

Independent auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying non-consolidated balance sheets of Acer Incorporated (the "Company") as of December 31, 2009 and 2008, 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 the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards 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, 2009 and 2008, and the results of its operations and its 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 discussed in note 3 to the accompanying non-consolidated financial statements, effective January 1, 2008, the Company recognized, measured and disclosed employee bonuses and directors' and supervisors' remuneration according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation of the Republic of China. 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\$0.59, respectively.

We have also audited the consolidated financial statements of Acer Incorporated and subsidiaries as of and for the years ended December 31, 2009 and 2008 prepared by the Company, and expressed an unqualified opinion for 2009 consolidated financial statements and an unqualified opinion with an explanatory paragraph related to the adoption of Interpretation 2007-052 on 2008 consolidated financial statements.

KPMG
Taipei, Taiwan (the Republic of China)
March 19, 2010

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, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2009.12.31</u> NT\$	<u>2008.12.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2009.12.31</u> NT\$	<u>2008.12.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	4,653,227	3,292,268	Notes and accounts payable	71,706,626	44,785,400
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$173,367 and NT\$144,814 as of December 31, 2009 and 2008, respectively	12,956,349	10,462,601	Notes and accounts payable to related parties	8,922,931	6,369,645
Notes and accounts receivable from related parties	87,715,638	57,004,831	Financial liabilities at fair value through profit or loss – current	-	938,774
Other receivables from related parties	115,613	855,217	Other payables to related parties	942,400	3,235,703
Other receivables	2,234,997	3,301,405	Hedging purpose derivative financial liabilities – current	2,901	327,088
Inventories	19,001,720	14,246,154	Royalties payable	12,610,950	6,538,764
Financial assets at fair value through profit or loss – current	16,409	311,045	Accrued expenses and other current liabilities	18,754,153	17,012,033
Available-for-sale financial assets-current	117,653	43,354	Current portion of long-term debt	-	8,250,000
Hedging purpose derivative financial assets-current	1,086,092	1,760	Deferred inter-company profits	58,352	21,616
Deferred income tax assets-current	1,334,710	1,477,750	Total current liabilities	<u>112,998,313</u>	<u>87,479,023</u>
Prepaid expenses and other current assets	196,579	183,532			
Total current assets	<u>129,428,987</u>	<u>91,179,917</u>	Long-term liabilities:		
Long-term investments:			Long-term debt, excluding current portion	12,200,000	3,950,000
Long-term investments accounted for using equity method	77,682,825	76,770,405	Other liabilities	28,859	31,785
Available-for-sale financial assets-noncurrent	2,450,631	907,379	Deferred income tax liabilities-noncurrent	3,595,953	4,267,098
Financial assets carried at cost-noncurrent	796,169	808,960	Total long-term liabilities	<u>15,824,812</u>	<u>8,248,883</u>
Total long-term investments	<u>80,929,625</u>	<u>78,486,744</u>	Total liabilities	<u>128,823,125</u>	<u>95,727,906</u>
Property, plant and equipment:			Stockholders' equity:		
Land	376,842	376,842	Common stock	26,882,283	26,428,560
Buildings and improvements	578,892	578,892	Capital surplus	38,494,118	37,129,952
Computer equipment and machinery	549,522	467,532	Retained earnings:		
Transportation equipment	29,760	25,119	Legal reserve	9,960,796	8,786,583
Office equipment	13,745	14,056	Special reserve	1,991,615	-
Other equipment	696,165	717,793	Unappropriated earnings	16,622,600	13,985,318
Leasehold improvements	26,053	26,053	Other equity components:		
Construction in progress and advance payments for purchases of property and equipment	77,692	17,048	Foreign currency translation adjustment	959,621	1,241,058
	2,348,671	2,223,335	Minimum pension liability adjustment	(7,908)	(283)
Less: accumulated depreciation	(709,786)	(598,098)	Unrealized gain (loss) on available-for-sale financial assets	1,001,919	(1,456,066)
Net property, plant and equipment	<u>1,638,885</u>	<u>1,625,237</u>	Hedging reserve	12,398	(273,565)
			Treasury stock	(3,522,598)	(3,522,598)
Intangible assets	3,418,619	688,405	Total stockholders' equity	92,394,844	82,318,959
Property not used in operation	4,210,620	4,244,860	Commitments and contingencies		
Refundable deposits	230,081	215,061			
Noncurrent receivable , net of allowance for doubtful accounts of NT\$0 and NT\$28,035 as of December 31, 2009 and 2008, respectively	17,754	68,948			
Deferred expenses and other assets	1,343,398	1,537,693			
Total assets	<u>221,217,969</u>	<u>178,046,865</u>	Total liabilities and stockholders' equity	<u>221,217,969</u>	<u>178,046,865</u>

ACER INCORPORATED
Non-Consolidated Statements of Income
For the years ended December 31, 2009 and 2008
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	<u>2009</u> NT\$	<u>2008</u> NT\$		
Net Revenues	485,922,979	418,939,015		
Cost of revenues	<u>(470,452,873)</u>	<u>(409,605,923)</u>		
Gross profit	15,470,106	9,333,092		
Changes in unrealized inter-company profits	<u>(36,737)</u>	<u>(5,655)</u>		
Realized gross profit	<u>15,433,369</u>	<u>9,327,437</u>		
Operating expenses:				
Selling	(2,522,502)	(2,244,566)		
General and administrative	(246,237)	(192,142)		
Research and development	<u>(91,857)</u>	<u>(99,964)</u>		
Total operating expenses	<u>(2,860,596)</u>	<u>(2,536,672)</u>		
Operating income	<u>12,572,773</u>	<u>6,790,765</u>		
Non-operating income and gains:				
Interest income	65,719	277,494		
Investment gain recognized using equity method, net	599,182	4,278,030		
Gain on disposal of investments, net	60,573	2,205,586		
Foreign currency exchange gain and valuation gain on financial instruments, net	-	220,235		
Other income	<u>102,792</u>	<u>72,227</u>		
	<u>828,266</u>	<u>7,053,572</u>		
Non-operating expenses and losses:				
Interest expense	(271,355)	(582,052)		
Other investment loss	-	(186,000)		
Foreign currency exchange loss and valuation loss on financial instruments, net	(98,207)	-		
Impairment of non-financial assets	-	(221,931)		
Other losses	<u>(668)</u>	<u>(830)</u>		
	<u>(370,230)</u>	<u>(990,813)</u>		
Income before income taxes	13,030,809	12,853,524		
Income tax expense	<u>(1,677,435)</u>	<u>(1,111,389)</u>		
Net income	<u>11,353,374</u>	<u>11,742,135</u>		
			Before	After
			income	income
Earnings per common share (in New Taiwan dollars):			Before	After
			income	income
			taxes	taxes
			NT\$	NT\$
			NT\$	NT\$
Basic earnings per common share—retroactively adjusted	<u>4.95</u>	<u>4.31</u>	<u>5.12</u>	<u>4.67</u>
Diluted earnings per common share	<u>4.89</u>	<u>4.26</u>	<u>5.04</u>	<u>4.60</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)

	<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						
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	-	-	-	-	11,742,135	-	-	-	-	-	11,742,135
Foreign currency translation adjustment	-	-	-	-	-	(1,492,841)	-	-	-	-	(1,492,841)
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	-	(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 investments accounted for using the equity method	-	(78,255)	-	-	-	-	-	-	-	-	(78,255)
Unrealized valuation 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 stock from exercising stock options	1,244	858	-	-	-	-	-	-	-	-	2,102
Stock-based compensation cost	-	37,856	-	-	-	-	-	-	-	-	37,856
Treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(251,678)	(251,678)
Balance at December 31, 2008	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	-	-	-	-	11,353,374	-	-	-	-	-	11,353,374
Foreign currency translation adjustment	-	-	-	-	-	(281,437)	-	-	-	-	(281,437)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	285,963	-	285,963
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)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,285,966)	-	-	-	-	-	(5,285,966)
Employees' bonuses in stock	162,338	737,662	-	-	-	-	-	-	-	-	900,000
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	-	70,510
Increase in capital surplus resulting from long-term investments accounted for using the equity method	-	180,899	-	-	-	-	-	-	-	-	180,899
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	2,457,985	-	-	2,457,985
Minimum pension liability adjustment	-	-	-	-	-	-	(7,625)	-	-	-	(7,625)
Issuance of stock from exercising stock options	27,087	76,503	-	-	-	-	-	-	-	-	103,590
Stock-based compensation cost	-	298,592	-	-	-	-	-	-	-	-	298,592
Balance at December 31, 2009	<u>26,882,283</u>	<u>38,494,118</u>	<u>9,960,796</u>	<u>1,991,615</u>	<u>16,622,600</u>	<u>959,621</u>	<u>(7,908)</u>	<u>1,001,919</u>	<u>12,398</u>	<u>(3,522,598)</u>	<u>92,394,844</u>

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 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	11,353,374	11,742,135
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	171,662	143,388
Amortization	437,956	257,260
Stock-based compensation cost	269,479	29,311
Loss (gain) on disposal of assets, net	(145)	142
Expenses classified from property and equipment, deferred expenses and intangible assets	4,747	130
Gain on disposal of intangible assets	(46,037)	-
Gain on disposal of investments, net	(60,573)	(2,205,586)
Net investment gain on equity method investments, net of cash dividends received	(564,442)	(8,970,323)
Gain on liquidation of equity method investments	(3,953)	-
Other investment loss	-	186,000
Impairment of non-financial assets	-	221,931
Realized foreign currency translation adjustment	(28,933)	(30,355)
Deferred income tax expense (benefit)	(765,435)	1,051,492
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,493,748)	583,925
Receivables from related parties	(30,710,807)	(7,798,778)
Inventories	(4,849,698)	(1,421,679)
Other financial assets, prepaid expenses and other current assets	344,790	(3,055,358)
Noncurrent receivable (under other financial assets — noncurrent)	51,194	186,664
Notes and accounts payable	26,921,226	10,238,848
Payables to related parties	2,931,843	(262,487)
Deferred inter-company profits	36,737	5,655
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	7,778,659	6,834,098
Other liabilities	(2,926)	(49,577)
Cash provided by operating activities	<u>10,774,970</u>	<u>7,686,836</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets-current	-	1,119,726
Proceeds from disposal of long-term investments	259,951	3,016,289
Increase in equity method investments	(3)	(86,700)
Proceeds from capital return and liquidation of investees	538,595	5,337,210
Proceeds from disposal of property, plant and equipment and property not used in operation	844	393,789
Additions to property, plant and equipment, and property not used in operation	(124,079)	(217,403)
Increase in intangible assets	(2,996,843)	(215,897)
Proceeds from disposal of intangible assets	25,000	-
Decrease (increase) in loans and advances to related parties	739,604	(88,517)
Decrease in restricted assets — current	-	1,958,585
Increase in refundable deposits, deferred expenses, and other assets	(2,843)	(303,025)
Cash provided by (used in) investing activities	<u>(1,559,774)</u>	<u>10,914,057</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(4,853,109)
Repayment of long-term debt	-	(4,300,000)
Increase (decrease) in loans from related parties	(2,671,861)	1,830,494
Proceeds from exercise of employee stock options	103,590	2,102
Distribution of cash dividends	(5,285,966)	(8,659,766)
Distribution of employees' bonuses (2007 earnings)	-	(544,728)
Distribution of directors' and supervisors' remuneration (2007 earnings)	-	(116,630)
Cash used in financing activities	<u>(7,854,237)</u>	<u>(16,641,637)</u>
Net increase in cash and cash equivalents	1,360,959	1,959,256
Cash and cash equivalents at beginning of period	3,292,268	1,333,012
Cash and cash equivalents at end of period	<u>4,653,227</u>	<u>3,292,268</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>289,097</u>	<u>579,450</u>
Income taxes paid	<u>696,678</u>	<u>338,793</u>
Supplemental disclosures 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>(252,504)</u>	<u>(1,462,486)</u>
Change in unrealized valuation gain (loss) on available-for-sale financial assets	<u>2,457,985</u>	<u>(3,964,729)</u>
Current portion of long-term debt	<u>-</u>	<u>8,250,000</u>
Supplemental disclosures of partial cash inflow from investing activities:		
Proceeds from disposal of intangible assets	75,000	-
Less: other receivables	(50,000)	-
Cash received	<u>25,000</u>	<u>-</u>