

## Independent Auditors' Review Report

The Board of Directors  
Acer Incorporated:

We have reviewed the consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Republic of China Statement of Auditing Standards No. 36 "Engagements to Review 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.

Based on our reviews, we are not aware of any material modification that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with Order VI-0960064020 issued by the Financial Supervisory Commission under the Executive Yuan effective November 15, 2007, and accounting principles generally accepted in the Republic of China.



Taipei, Taiwan (the Republic of China)  
April 23, 2010

### Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

**Reviewed only, not audited in accordance with generally accepted auditing standards**  
**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**March 31, 2010 and 2009**  
**(in thousands of New Taiwan dollars)**

Assets	2009.3.31	2010.3.31		Liabilities and Stockholders' Equity	2009.3.31	2010.3.31	
	NTS	NTS	US\$		NTS	NTS	US\$
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents (note 4(1))	53,913,648	36,638,645	1,151,471	Short-term borrowings (note 4(14))	2,080,970	1,866,051	58,646
Notes and accounts receivable, net of allowance for doubtful accounts of NTS\$1,690,336 and NTS\$2,308,937 as of March 31, 2010 and 2009, respectively (note 4(2))	97,280,340	116,759,611	3,669,493	Notes and accounts payable	73,264,679	83,279,473	2,617,288
Notes and accounts receivable from related parties (note 5)	717,081	869,628	27,330	Notes and accounts payables to related parties (note 5)	7,202,232	10,599,257	333,111
Other receivable from related parties (note 5)	61,005	16,324	513	Financial liabilities at fair value through profit or loss – current (notes 4(5) and 4(19))	911,987	536,311	16,855
Other receivables (note 4(3))	8,983,357	11,009,651	346,009	Other payables to related parties (note 5)	41,644	49,398	1,552
Inventories (note 4(7))	33,621,700	51,701,626	1,624,866	Hedging purpose derivative financial liabilities – current (notes 4(6) and 4(19))	442,374	187,624	5,897
Financial assets at fair value through profit or loss – current (notes 4(5) and 4(19))	136,620	106,388	3,344	Royalties payable	13,975,650	15,007,307	471,646
Available-for-sale financial assets – current (notes 4(4) and 4(19))	157,790	203,929	6,409	Accrued expenses and other current liabilities	56,052,666	55,529,755	1,745,176
Hedging purpose derivative financial assets – current (notes 4(6) and 4(19))	327,360	545,773	17,152	Current portion of long-term debt (note 4(15))	8,250,000	-	-
Prepayments and other current assets	1,966,872	2,765,076	86,900	Deferred income tax liabilities – current	617,252	638,009	20,051
Deferred income tax assets – current	2,624,868	1,800,572	56,589	<b>Total current liabilities</b>	<u>162,839,454</u>	<u>167,693,185</u>	<u>5,270,222</u>
Restricted deposits (note 6)	101,736	-	-	<b>Long-term liabilities:</b>			
<b>Total current assets</b>	<u>199,892,377</u>	<u>222,417,223</u>	<u>6,990,076</u>	Long-term debt, excluding current portion (notes 4(15) and 4(19))	4,116,219	12,361,548	388,496
<b>Long-term investments:</b>				Other liabilities	975,039	332,417	10,447
Investments accounted for using equity method (note 4(9))	2,760,316	3,392,495	106,619	Deferred income tax liabilities – noncurrent	6,457,060	5,514,026	173,293
Prepayments for long-term investments (note 4(9))	-	137,560	4,323	<b>Total long-term liabilities</b>	<u>11,548,318</u>	<u>18,207,991</u>	<u>572,236</u>
Available-for-sale financial assets – noncurrent (notes 4(10) and 4(19))	1,643,267	2,999,947	94,282	<b>Total liabilities</b>	<u>174,387,772</u>	<u>185,901,176</u>	<u>5,842,458</u>
Financial assets carried at cost – noncurrent (notes 4(8) and 4(19))	3,042,000	2,168,684	68,156	<b>Stockholders' equity and minority interest:</b>			
<b>Total long-term investments</b>	<u>7,445,583</u>	<u>8,698,686</u>	<u>273,380</u>	Common stock (notes 4(16) and 4(17))	26,428,560	26,882,283	844,850
<b>Property, plant and equipment (note 6):</b>				Capital surplus (note 4(16))	37,203,104	38,616,522	1,213,631
Land	2,677,144	2,507,867	78,817	Retained earnings			
Buildings and improvements	5,290,717	5,332,019	167,573	Legal reserve	8,786,583	9,960,796	313,046
Computer equipment and machinery	3,386,992	3,085,472	96,969	Special reserve	-	1,991,615	62,592
Transportation equipment	122,659	119,180	3,746	Unappropriated earnings	16,011,048	19,917,077	625,949
Office equipment	1,049,994	926,331	29,113	Other equity components			
Leasehold improvements	830,835	936,133	29,421	Foreign currency translation adjustment	1,844,113	(305,102)	(9,589)
Other equipment	1,110,178	1,154,739	36,290	Minimum pension liability adjustment	(283)	(4,367)	(137)
Construction in progress and advance payments for purchases of property and equipment	63,228	115,218	3,621	Unrealized gain (loss) on financial instruments (notes 4(6) and 4(10))	(1,085,579)	860,955	27,058
	14,531,747	14,176,959	445,550	Treasury stock (notes 4(16))	(3,522,598)	(3,522,598)	(110,707)
Less: accumulated depreciation	(4,993,427)	(4,934,085)	(155,067)	<b>Total stockholders' equity</b>	<u>85,664,948</u>	<u>94,397,181</u>	<u>2,966,693</u>
accumulated impairment	(276,253)	(675,508)	(21,230)	Minority interest	577,134	469,851	14,766
<b>Net property, plant and equipment</b>	<u>9,262,067</u>	<u>8,567,366</u>	<u>269,253</u>	<b>Total stockholders' equity and minority interest</b>	<u>86,242,082</u>	<u>94,867,032</u>	<u>2,981,459</u>
<b>Intangible assets (note 4(12))</b>	37,656,421	34,823,623	1,094,429	<b>Commitments and contingencies (note 7)</b>			
<b>Property not used in operation (note 4(11))</b>	2,990,463	2,938,305	92,344				
<b>Other financial assets (notes 4(13), 4(19) and 6)</b>	796,003	904,447	28,425				
<b>Deferred charges and other assets</b>	2,586,940	2,418,558	76,010				
<b>Total assets</b>	<u>260,629,854</u>	<u>280,768,208</u>	<u>8,823,917</u>	<b>Total liabilities and stockholders' equity</b>	<u>260,629,854</u>	<u>280,768,208</u>	<u>8,823,917</u>

See accompanying notes to consolidated financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**  
**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Income**

**For the three-month periods ended March 31, 2010 and 2009**  
**(in thousands of New Taiwan dollars, except earnings per share data)**

	2009	2010	
	NT\$	NT\$	US\$
Net sales (note 5)	119,086,448	162,129,895	5,095,380
Cost of sales (notes 4(7) and 5)	<u>(107,168,081)</u>	<u>(146,416,109)</u>	<u>(4,601,531)</u>
Gross profit	<u>11,918,367</u>	<u>15,713,786</u>	<u>493,849</u>
Operating expenses (notes 4(12), 4(17) and 5)			
Selling	(7,645,353)	(9,090,068)	(285,681)
Administrative	(1,511,076)	(1,956,786)	(61,497)
Research and development	<u>(191,364)</u>	<u>(281,538)</u>	<u>(8,848)</u>
Total operating expenses	<u>(9,347,793)</u>	<u>(11,328,392)</u>	<u>(356,026)</u>
Operating income	<u>2,570,574</u>	<u>4,385,394</u>	<u>137,823</u>
Non-operating income and gains:			
Interest income	123,621	95,335	2,996
Investment gain recognized using equity method, net (note 4(9))	78,684	109,859	3,453
Gain on disposal of investments, net (notes 4(9) and 4(10))	-	97,567	3,066
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(5) and 4(6))	204,068	-	-
Other income	<u>61,293</u>	<u>57,773</u>	<u>1,816</u>
	<u>467,666</u>	<u>360,534</u>	<u>11,331</u>
Non-operating expenses and loss:			
Interest expense	(206,759)	(173,219)	(5,444)
Loss on disposal of property and equipment	(432)	(2,007)	(63)
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(5) and 4(6))	-	(296,665)	(9,324)
Other loss	<u>(75,712)</u>	<u>(115,294)</u>	<u>(3,623)</u>
	<u>(282,903)</u>	<u>(587,185)</u>	<u>(18,454)</u>
Income from continuing operations before income taxes	2,755,337	4,158,743	130,700
Income tax expense	<u>(729,666)</u>	<u>(864,189)</u>	<u>(27,160)</u>
Consolidated net income	<u><b>2,025,671</b></u>	<u><b>3,294,554</b></u>	<u><b>103,540</b></u>
Net income attributable to:			
Shareholders of parent company	2,025,730	3,294,477	103,538
Minority shareholders	<u>(59)</u>	<u>77</u>	<u>2</u>
	<u><b>2,025,671</b></u>	<u><b>3,294,554</b></u>	<u><b>103,540</b></u>
Earnings per common share (in New Taiwan dollars) (note 4(18)):	NT\$	NT\$	US\$
Basic earnings per common share—retroactively adjusted	<u>0.77</u>	<u>1.25</u>	<u>0.04</u>
Diluted earnings per common share	<u>0.76</u>	<u>1.23</u>	<u>0.04</u>

See accompanying notes to consolidated financial statements.

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**ACER INCORPORATED AND SUBSIDIARIES**

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

**For the three-month periods ended March 31, 2010 and 2009**  
(Expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity components			Total stockholders' equity of parent company	Minority interest	Total stockholders' equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments				Treasurv stock
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$				NT\$
<b>Balance at January 1, 2009</b>	26,428,560	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,729,631)	(3,522,598)	82,318,959	558,656	82,877,615
Stock-based compensation cost (note 4(17))	-	72,883	-	-	-	-	-	-	-	72,883	-	72,883
2009 net income	-	-	-	-	2,025,730	-	-	-	-	2,025,730	(59)	2,025,671
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	499,387	-	499,387	-	499,387
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	144,665	-	144,665	-	144,665
Foreign currency translation adjustment	-	-	-	-	-	603,055	-	-	-	603,055	-	603,055
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	18,537	18,537
Decrease in capital surplus resulting from long-term investments accounted for using the equity method	-	269	-	-	-	-	-	-	-	269	-	269
<b>Balance at March 31, 2009</b>	<b>26,428,560</b>	<b>37,203,104</b>	<b>8,786,583</b>	<b>-</b>	<b>16,011,048</b>	<b>1,844,113</b>	<b>(283)</b>	<b>(1,085,579)</b>	<b>(3,522,598)</b>	<b>85,664,948</b>	<b>577,134</b>	<b>86,242,082</b>
<b>Balance at January 1, 2010</b>	26,882,283	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844	482,818	92,877,662
Stock-based compensation cost (note 4(17))	-	118,481	-	-	-	-	-	-	-	118,481	-	118,481
2010 net income	-	-	-	-	3,294,477	-	-	-	-	3,294,477	77	3,294,554
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(197,372)	-	(197,372)	-	(197,372)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	44,010	-	44,010	-	44,010
Minimum pension liability adjustment	-	-	-	-	-	-	3,541	-	-	3,541	-	3,541
Foreign currency translation adjustment	-	-	-	-	-	(1,264,723)	-	-	-	(1,264,723)	-	(1,264,723)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(13,044)	(13,044)
Increase in capital surplus resulting from long-term investments accounted for using the equity method	-	3,923	-	-	-	-	-	-	-	3,923	-	3,923
<b>Balance at March 31, 2010</b>	<b>26,882,283</b>	<b>38,616,522</b>	<b>9,960,796</b>	<b>1,991,615</b>	<b>19,917,077</b>	<b>(305,102)</b>	<b>(4,367)</b>	<b>860,955</b>	<b>(3,522,598)</b>	<b>94,397,181</b>	<b>469,851</b>	<b>94,867,032</b>

See accompanying notes to consolidated financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three-month periods ended March 31, 2010 and 2009**

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

	<b>2009</b>	<b>2010</b>	<b>US\$</b>
	<b>NT\$</b>	<b>NT\$</b>	
<b>Cash flows from operating activities:</b>			
Consolidated net income	2,025,671	3,294,554	103,540
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	213,654	175,103	5,503
Amortization	446,393	444,240	13,961
Stock-based compensation cost	70,411	118,481	3,724
Net investment gain on equity method investments	(92,464)	(119,916)	(3,769)
Cash dividends received from equity method investees	3,663	-	-
Loss on disposal of property and equipment, net	432	2,007	63
Gain on disposal of investments, net	-	(97,567)	(3,066)
Deferred income tax expense (benefit)	(478,762)	293,282	9,217
Changes in operating assets and liabilities:			
Notes and accounts receivable	10,545,971	(4,901,245)	(154,035)
Receivables from related parties	124,384	(269,322)	(8,464)
Inventories	6,406,495	(516,673)	(16,238)
Other financial assets, prepayments and other current assets	(838,287)	(2,018,879)	(63,449)
Noncurrent receivable (under other financial assets—noncurrent)	43,885	(100,969)	(3,173)
Notes and accounts payable	8,899,063	(12,552,247)	(394,489)
Payables to related parties	(696,308)	324,104	10,186
Other financial liabilities, accrued expenses and other current liabilities	4,656,609	(876,837)	(27,557)
Other liabilities	134,606	(52,289)	(1,643)
<b>Cash provided by (used in) operating activities</b>	<u>31,465,416</u>	<u>(16,854,173)</u>	<u>(529,689)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of available-for-sale financial assets	446,297	212,859	6,690
Increase in long-term investments	(33,912)	(149,796)	(4,708)
Proceeds from disposal of long-term investments	3,638	14,684	461
Proceeds from capital return and liquidation of investees	17,277	131,665	4,138
Additions to property, plant and equipments and property not used in operation	(80,588)	(87,584)	(2,753)
Proceeds from disposal of property, plant and equipment and property not used in operation	-	36,838	1,158
Decrease (increase) in advances to related parties	(15,832)	5,183	163
Decrease in restricted deposits	1,813,448	-	-
Increase in refundable deposit, deferred charges and other assets	(2,437,358)	(83,079)	(2,611)
<b>Cash provided by (used in) investing activities</b>	<u>(287,030)</u>	<u>80,770</u>	<u>2,538</u>
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings	994,119	1,317,992	41,422
Repayment of long-term debt	(18,701)	(10,308)	(324)
<b>Cash provided by financing activities</b>	<u>975,418</u>	<u>1,307,684</u>	<u>41,098</u>
<b>Effects of exchange rate changes</b>	(381,881)	(1,511,703)	(47,509)
<b>Net increase (decrease) in cash and cash equivalents</b>	31,771,923	(16,977,422)	(533,562)
<b>Cash and cash equivalents at beginning of year</b>	<u>22,141,725</u>	<u>53,616,067</u>	<u>1,685,033</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>53,913,648</b></u>	<u><b>36,638,645</b></u>	<u><b>1,151,471</b></u>
<b>Supplemental disclosures of cash flow information</b>			
Interest paid	<u>220,700</u>	<u>156,990</u>	<u>4,934</u>
Income taxes paid	<u>733,893</u>	<u>569,154</u>	<u>17,887</u>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>			
Change in unrealized gain (loss) on financial instruments	<u>644,052</u>	<u>(153,362)</u>	<u>(4,820)</u>
Current portion of long-term debt	<u>8,250,000</u>	<u>-</u>	<u>-</u>

See accompanying notes to consolidated financial statements.