

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, 2009 and 2008, 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 equity method investments of NT\$82,092,870 thousand and NT\$46,015,524 thousand, deferred inter-company profits of NT\$45,040 thousand and NT\$24,898 thousand and foreign currency translation adjustment of NT\$1,958,580 thousand and NT\$(323,656) thousand as of September 30, 2009 and 2008, respectively, and related net investment gain of NT\$5,155,351 thousand and NT\$2,306,403 thousand and change in unrealized inter-company profits of NT\$23,424 and NT\$8,937 thousand for the nine-month periods ended September 30, 2009 and 2008, 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.

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 nine-month period ended September 30, 2008 by NT\$1,554,051 thousand and NT\$0.63, respectively.

KPMG
October 23, 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
September 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2009.9.30</u> NT\$	<u>2008.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2009.9.30</u> NT\$	<u>2008.9.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	13,642,456	2,472,828	Short-term borrowings	-	3,370,437
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$158,310 and NT\$119,362 as of September 30, 2009 and 2008, respectively	12,250,218	17,246,166	Notes and accounts payable	65,682,854	65,752,399
Notes and accounts receivables from related parties	70,572,072	62,366,007	Notes and accounts payable to related parties	10,942,962	8,783,109
Other receivables from related parties	483,154	652,128	Financial liabilities at fair value through profit or loss—current	58,221	180,006
Other receivables	2,221,396	2,176,896	Other payables to related parties	1,442,198	2,519,931
Inventories	18,982,839	15,382,710	Hedging purpose derivative financial liabilities—current	1,208,714	96,581
Financial assets at fair value through profit or loss—current	5,650	2,677,332	Royalties payable	9,844,808	5,768,180
Available-for-sale financial assets-current	100,180	75,633	Accrued expenses and other current liabilities	22,065,349	7,774,422
Hedging purpose derivative financial assets-current	89,787	644,087	Long-term debt-current portion	-	3,547,500
Deferred income tax assets-current	2,591,133	1,100,973	Deferred inter-company profits	45,040	24,898
Prepaid expenses and other current assets	163,908	188,310	Total current liabilities	<u>111,290,146</u>	<u>97,817,463</u>
Total current assets	<u>121,102,793</u>	<u>104,983,070</u>	Long-term liabilities:		
Funds and investments:			Long-term debt, excluding current installments	12,200,000	8,652,500
Equity method investments	82,465,217	75,366,226	Other liabilities	29,733	139,027
Available-for-sale financial assets-noncurrent	2,286,458	1,459,675	Deferred income tax liabilities-noncurrent	4,607,496	4,098,006
Financial assets carried at cost-noncurrent	796,169	1,033,882	Total long-term liabilities	<u>16,837,229</u>	<u>12,889,533</u>
Total funds and investments	<u>85,547,844</u>	<u>77,859,783</u>	Total liabilities	<u>128,127,375</u>	<u>110,706,996</u>
Property, plant and equipment:			Stockholders' equity:		
Land	376,842	376,842	Common stock	26,856,466	26,427,316
Buildings and improvements	578,892	578,892	Capital surplus	38,310,686	37,081,534
Computer equipment and machinery	525,035	441,794	Retained earnings:		
Transportation equipment	29,719	24,141	Legal reserve	9,960,796	8,786,583
Office equipment	13,516	14,056	Special reserve	1,991,615	-
Other equipment	695,923	389,373	Unappropriated earnings	13,104,990	11,172,288
Leasehold improvement	26,053	26,053	Other stockholders' equity components:		
Construction in progress and advance payments for purchases of property and equipment	64,057	640,482	Foreign currency translation adjustment	1,958,580	825,185
	<u>2,310,037</u>	<u>2,491,633</u>	Minimum pension liability adjustment	(567)	(172,116)
Less: accumulated depreciation	(689,000)	(579,349)	Unrealized gain (loss) on available-for-sale financial assets	382,358	(828,796)
Net property, plant and equipment	<u>1,621,037</u>	<u>1,912,284</u>	Hedging reserve	578,325	519,976
			Treasury stock	(3,522,598)	(3,522,598)
Intangible assets	3,485,689	665,899	Total stockholders' equity	<u>89,620,651</u>	<u>80,289,372</u>
Property not used in operation	4,219,309	4,254,255	Commitments and contingencies		
Refundable deposits	219,734	211,634			
Noncurrent receivable, net of allowance for doubtful accounts of NT\$0 and NT\$37,380 as of September 30, 2009 and 2008, respectively	25,201	95,879			
Deferred expenses and other assets	<u>1,526,419</u>	<u>1,013,564</u>			
Total assets	<u>217,748,026</u>	<u>190,996,368</u>	Total liabilities and stockholders' equity	<u>217,748,026</u>	<u>190,996,368</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 30, 2009 and 2008

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

Unaudited

	<u>2009</u>	<u>2008</u>		
	NT\$	NT\$		
Net Revenue	339,191,376	308,449,675		
Cost of revenues	<u>(329,452,212)</u>	<u>(301,806,962)</u>		
Gross profit	9,739,164	6,642,713		
Changes in unrealized inter-company profits	<u>(23,424)</u>	<u>(8,937)</u>		
Realized gross profit	<u>9,715,740</u>	<u>6,633,776</u>		
Operating expenses:				
Selling	(1,874,863)	(1,675,524)		
General and administrative	(179,790)	(150,623)		
Research and development	<u>(68,560)</u>	<u>(67,935)</u>		
Total operating expenses	<u>(2,123,213)</u>	<u>(1,894,082)</u>		
Operating income	<u>7,592,527</u>	<u>4,739,694</u>		
Non-operating income and gains:				
Interest income	51,377	208,423		
Investment gain recognized by equity method	1,669,583	3,779,541		
Gain on disposal of investments, net	2,213	2,195,470		
Other income	<u>100,560</u>	<u>105,533</u>		
	<u>1,823,733</u>	<u>6,288,967</u>		
Non-operating expenses and loss:				
Interest expense	(210,881)	(443,383)		
Foreign currency exchange loss and loss on valuation of financial instrument, net	(131,082)	(444,191)		
Assets impairment loss	-	(221,930)		
Other losses	<u>(2,441)</u>	<u>(801)</u>		
	<u>(344,404)</u>	<u>(1,110,305)</u>		
Income before income taxes	9,071,856	9,918,356		
Income tax expense	<u>(1,236,092)</u>	<u>(989,251)</u>		
Net income	<u>7,835,764</u>	<u>8,929,105</u>		
Earnings per common share (in dollars):	Before	After	Before	After
	income	income	income	income
	taxes	taxes	taxes	taxes
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Basic earnings per common share-retroactively adjusted	<u>3.45</u>	<u>2.98</u>	<u>4.00</u>	<u>3.61</u>
Diluted earnings per common share	<u>3.40</u>	<u>2.94</u>	<u>3.96</u>	<u>3.56</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2009 and 2008

(Expressed in thousands of New Taiwan dollars)
Unaudited

	<u>Retained earnings</u>					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						
	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	-	-	-	-	8,929,105	-	-	-	-	-	8,929,105
Foreign currency translation adjustment	-	-	-	-	-	(1,908,714)	-	-	-	-	(1,908,714)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	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)
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)
Balance at September 30, 2008	26,427,316	37,081,534	8,786,583	-	11,172,288	825,185	(172,116)	(828,796)	519,976	(3,522,598)	80,289,372
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	-	-	-	-	7,835,764	-	-	-	-	-	7,835,764
Foreign currency translation adjustment	-	-	-	-	-	717,522	-	-	-	-	717,522
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	851,890	-	851,890
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)
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	-	70,510
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	168,843	-	-	-	-	-	-	-	-	168,843
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	1,838,424	-	-	1,838,424
Minimum pension liability adjustment	-	-	-	-	-	-	(284)	-	-	-	(284)
Issuance of stock for employee stock option exercised	1,270	876	-	-	-	-	-	-	-	-	2,146
Share-based payment transactions	-	202,843	-	-	-	-	-	-	-	-	202,843
Balance at September 30, 2009	26,856,466	38,310,686	9,960,796	1,991,615	13,104,990	1,958,580	(567)	382,358	578,325	(3,522,598)	89,620,651

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2009 and 2008

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2009</u>	<u>2008</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	7,835,764	8,929,105
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	127,607	106,714
Amortization	301,017	190,290
Stock-based compensation cost	174,608	-
Loss (gain) on disposal of assets, net	(78)	113
Other expenses reclassified from property and equipment	130	130
Gain on disposal of investments, net	(2,213)	(2,195,470)
Net investment gain on equity method investments, net of cash dividends received	(4,208,754)	(7,302,056)
Assets impairment loss	-	221,930
Realized foreign currency translation adjustment	-	(32,422)
Deferred income tax expense (benefit)	(772,985)	1,259,177
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,787,617)	(6,199,640)
Receivables from related parties	(13,567,241)	(13,159,954)
Inventories	(4,803,395)	(2,528,457)
Other financial assets, prepaid expenses and other current assets	1,335,366	(4,250,018)
Noncurrent receivable	43,746	159,733
Notes and accounts payable	20,897,454	31,205,847
Payables to related parties	4,475,111	1,710,325
Deferred inter-company profits	23,424	8,937
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	9,571,873	(4,182,669)
Other liabilities	(2,053)	57,665
Cash provided by operating activities	<u>19,641,764</u>	<u>3,999,280</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets-current	-	1,118,665
Proceeds from sales of equity method investments and available-for-sale financial assets-noncurrent	-	2,925,471
Increase in equity method investments and available-for sale financial assets-noncurrent	-	(191,444)
Return of capital from investees	406,981	4,697,249
Proceeds from disposal of property and equipment and property not used in operations	78	393,789
Additions to property and equipment and property not used in operation	(92,922)	(189,679)
Increase in intangible asset	(2,949,242)	(98,133)
Decrease in loans and advances to related parties	372,063	114,572
Decrease in restricted assets—current	-	1,958,585
Increase in refundable deposits, deferred expenses and other assets	(49,414)	(40,116)
Cash provided by (used in) investing activities	<u>(2,312,456)</u>	<u>10,688,959</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(1,482,672)
Payment of long-term debt	-	(4,300,000)
Exercise of employee stock options	2,146	-
Increase (decrease) in loans from related parties	(1,695,300)	1,555,373
Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration	(5,285,966)	(9,321,124)
Cash used in financing activities	<u>(6,979,120)</u>	<u>(13,548,423)</u>
Net increase in cash and cash equivalents	10,350,188	1,139,816
Cash and cash equivalents at beginning of period	<u>3,292,268</u>	<u>1,333,012</u>
Cash and cash equivalents at end of period	<u><u>13,642,456</u></u>	<u><u>2,472,828</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>228,854</u>	<u>446,984</u>
Income taxes paid	<u>469,767</u>	<u>331,965</u>
Supplementary schedules of non-cash investing and financing activities:		
Issuance of shares for acquisitions	<u>-</u>	<u>8,837,267</u>
Change in foreign currency translation adjustment	<u>717,522</u>	<u>(1,876,292)</u>
Change in unrealized gain on available-for-sale financial assets	<u>1,838,424</u>	<u>(3,337,459)</u>

