

## Independent Accountants' Review Report

The Board of Directors  
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of September 30, 2008 and 2007, 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 "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\$46,015,524 thousand and NT\$43,056,251 thousand, long-term equity investment credits of NT\$0 and NT\$450,592 thousand, deferred inter-company profits of NT\$24,898 thousand and NT\$9,990 thousand and foreign currency translation adjustment of NT\$(323,656) thousand and NT\$2,840,950 thousand as of September 30, 2008 and 2007, respectively, and related net investment income of NT\$2,306,403 thousand and NT\$7,655,993 thousand and change in realized (unrealized) inter-company profits of NT\$(8,937) and NT\$18,073 thousand for the nine-month periods ended September 30, 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 adjustment, if any, as might have been determined to be necessary had the investee companies' 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.

The Company recognized employee bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. The changes in accounting principle decreased the Company's net income and earnings per share by NT\$1,554,051 thousand and NT\$0.63, respectively.

KPMG  
October 27, 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**  
**September 30, 2008 and 2007**  
(Expressed in thousands of New Taiwan dollars)  
**Unaudited**

Assets	<u>2008.9.30</u> NT\$	<u>2007.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2008.9.30</u> NT\$	<u>2007.9.30</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	2,472,828	18,280,366	Short-term borrowings	3,370,437	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$119,362 and NT\$47,397 as of September 30, 2008 and 2007, respectively	17,246,166	10,640,090	Notes and accounts payable	65,752,399	52,286,175
Notes and accounts receivables from related parties	62,366,007	44,848,121	Notes and accounts payable to related parties	8,783,109	3,913,790
Other receivables from related parties	652,128	120,126	Financial liabilities at fair value through profit or loss—current	180,006	1,467,342
Other receivables	2,176,896	982,251	Other payables to related parties	2,519,931	1,146,344
Inventories	15,382,710	16,304,857	Hedging purpose derivative financial liabilities	96,581	1,506,661
Financial assets at fair value through profit or loss—current	2,677,332	-	Royalties payable	5,768,180	5,620,691
Available-for-sale financial assets-current	75,633	5,375,874	Accrued expenses and other current liabilities	7,774,422	12,746,850
Hedging purpose derivative financial assets-current	644,087	-	Long-term debt-current portion	3,547,500	-
Deferred income tax assets-current	1,100,973	1,298,044	Deferred inter-company profits	<u>24,898</u>	<u>9,990</u>
Prepaid expenses and other current assets	<u>188,310</u>	<u>476,080</u>	<b>Total current liabilities</b>	<u>97,817,463</u>	<u>78,697,843</u>
<b>Total current assets</b>	<u>104,983,070</u>	<u>98,325,809</u>	<b>Long-term liabilities:</b>		
<b>Funds and investments:</b>			Long-term debt	8,652,500	-
Long-term equity investments under equity method	75,366,226	43,056,251	Other liabilities	139,027	28,999
Prepaid long-term equity investments	-	1,581,302	Deferred income tax liabilities-noncurrent	4,098,006	2,856,735
Available-for-sale financial assets-noncurrent	1,459,675	3,039,232	Long-term equity investment credits	<u>-</u>	<u>450,592</u>
Financial assets carried at cost-noncurrent	<u>1,033,882</u>	<u>899,418</u>	<b>Total long-term liabilities</b>	<u>12,889,533</u>	<u>3,336,326</u>
<b>Total funds and investments</b>	<u>77,859,783</u>	<u>48,576,203</u>	<b>Total liabilities</b>	<u>110,706,996</u>	<u>82,034,169</u>
<b>Property, plant and equipment:</b>			<b>Stockholders' equity:</b>		
Land	376,842	376,842	Common stock	26,427,316	24,054,904
Buildings and improvements	578,892	578,892	Capital surplus	37,081,534	29,898,471
Machinery and computer equipment	441,794	435,360	Retained earnings:		
Transportation equipment	24,141	25,503	Legal reserve	8,786,583	7,490,689
Office equipment	14,056	15,901	Unappropriated earnings	11,172,288	11,153,906
Other equipment	389,373	203,336	Other stockholders' equity components:		
Leasehold improvement	26,053	26,053	Foreign currency translation adjustment	825,185	2,840,950
Construction in progress and advance payments for purchases of property and equipment	<u>640,482</u>	<u>424,629</u>	Minimum pension liability adjustment	(172,116)	-
	2,491,633	2,086,516	Unrealized gain (loss) on available-for-sale financial assets	(828,796)	2,583,700
Less: accumulated depreciation	<u>(579,349)</u>	<u>(547,646)</u>	Hedging reserve	519,976	(1,584,421)
<b>Net property, plant and equipment</b>	<u>1,912,284</u>	<u>1,538,870</u>	Treasury stock	<u>(3,522,598)</u>	<u>(3,270,920)</u>
<b>Intangible assets</b>	665,899	479,362	<b>Total stockholders' equity</b>	80,289,372	73,167,279
<b>Property not used in operations</b>	4,254,255	5,071,042	<b>Commitments and contingencies</b>		
<b>Refundable deposits</b>	211,634	232,922			
<b>Noncurrent receivable, net of allowance for doubtful accounts of NT\$37,380 and NT\$0 as of September 30, 2008 and 2007, respectively</b>	95,879	293,744			
<b>Deferred expenses and other assets</b>	<u>1,013,564</u>	<u>683,496</u>			
<b>Total assets</b>	<u>190,996,368</u>	<u>155,201,448</u>	<b>Total liabilities and stockholders' equity</b>	<u>190,996,368</u>	<u>155,201,448</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

**For the nine-month periods ended September 30, 2008 and 2007**

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

**Unaudited**

	<u>2008</u> NT\$	<u>2007</u> NT\$		
<b>Net Revenue</b>	308,449,675	219,574,363		
<b>Cost of revenues</b>	<u>(301,806,962)</u>	<u>(211,351,551)</u>		
<b>Gross profit</b>	6,642,713	8,222,812		
<b>Changes in realized (unrealized) inter-company profits</b>	<u>(8,937)</u>	<u>18,073</u>		
<b>Realized gross profit</b>	<u>6,633,776</u>	<u>8,240,885</u>		
<b>Operating expenses:</b>				
Selling	(1,675,524)	(1,986,879)		
Administrative	(150,623)	(123,554)		
Research and development	<u>(67,935)</u>	<u>(73,627)</u>		
<b>Total operating expenses</b>	<u>(1,894,082)</u>	<u>(2,184,060)</u>		
<b>Operating income</b>	<u>4,739,694</u>	<u>6,056,825</u>		
<b>Non-operating income and gains:</b>				
Interest income	208,423	296,181		
Investment gain recognized by equity method	3,779,541	1,134,522		
Gain on disposal of assets, net	-	108,637		
Gain on disposal of investments, net	2,195,470	3,504,833		
Other income	<u>105,533</u>	<u>139,454</u>		
	<u>6,288,967</u>	<u>5,183,627</u>		
<b>Non-operating expenses and loss:</b>				
Interest expense	(443,383)	(47,440)		
Financial currency exchange loss and loss on valuation of financial instrument, net	(444,191)	(241,198)		
Assets impairment loss	(221,930)	-		
Other loss	<u>(801)</u>	<u>(83)</u>		
	<u>(1,110,305)</u>	<u>(288,721)</u>		
<b>Income before income taxes</b>	9,918,356	10,951,731		
<b>Income tax expense</b>	<u>(989,251)</u>	<u>(389,916)</u>		
<b>Net income</b>	<u>8,929,105</u>	<u>10,561,815</u>		
<b>Earnings per common share (in New Taiwan dollars):</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income</b>	<b>income</b>	<b>income</b>	<b>income</b>
	<b>taxes</b>	<b>taxes</b>	<b>taxes</b>	<b>taxes</b>
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Basic earnings per common share	<u>4.05</u>	<u>3.64</u>	<u>4.50</u>	<u>4.34</u>
Diluted earnings per common share	<u>4.00</u>	<u>3.60</u>		

**ACER INCORPORATED**

**Non-Consolidated Statements of Changes in Stockholders' Equity**

**For the nine-month periods ended September 30, 2008 and 2007**

(Expressed in thousands of New Taiwan dollars)  
Unaudited

	Retained earnings					Foreign currency translation adjustment	Minimum pension liability Adjustment	Unrealized gain (loss) on available-for-sale financial assets	Hedging reserve	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
<b>Balance at January 1, 2007</b>	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	-	-	-	-	10,561,815	-	-	-	-	-	10,561,815
Foreign currency translation adjustment	-	-	-	-	-	1,505,450	-	-	-	-	1,505,450
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	(1,571,641)	-	(1,571,641)
Appropriation approved by the stockholders:											
Legal reserve	-	-	1,021,824	-	(1,021,824)	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	684,267	-	-	-	(684,267)	-	-	-	-	-	-
Special reserve	-	-	-	(283,921)	283,921	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,997,695)	-	-	-	-	-	(8,997,695)
Directors' and supervisors' remuneration	-	-	-	-	(94,804)	-	-	-	-	-	(94,804)
Employees' bonuses in cash	-	-	-	-	(424,719)	-	-	-	-	-	(424,719)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(170,784)	-	-	-	-	-	-	-	-	(170,784)
Cash dividends distributed to subsidiaries	-	122,235	-	-	-	-	-	-	-	-	122,235
Change in unrealized loss on available-for sale financial assets	-	-	-	-	-	-	-	(1,790,688)	-	-	(1,790,688)
<b>Balance at September 30, 2007</b>	<b>24,054,904</b>	<b>29,898,471</b>	<b>7,490,689</b>	<b>-</b>	<b>11,153,906</b>	<b>2,840,950</b>	<b>-</b>	<b>2,583,700</b>	<b>(1,584,421)</b>	<b>(3,270,920)</b>	<b>73,167,279</b>
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	-	-	-	-	8,929,105	-	-	-	-	-	8,929,105
Foreign currency translation adjustment	-	-	-	-	-	(1,908,714)	-	-	-	-	(1,908,714)
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	504,140	-	504,140
Appropriation approved by the stockholders:											
Legal reserve	-	-	1,295,894	-	(1,295,894)	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	690,823	-	-	-	(690,823)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,659,766)	-	-	-	-	-	(8,659,766)
Directors' and supervisors' remuneration	-	-	-	-	(116,630)	-	-	-	-	-	(116,630)
Employees' bonuses in cash	-	-	-	-	(544,728)	-	-	-	-	-	(544,728)
Cash dividends distributed to subsidiaries	-	114,832	-	-	-	-	-	-	-	-	114,832
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(87,959)	-	-	-	-	-	-	-	-	(87,959)
Change in unrealized loss on available-for sale financial assets	-	-	-	-	-	-	-	(3,337,459)	-	-	(3,337,459)
Minimum pension liability adjustment	-	-	-	-	-	-	1,248	-	-	-	1,248
Issuance of shares for acquisitions	1,681,589	7,155,678	-	-	-	-	-	-	-	-	8,837,267
Treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(251,678)	(251,678)
<b>Balance at September 30, 2008</b>	<b>26,427,316</b>	<b>37,081,534</b>	<b>8,786,583</b>	<b>-</b>	<b>11,172,288</b>	<b>825,185</b>	<b>(172,116)</b>	<b>(828,796)</b>	<b>519,976</b>	<b>(3,522,598)</b>	<b>80,289,372</b>

**ACER INCORPORATED**

**Non-Consolidated Statements of Cash Flows**

**For the nine-month periods ended September 30, 2008 and 2007**

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

**Unaudited**

	<u>2008</u>	<u>2007</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income	8,929,105	10,561,815
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	106,714	97,900
Amortization	190,290	166,045
Loss (gain) on disposal of assets, net	113	(108,637)
Other expenses	130	1,694
Gain on disposal of investments, net	(2,195,470)	(3,504,833)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(7,302,056)	(5,262,356)
Assets impairment loss	221,930	-
Realized foreign currency translation adjustment	(32,422)	(18,780)
Deferred income tax expense (benefit)	1,259,177	(40,582)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(6,199,640)	(2,623,816)
Receivables from related parties	(13,159,954)	4,115,738
Inventories	(2,528,457)	(10,183,531)
Other financial assets, prepaid expenses and other current assets	(4,250,018)	(287,183)
Noncurrent receivable	159,733	186,793
Notes and accounts payable	31,205,847	16,587,215
Payables to related parties	1,710,325	1,842,641
Deferred inter-company profits	8,937	(18,073)
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	(4,182,669)	6,086,175
Other liabilities	57,665	(93,751)
<b>Cash provided by operating activities</b>	<u>3,999,280</u>	<u>17,504,474</u>
<b>Cash flows from investing activities:</b>		
Decrease in available-for-sale financial assets-current	1,118,665	4,066,728
Proceeds from sales of long-term equity investments and available-for-sale financial assets-noncurrent	2,925,471	5,343,016
Increase in prepaid long-term equity investments	(191,444)	(1,581,302)
Return of capital from investees	4,697,249	3,649,915
Proceeds from disposal of property, plant and equipment and property not used in operations	393,789	1,221,303
Additions to property, plant and equipment	(189,679)	(393,589)
Increase in intangible assets	(98,133)	(217,143)
Decrease (increase) in loans and advances to related parties	114,572	(33,123)
Decrease in restricted assets – current	1,958,585	-
Increase in refundable deposits, deferred expenses and other assets	(40,116)	(116,963)
<b>Cash provided by investing activities</b>	<u>10,688,959</u>	<u>11,938,842</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(1,482,672)	(5,375,080)
Decrease in long-term debt	(4,300,000)	-
Increase in loans from related parties	1,555,373	-
Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration	(9,321,124)	(9,094,715)
<b>Cash used in financing activities</b>	<u>(13,548,423)</u>	<u>(14,469,795)</u>
<b>Net increase in cash and cash equivalents</b>	1,139,816	14,973,521
<b>Cash and cash equivalents at beginning of period</b>	<u>1,333,012</u>	<u>3,306,845</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>2,472,828</u></u>	<u><u>18,280,366</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>446,984</u>	<u>47,440</u>
Income taxes paid	<u>331,965</u>	<u>225,162</u>
<b>Supplementary schedules of non-cash investing and financing activities:</b>		
Issuance of shares for acquisitions	<u>8,837,267</u>	<u>-</u>
Change in foreign currency translation adjustment	<u>(1,876,292)</u>	<u>1,524,230</u>
Change in unrealized gain on available-for-sale financial assets	<u>(3,337,459)</u>	<u>(1,790,688)</u>