

## 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, 2012 and 2011, 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\$53,981,406 thousand and NT\$49,276,459 thousand, credit balance of long-term equity investments of NT\$63,310 thousand and NT\$2,634 thousand, deferred inter-company profits of NT\$79,860 thousand and NT\$127,004 thousand and foreign currency translation adjustment of NT\$(4,563,449) thousand and NT\$(4,022,615) thousand as of June 30, 2012 and 2011, respectively, and related net investment gain of NT\$330,873 thousand and NT\$661,723 thousand and changes in unrealized inter-company profits of NT\$(23,457) thousand and NT\$(28,257) thousand for the six-month periods ended June 30, 2012 and 2011, respectively, were accounted for under the equity method based on the unaudited financial statements of the related investees of the Company. The Company's long-term equity investments of NT\$30,115,047 thousand, and NT\$24,280,281 thousand as of June 30, 2012 and 2011, respectively, and related net investment gain (loss) of NT\$732,976 thousand, and NT\$(229,800) thousand for the six-month periods ended June 30, 2012 and 2011, respectively, were accounted for under the equity method based on the reviewed 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, 2012 and 2011, 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" 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, 2012 and 2011, 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, 2012 and 2011.

Taipei, Taiwan (the Republic of China)

Draft

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, 2012 and 2011**  
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2012.6.30</u> NT\$	<u>2011.6.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2012.6.30</u> NT\$	<u>2011.6.30</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	18,854,277	22,697,882	Financial liabilities at fair value through profit or loss—current	21,978	145,917
Available-for-sale financial assets—current	71,656	71,773	Hedging purpose derivative financial liabilities—current	199,165	84,511
Financial assets at fair value through profit or loss—current	375,296	12,027	Notes and accounts payable	75,587,749	52,776,312
Hedging purpose derivative financial assets—current	187,385	58,212	Notes and accounts payable to related parties	152,524	4,677,440
Notes and accounts receivable, net of allowance for impairment of NT\$75,136 and NT\$78,389 as of June 30, 2012 and 2011, respectively	10,124,673	6,901,221	Other payables to related parties	263,992	901,177
Notes and accounts receivables from related parties	46,006,221	52,472,456	Royalties payable	8,998,327	8,231,122
Other receivables	2,172,725	2,441,955	Accrued expenses and other current liabilities	13,978,669	20,715,983
Other receivables from related parties	746,111	41,120	Dividends payable	-	9,678,044
Inventories	21,985,126	17,494,090	Current portion of long-term debt	-	9,150,000
Prepayments and other current assets	602,673	785,639	Deferred inter-company profits	79,860	127,004
Deferred income tax assets—current	856,900	579,116	<b>Total current liabilities</b>	<u>99,282,264</u>	<u>106,487,510</u>
<b>Total current assets</b>	<u>101,983,043</u>	<u>103,555,491</u>	<b>Long-term liabilities:</b>		
<b>Long-term investments:</b>			Financial liabilities at fair value through profit or loss—noncurrent	1,050,752	1,365,433
Investments accounted for using equity method	84,096,453	77,965,239	Bonds payable	12,113,498	13,163,464
Available-for-sale financial assets—noncurrent	2,445,268	1,785,537	Long-term debt, excluding current portion	9,000,000	-
Financial assets carried at cost—noncurrent	586,457	667,021	Other liabilities	94,940	33,571
<b>Total long-term investments</b>	<u>87,128,178</u>	<u>80,417,797</u>	Deferred income tax liabilities—noncurrent	1,912,080	1,992,568
<b>Property, plant and equipment:</b>			<b>Total long-term liabilities</b>	<u>24,171,270</u>	<u>16,555,036</u>
Land	734,207	734,207	<b>Total liabilities</b>	<u>123,453,534</u>	<u>123,042,546</u>
Buildings and improvements	1,181,181	1,276,719	<b>Stockholders' equity:</b>		
Computer equipment and machinery	726,462	615,865	Common stock	28,347,268	27,036,055
Other equipment	202,985	1,798,996	Capital surplus	43,959,814	39,799,841
Construction in progress and advance payments for purchases of equipment	-	9,072	Retained earnings:		
	2,844,835	4,434,859	Legal reserve	12,607,933	12,607,933
Less: accumulated depreciation	(963,782)	(1,469,144)	Special reserve	6,126,774	4,659,275
Less: accumulated impairment	(236,380)	(236,380)	Unappropriated earnings	701,530	2,779,946
<b>Net property, plant and equipment</b>	<u>1,644,673</u>	<u>2,729,335</u>	Other equity components:		
<b>Intangible assets</b>			Foreign currency translation adjustment	(4,563,449)	(4,022,615)
Trademark	7,387,474	7,416,567	Minimum pension liability adjustment	(12,411)	(18,185)
Other intangible assets	892,938	1,041,909	Unrealized gain (loss) on financial instruments	(500,496)	43,626
<b>Total intangible assets</b>	<u>8,280,412</u>	<u>8,458,476</u>	Treasury stock	(6,390,846)	(6,390,846)
<b>Property not used in operation</b>	3,155,540	3,433,259	<b>Total stockholders' equity</b>	<u>80,276,117</u>	<u>76,495,030</u>
<b>Refundable deposits</b>	161,782	183,623	<b>Commitments and contingencies</b>		
<b>Noncurrent receivables</b>	709,683	65,973			
<b>Deferred charges and other assets</b>	666,340	693,622			
<b>Total assets</b>	<u>203,729,651</u>	<u>199,537,576</u>	<b>Total liabilities and stockholders' equity</b>	<u>203,729,651</u>	<u>199,537,576</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

**For the six-month periods ended June 30, 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	193,157,792	198,089,226
Cost of sales	<u>(189,143,548)</u>	<u>(195,528,941)</u>
<b>Gross profit</b>	4,014,244	2,560,285
Changes in unrealized inter-company profits	<u>(23,457)</u>	<u>(28,257)</u>
<b>Realized gross profit</b>	<u>3,990,787</u>	<u>2,532,028</u>
<b>Operating expenses:</b>		
Selling	(2,145,512)	(1,764,671)
Administrative	(373,151)	(378,457)
Research and development	<u>(750,792)</u>	<u>(613,459)</u>
<b>Total operating expenses</b>	<u>(3,269,455)</u>	<u>(2,756,587)</u>
<b>Operating income (loss)</b>	<u>721,332</u>	<u>(224,559)</u>
<b>Non-operating income and gains:</b>		
Interest income	23,999	51,908
Investment gain recognized using equity method, net	377,554	-
Gain on disposal of investments, net	-	113,170
Other income	<u>123,226</u>	<u>74,952</u>
	<u>524,779</u>	<u>240,030</u>
<b>Non-operating expenses and losses:</b>		
Interest expense	(306,157)	(349,738)
Investment loss recognized using equity method, net	-	(5,582,434)
Foreign currency exchange loss and valuation loss on financial instruments, net	<u>(377,543)</u>	<u>(361,963)</u>
	<u>(683,700)</u>	<u>(6,294,135)</u>
<b>Income (loss) before income taxes</b>	562,411	(6,278,664)
<b>Income tax benefit (expense)</b>	<u>(175,442)</u>	<u>674,582</u>
<b>Net income (loss)</b>	<u><u>386,969</u></u>	<u><u>(5,604,082)</u></u>

	Before	After	Before	After
	income	income	income	income
<b>Earnings per common share (in New Taiwan dollars):</b>	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share	<u>0.21</u>	<u>0.14</u>	<u>(2.37)</u>	<u>(2.12)</u>
Diluted earnings per common share	<u>0.21</u>	<u>0.14</u>	<u>(2.37)</u>	<u>(2.12)</u>

ACER INCORPORATED

Non-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)

	Common stock NT\$	Common stock subscribed 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 NT\$
				Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings NT\$					
<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
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	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
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(392,563)	-	(392,563)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(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)
2011 net loss	-	-	-	-	-	(5,604,082)	-	-	-	-	(5,604,082)
<b>Balance at June 30, 2011</b>	<b>27,036,055</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>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
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
Stock-based compensation cost	-	-	109,100	-	-	-	-	-	-	-	109,100
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	240,797	-	240,797
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(287,818)	-	(287,818)
Minimum pension liability adjustment	-	-	-	-	-	-	-	4,582	-	-	4,582
Foreign currency translation adjustment	-	-	-	-	-	-	(983,313)	-	-	-	(983,313)
Adjustments from investments accounted for using equity method	-	-	(129,231)	-	-	-	-	-	177,146	-	47,915
2012 net income	-	-	-	-	-	386,969	-	-	-	-	386,969
<b>Balance at June 30, 2012</b>	<b>28,347,268</b>	<b>-</b>	<b>43,959,814</b>	<b>12,607,933</b>	<b>6,126,774</b>	<b>701,530</b>	<b>(4,563,449)</b>	<b>(12,411)</b>	<b>(500,496)</b>	<b>(6,390,846)</b>	<b>80,276,117</b>

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**

**Non-Consolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2012 and 2011**  
**(Expressed in thousands of New Taiwan dollars)**

	<u>2012</u>	<u>2011</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income (loss)	386,969	(5,604,082)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	128,389	103,354
Amortization	201,652	266,608
Stock-based compensation cost	109,100	193,933
Valuation loss (gain) on financial assets and liabilities	18,379	(187,299)
Investment loss (gain) recognized using equity method, net	(1,063,849)	5,258,658
Cash dividends received from equity method investments	-	4,875
Gain on disposal of investments, net	-	(113,170)
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	(38,032)	(1,584)
Deferred income tax benefit	(155,991)	(1,150,307)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,266,740)	1,963,316
Receivables from related parties	(2,538,779)	(3,939,741)
Inventories	(6,452,373)	910,696
Other receivables, prepayments and other current assets	444,251	(881,763)
Noncurrent receivables	15,118	16,287
Notes and accounts payable	12,918,049	(10,091,866)
Payables to related parties	(6,799,871)	(1,890,867)
Royalties payable, accrued expenses and other current liabilities	(65,829)	5,101,985
Deferred inter-company profits	23,457	28,257
Other liabilities	(423)	2,965
<b>Cash used in operating activities</b>	<u>(5,180,798)</u>	<u>(9,950,168)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of investments	-	232,487
Increase in long-term investments	(4,770,020)	(864,000)
Proceeds from capital return and liquidation of investees	24,189	32,300
Additions to property, plant and equipment	(27,152)	(21,867)
Proceeds from disposal of property, plant and equipment and property not used in operation	213,529	18,716
Decrease (increase) in loans and advances to related parties	(254,092)	1,894,865
Additions to intangible assets	(11,392)	(33,091)
Decrease (increase) in refundable deposits, deferred charges and other assets	49,259	(158,253)
<b>Cash provided by (used in) investing activities</b>	<u>(4,775,679)</u>	<u>1,101,157</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	-	(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>(1,958,574)</u>	<u>(5,856,018)</u>
<b>Net decrease in cash and cash equivalents</b>	(11,915,051)	(14,705,029)
<b>Cash and cash equivalents at beginning of period</b>	<u>30,769,328</u>	<u>37,402,911</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>18,854,277</b></u>	<u><b>22,697,882</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>92,062</u>	<u>145,524</u>
Income taxes paid	<u>-</u>	<u>275,113</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>
Change in foreign currency translation adjustment	<u>(983,313)</u>	<u>1,073,304</u>
Dividends payable	<u>-</u>	<u>9,678,044</u>
Increase in long-term investments	9,677,920	-
Less: Issuance of common shares	(4,907,900)	-
Cash paid	<u>4,770,020</u>	<u>-</u>