

Review Report of Independent Certified Public Accountants

The Board of Directors
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of March 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the three-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 "The 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 generally accepted auditing standards, 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 investments of NT\$68,594,272 thousand and NT\$43,300,778 thousand, long-term equity investment credits of NT\$423,117 thousand and NT\$448,505 thousand, deferred inter-company profits of NT\$14,619 thousand and NT\$15,781 thousand and foreign currency translation adjustment of NT\$728,503 thousand and NT\$2,051,659 thousand as of March 31, 2008 and 2007, respectively, and related net investment income of NT\$1,787,545 thousand and NT\$2,709,092 thousand and change in unrealized inter-company profits of NT\$1,342 and NT\$12,282 thousand for the three-month periods ended March 31, 2008 and 2007, respectively, were accounted for under 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 adjustments, if any, as might have been determined to be necessary had the investee company's financial statements been reviewed as discussed in the preceding paragraph, 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 accounting principles generally accepted in the Republic of China.

Starting from January 1, 2008, the Company adopted Interpretation (96) No. 052 issued by Accounting Research and Development Foundation. The Company estimates the amount of employee bonuses and director's remuneration according to the Interpretation and recognizes as expenses. The effect of this accounting change is discussed in note 3 to the non-consolidated financial statement.

KPMG
April 18, 2008

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
March 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2008.3.31</u> NT\$	<u>2007.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2008.3.31</u> NT\$	<u>2007.3.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	5,363,520	24,428,073	Short-term borrowings	607,760	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$51,079 thousand and NT\$42,945 thousand as of March 31, 2008 and 2007, respectively	13,059,009	8,323,472	Notes and accounts payable	38,443,128	38,734,852
Notes and accounts receivables from related parties	39,501,915	30,597,865	Notes and accounts payable to related parties	4,519,678	2,733,509
Other receivables from related parties	2,249,852	81,299	Financial liabilities at fair value through profit or loss—current	1,323,768	264,326
Other receivables	428,157	939,977	Other payables to related parties	3,177,672	1,511,276
Inventories	13,989,875	8,714,943	Hedging purpose derivative financial liabilities	611,891	162,481
Noncurrent assets held for sale	-	2,918,806	Royalties payable	4,140,255	3,639,227
Financial assets at fair value through profit or loss—current	6,849	8,120	Accrued expenses and other current liabilities	12,129,995	9,172,563
Available-for-sale financial assets-current	214,076	5,970,600	Deferred inter-company profits	14,619	15,781
Hedging purpose derivative financial assets-current	-	18,548	Total current liabilities	<u>64,968,766</u>	<u>56,234,015</u>
Deferred income tax assets-current	1,353,720	875,650	Long-term liabilities:		
Prepaid expenses and other current assets	168,986	309,332	Long-term debt	12,200,000	-
Total current assets	<u>76,335,959</u>	<u>83,186,685</u>	Other payables to related parties	829,289	-
Funds and investments:			Other liabilities	78,513	160,236
Long-term equity investments under equity method	68,594,272	43,300,778	Deferred income tax liabilities-noncurrent	3,436,617	2,389,179
Available-for-sale financial assets-noncurrent	2,607,906	1,631,880	Long-term equity investment credits	423,117	448,505
Financial assets carried at cost-noncurrent	1,070,196	985,733	Total long-term liabilities	<u>16,967,536</u>	<u>2,997,920</u>
Total funds and investments	<u>72,272,374</u>	<u>45,918,391</u>	Total liabilities	<u>81,936,302</u>	<u>59,231,935</u>
Property, plant and equipment:			Stockholders' equity:		
Land	376,842	376,842	Common stock	24,054,904	23,370,637
Buildings and improvements	578,892	578,892	Capital surplus	29,891,872	29,854,175
Machinery and computer equipment	411,469	543,106	Retained earnings:		
Transportation equipment	25,020	25,008	Legal reserve	7,490,689	6,468,865
Furniture and fixtures	14,184	17,880	Special reserve	-	283,921
Other equipment	373,659	203,453	Unappropriated earnings	16,502,813	17,194,044
Leasehold improvement	26,053	26,053	Total retained earnings	<u>23,993,502</u>	<u>23,946,830</u>
Construction in progress and advance payments for purchases of property and equipment	587,105	6,632	Other stockholders' equity components:		
	2,393,224	1,777,866	Foreign currency translation adjustment	728,503	2,051,659
Less: accumulated depreciation	(544,930)	(662,698)	Minimum pension liability adjustment	(169,766)	2,040
Net property, plant and equipment	<u>1,848,294</u>	<u>1,115,168</u>	Unrealized gain on available-for-sale financial assets	783,734	1,920,682
Intangible assets	608,014	257,977	Hedge reserve	(598,305)	(194,375)
Property not used in operations	4,783,583	5,168,036	Amounts recognized directly in equity relating to noncurrent assets held for sale	-	(19,191)
Refundable deposits	225,817	348,282	Treasury stock	(3,270,920)	(3,270,920)
Noncurrent accounts receivable	249,984	414,236		<u>(2,526,754)</u>	<u>489,895</u>
Deferred expenses and other assets	1,025,801	484,697	Total stockholders' equity	75,413,524	77,661,537
			Commitments and contingencies		
Total assets	<u>157,349,826</u>	<u>136,893,472</u>	Total liabilities and stockholders' equity	<u>157,349,826</u>	<u>136,893,472</u>

ACER INCORPORATED
Non-Consolidated Statements of Income
For the three-month periods ended March 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
Unaudited

	<u>2008</u> NT\$	<u>2007</u> NT\$		
Revenues	89,373,670	65,151,981		
Sales return and allowances	<u>(2,485,576)</u>	<u>(705,727)</u>		
Net Revenue	86,888,094	64,446,254		
Cost of revenues	<u>(84,913,097)</u>	<u>(61,939,934)</u>		
Gross profit	1,974,997	2,506,320		
Changes in unrealized inter-company profits	<u>1,342</u>	<u>12,282</u>		
Realized gross profit	<u>1,976,339</u>	<u>2,518,602</u>		
Operating expenses:				
Selling	(602,516)	(557,186)		
Administrative	(37,089)	(40,832)		
Research and development	<u>(27,022)</u>	<u>(22,795)</u>		
Total operating expenses	<u>(666,627)</u>	<u>(620,813)</u>		
Operating income	<u>1,309,712</u>	<u>1,897,789</u>		
Non-operating income and gains:				
Interest income	111,412	80,152		
Investment gain recognized by equity method	782,209	717,028		
Gain on disposal of investments, net	901,644	3,052,775		
Foreign exchange gain and gain on derivative contracts, net	-	57,185		
Other income	<u>14,871</u>	<u>126,885</u>		
	<u>1,810,136</u>	<u>4,034,025</u>		
Non-operating expenses and loss:				
Interest expense	(149,320)	(25,172)		
Foreign exchange loss and loss on derivative contracts, net	(114,349)	-		
Other loss	<u>(170)</u>	<u>(18)</u>		
	<u>(263,839)</u>	<u>(25,190)</u>		
Income before income taxes	2,856,009	5,906,624		
Income tax benefit (expense)	<u>95,780</u>	<u>(244,059)</u>		
Net income	<u>2,951,789</u>	<u>5,662,565</u>		
			Before	After
Earnings per common share (in dollars):			income	income
			taxes	taxes
			NT\$	NT\$
Basic earnings per common share	<u>1.21</u>	<u>1.25</u>	<u>2.50</u>	<u>2.40</u>
Diluted earnings per common share	<u>1.20</u>	<u>1.24</u>	<u>-</u>	<u>-</u>

ACER INCORPORATED
Non-Consolidated Statements of Changes in Stockholders' Equity
For the three-month periods ended March 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)
Unaudited

	<u>Retained earnings</u>					Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain on available-for- sale financial assets	Hedge reserve	Amounts recognized directly in equity relating to noncurrent assets held for sale	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings							
	NT\$	NT\$	NT\$	NT\$	NT\$							
Balance at January 1, 2007	23,370,637	29,947,020	6,468,865	283,921	11,531,479	1,335,500	-	4,374,388	(12,780)	-	(3,270,920)	74,028,110
2007 net income	-	-	-	-	5,662,565	-	-	-	-	-	-	5,662,565
Foreign currency translation adjustment	-	-	-	-	-	716,159	-	-	-	-	-	716,159
Translation adjustment of noncurrent assets held for sale	-	-	-	-	-	-	-	-	-	(19,191)	-	(19,191)
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	(181,595)	-	-	(181,595)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(92,845)	-	-	-	-	-	-	-	-	-	(92,845)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	(2,453,706)	-	-	-	(2,453,706)
Minimum pension liability adjustment	-	-	-	-	-	-	2,024	-	-	-	-	2,040
Balance at March 31, 2007	<u>23,370,637</u>	<u>29,854,175</u>	<u>6,468,865</u>	<u>283,921</u>	<u>17,194,044</u>	<u>2,051,659</u>	<u>2,024</u>	<u>1,920,682</u>	<u>(194,375)</u>	<u>(19,191)</u>	<u>(3,270,920)</u>	<u>77,661,537</u>
Balance at January 1, 2008	24,054,904	29,898,983	7,490,689	-	13,551,024	2,733,899	(173,364)	2,508,663	15,836	-	(3,270,920)	76,809,714
2008 net income	-	-	-	-	2,951,789	-	-	-	-	-	-	2,951,789
Foreign currency translation adjustment	-	-	-	-	-	(2,005,396)	-	-	-	-	-	(2,005,396)
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	(614,141)	-	-	(614,141)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(7,111)	-	-	-	-	-	-	-	-	-	(7,111)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	(1,724,929)	-	-	-	(1,724,929)
Minimum pension liability adjustment	-	-	-	-	-	-	3,598	-	-	-	-	3,598
Balance at March 31, 2008	<u>24,054,904</u>	<u>29,891,872</u>	<u>7,490,689</u>	<u>-</u>	<u>16,502,813</u>	<u>728,503</u>	<u>(169,766)</u>	<u>783,734</u>	<u>(598,305)</u>	<u>-</u>	<u>(3,270,920)</u>	<u>75,413,524</u>

ACER INCORPORATED
Non-Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)
Unaudited

	<u>2008</u>	<u>2007</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	2,951,789	5,662,565
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	35,622	37,605
Amortization	55,419	43,695
Loss (gain) on disposal of assets, net	170	(117,962)
Other expenses	130	-
Gain on disposal of investments, net	(901,644)	(3,052,775)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(1,778,303)	(2,707,181)
Deferred income tax (benefit) expense	345,041	(85,744)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,012,483)	(307,198)
Notes and accounts from related parties	9,704,138	18,365,994
Inventories	(1,097,114)	(2,447,034)
Other financial assets, prepaid expenses and other current assets	136,633	(86,279)
Noncurrent accounts receivable	5,628	66,301
Notes and accounts payable	3,896,576	3,035,891
Payables to related parties	(1,044,863)	1,027,292
Deferred inter-company profits	(1,342)	(12,281)
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	(822,319)	(170,089)
Other liabilities	(2,849)	39,675
Cash provided by operating activities	<u>9,470,229</u>	<u>19,292,475</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets — current	1,060,019	3,321,049
Proceeds from sales of long-term equity investments and available-for-sale financial assets - noncurrent	100,000	2,552,462
Increase in long-term equity investments and available-for-sale financial assets - noncurrent	(190,504)	-
Return of capital from investees	-	232,400
Proceeds from disposal of property, plant and equipment and property not used in operations	267,161	1,136,775
Additions to property, plant and equipment	(110,425)	(54,353)
Increase in intangible assets	(872)	(10,459)
Decrease (increase) in loans and advances to related parties	(1,483,152)	5,704
Decrease in restricted assets — current	1,958,585	-
Decrease (increase) in refundable deposits, deferred expenses and other assets	(29,344)	20,255
Cash provided by investing activities	<u>1,571,468</u>	<u>7,203,833</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(4,245,349)	(5,375,080)
Decrease in long-term debt	(4,300,000)	-
Increase in loans from related parties	1,534,160	-
Cash used in financing activities	<u>(7,011,189)</u>	<u>(5,375,080)</u>
Net increase in cash and cash equivalents	4,030,508	21,121,228
Cash and cash equivalents at beginning of period	<u>1,333,012</u>	<u>3,306,845</u>
Cash and cash equivalents at end of period	<u>5,363,520</u>	<u>24,428,073</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>149,320</u>	<u>25,172</u>
Income taxes paid	<u>6,802</u>	<u>6,484</u>
Supplementary schedules of non-cash investing and financing activities:		
Change in foreign currency translation adjustment	<u>2,005,395</u>	<u>716,159</u>
Change in unrealized gain on available-for-sale financial assets	<u>1,724,929</u>	<u>2,453,706</u>

