

## **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 June 30, 2011 and 2010, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods 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.

Except as stated in the third paragraph, 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.

The Company's long-term equity investments of NT\$73,556,739 thousand and NT\$78,606,880 thousand, deferred inter-company profits of NT\$127,004 thousand and NT\$75,407 thousand and foreign currency translation adjustment of NT\$(4,022,615) thousand and NT\$(1,478,242) thousand as of June 30, 2011 and 2010, respectively, and related net investment gain of NT\$431,923 thousand and NT\$4,219,052 thousand and changes in unrealized inter-company profits of NT\$(28,257) thousand and NT\$(17,055) thousand for the six-month periods ended June 30, 2011 and 2010, respectively, were accounted for under the equity method based on the unaudited financial statements of the related investees of the Company. Therefore, we are unable to evaluate the effect on the Company's financial statements referred to in the first paragraph if such investees' financial statements were audited by independent auditors. In addition, the information related to investee companies and investments in Mainland China as stated in note 11(2)(3) is provided by investee companies and is not audited using the audit procedures as stated in the second paragraph.

In our opinion, except for the effect of possible adjustments, if any, that might have been determined to be necessary had the investees' financial statements been audited by independent auditors, 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 June 30, 2011 and 2010, and the results of its operations and its cash flows for the six-month periods then ended, in conformity with the "Guidelines Governing the Presentation of Financial Reports by Securities Issuers", related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated financial statements of Acer Incorporated and subsidiaries as of and for the six-month periods ended June 30, 2011 and 2010, prepared by the Company. Based on our reviews, we issue an unqualified review report related to the consolidated financial statements as of and for the six-month period ended June 30, 2011 and 2010.

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**  
**Non-Consolidated Balance Sheets**  
**June 30, 2011 and 2010**  
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2011.6.30</u> NT\$	<u>2010.6.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2011.6.30</u> NT\$	<u>2010.6.30</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	22,697,882	1,148,206	Short-term borrowings	-	2,731,004
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$78,389 and NT\$154,289 as of June 30, 2011 and 2010, respectively	6,901,221	10,272,697	Notes and accounts payable	52,776,312	65,971,325
Notes and accounts receivables from related parties	52,472,456	77,823,859	Notes and accounts payable to related parties	4,677,440	5,090,669
Other receivables from related parties	41,120	35,021	Financial liabilities at fair value through profit or loss—current	145,917	47,384
Other receivables	2,441,955	3,761,789	Other payables to related parties	901,177	952,631
Inventories	17,494,090	22,914,923	Hedging purpose derivative financial liabilities—current	84,511	226,597
Financial assets at fair value through profit or loss—current	12,027	24,480	Royalties payable	8,231,122	11,571,813
Available-for-sale financial assets-current	71,773	74,167	Dividends payable	9,678,044	8,336,835
Hedging purpose derivative financial assets—current	58,212	481,164	Accrued expenses and other current liabilities	20,715,983	15,924,748
Deferred income tax assets—current	579,116	1,125,867	Current portion of long-term debt	9,150,000	3,050,000
Prepayments and other current assets	<u>1,014,107</u>	<u>244,400</u>	Deferred inter-company profits	<u>127,004</u>	<u>75,407</u>
<b>Total current assets</b>	<u>103,783,959</u>	<u>117,906,573</u>	<b>Total current liabilities</b>	<u>106,487,510</u>	<u>113,978,413</u>
<b>Long-term investments:</b>			<b>Long-term liabilities:</b>		
Investments accounted for using equity method	77,965,239	78,606,880	Financial liabilities at fair value through profit or loss—noncurrent	1,365,433	-
Available-for-sale financial assets—noncurrent	1,785,537	1,932,916	Bonds payable	13,163,464	-
Financial assets carried at cost—noncurrent	<u>667,021</u>	<u>763,269</u>	Long-term debt, excluding current portion	-	9,150,000
<b>Total long-term investments</b>	<u>80,417,797</u>	<u>81,303,065</u>	Other liabilities	33,571	30,753
			Deferred income tax liabilities—noncurrent	<u>1,992,568</u>	<u>3,013,072</u>
			<b>Total long-term liabilities</b>	<u>16,555,036</u>	<u>12,193,825</u>
<b>Property, plant and equipment:</b>			<b>Total liabilities</b>	<u>123,042,546</u>	<u>126,172,238</u>
Land	734,207	379,364	<b>Stockholders' equity:</b>		
Buildings and improvements	973,858	581,035	Common stock	27,036,055	26,891,821
Computer equipment and machinery	615,360	574,042	Stock dividend to be distributed	-	53,376
Other equipment	774,849	764,970	Capital surplus	39,799,841	38,933,094
Construction in progress and advance payments for purchases of equipment	<u>9,072</u>	<u>198,971</u>	Retained earnings:		
	3,107,346	2,498,382	Legal reserve	12,607,933	11,096,134
Less: accumulated depreciation	(931,600)	(770,244)	Special reserve	4,659,275	-
accumulated impairment	<u>(236,380)</u>	<u>-</u>	Unappropriated earnings	2,779,946	16,035,788
<b>Net property, plant and equipment</b>	<u>1,939,366</u>	<u>1,728,138</u>	Other equity components:		
			Foreign currency translation adjustment	(4,022,615)	(1,478,242)
			Minimum pension liability adjustment	(18,185)	(4,368)
<b>Intangible assets</b>			Unrealized gain on financial instruments	43,626	360,741
Trademark	7,416,567	7,445,659	Treasury stock	<u>(6,390,846)</u>	<u>(3,522,598)</u>
Other intangible assets	<u>1,011,138</u>	<u>818,767</u>	<b>Total stockholders' equity</b>	76,495,030	88,365,746
<b>Total intangible assets</b>	<u>8,427,705</u>	<u>8,264,426</u>	<b>Commitments and contingencies</b>		
<b>Property not used in operation</b>	3,433,259	3,807,163			
<b>Refundable deposits</b>	183,623	172,510			
<b>Noncurrent receivable</b>	65,973	98,510			
<b>Deferred charges and other assets</b>	<u>1,285,894</u>	<u>1,257,599</u>			
<b>Total assets</b>	<u>199,537,576</u>	<u>214,537,984</u>	<b>Total liabilities and stockholders' equity</b>	<u>199,537,576</u>	<u>214,537,984</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

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

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

	<u>2011</u> NT\$	<u>2010</u> NT\$
<b>Net Sales</b>	198,089,226	271,779,109
<b>Cost of sales</b>	<u>(195,528,941)</u>	<u>(263,453,800)</u>
<b>Gross profit</b>	2,560,285	8,325,309
<b>Changes in unrealized inter-company profits</b>	<u>(28,257)</u>	<u>(17,055)</u>
<b>Realized gross profit</b>	<u>2,532,028</u>	<u>8,308,254</u>
<b>Operating expenses:</b>		
Selling	(1,764,671)	(2,650,369)
Administrative	(378,457)	(486,519)
Research and development	<u>(613,459)</u>	<u>(496,904)</u>
<b>Total operating expenses</b>	<u>(2,756,587)</u>	<u>(3,633,792)</u>
<b>Operating income (loss)</b>	<u>(224,559)</u>	<u>4,674,462</u>
<b>Non-operating income and gains:</b>		
Interest income	51,908	18,301
Investment gain recognized using equity method, net	-	3,960,147
Gain on disposal of investments, net	113,170	328,101
Other income	<u>74,952</u>	<u>46,145</u>
	<u>240,030</u>	<u>4,352,694</u>
<b>Non-operating expenses and losses:</b>		
Interest expense	(349,738)	(140,712)
Investment loss recognized using equity method, net	(5,582,434)	-
Foreign currency exchange loss and valuation loss on financial instruments, net	(361,963)	(589,849)
Impairment of non-financial assets	<u>-</u>	<u>(350,000)</u>
	<u>(6,294,135)</u>	<u>(1,080,561)</u>
<b>Income (loss) before income taxes</b>	(6,278,664)	7,946,595
<b>Income tax benefit (expense)</b>	<u>674,582</u>	<u>(1,025,956)</u>
<b>Net income (loss)</b>	<u><b>(5,604,082)</b></u>	<u><b>6,920,639</b></u>

	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
<b>Earnings per common share (in dollars):</b>	<b>income</b>	<b>income</b>	<b>income</b>	<b>income</b>
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share — retroactively adjusted	<u>(2.37)</u>	<u>(2.12)</u>	<u>3.00</u>	<u>2.62</u>
Diluted earnings per common share — retroactively adjusted	<u>(2.37)</u>	<u>(2.12)</u>	<u>2.96</u>	<u>2.58</u>

**ACER INCORPORATED**

**Non-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)

	Common stock	Common stock subscribed	Stock dividend to be distributed	Capital surplus	Retained earnings			Foreign currency translation adjustment	Minimum Pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity
					Legal reserve	Special reserve	Unappropriated earnings					
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	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
Common stock subscribed under option plans	9,538	-	-	23,427	-	-	-	-	-	-	-	32,965
Stock-based compensation cost	-	-	-	238,007	-	-	-	-	-	-	-	238,007
2010 net income	-	-	-	-	-	-	6,920,639	-	-	-	-	6,920,639
Appropriation approved by the stockholders (note 1):												
Legal reserve	-	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)
Stock dividends to shareholders	-	-	26,893	-	-	-	(26,893)	-	-	-	-	-
Employees' bonuses in stock	-	-	26,483	173,517	-	-	-	-	-	-	-	200,000
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(277,007)	-	(277,007)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	-	(106,090)	-	(106,090)
Minimum pension liability adjustment	-	-	-	-	-	-	-	-	3,540	-	-	3,540
Foreign currency translation adjustment	-	-	-	-	-	-	-	(2,437,863)	-	-	-	(2,437,863)
Adjustments from investments accounted for using equity method	-	-	-	4,025	-	-	-	-	-	(270,479)	-	(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>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
Common stock subscribed under option plans	34,262	(21,656)	-	49,624	-	-	-	-	-	-	-	62,230
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)
Stock-based compensation cost	-	-	-	195,276	-	-	-	-	-	-	-	195,276
2011 net loss	-	-	-	-	-	-	(5,604,082)	-	-	-	-	(5,604,082)
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)
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(392,563)	-	(392,563)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	-	(32,072)	-	(32,072)
Minimum pension liability adjustment	-	-	-	-	-	-	-	-	5,772	-	-	5,772
Foreign currency translation adjustment	-	-	-	-	-	-	-	1,073,304	-	-	-	1,073,304
Adjustments from investments accounted for using equity method	-	-	-	(23,974)	-	-	-	-	-	7,661	-	(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>

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**

**Non-Consolidated Statements of Cash Flows**

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

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

	<u>2011</u>	<u>2010</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income (loss)	(5,604,082)	6,920,639
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	103,354	94,035
Amortization	266,608	226,892
Stock-based compensation cost	193,933	234,903
Valuation loss (gain) on financial assets and liabilities	(187,299)	761,847
Investment loss (gain) recognized using equity method, net	5,258,658	(4,219,052)
Cash dividends received from equity method investments	4,875	3,104
Gain on disposal of investments, net	(113,170)	(328,101)
Amortization of bonds payable discount and transaction cost	209,529	-
Unrealized exchange gain on bonds payable	(149,952)	-
Gain on disposal of property and equipment, net	(1,584)	(68)
Impairment loss of non-financial assets	-	350,000
Deferred income tax expense (benefit)	(1,150,307)	168,895
Other investment gain	-	(10,122)
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,963,316	2,683,652
Receivables from related parties	(3,939,741)	9,891,778
Inventories	910,696	(3,924,264)
Other receivables, prepayments and other current assets	(881,763)	(1,658,548)
Noncurrent receivables	16,287	(80,757)
Notes and accounts payable	(10,091,866)	(5,735,301)
Payables to related parties	(1,890,867)	(3,822,032)
Royalties payable, accrued expenses and other current liabilities	5,101,985	(3,668,543)
Deferred inter-company profits	28,257	17,055
Other liabilities	<u>2,965</u>	<u>1,894</u>
<b>Cash used in operating activities</b>	<u>(9,950,168)</u>	<u>(2,092,094)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of investments	232,487	621,734
Increase in long-term investments	(864,000)	-
Proceeds from capital return and liquidation of investees	32,300	84,859
Additions to property, plant and equipment	(21,867)	(154,351)
Proceeds from disposal of property, plant and equipment and property not used in operation	18,716	31,976
Decrease in loans and advances to related parties	1,894,865	80,592
Additions to intangible assets	(33,091)	(4,924,070)
Decrease (increase) in refundable deposits, deferred charges and other assets	<u>(158,253)</u>	<u>82,364</u>
<b>Cash provided by (used in) investing activities</b>	<u>1,101,157</u>	<u>(4,176,896)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	-	2,731,004
Repayment of long-term debt	(3,050,000)	-
Proceeds from exercise of employee stock option	62,230	32,965
Purchase of treasury stock	<u>(2,868,248)</u>	<u>-</u>
<b>Cash provided by (used in) financing activities</b>	<u>(5,856,018)</u>	<u>2,763,969</u>
<b>Net decrease in cash and cash equivalents</b>	(14,705,029)	(3,505,021)
<b>Cash and cash equivalents at beginning of period</b>	<u>37,402,911</u>	<u>4,653,227</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>22,697,882</u></u>	<u><u>1,148,206</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>145,524</u>	<u>114,615</u>
Income taxes paid	<u>275,113</u>	<u>1,729,922</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 valuation loss on financial instruments	<u>416,974</u>	<u>653,576</u>
Change in foreign currency translation adjustment	<u>1,073,304</u>	<u>(2,437,863)</u>
Dividends payable	<u>9,678,044</u>	<u>8,336,835</u>

