

Independent auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the non-consolidated balance sheets of Acer Incorporated (the "Company") as of December 31, 2008 and 2007, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the years 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.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants". Those standards and regulations 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 in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

As stated in note 3(a) to the accompanying non-consolidated financial statements, effective on January 1, 2008, the Company recognized and disclosed share-based payment transactions, employee bonuses, and directors' and supervisors' emoluments according to the Republic of China Statement of Financial Accounting Standards (SFAS) No. 39 "Accounting for Share-based payments" and Interpretation (96) 052 issued by the Accounting Research and Development Foundation. The changes in accounting principle decreased the Company's net income and basic earnings per share for the year ended December 31, 2008, by NT\$1,483,776 thousand and NT\$0.60, respectively.

We have audited the consolidated financial statements as of and for the years ended December 31, 2008 and 2007 prepared by the Company. Based on our audit, we express an unqualified audit opinion with an explanatory paragraph related to a change in accounting principles and an unqualified audit opinion with on the consolidated financial statements, respectively.

KPMG
March 27, 2009

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

| Assets | <u>2008.12.31</u> NT\$ | <u>2007.12.31</u> NT\$ | Liabilities and Stockholders' Equity | <u>2008.12.31</u> NT\$ | <u>2007.12.31</u> NT\$ |
|--|---------------------------|---------------------------|--|---------------------------|---------------------------|
| Current assets: | | | Current liabilities: | | |
| Cash and cash equivalents | 3,292,268 | 1,333,012 | Short-term borrowings | - | 4,853,109 |
| Notes and accounts receivable, net of allowance for doubtful accounts of NT\$144,814 and NT\$50,202 as of December 31, 2008 and 2007, respectively | 10,462,601 | 11,046,526 | Notes and accounts payable | 44,785,400 | 34,546,552 |
| Notes and accounts receivable from related parties | 57,004,831 | 49,206,053 | Notes and accounts payable to related parties | 6,369,645 | 4,648,792 |
| Other receivable from related parties | 855,217 | 766,700 | Financial liabilities at fair value through profit or loss – current | 938,774 | 1,356,686 |
| Other receivable | 3,301,405 | 580,625 | Other payables to related parties | 3,235,703 | 2,547,183 |
| Inventories | 14,246,154 | 13,044,788 | Hedging purpose derivative financial liabilities – current | 327,088 | - |
| Restricted assets-current | - | 1,958,585 | Royalties payable | 6,538,764 | 5,049,076 |
| Financial assets at fair value through profit or loss – current | 311,045 | 708 | Accrued expenses and other current liabilities | 17,012,033 | 11,662,799 |
| Available-for-sale financial assets-current | 43,354 | 1,324,654 | Current installments of long-term debt | 8,250,000 | - |
| Hedging purpose derivative financial assets-current | 1,760 | 9,288 | Deferred inter-company profits | <u>21,616</u> | <u>15,961</u> |
| Deferred income tax assets-current | 1,477,750 | 1,406,039 | Total current liabilities | <u>87,479,023</u> | <u>64,680,158</u> |
| Prepaid expenses and other current assets | <u>183,532</u> | <u>159,290</u> | Long-term liabilities: | | |
| Total current assets | <u>91,179,917</u> | <u>80,836,268</u> | Long-term debt | 3,950,000 | 16,500,000 |
| Funds and investments: | | | Other payable to related parties | - | 841,367 |
| Long-term equity investments under equity method | 76,770,405 | 68,422,359 | Other liabilities | 31,785 | 81,362 |
| Available-for-sale financial assets-noncurrent | 907,379 | 3,360,276 | Deferred income tax liabilities-noncurrent | 4,267,098 | 3,143,894 |
| Financial assets carried at cost-noncurrent | <u>808,960</u> | <u>1,070,196</u> | Long-term equity investment credits | - | 447,475 |
| Total funds and investments | <u>78,486,744</u> | <u>72,852,831</u> | Total long-term liabilities | <u>8,248,883</u> | <u>21,014,098</u> |
| Property, plant and equipment: | | | Total liabilities | <u>95,727,906</u> | <u>85,694,256</u> |
| Land | 376,842 | 376,842 | Stockholders' equity: | | |
| Buildings and improvements | 578,892 | 578,892 | Common stock | 26,428,560 | 24,054,904 |
| Machinery and computer equipment | 467,532 | 413,381 | Capital surplus | 37,129,952 | 29,898,983 |
| Transportation equipment | 25,119 | 25,503 | Retained earnings: | | |
| Office equipment | 14,056 | 15,901 | Legal reserve | 8,786,583 | 7,490,689 |
| Other equipment | 717,793 | 373,659 | Unappropriated earnings | 13,985,318 | 13,551,024 |
| Leasehold improvements | 26,053 | 26,053 | Other stockholders' equity components: | | |
| Construction in progress and advance payments for purchases of property and equipment | <u>17,048</u> | <u>330,897</u> | Foreign currency translation adjustment | 1,241,058 | 2,733,899 |
| | 2,223,335 | 2,141,128 | Minimum pension liability adjustment | (283) | (173,364) |
| Less: accumulated depreciation | <u>(598,098)</u> | <u>(526,414)</u> | Unrealized gain on available-for-sale financial assets | (1,456,066) | 2,508,663 |
| Net property, plant and equipment | <u>1,625,237</u> | <u>1,614,714</u> | Hedging reserve | (273,565) | 15,836 |
| Intangible assets | 688,405 | 615,383 | Treasury stock | <u>(3,522,598)</u> | <u>(3,270,920)</u> |
| Property not used in operation | 4,244,860 | 5,060,884 | Total stockholders' equity | 82,318,959 | 76,809,714 |
| Refundable deposits | 215,061 | 235,932 | Commitments and contingencies | | |
| Noncurrent receivable , net of allowance for doubtful accounts of NT\$28,035 and NT\$0 as of December 31, 2008 and 2007, respectively | 68,948 | 255,612 | | | |
| Deferred charges and other assets | <u>1,537,693</u> | <u>1,032,346</u> | | | |
| Total assets | <u>178,046,865</u> | <u>162,503,970</u> | Total liabilities and stockholders' equity | <u>178,046,865</u> | <u>162,503,970</u> |

ACER INCORPORATED

Non-Consolidated Statements of Income

For the years ended December 31, 2008 and 2007

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

| | <u>2008</u> | <u>2007</u> | | |
|---|--------------------------|--------------------------|--------------------|--------------------|
| | NT\$ | NT\$ | | |
| Revenues | 418,939,015 | 319,170,192 | | |
| Cost of revenues | <u>(409,605,923)</u> | <u>(307,120,105)</u> | | |
| Gross profit | 9,333,092 | 12,050,087 | | |
| Changes in realized (unrealized) inter-company profits | <u>(5,655)</u> | <u>12,102</u> | | |
| Realized gross profit | <u>9,327,437</u> | <u>12,062,189</u> | | |
| Operating expenses: | | | | |
| Selling | (2,244,566) | (2,697,796) | | |
| Administrative | (192,142) | (163,866) | | |
| Research and development | <u>(99,964)</u> | <u>(101,205)</u> | | |
| Total operating expenses | <u>(2,536,672)</u> | <u>(2,962,867)</u> | | |
| Operating income | <u>6,790,765</u> | <u>9,099,322</u> | | |
| Non-operating income and gains: | | | | |
| Interest income | 277,494 | 410,532 | | |
| Investment gain recognized by equity method, net | 4,278,030 | 1,208,944 | | |
| Gain on disposal of fixed assets | - | 107,683 | | |
| Gain on disposal of investments, net | 2,205,586 | 3,587,521 | | |
| Foreign currency exchange gain and gain on evaluation of financial instruments, net | 220,235 | - | | |
| Other income | <u>72,227</u> | <u>152,404</u> | | |
| | <u>7,053,572</u> | <u>5,467,084</u> | | |
| Non-operating expenses and loss: | | | | |
| Interest expense | (582,052) | (207,899) | | |
| Other investment loss | (186,000) | - | | |
| Loss on disposal of fixed assets | (142) | - | | |
| Foreign currency exchange loss and loss on evaluation of financial instruments, net | - | (786,493) | | |
| Assets impairment loss | (221,931) | - | | |
| Other losses | <u>(688)</u> | <u>(19)</u> | | |
| | <u>(990,813)</u> | <u>(994,411)</u> | | |
| Income before income taxes | 12,853,524 | 13,571,995 | | |
| Income tax expense | <u>(1,111,389)</u> | <u>(613,062)</u> | | |
| Net income | <u>11,742,135</u> | <u>12,958,933</u> | | |
| | | | | |
| Earnings per common share (in New Taiwan dollars): | Before | After | Before | After |
| | income | income | income | income |
| | taxes | taxes | taxes | taxes |
| | NT\$ | NT\$ | NT\$ | NT\$ |
| Basic earnings per common share — retroactively adjusted | <u>5.17</u> | <u>4.72</u> | <u>5.58</u> | <u>5.33</u> |
| Diluted earnings per common share | <u>5.09</u> | <u>4.65</u> | | |

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)

| | | | Retained earnings | | | Foreign currency translation adjustment | Minimum pension liability adjustment | Unrealized gain on available-for- sale financial assets | Hedging reserve | Treasury stock | Total stockholders' equity |
|---|-------------------|--------------------|-------------------|--------------------|----------------------------|--|--|--|--------------------|--------------------|----------------------------------|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | | | | | | |
| | NT\$ | NT\$ | NT\$ | NT\$ | NT\$ | 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 | - | - | - | - | 12,958,933 | - | - | - | - | - | 12,958,933 |
| Foreign currency translation adjustment | - | - | - | - | - | 1,398,399 | - | - | - | - | 1,398,399 |
| Change in fair values of financial instruments | - | - | - | - | - | - | - | - | 28,616 | - | 28,616 |
| 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 | - | (169,810) | - | - | - | - | - | - | - | - | (169,810) |
| Cash dividends distributed to subsidiaries | - | 121,773 | - | - | - | - | - | - | - | - | 121,773 |
| Unrealized loss on available-for sale financial assets | - | - | - | - | - | - | - | (1,865,725) | - | - | (1,865,725) |
| Minimum pension liability adjustment | - | - | - | - | - | - | (173,364) | - | - | - | (173,364) |
| Balance at December 31, 2007 | <u>24,054,904</u> | <u>29,898,983</u> | <u>7,490,689</u> | <u>-</u> | <u>13,551,024</u> | <u>2,733,899</u> | <u>(173,364)</u> | <u>2,508,663</u> | <u>15,836</u> | <u>(3,270,920)</u> | <u>76,809,714</u> |
| 2008 net income | - | - | - | - | 11,742,135 | - | - | - | - | - | 11,742,135 |
| Foreign currency translation adjustment | - | - | - | - | - | (1,492,841) | - | - | - | - | (1,492,841) |
| Change in fair values of financial instruments | - | - | - | - | - | - | - | - | (289,401) | - | (289,401) |
| 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 | - | (78,255) | - | - | - | - | - | - | - | - | (78,255) |
| Unrealized loss on available-for sale financial assets | - | - | - | - | - | - | - | (3,964,729) | - | - | (3,964,729) |
| Minimum pension liability adjustment | - | - | - | - | - | - | 173,081 | - | - | - | 173,081 |
| Issuance of shares for acquisitions | 1,681,589 | 7,155,678 | - | - | - | - | - | - | - | - | 8,837,267 |
| Issuance of shares for the exercise of stock options | 1,244 | 858 | - | - | - | - | - | - | - | - | 2,102 |
| Share-based payment transactions | - | 37,856 | - | - | - | - | - | - | - | - | 37,856 |
| Treasury stock held by subsidiaries | - | - | - | - | - | - | - | - | - | (251,678) | (251,678) |
| Balance at December 31, 2008 | <u>26,428,560</u> | <u>37,129,952</u> | <u>8,786,583</u> | <u>-</u> | <u>13,985,318</u> | <u>1,241,058</u> | <u>(283)</u> | <u>(1,456,066)</u> | <u>(273,565)</u> | <u>(3,522,598)</u> | <u>82,318,959</u> |

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(Expressed in thousands of New Taiwan dollars)

| | <u>2008</u> | <u>2007</u> |
|--|-------------------------|-------------------------|
| | NT\$ | NT\$ |
| Cash flows from operating activities: | | |
| Net income | 11,742,135 | 12,958,933 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | |
| Depreciation | 143,388 | 130,375 |
| Amortization | 257,260 | 228,457 |
| Stock-based compensation cost | 29,311 | - |
| Loss (gain) on disposal of assets, net | 142 | (107,683) |
| Fixed assets and deferred charges reclassified as expenses | 130 | 4,757 |
| Gain on disposal of investments, net | (2,205,586) | (3,587,521) |
| Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received | (8,970,323) | (7,784,833) |
| Other investment loss | 186,000 | - |
| Assets impairment loss | 221,931 | - |
| Realized foreign currency translation adjustment | (30,355) | (18,780) |
| Deferred income tax | 1,051,492 | 138,583 |
| Changes in operating assets and liabilities: | | |
| Notes and accounts receivable | 583,925 | (3,030,252) |
| Receivables from related parties | (7,798,778) | (330,283) |
| Inventories | (1,421,679) | (7,035,549) |
| Other financial assets, prepayments and other current assets | (3,055,358) | 12,877 |
| Noncurrent receivable | 186,664 | 224,925 |
| Notes and accounts payable | 10,238,848 | (1,152,408) |
| Payables to related parties | (262,487) | 3,978,482 |
| Deferred inter-company profits | 5,655 | (12,102) |
| Other financial liabilities, royalties payable, accrued expenses and other current liabilities | 6,834,098 | 4,354,502 |
| Other liabilities | (49,577) | (39,199) |
| Cash provided by (used in) operating activities | <u>7,686,836</u> | <u>(1,066,719)</u> |
| Cash flows from investing activities: | | |
| Decrease in available-for-sale financial assets-current | 1,119,726 | 7,981,738 |
| Proceeds from sales of long-term equity investments and available-for-sale financial assets-noncurrent | 3,016,289 | 6,912,865 |
| Increase in long-term equity investments and available-for-sale financial assets-noncurrent | (86,700) | (24,374,926) |
| Return of capital from investees | 5,337,210 | 3,649,915 |
| Proceeds from disposal of property, plant and equipment and property not used in operations | 393,789 | 1,220,389 |
| Additions to property, plant and equipments, and property not used in operations | (217,403) | (442,076) |
| Increase in intangible assets | (215,897) | (381,558) |
| Increase in loans and advances to related parties | (88,517) | (591,608) |
| Decrease (increase) in restricted assets— current | 1,958,585 | (1,958,585) |
| Increase in refundable deposits, deferred charges, and other assets | (303,025) | (225,445) |
| Cash provided by (used in) investing activities | <u>10,914,057</u> | <u>(8,209,291)</u> |
| Cash flows from financing activities: | | |
| Decrease in short-term borrowings | (4,853,109) | (521,972) |
| Increase in long-term debt | - | 16,500,000 |
| Payment of long-term debt | (4,300,000) | - |
| Increase in loans from related parties | 1,830,494 | 841,367 |
| Exercise of stock options | 2,102 | - |
| Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration | (9,321,124) | (9,517,218) |
| Cash used in financing activities | <u>(16,641,637)</u> | <u>7,302,177</u> |
| Net increase (decrease) in cash and cash equivalents | 1,959,256 | (1,973,833) |
| 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>3,292,268</u> | <u>1,333,012</u> |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | <u>579,450</u> | <u>181,367</u> |
| Income taxes paid | <u>338,793</u> | <u>236,553</u> |
| Supplementary schedules of non-cash investing and financing activities: | | |
| Issuance of shares for acquisitions | <u>8,837,267</u> | <u>-</u> |
| Change in foreign currency translation adjustment | <u>(1,462,486)</u> | <u>1,417,179</u> |
| Change in unrealized gain on available-for-sale financial assets | <u>(3,964,729)</u> | <u>(1,865,725)</u> |