

## **Independent Auditors' Review Report**

The Board of Directors  
Acer Incorporated:

We have reviewed the consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modification that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

Taipei, Taiwan (the Republic of China)  
August 20, 2011

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

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**June 30, 2011 and 2010**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Assets	2011.6.30 NT\$	2010.6.30 NT\$	Liabilities and Stockholders' Equity	2011.6.30 NT\$	2010.6.30 NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	50,566,683	25,314,866	Short-term borrowings	590,346	4,408,414
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,255,506 and NT\$1,653,719 as of June 30, 2011 and 2010, respectively	87,475,768	121,100,400	Current portion of long-term debt	9,150,000	3,050,000
Notes and accounts receivables from related parties	509,549	918,653	Notes and accounts payable	65,271,823	84,020,704
Other receivables from related parties	34,909	39,162	Notes and accounts payable to related parties	6,277,344	6,559,844
Other receivables	8,124,384	10,103,978	Financial liabilities at fair value through profit or loss—current	317,095	351,101
Financial assets at fair value through profit or loss—current	52,797	449,853	Other payables to related parties	547,342	180,940
Available-for-sale financial assets—current	130,025	167,753	Hedging purpose derivative financial liabilities—current	264,333	610,254
Hedging purpose derivative financial assets—current	185,909	882,492	Royalties payable	9,018,425	14,745,736
Inventories	43,191,097	60,401,734	Dividends payable	9,678,238	8,336,958
Prepayments and other current assets	5,389,286	2,050,469	Accrued expenses and other current liabilities	57,449,303	53,466,456
Non-current assets held for sale	1,827,855	-	Deferred income tax liabilities—current	<u>565,594</u>	<u>586,307</u>
Deferred income tax assets—current	1,812,704	2,096,550	<b>Total current liabilities</b>	<u>159,129,843</u>	<u>176,316,714</u>
Restricted deposits	<u>29,424</u>	<u>19,120</u>	<b>Long-term liabilities:</b>		
<b>Total current assets</b>	<u>199,330,390</u>	<u>223,545,030</u>	Financial liabilities at fair value through profit or loss—noncurrent	1,365,433	-
<b>Long-term investments:</b>			Bonds payable	13,163,464	-
Investments accounted for using equity method	2,128,578	3,411,748	Long-term debt, excluding current portion	132,198	9,298,373
Prepayments for long-term investments	-	126,406	Other liabilities	437,681	336,713
Available-for-sale financial assets—noncurrent	1,831,087	2,296,813	Deferred income tax liabilities—noncurrent	<u>1,992,568</u>	<u>5,125,685</u>
Financial assets carried at cost—noncurrent	<u>1,665,030</u>	<u>2,051,329</u>	<b>Total long-term liabilities</b>	<u>17,091,344</u>	<u>14,760,771</u>
<b>Total long-term investments</b>	<u>5,624,695</u>	<u>7,886,296</u>	<b>Total liabilities</b>	<u>176,221,187</u>	<u>191,077,485</u>
<b>Property, plant and equipment:</b>			<b>Stockholders' equity and minority interest:</b>		
Land	1,930,869	2,508,379	Common stock	27,036,055	26,891,821
Buildings and improvements	4,657,447	5,279,493	Stock dividend to be distributed	-	53,376
Computer equipment and machinery	3,083,544	3,051,879	Capital surplus	39,799,841	38,933,094
Other equipment	3,232,555	3,105,102	Retained earnings:		
Construction in progress and advance payments for purchases of property and equipment	<u>99,998</u>	<u>231,255</u>	Legal reserve	12,607,933	11,096,134
	13,004,413	14,176,108	Special reserve	4,659,275	-
Less: accumulated depreciation	(5,216,272)	(4,929,669)	Unappropriated earnings	2,779,946	16,035,788
Less: accumulated impairment	<u>(877,101)</u>	<u>(679,528)</u>	Other equity components:		
<b>Net property, plant and equipment</b>	<u>6,911,040</u>	<u>8,566,911</u>	Foreign currency translation adjustment	(4,022,615)	(1,478,242)
<b>Intangible assets:</b>			Minimum pension liability adjustment	(18,185)	(4,368)
Trademark	9,922,482	7,896,559	Unrealized gain on financial instruments	43,626	360,741
Goodwill	20,210,480	21,917,354	Treasury stock	<u>(6,390,846)</u>	<u>(3,522,598)</u>
Other intangible assets	<u>5,406,766</u>	<u>4,782,150</u>	<b>Total stockholders' equity</b>	<u>76,495,030</u>	<u>88,365,746</u>
<b>Total intangible assets</b>	<u>35,539,728</u>	<u>34,596,063</u>	<b>Minority interest</b>	<u>355,256</u>	<u>450,544</u>
<b>Other financial assets</b>	1,503,467	750,086	<b>Total stockholders' equity and minority interest</b>	<u>76,850,286</u>	<u>88,816,290</u>
<b>Property not used in operation</b>	2,327,048	2,576,880	<b>Commitments and contingencies</b>		
<b>Deferred charges and other assets</b>	<u>1,835,105</u>	<u>1,972,509</u>			
<b>Total assets</b>	<u>253,071,473</u>	<u>279,893,775</u>	<b>Total liabilities and stockholders' equity</b>	<u>253,071,473</u>	<u>279,893,775</u>

# ACER INCORPORATED AND SUBSIDIARIES

## Consolidated Statements of Income

For the six-month periods ended June 30, 2011 and 2010

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

(Reviewed only, not audited in accordance with generally accepted auditing standards)

	<b>2011</b>	<b>2010</b>
	NT\$	NT\$
<b>Net sales</b>	229,889,493	312,392,382
<b>Cost of sales</b>	<u>(213,515,479)</u>	<u>(281,630,281)</u>
<b>Gross profit</b>	16,374,014	30,762,101
<b>Operating expenses:</b>		
Selling	(16,433,030)	(18,527,317)
Administrative	(4,344,718)	(3,128,885)
Research and development	<u>(754,413)</u>	<u>(582,163)</u>
<b>Total operating expenses</b>	<u>(21,532,161)</u>	<u>(22,238,365)</u>
<b>Operating income (loss)</b>	<u>(5,158,147)</u>	<u>8,523,736</u>
<b>Non-operating income and gains:</b>		
Interest income	209,437	139,822
Investment gain recognized using equity method, net	126,767	149,225
Gain on disposal of investments, net	184,964	443,090
Foreign currency exchange gain and valuation gain on financial instruments, net	116,736	-
Other income	<u>227,300</u>	<u>679,069</u>
	<u>865,204</u>	<u>1,411,206</u>
<b>Non-operating expenses and loss:</b>		
Interest expense	(575,008)	(381,355)
Foreign currency exchange loss and valuation loss on financial instruments, net	-	(456,706)
Impairment loss of non-financial assets	-	(350,000)
Restructuring cost	(1,052,611)	-
Other loss	<u>(183,524)</u>	<u>(114,164)</u>
	<u>(1,811,143)</u>	<u>(1,302,225)</u>
<b>Income (loss) before income taxes</b>	(6,104,086)	8,632,717
<b>Income tax benefit (expense)</b>	<u>500,483</u>	<u>(1,711,947)</u>
<b>Consolidated net income (loss)</b>	<u><b>(5,603,603)</b></u>	<u><b>6,920,770</b></u>
<b>Net income attributable to:</b>		
Shareholders of parent company	(5,604,082)	6,920,639
Minority shareholders	<u>479</u>	<u>131</u>
	<u><b>(5,603,603)</b></u>	<u><b>6,920,770</b></u>
<b>Earnings per common share (in New Taiwan dollars):</b>		
	NT\$	NT\$
Basic earnings per common share — retroactively adjusted	<u>(2.12)</u>	<u>2.62</u>
Diluted earnings per common share — retroactively adjusted	<u>(2.12)</u>	<u>2.58</u>

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**

**For the six-month periods ended June 30, 2011 and 2010**

(Expressed in thousands of New Taiwan dollars)

(Reviewed only, not audited in accordance with generally accepted auditing standards)

	Common stock NT\$	Common stock subscribed NT\$	Stock dividend to be distributed NT\$	Capital surplus NT\$	Retained earnings			Foreign currency translation adjustment NT\$	Minimum Pension liability adjustment NT\$	Unrealized gain (loss) on financial instruments	Treasury stock NT\$	Total stockholders' equity of parent company NT\$	Minority interest NT\$	Total stockholders' equity NT\$
					Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings NT\$							
<b>Balance at January 1, 2010</b>	26,882,283	-	-	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844	482,818	92,877,662
Common stock subscribed under option plans	9,538	-	-	23,427	-	-	-	-	-	-	-	32,965	-	32,965
Stock-based compensation cost	-	-	-	238,007	-	-	-	-	-	-	-	238,007	-	238,007
2010 consolidated net income	-	-	-	-	-	-	6,920,639	-	-	-	-	6,920,639	131	6,920,770
Appropriation approved by the stockholders (note 1):														
Legal reserve	-	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,991,615)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)	(123)	(8,336,958)
Stock dividends to shareholders	-	-	26,893	-	-	-	(26,893)	-	-	-	-	-	-	-
Employees' bonuses in stock	-	-	26,483	173,517	-	-	-	-	-	-	-	200,000	-	200,000
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(277,007)	-	(277,007)	-	(277,007)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	-	(106,090)	-	(106,090)	-	(106,090)
Minimum pension liability adjustment	-	-	-	-	-	-	-	-	3,540	-	-	3,540	-	3,540
Foreign currency translation adjustment	-	-	-	-	-	-	-	(2,437,863)	-	-	-	(2,437,863)	-	(2,437,863)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(32,282)	(32,282)
Adjustments from investments accounted for using equity method	-	-	-	4,025	-	-	-	-	-	(270,479)	-	(266,454)	-	(266,454)
<b>Balance at June 30, 2010</b>	<b>26,891,821</b>	<b>-</b>	<b>53,376</b>	<b>38,933,094</b>	<b>11,096,134</b>	<b>-</b>	<b>16,035,788</b>	<b>(1,478,242)</b>	<b>(4,368)</b>	<b>360,741</b>	<b>(3,522,598)</b>	<b>88,365,746</b>	<b>450,544</b>	<b>88,816,290</b>
<b>Balance at January 1, 2011</b>	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
Common stock subscribed under option plans	34,262	(21,656)	-	49,624	-	-	-	-	-	-	-	62,230	-	62,230
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)
Stock-based compensation cost	-	-	-	195,276	-	-	-	-	-	-	-	195,276	-	195,276
2011 consolidated net loss	-	-	-	-	-	-	(5,604,082)	-	-	-	-	(5,604,082)	479	(5,603,603)
Appropriation approved by the stockholders (note 2):														
Legal reserve	-	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	(194)	(9,678,238)
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(392,563)	-	(392,563)	-	(392,563)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	-	(32,072)	-	(32,072)	-	(32,072)
Minimum pension liability adjustment	-	-	-	-	-	-	-	-	5,772	-	-	5,772	-	5,772
Foreign currency translation adjustment	-	-	-	-	-	-	-	1,073,304	-	-	-	1,073,304	-	1,073,304
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(3,633)	(3,633)
Adjustments from investments accounted for using equity method	-	-	-	(23,974)	-	-	-	-	-	7,661	-	(16,313)	-	(16,313)
<b>Balance at June 30, 2011</b>	<b>27,036,055</b>	<b>-</b>	<b>-</b>	<b>39,799,841</b>	<b>12,607,933</b>	<b>4,659,275</b>	<b>2,779,946</b>	<b>(4,022,615)</b>	<b>(18,185)</b>	<b>43,626</b>	<b>(6,390,846)</b>	<b>76,495,030</b>	<b>355,256</b>	<b>76,850,286</b>

Note 1: Directors' and supervisors' remuneration of \$122,096 and employee bonuses of \$1,000,000 have been deducted in the 2009 net income.

Note 2: Directors' and supervisors' remuneration of \$89,469 and employee bonuses of \$1,500,000 have been deducted in the 2010 net income.

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2011 and 2010**

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

**(Reviewed only, not audited in accordance with generally accepted auditing standards)**

	<b>2011</b>	<b>2010</b>
	<b>NT\$</b>	<b>NT\$</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income (loss)	(5,603,603)	6,920,770
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	349,003	349,188
Amortization	1,295,242	665,795
Stock-based compensation cost	195,276	238,007
Valuation loss (gain) on financial assets and liabilities	(497,492)	687,774
Investment gain recognized using equity method, net	(143,529)	(170,653)
Cash dividends received from equity method investments	4,875	5,750
Gain on disposal of investments, net	(184,964)	(443,090)
Amortization of bonds payable discount and transaction cost	209,529	-
Unrealized exchange gain on bonds payable	(149,952)	-
Loss (gain) on disposal of property and equipment, net	(3,602)	2,307
Impairment loss of non-financial assets	-	350,000
Deferred income tax expense (benefit)	(999,618)	157,461
Other investment loss (gain), net	9,061	(11,419)
Changes in operating assets and liabilities:		
Notes and accounts receivable	14,255,120	(9,242,033)
Receivables from related parties	209,475	(334,486)
Inventories	(1,975,189)	(9,227,843)
Other receivables, prepayments and other current assets	(3,879,158)	(1,281,149)
Noncurrent receivable	15,995	(80,756)
Notes and accounts payable	(18,962,802)	(11,811,016)
Payables to related parties	(1,478,679)	(3,583,766)
Royalties payable, accrued expenses and other current liabilities	5,842,289	(3,690,034)
Other liabilities	107,019	(47,848)
<b>Cash used in operating activities</b>	<u>(11,385,704)</u>	<u>(30,547,041)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of investments	594,806	887,038
Increase in long-term investments	(114,864)	(138,637)
Proceeds from capital return and liquidation of investees	36,800	274,516
Additions to property, plant and equipment	(240,522)	(346,088)
Proceeds from disposal of property and equipment and property not used in operation	26,108	75,921
Increase in restricted deposits	(5,227)	(19,120)
Decrease (increase) in advances to related parties	12,005	(1,516)
Addition to intangible assets	(179,636)	(37,726)
Decrease (increase) in refundable deposits, deferred charges and other assets	(663,167)	122,459
<b>Cash provided by (used in) investing activities</b>	<u>(533,697)</u>	<u>816,847</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(1,061,284)	3,860,355
Increase in long-term debt	10,265	-
Repayment of long-term debt	(3,050,000)	(23,626)
Proceeds from exercise of employee stock option	62,230	32,965
Purchase of treasury stock	(2,868,248)	-
Decrease in minority interests	(3,633)	(32,282)
<b>Cash provided by (used in) financing activities</b>	<u>(6,910,670)</u>	<u>3,837,412</u>
<b>Effects of exchange rate changes</b>	940,368	(2,408,419)
<b>Net decrease in cash and cash equivalents</b>	<u>(17,889,703)</u>	<u>(28,301,201)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>68,456,386</u>	<u>53,616,067</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>50,566,683</b></u>	<u><b>25,314,866</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>399,146</u>	<u>355,644</u>
Income taxes paid	<u>1,177,757</u>	<u>2,905,579</u>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Current portion of long-term debt	<u>9,150,000</u>	<u>3,050,000</u>
Change in unrealized loss on financial instruments	<u>416,974</u>	<u>653,576</u>
Dividends payable	<u>9,678,238</u>	<u>8,336,958</u>

