

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 December 31, 2013 and 2012 and January 1, 2012, the related non-consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Acer Incorporated as of December 31, 2013 and 2012 and January 1, 2012, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

Taipei, Taiwan (the Republic of China)

ACER INCORPORATED

Balance Sheets

December 31, 2013, December 31, 2012 and January 1, 2012

(in thousands of New Taiwan dollars)

Assets	2013.12.31	2012.12.31	2012.1.1
Current assets:			
Cash and cash equivalents	\$ 20,960,475	19,436,225	30,769,328
Financial assets at fair value through profit or loss — current	12,067	4,348	39,221
Hedging purpose derivative financial assets — current	-	388	650,104
Available-for-sale financial assets — current	77,684	78,381	66,446
Trade and notes receivable, net	4,958,635	8,124,840	9,103,502
Trade receivables from related parties	19,554,304	28,605,882	43,467,442
Other receivables	1,091,173	1,073,426	996,129
Other receivables from related parties	332,234	1,117,803	366,019
Current tax assets	127,792	212,108	287,111
Inventories	12,436,092	19,589,959	15,567,695
Other current assets	805,314	575,190	661,561
Total current assets	<u>60,355,770</u>	<u>78,818,550</u>	<u>101,974,558</u>
Non-current assets:			
Available-for-sale financial assets — non-current	2,164,512	2,637,138	1,398,461
Investments accounted for using equity method	72,923,024	81,517,586	75,551,633
Property, plant and equipment	1,703,498	1,376,478	1,560,967
Investment property	1,699,264	2,649,666	2,858,742
Intangible assets	781,218	5,005,252	8,460,029
Deferred income tax assets	-	1,205,606	997,989
Other non-current assets	387,871	437,958	445,726
Other financial assets — non-current	483,684	782,131	1,035,234
Total non-current assets	<u>80,143,071</u>	<u>95,611,815</u>	<u>92,308,781</u>
Total assets	<u>\$ 140,498,841</u>	<u>174,430,365</u>	<u>194,283,339</u>

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ACER INCORPORATED

Balance Sheets

December 31, 2013, December 31, 2012 and January 1, 2012

(in thousands of New Taiwan dollars)

Liabilities and Equity	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Current liabilities:			
Financial liabilities at fair value through profit or loss — current	\$ 265,663	385,869	-
Hedging purpose derivative financial liabilities — current	-	863,734	27,986
Trade and notes payable	44,620,889	60,132,997	62,669,700
Trade payables to related parties	138,933	231,824	6,526,825
Other payables	17,657,290	15,437,698	20,468,039
Other payables to related parties	230,465	444,357	689,562
Provisions — current	1,474,168	440,405	518,092
Current tax liabilities	195,970	1,793,464	1,668,976
Current portion of bonds payable	-	4,783,589	-
Current portion of long-term debt	1,800,000	9,000,000	-
Other current liabilities	<u>323,790</u>	<u>206,767</u>	<u>325,198</u>
Total current liabilities	<u>66,707,168</u>	<u>93,720,704</u>	<u>92,894,378</u>
Non-current liabilities:			
Financial liabilities at fair value through profit or loss — non-current	496,143	653,583	1,216,586
Bonds payable	8,974,513	3,948,504	13,548,703
Long-term debt	7,200,000	-	9,000,000
Deferred income tax liabilities	252,063	1,301,136	2,063,112
Other non-current liabilities	<u>619,973</u>	<u>604,752</u>	<u>543,819</u>
Total non-current liabilities	<u>17,542,692</u>	<u>6,507,975</u>	<u>26,372,220</u>
Total liabilities	<u>84,249,860</u>	<u>100,228,679</u>	<u>119,266,598</u>
Equity:			
Common stock	28,347,268	28,347,268	27,098,915
Capital surplus	43,707,727	43,403,533	39,924,024
Retained earnings:			
Legal reserve	10,012,168	12,607,933	12,607,933
Special reserve	6,126,774	6,126,774	4,659,275
Accumulated deficit	(24,464,794)	(6,706,640)	(2,697,535)
Other reserves	(1,425,876)	(3,522,896)	(792,767)
Treasury stock	<u>(6,054,286)</u>	<u>(6,054,286)</u>	<u>(5,783,104)</u>
Total equity	<u>56,248,981</u>	<u>74,201,686</u>	<u>75,016,741</u>
Total liabilities and equity	\$ <u>140,498,841</u>	<u>174,430,365</u>	<u>194,283,339</u>

ACER INCORPORATED

Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Revenue	\$ 273,910,017	359,944,584
Cost of sales	<u>270,721,685</u>	<u>350,838,850</u>
Gross profit	3,188,332	9,105,734
Less: Unrealized profit on intercompany sales	<u>25,146</u>	<u>30,177</u>
Realized gross Profit	<u>3,163,186</u>	<u>9,075,557</u>
Operating expenses:		
Selling expenses	5,481,642	5,101,248
Administrative expenses	2,167,633	1,145,364
Research and development expenses	1,937,028	1,741,657
Other expenses	<u>82,000</u>	<u>-</u>
	<u>9,668,303</u>	<u>7,988,269</u>
Other operating income and loss – net	<u>88,928</u>	<u>119,938</u>
Operating income (loss)	<u>(6,416,189)</u>	<u>1,207,226</u>
Non-operating income and loss:		
Other income	96,724	154,141
Other non-operating income and loss – net	1,066,020	(425,548)
Finance cost	(678,947)	(691,406)
Share of losses of subsidiaries and associates	(11,693,557)	(128,911)
Loss on impairment of investment property	(1,523)	-
Loss on impairment of intangible assets	<u>(4,025,173)</u>	<u>(3,198,114)</u>
	<u>(15,236,456)</u>	<u>(4,289,838)</u>
Losses before taxes	(21,652,645)	(3,082,612)
Income tax benefit	<u>(1,133,217)</u>	<u>(621,514)</u>
Net losses	<u>(20,519,428)</u>	<u>(2,461,098)</u>
Other comprehensive income (loss):		
Foreign currency translation differences	1,966,989	(2,042,186)
Change in fair value of available-for-sale financial assets	(318,799)	(144,759)
Change in fair value of cash flow hedges	341,824	(570,376)
Actuarial gain (loss) from defined benefit plans	(536)	19,500
Share of other comprehensive income (loss) of subsidiaries and associates	271,215	(69,816)
Less: Income tax expense (benefit) related to components of other comprehensive income (loss)	<u>(1,836)</u>	<u>3,000</u>
Other comprehensive income (loss) for the year, net of tax	<u>2,262,529</u>	<u>(2,810,637)</u>
Total comprehensive income (loss) for the year	<u>\$ (18,256,899)</u>	<u>(5,271,735)</u>
Earnings per common share (in New Taiwan dollars):		
Basic earnings per common share	\$ <u>(7.54)</u>	<u>(0.90)</u>
Diluted earnings per common share	\$ <u>(7.54)</u>	<u>(0.90)</u>

ACER INCORPORATED

Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(Expressed in thousands of New Taiwan dollars)

	Retained earnings					Other reserves			Treasury stock	Total equity of the Company		
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total	Foreign currency translation differences	Change in fair value of available-for-sale financial assets			Change in fair value of cash flow hedges	
Balance at January 1, 2012	\$ 27,098,915	39,924,024	12,607,933	4,659,275	(2,697,535)	14,569,673	(189,094)	(838,615)	234,942	(792,767)	(5,783,104)	75,016,741
Appropriation approved by the stockholders:												
Special reserve	-	-	-	1,467,499	(1,467,499)	-	-	-	-	-	-	-
Other changes in capital surplus:												
Adjustments from investments in associates	-	(219,106)	-	-	-	-	-	-	-	-	-	(219,106)
Share-based compensation cost	-	203,315	-	-	-	-	-	-	-	-	-	203,315
Issuance of common shares for acquisition of a subsidiary	1,221,782	3,420,991	-	-	-	-	-	-	-	-	-	4,642,773
Stock subscription under employee share option plans	26,571	74,309	-	-	-	-	-	-	-	-	-	100,880
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(271,182)	(271,182)
Net losses in 2012	-	-	-	-	(2,461,098)	(2,461,098)	-	-	-	-	-	(2,461,098)
Other comprehensive income (loss) in 2012	-	-	-	-	(80,508)	(80,508)	(2,041,871)	(50,883)	(637,375)	(2,730,129)	-	(2,810,637)
Total comprehensive income (loss) in 2012	-	-	-	-	(2,541,606)	(2,541,606)	(2,041,871)	(50,883)	(637,375)	(2,730,129)	-	(5,271,735)
Balance at December 31, 2012	<u>28,347,268</u>	<u>43,403,533</u>	<u>12,607,933</u>	<u>6,126,774</u>	<u>(6,706,640)</u>	<u>12,028,067</u>	<u>(2,230,965)</u>	<u>(889,498)</u>	<u>(402,433)</u>	<u>(3,522,896)</u>	<u>(6,054,286)</u>	<u>74,201,686</u>
Appropriation approved by the stockholders:												
Decrease in legal reserve to offset accumulated deficit	-	-	(2,595,765)	-	2,595,765	-	-	-	-	-	-	-
Other changes in capital surplus:												
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	261,000
Share-based compensation cost	-	43,194	-	-	-	-	-	-	-	-	-	43,194
Net losses in 2013	-	-	-	-	(20,519,428)	(20,519,428)	-	-	-	-	-	(20,519,428)
Other comprehensive income (loss) in 2013	-	-	-	-	165,509	165,509	1,968,734	(274,147)	402,433	2,097,020	-	2,262,529
Total comprehensive income (loss) in 2013	-	-	-	-	(20,353,919)	(20,353,919)	1,968,734	(274,147)	402,433	2,097,020	-	(18,256,899)
Balance at December 31, 2013	<u>\$ 28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(24,464,794)</u>	<u>(8,325,852)</u>	<u>(262,231)</u>	<u>(1,163,645)</u>	<u>-</u>	<u>(1,425,876)</u>	<u>(6,054,286)</u>	<u>56,248,981</u>

ACER INCORPORATED

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(in thousands of New Taiwan dollars)

	2013	2012
Cash flows from operating activities:		
Losses before taxes	\$ (21,652,645)	<u>(3,082,612)</u>
Adjustments for:		
Non-cash profit and loss:		
Depreciation	262,861	257,997
Amortization	364,338	415,958
Share-based compensation cost	43,194	203,315
Valuation loss (gain) on derivative financial assets and liabilities	(440,247)	1,118,605
Interest expense	678,947	691,406
Interest income	(16,703)	(37,670)
Dividend income	(80,021)	(116,471)
Effects of exchange rate changes on bonds payable	236,923	(408,723)
Share of losses of subsidiaries and associates	11,693,557	128,911
Gain on disposal of property, plant and equipment and investment property, net	(113,593)	(38,334)
Gain on disposal of available-for-sale financial assets	(121,691)	(231,776)
Loss on impairment of non-financial assets	4,026,696	3,198,114
Unrealized profit on intercompany sales	25,146	30,177
Loss on purchase and redemption of bonds payable	73,972	69,164
Other investment income	-	(115,680)
Total non-cash profit and loss	<u>16,633,379</u>	<u>5,164,993</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Trade and notes receivable	3,166,205	978,662
Receivables from related parties	9,051,578	14,861,560
Inventories	7,093,773	(4,105,324)
Other receivables and other current assets	(247,488)	92,300
Net changes in operating assets	<u>19,064,068</u>	<u>11,827,198</u>
Net changes in operating liabilities:		
Trade and notes payable	(15,512,108)	(2,536,703)
Payables to related parties	(306,783)	(6,540,206)
Other payables and other current liabilities	2,337,006	(5,091,167)
Provisions	1,033,763	(77,687)
Other non-current liabilities	(51,906)	(3,556)
Net changes in operating liabilities	<u>(12,500,028)</u>	<u>(14,249,319)</u>
Total changes in operating assets and liabilities	<u>6,564,040</u>	<u>(2,422,121)</u>
Cash provided by (used in) operations	1,544,774	(339,740)
Interest received	16,320	37,732
Income taxes paid	(221,592)	(151,588)
Net cash provided by (used in) operating activities	<u>1,339,502</u>	<u>(453,596)</u>

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ACER INCORPORATED

Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(in thousands of New Taiwan dollars)

	2013	2012
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	167,031	-
Proceeds from capital return of available-for-sale financial assets	109,183	257,976
Purchase of investments accounted for using equity method	(2,885,400)	(5,500,020)
Proceeds from capital return or liquidation of investments	291,000	66,974
Additions to property, plant and equipment and investment property	(153,666)	(64,710)
Proceeds from disposal of property, plant and equipment and investment property	667,311	214,872
Decrease (increase) in advances to related parties	1,037,564	(499,784)
Additions to intangible assets	(146,437)	(137,935)
Decrease (increase) in other non-current financial assets and other non-current assets	82,439	(23,150)
Dividend received	<u>1,855,075</u>	<u>490,809</u>
Net cash provided by (used in) investing activities	<u>1,024,100</u>	<u>(5,194,968)</u>
Cash flows from financing activities:		
Issuance of bonds payable	6,000,000	-
Purchase and redemption of bonds payable	(6,669,074)	(5,283,113)
Proceeds from exercise of employee stock option	-	100,880
Purchase of treasury stock	-	(271,182)
Interest paid	<u>(170,278)</u>	<u>(231,124)</u>
Net cash used in financing activities	<u>(839,352)</u>	<u>(5,684,539)</u>
Net increase (decrease) in cash and cash equivalents	1,524,250	(11,333,103)
Cash and cash equivalents at beginning of year	<u>19,436,225</u>	<u>30,769,328</u>
Cash and cash equivalents at end of year	\$ <u>20,960,475</u>	<u>19,436,225</u>