

Independent auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying non-consolidated balance sheets of Acer Incorporated (the "Company") as of December 31, 2012 and 2011, and the related non-consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These 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 non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Acer Incorporated and subsidiaries as of and for the years ended December 31, 2012 and 2011, prepared by the Company, and expressed unqualified opinions for 2012 and 2011 consolidated financial statements.

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language auditors' report shall prevail.

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

Assets	<u>2012.12.31</u> NT\$	<u>2011.12.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2012.12.31</u> NT\$	<u>2011.12.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	19,436,225	30,769,328	Financial liabilities at fair value through profit or loss – current	385,869	-
Available-for-sale financial assets – current	78,381	66,446	Hedging purpose derivative financial liabilities – current	863,734	27,986
Financial assets at fair value through profit or loss – current	4,348	39,221	Notes and accounts payable	60,132,997	62,669,700
Hedging purpose derivative financial assets – current	388	650,104	Notes and accounts payable to related parties	231,824	6,526,825
Notes and accounts receivable, net of allowance for impairment of NT\$39,059 and NT\$69,356 as of December 31, 2012 and 2011, respectively	7,814,592	7,857,933	Other payables to related parties	444,357	689,562
Notes and accounts receivable from related parties	28,605,882	43,467,442	Royalties payable	6,521,852	8,935,902
Other receivables	1,678,528	2,536,502	Accrued expenses and other current liabilities	11,476,608	14,192,365
Other receivables from related parties	1,117,803	366,019	Current portion of bonds payable	4,892,805	-
Inventories	19,589,959	15,567,695	Current portion of long-term debt	9,000,000	-
Prepayments and other current assets	492,444	653,868	Deferred inter-company profits	86,580	56,403
Deferred income tax assets – current	787,351	570,749	Total current liabilities	<u>94,036,626</u>	<u>93,098,743</u>
Total current assets	<u>79,605,901</u>	<u>102,545,307</u>	Long-term liabilities:		
Long-term investments:			Financial liabilities at fair value through profit or loss – noncurrent	653,583	1,216,586
Investments accounted for using equity method	81,861,332	75,717,724	Bonds payable	4,101,617	14,064,997
Available-for-sale financial assets – noncurrent	2,288,954	753,057	Long-term debt, excluding current portion	-	9,000,000
Financial assets carried at cost – noncurrent	343,685	598,161	Other liabilities	209,273	64,194
Total long-term investments	<u>84,493,971</u>	<u>77,068,942</u>	Deferred income tax liabilities – noncurrent	1,037,260	1,776,203
Property, plant and equipment:			Total long-term liabilities	<u>6,001,733</u>	<u>26,121,980</u>
Land	734,207	734,207	Total liabilities	<u>100,038,359</u>	<u>119,220,723</u>
Buildings and improvements	1,189,609	1,178,720	Stockholders' equity:		
Computer equipment and machinery	781,671	709,833	Common stock	28,347,268	27,098,915
Other equipment	203,988	194,084	Capital surplus	44,096,498	40,219,518
Construction in progress and advance payments for purchases of equipment	-	85,441	Retained earnings:		
	2,909,475	2,902,285	Legal reserve	12,607,933	12,607,933
Less: accumulated depreciation	(1,068,075)	(876,276)	Special reserve	6,126,774	4,659,275
Less: accumulated impairment	(236,380)	(236,380)	Unappropriated earnings (accumulated deficit)	(2,595,765)	1,782,060
Net property, plant and equipment	<u>1,605,020</u>	<u>1,789,629</u>	Other equity components:		
Intangible assets:			Foreign currency translation adjustment	(5,655,033)	(3,580,136)
Trademark	4,174,814	7,402,020	Minimum pension liability adjustment	(331,754)	(16,993)
Other intangible assets	830,438	1,058,009	Unrealized losses on financial instruments	(904,176)	(630,621)
Total intangible assets	<u>5,005,252</u>	<u>8,460,029</u>	Treasury stock	(6,662,028)	(6,390,846)
Property not used in operation	3,137,843	3,348,459	Total stockholders' equity	<u>75,029,717</u>	<u>75,749,105</u>
Refundable deposits	215,351	184,433	Commitments and contingencies		
Noncurrent receivables	566,780	850,801			
Deferred charges and other assets	437,958	722,228			
Total assets	<u>175,068,076</u>	<u>194,969,828</u>	Total liabilities and stockholders' equity	<u>175,068,076</u>	<u>194,969,828</u>

ACER INCORPORATED

Non-Consolidated Statements of Operations

For the years ended December 31, 2012 and 2011

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

	<u>2012</u> NT\$	<u>2011</u> NT\$		
Net Sales	359,944,584	405,713,868		
Cost of sales	<u>(350,687,946)</u>	<u>(398,825,731)</u>		
Gross profit	9,256,638	6,888,137		
Changes in realized (unrealized) inter-company profits	<u>(30,177)</u>	<u>42,343</u>		
Realized gross profit	<u>9,226,461</u>	<u>6,930,480</u>		
Operating expenses:				
Selling	(4,530,307)	(3,940,782)		
Administrative	(873,786)	(1,058,513)		
Research and development	<u>(1,494,593)</u>	<u>(921,493)</u>		
Total operating expenses	<u>(6,898,686)</u>	<u>(5,920,788)</u>		
Operating income	<u>2,327,775</u>	<u>1,009,692</u>		
Non-operating income and gains:				
Interest income	37,670	73,601		
Foreign currency exchange gain and valuation gain on financial instruments, net	-	236,922		
Gain on disposal of investments, net	-	274,042		
Other income	<u>382,329</u>	<u>272,998</u>		
	<u>419,999</u>	<u>857,563</u>		
Non-operating expenses and losses:				
Interest expense	(609,014)	(699,385)		
Investment loss recognized using equity method, net	(1,653,248)	(8,952,678)		
Other investment loss	-	(7,260)		
Foreign currency exchange loss and valuation loss on financial instruments, net	(805,874)	-		
Impairment loss on assets	(3,198,114)	-		
Other losses	<u>(13,364)</u>	<u>(195)</u>		
	<u>(6,279,614)</u>	<u>(9,659,518)</u>		
Loss before income taxes	(3,531,840)	(7,792,263)		
Income tax benefit	<u>621,514</u>	<u>1,190,295</u>		
Net loss	<u>(2,910,326)</u>	<u>(6,601,968)</u>		
	Before	After	Before	After
Earnings per common share (in New Taiwan dollars):	income	income	income	income
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share	<u>(1.30)</u>	<u>(1.07)</u>	<u>(2.97)</u>	<u>(2.52)</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

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

	<u>Retained earnings</u>					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\$
	Common stock NT\$	Common stock subscription NT\$	Capital surplus NT\$	Legal reserve NT\$	Special reserve 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
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)
Common stock subscribed under option plans	97,122	(21,656)	122,081	-	-	-	-	-	-	-	197,547
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358
Stock-based compensation cost	-	-	400,044	-	-	-	-	-	-	-	400,044
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,235,947)	-	(1,235,947)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	170,198	-	170,198
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,964	-	-	6,964
Foreign currency translation adjustment	-	-	-	-	-	-	1,515,783	-	-	-	1,515,783
Adjustments from investments accounted for using equity method	-	-	(21,880)	-	-	-	-	-	(25,472)	-	(47,352)
2011 net loss	-	-	-	-	-	(6,601,968)	-	-	-	-	(6,601,968)
Balance at December 31, 2011	<u>27,098,915</u>	<u>-</u>	<u>40,219,518</u>	<u>12,607,933</u>	<u>4,659,275</u>	<u>1,782,060</u>	<u>(3,580,136)</u>	<u>(16,993)</u>	<u>(630,621)</u>	<u>(6,390,846)</u>	<u>75,749,105</u>
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
Common stock subscribed under option plans	26,571	-	74,309	-	-	-	-	-	-	-	100,880
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(271,182)	(271,182)
Stock-based compensation cost	-	-	203,315	-	-	-	-	-	-	-	203,315
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	115,889	-	115,889
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	(570,376)	-	(570,376)
Minimum pension liability adjustment	-	-	-	-	-	-	-	(314,761)	-	-	(314,761)
Foreign currency translation adjustment	-	-	-	-	-	-	(2,074,897)	-	-	-	(2,074,897)
Adjustments from investments accounted for using equity method	-	-	(86,762)	-	-	-	-	-	180,932	-	94,170
2012 net loss	-	-	-	-	-	(2,910,326)	-	-	-	-	(2,910,326)
Balance at December 31, 2012	<u>28,347,268</u>	<u>-</u>	<u>44,096,498</u>	<u>12,607,933</u>	<u>6,126,774</u>	<u>(2,595,765)</u>	<u>(5,655,033)</u>	<u>(331,754)</u>	<u>(904,176)</u>	<u>(6,662,028)</u>	<u>75,029,717</u>

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.

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars)

	<u>2012</u> NT\$	<u>2011</u> NT\$
Cash flows from operating activities:		
Net loss	(2,910,326)	(6,601,968)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation	259,657	200,312
Amortization	415,958	523,485
Impairment loss on assets	3,198,114	-
Stock-based compensation cost	203,315	398,243
Valuation loss (gain) on financial assets and liabilities	1,118,605	(955,404)
Investment loss recognized using equity method, net	496,913	8,196,068
Cash dividends received from equity method investments	469,649	909,636
Other investment gain	(114,281)	(11,751)
Other investment loss	-	7,260
Gain on disposal of investments, net	-	(274,042)
Amortization of bonds payable discount and transaction cost	377,890	426,830
Unrealized exchange loss (gain) on bonds payable	(423,025)	534,280
Gain on redemption of bonds payable	(88,105)	-
Gain on disposal of property and equipment, net	(38,334)	(5,738)
Deferred income tax benefit	(972,593)	(2,241,593)
Changes in operating assets and liabilities:		
Notes and accounts receivable	43,341	1,006,604
Receivables from related parties	14,861,560	5,065,273
Inventories	(4,105,324)	2,757,757
Other receivables, prepayments and other current assets	1,295,899	(770,012)
Noncurrent receivables	32,021	32,546
Notes and accounts payable	(2,536,703)	(198,478)
Payables to related parties	(6,540,206)	(250,896)
Royalties payable, accrued expenses and other current liabilities	(5,044,366)	(716,649)
Deferred inter-company profits	30,177	(42,343)
Other liabilities	(223,747)	4,081
Cash provided by (used in) operating activities	<u>(193,911)</u>	<u>7,993,501</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	572,403
Proceeds from disposal of equity method investments	-	15,379
Increase in long-term investments	(5,500,020)	(1,269,200)
Proceeds from capital return or liquidation of investees	324,950	382,437
Additions to property, plant and equipment	(64,710)	(162,592)
Proceeds from disposal of property, plant and equipment and property not used in operation	214,872	109,971
Decrease (increase) in loans and advances to related parties	(499,784)	1,771,819
Additions to intangible assets	(137,935)	(129,037)
Increase in refundable deposits, deferred charges and other assets	(23,150)	(369,519)
Cash provided by (used in) investing activities	<u>(5,685,777)</u>	<u>921,661</u>
Cash flows from financing activities:		
Increase in long-term debt	-	9,000,000
Repayment of long-term debt	-	(12,200,000)
Redemption of bonds payable	(5,283,113)	-
Distribution of cash dividends	-	(9,678,044)
Proceeds from exercise of employee stock option	100,880	197,547
Purchase of treasury stock	(271,182)	(2,868,248)
Cash used in financing activities	<u>(5,453,415)</u>	<u>(15,548,745)</u>
Net decrease in cash and cash equivalents	(11,333,103)	(6,633,583)
Cash and cash equivalents at beginning of year	<u>30,769,328</u>	<u>37,402,911</u>
Cash and cash equivalents at end of year	<u><u>19,436,225</u></u>	<u><u>30,769,328</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>231,124</u>	<u>296,764</u>
Income taxes paid	<u>151,588</u>	<u>556,269</u>
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	<u>9,000,000</u>	<u>-</u>
Current portion of bonds payable	<u>4,892,805</u>	<u>-</u>
Net change in unrealized valuation losses on financial instruments	<u>273,555</u>	<u>1,091,221</u>
Net change in foreign currency translation adjustment	<u>(2,074,897)</u>	<u>1,515,783</u>
Proceeds from disposal of property, equipment and deferred charges included in other receivables from related parties	<u>-</u>	<u>1,053,087</u>
Increase in long-term investments	10,407,920	-
Less: Issuance of common shares	(4,907,900)	-
Cash paid	<u>5,500,020</u>	<u>-</u>