

Independent Auditors' Review Report

The Board of Directors
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of March 31, 2010 and 2009, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the three-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.

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.

In our report dated April 22, 2009, we issued a qualified review report related to the non-consolidated financial statements as of and for the three-month period ended March 31, 2009 due to the Company's long-term equity investments, related net investment income, foreign currency translation adjustment, and deferred inter-company profits were accounted for under the equity method based on the unreviewed financial statements of the related investees of the Company. Accordingly, our report was qualified for the effects of such adjustments, if any, as might have been determined to be necessary had the investee company's financial statements been reviewed. As described in note 4(8), in April 2010, the Company has obtained the reviewed financial statements of the related investees of the Company as of and for the three-month period ended March 31, 2009. Accordingly, our review report related to the non-consolidated financial statements as of and for the three-month period ended March 31, 2009 as presented herein is updated and different from our previous report.

Based on our reviews, 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.

We have reviewed the consolidated financial statements as of and for the three-month periods ended March 31, 2010 and 2009, prepared by the Company. Based on our reviews, we have issued an unqualified review report related to the consolidated financial statements as of and for the three-month periods ended March 31, 2010 and 2009.

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

Note to Readers

The accompanying non-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 review such non-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
Non-Consolidated Balance Sheets
March 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2010.3.31</u> NT\$	<u>2009.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2010.3.31</u> NT\$	<u>2009.3.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	9,253,476	20,529,208	Notes and accounts payable	58,218,465	52,412,580
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$171,162 and NT\$147,701 as of March 31, 2010 and 2009, respectively	11,315,412	8,862,696	Notes and accounts payable to related parties	8,994,617	6,830,672
Notes and accounts receivable from related parties	74,174,365	56,510,736	Financial liabilities at fair value through profit or loss – current	507	895,100
Other receivables from related parties	57,420	234,975	Other payables to related parties	6,924,487	4,362,744
Other receivables	2,409,105	3,086,694	Hedging purpose derivative financial liabilities – current	32,404	38,356
Inventories	17,910,035	10,752,110	Royalties payable	10,943,001	7,451,859
Financial assets at fair value through profit or loss – current	1,029	9,817	Accrued expenses and other current liabilities	18,959,900	20,221,630
Available-for-sale financial assets-current	106,781	51,795	Current portion of long-term debt	-	8,250,000
Hedging purpose derivative financial assets – current	324,277	4,338	Deferred inter-company profits	66,116	14,850
Deferred income tax assets – current	1,284,315	2,182,312	Total current liabilities	<u>104,139,497</u>	<u>100,477,791</u>
Prepayments and other current assets	892,638	472,645			
Total current assets	<u>117,728,853</u>	<u>102,697,326</u>	Long-term liabilities:		
Long-term investments:			Long-term debt, excluding current portion	12,200,000	3,950,000
Investments accounted for using equity method	77,426,258	78,774,535	Other liabilities	28,787	30,362
Available-for-sale financial assets – noncurrent	2,490,213	1,334,466	Deferred income tax liabilities – noncurrent	3,430,505	4,394,721
Financial assets carried at cost	796,169	808,960	Total long-term liabilities	<u>15,659,292</u>	<u>8,375,083</u>
Total long-term investments	<u>80,712,640</u>	<u>80,917,961</u>	Total liabilities	<u>119,798,789</u>	<u>108,852,874</u>
Property, plant and equipment:			Stockholders' equity:		
Land	379,379	376,842	Common stock	26,882,283	26,428,560
Buildings and improvements	581,047	578,892	Capital surplus	38,616,522	37,203,104
Computer equipment and machinery	584,478	501,503	Retained earnings		
Transportation equipment	31,330	29,569	Legal reserve	9,960,796	8,786,583
Office equipment	13,745	14,278	Special reserve	1,991,615	-
Other equipment	696,165	695,635	Unappropriated earnings	19,917,077	16,011,048
Leasehold improvements	26,053	26,053	Other equity components		
Construction in progress and advance payments for purchases of property and equipment	94,036	46,752	Foreign currency translation adjustment	(305,102)	1,844,113
	2,406,233	2,269,524	Minimum pension liability adjustment	(4,367)	(283)
Less: accumulated depreciation	(748,508)	(630,922)	Unrealized gain (loss) on financial instruments	860,955	(1,085,579)
Net property, plant and equipment	<u>1,657,725</u>	<u>1,638,602</u>	Treasury stock	(3,522,598)	(3,522,598)
			Total stockholders' equity	<u>94,397,181</u>	<u>85,664,948</u>
Intangible assets	8,286,533	3,243,859			
Property not used in operation	4,170,858	4,236,153			
Refundable deposits	230,096	194,833			
Noncurrent receivable, net of allowance for doubtful accounts of NT\$0 and NT\$18,690 as of March 31, 2010 and 2009, respectively	118,723	43,794			
Deferred charges and other assets	<u>1,290,542</u>	<u>1,545,294</u>			
Total assets	<u>214,195,970</u>	<u>194,517,822</u>	Total liabilities and stockholders' equity	<u>214,195,970</u>	<u>194,517,822</u>

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

ACER INCORPORATED

Non-Consolidated Statements of Income

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

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

	<u>2010</u> NT\$	<u>2009</u> NT\$		
Net sales	139,847,115	95,754,970		
Cost of sales	<u>(135,192,556)</u>	<u>(93,043,387)</u>		
Gross profit	4,654,559	2,711,583		
Changes in realized inter-company profits	<u>(7,764)</u>	<u>6,765</u>		
Realized gross profit	<u>4,646,795</u>	<u>2,718,348</u>		
Operating expenses:				
Selling	(554,763)	(579,332)		
Administrative	(60,411)	(56,612)		
Research and development	<u>(24,530)</u>	<u>(22,374)</u>		
Total operating expenses	<u>(639,704)</u>	<u>(658,318)</u>		
Operating income	<u>4,007,091</u>	<u>2,060,030</u>		
Non-operating income and gains:				
Interest income	2,483	12,112		
Investment gain recognized using equity method, net	328,892	295,687		
Gain on disposal of investments, net	20,124	-		
Foreign currency exchange gain and valuation gain on financial instruments, net	-	106,513		
Other income	<u>9,997</u>	<u>15,297</u>		
	<u>361,496</u>	<u>429,609</u>		
Non-operating expenses and losses:				
Interest expense	(60,855)	(71,386)		
Foreign currency exchange loss and valuation loss on financial instruments, net	(378,362)	-		
Other loss	<u>-</u>	<u>(69)</u>		
	<u>(439,217)</u>	<u>(71,455)</u>		
Income before income taxes	3,929,370	2,418,184		
Income tax expense	<u>(634,893)</u>	<u>(392,454)</u>		
Net income	<u><u>3,294,477</u></u>	<u><u>2,025,730</u></u>		
	Before	After	Before	After
Earnings per common share (in dollars):	income	income	income	income
	taxes	taxes	taxes	taxes
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share—retroactively adjusted	<u>1.49</u>	<u>1.25</u>	<u>0.92</u>	<u>0.77</u>
Diluted earnings per common share	<u>1.47</u>	<u>1.23</u>	<u>0.91</u>	<u>0.76</u>

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ACER INCORPORATED

Non-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
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	
Balance at January 1, 2009	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
Stock-based compensation cost	-	72,883	-	-	-	-	-	-	-	72,883
2009 net income	-	-	-	-	2,025,730	-	-	-	-	2,025,730
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	499,387	-	499,387
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	144,665	-	144,665
Foreign currency translation adjustment	-	-	-	-	-	603,055	-	-	-	603,055
Increase in capital surplus resulting from long-term investments accounted for using the equity method	-	269	-	-	-	-	-	-	-	269
Balance at March 31, 2009	<u>26,428,560</u>	<u>37,203,104</u>	<u>8,786,583</u>	<u>-</u>	<u>16,011,048</u>	<u>1,844,113</u>	<u>(283)</u>	<u>(1,085,579)</u>	<u>(3,522,598)</u>	<u>85,664,948</u>
Balance at January 1, 2010	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
Stock-based compensation cost	-	118,481	-	-	-	-	-	-	-	118,481
2010 net income	-	-	-	-	3,294,477	-	-	-	-	3,294,477
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(197,372)	-	(197,372)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	44,010	-	44,010
Minimum pension liability adjustment	-	-	-	-	-	-	3,541	-	-	3,541
Foreign currency translation adjustment	-	-	-	-	-	(1,264,723)	-	-	-	(1,264,723)
Increase in capital surplus resulting from long-term investments accounted for using the equity method	-	3,923	-	-	-	-	-	-	-	3,923
Balance at March 31, 2010	<u>26,882,283</u>	<u>38,616,522</u>	<u>9,960,796</u>	<u>1,991,615</u>	<u>19,917,077</u>	<u>(305,102)</u>	<u>(4,367)</u>	<u>860,955</u>	<u>(3,522,598)</u>	<u>94,397,181</u>

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ACER INCORPORATED

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

	<u>2010</u> NT\$	<u>2009</u> NT\$
Cash flows from operating activities:		
Net income	3,294,477	2,025,730
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	46,940	41,790
Amortization	115,057	92,211
Unrealized foreign currency exchange gain	(80,712)	-
Stock-based compensation cost	116,872	63,698
Net investment gain on equity method investments	(1,560,297)	(1,439,779)
Cash dividends received from equity method investees	-	3,663
Gain on disposal of investments	(20,124)	-
Deferred income tax expense (benefit)	198,951	(576,939)
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,640,937	1,599,905
Receivables from related parties	13,541,273	494,094
Inventories	1,084,225	3,460,967
Other financial assets, prepayments and other current assets	(128,627)	228,365
Noncurrent receivables	(100,969)	25,153
Notes and accounts payable	(13,488,161)	7,627,180
Payables to related parties	893,644	1,934,031
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	(1,111,334)	4,075,147
Deferred inter-company profits	7,764	(6,765)
Other liabilities	(72)	5,047
Cash provided by operating activities	<u>4,449,844</u>	<u>19,653,498</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets – current	38,798	-
Proceeds from disposals of long-term investments	14,684	-
Proceeds from capital return of investees	41,837	-
Additions to property, plant and equipment	(47,979)	(68,569)
Proceeds from disposal of property not used in operation	26,853	-
Decrease in loans and advances to related parties	58,193	620,242
Increase in intangible assets	(2,252)	(2,621,537)
Decrease (increase) in refundable deposits, deferred charges and other assets	20,271	(2,876)
Cash provided by investing activities	<u>150,405</u>	<u>(2,072,740)</u>
Cash flows from financing activities:		
Exercise of employee stock option	-	2,146
Decrease in loans from related parties	-	(345,964)
Cash used in financing activities	<u>-</u>	<u>(343,818)</u>
Net increase in cash and cash equivalents	4,600,249	17,236,940
Cash and cash equivalents at beginning of period	<u>4,653,227</u>	<u>3,292,268</u>
Cash and cash equivalents at end of period	<u>9,253,476</u>	<u>20,529,208</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u><u>43,218</u></u>	<u><u>71,019</u></u>
Income taxes paid	<u><u>1,196</u></u>	<u><u>1,020</u></u>
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	<u><u>-</u></u>	<u><u>8,250,000</u></u>
Change in unrealized gain (loss) on financial instruments	<u><u>(153,362)</u></u>	<u><u>644,052</u></u>
Change in foreign currency translation adjustment	<u><u>(1,264,723)</u></u>	<u><u>603,055</u></u>
Supplemental disclosures of partial cash outflow from investing activities:		
Purchase price of intangible assets acquired	4,919,452	-
Less: other payables to related parties	(4,836,488)	-
Unrealized foreign currency exchange gain	(80,712)	-
Cash paid	<u><u>2,252</u></u>	<u><u>-</u></u>