

Independent Auditors' Review Report

The Board of Directors
Acer Incorporated:

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

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

The Company's long-term equity method investments of NT\$74,728,253 thousand and NT\$80,724,040 thousand, deferred inter-company profits of NT\$102,939 thousand and NT\$89,243 thousand and foreign currency translation adjustment of NT\$(2,274,044) thousand and NT\$(645,333) thousand as of September 30, 2011 and 2010, respectively, and related net investment gain (loss) of NT\$(243,477)thousand and NT\$7,357,306 thousand and change in unrealized inter-company profits of NT\$4,193 and NT\$30,890 thousand for the nine-month periods ended September 30, 2011 and 2010, respectively, were accounted for using the equity method based on the unreviewed financial statements of the related investees of the Company.

Based on our reviews, except for the effects of such adjustment, if any, as might have been determined to be necessary had the investee companies' financial statements as discussed in the preceding paragraph been reviewed, we are not aware of any material modification that should be made to the non-consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

KPMG
October 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
September 30, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2011.9.30</u> NT\$	<u>2010.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2011.9.30</u> NT\$	<u>2010.9.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	15,039,337	4,780,561	Notes and accounts payable	45,228,733	77,381,869
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$68,385 and NT\$177,334 as of September 30, 2011 and 2010, respectively	8,736,205	11,492,172	Notes and accounts payable to related parties	3,342,385	6,109,816
Notes and accounts receivables from related parties	46,244,968	94,892,801	Financial liabilities at fair value through profit or loss—current	5,424	721,946
Other receivables from related parties	31,513	1,112,976	Other payables to related parties	1,375,285	368,494
Other receivables	2,325,489	3,091,976	Hedging purpose derivative financial liabilities—current	-	1,008,268
Inventories	10,697,369	22,001,841	Royalties payable	8,639,262	12,314,043
Financial assets at fair value through profit or loss—current	230,896	3,662	Accrued expenses and other current liabilities	17,243,738	15,098,108
Available-for-sale financial assets—current	55,465	85,617	Current portion of long-term debt	9,150,000	3,050,000
Hedging purpose derivative financial assets—current	181,082	3,494	Deferred inter-company profits	<u>102,939</u>	<u>89,243</u>
Deferred income tax assets—current	976,490	416,358	Total current liabilities	<u>85,087,766</u>	<u>116,141,787</u>
Prepayments and other current assets	<u>783,752</u>	<u>696,676</u>			
Total current assets	<u>85,302,566</u>	<u>138,578,134</u>	Long-term liabilities:		
Long-term investments:			Financial liabilities at fair value through profit or loss—noncurrent	1,261,445	1,347,441
Investments accounted for using equity method	77,223,393	81,039,740	Bonds payable	14,053,358	13,998,055
Available-for-sale financial assets—noncurrent	931,507	2,242,233	Long-term debt, excluding current portion	-	9,150,000
Financial assets carried at cost—noncurrent	<u>606,541</u>	<u>760,469</u>	Other liabilities	48,057	30,879
Total long-term investments	<u>78,761,441</u>	<u>84,042,442</u>	Deferred income tax liabilities—noncurrent	<u>1,978,546</u>	<u>3,559,143</u>
			Total long-term liabilities	<u>17,341,406</u>	<u>28,085,518</u>
Property, plant and equipment:			Total liabilities	<u>102,429,172</u>	<u>144,227,305</u>
Land	734,207	379,364			
Buildings and improvements	973,858	581,035	Stockholders' equity:		
Computer equipment and machinery	650,185	596,194	Common stock	27,036,055	26,947,413
Other equipment	777,048	765,222	Common stock subscribed	94,661	-
Construction in progress and advance payments for purchases of equipment	<u>10,555</u>	<u>217,654</u>	Capital surplus	40,065,421	39,479,465
	3,145,853	2,539,469	Retained earnings:		
Less: accumulated depreciation	(964,578)	(808,673)	Legal reserve	12,607,933	11,096,134
accumulated impairment	<u>(236,380)</u>	<u>-</u>	Special reserve	4,659,275	-
Net property, plant and equipment	<u>1,944,895</u>	<u>1,730,796</u>	Unappropriated earnings	1,687,572	20,334,472
			Other equity components:		
Intangible assets:			Foreign currency translation adjustment	(2,274,044)	(645,333)
Trademark	7,409,294	7,438,386	Minimum pension liability adjustment	(18,185)	(4,365)
Other intangible assets	<u>952,632</u>	<u>778,079</u>	Unrealized loss on financial instruments	(436,354)	(192,358)
Total intangible assets	<u>8,361,926</u>	<u>8,216,465</u>	Treasury stock	<u>(6,390,846)</u>	<u>(3,522,598)</u>
Property not used in operation	3,424,431	3,694,096	Total stockholders' equity	77,031,488	93,492,830
Refundable deposits	179,059	166,934			
Noncurrent receivable	57,862	90,400	Commitments and contingencies		
Deferred charges and other assets	<u>1,428,480</u>	<u>1,200,868</u>			
Total assets	<u>179,460,660</u>	<u>237,720,135</u>	Total liabilities and stockholders' equity	<u>179,460,660</u>	<u>237,720,135</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 30, 2011 and 2010

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

Unaudited

	<u>2011</u> NT\$	<u>2010</u> NT\$
Net Sales	299,798,044	409,158,464
Cost of sales	<u>(294,547,805)</u>	<u>(396,276,725)</u>
Gross profit	5,250,239	12,881,739
Changes in unrealized inter-company profits	<u>(4,193)</u>	<u>(30,890)</u>
Realized gross profit	<u>5,246,046</u>	<u>12,850,849</u>
Operating expenses:		
Selling	(3,193,413)	(4,243,839)
Administrative	(637,733)	(697,744)
Research and development	<u>(883,332)</u>	<u>(780,248)</u>
Total operating expenses	<u>(4,714,478)</u>	<u>(5,721,831)</u>
Operating income	<u>531,568</u>	<u>7,129,018</u>
Non-operating income and gains:		
Interest income	58,191	23,088
Investment gain recognized using equity method, net	-	7,078,406
Foreign currency exchange gain and valuation gain on financial instruments, net	186,691	-
Gain on disposal of investments, net	274,042	566,319
Other income	<u>215,725</u>	<u>127,578</u>
	<u>734,649</u>	<u>7,795,391</u>
Non-operating expenses and losses:		
Interest expense	(532,682)	(262,683)
Investment loss recognized using equity method, net	(8,257,342)	-
Foreign currency exchange loss and valuation loss on financial instruments, net	-	(1,436,515)
Impairment of non-financial assets	<u>-</u>	<u>(350,000)</u>
	<u>(8,790,024)</u>	<u>(2,049,198)</u>
Income (loss) before income taxes	(7,523,807)	12,875,211
Income tax benefit (expense)	<u>827,351</u>	<u>(1,655,888)</u>
Net income (loss)	<u>(6,696,456)</u>	<u>11,219,323</u>

	Before	After	Before	After
	income	income	income	income
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Earnings per common share (in New Taiwan dollars):				
Basic earnings per common share — retroactively adjusted	<u>(2.86)</u>	<u>(2.55)</u>	<u>4.87</u>	<u>4.24</u>
Diluted earnings per common share – retroactively adjusted	<u>(2.86)</u>	<u>(2.55)</u>	<u>4.76</u>	<u>4.16</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

Unaudited

	Retained earnings						Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings					
Balance at January 1, 2010	26,882,283	-	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844
Common stock subscribed under option plans	11,754	-	28,163	-	-	-	-	-	-	-	39,917
Cash dividends distributed to subsidiaries	-	-	125,922	-	-	-	-	-	-	-	125,922
Stock-based compensation cost	-	-	357,155	-	-	-	-	-	-	-	357,155
2010 net income	-	-	-	-	-	11,219,323	-	-	-	-	11,219,323
Conversion right from issuance of convertible bonds	-	-	297,149	-	-	-	-	-	-	-	297,149
Appropriation approved by the stockholders (note 1):											
Legal reserve	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-
Reversal of 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 gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	182,186	-	182,186
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	(524,467)	-	(524,467)
Minimum pension liability adjustment	-	-	-	-	-	-	-	3,543	-	-	3,543
Foreign currency translation adjustment	-	-	-	-	-	-	(1,604,954)	-	-	-	(1,604,954)
Adjustments from investments accounted for using equity method	-	-	3,441	-	-	-	-	-	(864,394)	-	(860,953)
Balance at September 30, 2010	26,947,413	-	39,479,465	11,096,134	-	20,334,472	(645,333)	(4,365)	(192,358)	(3,522,598)	93,492,830
Balance at January 1, 2011	27,001,793	21,656	39,578,915	11,096,134	-	24,233,146	(5,095,919)	(23,957)	460,600	(3,522,598)	93,749,770
Common stock subscribed under option plans	34,262	73,005	49,624	-	-	-	-	-	-	-	156,891
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358
Stock-based compensation cost	-	-	321,953	-	-	-	-	-	-	-	321,953
2011 net loss	-	-	-	-	-	(6,696,456)	-	-	-	-	(6,696,456)
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	-	-	-	-	-	-	-	-	(1,068,478)	-	(1,068,478)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	29,274	-	29,274
Minimum pension liability adjustment	-	-	-	-	-	-	-	5,772	-	-	5,772
Foreign currency translation adjustment	-	-	-	-	-	-	2,821,875	-	-	-	2,821,875
Adjustments from investments accounted for using equity method	-	-	(25,429)	-	-	-	-	-	142,250	-	116,821
Balance at September 30, 2011	27,036,055	94,661	40,065,421	12,607,933	4,659,275	1,687,572	(2,274,044)	(18,185)	(436,354)	(6,390,846)	77,031,488

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 nine-month periods ended September 30, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2011</u>	<u>2010</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income (loss)	(6,696,456)	11,219,323
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	155,525	142,026
Amortization	401,225	337,487
Stock-based compensation cost	320,152	352,632
Valuation loss (gain) on financial assets and liabilities	(796,684)	2,247,583
Investments loss (gain) recognized using equity method, net	7,606,839	(7,401,821)
Cash dividends received from equity method investments	909,636	380,478
Gain on disposal of investments, net	(274,042)	(566,319)
Amortization of bonds payable discount and transaction cost	314,914	60,622
Unrealized exchange loss (gain) on bonds payable	634,557	(253,569)
Gain on disposal of property and equipment, net	(1,584)	(85)
Impairment loss of non-financial assets	-	350,000
Deferred income tax expense (benefit)	(1,908,364)	1,247,627
Other investment gain	(11,751)	(27,059)
Changes in operating assets and liabilities:		
Notes and accounts receivable	128,332	1,464,177
Receivables from related parties	2,287,747	(7,177,163)
Inventories	7,682,056	(3,022,517)
Other receivables, prepayments and other current assets	(720,184)	(1,468,795)
Noncurrent receivables	24,398	(72,646)
Notes and accounts payable	(17,639,445)	5,675,243
Payables to related parties	(3,420,745)	(3,387,031)
Royalties payable, accrued expenses and other current liabilities	2,035,680	(3,752,951)
Deferred inter-company profits	4,193	30,890
Other liabilities	<u>3,950</u>	<u>2,020</u>
Cash used in operating activities	<u>(8,960,051)</u>	<u>(3,619,848)</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	572,403	972,094
Proceeds from disposal of equity method investments	15,379	37,286
Increase in long-term investments	(1,269,200)	-
Proceeds from capital return and liquidation of investees	381,317	1,007,789
Additions to property, plant and equipment	(47,860)	(185,313)
Proceeds from disposal of property, plant and equipment and property not used in operation	18,716	136,381
Decrease (increase) in loans and advances to related parties	1,904,472	(997,363)
Additions to intangible assets	(40,701)	(4,927,429)
Decrease (increase) in refundable deposits, deferred charges and other assets	<u>(169,780)</u>	<u>114,455</u>
Cash provided by (used in) investing activities	<u>1,364,746</u>	<u>(3,842,100)</u>
Cash flows from financing activities:		
Issuance of convertible bonds	-	15,886,200
Repayment of long-term debt	(3,050,000)	-
Increase in loans from related parties	671,132	-
Distribution of cash dividends	(9,678,044)	(8,336,835)
Proceeds from exercise of employee stock option	156,891	39,917
Purchase of treasury stock	<u>(2,868,248)</u>	<u>-</u>
Cash provided by (used in) financing activities	<u>(14,768,269)</u>	<u>7,589,282</u>
Net increase (decrease) in cash and cash equivalents	(22,363,574)	127,334
Cash and cash equivalents at beginning of period	<u>37,402,911</u>	<u>4,653,227</u>
Cash and cash equivalents at end of period	<u>15,039,337</u>	<u>4,780,561</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>220,542</u>	<u>175,549</u>
Income taxes paid	<u>556,269</u>	<u>2,423,175</u>
Supplementary disclosures of non-cash investing and financing activities:		
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>896,954</u>	<u>1,206,675</u>
Change in foreign currency translation adjustment	<u>2,821,875</u>	<u>(1,604,954)</u>

