

## **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, 2012 and 2011, 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)

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, 2012 and 2011**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Assets	2012.6.30 NT\$	2011.6.30 NT\$	Liabilities and Stockholders' Equity	2012.6.30 NT\$	2011.6.30 NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	44,928,124	50,566,683	Short-term borrowings	-	590,346
Financial assets at fair value through profit or loss—current	532,202	52,797	Financial liabilities at fair value through profit or loss—current	51,157	317,095
Available-for-sale financial assets—current	107,205	130,025	Hedging purpose derivative financial liabilities—current	439,948	264,333
Hedging purpose derivative financial assets—current	915,458	185,909	Notes and accounts payable	86,319,967	65,271,823
Notes and accounts receivable, net of allowance for impairment of NT\$608,583 and NT\$1,255,506 as of June 30, 2012 and 2011, respectively	88,346,440	87,475,768	Notes and accounts payable to related parties	199	6,277,344
Notes and accounts receivables from related parties	58,349	509,549	Other payables to related parties	1,731	547,342
Other receivables	4,833,422	8,124,384	Royalties payable	10,730,259	9,018,425
Other receivables from related parties	265	34,909	Dividends payable	195	9,678,238
Inventories	49,423,759	43,191,097	Accrued expenses and other current liabilities	51,647,931	57,449,303
Prepayments and other current assets	2,094,639	5,160,818	Current portion of long-term debt	-	9,150,000
Non-current assets held for sale	-	1,827,855	Deferred income tax liabilities—current	3,667	565,594
Deferred income tax assets—current	2,079,777	1,812,704	<b>Total current liabilities</b>	<u>149,195,054</u>	<u>159,129,843</u>
Restricted deposits	27,938	29,424	<b>Long-term liabilities:</b>		
<b>Total current assets</b>	<u>193,347,578</u>	<u>199,101,922</u>	Financial liabilities at fair value through profit or loss—noncurrent	1,050,752	1,365,433
<b>Long-term investments:</b>			Bonds payable	12,113,498	13,163,464
Investments accounted for using equity method	265,373	2,128,578	Long-term debt, excluding current portion	9,119,020	132,198
Available-for-sale financial assets—noncurrent	2,846,190	1,831,087	Other liabilities	731,224	437,681
Financial assets carried at cost—noncurrent	1,010,353	1,665,030	Deferred income tax liabilities—noncurrent	3,783,439	1,992,568
<b>Total long-term investments</b>	<u>4,121,916</u>	<u>5,624,695</u>	<b>Total long-term liabilities</b>	<u>26,797,933</u>	<u>17,091,344</u>
<b>Property, plant and equipment:</b>			<b>Total liabilities</b>	<u>175,992,987</u>	<u>176,221,187</u>
Land	1,412,608	1,414,065	<b>Stockholders' equity and minority interest:</b>		
Buildings and improvements	3,874,970	4,062,427	Common stock	28,347,268	27,036,055
Computer equipment and machinery	4,256,790	3,084,049	Capital surplus	43,959,814	39,799,841
Other equipment	3,275,468	4,256,702	Retained earnings:		
Construction in progress and advance payments for purchases of equipment	16,395	99,998	Legal reserve	12,607,933	12,607,933
	12,836,231	12,917,241	Special reserve	6,126,774	4,659,275
Less: accumulated depreciation	(5,172,290)	(5,505,552)	Unappropriated earnings	701,530	2,779,946
Less: accumulated impairment	(824,835)	(813,286)	Other equity components:		
<b>Net property, plant and equipment</b>	<u>6,839,106</u>	<u>6,598,403</u>	Foreign currency translation adjustment	(4,563,449)	(4,022,615)
<b>Intangible assets:</b>			Minimum pension liability adjustment	(12,411)	(18,185)
Trademark	9,651,256	9,922,482	Unrealized gain (loss) on financial instruments	(500,496)	43,626
Goodwill	25,433,654	20,210,480	Treasury stock	(6,390,846)	(6,390,846)
Other intangible assets	9,273,845	5,437,537	<b>Total stockholders' equity</b>	<u>80,276,117</u>	<u>76,495,030</u>
<b>Total intangible assets</b>	<u>44,358,755</u>	<u>35,570,499</u>	<b>Minority interest</b>	<u>2,253</u>	<u>355,256</u>
<b>Other financial assets</b>	1,933,441	1,503,467	<b>Total stockholders' equity and minority interest</b>	<u>80,278,370</u>	<u>76,850,286</u>
<b>Property not used in operation</b>	3,149,105	3,429,654	<b>Commitments and contingencies</b>		
<b>Deferred charges and other assets</b>	2,521,456	1,242,833			
<b>Total assets</b>	<u>256,271,357</u>	<u>253,071,473</u>	<b>Total liabilities and stockholders' equity</b>	<u>256,271,357</u>	<u>253,071,473</u>

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Income**

**For the six-month periods ended June 30, 2012 and 2011**

**(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>2012</b>	<b>2011</b>
	<b>NT\$</b>	<b>NT\$</b>
<b>Net sales</b>	223,584,120	229,889,493
<b>Cost of sales</b>	<u>(201,747,944)</u>	<u>(213,515,479)</u>
<b>Gross profit</b>	<u>21,836,176</u>	<u>16,374,014</u>
<b>Operating expenses:</b>		
Selling	(17,048,260)	(16,433,030)
Administrative	(2,755,049)	(4,344,718)
Research and development	<u>(1,462,417)</u>	<u>(754,413)</u>
<b>Total operating expenses</b>	<u>(21,265,726)</u>	<u>(21,532,161)</u>
<b>Operating income (loss)</b>	<u>570,450</u>	<u>(5,158,147)</u>
<b>Non-operating income and gains:</b>		
Interest income	299,395	209,437
Investment gain recognized using equity method, net	69,892	126,767
Gain on disposal of investments, net	-	184,964
Gain on disposal of property and equipment, net	654,192	3,602
Foreign currency exchange gain and valuation gain on financial instruments, net	18,713	116,736
Other income	<u>387,748</u>	<u>223,698</u>
	<u>1,429,940</u>	<u>865,204</u>
<b>Non-operating expenses and loss:</b>		
Interest expense	(455,725)	(575,008)
Restructuring cost	(138,280)	(1,052,611)
Other investment loss	(38,166)	(9,809)
Other losses	<u>(170,497)</u>	<u>(173,715)</u>
	<u>(802,668)</u>	<u>(1,811,143)</u>
<b>Income (loss) before income taxes</b>	1,197,722	(6,104,086)
<b>Income tax benefit (expense)</b>	<u>(811,978)</u>	<u>500,483</u>
<b>Consolidated net income (loss)</b>	<u><b>385,744</b></u>	<u><b>(5,603,603)</b></u>
<b>Net income (loss) attributable to:</b>		
Shareholders of the Company	386,969	(5,604,082)
Minority interest	<u>(1,225)</u>	<u>479</u>
	<u><b>385,744</b></u>	<u><b>(5,603,603)</b></u>
<b>Earnings per common share (in New Taiwan dollars):</b>		
	<b>NT\$</b>	<b>NT\$</b>
Basic earnings per common share	<u><b>0.14</b></u>	<u><b>(2.12)</b></u>
Diluted earnings per common share	<u><b>0.14</b></u>	<u><b>(2.12)</b></u>

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the six-month periods ended June 30, 2012 and 2011**

(Expressed in thousands of New Taiwan dollars)

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

	<u>Retained earnings</u>						Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity of parent company	Minority interest	Total stockholders' equity
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings							
<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
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)	(194)	(9,678,238)
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
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(480,631)	-	(480,631)	-	(480,631)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	64,475	-	64,475	-	64,475
Minimum pension liability adjustment	-	-	-	-	-	-	-	5,772	-	-	5,772	-	5,772
Foreign currency translation adjustment	-	-	-	-	-	-	1,073,304	-	-	-	1,073,304	(3,633)	1,069,671
Adjustments from investments accounted for using equity method	-	-	(23,974)	-	-	-	-	-	(818)	-	(24,792)	-	(24,792)
2011 consolidated net loss	-	-	-	-	-	(5,604,082)	-	-	-	-	(5,604,082)	479	(5,603,603)
<b>Balance at June 30, 2011</b>	<u>27,036,055</u>	<u>-</u>	<u>39,799,841</u>	<u>12,607,933</u>	<u>4,659,275</u>	<u>2,779,946</u>	<u>(4,022,615)</u>	<u>(18,185)</u>	<u>43,626</u>	<u>(6,390,846)</u>	<u>76,495,030</u>	<u>355,256</u>	<u>76,850,286</u>
<b>Balance at January 1, 2012</b>	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 subscribed under option plans	26,571	-	74,309	-	-	-	-	-	-	-	100,880	-	100,880
Stock-based compensation cost	-	-	109,100	-	-	-	-	-	-	-	109,100	-	109,100
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	462,542	-	462,542	-	462,542
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	(336,851)	-	(336,851)	-	(336,851)
Minimum pension liability adjustment	-	-	-	-	-	-	-	4,582	-	-	4,582	-	4,582
Foreign currency translation adjustment	-	-	-	-	-	-	(983,313)	-	-	-	(983,313)	968	(982,345)
Adjustments from investments accounted for using equity method	-	-	(129,231)	-	-	-	-	-	4,434	-	(124,797)	-	(124,797)
2012 consolidated net income	-	-	-	-	-	386,969	-	-	-	-	386,969	(1,225)	385,744
<b>Balance at June 30, 2012</b>	<u>28,347,268</u>	<u>-</u>	<u>43,959,814</u>	<u>12,607,933</u>	<u>6,126,774</u>	<u>701,530</u>	<u>(4,563,449)</u>	<u>(12,411)</u>	<u>(500,496)</u>	<u>(6,390,846)</u>	<u>80,276,117</u>	<u>2,253</u>	<u>80,278,370</u>

Note: Accrued directors' and supervisors' remuneration of \$89,469 and accrued 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, 2012 and 2011**

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

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

	<b>2012</b>	<b>2011</b>
	<b>NT\$</b>	<b>NT\$</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income (loss)	385,744	(5,603,603)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	426,122	349,003
Amortization	1,394,127	1,295,242
Stock-based compensation cost	237,676	195,276
Valuation gain on financial assets and liabilities	(432,379)	(497,492)
Investment gain recognized using equity method, net	(85,311)	(143,529)
Cash dividends received from equity method investments	-	4,875
Gain on disposal of investments, net	-	(184,964)
Amortization of bonds payable discount and transaction cost	214,486	209,529
Unrealized exchange gain on bonds payable	(197,685)	(149,952)
Gain on redemption of bonds payable	(61,076)	-
Gain on disposal of property and equipment, net	(654,192)	(3,602)
Deferred income tax benefit	(185,131)	(999,618)
Other investment loss, net	38,166	9,809
Changes in operating assets and liabilities:		
Notes and accounts receivable	(4,807,190)	14,255,120
Receivables from related parties	30,276	209,475
Inventories	(9,465,058)	(1,975,189)
Other receivables, prepayments and other current assets	1,943,019	(3,879,158)
Noncurrent receivable	15,117	15,995
Notes and accounts payable	9,223,191	(18,962,802)
Payables to related parties	(7,439,930)	(1,478,679)
Royalties payable, accrued expenses and other current liabilities	1,365,964	5,842,289
Other liabilities	399,167	107,019
<b>Cash used in operating activities</b>	<u>(7,654,897)</u>	<u>(11,384,956)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of a subsidiary, net of cash acquired	(4,464,660)	-
Proceeds from disposal of investments	-	594,806
Increase in long-term investments	-	(114,864)
Proceeds from capital return or liquidation of investees	105,204	36,800
Additions to property, plant and equipment	(438,641)	(240,522)
Proceeds from disposal of property and equipment	2,667,927	26,108
Decrease in advances to related parties	15,094	12,005
Decrease (increase) in restricted deposits	1,204	(5,227)
Addition to intangible assets	(19,740)	(179,636)
Increase in refundable deposits, deferred charges and other assets	(330,494)	(663,167)
<b>Cash used in investing activities</b>	<u>(2,464,106)</u>	<u>(533,697)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(358,120)	(1,061,284)
Increase in long-term debt	-	10,265
Repayment of long-term debt	(4,074)	(3,050,000)
Redemption of bonds payable	(2,059,454)	-
Proceeds from exercise of employee stock option	100,880	62,230
Purchase of treasury stock	-	(2,868,248)
<b>Cash used in financing activities</b>	<u>(2,320,768)</u>	<u>(6,907,037)</u>
<b>Effects of exchange rate changes</b>	<u>(724,686)</u>	<u>935,987</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(13,164,457)</u>	<u>(17,889,703)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>58,092,581</u>	<u>68,456,386</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>44,928,124</b></u>	<u><b>50,566,683</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>244,251</u>	<u>399,146</u>
Income taxes paid	<u>360,593</u>	<u>1,177,757</u>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Current portion of long-term debt	<u>-</u>	<u>9,150,000</u>
Change in unrealized valuation (gain) loss on financial instruments	<u>130,125</u>	<u>(416,974)</u>
Dividends payable	<u>195</u>	<u>9,678,238</u>
<b>Cash acquired from acquisition of a subsidiary:</b>		
Cash consideration	4,520,020	
Issuance of common shares	4,907,900	
Non-cash assets acquired	(6,447,901)	
Liabilities assumed	2,111,698	
Goodwill	(5,036,357)	
<b>Cash acquired from acquisition</b>	<u><b>55,360</b></u>	