

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the non-consolidated balance sheets of Acer Incorporated (the "Company") as of June 30, 2009 and 2008, 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 generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. 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.

The Company's long-term equity investments of NT\$80,488,665 thousand and NT\$69,174,997 thousand, long-term equity investment credits of NT\$0 thousand and NT\$422,899 thousand, deferred inter-company profits of NT\$16,936 thousand and NT\$23,259 thousand and foreign currency translation adjustment of NT\$1,901,168 thousand and NT\$692,083 thousand as of June 30, 2009 and 2008, respectively, and related net investment gain of NT\$2,897,478 thousand and NT\$4,554,807 thousand and change in unrealized inter-company profits of NT\$4,679 thousand and NT\$(7,298) thousand for the six-month periods ended June 30, 2009 and 2008, respectively, were accounted for under the equity method based on the unaudited 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, 2009 and 2008, and the results of its operations and its cash flows for the six-month periods then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", 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 to the non-consolidated financial statements, effective on January 1, 2008, the Company recognized, measured and disclosed employee bonuses and directors' and supervisors' remuneration according to 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 six-month period ended June 30, 2008, by NT\$1,035,500 thousand and NT\$0.42, respectively.

We have reviewed the consolidated financial statements as of and for the six-month periods ended June 30, 2009 and 2008, 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, 2009, and an unqualified review report with an explanatory paragraph stating a change in accounting principles on the consolidated financial statements as of and for the six-month period ended June 30, 2008.

KPMG Certified Public Accountants
August 21, 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
June 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2009.6.30</u> NT\$	<u>2008.6.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2009.6.30</u> NT\$	<u>2008.6.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	16,669,644	613,089	Short-term borrowings	-	5,170,000
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$154,289 and NT\$101,039 as of June 30, 2009 and 2008, respectively	10,192,665	17,672,808	Notes and accounts payable	54,519,190	53,732,677
Notes and accounts receivables from related parties	58,176,231	50,165,779	Notes and accounts payable to related parties	7,692,286	3,359,021
Other receivables from related parties	171,217	636,534	Financial liabilities at fair value through profit or loss—current	64,856	315,103
Other receivables	2,942,248	644,805	Other payables to related parties	2,896,583	1,819,027
Inventories	17,376,662	21,269,558	Hedging purpose derivative financial liabilities—current	1,062,762	50,990
Financial assets at fair value through profit or loss—current	4,455	5,000	Royalties payable	8,323,851	3,061,597
Available-for-sale financial assets-current	68,542	87,788	Accrued cash dividends	5,285,966	8,659,766
Hedging purpose derivative financial assets-current	23,698	18,156	Accrued expenses and other current liabilities	21,650,769	11,564,054
Deferred income tax assets-current	2,475,339	1,193,453	Long-term debt—current portion	-	4,125,000
Prepaid expenses and other current assets	<u>158,520</u>	<u>878,764</u>	Deferred inter-company profits	16,936	23,259
Total current assets	<u>108,259,221</u>	<u>93,185,734</u>	Total current liabilities	<u>101,513,199</u>	<u>91,880,494</u>
Funds and investments:			Long-term liabilities:		
Equity method investments	80,488,665	69,174,997	Long-term debt, excluding current installments	12,200,000	8,075,000
Available-for-sale financial assets-noncurrent	1,624,319	2,142,515	Other payables to related parties	-	829,083
Financial assets carried at cost-noncurrent	<u>800,169</u>	<u>1,000,512</u>	Other liabilities	30,119	109,551
Total funds and investments	<u>82,913,153</u>	<u>72,318,024</u>	Deferred income tax liabilities-noncurrent	4,372,207	3,649,835
Property, plant and equipment:			Long-term equity investment credits	-	422,899
Land	376,842	376,842	Total long-term liabilities	<u>16,602,326</u>	<u>13,086,368</u>
Buildings and improvements	578,892	578,892	Total liabilities	<u>118,115,525</u>	<u>104,966,862</u>
Computer equipment and machinery	509,820	418,464	Stockholders' equity:		
Transportation equipment	28,709	24,494	Common stock	26,429,830	24,054,904
Office equipment	13,516	14,158	Stock dividend to be distributed	426,636	690,823
Other equipment	695,923	389,373	Capital surplus	38,163,250	29,846,134
Leasehold improvement	26,053	26,053	Retained earnings:		
Construction in progress and advance payments for purchases of property and equipment	60,368	628,312	Legal reserve	9,960,796	8,786,583
	2,290,123	2,456,588	Special reserve	1,991,615	-
Less: accumulated depreciation	<u>(655,597)</u>	<u>(553,880)</u>	Unappropriated earnings	9,635,290	8,129,469
Net property, plant and equipment	<u>1,634,526</u>	<u>1,902,708</u>	Other stockholders' equity components:		
Intangible assets	3,559,684	593,945	Foreign currency translation adjustment	1,901,168	692,083
Property not used in operation	4,227,999	4,358,755	Minimum pension liability adjustment	(567)	(172,183)
Refundable deposits	204,029	232,761	Unrealized gain (loss) on available-for-sale financial assets	(601,415)	50,613
Noncurrent receivable, net of allowance for doubtful accounts of NT\$9,345 and NT\$46,725 as of June 30, 2009 and 2008, respectively	35,724	141,154	Hedging reserve	(102,739)	19,146
Deferred expenses and other assets	<u>1,562,455</u>	<u>1,060,433</u>	Treasury stock	<u>(3,522,598)</u>	<u>(3,270,920)</u>
Total assets	<u>202,396,791</u>	<u>173,793,514</u>	Total stockholders' equity	84,281,266	68,826,652
			Commitments and contingencies		
			Total liabilities and stockholders' equity	<u>202,396,791</u>	<u>173,793,514</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the six-month periods ended June 30, 2009 and 2008

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

	<u>2009</u> NT\$	<u>2008</u> NT\$
Net Revenue	203,267,982	185,333,738
Cost of revenues	<u>(197,368,382)</u>	<u>(181,081,927)</u>
Gross profit	5,899,600	4,251,811
Changes in unrealized inter-company profits	<u>4,679</u>	<u>(7,298)</u>
Realized gross profit	<u>5,904,279</u>	<u>4,244,513</u>
Operating expenses:		
Selling	(1,197,734)	(1,137,017)
General and administrative	(118,611)	(88,506)
Research and development	<u>(45,822)</u>	<u>(51,555)</u>
Total operating expenses	<u>(1,362,167)</u>	<u>(1,277,078)</u>
Operating income	<u>4,542,112</u>	<u>2,967,435</u>
Non-operating income and gains:		
Interest income	36,874	187,133
Investment gain recognized by equity method	669,418	1,929,981
Gain on disposal of investments, net	2,213	2,101,337
Other income	<u>24,760</u>	<u>32,723</u>
	<u>733,265</u>	<u>4,251,174</u>
Non-operating expenses and losses:		
Interest expense	(147,475)	(273,696)
Foreign currency exchange loss and loss on valuation of financial instruments, net	(224,423)	(240,352)
Assets impairment loss	-	(221,930)
Other losses	<u>(459)</u>	<u>(806)</u>
	<u>(372,357)</u>	<u>(736,784)</u>
Income before income taxes	4,903,020	6,481,825
Income tax expense	<u>(536,956)</u>	<u>(595,539)</u>
Net income	<u>4,366,064</u>	<u>5,886,286</u>

	Before income tax	After income tax	Before income tax	After income tax
Earnings per common share (in dollars):	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Basic earnings per common share — retroactively adjusted	<u>1.87</u>	<u>1.66</u>	<u>2.64</u>	<u>2.39</u>
Diluted earnings per common share	<u>1.84</u>	<u>1.64</u>	<u>2.62</u>	<u>2.38</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2009 and 2008

(Expressed in thousands of New Taiwan dollars)

	Common stock	Stock dividend to be distributed	Capital surplus	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
				Legal reserve	Special reserve	Unappropriated earnings						
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
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	-	-	-	-	-	5,886,286	-	-	-	-	-	5,886,286
Foreign currency translation adjustment	-	-	-	-	-	-	(2,041,816)	-	-	-	-	(2,041,816)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	-	3,310	-	3,310
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)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(52,849)	-	-	-	-	-	-	-	-	(52,849)
Unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	-	(2,458,050)	-	-	(2,458,050)
Minimum pension liability adjustment	-	-	-	-	-	-	-	1,181	-	-	-	1,181
Balance at June 30, 2008	24,054,904	690,823	29,846,134	8,786,583	-	8,129,469	692,083	(172,183)	50,613	19,146	(3,270,920)	68,826,652
Balance at January 1, 2009	26,428,560	-	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,456,066)	(273,565)	(3,522,598)	82,318,959
2009 net income	-	-	-	-	-	4,366,064	-	-	-	-	-	4,366,064
Foreign currency translation adjustment	-	-	-	-	-	-	660,110	-	-	-	-	660,110
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	-	170,826	-	170,826
Appropriation approved by the stockholders:												
Legal reserve	-	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-
Special reserve	-	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-	-
Stock dividends to shareholders	-	264,298	-	-	-	(264,298)	-	-	-	-	-	-
Employees' bonuses in stock	-	162,338	737,662	-	-	-	-	-	-	-	-	900,000
Cash dividends	-	-	-	-	-	(5,285,966)	-	-	-	-	-	(5,285,966)
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	148,319	-	-	-	-	-	-	-	-	148,319
Unrealized gain (loss) on available-for sale financial assets	-	-	-	-	-	-	-	-	854,651	-	-	854,651
Minimum pension liability adjustment	-	-	-	-	-	-	-	(284)	-	-	-	(284)
Issuance of stock for employee stock option exercised	1,270	-	876	-	-	-	-	-	-	-	-	2,146
Share-based payment transactions	-	-	146,441	-	-	-	-	-	-	-	-	146,441
Balance at June 30, 2009	26,429,830	426,636	38,163,250	9,960,796	1,991,615	9,635,290	1,901,168	(567)	(601,415)	(102,739)	(3,522,598)	84,281,266

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2009 and 2008

(Expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2008</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	4,366,064	5,886,286
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	84,358	70,999
Amortization	193,078	126,885
Stock-based compensation cost	123,354	-
Loss (gain) on disposal of assets, net	(78)	117
Other expenses reclassified from property and equipment and deferred expenses	-	131
Gain on disposal of investments, net	(2,213)	(2,101,337)
Net investment gain on equity method investments, net of cash dividends received	(2,893,816)	(4,314,756)
Assets impairment loss	-	221,930
Deferred income tax expense (benefit)	(892,480)	718,527
Changes in operating assets and liabilities:		
Notes and accounts receivable	269,936	(6,626,281)
Receivables from related parties	(1,171,400)	(959,726)
Inventories	(3,179,574)	(8,390,316)
Other financial assets, prepaid expenses and other current assets	644,426	(735,078)
Noncurrent receivable	33,224	114,458
Notes and accounts payable	9,733,790	19,186,124
Payables to related parties	1,331,538	(3,759,017)
Deferred inter-company profits	(4,679)	7,298
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	7,494,262	(3,625,941)
Other liabilities	(1,667)	28,189
Cash provided by (used in) operating activities	<u>16,128,123</u>	<u>(4,151,508)</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets-current	-	1,118,132
Proceeds from sales of equity method investments and available-for-sale financial assets-noncurrent	-	2,602,346
Increase in equity method investments and available-for-sale financial assets-noncurrent	-	(191,444)
Return of capital from investees	8,791	18,727
Proceeds from disposal of property and equipment and property not used in operation	78	298,661
Additions to property and equipment and property not used in operations	(84,680)	(177,108)
Increase in intangible assets	(2,979,411)	(10,449)
Decrease in loans and advances to related parties	684,000	130,166
Decrease in restricted assets – current	-	1,958,585
Increase in refundable deposits, deferred expenses and other assets	(33,653)	(61,728)
Cash provided by (used in) investing activities	<u>(2,404,875)</u>	<u>5,685,888</u>
Cash flows from financing activities:		
Increase in short-term borrowings	-	316,891
Payment of long-term debt	-	(4,300,000)
Exercise of employee stock options	2,146	-
Increase (decrease) in loans from related parties	(348,018)	1,728,806
Cash used in financing activities	<u>(345,872)</u>	<u>(2,254,303)</u>
Net increase (decrease) in cash and cash equivalents	13,377,376	(719,923)
Cash and cash equivalents at beginning of period	3,292,268	1,333,012
Cash and cash equivalents at end of period	<u><u>16,669,644</u></u>	<u><u>613,089</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>140,923</u>	<u>281,244</u>
Income taxes paid	<u>467,861</u>	<u>329,011</u>
Supplementary disclosures of non-cash investing and financing activities:		
Accrued cash dividends	<u>5,285,966</u>	<u>8,659,766</u>
Accrued employees' bonuses and director's and supervisors' remuneration	<u>-</u>	<u>661,358</u>
Change in foreign currency translation adjustment	<u>660,110</u>	<u>(2,041,816)</u>
Change in unrealized gain (loss) on available-for-sale financial assets	<u>854,651</u>	<u>(2,458,050)</u>

