock Options (March 31, 2013)

Employee Stock Option Granted	E-ten First Grant of 2007	First Grant of 2009	First Grant of 2010	Second Grant of 2010
Approval Date by the Authority	June 06, 2007	July 27, 2009	July 20, 2010	July 20, 2010
Grant Date	August 22, 2007	Octorber 30, 2009	Octorber 29, 2010	June 15, 2011
Number of Options Granted	9,345,794 units(Note1)	14,000 units(Note2)	4,000 units(Note2)	10,000 units(Note2)
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.329	0.494	0.141	0.353
Option Duration	6 years	3 years	3 years	3 years
Source of Option Shares	New common stocks			
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	From the second anniversary of the grant date, except that all or partial options revoked by the company, 100% vested options can be exercised without conditions		
Shares Exercised	4,931,599 shares	1,927,000 shares	0 shares	0 shares
Value of Shares Exercised	NT$ 206,246,673	NT$ 72,917,680	NT$ 0	NT$ 0
Invalid Shares	2,677,535 shares	12,073,000 shares	-	-
Shares Unexercised	1,736,660 shares	0 shares	4,000,000 shares	10,000,000 shares
Adjusted Exercise Price Per Share	NT$ 38.30	NT$ 37.84	NT$ 45.04	NT$ 25.99
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.061%	0.422%	0.141%	0.353%
Impact on Shareholders' Equity	Dilution to Shareholders' Equity is limited.			

Note 1.One unit shall purchase one Acer common share
Note 2.One unit shall purchase one thousand Acer common shares

4.6 Mergers, Acquisitions, and Issuance of New Shares Due to Company Acquisitions:

4.6.1 Underwriter's Opinion for the Mergers and Acquisitions.

1. Underwriter's Opinion of the Impact of Acer's Operating Business, Financial Aspect and Stock Holders' Equity

Acer Incorporated (thereafter "Acer") completed a capital raise by issuing 122,178,242 shares of common stock on 12nd January, 2012, then acquired 28,791,209 shares of iGware common stock by share-swap, and then completed the registration process of aforementioned transaction by 9th March, 2012. In accordance to Item 8, Paragraph 1, Article 9 of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", we, as the lead underwriter, provide evaluation regarding the impact of the aforementioned share-swap to Acer's business, financial performance and shareholders' equity in the first quarter of 2012:

(1) Impact to Corporate Business
Acer is an international hi-tech company. Its main business is development, design, marketing and service of Acer-brand desktop computer, laptop computer, server, LCD screen, digital family and related products. Through the share-swap, Acer would acquire and utilize the cloud core technology and capacity of iGware in creation of Acer Cloud, in order to serve vast Acer product user at an open platform. Acer Cloud would enable users to consolidate all their Acer products, including personal computer, tablet computer and smart-phone; the users would be able to enjoy and effectively manage all individually-owned Acer information and communication equipment as well as contents under superior safety mechanism of Acer Cloud. As Acer and iGware shares R&D source and achievement, Acer launched Acer Cloud service at 2012; the beta version of Acer Cloud has been available at North America and Greater China region since second quarter of 2012, and then has been subsequently available at France, Germany, Italy and United Kingdom by 31st August of 2012. Consumers may download Acer Cloud at Google Play. The "IT Month" of December 2012 focus on cloud service, smartphone, 4k high-resolution large-size television, wireless communication and human-face identification, and Acer utilized the marketing opportunity of IT Month by exhibiting the first Acer cloud smartphone at Acer's showroom "Unlimited Exploration Hall", displaying how smartphone and home cloud server are connected and the consequence of smart life created by this new technology. Acer also offered actual experience to audiences of Unlimited Exploration Hall, promoting the efficiency of Acer cloud service that is not limited by location and free of charge. With the open platform beyond Android and Windows, a user may transfer a picture taken by smartphone to home computer immediately, and may open music or office documents in home computer with his smart phone. Acer cloud service is expected to be able to support iOS, Android and Windows. The launch of Acer Cloud is a strong evidence that share-swap is beneficial to business of Acer.

(2) Impact to Financial Performance
As cloud technology development becomes the industrial major trend, the acquisition of iGware is a part of Acer's long-term development strategy, and has nothing to do with short-term performance. It is expected that in the future 10 years, Acer Cloud will be one of the major differentiation of all Acer products. Acer Cloud hopefully upgrade Acer brand, create brand equity, and becomes a positive factor of Acer's EPS and Book Value per Share in the long run.

(3) Impact to Shareholders' Equity
Acer expands its business segments through the share-swap, and the launch of Acer Cloud would generate revenue and profit, which consequently improves shareholders' equity. It is a proof that share-swap is beneficial to shareholders' equity.

(4) Synergy after Share-Swap
The share-swap reference date is 12nd January, 2012, and registration process of aforementioned transaction was completed by 9th March, 2012. Both Acer and iGware does its best effort on post-merger consolidation and cooperation in sales, back-up support, finance and other functions since completion of share-swap. It is expected that synergy of the consolidation will appear gradually.

2. Execution Update and Impact of Acer's Stock Holders' Equity of the Unachieved Goals: Not applicable.

4.6.2 Resolutions of Mergers and Acquisitions in the Meeting of the Board of Directors in the Previous Year:

To Report the Shares Acquirement of iGware Inc. by Receiving Assignment of Shares and Cash Investment

(1) In order to develop mid to long-term layout and build up unique Acer Cloud system to obviously promote Acer brand positioning and brand value. The Company acquired iGware Inc.("iGware") by receiving assignment of shares and cash investment with the result that iGware has become and been merged into Acer Cloud Technology Inc., a 100% owned subsidiary of the Company, which approved by the BOD on July 21, 2011 and with the approval of the Investment Commission, Ministry of Economic Affairs("MOEA"), and January 3, 2012 Order No. Financial-Supervisory-Securities- Issue 1000062734 of the Financial Supervisory Commission ("FSC"), Executive Yuan.

(2) According to the executed Agreements, the exchange ratio goes to 1 iGware common share for around every 4.24 existing Acer shares. Fractional share shall be substituted with cash, except the combination of shares by some iGware shareholders.

(3) The share exchange date was set on January 12, 2012, and the Company totally issued 122,178,242 new shares and USD 150 million to acquire 100% shares of iGware. The shares conversion and capital amendment registration were approved by March 9 2012 per Order No. Economic-Authorization-Commerce 10101035580 of the Department of Commerce, MOEA.

Aspire all-in-one

Explore simplicity

05

Acer's Business Formula

5. Acer's Business

5.1 Business Scope

5.1.1 Business Portfolio

Acer's core business comprises of the marketing, R&D, design, sales, to services of our brand name products that include the personal computer, LCD monitor, server, projector, tablet PC, smartphone, and ICT devices. Currently, we are also actively developing AcerCloud applications and services.

PC remains the core of Acer's business. In 2012, notebook PCs accounted for 66% of the total revenues from ICT product lines, while desktops contributed 16%, and displays took 8%.

5.1.2 Industry Highlights

The ICT industry has entered the era of three ecosystems - iOS, Android and Windows – which shall co-exist and compete with each other. No single operating platform can serve the dominant role. In the past, the winning factors were associated with cost, speed, and scale. Now, the keys to success lie in the ability to providing the ultimate user experience, and creating product differentiation and customer value.

In addition, as the whole ICT industry is experiencing a profound paradigm shift, there are more and more categories in the PC industry than before, along with the emergence of many cross-category devices. With changing criteria on customer purchase, the market sell-through has become harder to forecast.

In terms of mobile devices, we can no longer focus on traditional notebooks. The growing momentum for the future comes from tablets, Ultrabooks, and touch notebooks. Due to the rising demand for touch and type "duality" products and maturity of the tablet PC market ready for higher growth, we expect an accelerated growth in 2013.

5.1.3 Technology and R&D

In 2012, Acer spent NT$1.5 billion on R&D, which accounted for 0.42% of our total revenue and focused on the user interface, industrial design, ICT related hardware and software, and cloud technology. After a year of intense research and development, AcerCloud achieved visible result, and has extended its support across three major operating systems: Windows, Android and iOS. Users can easily manage their personal multimedia and data files on a variety of digital devices regardless of which operating system they are running.

Acer has spent a lot of effort in developing green products as well. For example, we launched the eco-friendly S235HL monitor featuring mercury-free LED technology and conserves up to 68% power. This model won both the coveted iF product design award of Germany and Computex design & innovation award of Taipei in 2012. In addition, the Aspire S7 Ultrabook uses 94% less aluminum alloy than other unibody designs, therefore saves more energy. Recently we also introduced the B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and are EPEAT gold registered for environmental protection in Europe and USA.

5.1.4 Long and Short Term Business Plan

In the short term, Acer will develop innovative products with differentiation, establish a clear brand positioning, and create value for our customers. Moreover, we will strengthen the tablet, Ultrabook and touch device business, and expand smartphone operations step by step.

In the long run, we will strive to enhance our brand positioning, increase operating margin, and continue to develop AcerCloud services as well as commercial products.

5.2 Market Highlights

5.2.1 Market Study

Acer's key market is EMEA (Europe, Middle East, Africa), followed by Pan America, Asia Pacific, and Greater China. Last year, the revenue from EMEA accounted for 38% of Acer's total revenue, Pan America region held 28%, Asia-Pacific took 18%, and Greater China contributed 16%.

In terms of shipments, according to market research firm, IDC, Acer ranked No. 4 worldwide for total PCs with a market share of 9.6%, No.3 for notebooks worldwide and held 12.8% of the share in 2012. Acer also ranked No.2 for total PCs and notebooks in both EMEA and Asia Pacific.

In addition, many of Acer's OEMs are based in Chongqing, which has steadily improved its local infrastructure, supply chains and overall production environment. Hence, we have significantly increased our notebook manufacturing and shipments from Chongqing.

5.3 Keys to a Sustainable Future

5.3.1 Sustainable and Mutually Beneficial Business Model

Acer adheres to a channel business model that involves collaboration with first-class suppliers and distributors, leveraging their resources and ultimately, sharing the fruits of success among all partners. In addition, our low capital and operating expense policy has been beneficial to the steady growth of our business operations.

5.3.2 Simplify to Win

Focusing on our own brand as the core business, Acer operates on mainstream products. We streamline our multi-brands and models, and simplify operating procedures in order to avoid back-end and front-end operation complications. By placing the main resources on innovation, design, and quality, we can bring more values for the consumers.

5.3.3 Fast and Efficient Global Operations

Having a single global top management team, Acer makes decisions quickly on major issues, matched with good executions. Also, with a flexible and efficient global logistics capability, we can respond to market demand in a timely manner.

5.3.4 End-to-End Marketing Strengths
Thinking from the consumers' perspectives, Acer understands and develops innovative products to meet their real needs. We rapidly bring these products to market for consumers and achieve high performance sales.

Appendix

1. Key Buyers and Suppliers Accounting Over 10% of Total Net Sales and Purchase:

(1) Key Buyers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2011				Year 2012				Current Year as of Mar.31,2013			
	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.
1	AEG	116,322,012	28.67	(Note 1)	AEG	125,448,158	34.84	(Note 1)	AEG	27,796,198	36.78	(Note 1)
2	AAC	104,884,601	25.85	(Note 1)	AAC	81,802,342	22.72	(Note 1)	AAC	16,419,034	21.73	(Note 1)
3	AAPH	68,122,014	16.79	(Note 1)	AAPH	59,444,642	16.51	(Note 1)	AAPH	13,739,154	18.18	(Note 1)
4					ACCN	40,231,472	11.17		ACCN	8,257,607	10.93	(Note 1)

Note 1: Subsidiary of the Company.

(2) Key Suppliers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2011				Year 2012				Current Year as of Mar.31,2013			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier A	96,100,604	27.05	none	Supplier A	67,043,187	21.12	none	Supplier A	13,695,517	22.57	none
2	Supplier B	45,847,328	12.91	none	Supplier B	38,573,549	12.15	none	Supplier B	9,858,116	16.25	none
3	Supplier D	37,246,411	10.48	none	Supplier C	37,230,425	11.73	none	Supplier D	6,282,182	10.35	none
4					Supplier D	31,917,676	10.05	none				
	Others	176,068,530	49.56		Others	142,695,628	44.95		Others	30,840,713	50.83	
	Total	355,262,873	100.00		Total	317,460,465	100.00		Total	60,676,528	100.00	

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NT$ Thousand

Year / Major production	2011		2012	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	10,778,052	314,562,452	8,869,823	292,620,511
Peripherals & Others	7,330,797	73,042,567	6,673,833	51,780,417
Total	18,108,849	387,605,019	15,543,656	344,400,928

5.4 Employees

5.4.1 Global Human Asset Management

Employees are the Company's key assets and the main driver of business growth. Acer has fostered a work environment that empowers employees by entrusting them with the tasks matched to their skill or qualification. There are clear objectives and reward for achievement, extensive communication and interaction among coworkers, constant encouragement for innovations, and an effective decision making process. On-the-job training provides the ideal platform for learning and development.

As a result of employees' joint effort, Acer has received numerous industry and media recognition. For example, Acer has been voted by Reader's Digest readers as a "Trusted Brand" in Asia for consecutive years since 1999; in 2007 Forbes selected Acer as one of the "Fabulous 50" – a list of the best of Asia-Pacific's biggest listed companies. In 2011, Forbes selected Acer as one of "Most Popularity in 100 Global Companies".

Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Date / Category	December 2011	December 2012	March 2013
Manpower	7,894	7,967	7,956
Average Age	37.2	36.0	36.2
Average Years of Employment	5.4	6.2	6.3
Male (%)	66.1%	66.8%	66.7%
Female (%)	33.9%	33.2%	33.3%

-By Job Function

Date / Job Function	December 2011	December 2012	March 2013
General Management	220	192	192
Sales & Product Marketing	2,841	2,483	2,481
Customer Service	2,239	2,382	2,355
Research & Development	922	1,416	1,424
Sales Support	1,015	861	872
Administration	657	633	632
Total	7,894	7,967	7,956

- By Education Level

Date / Education Level	December 2011	December 2012	March 2013
Doctor of Philosophy	0.3%	0.4%	0.4%
Master's Degree	23.3%	24.1%	24.1%
Bachelor's Degree	43.7%	43.8%	43.8%
Vocational Study	28.7%	28.0%	28.0%
Senior High School or below	4.0%	3.7%	3.7%
Total	100%	100%	100%

5.4.2 Recruitment

The Company abides to each country's labor laws and customs. We are committed to providing equal opportunities and prohibiting discrimination against candidates in regards to their ethnic origin, gender, age, religion or nationality, and we are sticking to the principle of putting the right people at the right position. Acer seeks high-potential candidates with multi-disciplinary backgrounds in order to build a strong global workforce.

5.4.3 Training and Development

In facilitating Acer's strategy transformation, the focused areas of our training in 2012 covered promotion of Acer's Brand Values, Creating Value for Customers through Innovation, Streamlining Process Management for Enhancing Efficiency, Enhancing Product and Service Quality, Conducting Effective Internal and External Marketing, and strengthening core competencies of staff and managerial competencies at each level, in pursuit of highly effective implementation of strategy.

The training were conducted through new-hire training, general training, professional training, managerial competency training, and online learning. To assure training quality and effectiveness, all trainings are carried out in compliance with the "Management Procedures for Internal and External Training." Training in Taiwan area in 2012 included the offering of 176 training courses which attracted 4,256 personnel for a total of 14,721 person-hours of training. There have been 6,338 personnel who undertook a total of 32,959 person-hours of training worldwide.

Training Scheme and Implementation

- New Employee Training: Orientate the new employees by shaping essential mindset and providing essential knowledge, covering the overview of Acer's organization, culture, core values and standards of business conduct, policies and systems, Welfare Committee and Employee Representative Meeting, IP sense, etc. In 2012, 374 new employees have attended the training.
- General Skill Training: The training covers essential common knowledge and skills, e.g., Electrostatic Discharge protection, Tools for Systematic Innovation- AIM (Aachener Innovation Model), Problem Analysis and Improvement-DMAIC approach, Mind Mapping, negotiation skill, etc. In 2012, we have 1,816 Taiwan employees who received the General Skill training.
- Professional Training: The training is provided for advancing the professional knowledge and skills. For example, Tablet Devices Product Trend and Application, Touch Device Tech Development Analysis, App marketing, ICT consumer needs etc.
- Managerial Training: In the course of Acer's transition efforts, the training focus at each managerial level will be leading changes, boosting morale, selecting and retaining talents. The typical managerial training for senior level is Dynamic Competitive Strategy, Leading Changes. Communication and Coaching, and High-Performance Teamworking are held primarily for intermediate mangers. For supervisory level of mangers, the emphasis will be on the fundamental managerial competencies- plan, do, check, action and basic coordination and communication skills.
- By abiding by the regulations of OHSAS 18001 requirements, we have General Safety, Health, and Hygiene Training for our staff. In 2012, there have been 7 sessions held, with 841 people receiving the training

Multiple Ways of Learning and Development

Each employee is provided with multiple development paths to enhance the profession--- for example, from company within, such opportunities can be found as on-the-job training, coaching, job rotation, speech, online learning and reading seminar, etc. For the company outside, they include profession club seminars, short-term intensive training hosted by the prestigious universities or training institutions. For enhancing staff professional skills, we have the 'Regulations of Acquiring Professional Certificates', regulating the subsidiary for test-taking fees, and further, the dedicated incentives for the staff who successfully get the essential professional certificates.

5.4.4 Compensation

Acer provides a competitive salary package to attract and retain high-potential human assets. The Company surveys global IT companies' salary levels annually, to ensure that our salary packages are adjusted accordingly and reasonably to reflect market conditions. On top of the monthly salary, the Company offers the bonuses that are differentiated from the performance of business unit and each individual. Taking Taiwan for example, in addition to the fixed monthly salary and festival bonuses, Acer offers incentives that reward new innovations, intellectual property rights, sales achievements, performance bonus and profit sharing.

5.4.5 Welfare

The Company abides to each country's labor laws and customs, and strives to provide a comfortable working environment, attractive welfare programs, candid communication ways to enhance productivity and creativity. Taking Taiwan for example, Acer has established a welfare committee that initiates activities for employees' welfare. For example: Acer provides group insurance, educational grants, Acer Family Days, internal social clubs, speeches on topics of arts appreciation, domestic and overseas holiday breaks, gift money for wedding or funeral, and emergency relief measures, etc. Besides, we have recreation and leisure facilities installed in office area to release employees' pressure from work, and provide health-promotion programs to keep the body and mind well-balanced.

5.4.6 Pension

The Company abides to each country's labor laws and customs. Taking Taiwan for example, Acer conforms to the Labor Standards Act and Labor Pension Act by contributing a portion of employees' salaries toward a pension scheme. Besides, employees who have served for 15 years and have reached 50 years of age can apply for early retirement.

5.4.7 Employee Relations

Acer respects employees' opinions and is dedicated to maintaining a harmonious relation between managers and their team members. In the past two years, Acer has not suffered any financial loss from employee conflict.

Taking Taiwan for example, Acer offers multiple channels for interaction in order to improve two-way communication:

- A Dedicated Hotline: A hotline for each supporting function has been set up for employees to call, in confidence, to express concerns or issues. Acer will provide counsel and/or resolve the issues in the most efficient way.
- Open and Candid Communication Channels: Employees can report areas of concern to their immediate supervisor or choose to convey to higher authorities for resolution. Meanwhile, the Company Chairman & CEO meets face-to-face with employee representatives from each office area on a quarterly basis, to discuss areas of improvement and respond to issues. The Chairman & CEO also assigns the relevant member(s) to aggressively follow up on change or improvement, and to report on progress at the next quarterly meeting to ensure the resolution effectiveness. The meeting minutes are published on the Company Intranet for all employees' attention.
- Employee Opinion Survey and People Management Effectiveness Survey: Both surveys aim to explore the various aspects of the experience working at Acer, and pinpoint where the attention is addressed, and thus guide to make some essential improvements for the overall Company and immediate managers' people management skills, respectively.

5.4.8 Acer Employee Management

To ensure business growth on a healthy and comprehensive management system, the mutual rights and obligations between the Company and employees are explicitly specified as follows:

- Authority Management
  According to the levels of management responsibilities, "The Table of Authority Approval", "Regulations on Delegated Deputy", and the "Scheme of Job Categories and Titles" are regulated to assure well-functioned in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.
- Standards of Business Conduct
  For enhancing the overall corporate competitiveness and playing a responsible role in the social, economic, and environmental conduct of our operations, the Standards of Business Conduct of Acer are thus updated. By the guidance of the Standards of Business Conduct, we strengthen our corporate culture aiming to protect Acer's legitimate business interests around the world, and further assure the service quality of our customers, suppliers, and other business partners as well as the communities in which we operate.
  Following are the essences of the Acer's Standards of Business Conduct.
  1. Create work environment with care, respect, and fairness.
  2. Continue to promote technological innovation and provide high quality-assured products and service.
  3. Comply with the laws for maintaining free and fair competition.
  4. Promote research and development of advanced technologies and products that will benefit the environment.
  5. Comply with all intellectual property rights laws and regulations.
  6. Prohibit any employees from engaging in any activities that lead to illegal or improper business interactions.
  7. Employ a fair and objective evaluation process for selecting the business partners.
  8. Conduct corporate communication based on integrity and objective facts.

9. Ensure the advertisements are truthful and accurate.
10. Comply in full with all accounting laws and regulations
11. Obey the laws regarding with lenders and export credit.
12. Refrain employees from receiving improper personal benefits
13. Forbid illegal or improper payments unaccepted by local business laws or sound business practices.
14. Prohibit employees from accepting inappropriate value of gifts or customary business amenities beyond a reasonable level.
15. Protect company assets (including physical assets, intellectual property rights, and information assets).
16. Safeguard the confidential and proprietary information and avoid using such information for pursuing personal interests.
17. Ban the use, sale, or possession of illegal drugs
18. Undertake all activities in harmony with the community and provide voluntary services.
19. No political contributions shall be made unless permitted by the applicable laws in locals

- Sexual Harassment Prevention Measures

The Company is dedicated to ensuring gender equality and human dignity in workplace, securing work environment free from sexual harassment and discrimination. With the promise, the Prevention Measures and Disciplinary Actions on Sexual Harassment is enacted, which specifies the reporting channels, dealing procedures, and disciplines.

- Declaration of Secrecy and Intellectual Property Rights

The Company places extreme importance on the protection of intellectual properties rights. All staff are required to have the Declaration on Non-Disclosure Agreement signed when onboard, which declares the obligations to protect confidential information and the restrictions on use of the confidential information during the employment period and employment termination.

5.5 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug 1, 2011~Jul 31, 2014	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corporation	From Oct. 29, 2003 ~ Nov 22, 2006 until the end of related patents period	Cross license arrangements for certain patents	Confidential Non-assignable
	Lucent Technologies GRL, LLC	Jul 31, 2010~Jul 30, 2013	Cross license arrangements for certain patents	Confidential Non-assignable
	MPEG LA, LLC	Jun 1, 1994 until the expiration of all MPEG-2 Patent Portfolio	Obtain license for MPEG-2 encoding/ decoding patents	Confidential Non-assignable
	Hewlett-Packard Development L.P.	Jun 13, 2008~Jun 12 2014	Cross license arrangements for certain patents	Confidential Non-assignable
	Microsoft Corp.	Sep 1, 2011~Aug 31, 2014	Cross license arrangements for certain patents	Confidential Non-assignable
Syndicated Loan Agreement	A bank group led by the arrangers, Citibank Taiwan(management), Taipei Fubon, Bank of Taiwan, Chinatrust, Taishin, Taiwan Cooperative, DBS, Landbank, Taiwan Business, Megabank, Chang Hwa and ANZ.	Nov 17, 2011~Nov 16, 2016	A maximum syndicated financing amount of NT$15 billion	Confidential, Non-assignable, Certain financial ratio covenants
Sale Agreement	National Center for High-performance Computing	Oct 28,2010~ Mar 27, 2014	construct a high-performance computing system and provide competent after-service	Confidential Non-assignable

06

Corporate Social Responsibility

6. Corporate Social Responsibility

Acer aims to actively meet our Corporate Social Responsibility (CSR) within the context of stable profit and sustainable growth. Above all, we are dedicated to seeing the world grow as a whole by pursuing global economic growth, environmental protection and social progress. The vision of a sustainable Acer can be achieved through corporate responsibility, innovation, increasing profitability, operational efficiency and sustainability. We embedded Acer spirit of "Innovative Caring," in our business operation and dedicated to enhancing corporate performance, ensuring benefits for employees and shareholders, and providing consumers with state-of-the-art technology. To visualize Acer vision and spirit for a sustainable development, our CSR agendas have encompassed several important topics including environment, safety and health management, supply chain management, stakeholders communication and community involvement.

In spring 2008, the Board of Directors highlighted the milestones for embedding CSR within Acer, and designated Acer Inc. CEO as the Corporate Sustainability Officer of the Corporate Sustainability Office (CSO), which was set up to respond to challenges from the organizational level. We spent almost one year to complete an integrated strategy and set the 2008-2010 CSR action plans for a sustainable Acer. Next phase, with Acer's CSR policy as foundation, we will take into account stakeholders' suggestions to establish longer-term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2012, we established GCSRC (Global Corporate Social Responsibility Committee) to include the heads of the most critical departments to create the CSR and sustainability practice strategy, to come out the annual implementation plan, and to examine the implementation performance.

In 2012, our concrete works in the environment, safety and health management aspects, we get the third party verification for the GHGs emissions data of Acer Group global operation sites in 2009 and 2011, implementation of office carbon reduction program, enhance suppliers' capacity to greenhouse gases management, and launch of several projects to improve the health and safety of our employees. For supply chain management, we expanded suppliers' Social and Environmental Responsibility (SER) on-site audits, investigated smelters in our supply chain for conflict minerals issue. Acer has taken multiple actions to comply with California Transparency in Supply Chains Act of 2010 (SB 657).

6.1. Environment, safety and health management

6.1.1 The Environmental Protection

1. Energy and Climate Change

We continue to implement the Acer Integrated Energy and Climate Change Policy and get the third party verification for the GHGs emissions data of Acer Group global operation sites in 2009 and 2011.We also increase green and renewable electricity in our major operation in Europe like German and Italy to reduce our carbon emission.

Regarding the cooperation with suppliers, we have continually encouraged our major suppliers to respond to CDP supply chain questionnaires on GHG emissions and response measures to climate change, and make this information openly available or disclose it to other members of the Supply Chain Program. Besides, we also encourage our suppliers to set reduction target to reduce the emission through the whole value chain. And we provide training courses for some of our suppliers and consultant to improve their capacity to respond to the questionnaire and assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency. Acer has also enhance the carbon reduction target is to reduce absolute GHG emissions by 30% below 2009 levels by 2015 and 60% below 2009 by 2020, we will fulfill the goal by implement internal energy efficiency program and procure more renewable energy and green electricity.

2. Green Product Management

Acer is fully aware of the potential impact our products may have on the environment during its whole life cycle. Hence, our product design takes into consideration the ways to reduce environmental loading from the product development stage, in addition to the emphasis on the user needs, functionality and added value. For example, we evaluated the use of post-consumer recycled plastics in our products.

For legal compliance, we meet RoHS and WEEE directives and green related legislation requirements for green in every country while at the same time we fulfill other international requirments such as REACH and ErP. In the future, we will keep watching the development of Substance of Very High Concern (SVHC) of REACH and the ECO design requirements listed down in the implementing measures to ErP Directive.

For voluntary environmental requirement, several of our products meet the ENERGY STAR® specifications, receive Taiwan Green Mark and Sweden TCO certification and are EPEAT Gold or Sliver registered.

In 2012, we continually to introduce also some lunched PVC and BFRs free laptop and desktop computers products. Acer has been striving in a proactive way to move towards Halogenated-free products with constant efforts.

Acer continually launched thin and light based products, like Ultrabook, to meet consumer demand as well as reduce the consumption of product materials. The idea of thin and light products emerged from the concept to conserve the natural resources on Earth, such as metals and oil.

Acer always commits to offer energy-saving products. The design of Desktop, Notebook computer and Monitors are aimed to meet or exceed the criteria for the Energy Star award.

Furthermore, Acer supports the sustainable approach to forestry practices and stop the business relationship with the manufacturers that are involved in deforestation and illegal logging." And we start to apply the sustainable forest certification paper into packaging of product. Acer evaluates packaging design and material use from life cycle perspective including reduce energy consumption by less packaging and use eco-friendly materials, including recyclable, reusable and renewable, to lower the environmental impact caused by packaging.

3. Office Carbon Reduction

Acer's primary facilities are offices, and thus the electricity we consume is used for typical air conditioning and lighting. We study measures to lower the usage of electricity every year. In 2012, we adopted energy-saving lighting, replaced cooling tower with equipment that use less water and the operating time of the ventilator, equipped the pump of the cooling tower with frequency conversion, and added timers for the lighting of the restrooms. With these measures, Acer further saves electricity and reduce greenhouse gases emissions.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

Acer introduced the ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Safety and Health Management System) in the Taiwan headquarter and gradually broadens the scope. We believe these systems can help the Company to further minimize any negative impacts to the environment from its business operations while at the same time fostering the jobsite safety and health management.

2. Working Environment and Employee Safety

Acer cares the working environment where employee's safety and health would largely depend on. In 2012, we reduced the coldness of the meeting rooms on the top floor, lowered the noise of the cooling tower on the rooftop, enhanced the ventilation of the office, and prevented the fire protection coatings on the office ceilings from falling off. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

Acer has established its own emergency operation procedures in the events of fire, earthquake, typhoon, power failure, water supply failure, contagious disease and other major accidents. In the fire safety aspect, we have organized a self-protection fire fighting team by the employees and their main duties are to extinguish the fire at the initial stage, evacuate the rest of the employees when necessary and reduce possible damage from the accidents.

4. Employee Health

For Labor Safety and Health education program, we keep on giving the training and a total of 841 staff received the training in 2012. Acer also cooperated with Xizhi Cathay General Hospital to provide medical services, first aid training, health lecturers, and quit smoking class.

Employees are the most important assets to Acer. In addition to a series of physical and mental health seminars, an employee leisure zone has been set up at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. These various activities help Acer's employees to enrich their leisure time and better balance their professional and personal lives.

In 2012, Acer organized several movie appreciation events, arts and cultural activities, lectures about physical, mental and spiritual, outings, Acer family day, and more. A total of 34,153 colleagues and their families participated in these activities.

6.2 Supply Chain Management

Acer understands the impact that a brand company can make onto the society and environment from the supply chain perspective. To tackle the challenge for a sustainable environment, Acer has demanded all its suppliers to comply with the local regulations where they have business presence, additionally, Acer requires its suppliers to follow the various requirement and guidance put forward by the Company to embed the environmental protection philosophy in the supply chain management. We aim to boost the supply chain as a whole regarding as the worldwide leaders in Social and Environmental Responsibility (SER).

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008 basing on which developed Acer Supplier Code of Conduct. We believe the EICC Code of Conduct can unify the rules of compliances across the industry-wise, enhance suppliers' capacity of human rights, health, safety, environment, ethics, and social responsibility in the supply chain. Acer first tier suppliers had been requested to sign Acer Supplier Code of Conduct Declaration. Moreover, we collaborated with third-party auditors and "Validated Audit Process" of EICC to launch on-site auditing.

We expanded supplier audit in social and environmental responsibility. We conducted 77 audits of our supply chain – a 93 percent increase over 2011 – covering more than one 100 thousand workers made Acer products. On the issue of conflict minerals, we requested suppliers to identify the smelters in their supply chain that supply tantalum, tin, tungsten or gold. Acer suppliers must conduct their operations in a socially and environmentally responsible way. We also join the "Implementation Programme of the Supplement on Gold to OECD Due Diligence Guidance for Responsible Supply Chains." To comply with California Transparency in Supply Chains Act of 2010 (SB 657), Acer has taken multiple actions to verify the absence of forced labor, slavery and human trafficking in supply chain, including supplier risk assessment, declaration, on-site audit and training etc.

6.3. Communication

6.3.1. Communication with Stakeholders

Acer is positioned to be a trustworthy and respectable company in the ICT industry among its stakeholders. With that in mind, we endeavor to understand stakeholder's opinions and recommendations, and build a good communication channel with them to ensure mutual understandings and respects. Stakeholders are defined as consumers, investors, suppliers, media, Non-governmental Organizations (NGOs), government, community, academia, trade organizations and others. In addition to CSR performance disclosure for stakeholders on all fronts via Acer's designated Acer Sustainability webpage, we also respond to concerns raised by stakeholders via cr@acer.com and fill out questionnaires formulated by academia, analysts, investors, customers and the NGOs.

6.3.2. Acer CSR Forum

Acer understands that to practice CSR fully requires the cooperation among all stakeholders. Acer has held annual CSR Forum since 2008. Using the forum as a dialogue platform, Acer invited stakeholders to communicate their expectations and suggestions with the its suppliers and the Taiwan ICT industry in the hopes of improving the sustainability of Taiwan's ICT industry.

6.3.3. Consumer Relation

Customers are the reason for our existence. Acer designs and conducts regular customer satisfaction surveys tailored to each region to get customer feedback and work on the area that need improvement to enhance the quality of customer service.

In addition to the regular customer satisfaction survey, we also establish a complete globalized service structure in all major localized service sites and design different service programs for variety of customers and retailers. Consumers and corporate customers can communicate with us through multiple channels including,

(1) Global web site download and actively update service
(2) Call center support center / technical support
(3) Direct service center
(4) Authorized service center and professional system repair company
(5) International Traveler Warranty service center

As number of computer and internet users increases, the data confidentiality becomes customers major concern; we are committed to the protection of customers confidential information and strictly follow Acer's privacy policies to request all Acer employee must protect customers' confidential information and private data with cautious; we also implement data protection and security related tool to protect customers personal data in the products. In the same time, a dedicate mail account is set up to handle all escalation of privacy protection related case. All of our service engineers have signed a non-disclosure agreement and prior to any actual repair, our service staff will provide the customer with a maintenance service list to the customer to decide if any private information need to be deleted or removed and store in another hard drive or memory drive to prevent confidential information from being compromised.

6.4 Community Involvement

6.4.1. Acer Volunteer Team

The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. At initial stage, the volunteer activities mainly revolved around Acer core business. In 2012, The Volunteer Team organizes a variety of charity activities including money donations, blood donations, carbon emission reductions, overseas volunteering service, after-class guidance for the children from the disadvantaged families in the Xizhi District.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment. In 2012, Acer Foundation continued to participate in "Digital Feast—A Dream Come True" charity event by the Department of Social Welfare, Taipei City Government. This project sponsors the youths from underprivileged families, to buy quality computer facilities at an incredibly affordable price, so that they are given a digital opportunity to learn. The two Acer Digital Mobile Vans also continue to enhance digital competitiveness of the underprivileged in Hualien; in 2012, Acer sponsored two more Acer Digital Mobile Vans in the Yilan county. The mobiles were equipped with the notebooks and ICT technology and can go to the communities to deliver computer classes upon application. By this way, people can have more opportunities to learn computer and thus increase their digital competiveness which can better their lives.

Acer held "Acer Incredible Green Contest" to encourage the utilization of ICT related technologies to create environmental friendly solution. Students at all levels are encouraged to create green-centric applications to generate innovative and sustainable solutions embracing energy saving, carbon reduction, ecological conversation, and other environmental issues.

6.5 Enforcement of Corporate Social Responsibility by the Company

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1.Exercising Corporate Governance		
(1) The company declares its corporate social responsibility policy and examines the results of the implementation.	Since 2008, Acer's social responsibility agenda has focused on the following five areas: energy and climate, green product, recycling, supply chain management, and reporting. Implementation result is shown on Acer Annual CR report.	No discrepancy
(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.	In the spring of 2008, to materialize the implementation of our social responsibility, a various functions and positions had been set up across the Company, including the Executive Committee of CSR in the Board, Corporate Sustainability Officer and the Corporate Sustainability Office (CSO), the CSR Working Group and the regional headquarters of the CSR Executive Committee, etc. and we established Global CSR Committee in 2012. Their major roles and responsibilities are to carry out Acer CSR agendas and achieve our CSR promises in a systematic, feasible and organized way in accordance with Acer's core value. From the organizational level, we focus on the implementation and development of sustainability and CSR governance, the operation of the working group, the communication with stakeholders and the establishment of a smooth communication channel. We regularly update CSR information via our designated Acer Sustainability webpage and incorporate higher level communication with our suppliers and business partners in the CSR agendas.	No discrepancy
(3) The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	Acer promulgated the 'Standards of Business Conduct' (SBC) as the guidelines for all employees to follow in conducting the business operation and activities. It is every employee's responsibility to abide by the SBC. An appropriate training of SBC shall be arranged upon a new employee joining in the Company, which stresses the importance of sticking to the rules. The SBC is also built in the performance appraisal system with reward and punishment. For any staff violating the norms, the necessary disciplinary actions will be taken or even dismissal.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
2. Fostering a Sustainable Environment		
(1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	We launch the new generation of thin and light based products, Ultrabook Aspire S7, to reduce the consumption of product materials as well as lower the packaging volume to reduce the GHG emission. The Aspire S7-391 features an Acer-patented structural design wherein the cover, made of white Gorilla® Glass 2, also forms part of the Ultrabook's framework. This design enables the S7-391 to be built super thin. This unique structural design requires minimal aluminum and uses 94% less raw material than conventional unibody designs. The Aspire S7 Series benchmark for power consumption is higher than the industry standard. It consumes 64% less power than is mandated by the ENERGY STAR® 5.2 specification. Regarding the material of product, we have introduced display products which contain 65% Post-consumer recycled plastics and keep evaluate to use in other major product line to reduce the limit resource consumption. We also use the recycled materials as major sources of our packaging to lower the use of virgin tree fiber.	No discrepancy
(2)The company establishes proper environmental management systems based on the characteristics of their industries.	Basing on ISO 14001 (Environmental Management System) standards, we develop Acer environmental management systems, aiming to promote pollution prevention and management and minimize any negative impacts to the environment from our business operations for the purpose of a sustainable development of the Company. We assessed impacts on the environments from our business operations by adopting ISO 14001 standards, which cover the full product life cycle ranging from design and development, manufacturing, suppliers management, sales and marketing and after-sales services. Besides, Acer demands that its first-tier suppliers establish an environmental management system. Currently, all first tier suppliers to Acer are ISO 14001 Certified. In order to enhance the supplier's environmental management , we also request second or upstream tier's key components and assign parts suppliersto get ISO 14001 Certificated.	No discrepancy
(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.	Acer organizes ISO 14001 Executive Committee to plan, implement and manage environment relating issues. The major responsibilities of the Committee are to ensure the compliance of environmental legislation through constant studies on the product and environment related laws and regulations, and timely control of the latest global movements on environmental protection issues. Both internal and external audits and management review have been implemented to ensure that ISO 14001 can be executed properly and the improvement over environment can continue in effect. Acer broadens the ISO 14001 scope to cover Xizhi head office all business units, function units and stocks office. All units assign a dedicated person to participate in the ISO 14001 Executive Committee activities which includes relative training and operation , continue to improve the environment of the office and facilities.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	Acer identifies and assesses the risk and opportunities coming along with the climate change through hosting Acer CSR Forum annually,and joining international organization like Carbon Disclosure Project Supply Chain Program and Electronic Industry Citizenship Coalition directly. We assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency and to reach our mid-term and long-term carbon reduction target.	No discrepancy
3. Preserving Public Welfare		
(1) The company complies with relevant labor laws and regulations,respect international labor rights principles, protects the legal rights and interests of employees,maintain no discrimination of the hiring policy, and has in place appropriate management methods and procedures.	Acer promulgated the "Standards of Business Conduct" (SBC) as the guidelines for all employees to follow in conducting business operation and activities. The SBC complies with local regulations, such as labor law where Acer has business presence. It embraces the diversity and culture of all employees and provides a work environment free from discrimination (based on race, color, age, gender, ethnicity, region, or nationality) in area such as employment, promotion, etc. Child labor is strictly prohibited. HR system such as employment contract, work rule, HR policy and regulations are in place to protect the legitimate interests of employees.	No discrepancy
(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	**Environmental Safety management** At the Acer headquarters in Taiwan, a security guard is stationed at the main entrance checking the credentials of all guests and authorizing permission of entry. Employees and guests must use an access card to enter the general office areas in normal office hours. Entry into laboratories and information management system facilities requires an additionally authorized access card. During holidays and evening, entry into the office area requires an additional personal identity number. In the interest of safety for female employees, entry into women's restrooms also requires card access; inside these restrooms emergency alarms and telephones have been installed to provide a double measure of protection. **Emergency Response** Acer has organized its own firefighting unit set up for the initial line of self-defense in an emergency. The team's primary mission is to carry out initial fire extinguishing efforts and evacuate employees in the case of a fire emergency, thus reducing the impact of disaster. Acer coordinates with the Building Management Committee to conduct biannual fire safety drills and cooperates with the Fire Department to conduct updated training. Representatives are chosen from each department to set up a first-aid personnel team, fire prevention supervisor and labor safety and health management. The personnel also receive updated training and examinations to ensure they are kept well informed of the reaction procedures to lower the damages when accidents happen.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	**Employee Safety and Health** Acer has organized its own firefighting unit set up for the initial line of self-defense in an emergency. The team's primary mission is to carry out initial fire extinguishing efforts and evacuate employees in the case of a fire emergency, thus reducing the impact of disaster. Acer coordinates with the Building Management Committee to conduct biannual fire safety drills and cooperates with the Fire Department to conduct updated training. Representatives are chosen from each department to set up a first-aid personnel team, fire prevention supervisor and labor safety and health management. The personnel also receive updated training and examinations to ensure they are kept well informed of the reaction procedures to lower the damages when accidents happen. Acer cooperates with professional medical institutions to perform health checkup for all employees on biannual basis. Based on the results of health examination, for any employee having significantly abnormal health condition, their health status will be monitored and tracked with the assistance of the medical entities. Besides, a series of physical and mental health seminars were organized for the employee. An employee leisure zone has been set up at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. In Y2012, several sessions of movie theater appreciation, arts and cultural activities, lectures about physical, mental and spiritual, outings, Acer family day, have been organized. It has been 34,153 colleagues with their families participating in these various programs. **Others** In addition to these jobsite safety measures, Acer conducts drinking water quality inspection, CO2 level inspections, legionnaire's disease inspection and one electromagnetic wave inspection of the office area annually. These checks go to ensure a healthy and safe office environment and to provide employees with a peace-of-mind.	No discrepancy
(3)The company establishes the communication mechanisam with employees regularly and inform the employees about significant operation change in a reasonably way.	Acer values its employee opinions and sets up an array of communication channels including internal announcement, supporting service helpline, cross level communication, employee opinion survey, employee grievance channel, etc. Besides, the Acer Gardeners' Meeting is held quarterly and chaired by CEO. Employee representatives can take full advantage of this channel, propose their suggestions on the company's business management, working environment, and labor rights. CEO communicates with them face to face, makes resolutions and assigns the relevant department for implementation.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(4) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.	Acer is a celebrated multinational brand company with business presence around the world. Service centers are established in our major operating countries, featuring a variety of service programs according to the nature of different customer groups and sales channels in hopes of building a robust global service network. Acer's private and corporate customers can conveniently contact Acer via multiple conduits for communication: (1) Acer Global Download (2) Call Center/Help Center and Technical Support (3) Depot/Repair Center (4) Acer Service Partner and the Third Party Maintainer: (5) International Traveler Warranty (ITW) Repair Center:	No discrepancy
(5) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	Acer regards our suppliers as part of our greater corporate family. We give clear directives to our suppliers regarding social and environmental issues such as green manufacturing and labor rights to keep them on the cutting edge, and hold regular audits and meetings to support their capacity building and ensure that our directives are being followed. In the future we expect to work even more closely together with our suppliers to solve social and environmental problems and create a sustainable supply chain.	No discrepancy
(6) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. The Volunteer Team organizes a variety of charity activities including blood donation, monetary donation, carbon reduction, overseas volunteering services, and after-class guidance for the children from the disadvantaged families of XiZhi District.	No discrepancy
4. Enhancing Information Disclosure		
(1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility.	We disclose our CSR information and CR report on the below website: Chinese http://www.acer-group.com/public/Sustainability/chinese/index.htm English http://www.acer-group.com/public/Sustainability/index.htm	No discrepancy
(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.		
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economical and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide These guidelines no only protect Acer's global business interest in a legitimate manner but also help to enhance its service quality for customers, partners, and the communities.		

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.): More information can be found at: 1.Acer Sustainability website http://www.acer-group.com/public/Sustainability/index.htm 2.Acer Foundation website http://www.acerfoundation.org.tw/english/index.php		
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: 2011 Acer Corporate Responsibility Report has been validated by SGS. The contents of the report meet the requirements of Global Reporting Initiative G3.1 Application Level B+.		

Acer Monitors

Explore views

07

Financial Standing

7. Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Consolidated Balance Sheet

Consolidated Balance Sheet under International Financial Reporting Standards ("IFRS")

Unit: NT$ Thousand

Item \ Period		Current year as of Mar. 31, 2013
Current assets		162,471,338
Net property, plant and equipment		6,583,798
Intangible assets		39,535,035
Other assets		10,850,093
Total assets		219,440,264
Current Liabilities	Before Distribution	124,142,561
	After Distribution	Un-appropriated
Long-term liabilities		18,602,094
Total Liabilities	Before Distribution	142,744,655
	After Distribution	Un-appropriated
Equity attributable to owners of the Company		
Common stock		28,347,268
Capital surplus		43,435,754
Retained Earnings	Before Distribution	12,554,154
	After Distribution	Un-appropriated
Other reserves		(1,589,599)
Treasury Stock		(6,054,286)
Non-controlling interests		2,318
Total equity	Before Distribution	76,695,609
	After Distribution	Un-appropriated

Five-Year Consolidated Balance Sheet under Statements of Financial Accounting Standards ("SFAS")

Unit: NT$ Thousand

Item \ Period		Most Recent 5-Year Financial Information				
		2008	2009	2010	2011	2012
Current assets		186,390,592	232,107,877	225,760,825	195,729,745	170,840,056
Fund and Long-term equity investments		6,773,547	8,872,750	6,233,280	3,795,462	3,449,711
Net property, plant and equipment		9,336,221	8,676,173	5,818,230	6,938,898	6,572,348
Intangible assets		34,746,765	35,444,068	36,392,935	35,404,199	39,316,838
Other assets		6,195,100	5,923,820	6,293,260	6,439,424	6,480,041
Total assets		243,442,225	291,024,688	280,498,530	248,307,728	226,658,994
Current Liabilities	Before Distribution	149,315,158	179,846,517	162,558,924	146,039,649	143,018,437
	After Distribution	154,601,124	188,183,352	172,076,142	146,039,649	Un-appropriated
Long-term liabilities		4,134,920	12,371,856	20,666,296	24,281,583	4,755,200
Other liabilities		7,114,532	5,928,652	3,164,937	2,234,881	3,853,206
Total Liabilities	Before Distribution	160,564,610	198,147,026	186,390,156	172,556,113	151,626,843
	After Distribution	165,850,575	206,483,861	195,907,374	172,556,113	Un-appropriated
Common stock		26,428,560	26,882,283	27,023,449	27,098,915	28,347,268
Capital surplus		37,129,952	38,494,118	39,578,915	40,219,518	44,096,498
Retained Earnings	Before Distribution	22,771,901	28,575,011	35,329,280	19,049,268	16,138,942
	After Distribution	17,485,935	20,238,176	25,812,062	19,049,268	Un-appropriated
Unrealized Gain (loss) on Financial assets		(1,729,631)	1,014,317	460,600	(630,621)	(904,176)
Translation adjustments		1,241,058	959,621	(5,095,919)	(3,580,136)	(5,655,033)
Minimum Pension Liability adjustment		(283)	(7,908)	(23,957)	(16,993)	(331,754)
Treasury Stock		(3,522,598)	(3,522,598)	(3,522,598)	(6,390,846)	(6,662,028)
Minority Interest		558,656	482,818	358,604	2,510	2,434
Stockholders' Equity	Before Distribution	82,877,615	92,877,662	94,108,374	75,751,615	75,032,151
	After Distribution	77,591,648	84,540,827	84,591,156	75,751,615	Un-appropriated

7.1.2 Five-Year Consolidated Income Statement

Consolidated Income Statement under International Financial Reporting Standards ("IFRS")

Unit: NT$ Thousand

Item \ Period	Current year as of Mar. 31, 2013
Revenue	91,972,997
Gross profit	7,832,337
Operating (loss) income	28,713
Non-operating Income and Loss	421,284
Earnings before taxes	449,997
Income(Loss) from Continued segment	514,570
Income(Loss) from Discontinued segment	0
Net earningsIncome after income taxes	514,570
Other comprehensive income (loss) for the period, net of tax	1,944,798
Total comprehensive income (loss) for the period	2,459,368
Earnings attributable to Shareholders of the Company	514,551
Earnings attributable to Non-controlling interests	19
Total comprehensive income (loss) attributable to Shareholders of the Company	2,459,384
Total comprehensive income (loss) attributable to Non-controlling interests	(16)
EPS	0.19

Five-Year Consolidated Income Statement under Statements of Financial Accounting Standards ("SFAS")

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information				
	2008	2009	2010	2011	2012
Operating revenue	546,274,115	573,982,544	629,058,973	475,258,118	429,510,913
Gross profit	57,285,660	58,327,860	64,481,268	38,522,725	43,195,744
Operating (loss) income	14,072,302	15,339,466	18,203,913	(6,480,072)	1,024,706
Non-operating Income and Gain	5,353,038	1,719,037	4,321,397	1,566,430	1,984,494
Non-operating Expense and Loss	4,618,613	2,075,520	3,195,923	2,510,688	5,642,904
Continuing operating income before tax	14,806,728	14,982,983	19,329,387	(7,424,330)	(2,633,704)
Income(Loss) from Discontinued segment	99,843	0	0	0	0
Extraordinary Items	0	0	0	0	0
Cumulative Effect of changes in accounting principle	0	0	0	0	0
Income after income taxes	11,742,135	11,353,374	15,117,997	(6,601,968)	(2,910,326)
EPS	4.67	4.31	5.71	(2.52)	(1.07)

7.1.3 CPAs' and Auditors' Opinions:

Year	Name of CPA(s)	Auditors' Opinion
2008	Sonia Chang, Agnes Yang	Modified unreserved
2009	Sonia Chang, Agnes Yang	Unreserved
2010	Sonia Chang, Agnes Yang	Unreserved
2011	Sonia Chang, Steven Shih	Unreserved
2012	Sonia Chang, Steven Shih	Unreserved

7.2 Five-Year Financial Analysis

Financial Analysis under International Financial Reporting Standards ("IFRS")

Item \ Period			Current year as of Mar. 31, 2013
Financial Ratio	Total liabilities to total assets (%)		65.05
	Long-term debts to fixed assets (%)		1,447.46
Ability to Payoff Debt	Current ratio (%)		130.87
	Quick Ratio (%)		96.58
	Interest protection		333
Ability to Operate	A/R turnover (times)		5.43
	A/R turnover days		67
	Inventory turnover (times)		8.09
	A/P turnover (times)		5
	Inventory turnover days		45
	Fixed assets turnover (times)		56.90
	Total assets turnover (times)		1.65
Earning Ability	Return on assets (%)		1.21
	Return on equity (%)		2.73
	To Pay-in Capital (%)	Operating income	0.41
		PBT	6.35
	Net income ratio (%)		0.56
	EPS (NTD)		0.19
Cash Flow (%)	Cash flow ratio		(4.58)
	Cash flow adequacy ratio		N.A.
	Cash reinvestment ratio		(0.10)
Leverage	Operating leverage		261.30
	Financial leverage		(0.18)

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets
(2) Long-term funds to Net property, plant and equipment=(Net equity+Long term debts)/Net property, plant and equipment

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability
(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability
(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day=365/account receivable turnover
(3) Inventory turnover=Cost of goods sold/the average of inventory
(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance
(5) Inventory turnover day=365/Inventory turnover
(6) Net property, plant and equipment turnover=Net sales/Average Net property, plant and equipment
(7) Total assets turnover=Net sales/Average Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets
(2) Return on equity=PAT/the average of total equity
(3) Net income ratio=PAT/Net sales
(4) EPS =(Earning attributable to shareholders of the Company -Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities=Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)
(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue-variable cost of goods sold and operating expense)/operating income
(2) Financial leverage=Operating income/(Operating income-interest expenses)

Five-Year Financial Analysis under Statements of Financial Accounting Standards ("SFAS")

Item	Period		Most Recent 5-Year Financial Information				
			2008	2009	2010	2011	2012
Financial Ratio	Total liabilities to total assets (%)		65.96	68.09	66.45	69.49	66.90
	Long-term debts to fixed assets (%)		1,008.19	1,281.42	2,207.07	1,473.84	1,272.61
Ability to Payoff Debt	Current ratio (%)		124.83	129.06	138.88	134.03	119.45
	Quick Ratio (%)		95.47	98.43	110.22	102.13	86.52
	Interest protection		12	25	20	(6)	(2)
Ability to Operate	A/R turnover (times)		5.18	5.19	5.85	5.11	5.65
	A/R turnover days		70	70	62	71	65
	Inventory turnover (times)		13.24	11.31	12.22	10.75	9.27
	Inventory turnover days		28	32	30	34	39
	A/P turnover (times)		6.39	5.79	5.70	4.95	4.95
	Fixed assets turnover (times)		58.51	66.16	108.12	68.49	65.35
	Total assets turnover (times)		2.24	1.97	2.24	1.91	1.89
Earning Ability	Return on assets (%)		5.23	4.42	5.59	(2.18)	(0.94)
	Return on equity (%)		14.65	12.92	16.17	(7.77)	(3.86)
	To Pay-in Capital (%)	Operating income	53.25	57.06	67.36	(23.91)	3.61
		PBT	56.03	55.74	71.53	(27.40)	(9.29)
	Net income ratio (%)		2.15	1.98	2.40	(1.39)	(0.68)
	EPS (NTD)		4.67	4.31	5.71	(2.52)	(1.07)
Cash Flow (%)	Cash flow ratio		(3.46)	21.24	8.14	4.14	0.41
	Cash flow adequacy ratio		17.55	47.06	63.82	59.10	78.63
	Cash reinvestment ratio		(21.40)	40.47	5.60	(4.81)	1.17
Leverage	Operating leverage		3.14	3.12	2.99	(4.95)	33.22
	Financial leverage		1.10	1.04	1.06	0.87	5.05

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets
(2) Long-term funds to fixed assets=(Net equity+Long term debts)/Net fixed assets

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability
(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability
(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day=365/account receivable turnover
(3) Inventory turnover=Cost of goods sold/the average of inventory
(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance
(5) Inventory turnover day=365/Inventory turnover
(6) Fixed assets turnover=Net sales/Net Fixed Assets
(7) Total assets turnover=Net sales/Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets
(2) Return on equity=PAT/the average of net equity
(3) Operating income on pay-in capital ratio=Operating income/pay-in capital
(4) PBT on pay-in capital ratio=PBT/pay-in capital
(5) Net income ratio=PAT/Net sales
(6) EPS=(PAT-Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities/Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)
(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross fixed assets+long-term investment+other assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue-variable cost of goods sold and operating expense)/operating income
(2) Financial leverage=Operating income/(Operating income-interest expenses)

7.3 Supervisors' Review Report

To: The 2013 General Shareholders' Meeting

The Board of Directors of the Company has prepared the 2012 financial report, including balance sheet, statement of income, statements of changes in stockholders' equity, and statement of cash flows. Sonia Chang and Steven Shih at KPMG have been retained by the Board of Directors of the Company to issue an audit report. The undersigned supervisors have reviewed the audit report and the aforesaid documents, which were made by the Board of Directors in compliance with Article 228 of the Company Law, and did not find any incompliance. In accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: George Huang

Supervisor: Carolyn Yeh

Dated: March 28, 2013

7.4 Financial Statements Consolidated Subsidiaries Audited by CPAs of the Past Year

Please refer to Appendix.

7.5 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties

Not applicable.

7.6 Financial Prediction and Achievements

7.6.1 Financial Forecast of Year 2012:

Not applicable.

08

Risk Management

8. Risk Management

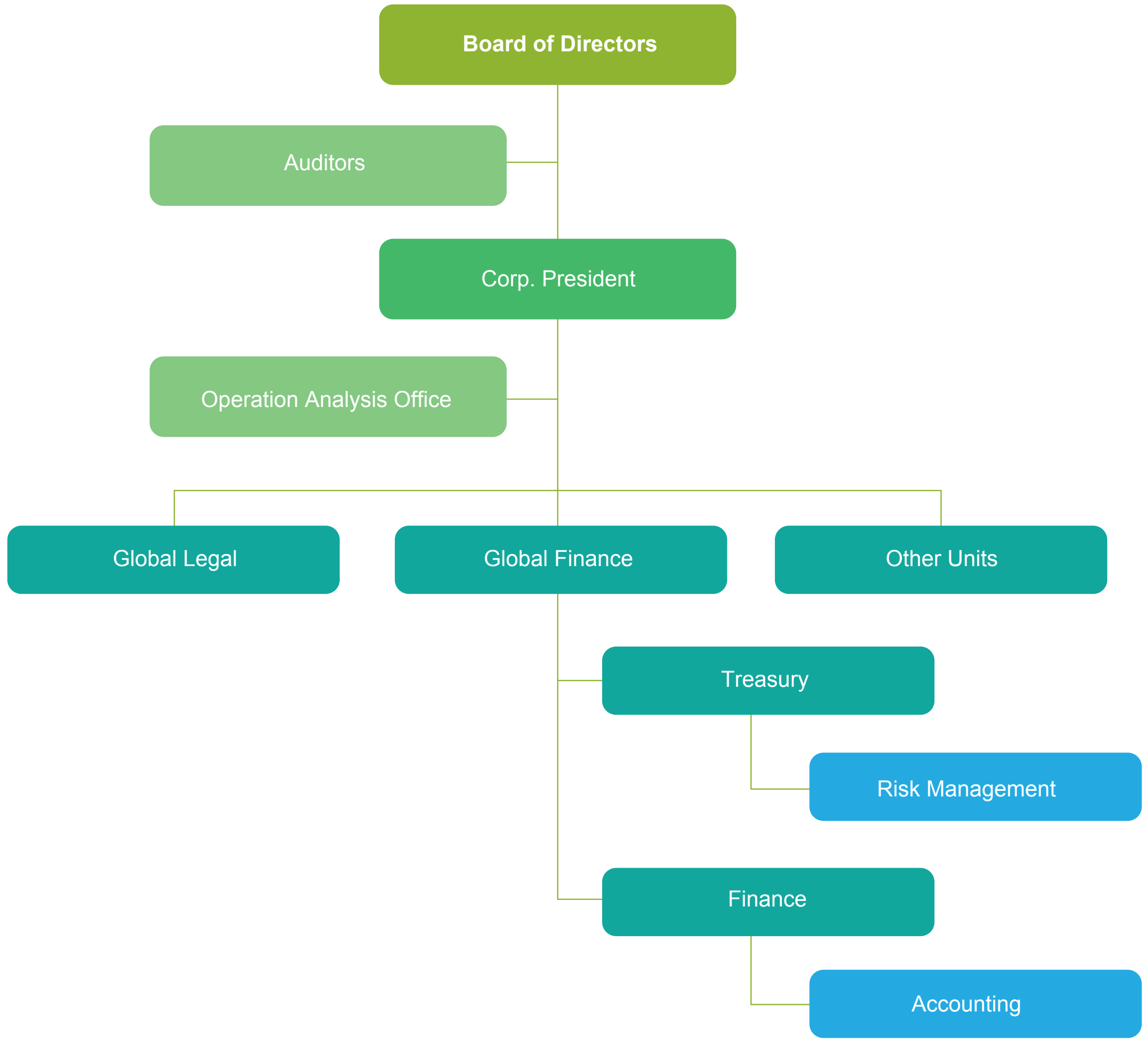
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NT$ Thousand

Description Item	Amount (Note)	Business Type	Year 2012 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings B.V.	19,651,271	Sales and Maintenance of "Acer" brand-name information technology products	10,552	Due to the operating profit for the market of EMEA	NA	
Acer Holdings International, Incorporated	12,945,379	Sales and Maintenance of "Acer" brand-name information technology products	(9,591)	Due to the operating loss for the market of AAP	Enhance the management for the loss subsidiaries and manage the operating expenses	
Boardwalk Capital Holding Limited	30,082,795	Sales and Maintenance of "Acer" brand-name information technology products	(1,426,995)	Due to the operating loss for the market of PA	Capital injection to the Brasil subsidiary	
Acer Worldwide Incorporated	2,816,911	Investing and Holding company	515	Increasing of Investment Gain	NA	
E-TEN Information Systems Co., Ltd.	6,486,948	PDA manufacturing and sale	277,309	Gain on Operating activities	NA	
Cross Century Investment Limited	1,133,044	Investing and Holding company	1,086	Increasing of Investment Gain	NA	
Acer CyberCenter Services Ltd.	1,923,118	Data storage and processing company	177,913	Gain on Operating activities	NA	No material investment plan for next year
Acer Greater China (B.V.I.) Corp.	7,318,915	Sales and Maintenance of "Acer" brand-name information technology products	297,003	Due to the operating profit for the market of GC	NA	
Acer Softcapital Incorporated	888,688	Investing and Holding company	(62,050)	Increasing of Investment Loss	No plan for writing-off investment for 2013	
Wistron Corporation	1,369,229	Investing on industry of manufacturing computer and information technology products	86,219	Gain on Operating activities	NA	
Acer Digital Service Co., Ltd.	930,469	Investing and holding companies	68,378	Gain on Investment activities	NA	
Bluechip	89,694	Sales of software	4,810	Gain on Operating activities	NA	
Weblink International Inc.	1,288,454	Sales and distribution of computer products and electronic communication products	69,254	Gain on Operating activities	NA	
Aegis Semiconductor Technology Inc.	27,908	Semi-conductor test service	0	NA	NA	

8.2 Important Notices for Risk Management and Evaluation

Risk Management Organization



- Board of Directors – review and approve the risk management policy and the authority for decision
- The head and top management of Business Units – oversee risk management activities with periodic monitoring and evaluation
- Auditors – provide annual auditing plan; review the Company's internal execution and control of risk management
- Operation Analysis Office – take responsibility of planning, analysis and improvement of business model and business management
- Global Legal – review legal contracts and agreements; manage lawsuit and litigation affairs
- Treasury – manage financial hedging and deals
- Accounting – oversee monetary transactions, ensure consistency with booking keeping and accuracy of financial reporting

8.2.1 Impact of Interest Rate, Exchange Rate and Inflation on Company's P&L and Future Strategy

1.Interest Rate Fluctuation

Notwithstanding U.S. employment and housing market shown some recovery but the financial cliff and economic growth are still the issue. FED continued to keep USD interest rate at a low level this year. Economy in Eurozone shown a slight recovery but for each country the situation is not the same. To support overall economic growth, ECB has no intention to hike interest rate at this moment. Currently the quantitative easing monetary policy adopted among major economy entities, the R.O.C. central bank is following and expect to maintain interest rates at a low level. Our funding cost of liability will not increase due to the low interest rate. We usually use the New Taiwan Dollar (NTD) and short-term foreign currency deposits to optimize return at low risk level.

2.Exchange Rate

The economy in Eurozone is becoming stable but the measure of expenditure curtail will impact the recovery. We expected that EUR might range trend in this year. RMB long-term trends show slightly appreciation, but will have wide fluctuation in short-term period. NTD has been influenced by some currencies depreciation. Expected the trend will back to normal in second half year and continue to appreciate steadily. Consistent execution of a conservative hedging strategy will continue to be maintained in order to minimize the impact of foreign exchange rate fluctuation on the Company's earnings.

3.Inflation

Even though the quantitative easing monetary policy adopted among major economy entities, the recovery of worldwide economy is still slow. The inflation issue might not be very serious this year. However, if the rise in commodity prices causes an increase in production cost, appropriate measures will be taken accordingly to avoid loss.

8.2.2 How Corporate Image Change Affects Company's Risk Management Mechanism

The Company split off its manufacturing division at the end of year 2000 in order to focus on the design and marketing of IT products and services. The potential crises within manufacturing and marketing companies are very different, and the Company's crisis management now focuses on our global supply-chain and logistics. By outsourcing our manufacturing sector to multiple vendors and suppliers, the Company gained greater flexibility in inventory control and lowered risks compared to a single-vendor policy. With the ever-changing global economy, it is essential to be prepared for risks and challenges at all times. The Company's risk management team has a clear sense of crisis management and has taken the precautions where necessary. We have set up a crisis mechanism that will minimize potential damages to ensure the Company's sustainable management.

8.2.3 Predicted Benefits and Potential Risk to Company with Factory/Office Expansion

Not applicable.

8.2.4 Potential Risks to Company from the Consentration of Procurement and Sales

None

8.2.5 Affect on Company from Shares Transfers by Directors, Supervisors or Shareholders Holding More Than 10% Shares

Not applicable.

8.2.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

8.2.7 The major litigious, non-litigious or administrative disputes that:

(1) involve Acer and/or any Acer director, any Acer supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 %, and/or any company or companies controlled by Acer; and

(2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of this annual report shall be disclosed as follows:

1. (1) Similar to other IT companies, Acer receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Acer takes these matters seriously and may take appropriate counter actions.

(2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against Acer Inc. and its US subsidiaries, Acer America Corporation and Gateway Inc., which pending before the United States District Court for the Eastern District of Texas; and in August 2011, Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against Acer's subsidiary, Acer Computer GmbH, which pending before the German Regional Court of Mannheim. US and German law firms have been retained to consult for and represent Acer on those matter; and both US and Germany lawsuits have been supported by the relevant components suppliers. Up to date there foresee no immediately material adverse effect toward Acer's business operations and finance.

(3) In February 2012, Acer Inc. and its Italian subsidiary, Acer Europe Services S.r.l. filed petition before the Court of Milan, Italy, for the ascertainment of Mr. Gianfranco Lanci's violation of non-compete covenant under the Separation Agreement executed between Acer Inc. and him. It is estimated that the progress and result of this case will not materially affect Acer's finance and business.

(4) In May and August 2012, the U.S. International Trade Commission (ITC) launched its investigations on alleged infringement of U.S. patents (US patent No. 5809336 is involved in the latest case in August) by numerous companies, including Acer. Technology Properties Limited LLC (TPL) alone filed a Complaint with the US ITC for the first case and with the other two companies, Patriot Scientific Corporation (PTSC) and Phoenix Digital Solutions LLC (PDS) for the latter one. While filing a Complaint with the US ITC in 2012, TPL also filed a Complaint with the US District Court for the Eastern District of Texas at the same time for the related patents. The alleged claim of infringement goes back to as early as 2007, when Acer filed lawsuit against TPL on grounds that TPL's patents (i.e. including the alleged patent in the investigation in August) are invalid. Subsequently, TPL counter-filed against Acer on patent infringement and reported the dispute. ITC's investigation is the continuation of the same patent dispute. These disputes are handled carefully and the appropriate corresponding is taken. Up to date there foresee no immediately material adverse effect toward Acer's business operations and finance.

(5) A former employee of Acer's Taiwan business group was involved in fraudulent order placing in collaboration with external parties and selling company goods for own profit. Acer has investigated, discharged the employee and filed both civil lawsuits and criminal complaints against the suspects. The preliminary estimate for loss is around NT$15 million in deductibles from Acer's risk insurance cover. The loss has no impact on business operations. The Company has view of internal control and audit measures, and is constantly improving related processes.

2.In year 2012 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes.

3. In year 2012 and as of the date of printing of this annual report, any company or companies controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes.

8.2.8 Other Risks:

None

Appendix

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying consolidated balance sheets of Acer Incorporated (the "Company") subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated and subsidiaries as of December 31, 2012 and 2011, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the accounting principles generally accepted in the Republic of China.

The consolidated financial statements as of and for the year ended December 31, 2012, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(32) to the consolidated financial statements.

KPMG

Taipei, Taiwan (the Republic of China)
March 28, 2013

Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011
(in thousands of New Taiwan dollars and US dollars)

Assets	2012 NT$	2012 US$	2011 NT$
Current assets:			
Cash and cash equivalents (note 4(1))	50,612,564	1,737,114	58,092,581
Available-for-sale financial assets－current (notes 4(2) and (24))	169,017	5,801	109,721
Financial assets at fair value through profit or loss－current (notes 4(3) and (24))	25,415	872	305,903
Derivative financial assets held for hedging－current (notes 4(4) and (24))	192,461	6,605	804,532
Notes and accounts receivable, net of allowance for impairment of NT$481,744 and NT$819,339 as of December 31, 2012 and 2011, respectively (note 4(5))	68,432,653	2,348,732	83,539,250
Notes and accounts receivables from related parties (note 5)	41,283	1,417	88,625
Other receivables (note 4(6))	4,266,145	146,422	6,196,493
Other receivables from related parties (note 5)	17	1	15,359
Inventories (note 4(7))	43,336,949	1,487,402	39,993,644
Prepayments and other current assets	1,948,656	66,881	2,552,496
Noncurrent assets held for sale (note 4(8))	-	-	1,827,855
Deferred income tax assets－current (note 4(19))	1,796,111	61,646	2,174,144
Restricted deposits－current (note 6)	18,785	645	29,142
Total current assets	170,840,056	5,863,538	195,729,745
Long-term investments:			
Equity-method investments (note 4(10))	190,229	6,529	1,861,987
Available-for-sale financial assets－noncurrent (notes 4(11) and (24))	2,635,952	90,470	775,702
Financial assets carried at cost－noncurrent (notes 4(9) and (24))	623,530	21,401	1,157,773
Total long-term investments	3,449,711	118,400	3,795,462
Property, plant and equipment:			
Land	1,366,614	46,905	1,400,953
Buildings and improvements	3,816,075	130,974	3,944,459
Computer equipment and machinery	4,307,903	147,855	4,173,738
Other equipment	3,246,820	111,437	2,735,283
Construction in progress and advance payments for purchases of equipment	41,772	1,434	435,917
	12,779,184	438,605	12,690,350
Less: accumulated depreciation	(5,407,002)	(185,578)	(4,922,515)
accumulated impairment	(799,834)	(27,452)	(828,937)
Net property, plant and equipment	6,572,348	225,575	6,938,898
Intangible assets (note 4(13))			
Trademark and trade names	5,958,242	204,498	9,882,666
Goodwill	24,926,884	855,535	20,710,372
Other intangible assets	8,431,712	289,392	4,811,161
Total intangible assets	39,316,838	1,349,425	35,404,199
Other financial assets－noncurrent (notes 4(14), (24) and 6)	1,179,517	40,483	1,632,327
Property not used in operation (note 4(12))	3,028,574	103,946	3,343,193
Deferred income tax assets－noncurrent (note 4(19))	1,056,169	36,250	312,243
Deferred charges and other assets (note 4(18))	1,215,781	41,728	1,151,661
Total assets	226,658,994	7,779,345	248,307,728

Liabilities and Stockholders' Equity	2012 NT$	2012 US$	2011 NT$
Current liabilities:			
Short-term borrowings (note 4(15))	349,974	12,012	358,120
Financial liabilities at fair value through profit or loss－current (notes 4(3), (16) and (24))	411,313	14,117	56,212
Derivative financial liabilities held for hedging－current (notes 4(4) and (24))	1,149,400	39,449	179,685
Notes and accounts payable	71,638,728	2,458,770	77,096,776
Notes and accounts payable to related parties (note 5)	-	-	7,256,885
Other payables to related parties (note 5)	1,914	66	184,975
Royalties payable	8,635,716	296,393	10,266,709
Accrued expenses and other current liabilities (notes 4(19) and 5)	46,938,587	1,611,017	50,640,287
Current portion of bonds payable (notes 4(16) and (24))	4,892,805	167,930	-
Current portion of long-term debt (notes 4(17) and (24))	9,000,000	308,896	-
Total current liabilities	143,018,437	4,908,650	146,039,649
Long-term liabilities:			
Financial liabilities at fair value through profit or loss－noncurrent (notes 4(16) and (24))	653,583	22,432	1,216,586
Bonds payable (notes 4(16) and (24))	4,101,617	140,775	14,064,997
Long-term debt, excluding current portion (notes 4(17) and (24))	-	-	9,000,000
Other liabilities (note 4(18))	1,074,891	36,892	455,151
Deferred income tax liabilities－noncurrent (note 4(19))	2,778,315	95,357	1,779,730
Total long-term liabilities	8,608,406	295,456	26,516,464
Total liabilities	151,626,843	5,204,106	172,556,113
Stockholders' equity and minority interest:			
Common stock (note 4(20))	28,347,268	972,929	27,098,915
Capital surplus (notes 4(10), (16), (20) and (21))	44,096,498	1,513,471	40,219,518
Retained earnings (note 4(20)):			
Legal reserve	12,607,933	432,727	12,607,933
Special reserve	6,126,774	210,282	4,659,275
Unappropriated earnings (accumulated deficit)	(2,595,765)	(89,091)	1,782,060
Other equity components:			
Foreign currency translation adjustment	(5,655,033)	(194,091)	(3,580,136)
Minimum pension liability adjustment	(331,754)	(11,386)	(16,993)
Unrealized losses on financial instruments (notes 4(2), (4) and (11))	(904,176)	(31,033)	(630,621)
Treasury stock (note 4(20)):	(6,662,028)	(228,653)	(6,390,846)
Total stockholders' equity	75,029,717	2,575,155	75,749,105
Minority interest	2,434	84	2,510
Total stockholders' equity and minority interest	75,032,151	2,575,239	75,751,615
Commitments and contingencies (note 7)			
Total liabilities and stockholders' equity	226,658,994	7,779,345	248,307,728

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2012 and 2011

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

	2012		2011
	NT$	US$	NT$
Net sales (note 5)	429,510,913	14,741,588	475,258,118
Cost of sales (notes 4(7) and 5)	(386,315,169)	(13,259,032)	(436,735,393)
Gross profit	43,195,744	1,482,556	38,522,725
Operating expenses (notes 4(13), (18), (20), (21), 5 and 10):			
Selling	(33,479,889)	(1,149,090)	(36,330,189)
Administrative	(5,822,937)	(199,854)	(7,508,053)
Research and development	(2,868,212)	(98,442)	(1,164,555)
Total operating expenses	(42,171,038)	(1,447,386)	(45,002,797)
Operating income (loss)	1,024,706	35,170	(6,480,072)
Non-operating income and gains:			
Interest income	503,021	17,264	449,826
Investment gain recognized using equity method, net (note 4(10))	67,076	2,302	-
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(3), (4), (16) and (24))	-	-	247,352
Gain on disposal of property and equipment, net (note 4(8))	775,222	26,607	-
Gain on disposal of investments, net (notes 4(2) and (11))	7,752	266	345,836
Other income (note 4(16))	631,423	21,672	523,416
	1,984,494	68,111	1,566,430
Non-operating expenses and loss:			
Interest expense (note 4(16))	(821,704)	(28,202)	(997,761)
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(3), (4), (16) and (24))	(796,210)	(27,328)	-
Investment loss recognized using equity method, net (note 4(10))	-	-	(5,284)
Other investment loss, net	(10,604)	(364)	(38,138)
Restructuring cost (note 4(22))	(171,867)	(5,899)	(1,247,653)
Impairment loss on intangible assets (note 4(13))	(3,496,114)	(119,993)	-
Other loss	(346,405)	(11,889)	(221,852)
	(5,642,904)	(193,675)	(2,510,688)
Loss before income taxes	(2,633,704)	(90,394)	(7,424,330)
Income tax benefit (expense) (note 4(19))	(276,485)	(9,489)	822,423
Consolidated net loss	**(2,910,189)**	**(99,883)**	**(6,601,907)**
Net loss attributable to:			
Shareholders of the Company	(2,910,326)	(99,888)	(6,601,968)
Minority interest	137	5	61
	(2,910,189)	**(99,883)**	**(6,601,907)**
Earnings per common share (in New Taiwan dollars) (note 4(23)):			
	NT$	**US$**	**NT$**
Basic earnings per common share	**(1.07)**	**(0.04)**	**(2.52)**

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars and US dollars)

	Common stock NT$	Common stock subscription NT$	Capital surplus NT$	Retained earnings: Legal reserve NT$	Retained earnings: Special reserve NT$	Retained earnings: Unappropriated earnings (accumulated deficit) NT$	Foreign currency translation adjustment NT$	Minimum pension liability adjustment NT$	Unrealized gains (losses) on financial instruments	Treasury stock NT$	Total stockholders' equity NT$	Minority interest NT$	Total stockholders' equity and minority interest 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	358,604	94,108,374
Appropriation approved by the stockholders (note):													
Legal reserve	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	-	(9,678,044)
Common stock subscription under option plans	97,122	(21,656)	122,081	-	-	-	-	-	-	-	197,547	-	197,547
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358	-	140,358
Stock-based compensation cost	-	-	400,044	-	-	-	-	-	-	-	400,044	-	400,044
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,357,501)	-	(1,357,501)	-	(1,357,501)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	268,353	-	268,353	-	268,353
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,964	-	-	6,964	-	6,964
Foreign currency translation adjustment	-	-	-	-	-	-	1,515,783	-	-	-	1,515,783	-	1,515,783
Adjustments from equity-method investments	-	-	(21,880)	-	-	-	-	-	(2,073)	-	(23,953)	-	(23,953)
Proceeds from capital return of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(8,678)	(8,678)
Distribution in-kind to minority interest	-	-	-	-	-	-	-	-	-	-	-	(347,477)	(347,477)
2011 consolidated net loss	-	-	-	-	-	(6,601,968)	-	-	-	-	(6,601,968)	61	(6,601,907)
Balance at December 31, 2011	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	2,510	75,751,615
Appropriation approved by the stockholders:													
Special reserve	-	-	-	-	1,467,499	(1,467,499)	-	-	-	-	-	-	-
Issuance of common shares for acquisition of a subsidiary	1,221,782	-	3,686,118	-	-	-	-	-	-	-	4,907,900	-	4,907,900
Common stock subscription under option plans	26,571	-	74,309	-	-	-	-	-	-	-	100,880	-	100,880
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(271,182)	(271,182)	-	(271,182)
Stock-based compensation cost	-	-	203,315	-	-	-	-	-	-	-	203,315	-	203,315
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	361,457	-	361,457	-	361,457
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(637,375)	-	(637,375)	-	(637,375)
Minimum pension liability adjustment	-	-	-	-	-	-	-	(314,761)	-	-	(314,761)	-	(314,761)
Foreign currency translation adjustment	-	-	-	-	-	-	(2,074,897)	-	-	-	(2,074,897)	(213)	(2,075,110)
Adjustments from equity-method investments	-	-	(86,762)	-	-	-	-	-	2,363	-	(84,399)	-	(84,399)
2012 consolidated net loss	-	-	-	-	-	(2,910,326)	-	-	-	-	(2,910,326)	137	(2,910,189)
Balance at December 31, 2012	28,347,268	-	44,096,498	12,607,933	6,126,774	(2,595,765)	(5,655,033)	(331,754)	(904,176)	(6,662,028)	75,029,717	2,434	75,032,151
Balance at December 31, 2012 (in US$)	972,929	-	1,513,471	432,727	210,282	(89,091)	(194,091)	(11,386)	(31,033)	(228,653)	2,575,155	84	2,575,239

Note: Directors" and supervisors" remuneration of $89,469 and employee bonuses of $1,500,000 for 2010 have been deducted in the 2010 net income.

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(in thousands of New Taiwan dollars and US dollars)

	2012 NT$	2012 US$	2011 NT$
Cash flows from operating activities:			
Consolidated net loss	(2,910,189)	(99,883)	(6,601,907)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation	877,841	30,129	725,562
Amortization	2,431,366	83,449	2,145,100
Impairment loss on intangible assets	3,496,114	119,993	-
Stock-based compensation cost	475,708	16,327	400,044
Valuation loss (gain) on financial assets and liabilities	1,362,775	46,773	(1,659,720)
Investment gain recognized using equity method, net	(97,891)	(3,360)	(29,201)
Cash dividends received from equity method investments	126,094	4,328	175,418
Gain on disposal of investments, net	(7,752)	(266)	(345,836)
Other investment loss, net	10,604	364	38,138
Amortization of bonds payable discount and transaction costs	377,890	12,970	426,830
Unrealized exchange (gain) loss on bonds payable	(423,025)	(14,519)	534,280
Gain on purchase of bonds payable	(88,105)	(3,024)	-
Loss (gain) on disposal of property and equipment, net	(775,222)	(26,607)	4,569
Deferred income tax benefit	(1,208,343)	(41,473)	(2,838,402)
Changes in operating assets and liabilities:			
Notes and accounts receivable	15,106,597	518,486	18,191,638
Receivables from related parties	47,342	1,625	630,399
Inventories	(3,426,365)	(117,599)	1,142,931
Other receivable, prepayments and other current assets	2,903,500	99,653	785,101
Noncurrent receivable (under other financial assets－noncurrent)	31,943	1,096	32,546
Notes and accounts payable	(5,458,048)	(187,330)	(7,137,849)
Payables to related parties	(7,439,946)	(255,352)	(861,505)
Royalties payable, accrued expenses and other current liabilities	(5,441,643)	(186,767)	289,157
Other liabilities	619,740	21,271	2,556
Cash provided by operating activities	590,985	20,284	6,049,849
Cash flows from investing activities:			
Purchase of long-term investments	(5,577)	(191)	(119,261)
Proceeds from disposal of investments	7,752	266	950,101
Proceeds from capital return or liquidation of investees	491,118	16,856	204,021
Acquisition of property, plant and equipment	(812,619)	(27,891)	(947,390)
Proceeds from disposal of property, plant and equipment, noncurrent assets held for sales, and property not used in operation	2,981,558	102,332	113,316
Decrease in advances to related parties	15,342	527	31,555
Decrease (increase) in restricted deposits	10,357	355	(4,945)
Additions to intangible assets	(180,353)	(6,190)	(282,003)
Acquisition of business, net of cash acquired	(4,464,660)	(153,235)	-
Decrease (increase) in refundable deposits and other assets	337,594	11,587	(1,192,268)
Cash used in investing activities	(1,619,488)	(55,584)	(1,246,874)
Cash flows from financing activities:			
Decrease in short-term borrowings	(8,146)	(280)	(1,293,510)
Proceeds from long-term debt	-	-	9,000,000
Repayment of long-term debt	-	-	(12,200,000)
Purchase of bonds payable	(5,283,113)	(181,326)	-
Distribution of cash dividends	-	-	(9,537,686)
Proceeds from exercise of employee stock option	100,880	3,462	197,547
Purchase of treasury stock	(271,182)	(9,307)	(2,868,248)
Decrease in minority interests	-	-	(8,678)
Cash used in financing activities	(5,461,561)	(187,451)	(16,710,575)
Effects of exchange rate changes	(989,953)	(33,977)	1,543,795
Net decrease in cash and cash equivalents	(7,480,017)	(256,728)	(10,363,805)
Cash and cash equivalents at beginning of year	58,092,581	1,993,842	68,456,386
Cash and cash equivalents at end of year	50,612,564	1,737,114	58,092,581
Supplemental disclosures of cash flow information:			
Interest paid	417,297	14,322	609,593
Income taxes paid	1,426,806	48,971	2,338,433
Supplementary disclosures of non-cash investing and financing activities:			
Current portion of long-term debt	9,000,000	308,896	-
Current portion of bonds payable	4,892,805	167,930	-
Net change in unrealized valuation loss on financial instruments	273,555	9,389	1,091,221
Decrease in valuation allowance of deferred income tax assets against goodwill	88,347	3,032	563,871
Distribution in-kind to minority interest	-	-	347,477
Cash acquired from acquisition of a subsidiary:			
Cash consideration	4,520,020	155,135	
Issuance of common shares	4,907,900	168,448	
Non-cash assets acquired	(6,497,979)	(223,022)	
Liabilities assumed	2,149,400	73,771	
Goodwill	(5,023,981)	(172,432)	
Cash acquired from acquisition	55,360	1,900	

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2012 and 2011
(amounts expressed in thousands of New Taiwan dollars and US dollars, except for earnings per share information and unless otherwise noted)

1. Organization and Business

Acer Sertek Inc. (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("ROC"). On March 27, 2002, the Company merged with Acer Incorporated, with the Company as the surviving entity from the merger but renaming itself as Acer Incorporated. After the merger, the Company"s principal activities are aimed at globally marketing its brand-name IT products, and promoting E-commerce solutions to clients.

On October 15, 2007, the Company completed its acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S., through its indirectly wholly owned subsidiary. The Company also acquired the 100% equity ownership of Packard Bell B.V., a personal computer company in Europe, through its indirectly wholly owned subsidiary on March 14, 2008 and June 30, 2008. Following the acquisitions of Gateway and Packard Bell, the Company has expanded its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smart phone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, regional sales and marketing channels of Founder Technology Group Corporation, through its indirectly wholly owned subsidiary. On January 12, 2012, the Company acquired the 100% equity ownership of iGware Inc. for the development of a unique AcerCloud system in order to enhance Acer brand positioning and increase brand value.

The reporting entities of the consolidated financial statements include the Company and its subsidiaries (hereinafter referred to collectively as the "Consolidated Companies"). On December 31, 2012 and 2011, the Consolidated Companies had hired 7,967 and 7,894 employees, respectively.

2. Summary of Significant Accounting Policies

(1) Accounting principles and consolidation policy

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the ROC. These consolidated financial statements are not intended to present the financial position and the related results of operations and cash flows of the Consolidated Companies based on the accounting principles and practices generally accepted in countries and jurisdictions other than the ROC.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company is able to exercise control over the subsidiary‟s operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of operations from the date that control commences until the date that control ceases. All significant inter-company balances and transactions are eliminated in consolidation. The Consolidated Companies consisted of the following:

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investing and holding company	100.00	100.00
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Investing and holding company	100.00	100.00
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
AGC	Acer Intellectual (Chongqing) Limited ("AICQ", China)	Research and design of smart hand held and touchpad products	100.00	100.00
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research and design of smart hand held products	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer (Chongqing) Ltd. ("ACCQ", China)	Sale of brand-name information technology products	100.00	100.00
The Company	Acer European Holdings B.V. ("AEH", Cyprus)	Investing and holding company	100.00	100.00
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investing and holding company	100.00	100.00
AEH	Acer Computer B.V. ("ACH", the Netherlands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer BSEC Inc. ("AUA", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
AEH	Acer Africa (Proprietary) Limited ("AAF", South Africa)	Sale of brand-name information technology products	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited. ("AGU", British Guernsey Island)	Financial company	100.00	100.00
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Austria GmbH ("ACV", Austria)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe Services S.R.L. ("AES", Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe SA ("AEG", Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	Sale of brand-name information technology products	100.00	100.00
AHN	Esplex Limited ("AEX", the United Kingdom)	Repair and maintenance of information technology products	100.00	100.00
AHN	Acer Computer Iberica, S.A. ("AIB", Spain)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer (Switzerland) AG ("ASZ", Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Slovakia s.r.o. ("ASK", Slovakia)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer International Services GmbH ("AIS", Switzerland)	Sale of brand-name information technology products	-	100.00
AHN	Asplex Sp. z.o.o. ("APX", Poland)	Repair and maintenance of information technology products	100.00	100.00
AHN	Acer Marketing Services LLC ("ARU", Russia)	Sale of brand-name information technology products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services (“AGR”, Greece)	Sale of brand-name information technology products	100.00	100.00
AHN	PB Holding Company S.A.R.L. (“PBLU”, Luxembourg)	Investing and holding company	100.00	100.00
AHN	Acer Poland sp. z.o.o. (“APL”, Poland)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Norway AS (“ACN”, Norway)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Denmark A/S (“ACD”, Denmark)	Sale of brand-name information technology products	100.00	100.00
PBLU	Packard Bell B.V. (“PBHO”, the Netherlands)	Investing and holding company	100.00	100.00
PBHO	Packard Bell (UK) Ltd.(“PBUK”, the United Kingdom)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell Belgium BVBA (“PBBE”, Belgium)	Sale of brand-name information technology products	-	100.00
PBHO	NEC Computers South Africa (Pty) Ltd. (“PBZA”, South Africa)	Sale of brand-name information technology products	50.81	50.81
The Company	Boardwalk Capital Holdings Limited (“Boardwalk”, British Virgin Islands)	Investing and holding company	100.00	100.00
Boardwalk	Acer Computer Mexico, S.A. de C.V. (“AMEX”, Mexico)	Sale of brand-name information technology products	99.92	99.92
Boardwalk	Acer American Holding Corp. (“AAH”, USA)	Investing and holding company	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name information technology products	100.00	100.00
Boardwalk	Boarkwalk Cooperatief Holding U.A (“BCH”, the Netherlands)	Investing and holding company	100.00	100.00
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Sale of brand-name information technology products	99.92	99.92
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Software research, development, design, trading and consultation	100.00	-

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
AAH	Gateway, Inc. (“GWI”, U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Acer Latin America, Inc. (“ALA”, U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Acer America Corporation. (“AAC”, U.S.A.)	Sale of brand-name information technology products	99.92	99.92
GWI	Acer Service Corporation (“ASC”, U.S.A.)	Repair and maintenance of information technology products	100.00	100.00
BCH	Boardwalk International BV (“BIB”, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Acer Holdings International, Inc.(“AHI”, British Virgin Islands)	Investing and holding company	100.00	100.00
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name information technology products	100.00	100.00
AHI	PT Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name information technology products	100.00	100.00
AIN	PT Acer Manufacturing Indonesia (“AMI”, Indonesia)	Assembling and sale of brand-name information technology products	100.00	-
AHI	Acer India Private Limited (“AIL”, India)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name information technology products	100.00	100.00

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
AHI	Acer Philippines, Inc. ("APHI", Philippines)	Sale of brand-name information technology products	100.00	100.00
ACA	Highpoint Australia Pty. Ltd. ("HPA", Australia)	Repair and maintenance of information technology products	100.00	100.00
ASSB	Highpoint Service Network Sdn Bhd ("HSN", Malaysia)	Repair and maintenance of information technology products	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	Sale of computers and communication products	100.00	100.00
ASSB	Megabuy Sdn Bhd ("MGB", Malaysia)	Sale of computers and communication products	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Assembling of brand-name information technology products	100.00	100.00
The Company	Acer Sales & Distribution Limited. ("ASD", Hong Kong)	Sale of brand-name information technology products	-	100.00
The Company	Weblink International Inc. ("WII", Taiwan)	Sale of computers and communication products	99.79	99.79
WII	Weblink (H.K.) International Ltd. ("WHI", Hong Kong)	Sale of computers and communication products	99.79	99.79
The Company	Acer Digital Service Co. ("ADSC", Taiwan)	Investing and holding company	100.00	100.00
ADSC	Multiventure Investment Inc. ("MVI", Taiwan)	Investing and holding company	-	100.00
ADSC	Acer Property Development Inc. ("APDI", Taiwan)	Property development	100.00	100.00
ADSC	Aspire Service & Development Inc. ("ASDI", Taiwan)	Property development	100.00	100.00
The Company	Acer Worldwide Incorporated ("AWI", British Virgin Islands)	Investing and holding company	100.00	100.00
The Company	Cross Century Investment Limited ("CCI", Taiwan)	Investing and holding company	100.00	100.00
The Company	Acer Capital Corporation ("ACT", Taiwan)	Investing and holding company	-	100.00
The Company	Aspire Incubation Venture Capital ("AIVC", Taiwan)	Investing and holding company	-	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	Investing and holding company	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	Investing and holding company	100.00	100.00
ADSCC	Longwick Enterprises Inc. ("LONG", Seychelles)	Investing and holding company	100.00	100.00
LONG	S. Excel. Co., Ltd. ("SURE", Samoa)	Investing and holding company	100.00	100.00
The Company	Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	Investing and holding company	100.00	100.00
ASCBVI	ASC Cayman, Limited ("ASCCAM", Cayman Islands)	Investing and holding company	100.00	100.00

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2012	2011
ASCBVI	Acer Technology Venture Asia Pacific Ltd. ("ATVAP", Cayman Islands)	Investing and holding company	100.00	100.00
The Company	Acer EMEA Holdings B.V. (AHB, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Eten Information System Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart hand held products	100.00	100.00
The Company	Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00
The Company	Acer e-Enabling Service Business Inc. ("AEB", Taiwan)	Electronic data supply, processing and storage services	100.00	-
ACCSI	TWP International Inc. ("TWPBVI", British Virgin Islands)	Investing and holding company	100.00	100.00
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	Software research, development, design, trading and consultation	100.00	100.00
The Company	Lottery Technology Service Corp. ("LTS", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00
The Company	Minly Corp. ("MINLY", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00

The Company established new subsidiaries namely ACTI, AMI and AEB in 2012.

In 2012, the subsidiaries namely AIS, ASD, PBUK and PBBE were liquidated, and were excluded from consolidation since the Company ceased control thereof. On November 1, 2012, the subsidiaries namely MVI, AIVC, and ACT had merged with ADSC and ADSC was the surviving entity from the merger.

(2) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Economic conditions and events could cause actual results to differ significantly from such estimates.

(3) Foreign currency transactions and translations

The Company's reporting currency is expressed in New Taiwan dollar. The Consolidated Companies record transactions in their respective local currencies of the primary economic environment in which these entities operate. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using

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the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of operations. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are reported at the rate that was in effect when the fair values were determined. Subsequent adjustments to carrying values of such non-monetary assets and liabilities, including the effects of changes in exchange rates, are reported in profit or loss for the period, except that if movement in fair value of a non-monetary item is recognized directly in equity, any foreign exchange component of that adjustment is also recognized directly in equity.

In preparing the consolidated financial statements, the foreign subsidiaries‟ financial statements are initially remeasured into the functional currency and the remeasuring differences are accounted for as exchange gains or losses in the accompanying statements of operations. Translation adjustments resulting from the translation of foreign currency financial statements into the Company‟s reporting currency and a monetary item that forms part of the Company‟s net investment in a foreign operation are accounted for as cumulative translation adjustment, a separate component of stockholders‟ equity.

(4) Classification of current and non-current assets and liabilities

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current.

Liabilities that are held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, miscellaneous petty cash, and other highly liquid investments which do not have a significant level of market or credit risk from potential interest rate changes.

(6) Financial assets/liabilities at fair value through profit or loss

A financial asset/liability is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets/liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets/liabilities.

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(7) Available-for-sale financial assets

A financial instrument is classified as an available-for-sale financial asset when it is designated as such upon initial recognition. Available-for-sale financial assets are initially recognized at fair value plus transaction cost that are directly attributable to the acquisition. Subsequent changes in fair value therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized as a separate line item of stockholders‟ equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss recognized in equity is transferred to profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss decreases, reversal of a previously recognized impairment loss for equity securities is charged to equity; while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

(8) Hedging purpose derivative financial instruments and hedge accounting

Derivative financial assets/liabilities held for hedging are financial instruments that are intended to hedge the risk of changes in exchange rates resulting from transactions denominated in foreign currencies and conform to the criteria for hedge accounting.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The designated hedging instruments that conform to the criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss thereon recognized in profit or loss.

(b) Cash flow hedges

Changes in the fair value of a hedging instrument designated as a cash flow hedge are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods in which the asset acquired or liability assumed affects profit or loss.

(9) Financial assets carried at cost

Equity investments in which the Consolidated Companies cannot exercise significant influence and whose fair value cannot be reliably measured are carried at original cost. If there is objective evidence which indicates that an equity investment is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

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(10) Notes and accounts receivable and other receivables

Receivables arising from sale of goods or rendering of services are classified as “notes and accounts receivable”, and those arising from non-operating activities are classified as “other receivables”. Accordingly, receivables arising from sale of goods or services rendered to related parties are classified as “accounts receivable from related parties”, and those arising from loans or advances to related parties are classified as “other receivables from related parties.”

(11) Impairment for receivables

Effective January 1, 2011, the Consolidated Companies adopted the third revision of Republic of China Statement of Financial Accounting Standards (“SFAS”) No. 34 “Financial Instruments: Recognition and Measurement”. Under this standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

(12) Inventories

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured individually at the lower of cost and net realizable value. Cost of inventory is recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less all estimated costs of completion and selling expenses at the balance sheet date.

(13) Non-current assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as held for sale when the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale within one year is highly probable. Non-current assets or disposal groups classified as held for sale are measured at the lower of their book value or fair value less costs to sell, and ceased to be depreciated or amortized. Non-current assets or disposal groups classified as held for sale are presented separately on the consolidated balance sheets. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognized until the related assets are disposed.

An impairment loss is recognized for any initial or subsequent write-down of the assets (or disposal groups) to fair value less costs to sell in the consolidated statements of operations. A gain from any subsequent increase in fair value less costs to sell of an asset (or a disposal group) is recognized, but not in excess of the cumulative impairment loss that has been recognized.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(14) Equity-method investments

Long-term equity investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee‟s voting shares, or less than 20% of the investee‟s voting shares but are able to exercise significant influence over the investee‟s operating and financial policies, are accounted for using the equity method, unless there are evidences that indicate the Consolidated Companies have no significant influence over the investees.

Effective January 1, 2006, under the amended ROC SFAS No. 5, "Long-term Investments under Equity Method," the difference between acquisition cost and carrying amount of net equity of the investee as of the acquisition date is allocated proportionately based on the excess of fair value over the carrying value of noncurrent assets on the investee‟s books. Allocated amounts are amortized based on the method used for the related assets. Any unallocated difference is treated as investor-level goodwill. If the allocation reduces non-current assets to zero value, the remaining excess over acquisition cost is recognized as an extraordinary gain. Prior to January 1, 2006, investor-level goodwill was amortized over five years on a straight-line basis. Commencing January 1, 2006, as required by the amended ROC SFAS No. 5, investor-level goodwill is no longer amortized but tested for impairment.

Upon the sale of equity-method investment, the difference between the selling price and carrying amount of the investment at the date of sale is recognized as a disposal gain or loss. In proportion to the percentage disposed of, capital surplus and other equity adjustment items arising from the long-term investment are debited against disposal gain or loss.

If an investee company issues new shares and the Consolidated Companies does not acquire new shares in proportion to its original ownership percentage, the Consolidated Companies‟ equity in the investee‟s net assets will be changed. The change in the equity interest is adjusted through the capital surplus and long-term investment accounts. If the Consolidated Companies‟ capital surplus is insufficient to offset the adjustment to long-term investment, the difference is charged as a reduction of retained earnings.

Unrealized inter-company profits and losses resulting from transactions between the Consolidated Companies and investees accounted for under the equity method are deferred to the extent of the Consolidated Companies‟ ownership. The profits and losses resulting from transactions relating to depreciable or amortizable assets are recognized over the estimated useful lives of such assets. Profits and losses arising from transactions relating to other assets are recognized when realized.

(15) Capital leases

For capital leases, where the Consolidated Companies act as the lessor, all periodic rental payments plus bargain purchase price or estimated residual value are accounted for as lease payment receivables. The present value of all lease payment receivables, discounted at the implicit interest rate, is recorded as revenue. The difference between the lease payment receivables and the revenue is the unearned interest, which is then recognized as realized interest income over the lease term using the effective interest method.

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(16) Property, plant and equipment, property leased to others, and property not in use

Property, plant and equipment are stated at acquisition cost. Interest expense related to the purchase and construction of property, plant and equipment is capitalized and included in the cost of the related asset. Significant renewals, improvements and replacements are capitalized. Maintenance and repair costs are charged to expense as incurred. Gains and losses on the disposal of property, plant and equipment are recorded in the non-operating section in the accompanying consolidated statements of operations.

Commencing from November 20, 2008, the Consolidated Companies capitalize retirement or recovery obligation for property and equipment in accordance with Interpretation (2008) 340 issued by the Accounting Research and Development Foundation. A component which is deemed significant in relation to the total cost of the property and equipment and for which a different depreciation method or rate is adopted is depreciated separately.

Depreciation is provided for property, plant and equipment, property leased to others, and property not in use over the estimated useful lives using the straight-line method. The range of the estimated useful lives of the respective classes of assets is as follows: buildings and improvements - 30 to 50 years; computer equipment and machinery - 3 to 10 years; and other equipment - 3 to 20 years.

Property leased to others and property not in use are classified to other assets, which are depreciated continuously and are subject to an impairment test.

The estimated useful lives, depreciation method and residual value are evaluated at the end of each year and any changes thereof are accounted for as changes in accounting estimates.

(17) Intangible assets

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. In accordance with the SFAS No. 25 “Accounting for Business Combinations”, goodwill is not amortized but is tested for impairment annually.

Other intangible assets are initially stated at cost. Intangible assets with finite useful lives are amortized over the following estimated useful life using the straight-line method from the date that the asset is made available for use: patents - 4 to 16 years; acquired software - 1 to 3 years; customer relationships - 7 to 10 years; developed technology - 10 years; channel resource - 8.8 years; trademarks and trade names - 7 to 20 years; and developing technology - 15 years.

The Gateway, Packard Bell and Eten trademarks and trade names are intangible assets with indefinite useful lives. Such intangible assets are not amortized, but are tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each fiscal year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Any change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

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(18) Impairment of non-financial assets

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (an individual asset or cash-generating unit associated with the asset, other than goodwill) may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the assets. An impairment loss is recognized for an asset whose carrying amount is higher than the recoverable amount. If there is any evidence that the accumulated impairment loss of an asset other than goodwill no longer exists or has decreased, the amount previously recognized as impairment is reversed and the carrying amount of the asset is increased to the recoverable amount. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior periods.

Goodwill, assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset‟s carrying amount over its recoverable amount. A subsequent reversal of the impairment loss on goodwill is prohibited.

(19) Deferred charges

Deferred charges are stated at cost and primarily consist of management fee of syndicated loan and others. These costs are amortized using the straight-line method over the duration of the loan or the estimated useful lives.

(20) Convertible bonds

Convertible bonds issued by the Company contain both a financial liability and an equity component. The equity component grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company‟s common shares. On initial recognition, the fair value of the liability component is determined by reference to the fair value of a similar stand-alone debt instrument (including any embedded non-equity derivatives). The amount initially allocated to the equity component is the residual after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. Transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

The difference between the initial carrying amount of the liability component and the redeemable amount that is payable on maturity is amortized and charged to interest expense using the effective interest rate method over the life of the bond. The embedded financial instruments (redemption options) are accounted for as financial liabilities at fair value through profit and loss and measured at fair value. The equity component of the convertible bonds is accounted for as capital surplus－conversion right on initial recognition and is not subject to valuation in subsequent periods.

When bonds are converted into common stock, the liability components are measured at fair value on the conversion date, and changes in fair value are recognized immediately in profit or loss. Shares of stock to be issued are recorded based on the adjusted carrying amount of the liability and equity components of convertible bonds. No gain or loss is recognized.

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When the Company redeems the bonds from market, the redemption payment is allocated to the liability and equity components using a method consistent with the method used initially to allocate the bond between its debt and equity components. The fair value of the liability component at redemption date is compared to its carrying amount, any gain or loss arising from redemption is recognized in profit or loss. The difference between the carrying amount of equity component and the redemption payment allocated to the equity component is accounted for as capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings.

When the bondholders require the Company to redeem the bonds, the redemption payment is deemed to fully redeem the liability component. The difference between the carrying amount of the liability component and the redemption payment is recognized in profit or loss. The capital surplus of carrying amount of the equity component is transferred to other capital surplus item.

The liability component of the bonds is classified as a current liability where the bondholders have the right to require the Company to redeem the bonds within one year. It can be reclassified to long-term liability once the redemption option period expires and the liability component qualifies as a long-term liability.

(21) Treasury stock

Common stock repurchased by the Company that is treated as treasury stock is reported at acquisition cost. When treasury stock is sold, the sales proceeds in excess of cost are accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

The Company‘s common stock held by its subsidiaries is accounted for as treasury stock. Cash dividends paid by the Company to its consolidated subsidiaries that hold the treasury stock are accounted for as capital surplus－treasury stock.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(22) Revenue recognition

Revenue from sales of products is recognized at the time products are delivered and the significant risks and rewards of ownership are transferred to customers. Provisions for estimated sales returns and allowances are recorded in the year the related revenue is recognized, based on historical experiences and management‟s judgment. Revenue generated from service rendered is recognized when the service is provided and the amount becomes billable.

(23) Employee bonuses and directors‟ and supervisors‟ remuneration

Employee bonuses and remuneration to directors and supervisors which are appropriated from earnings are estimated and charged to operating expense according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation. Differences between the amounts of these bonuses and remuneration approved by the shareholders in the subsequent year and those recognized in the year when such earnings are incurred and services are rendered, if any, are accounted for as changes in accounting estimates and charged to profit or loss in the period during which stockholders‟ approval is obtained.

(24) Share-based payment transactions

The Consolidated Companies adopted SFAS No. 39 "Accounting for Share-based Payment" for share-based payment arrangements granted on or after January 1, 2008. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at grant date is expensed over the vesting period, with a corresponding increase in equity. The vesting period is the period during which all the specified vesting conditions of the share-based payment arrangement are satisfied. Vesting conditions include service conditions and performance conditions (including market conditions). When estimating the fair value of an equity-settled share-based award, only the effect of market conditions is considered.

For cash-settled share-based payments, a liability equal to the portion of the services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

Fair value of share-based award is measured using the Black-Scholes option-pricing model or the binomial option pricing-model, which considers management‟s best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividends, and risk-free interest rate.

(25) Administrative expenses

The Consolidated Companies‟ administrative expenses include direct expenses incurred for the business unit within the Consolidated Companies and expenses incurred for managing the investee companies. To reflect the operating income of the Consolidated Companies, administrative expenses are divided into two parts. The first part, representing the direct expenses incurred for the Consolidated Companies, is included as administrative expenses in the accompanying consolidated statements of operations. The second part, representing expenses incurred for managing the investee companies, is presented as a reduction of net investment income (loss) in the consolidated statements of operations.

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(26) Retirement plans

(a) Defined benefit retirement plans

Pursuant to the ROC Labor Standards Law, the Company and subsidiaries located in the Republic of China established noncontributory defined benefit employee retirement plans (the "Plans") and retirement fund administration committees. These Plans provide for lump-sum retirement benefits to retiring employees based on length of service, age, and certain other factors. The funding of these retirement plans by the Company and subsidiaries located in the Republic of China is based on certain percentage of employees" total salaries. The funds are deposited with Bank of Taiwan or other banks.

For the defined benefit retirement plan, the Consolidated Companies recognize a minimum pension liability equal to the excess of the actuarial present value of the accumulated benefit obligation over the fair value of the retirement plan"s assets. The Consolidated Companies also recognize the net periodic pension cost based on an actuarial calculation.

(b) Defined contribution retirement plans

Starting from July 1, 2005, pursuant to the ROC Labor Pension Act (the "New System"), employees who opted to participate in the New System or commenced working after July 1, 2005, are subject to a defined contribution plan under the New System. For the defined contribution plan, the Company and subsidiaries located in the Republic of China contribute monthly an amount equal to 6% of each employee"s monthly salary to the employee"s individual pension fund account at the ROC Bureau of Labor Insurance. Most of the Company"s foreign subsidiaries adopt defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective country of establishment.

Contributions for the defined contribution retirement plans are expensed during the year in which employees render services.

(27) Government grants

Government grants are recognized as other income or deduction of related costs or expenses when there is reasonable assurance that the conditions attached to the grants are met, and the grants will be received.

Government grants conforming to the conditions attached to the grants are recognized in profit or loss over the periods in which the related costs or expenses for which the grants are intended to compensate are incurred. Recognition of government grants in profit or loss on a receipt basis would be acceptable only if no basis existed for allocating a grant to periods other than one in which it was received.

(Continued)

(28) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly. When a change in the tax rate is enacted, the Consolidated Companies recalculate the deferred tax assets and liabilities using the new tax rate in the year of change and any resulting variances are recognized as income tax expense or benefit accordingly.

Classification of the deferred income tax assets or liabilities as current or noncurrent is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the expected realization date of the asset or liability.

If a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense.

According to the ROC Income Tax Act, undistributed earnings, if any, are subject to 10% retained earnings surtax. This surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

(29) Earnings per common share (“EPS”)

Basic EPS are computed by dividing net income by the weighted-average number of common shares outstanding during the year. The Company‟s employee stock options, convertible bonds and employee stock bonuses to be appropriated in the following year are potentially dilutive common stock. In computing for the diluted EPS, the net income and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming these potentially dilutive shares had been issued. The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock and for those stock dividends issued for the period between the balance sheet date and the release date of financial statements.

(30) Business combination

Business combinations are accounted for in accordance with SFAS No. 25 “Business Combinations”. Under SFAS No. 25, acquisition costs represent the amount of cash or cash equivalents paid and the fair value of the other purchase consideration given, plus any costs directly attributable to the acquisition. The excess of acquisition cost over the fair value of the net identifiable tangible and intangible assets acquired is recognized as goodwill.

(Continued)

(31) Operating segments

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41, "Operating Segment." Under this standard, an operating segment is defined as a component of the Consolidated Companies that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Companies). The segment"s operating results are reviewed regularly by the Company"s chief operating decision maker who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

(32) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the 2012 New Taiwan dollar amounts into U.S. dollar amounts, using the spot rate quoted by Bank of Taiwan on December 31, 2012, of NT$29.136 to US$1, is included solely for the convenience of the readers. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

3. Accounting Changes

Effective January 1, 2011, the Consolidated Companies adopted the third revision of SFAS No. 34 "Financial Instruments: Recognition and Measurement". Under this revised standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. Losses are recognized in profit or loss and reflected in an allowance account against receivables. The adoption of this revised standard did not have a significant effect on the Company"s consolidated financial statements as of and for the year ended December 31, 2011.

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, information is disclosed to enable users of the Company"s consolidated financial statements to evaluate the nature and financial effects of the business activities in which they engage and the economic environment in which they operate. Accordingly, the Consolidated Companies determine and present operating segments based on the information that is internally provided to the chief operating decision maker. This new accounting standard superseded SFAS No. 20 "Segment Reporting". The adoption of this accounting standard did not have any cumulative effect on the consolidated financial statements as of and for the year ended December 31, 2011.

4. Significant Account Disclosures

(1) Cash and cash equivalents

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Cash on hand	14,434	495	16,469
Bank deposits	45,083,739	1,547,355	36,094,064
Time deposits	5,514,391	189,264	21,982,048
	50,612,564	**1,737,114**	**58,092,581**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(2) Available-for-sale financial assets－current

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Equity securities	169,017	5,801	109,721

In 2011, the Consolidated Companies disposed of portions of these investments and recognized gains on disposal thereof of NT$8,120. These gains were recorded as "gain on disposal of investments" in the accompanying consolidated statements of operations.

For the years ended December 31, 2012 and 2011, the unrealized gains (losses) resulting from the changes in fair value amounted to NT$59,296 and NT$(52,418), respectively, which were recognized as a separate component of stockholders" equity.

(3) Financial assets and liabilities at fair value through profit or loss－current

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Financial assets at fair value through profit or loss－current:			
Foreign currency forward contracts	25,415	872	305,903

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Financial liability at fair value through profit or loss－current:			
Foreign currency forward contracts	(265,385)	(9,108)	(56,212)
Redemption options of convertible bonds (note 4(16))	(145,928)	(5,009)	-
	(411,313)	(14,117)	(56,212)

For the years ended December 31, 2012 and 2011, unrealized gains (losses) resulting from the changes in fair value of these derivative contracts amounted to NT$(489,661) and NT$509,794, respectively (excluding the valuation loss from redemption options of convertible bonds).

(Continued)

The Consolidated Companies entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. As of December 31, 2012 and 2011, the derivative financial instruments that did not conform to the criteria for hedge accounting and were classified as financial assets and liabilities at fair value through profit or loss consisted of the following:

(a) Foreign currency forward contracts

		December 31,2012		
Buy	**Sell**	**Notional amount (in thousands)**		**Maturity period**
USD	/ EUR	EUR	129,700	2013/01~2013/02
USD	/ NTD	USD	1,036,000	2013/01
USD	/ IDR	USD	87,000	2013/01~2013/03
USD	/ THB	USD	13,500	2013/01
USD	/ MYR	USD	26,800	2013/01~2013/02
USD	/ SGD	USD	5,000	2013/01~2013/02
USD	/ CLP	USD	8,000	2013/01
USD	/ BRL	USD	28,000	2013/01~2013/02
EUR	/ PLN	EUR	2,600	2013/01

		December 31,2011		
Buy	**Sell**	**Notional amount (in thousands)**		**Maturity period**
USD	/ SGD	USD	6,000	2012/01
USD	/ MYR	USD	18,600	2012/01~2012/02
USD	/ THB	USD	32,000	2012/01~2012/02
USD	/ INR	USD	99,570	2012/01~2012/05
USD	/ JPY	USD	66,000	2012/01~2012/05
USD	/ RUB	USD	189,296	2012/01~2012/03
USD	/ EUR	EUR	46,140	2012/02

(4) Derivative financial assets and liabilities held for hedging－current

	December 31, 2012		December 31, 2011
	NT$	**US$**	**NT$**
Derivative financial assets held for hedging– current:			
Foreign currency forward contracts	192,461	6,605	804,532
Derivative financial liabilities held for hedging– current:			
Foreign currency forward contracts	(1,149,400)	(39,449)	(179,685)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The Consolidated Companies entered into derivative contracts to hedge foreign currency exchange risk associated with a recognized asset or liability or with a highly probable forecast transaction. As of December 31, 2012 and 2011, hedged items designated as fair value hedges and fair value of their respective hedging derivative financial instruments were as follows:

Hedged Items	Hedging instruments	Fair value of hedging instruments December 31, 2012 NT$	Fair value of hedging instruments December 31, 2011 NT$
Accounts receivable/ payable denominated in foreign currencies	Foreign currency forward contracts	(554,505)	389,906

For the years ended December 31, 2012 and 2011, the unrealized gains (losses) resulting from the changes in fair value of hedging instruments amounted to NT$(944,411) and NT$1,027,988, respectively.

As of December 31, 2012 and 2011, hedged items designated as cash flow hedges and the fair value of their respective hedging derivative financial instruments were as follows:

December 31, 2012

Hedged items	Hedging instruments	Fair value of hedging instruments NT$	Expected period of cash flow	Expected period of recognition in earnings
Accounts receivable/payable denominated in foreign currencies	Foreign currency forward contracts	$ (402,434)	January ~ June 2013	January ~ June 2013

December 31, 2011

Hedged items	Hedging instruments	Fair value of hedging instruments NT$	Expected period of cash flow	Expected period of recognition in earnings
Accounts receivable/payable denominated in foreign currencies	Foreign currency forward contracts	$ 234,941	January ~ May 2012	January ~ May 2012

For the years ended December 31, 2012 and 2011, unrealized gains (losses) on derivative financial instruments effective as cash flow hedges, amounted to NT$(637,375) and NT$268,353, respectively, which were accounted for as "unrealized gains (losses) on financial instruments", a separate component of stockholder‟s equity.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The details of outstanding hedging derivative financial instruments described above as of December 31, 2012 and 2011, were as follows:

Foreign currency forward contracts

Buy		Sell	December 31, 2012 Notional amount (in thousands)		Maturity period
AUD	/	NZD	AUD	1,250	2013/01~2013/03
USD	/	NZD	USD	5,900	2013/01~2013/03
EUR	/	SEK	EUR	9,880	2013/01~2013/04
EUR	/	CHF	EUR	4,556	2013/03~2013/04
EUR	/	USD	EUR	53,010	2013/01
USD	/	GBP	USD	133,738	2013/01~2013/04
USD	/	AUD	USD	64,000	2013/01~2013/03
USD	/	CAD	USD	70,663	2013/01~2013/03
USD	/	EUR	EUR	538,300	2013/01~2013/05
USD	/	CNY	USD	207,000	2013/01~2013/03
USD	/	JPY	USD	69,000	2013/01~2013/06
USD	/	MXN	USD	84,000	2013/01~2013/05
MXN	/	USD	USD	12,700	2013/01
USD	/	RUB	USD	286,189	2013/01~2013/05
DKK	/	EUR	EUR	6,439	2013/01
NOK	/	EUR	EUR	542	2013/01

Buy		Sell	December 31, 2011 Notional amount (in thousands)		Maturity period
AUD	/	NZD	AUD	3,750	2012/01~2012/03
CHF	/	EUR	EUR	8,631	2012/01
MXN	/	USD	USD	6,750	2012/01
EUR	/	SEK	EUR	13,520	2012/01~2012/02
EUR	/	CHF	EUR	11,458	2012/01~2012/03
EUR	/	PLN	EUR	16,314	2012/01~2012/02
USD	/	CAD	USD	53,049	2012/01
USD	/	AUD	USD	88,151	2012/01~2012/03
USD	/	NZD	USD	5,500	2012/01~2012/04
USD	/	NTD	USD	574,000	2012/01
USD	/	EUR	EUR	597,276	2012/01~2012/03
USD	/	GBP	USD	133,151	2012/01~2012/03
USD	/	CNY	USD	280,000	2012/01~2012/03
USD	/	MXN	USD	104,620	2012/01~2012/05

(Continued)

(5) Notes and accounts receivable

The Consolidated Companies entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. As of December 31, 2012 and 2011, details of these contracts were as follows:

	December 31, 2012				
Underwriting bank	**Factoring credit limit NT$**	**Amount sold NT$**	**Derecognized NT$**	**Interest rate**	**Collateral**
China Trust Bank	950,000	215,809	215,809		note 7(6)
Taipei Fubon Bank	750,000	228,017	228,017		note 7(6)
Taishin Bank	150,000	20,837	20,837		Nil
Norden Finans Norge AS	1,691,321	1,222,364	1,222,364		Nil
	3,541,321	**1,687,027**	**1,687,027**	**1.21%~2.69%**	

	December 31, 2011				
Underwriting bank	**Factoring credit limit NT$**	**Amount sold NT$**	**Derecognized NT$**	**Interest rate**	**Collateral**
Ifitalia Factor S.p.A.	6,013,674	3,152,555	416,047		Nil
China Trust Bank	950,000	221,164	221,164		note 7(6)
Taipei Fubon Bank	750,000	341,192	341,192		note 7(6)
Commonwealth Bank	1,610,593	898,016	898,016		Nil
	9,324,267	**4,612,927**	**1,876,419**	**1.02%~8.10%**	

(6) Other receivable

	December 31, 2012 NT$	**December 31, 2012 US$**	**December 31, 2011 NT$**
Refundable income tax and VAT	1,628,693	55,900	2,466,542
Receivables from reimbursement of advertising expense	674,291	23,143	1,529,548
Compensation receivables	327,780	11,250	-
Receivables from allocation of patent royalty to others	61,871	2,123	140,424
Receivables from purchase discount	196,801	6,755	409,858
Other receivables	1,376,709	47,251	1,650,121
	4,266,145	**146,422**	**6,196,493**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(7) Inventories

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Raw materials	19,285,726	661,921	15,091,720
Work in process	16,632	571	29,604
Finished goods and merchandise	13,666,949	469,074	11,949,818
Spare parts	2,184,221	74,966	2,317,458
Inventories in transit	8,183,421	280,870	10,605,044
	43,336,949	1,487,402	39,993,644

The details of inventory write-downs were as follows:

	2012		2011
	NT$	US$	NT$
Write-down of inventories to net realizable value	1,265,356	43,429	2,857,944
Net loss (gain) on physical inventory	35,779	1,228	(28,938)
Scrap loss	1,278,529	43,882	722,163
	2,579,664	88,539	3,551,169

(8) Non-current assets held for sale

In December 2010, the Company's board of directors resolved to sell ETEN's office building located in Taipei. As of December 31, 2011, the carrying value of the building was NT$1,827,855. This building was finally sold in January 2012 at a net proceeds of NT$2,448,508, resulting in a disposal gain of NT$620,653.

(9) Financial assets carried at cost－non-current

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Investment in non-publicly traded equity securities:			
Dragon Investment Co. Ltd.	71,908	2,468	184,700
World Venture, Inc.	112,000	3,844	202,000
iD Reengineering Inc.	134,920	4,631	174,900
IP Fund III, L.P.	47,902	1,644	79,320
iD5 Fund, L.P.	62,694	2,152	65,177
IP Cathay One, L.P.	56,421	1,937	240,521
ID5 Annex I Fund	16,735	574	23,197
FuHu Inc.	32,310	1,109	71,480
Others	88,640	3,042	116,478
	623,530	21,401	1,157,773

(Continued)

In 2012, the Consolidated Companies increased equity investments in ID5 Annex I Fund by NT$5,577; in 2011, the Consolidated Companies increased its equity investments in IP Cathay One, L.P. by NT$4,370. In 2012, iD Reengineering Inc., W.I. Harper International Corp., IP Cathay One, L.P., World Venture, Inc., Dragon Investment Co. Ltd., returned capital in an aggregate amount of NT$390,063 to the Consolidated Companies; in 2011, World Venture, Inc., Dragon Investment Co. Ltd. and IP Cathay One, L.P., returned capital or liquidated and distributed the remaining net assets in an aggregate amount of NT$187,056 to the Consolidated Companies.

(10) Equity-method investments

	December 31, 2012			2012	
	Percentage of ownership %	Carrying amount NT$	Carrying amount US$	Investment income (loss) NT$	Investment income (loss) US$
Wistron Corporation (“Wistron”)	-	-	-	86,219	2,959
Aegis Semiconductor Technology Inc. (“Aegis”)	44.04	64,180	2,203	-	-
ECOM Software Inc. (“ECOM”)	33.93	21,834	749	3,795	130
Bluechip Infotech Pty Ltd.	34.05	89,694	3,079	4,810	165
Others		14,521	498	3,067	106
		190,229	**6,529**	97,891	3,360
Less: Allocation of corporate expenses				(30,815)	(1,058)
				67,076	**2,302**

	December 31, 2011		2011
	Percentage of ownership %	Carrying amount NT$	Investment income (loss) NT$
Wistron Corporation	2.57	1,602,334	233,950
E-Life Mall Corp.	-	-	17,140
Aegis Semiconductor Technology Inc.	44.04	165,235	-
ECOM Software Inc.	33.93	22,132	4,652
Bluechip Infotech Pty Ltd.	34.05	86,739	9,451
Fizzle Investment Limited	40.00	-	(238,828)
Others		(14,453)	2,836
		1,861,987	29,201
Less: Allocation of corporate expenses			(34,485)
			(5,284)

Commencing from June 21, 2012, the Consolidated Companies were unable to exercise significant influence over Wistron‟s operating and financial policies. Therefore, the investments in Wistron were reclassified as “available-for-sale financial assets－non-current”.

(Continued)

Commencing from April 1, 2011, the Consolidated Companies were unable to exercise significant influence over E-life"s operating and financial policies. Therefore, the investments in E-life were reclassified as "available-for-sale financial assets—non-current".

In 2012, Aegis returned capital of NT$101,055 to the Consolidated Companies; in 2011, ECOM returned capital of NT$16,965 to the Consolidated Companies.

In the first quarter of 2011, the Consolidated Companies increased investments in Fizzle by NT$ 114,891. As the investments in Fizzle were assessed to be impaired, such investments were fully written off in the fourth quarter of 2011.

The Consolidated Companies" capital surplus was reduced by NT$86,762 and NT$21,880 in 2012 and 2011, respectively, as a result of proportional recognition of changes in investees" equity accounts and disposal of equity ownership of investees.

(11) Available-for-sale financial assets－non-current

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Investment in publicly traded equity securities:			
Wistron Corporation ("Wistron")	1,695,105	58,179	-
Qisda Corporation ("Qisda")	596,503	20,473	509,887
WPG Holdings Limited ("WPG")	165,695	5,687	152,177
RoyalTek Co., Ltd. ("RoyalTek")	21,122	725	22,645
Apacer Technology Inc. ("Apacer")	157,527	5,406	90,993
	2,635,952	90,470	775,702

In 2011, the Consolidated Companies sold portion of their investments in WPG and sold all their investments in E-Life and Quanta, and realized an aggregate disposal gain thereon of 337,716.

For the years ended December 31, 2012 and 2011, the unrealized gains (losses) resulting from the changes in fair value of available-for-sale financial assets held by the Consolidated Companies amounted to NT$302,161 and NT$(1,305,053); from the available-for-sale financial assets held by the equity-method investees amounted to NT$2,363 and NT$(2,073), respectively, which were recognized as a separate component of stockholders" equity.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(12) Property not used in operation

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Leased assets—land	1,360,983	46,711	1,505,822
Leased assets—buildings	3,366,651	115,549	3,544,101
Property held for sale and development	960,842	32,978	1,060,754
Computer equipment and other equipment	1,199	41	21,309
Less: Accumulated depreciation	(814,975)	(27,971)	(878,885)
Accumulated impairment	(1,846,126)	(63,362)	(1,909,908)
	3,028,574	103,946	3,343,193

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect its interests, APDI has obtained signed deeds of assignment from the titleholders assigning all rights and obligations related to the land to APDI. Additionally, the land title certificates are held by APDI, and APDI has registered its liens thereon.

(13) Intangible assets

	Trademarks and trade names NT$	Goodwill NT$	Others NT$	Total NT$
Balance at January 1, 2012	9,882,666	20,710,372	4,811,161	35,404,199
Additions / deductions	-	-	182,562	182,562
Acquisitions from business combination	-	5,023,981	5,481,087	10,505,068
Disposals	-	(86,859)	(2,661)	(89,520)
Reclassification	-	-	25,907	25,907
Effect of exchange rate changes	(55,824)	(720,610)	(135,346)	(911,780)
Amortization	(372,486)	-	(1,930,998)	(2,303,484)
Impairment	(3,496,114)	-	-	(3,496,114)
Balance at December 31, 2012	5,958,242	24,926,884	8,431,712	39,316,838
Balance at January 1, 2011	10,043,300	20,477,471	5,872,164	36,392,935
Additions	-	-	282,003	282,003
Adjustments made subsequent to business acquisition	-	(16,724)	-	(16,724)
Disposals / deductions	-	(563,871)	-	(563,871)
Reclassification	-	-	96,585	96,585
Effect of exchange rate changes	204,428	813,496	194,846	1,212,770
Amortization	(365,062)	-	(1,634,437)	(1,999,499)
Balance at December 31, 2011	9,882,666	20,710,372	4,811,161	35,404,199

(a) On December 6, 2007, the Consolidated Companies entered into a Basic Term Agreement with the International Olympic Committee regarding participation in the Olympic Partners Program (the "Top Programme"). Pursuant to such agreement, the Consolidated Companies have agreed to pay a certain amount of money in cash, merchandise and service to obtain marketing rights and become one of the partners in the "Top Programme" for the period from January 1, 2009 to December 31, 2012. Such expenditure on sponsorship was capitalized as "Intangible Assets" in the accompanying consolidated financial statements, and amortized using the straight-line method during the aforementioned four-year period.

(Continued)

(b) Acquisition of iGware Inc.

On January 12, 2012, the Company completed the acquisition of 100% equity ownership of iGware Inc. for a total purchase consideration of NT$9,428 million, of which US$150 million (approximately NT$4,520,020) was paid in cash and 122,178,242 shares of the Company‟s common stock (worth approximately US$170 million) were issued. Also, iGware Inc. was merged with Acer Cloud Technology Inc., a US subsidiary, on the same day. The said acquisition was accounted for in accordance with ROC SFAS No. 25 “Accounting for Business Combination”, under which, the excess of the purchase and direct transaction costs over the fair value of net identifiable assets was recognized as goodwill.

The assets, liabilities and goodwill arising from the purchase of iGware on January 12, 2012 were as follows:

	NT$	
Purchase cost:		
Cash	$ 4,520,020	
Issuance of the Company‟s common stock	4,907,900	9,427,920
Net identifiable assets acquired at fair value:		
Current assets	268,457	
Property and equipment	3,310	
Deferred compensation cost	797,418	
Other assets	3,067	
Intangible assets－customer relationships	2,474,829	
Intangible assets－developed technologies	471,396	
Intangible assets－developing technologies	2,533,753	
Intangible assets－others	1,109	
Current liabilities	(166,702)	
Deferred income tax liabilities	(1,917,989)	
Other liabilities	(64,709)	
	4,403,939	
Acquired percentage	100%	4,403,939
Goodwill		**5,023,981**

In order to retain the Restricted Stock Units issued by iGware Inc. to its employee shareholders, the Company paid cash of US$18,144 and issued its common stock of 11,517,053 shares to the employee shareholders of iGware Inc. pursuant to the terms of the purchase agreement. Such cash shall be vested and common shares shall be transferred without restrictions when the employee shareholders have rendered services for a vesting period of 5 to 45 months and achieved certain performance conditions. During the vesting period, the cash and common shares were deposited and held in an escrow account; however, the employee shareholders still have the rights to vote and earnings distribution. When the employee shareholders leave Acer Cloud Technology Inc., the unvested common shares held in the escrow account are forfeited and converted into cash. The cash, together with the cash deposited in the escrow account, if any, will be allocated to the other shareholders of iGware Inc. based on the original ownership percentage prior to the acquisition. The fair value of common shares issued was based on the closing price of the Company on January 12, 2012. As of the acquisition date, the unvested common stock and cash amounting to NT$797,418 were recognized as deferred compensation costs in the

(Continued)

accompanying balance sheet, and amortized over the vesting period into operating expense. In 2012, a total compensation cost of NT$272,393 was recognized accordingly.

Pro forma information

The following unaudited pro forma financial information of 2012 and 2011 presents the combined results of operations as if the acquisition of iGware Inc. occurred as of the beginning of 2011:

	2012 NT$	2011 NT$
Revenue	429,514,198	476,087,665
Loss from continuing operations before income tax	(2,645,129)	(7,224,298)
Loss from continuing operations after income tax	(2,866,714)	(6,463,728)
Basic earnings per common share (in New Taiwan dollars)	(1.05)	(2.35)

(c) Adjustment to goodwill

On October 8, 2010, the Consolidated Companies contracted with Founder Group, Founder Technology Group Corp., and their subsidiaries (collectively as “Founder”) to purchase Founder PC business and the related assets for NT$5,947,316, and to transfer the related employees of Founder Technology Group Corp. to Acer entities in China. In 2012, the purchased consideration was decreased by NT$16,724, with a corresponding decrease in goodwill.

In 2012 and 2011, the Consolidated Companies utilized the net operating loss carryforwards (NOLs) resulting from the acquisition of Gateway Inc., and consequently eliminated the valuation allowance of deferred tax assets related to NOLs recognized on the acquisition date against goodwill by NT$86,859 and NT$563,871, respectively.

(d) Impairment test

In 2012, the Consolidated Companies underwent an organizational structure change, under which the Smart Hand-Held Business Group (“SHBG”), previously an independent cash-generating unit (CGU), was divided and merged into other CGUs within the Consolidated Companies. The related intangible assets have been reallocated to the CGUs affected using a relative value approach.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

For the purpose of impairment testing, goodwill and trademarks and trade names with indefinite useful lives are allocated to the CGUs that are expected to benefit from the synergies of the business combination. The carrying amounts of significant goodwill and trademarks and trade names with indefinite useful lives and the respective CGUs to which they are allocated as of December 31, 2012 and 2011, were as follows:

	December 31, 2012						
	ITRO-EMEA NT$	ITRO-PA NT$	ITRO-AAP NT$	ITRO-China NT$	ITRO-TWN NT$	E-Ten NT$	Platform Service of Console Game NT$
Goodwill	12,120,038	4,773,036	3,549,056	2,855,314	1,020,576	221,423	342,126
Trademarks & trade names	2,309,672	1,207,395	601,239	23,629	32,879	152,900	-

	December 31, 2011						
	ITRO-EMEA NT$	ITRO-PA NT$	ITRO-AAP NT$	ITRO-China NT$	ITRO-TWN NT$	E-Ten NT$	SHBG NT$
Goodwill	9,980,226	3,859,892	2,065,225	2,322,250	560,765	221,424	1,682,869
Trademarks & trade names	3,341,867	2,331,711	1,161,109	45,632	63,495	450,900	-

Each CGU to which the goodwill is allocated represents the lowest level within the Consolidated Companies at which the goodwill is monitored for internal management purposes. Due to the challenges from the rapid developments in tablets and smart phones and the implementation of Windows 8 to PC industry, the Company changed its brand strategy by re-positioning each brand in the group and therefore reallocated the resources. This change triggered an impairment test of trademarks and trade names. The Consolidated Companies estimated the fair value of the "Gateway", "Packard Bell", "eMachines", and "E-ten" trademarks and trade names by calculating the present value of the royalties saved that would have been paid to a third party had the Consolidated Companies not owned the trademarks and trade names. As a result of this test, the Consolidated Companies recognized an impairment loss of NT$3,496,114 in 2012. In addition, based on the results of impairment tests conducted by the Company's management, there was no evidence of impairment of goodwill as of December 31, 2012 and 2011. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

(i) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(ii) Discounting rates used to determine the value in use for each CGU were as follows:

	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG	Platform Service of Console Game
2012	13.3%	10.4%	17.4%	20.8%	12.7%	19.3%	-	15.1%
2011	11.0%	14.0%	13.7%	17.9%	12.5%	14.1%	14.5%	-

(14) Other financial assets－non-current

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Refundable deposits	1,161,746	39,873	1,582,613
Non-current receivables	17,771	610	49,714
	1,179,517	40,483	1,632,327

(15) Short-term borrowings

	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Unsecured bank loans	349,974	12,012	358,120

On December 31, 2012 and 2011, the interest rate on the above bank loans ranged from 1.13% to 1.18% and from 0.78% to 8.10%, respectively. As of December 31, 2012 and 2011, the unused credit facilities were NT$29,340,659 and NT$34,662,601, respectively.

(16) Bonds Payable

The movements of the liability and equity components of the convertible bonds were as follows:

	2012 NT$	2012 US$	2011 NT$
Bonds payable:			
Beginning balance	14,064,997	482,736	13,103,887
Redemption	(5,025,440)	(172,482)	-
Amortization of bonds discount and transaction cost (recognized as interest expense)	377,890	12,970	426,830
Unrealized exchange loss (gain) on bonds payable	(423,025)	(14,519)	534,280
	8,994,422	308,705	14,064,997
Less: current portion of bonds payable	(4,892,805)	(167,930)	-
Ending balance	4,101,617	140,775	14,064,997

(Continued)

	2012 NT$	2012 US$	2011 NT$
Financial liabilities at fair value through profit and loss (redemption options of the convertible bonds):			
Beginning balance	1,216,586	41,756	1,338,524
Redemption	(345,778)	(11,868)	-
Evaluation gain	(71,297)	(2,447)	(121,938)
	799,511	27,441	1,216,586
Less: current portion	(145,928)	(5,009)	-
Ending balance	653,583	22,432	1,216,586

	December 31, 2012		December 31, 2011
Capital surplus－conversion right (note 4(20))	170,796	5,862	295,494

On August 10, 2010, the Company issued US$300,000 of zero coupon overseas convertible bonds due 2015 (the “2015 Bond”) and US$200,000 of zero coupon overseas convertible bonds due 2017 (the “2017 Bond”) at the Singapore Exchange Securities Trading Limited, for the purpose of purchasing merchandise in line with business growth. The significant terms and conditions of convertible bonds are as follows:

(a) The 2015 Bonds

i. Par value US$300,000
ii. Issue date August 10, 2010
iii. Maturity date August 10, 2015
iv. Coupon rate 0%
v. Conversion
Bondholders may convert bonds into the Company‟s common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. As of December 31, 2012, the conversion price was NT$102.01 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company‟s outstanding common shares are increased.
vi. Redemption at the option of the bondholders
A. Bondholders shall have the right, at such holder‟s option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) in US dollars on August 10, 2013.
B. In the event that the Company‟s common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder‟s option, to require the Company to redeem the 2015 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date (the “2015 Early Redemption Amount”).

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder‟s option, to require the Company to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount.

vii. Redemption at the option of the Company
The Company shall redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount, in the following cases:
A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.
B. If more than 90% of 2015 Bond has been redeemed, repurchased and cancelled, or converted;
C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii. Redemption at maturity
Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2015 Bonds at a redemption price of their principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) on August 10, 2015.

(b) The 2017 Bonds

i.	Par value	US$200,000
ii.	Issue date	August 10, 2010
iii.	Maturity date	August 10, 2017
iv.	Coupon rate	0%

v. Conversion
Bondholders may convert bonds into the Company‟s common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. On December 31, 2012, the conversion price was NT$104.96 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company‟s outstanding common shares are increased.

vi. Redemption at the option of the bondholders
A. Bondholders shall have the right, at such holder‟s option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2015.
B. In the event that the Company‟s common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder‟s option, to require the Company to redeem the 2017 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date (the “2017 Early Redemption Amount”).
C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder‟s option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

(Continued)

vii. Redemption at the option of the Company
The Company shall redeem the 2017 Bonds, in whole or in part, at the 2017 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.
B. If more than 90% of 2017 Bond has been redeemed, repurchased and cancelled, or converted;
C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii. Redemption Amount at Maturity
Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2017 Bonds at a redemption price of their principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2017.

In 2012, the Company purchased US$177,800 of the bonds payable from open market at a price of NT$5,283,113 (approximately US$176,980). The purchase price was allocated to liability and equity components and a gain on purchase of bonds payable of NT$88,105 (classified under non-operating income and gain－other income) and capital surplus－treasury stock of NT$124,698 were recognized thereof.

(17) Long-term debts

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Citibank syndicated loan	9,000,000	308,896	9,000,000
Less: current installments	(9,000,000)	(308,896)	-
	-	-	9,000,000

In November 2011, the Company entered into a syndicated loan agreement with Citibank (the managing bank of the syndicated loan). The terms of the loan agreements were as follows:

Type of Loan	Creditor	Credit Line	Term	December 31, 2012 NT$	December 31, 2012 US$	December 31, 2011 NT$
Unsecured loan	Citibank and other banks	Term tranche of NT$9 billion; five-year limit during which revolving credits disallowed	The loan is repayable in 5 semi-annual installments starting from November 2014.	9,000,000	308,896	9,000,000
		Revolving tranche of NT$6 billion; five-year limit	One-time repayment in full in November 2016. The credit facility was not used at the year-end.	-	-	-
Less: current installment				(9,000,000)	(308,896)	-
				-	-	9,000,000

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The above syndicated loan bore interest at an average rate of 1.59% in 2012 and 1.33% in 2011. According to the loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual audited consolidated financial statements. As of December 31, 2012, the Company was not in compliance with some of financial covenants. As a result, the Company has reclassified NT$9,000,000 from long-term debt to the current portion of long-term debt. Nevertheless, on March 4, 2013, the Company has gained a waiver from the majority of syndicated banks, which exempted the Company from maintaining the required financial covenants. As of December 31, 2011, the Company was in compliance with all such financial covenants.

(18) Retirement plans

The following table sets forth the actuarial information related to the Consolidated Companies‟ defined benefit retirement plans:

(a) Reconciliation of funded status of the retirement plans to prepaid pension cost (accrued pension liabilities):

	December 31, 2012			
	Plan assets in excess of accumulated benefit obligation		Accumulated benefit obligation in excess of plan assets	
	NT$	US$	NT$	US$
Projected benefit obligation	(488,285)	(16,759)	(1,464,738)	(50,272)
Plan assets at fair value	343,741	11,798	830,143	28,492
Funded status	(144,544)	(4,961)	(634,595)	(21,780)
Unrecognized prior service cost	3,563	122	(61)	(2)
Unrecognized actuarial losses	35,167	1,207	782,219	26,847
Unrecognized transition obligation	76,766	2,635	1,498	51
Minimum pension liability adjustment	-	-	(328,956)	(11,290)
Accrued pension liabilities	(29,048)	(997)	(179,895)	(6,174)

	December 31, 2011	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Projected benefit obligation	(1,357,098)	(136,551)
Plan assets at fair value	901,649	48,158
Funded status	(455,449)	(88,393)
Unrecognized prior service cost	1	-
Unrecognized actuarial losses	771,005	60,597
Unrecognized transition obligation	4,697	2,578
Minimum pension liability adjustment	-	(13,638)
Prepaid pension cost (accrued pension liabilities)	320,254	(38,856)

(Continued)

Accrued pension liabilities are included in "other liabilities", and prepaid pension cost is included in "deferred charges and other assets" in the accompanying consolidated balance sheets.

(b) The components of the net periodic pension cost were as follows:

	2012		2011
	NT$	US$	NT$
Service cost	173,341	5,949	59,484
Interest cost	42,244	1,450	30,015
Actual return on plan assets	(17,069)	(586)	(9,051)
Amortization and deferral	19,465	668	39,878
Effect of pension plan curtailments	-	-	(3,186)
Net periodic pension cost	217,981	7,481	117,140

(c) The principal actuarial assumptions used were as follows:

	December 31, 2012	December 31, 2011
Discount rate	1.75%~5.90%	2.00%~2.60%
Rate of increase in future compensation	3.00%~9.00%	3.50%~4.00%
Expected rate of return on plan assets	1.75%~4.10%	2.00%~4.10%

In 2012 and 2011, pension cost under the defined contribution retirement plans amounted to NT$446,499 and NT$530,013, respectively.

(19) Income taxes

(a) Income tax returns of the Consolidated Companies are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the ROC are subject to ROC income tax at a rate of 17% for the years 2012 and 2011. Additionally, an alternative minimum tax in accordance with the Income Basic Tax Act is calculated. AAPH has applied for a tax exemption of its income under Malaysian tax act. The tax exemption for the financial years 2008 to 2017 has been granted subject to the conditions of (1) AAPH shall invest certain amount on IT infrastructure and related IT costs; and (2) sales to the Malaysian market is limited to 20% of total annual sales of AAPH. Other foreign subsidiaries calculated income tax in accordance with the respective local tax law and regulations. The components of income tax expense (benefit) were as follows:

	2012		2011
	NT$	US$	NT$
Current income tax expense	1,484,828	50,962	2,015,979
Deferred income tax expense (benefit)	(1,208,343)	(41,473)	(2,838,402)
Income tax expense (benefit)	276,485	9,489	(822,423)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(b) The income tax calculated on the pre-tax loss at the Company‟s statutory income tax rate was reconciled with the income tax expense (benefit) reported in the accompanying consolidated statements of operation as follows.

	2012		2011
	NT$	US$	NT$
Expected income tax	(447,730)	(15,367)	(1,262,136)
Income tax effect from non-ROC operations	359,497	12,339	(644,737)
Prior-year adjustments	111,250	3,818	183,248
Tax-exempt income	(282,362)	(9,691)	(279,717)
Change in valuation allowance	(96,490)	(3,312)	394,682
Adjustment on sales allowance	-	-	734,400
Impairment loss on trademarks and trade names	543,679	18,660	-
Taxable loss not qualified to be carry forwarded	90,284	3,099	-
Others	(1,643)	(57)	51,837
Income tax expense (benefit)	276,485	9,489	(822,423)

(c) The components of deferred income tax assets (liabilities) as of December 31, 2012 and 2011, were as follows:

	December 31,		
	2012		2011
	NT$	US$	NT$
Deferred income tax assets – current:			
Inventory provisions	709,312	24,345	987,324
Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	(129,130)	(4,432)	(106,927)
Accrued advertising expense	29,230	1,003	34,886
Adjustments on cost of sales	150,181	5,155	354,976
Warranty provisions	724,893	24,880	1,136,012
Allowance for doubtful accounts	30,256	1,038	76,781
Accrued sales allowance	160,552	5,510	465,583
Net operating loss carryforwards	419,077	14,384	144,730
Accrued vacation pay	32,713	1,123	23,657
Difference in inventory cost for tax and financial purposes	81,353	2,792	110,870
Provisions for the inventories held by manufacturers	227,765	7,817	-
Others	265,786	9,122	295,153
	2,701,988	92,737	3,523,045
Valuation allowance	(905,877)	(31,091)	(1,348,901)
	1,796,111	61,646	2,174,144
Deferred income tax liabilities – current (included in "accrued expenses and other current liabilities"):			
Others	3,720	128	3,037

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	December 31, 2012		2011
	NT$	US$	NT$
Deferred income tax assets – non-current:			
Unrealized investment loss under the equity method	32,987	1,132	65,166
Difference in depreciation for tax and financial purposes	(2,151)	(74)	444,665
Allowance for doubtful accounts	35,437	1,216	14,231
Inventory provisions	89,866	3,085	18,994
Investment tax credits	7,895	271	46,831
Net operating loss carryforwards	465,425	15,974	7,448,700
Difference in amortization of intangible assets for tax and financial purposes	290,662	9,976	224,749
Unrealized investment loss	26,870	922	211,198
Accrued sales allowance	150,015	5,149	-
Warranty provisions	388,046	13,319	14,318
Litigation provisions	-	-	45,414
Others	95,598	3,281	125,988
	1,580,650	54,251	8,660,254
Valuation allowance	(524,481)	(18,001)	(8,348,011)
	1,056,169	**36,250**	**312,243**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	December 31,		
	2012		2011
	NT$	US$	NT$
Deferred income tax liabilities – noncurrent:			
Unrealized loss from subsidiaries	343,194	11,779	333,622
Unremitted earnings from subsidiaries	(1,172,970)	(40,258)	(1,933,948)
Net operating loss carryforwards	6,641,602	227,952	-
Accumulated asset impairment loss	226,870	7,787	231,781
Difference in intangible assets for tax and financial purposes	(1,767,605)	(60,667)	-
Difference in depreciation for tax and financial purposes	415,410	14,258	-
Foreign currency translation adjustment	(92,813)	(3,186)	(75,765)
Litigation provisions	223,831	7,682	-
Unrealized investment loss	207,510	7,122	-
Others	75,858	2,603	9,271
	5,100,887	175,072	(1,435,039)
Valuation allowance	(7,879,202)	(270,429)	(344,691)
	(2,778,315)	(95,357)	(1,779,730)

(d) According to the Statue for Industrial Innovation, the Consolidated Companies incorporated in the ROC may apply for investment tax credits from research and development expenditures, which are deductible from income tax payable only in the year when these expenditures are incurred. The amount of the tax credit is limited to 30% of the income tax payable for that year. Additionally, according to the Statue for Upgrading Industries, which has been repealed on December 31, 2009, the Consolidated Companies incorporated in the ROC were granted investment tax credits for the purchase of automatic machinery and equipment, for research and development expenditures, and for employee training expenditures. These tax credits may be applied over a period of five years. The amount of the credit that may be applied in any year is limited to 50% of the income tax payable for that year, except for the final year when such tax credit expires.

As of December 31, 2012, investment tax credits available to the Consolidated Companies were as follows:

Expiration date	NT$	US$
December 31, 2013	7,895	271

(e) The tax effects of net operating loss carryforwards available to the Consolidated Companies as of December 31, 2012, were as follows:

Expiration date	NT$	US$
December 31, 2013	16,128	554
December 31, 2014	152,918	5,249
December 31, 2015	58,600	2,011
December 31, 2016	114,416	3,927
Thereafter	7,184,042	246,569
	7,526,104	**258,310**

(f) Information about the integrated income tax system

Beginning in 1998, an integrated income tax system was implemented in the Republic of China. Under the tax system, the income tax paid at the corporate level can be used to offset Republic of China resident stockholders" individual income tax. The Company is required to establish an imputation credit account ("ICA") so that a record shall be maintained for corporate income taxes paid and imputation credit that can be allocated to each stockholder. The credit available to ROC resident stockholders is calculated by multiplying the dividend by the creditable ratio. The creditable ratio is calculated based on the balance of the ICA divided by earnings retained by the Company since January 1, 1998.

Information related to the ICA was as follows:

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Unappropriated earnings:			
Earned before January 1, 1998	6,776	233	6,776
Earned commencing from January 1, 1998	(2,602,541)	(89,324)	1,775,284
	(2,595,765)	**(89,091)**	**1,782,060**
Balance of ICA	**1,363,184**	**46,787**	**1,090,125**

As the Company had not made profits in 2012 and 2011, no creditable ratios were disclosed.

(g) The ROC income tax authorities have completed the examination of income tax returns of the Company for all fiscal years through 2010. However, the Company disagreed with the assessment by the tax authorities of its income tax return for 2010 and 2009 regarding the adjustments of certain expenses and investment credits and has filed a tax appeal for recheck with the tax authorities. Nevertheless, the Company has accrued additional liabilities related to the disallowed expenses and investment tax credits.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(20) Stockholders' equity

(a) Common stock

As of December 31, 2012 and 2011, the Company‟s authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,834,726,828 shares and 2,709,891,497 shares, respectively, were issued and outstanding. The par value of the Company‟s common stock is NT$10 per share.

As of December 31, 2012 and 2011, the Company had issued 7,017 thousand units and 7,822 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

On January 12, 2012, the Company completed the acquisition of 100% equity ownership of iGware Inc. for a total purchase consideration of NT$9,428 million, of which US$150 million (approximately NT$4,520,020) was paid in cash and 122,178,242 shares of the Company‟s common stock (worth approximately US$170 million) were issued. The issuance of common shares has been authorized by and registered with the governmental authorities.

In 2012 and 2011, the Company issued 2,657 thousand and 9,712 thousand common shares, respectively, upon the exercise of employee stock options.

(b) Treasury stock

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 10,000,000 shares for an aggregate amount of NT$271,182 from July to September 2012 in order to maintain and motivate employees.

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 55,619,000 shares for an aggregate amount of NT$ 2,868,248 from April to June 2011 in order to maintain its shareholders‟ equity. In addition, the Company‟s directors in a meeting on August 31, 2011, resolved to change the purpose of treasury stock from maintaining shareholders‟ equity to transferring to employees.

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of common shares issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

As of December 31, 2012 and 2011, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries namely CCI and E-Ten were as follows (expressed in thousands of shares and New Taiwan dollars):

	December 31, 2012			December 31, 2011		
	Number of Shares	**Carrying Amount NT$**	**Market Price NT$**	**Number of Shares**	**Carrying Amount NT$**	**Market Price NT$**
Common stock	21,809	1,050,341	549,587	21,809	1,050,341	765,496
GDRs	4,987	2,472,257	620,493	4,987	2,472,257	858,078
		3,522,598	1,170,080		3,522,598	1,623,574

(c) Capital surplus

	December 31, 2012		December 31, 2011
	NT$	**US$**	**NT$**
Share premium:			
Paid-in capital in excess of par value	13,977,290	479,726	9,632,450
Surplus from mergers	22,781,719	781,909	22,781,719
Premium on common stock issued from conversion of convertible bonds	4,552,585	156,253	4,552,585
Forfeited interest from conversion of convertible bonds	1,006,210	34,535	1,006,210
Surplus related to treasury stock transactions and cash dividends	885,145	30,380	760,447
Others:			
Employee stock options	422,903	14,515	804,001
Conversion right of convertible bonds (note 4(16))	170,796	5,862	295,494
Surplus from equity-method investments	299,850	10,291	386,612
	44,096,498	1,513,471	40,219,518

Pursuant to the amended Company Law, which was announced in January 2012, any realized capital surplus is initially used to cover accumulated deficit and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividend from capital surplus in any one year cannot exceed 10% of paid-in capital.

(Continued)

(d) Legal reserve, special reserve, unappropriated earnings, and dividend policy

The Company‟s articles of incorporation stipulate that at least 10% of annual net income after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of authorized common stock. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, if any, can be distributed as follows:

- at least 5% as employee bonuses; employees entitled to stock bonus may include subsidiaries‟ employees that meet certain criteria set by the board of directors;
- 1% or lower as remuneration to directors and supervisors, the distribution is proposed by compensation committee and approved by board of directors.

The remaining balance together with unappropriated earnings from previous years, after retaining a certain portion for business considerations, as dividends to stockholders. The Company could not distribute earnings when there is no surplus except for the appropriation of earnings is from legal reserve or capital surplus.

According to the Company‟s article of incorporation, regardless of operating profit or loss, the remuneration to directors and supervisors is determined based on their involvement and contribution to the Company and referred to the industry practice. The amount is proposed by compensation committee and approved by board of directors. Additionally, when the Company makes profits, directors and supervisors are entitled to the aforementioned earnings distribution.

Since the Company operates in an industry experiencing rapid change and development, distribution of earnings shall be made in view of the current year‟s earnings, the overall economic environment, the related laws and decrees, and the Company‟s long-term development and steady financial position. The Company has adopted a steady dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

Additionally, according to the amended Company Law, which was announced in January 2012, if a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

Pursuant to regulations promulgated by the Financial Supervisory Commission, and effective from the distribution of earnings for fiscal year 1999 onwards, a special reserve equivalent to the total amount of items that are accounted for as deductions to the stockholders‟ equity shall be set aside from current earnings, and not distributed. This special reserve shall be reverted to retained earnings and made available for distribution when the items that are accounted for as deductions to the stockholders‟ equity are reversed in subsequent periods. As of December 31, 2012, the Company appropriated a special reserve of NT$6,126,774, which is equal to the sum of foreign currency translation adjustment and other deduction items of shareholders‟ equity.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The appropriation of 2010 earnings was approved by the shareholders at the meeting on June 15, 2011. The approved appropriations for employee bonus and remuneration to directors and supervisors and dividends per share were as follows:

		2010 NT$
Dividends per share:		
Cash dividends	$	3.654
Stock Dividends		-
	$	3.654
Employee bonus – cash	$	900,000
Remuneration to directors and supervisors		89,469
	$	989,469

The employee bonus of NT$1,500,000 for the year ended December 31, 2010 was estimated and accrued based on the total amount of bonus expected to be distributed to employees. However, the actual amount of this bonus was reduced to NT$900,000 pursuant to the proposal raised by a special board meeting on June 1, 2011 and the resolution approved in the shareholder meeting on June 15, 2011. The difference of NT$600,000 was charged to profit and loss in 2011 considering that there was no significant impact to the 2010 consolidated financial statements. Additionally, the directors" and supervisors" remuneration of NT$89,469 for the year ended December 31, 2010 was estimated and accrued at the rate of 1% of the annual net income in accordance with the Company"s articles of incorporation. However, the Company"s directors and supervisors had voluntarily surrendered their 2010 remunerations of NT$53,682 in 2011. The difference was treated as a change in accounting estimate and charged to profit and loss in 2011.

Except for the remuneration to directors and supervisors of NT$29,950 recognized in 2012, which should be made regardless of operating profit or loss, no employee bonus and remuneration to directors and supervisors were accrued for the years ended December 31, 2012 and 2011, as a result of net losses in the both years.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(21) Stock-based compensation plans

Information on the employee stock option plans ("ESOPs") granted in 2011 was as follows:

Grant date	2011/06/15
Granted shares (in thousands)	10,000
Contractual life (in years)	3
Vesting period	2 years of service subsequent to grant date
Qualified employees	(note 1)

Note 1: The options are granted to eligible employees of the Company and its subsidiaries, in which the Company directly or indirectly owns 50% or more of the subsidiary"s voting shares.

The Black-Scholes pricing model was used to value the stock options granted. The fair value of the option and main inputs to the valuation models were as follows:

Exercise price (NT$)	$ 28.22
Expected remaining contractual life (in years)	3
Fair market value for underlying securities－Acer common shares (NT$)	$ 51.30
Fair value of options granted (NT$)	$ 25.777
Expected volatility	34.46%
Expected dividend yield	note 2
Risk-free interest rate	1.345%

Note 2: According to the employee stock option plan, option prices are adjusted to take into account dividends paid on the underlying security. As a result, the expected dividend yield is excluded from the calculation.

Movements in number of ESOPs outstanding:

	2012			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	**Weighted-average exercise price (NT$)**	**Number of options (in thousands)**	**Weighted-average exercise price (NT$)**
Outstanding, beginning of year	27,890	34.62	2,683	38.30
Granted	-	-	-	-
Forfeited	(11,963)	-	(195)	-
Exercised	(1,927)	37.84	(730)	38.30
Outstanding, end of year	**14,000**	31.43	**1,758**	38.30
Exercisable, end of year	**4,000**	45.04	**1,758**	38.30

(Continued)

	2011			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price (NT$)	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding, beginning of year	26,634	36.51	2,983	41.30
Granted	10,000	25.99	-	-
Forfeited	(150)	-	(93)	-
Exercised	(8,594)	22.00	(207)	41.16
Outstanding, end of year	27,890	34.62	2,683	38.30
Exercisable, end of year	13,890	37.84	2,683	38.30

In 2012 and 2011, the compensation costs recognized from the ESOPs amounted to NT$203,315 and NT$400,044, respectively, which were accounted for under operating expenses. Compensation costs recognized related to the restricted stock issued to the employees of iGware Inc. for 2012 were NT$272,393. Refer to note 4(13) for further descriptions.

As of December 31, 2012, information on outstanding ESOPs was as follows:

Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual life (in years)	Weighted-average exercise price (NT$)	Number exercisable (in thousands)
2008	1,758	0.64	38.30	1,758
2010	4,000	0.83	45.04	4,000
2011	10,000	1.46	25.99	-
	15,758			5,758

(22) Restructuring cost

The Consolidated Companies recognized restructuring charges and relocation costs of NT$171,867 in 2012 as a result of integration of organization and personnel in EMEA. Due to the integration of PC business and management team in China and the implementation of a restructuring plan (mainly for the integration of personnel and operating information system) in EMEA, the Consolidated Companies recognized restructuring charges of NT$1,247,653 in 2011. Those expenses were accounted for under "restructuring cost" of non-operating expenses and losses in the accompanying statements of operation.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(23) Earnings per common share ("EPS")

	2012				
	Amount (in thousands)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS					
Net loss attributable to common shareholders of parent company	(2,910,326)	(99,888)	2,722,601	(1.07)	(0.04)

	2011		
	Amount (in thousands)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS			
Net loss attributable to common shareholders of parent company	(6,601,968)	2,624,535	(2.52)

As the Consolidated Companies incurred a net loss in 2012 and 2011, no diluted EPS was calculated.

(24) Disclosure of financial instruments

(a) Fair values of financial instruments

The book value of short-term financial instruments is deemed to approximate fair value because of the short-term maturity of these instruments. Such method is applied to cash and cash equivalents, notes and accounts receivable (including receivables from related parties), other receivables (including receivables from related parties), restricted deposits, short-term borrowings, notes and accounts payables (including payables to related parties), other payables to related parties and royalties payable.

The estimated fair values and carrying amounts of all other financial assets and liabilities as of December 31, 2012 and 2011, were as follows:

	December 31, 2012			December 31, 2011		
		Fair value			Fair value	
	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$
Non-derivative financial instruments						
Financial assets:						
Available-for-sale financial assets－current	169,017	169,017	-	109,721	109,721	-
Available-for-sale financial assets－noncurrent	2,635,952	2,635,952	-	775,702	775,702	-
Financial assets carried at cost－noncurrent	623,530	-	see below (b)	1,157,773	-	see below (b)
Refundable deposits (classified as "other financial assets－noncurrent")	1,161,746	-	1,161,746	1,582,613	-	1,582,613
Noncurrent receivables (classified as "other financial assets－noncurrent")	17,771	-	17,771	49,714	-	49,714
Financial liabilities:						
Bonds payable (including current portion)	8,994,422	-	9,946,287	14,064,997	-	15,584,854
Long-term debt (including current portion)	9,000,000	-	9,000,000	9,000,000	-	9,000,000
Derivative financial instruments						
Financial assets:						
Foreign currency forward contracts	217,876	-	217,876	1,110,435	-	1,110,435
Financial liabilities:						
Foreign currency forward contracts	1,414,785	-	1,414,785	235,897	-	235,897
Redemption option of convertible bonds	799,511	-	799,511	1,216,586	-	1,216,586

(b) The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) Available-for-sale financial assets

The fair value of publicly traded stocks is based on the closing price at the balance sheet date.

(ii) Financial assets carried at cost－noncurrent

Financial assets carried at cost represent investments in privately held stock. It is not practicable to estimate the fair value of privately held stock as it is not traded in an active public market.

(iii) Refundable deposits

The fair values of refundable deposits with no fixed maturities are based on carrying amounts.

(iv) Non-current receivables

The fair values of non-current receivables are their present value discounted at the market interest rate.

(v) Derivative financial instruments

The fair value is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and are readily available to the Consolidated Companies. The fair value of foreign currency forward contracts is computed individually based on the maturity date, the spot rate, and the swap points based on quotes provided by Bloomberg.

(vi) Long-term debt

The carrying value of long-term debt with floating interest rates approximates the market value.

(vii) Bonds payable

The fair value of convertible bonds payable is estimated based on the 2-Factor Quad Tree Approach, which considered the expected volatility and risk-free interest rate.

(c) For the years ended December 31, 2012 and 2011, gain (loss) on valuation financial assets and liabilities using a valuation technique amounted to NT$(1,362,775) and NT$1,659,720, respectively.

(d) Disclosure of financial risks

(i) Market risk

Publicly traded stocks held by the Consolidated Companies classified as “available-for-sale financial assets” are valued at fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation in the securities market.

The Consolidated Companies are engaged in purchase and sale transactions which are principally denominated in US dollars and Euros. The Consolidated Companies entered into foreign currency forward contracts and other derivate instrument contracts to manage the market exchange rate fluctuations of foreign-currency assets and liabilities. The length and amounts of aforementioned derivative transactions were in line with the settlement date of the Consolidated Companies‟ recorded foreign currency assets and liabilities and future cash flows. Gains or losses from these financial derivatives are expected to substantially offset those from the hedged assets or liabilities.

(ii) Credit risk

The Consolidated Companies‟ credit risk is mainly from potential breach of contract by the counter-party associated with cash, equity investment, and derivative transactions. In order to control the exposure to the credit risk of each financial institution, the Consolidated Companies maintain cash with various financial institutions and hold equity investments in the form of stocks issued by companies with high credit quality. Furthermore, the banks undertaking the derivative transactions are reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

(Continued)

The Consolidated Companies primarily sell and market the multi-branded IT products through distributors in different geographic areas. As a result, management believes that there is no significant concentration of credit risk. Also, management of the Consolidated Companies continuously evaluates the credit quality of their customers and utilizes insurance in order to minimize credit risk.

(iii) Liquidity risk

The Consolidated Companies‟ capital, operating funds and unused credit facility of long-term debts are sufficient to fulfill their contract payment obligations. Therefore, management believes that there is no significant liquidity risk.

The available-for-sale equity securities held by the Consolidated Companies are publicly traded and can be liquidated quickly at a price close to the fair market value. In contrast, the financial assets carried at cost are not publicly traded and are exposed to liquidity risk.

Derivative financial instruments are intended to hedge the exchange rate risk resulting from assets and liabilities denominated in foreign currency and cash flows resulting from anticipated transactions in foreign currency. The length of the contracts is in line with the payment date of the Consolidated Companies‟ assets and liabilities denominated in foreign currency and the anticipated cash flows. At the maturity date of the derivative contract, the Consolidated Companies will settle these contracts using the foreign currencies arising from the hedged assets and liabilities denominated in foreign currency, and therefore, the liquidity risk is not significant.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies‟ short-term borrowings and long-term debt carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rates and thereby influences the Consolidated Companies‟ future cash flow. If the market interest rate increases by 1%, cash outflows in respect of these interest payments would increase by approximately NT$93,500 per annum.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

5. Transactions with Related Parties

(1) Names and relationships of related parties with the Consolidated Companies

Name	Relationship with the Company
Wistron Corporation ("Wistron")	Equity-method investee of the Company prior to June 21, 2012. Since June 21, 2012, Wistron was not a related party of the Consolidated Companies. The purchases from Wistron for 2012 disclosed in note 5(2) was for the period from January 1, 2012 to June 30, 2012.
Cowin Worldwide Corporation ("COWIN")	Subsidiary of Wistron
Bluechip Infotech Pty Ltd. ("Bluechip")	Equity-method investee of the Company
E-Life Mall Corp. ("E-Life")	Equity-method investee of the Company prior to April 1, 2011. Since April 1, 2011, E-Life was not a related party of the Consolidated Companies. The sales to E-Life for 2011 disclosed in note 5(2) is for the period from January 1, 2011 to March 31, 2011.
iDSoftCapital Inc.	Its chairman is one of the Company‟s supervisors
Fizzle Investment Limited („Fizzle")	Equity-method investee of the Consolidated Companies
Circle Line Marketing & Communication S.R.L. ("Circle Line")	Subsidiary of Fizzle
Breakout S.R.L. ("Breakout")	Subsidiary of Fizzle
Prime Media LLC ("Prime Media")	Subsidiary of Fizzle
Directors, supervisors, chief executive officers and vice presidents	The Consolidated Companies‟ executive officers

(2) Significant transactions with related parties

(a) Net sales and related notes and accounts receivable

(i) Net sales to:

	2012		2011
	NT$	US$	NT$
Bluechip	480,026	16,475	619,907
E-Life	-	-	192,552
Other (less than 5%)	91,979	3,157	38,069
	572,005	19,632	850,528

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The sales prices and payment terms to related parties were not significantly different from those of sales to non-related parties.

(ii) Notes and accounts receivable from:

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Bluechip	41,159	1,413	70,361
Wistron	-	-	11,767
Others (less than 5%)	124	4	6,497
	41,283	1,417	88,625

(b) Purchases and related notes and accounts payable

(i) Purchases from:

	2012		2011
	NT$	US$	NT$
Wistron	8,633,016	296,301	21,948,884
Others	140,545	4,823	161,614
	8,773,561	301,124	22,110,498

The trading terms with related parties are not comparable to the trading terms with third party vendors as the specifications of products are different.

The Consolidated Companies sold raw material to Wistron and its subsidiaries and purchased back the finished goods after being manufactured. To avoid double-counting, the revenues from sales of raw materials to Wistron and its subsidiaries amounting to NT$26,998,962 and NT$60,197,894 for the years ended December 31, 2012 and 2011, respectively, were excluded from the consolidated revenues and cost of goods sold. Having enforceable rights, the Consolidated Companies offset the outstanding receivables and payables resulting from the above-mentioned transactions. The offset resulted in a net payable balance.

(ii) Notes and accounts payable to:

	December 31, 2012		December 31, 2011
	NT$	US$	NT$
Wistron	-	-	7,229,227
Others (less than 5%)	-	-	27,658
	-	-	7,256,885

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(c) Management service fee

The Consolidated Companies paid iDSoftCapital Inc. management service fees amounting to NT$25,417 and NT$30,000 for the years ended December 31, 2012 and 2011, respectively.

(d) Advertising and service fee

The Consolidated Companies paid Circle Line, Breakout and Prime Media advertising and service fee amounting to NT$1,517,633 for the year ended December 31, 2011. As of December 31, 2012 and 2011, the net payables (after deduction of related receivables) was NT$128,045 and NT$133,116, respectively, which was accounted for as "accrued expenses and other current liabilities" in the accompanying consolidated balance sheets.

(e) Advances to/from related parties

The Consolidated Companies paid certain expenses on behalf of related parties. Additionally, related parties paid non-recurring engineering and other operating expenses on behalf of the Consolidated Companies. As of December 31, 2012 and 2011, the Consolidated Companies had aggregate receivables from related parties of NT$17 and NT$15,359, respectively, and payables to related parties of NT$1,914 and NT$184,975, respectively, resulting from these transactions.

(3) Compensation to executive officers

For the years ended December 31, 2012 and 2011, compensation paid to the Consolidated Companies" executive officers including directors, supervisors, president and vice-presidents was as follows:

	2012 Amount		2011 Amount
	NT$	US$	NT$
Salaries	279,870	9,606	1,438,268
Cash awards and special allowances	235,316	8,076	320,292
Business service charges	1,080	37	1,080
	516,266	17,719	1,759,640

The aforementioned compensation included the accruals for remuneration to directors and supervisors as discussed in note 4(20).

6. Pledged Assets

Pledged assets	Pledged to secure	Carrying amount at December 31, 2012 NT$	2012 US$	2011 NT$
Cash in bank and time deposits	Contract bidding, project fulfillment, security for letter of credit, and others	56,633	1,944	82,308

As of December 31, 2012 and 2011, the above pledged cash in bank and time deposits were classified as "restricted deposits" and "other financial assets－noncurrent" in the accompanying consolidated balance sheets.

7. Commitments and Contingencies

(1) Royalties

(a) The Consolidated Companies have entered into a patent cross license agreement with International Business Machines Corporation ("IBM"). According to the agreement, the Consolidated Companies make fixed payments periodically to IBM.

(b) The Consolidated Companies and Lucent Technologies Inc. ("Lucent") entered into a Patent Cross License agreement. This license agreement in essence authorizes both parties to use each other‟s worldwide computer-related patents for manufacturing and selling personal computer products. The Consolidated Companies agree to make fixed payments periodically to Lucent, and the Consolidated Companies will not have any additional obligation for the use of Lucent patents other than the agreed upon fixed amounts of payments.

(c) The Consolidated Companies have entered into software and royalty license agreements with Microsoft, MPEG-LA and other companies. The Consolidated Companies have fulfilled their obligations according to the contracts.

(2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company and its US subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court for the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company‟s subsidiary, Acer Computer GmbH, which are pending before the German Regional Court of Mannheim. US and German law firms have been retained to consult for and represent the Consolidated Companies on those matters. To-date, management foresees no immediate material adverse effect to the Consolidated Companies‟ business operations as they have indicated that the Consolidated Companies have received the support from related components supplier.

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(3) In August 2012, the U.S. International Trade Commission (ITC) launched its investigations on alleged infringement of U.S. patents (US patent No. 5809336 that is involved in the latest case in August 2012) by numerous companies, including Acer. Technology Properties Limited LLC (TPL) singlehandedly filed a complaint with the US ITC as the first case and with the other two companies, Patriot Scientific Corporation (PTSC) and Phoenix Digital Solutions LLC (PDS) as the second one. While filing a complaint with the US ITC in 2012, TPL also filed a complaint at the same time for the related patents with the US District Court in the Eastern District of Texas. The alleged claim of infringement goes back to as early as 2007, when Acer filed a lawsuit against TPL as TPL"s patents (i.e. including the alleged patent No.5809336 in the investigation in August 2012) are allegedly invalid. Subsequently, TPL formally filed a counter-claim against Acer with the ITC for the above lawsuit filed by Acer in 2007 on patent infringement. ITC"s 2012 investigation is the continuation of the same patent dispute since 2007. According to the management of Acer, these disputes are being handled carefully and appropriate measures are now being undertaken. To-date, management foresees no immediate material adverse effect to the Consolidated Companies" business operations.

(4) As of December 31, 2012 and 2011, the Company had outstanding stand-by letters of credit totaling NT$145,281 and NT$144,683, respectively, for purposes of bids and contracts.

(5) The Consolidated Companies have entered into several operating lease agreements for warehouses and office buildings. Future minimum lease payments were as follows:

Year	NT$	US$
2013	682,863	23,437
2014	473,730	16,259
2015	266,141	9,134
2016	130,696	4,486
2017 and thereafter	612,434	21,020
	2,165,864	74,336

(6) As of December 31, 2012 and 2011, the Company had issued promissory notes amounting to NT$47,711,357 and NT$47,435,962, respectively, as collaterals for factored accounts receivable and for obtaining credit facilities from financial institutions.

8. Significant Loss from Casualty: None

9. Subsequent Events: None

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

10. Others

(1) Labor cost, depreciation and amortization categorized by function

	2012			2011		
	Operating expense	Cost of sales	Total	Operating expense	Cost of sales	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Labor cost:						
Salaries	11,658,478	1,461,615	13,120,093	12,689,951	1,793,982	14,483,933
Insurance	1,258,914	165,644	1,424,558	1,281,016	178,317	1,459,333
Pension	629,271	35,209	664,480	620,642	26,511	647,153
Other	1,222,954	111,892	1,334,846	917,598	137,228	1,054,826
Depreciation	822,693	55,148	877,841	665,689	59,873	725,562
Amortization	2,417,482	13,884	2,431,366	1,982,823	162,277	2,145,100

(2) Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation for comparison purpose. The reclassifications did not have significant impact on the financial statements.

(3) The significant financial assets and liabilities denominated in foreign currencies were as follows:

	2012.12.31			2011.12.31		
Financial assets	Foreign Currency (in thousands)	Exchange Rate	New Taiwan dollars (in thousands)	Foreign Currency (in thousands)	Exchange Rate	New Taiwan dollars (in thousands)
Monetary assets						
USD	$ 1,724,436	29.14	50,243,179	2,216,332	30.29	67,132,706
EUR	732,028	38.44	28,138,516	932,474	39.26	36,616,942
CNY	3,279,243	4.68	15,965,671	2,758,749	4.81	13,274,637
Non-monetary assets						
USD	11,401	29.14	332,193	46,851	30.29	1,419,115
Financial liabilities						
Monetary liabilities						
USD	2,609,602	29.14	76,033,361	3,107,031	30.29	94,111,982
EUR	92,085	38.44	3,539,652	224,257	39.26	8,919,687
CNY	154,099	4.68	1,007,646	115,150	4.81	554,085
Non-monetary assets						
USD	72,232	29.14	2,104,541	41,348	30.29	1,252,417

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(4) According to the Rule No. 0990004943 issued by the Financial Supervisory Commission ("FSC") dated February 2, 2010, starting from 2013, companies with shares listed on the Taiwan Stock Exchange Corporation or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") translated by the Accounting Research and Development Foundation ("ARDF") and issued by FSC (hereinafter referred to collectively as the "IFRSs"). As a result, the Company has established a taskforce to monitor and execute the IFRSs adoption plan. Leading the implementation of this plan is Eva Ho, the chief financial officer. The main contents of the plan, schedule and status of execution are listed below.

Contents of plan	Responsible Division	Status of execution
1) Assessment phase (2010/1/1~2011/12/31)		
◎ Develop the IFRS implementation plan and set up a project team	Finance Division	Completed
◎ Compare and analyze the difference between R.O.C. GAAP and IFRSs	IFRS project team	Completed
◎ Evaluate the potential adjustments to the existing accounting polices	IFRS project team	Completed
◎ Evaluate the applicability of the IFRS 1 "First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed
◎ Evaluate the potential adjustments to the information technology systems and internal controls	IFRS project team	Completed
2) Preparation phase (2011/1/1~2012/12/31)		
◎ Determine how to adjust the existing accounting policies to conform with IFRSs	IFRS project team	Completed
◎ Determine how to apply the IFRS 1"First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed
◎ Modify the information technology systems and internal controls	IFRS project team	Completed
◎ Internal training for the employees within the group	IFRS project team	Completed
3) Implementation phase (2012/1/1~2013/12/31)		
◎ Test run the related adjusted information technology systems	IFRS project team	Completed
◎ Collect related information for the preparation of opening balance sheet and comparative financial statements in accordance with IFRSs	IFRS project team	Completed
◎ Prepare financial statements in accordance with IFRSs	Finance Division	In progress

(5) Based on the Company� s assessment, the major differences between the Company� s accounting policies under R.O.C. GAAP and IFRSs to be adopted by the Company are as follows:

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Reconciliation of consolidated balance sheet as of January 1, 2012:

		R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Notes and accounts receivable, net of allowance for impairment (a)	$	83,539,250	71,916	83,611,166
Deferred income tax assets－current (b)		2,174,144	(2,174,144)	-
Prepayment and other current assets (g)		110,016,351	(11,036)	110,005,315
Equity-method investments (c)		1,861,987	(19,501)	1,842,486
Available-for-sale financial assets－noncurrent (d)		775,702	1,194,690	1,970,392
Financial assets carried at cost－noncurrent (d)		1,157,773	(1,157,773)	-
Net property, plant and equipment (e, f)		6,938,898	(222,524)	6,716,374
Intangible assets (g)		35,404,199	(2,648)	35,401,551
Other financial assts－noncurrent		1,632,327	-	1,632,327
Investment property (Formerly “Property not used in operation”) (e)		3,343,193	(489,717)	2,853,476
Deferred income tax assets－noncurrent (b, e~h)		312,243	2,594,676	2,906,919
Deferred charges and other assets (g)		1,151,661	(276,500)	875,161
Total assets	$	248,307,728	(492,561)	247,815,167
Accrued expenses and other current liabilities (a, g~h)	$	146,036,612	(166,195)	145,870,417
Deferred income tax liabilities－current (b)		3,037	(3,037)	-
Deferred income tax liabilities－noncurrent (b, j)		1,779,730	264,181	2,043,911
Bonds payable (i)		14,064,997	(516,294)	13,548,703
Other long-term liabilities (f, g)		10,671,737	661,250	11,332,987
Total liabilities	$	172,556,113	239,905	172,796,018
Common stock	$	27,098,915	-	27,098,915
Capital surplus (i)		40,219,518	(295,494)	39,924,024
Retained earnings (c, e~i, l)		19,049,268	(4,479,596)	14,569,672
Foreign currency translation adjustment (j, l)		(3,580,136)	3,391,042	(189,094)
Minimum pension liability adjustment (c, g)		(16,993)	16,993	-
Unrealized losses on financial instruments (c, d)		(630,621)	26,947	(603,674)
Treasury stocks (j)		(6,390,846)	607,743	(5,783,103)
Minority interest		2,510	(101)	2,409
Total stockholders‟ equity and minority interest	$	75,751,615	(732,466)	75,019,149

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Reconciliation of consolidated balance sheet as of December 31, 2012:

		R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Notes and accounts receivable, net of allowance for impairment	$	68,432,653	-	68,432,653
Deferred income tax assets－current (b)		1,796,111	(1,796,111)	-
Other current assets		100,611,292	(14,530)	100,596,762
Equity-method investments (c)		190,229	(392)	189,837
Available-for-sale financial assets－noncurrent (d)		2,635,952	717,137	3,353,089
Financial assets carried at cost－noncurrent (d)		623,530	(623,530)	-
Net property, plant and equipment (e, f)		6,572,348	(224,111)	6,348,237
Intangible assets (g, m, o)		39,316,838	(181,918)	39,134,920
Other financial assets－noncurrent		1,179,517	-	1,179,517
Investment property (Formerly “Property not used in operation”) (e)		3,028,574	(488,177)	2,540,397
Deferred income tax assets－noncurrent (b, e~h)		1,056,169	2,268,787	3,324,956
Deferred charges and other assets (g)		1,215,781	-	1,215,781
Total assets	$	226,658,994	(342,845)	226,316,149
Accrued expenses and other current liabilities (g, h)	$	129,121,912	(146,845)	128,975,067
Deferred income tax liabilities－current (b)		3,720	(3,720)	-
Current portion of long-term debt		9,000,000	-	9,000,000
Current portion of bonds payable (i)		4,892,805	(109,216)	4,783,589
Deferred income tax liabilities－noncurrent (b, j)		2,778,315	308,528	3,086,843
Bonds payable (i)		4,101,617	(153,113)	3,948,504
Other long-term liabilities (f, g)		1,728,474	589,651	2,318,125
Total liabilities	$	151,626,843	485,285	152,112,128
Common stock	$	28,347,268	-	28,347,268
Capital surplus (i, k, m)		44,096,498	(692,965)	43,403,533
Retained earnings (c~i, k, o)		16,138,942	(4,110,875)	12,028,067
Foreign currency translation adjustment (j, l)		(5,655,033)	3,424,068	(2,230,965)
Minimum pension liability adjustment (c, g)		(331,754)	331,754	-
Unrealized losses on financial instruments (c, d, k)		(904,176)	(387,755)	(1,291,931)
Treasury stocks (j)		(6,662,028)	607,743	(6,054,285)
Minority interest		2,434	(100)	2,334
Total stockholders‟ equity and minority interest	$	75,032,151	(828,130)	74,204,021

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Net sales	$ 429,510,913	-	429,510,913
Cost of sales (h, n)	(386,315,169)	(8,074,724)	(394,389,893)
Gross profit	43,195,744	(8,074,724)	35,121,020
Operating expenses (e~h, n, p)	(42,171,038)	4,302,108	(37,868,930)
Operating income (loss)	1,024,706	(3,772,616)	(2,747,910)
Net non-operating income (loss) (i~k, n)	(3,658,410)	4,135,421	477,011
Income (loss) before income taxes	(2,633,704)	362,805	(2,270,899)
Income tax expense (g, o)	(276,485)	86,426	(190,059)
Consolidated net loss	**$ (2,910,189)**	**449,231**	**(2,460,958)**
Net loss attributable to:			
Shareholder of the Company	$ (2,910,326)	449,227	(2,461,099)
Minority interest	137	4	141
	$ (2,910,189)	**449,231**	**(2,460,958)**

(a) Under ROC GAAP, the estimated sales allowance is recognized as a deduction of accounts receivable. Under IFRSs, the estimated sales allowance is deemed as a present obligation with uncertain timing and an obligation that arises from past events and is therefore reclassified as a liability (included in accrued expenses and other current liabilities). Under IFRS, the estimated sales allowance of NT$71,916 was reclassified as a liability as of January 1, 2012.

(b) Under R.O.C. GAAP, a deferred income tax asset or a deferred income tax liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. If a deferred income tax asset or liability is not related to an asset or liability, it is classified as current or noncurrent according to the expected period of realization or settlement. Under IFRSs, a deferred income tax asset and liability is classified as non-current asset or liability. Deferred tax assets and liabilities could be offset only when an entity has a legally enforceable right to offset the related current tax assets and related current tax liabilities and conforms to the other criteria for such offsetting.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is “probable” that the assets will be realized and no valuation allowance account is used.

Under IFRSs, as of January 1, 2012 and December 31, 2012, current deferred income tax assets of NT$2,174,144 and NT$1,796,111, respectively, were reclassified to noncurrent deferred income tax assets; also reclassified to noncurrent deferred income tax liabilities were current deferred income tax liabilities of NT$3,037 and NT$3,720, respectively. Moreover, as of January 1, 2012 and December 31, 2012, adjustments were made to increase the balance of deferred income tax

(Continued)

assets/liabilities by NT$336,910 and NT$386,671, respectively, in order to present the gross amount of deferred tax assets/liabilities.

(c) Under IFRSs, the equity-method associates have made certain adjustments after evaluating the significant differences between their current accounting policies and IFRSs. Corresponding adjustments were made by the Consolidated Companies so that, as of January 1, 2012, adjustments we made to decrease equity-method investments by NT$19,501; unrealized gain on financial instruments by NT$9,970; minimum pension liability by NT$4,586 and retained earnings by NT$14,117. Also, as of and for the year ended December 31, 2012, adjustments were made to decrease equity-method investments and the investment gain recognized using equity method by NT$392.

(d) According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" issued before July 7, 2011, the non-publicly traded stocks and stocks traded on Emerging Stock Market were measured at cost and classified under "financial assets carried at cost". Under IFRSs, however, equity instrument that is not traded in active markets but its fair value could be reliably measured, is measured at its fair value and classified as "available-for-sale financial assets". Under IFRSs, as of January 1, 2012, adjustments were made to increase financial assets carried at cost－noncurrent by NT$36,917 and financial assets carried at cost－noncurrent was reclassified to available-for-sale financial assets－noncurrent; also, an adjustment was made to increase unrealized gain on financial instruments by NT$36,917. In addition, as of December 31, 2012, adjustments were also made to increase the available-for-sale financial assets －noncurrent and unrealized gain on financial instruments by NT$56,690. Further adjustment was also made to increase the other non-operating income by NT$1,437 for the year ended December 31, 2012.

(e) Under R.O.C. GAAP, a component which is significant in relation to the total cost of PP&E acquired after November 2008 and for which a different depreciation method or rate is appropriate, is depreciated separately. Under IFRSs, when an item of PP&E comprises individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately from the acquisition date. Under IFRSs, as of January 1, 2012, adjustments were made to decrease PP&E, investment property and retained earnings by NT$228,662, NT$489,717 and NT$665,728 (net of income tax effect of NT$52,651), respectively. Also, as of December 31, 2012, adjustments were made to increase PP&E and investment property by NT$120 and NT$1,540, respectively. Further adjustment was made to decrease depreciation expenses by NT$1,660 for the year ended December 31, 2012.

(f) Under R.O.C. GAAP, the estimated cost of dismantling and removing an item and restoring the site where it is located should be included in the cost of PP&E acquired after November 2008. Under IFRSs, all the significant decommission provision should be accounted for. Under IFRSs, as of January 1, 2012, adjustments were made to increase PP&E by NT$6,138; decommission provision by NT$13,369; deferred income tax by NT$2,578; and to decrease retaining earnings by NT$4,653. Moreover, as of December 31, 2012, adjustments were made to decrease PP&E by NT$1,707 (including effect of exchange rate changes); and to decrease depreciation expenses by NT$823 for the year ended December 31, 2012.

(g) Under R.O.C. GAAP, actuarial gains and losses from defined benefit plans are amortized over the expected average remaining working lives of the participating employees. At the date of transition to IFRSs, the Consolidated Companies elected the exemption specified in the IFRS 1 "first-time adoption of International Financial Reporting Standards" and recognized the actuarial gains and losses directly to retaining earnings. Under IFRSs, as of January 1, 2012, adjustments were made to decrease retained earnings by NT$616,538 (net of income tax effect of NT$14,763); deferred pension cost (classified under intangible assets) by NT$2,648; prepaid pension cost (classified under prepayment and other current assets and deferred charges and other assets) by NT$287,536; accrued pension liabilities (classified under accrued expenses and other current liabilities) by NT$319,171; to increase defined benefit obligation by NT$647,881; and to decrease minimum pension liability by NT$12,407. Moreover, as of December 31, 2012, adjustments were also made to decrease prepaid pension cost by NT$3,494; to increase accrued expense by NT$64,678; to decrease defined benefit obligation by NT$71,599; to increase deferred pension cost by NT$405 and to decrease minimum pension liability by NT$314,779. Also, starting from 2012, the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income in accordance with IAS No. 19. Therefore, adjustments were made to decrease pension costs and income tax expenses by NT$42,667 and NT$1,522, respectively, for the year ended December 31, 2012. As of December 31, 2012, an adjustment was also made to recognize actuarial gains and losses which decreased other comprehensive income and retained earnings by NT$80,505 (net of adjustments of deferred income tax assets of NT$2,383 and deferred income tax liability of NT$11,267).

(h) Under IFRSs, an entity shall recognize the expected cost of accumulated compensated absences when employees render service that increases their entitlement to future compensated absences. Therefore, as of January 1, 2012, an adjustment was made to increase accrued expenses by NT$81,060 and to decrease retained earnings by NT$67,329 (net of income tax effect of NT$13,631). In addition, as of December 31, 2012, an adjustment was also made to increase accrued expenses by NT$31,988. Further adjustments were made to increase operating expenses and to decrease costs of sales by NT$32,033 and NT$116, respectively, for the year ended December 31, 2012.

(i) The bonds payable denominated in foreign currency grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company"s common shares, using a conversion price set at New Taiwan Dollars at a fixed exchange rate. Under ROC GAAP, the conversion option is accounted for as equity. Under IFRSs, the conversion option is accounted for as a derivative financial liability as the Company has a contractual obligation to deliver a fixed number of common shares in exchange for a variable amount of cash (fixed foreign currency but translated to variable amounts of the Company"s functional currency). Under IFRSs, as of December 31, 2012, adjustments were made to decrease bonds payable and capital surplus by NT$516,294 and NT$295,494, respectively, and to increase retained earnings by NT$811,788. Also, as of December 31, 2012, an adjustment was made to increase bonds payable by NT$253,965. Further adjustments were made to increase interest expenses by NT$82,393; to decrease gain on purchase of bonds payable and unrealized exchange gain on bonds payable by NT$157,269 and NT$14,303, respectively, for the year ended December 31, 2012.

(j) According to Interpretation (2001) 135 issued by the Accounting Research and Development Foundation, the cost of the Company"s common stock held by its subsidiaries is determined based on the carrying value of the common stock maintained on the subsidiaries" book at the effective date of the Interpretation. Under IFRSs, treasury stock is accounted for using the initial purchase cost. Under IFRSs, as of January 1, 2012, adjustments were made to decrease treasury stock,

(Continued)

foreign currency translation adjustment, and deferred tax liability by NT$607,743, NT$536,572, and NT$71,171, respectively. Additionally, as of December 31, 2012, adjustments were also made to increase foreign currency translation adjustment by NT$17,364 and to decrease deferred income tax liability by NT$17,364.

(k) Under R.O.C. GAAP, when an entity loses significant influence over an associate, the adoption of equity method is discontinued and the carrying amount of the investment is deemed as the new cost of the investment. If there is a balance on capital surplus or other equity items arising from the equity-method investment, it is debited against disposal gain or loss proportionally when the investment is disposed. Under IFRSs, when an entity loses significant influence over an associate, the fair value of the investment at the date when the investment ceases to be an associate shall be regarded as the fair value on initial recognition of such financial asset in accordance with IAS 39. The difference between the fair value and the carrying amount of the investment and other comprehensive income arising from the investment is recognized as profit or loss. Under IFRSs, as of December 31, 2012, adjustments were made to decrease capital surplus by NT$132,344; to increase foreign currency translation adjustment by NT$18,145; to increase minimum pension liability by NT$18; and to increase unrealized loss on financial instruments by NT$471,392. Also, adjustments were made to increase investment gain recognized using equity method and gain on disposal of investments by NT$10,869 and NT$475,312, respectively, for the year ended December 31, 2012. Further adjustment was made to recognize as other income, the cash dividends of NT$117,995 which were distributed by an equity-method associate and received after the date of loss of significant influence for the year ended December 31, 2012.

(l) Under IFRSs, the Consolidated Companies have elected the exemption specified in the IFRS1 to reset the foreign currency translation adjustment to zero at the date of transition to IFRSs. Under IFRSs, as of January 1, 2012, adjustments were made to decrease retained earnings and deferred income tax liability by NT$3,923,019 and NT$4,595 respectively. The gain or loss on any subsequent disposals of any foreign operations should exclude foreign currency translation adjustment that arose before the date of transition to IFRSs. Additionally, as of December 31, 2012, an adjustment was also made to decrease foreign currency translation adjustment by NT$2,483.

(m) Under R.O.C. GAAP, if the equity stock issued for acquisition of a business is traded in an open market, the fair value is determined by the market price during a reasonable period of time before and after the announcement of the business combination agreement. Under IFRSs, the aforementioned equity stock is measured at the fair value of the acquisition date (the date on which an entity obtains control of the acquiree). Under IFRSs, as of December 31, 2012, adjustments were made to decrease goodwill and capital surplus by NT$265,127.

(n) Under R.O.C. GAAP, after-sales warranty expenses are classified under operating expense while the impairment losses on intangible assets and restructuring costs are classified under non-operating loss. However, under IFRS, the after-sale warranty expenses are classified under cost of goods sold and impairment losses on intangible assets and restructuring costs are classified under operating expenses. Under IFRS, an adjustment was made to reclassify after-sales warranty expenses of NT$8,074,840 from operating expenses to cost of sales for the year ended December 31, 2012. Additionally, an adjustment was also made to reclassify impairment loss on intangible assets and restructuring cost of NT$3,784,165 from non-operating loss to operating expenses for the year ended December 31, 2012.

(Continued)

(o) Under R.O.C. GAAP, if a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense. Under IFRSs, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition shall reduce income tax expense. Under IFRSs, as of December 31, 2012, an adjustment was made to increase goodwill by NT$85,452. Further adjustment was made to decrease income tax expense by NT$84,904 for the year ended December 31, 2012.

6. Under IFRS 1 “First-time Adoption of International Financial Reporting Standards”, except for the optional exemptions and mandatory exceptions, an entity that adopts IFRSs for the first time should apply all IFRSs which are effective and approved by the FSC in preparing financial statements and should make adjustments retrospectively. The main optional exemptions that have been elected by the Consolidated Companies were as follows:

(a) The Consolidated Companies have elected not to retrospectively adjust the transactions of business combination and acquisition of subsidiaries and associates occurred before January 1, 2012.

(b) The Consolidated Companies have elected to recognize all cumulative actuarial gains and losses on employee benefits in retained earnings at the date of transition to IFRSs.

(c) The Consolidated Companies have elected the exemption from the retrospective application of IFRS 2 “Share-based Payment” to all equity instruments that were granted and vested before January 1, 2012.

(d) The Consolidated Companies have elected to reset the foreign currency translation adjustment to zero and adjust the retained earnings at the date of transition to IFRSs. The gain or loss on any subsequent disposals of any foreign operations should exclude foreign currency translation adjustment that arose before the date of transition to IFRSs.

7. The Consolidated Companies‟ aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the SFC. However, the current assessment may be impacted by different accounting policies adopted in the preparation of 2013 IFRS financial statements, and the different exemptions elected under IFRS 1 in case of changes in the economic conditions and events which may occur in the future.

8. Pursuant to Rule No. 100116 promulgated by the FSC dated January 3, 2000, the Company had appropriated a special reserve of NT$4,659,275 that is equal to the aggregate amount of debit balances of specified items of the stockholders‟ equity. As the Company has elected to reset the debit balance of foreign currency translation adjustment to zero, the special reserve will be reverted to retained earnings accordingly. The Company will reevaluate the impact of over-appropriated special reserve, if any, in 2013.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

11. Operating Segment information

(1) Industry financial information

The Consolidated Companies" reportable segments include the device business group (Device BG) and other business group. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products, smart hand held and tablet products. Other business group which does not meet the quantitative threshold mainly engages in the activities of E-commerce, distribution of IT products, and cloud services.

Strategic investment expenditures, such as global branding expenditures and the amortization of the capital expenditures for the strengthening of global information structure and non-routine long-term strategic expenditures, are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segment and the accounting policies described in Note 2.

	2012			
	Device BG NT$	**Others NT$**	**Adjustments and eliminations NT$**	**Total NT$**
External revenue	416,050,381	14,244,981	(784,449)	429,510,913
Intra-group revenue	1,691,537	1,267,475	(2,959,012)	-
Total segment revenue	417,741,918	15,512,456	(3,743,461)	429,510,913
Segment profit	4,775,721	273,512	(4,024,527)	1,024,706
Other material non-cash items:				
Impairment loss on intangible assets	3,496,114	-	-	3,496,114
Segment assets	-	-	-	-

	2011			
	Device BG NT$	**Others NT$**	**Adjustments and eliminations NT$**	**Total NT$**
External revenue	464,565,678	15,282,358	(4,589,918)	475,258,118
Intra-group revenue	2,217,893	1,548,695	(3,766,588)	-
Total segment revenue	466,783,571	16,831,053	(8,356,506)	475,258,118
Segment profit (loss)	551,517	461,055	(7,492,644)	(6,480,072)
Segment assets	-	-	-	-

(note 1) On June 1, 2011, the Company"s board of directors resolved to provide one-time sales allowance of NT$4,320,000 (approximately US$ 150,000) to EMEA distributors. This sales allowance was not allocated to the reportable segments.

(note 2) The information of segment assets is not provided to the chief operating decision maker. As a result, no disclosure was made.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) General information

(a) Product information

Products	**2012**		**2011**
	NT$	**US$**	**NT$**
Personal computers	364,131,334	12,497,643	402,454,705
Peripherals and others	65,379,579	2,243,945	72,803,413
	429,510,913	14,741,588	475,258,118

(b) Geographic information

External sales

Region	**2012**		**2011**
	NT$	**US$**	**NT$**
Europe, Middle East and Africa	163,752,129	5,620,268	168,127,007
Pan America	103,220,570	3,542,716	123,540,109
Asia	139,304,907	4,781,195	157,276,477
Taiwan	23,233,307	797,409	26,314,525
	429,510,913	14,741,588	475,258,118

Non-current assets:

Region	**December 31, 2012**		**December 31, 2011**
	NT$	**US$**	**NT$**
Europe, Middle East and Africa	2,661,968	91,364	3,086,714
Pan America	25,319,826	869,022	16,375,159
Asia	5,630,895	193,262	6,311,921
Taiwan	15,810,581	542,648	20,526,344
Others	189,653	6,509	261,111
	49,612,923	1,702,805	46,561,249

(c) Major customers‟ information

No sales to individual customers accounted for more than 10% of the consolidated revenues in 2012 and 2011.

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