

## **Review Report of Independent Certified Public Accounts**

The Board of Directors  
Acer Incorporated:

We have reviewed the consolidated balance sheets of Acer Incorporated (the “Company”) and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income, changes in stockholders’ equity, and cash flows for the six-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 the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and accounting principles generally accepted in the Republic of China.

KPMG Certified Public Accountants  
Taipei, Taiwan (the Republic of China)  
August 16, 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.

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

**Consolidated Balance Sheets**

**For the six-month period ended June 30, 2010 and 2009**  
 (Expressed in thousands of New Taiwan dollars)

	2010.6.30 NT\$	2009.6.30 NT\$	Liabilities and Stockholders' Equity NT\$	2010.6.30 NT\$	2009.6.30 NT\$
<b>Assets</b>					
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	25,314,866	43,191,429	Short-term borrowings	4,408,414	241,477
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,653,719 and NT\$1,766,579 as of June 30, 2010 and 2009, respectively	121,100,400	98,169,000	Current portion of long-term debt	3,050,000	-
Notes and accounts receivables from related parties	918,653	757,402	Notes and accounts payable	84,020,704	73,521,660
Other receivables from related parties	39,162	65,464	Notes and accounts payable to related parties	6,559,844	8,812,986
Other receivables	10,103,978	10,153,304	Financial liabilities at fair value through profit or loss—current	351,101	432,768
Financial assets at fair value through profit or loss—current	449,853	87,128	Other payables to related parties	180,940	97,248
Available-for-sale financial assets—current	167,753	154,067	Hedging purpose derivative financial liabilities—current	610,254	1,699,078
Hedging purpose derivative financial assets—current	882,492	44,903	Royalties payable	14,745,736	12,610,038
Inventories	60,401,734	47,021,011	Accrued cash dividends	8,336,958	5,425,187
Prepayments and other current assets	2,050,469	1,515,282	Accrued expenses and other current liabilities	53,466,456	56,868,700
Deferred income tax assets—current	2,096,550	3,294,702	Deferred income tax liabilities—current	586,307	660,826
Restricted deposits	19,120	99,810	<b>Total current liabilities</b>	<u>176,316,714</u>	<u>160,369,968</u>
<b>Total current assets</b>	<u>223,545,030</u>	<u>204,553,502</u>			
<b>Long-term investments:</b>			<b>Long-term liabilities:</b>		
Investments accounted for using equity method	3,411,748	3,062,323	Long-term debt, excluding current portion	9,298,373	12,371,159
Prepayments for long-term investments	126,406	21,987	Other liabilities	336,713	931,160
Financial assets carried at cost – noncurrent	2,051,329	2,973,896	Deferred income tax liabilities – noncurrent	5,125,685	6,367,549
Available-for-sale financial assets – noncurrent	2,296,813	1,984,928	<b>Total long-term liabilities</b>	<u>14,760,771</u>	<u>19,669,868</u>
<b>Total long-term investments</b>	<u>7,886,296</u>	<u>8,043,134</u>	<b>Total liabilities</b>	<u>191,077,485</u>	<u>180,039,836</u>
<b>Property, plant and equipment:</b>			<b>Stockholders' equity and minority interest:</b>		
Land	2,508,379	2,676,893	Common stock	26,891,821	26,429,830
Buildings and improvements	5,279,493	5,278,443	Stock dividend to distributed	53,376	426,636
Computer equipment and machinery	3,051,879	3,407,404	Capital surplus	38,933,094	38,163,250
Transportation equipment	123,849	108,571	Retained earnings:		
Office equipment	907,190	1,048,610	Legal reserve	11,096,134	9,960,796
Leasehold improvements	939,851	868,795	Special reserve	-	1,991,615
Other equipment	1,134,212	1,110,504	Unappropriated earnings	16,035,788	9,635,290
Construction in progress and advance payments for purchases of property and equipment	231,255	143,335	Other equity components:		
Less: accumulated depreciation	14,176,108	14,642,555	Foreign currency translation adjustment	(1,478,242)	1,901,168
accumulated impairment	(4,929,669)	(5,179,282)	Minimum pension liability adjustment	(4,368)	(567)
<b>Net property, plant and equipment</b>	<u>8,566,911</u>	<u>9,187,440</u>	Unrealized gain (loss) on financial instruments	360,741	(704,154)
	34,596,063	36,936,176	Treasury stock	(3,522,598)	(3,522,598)
<b>Intangible assets</b>	2,576,880	2,984,880	<b>Total stockholders' equity</b>	<u>88,365,746</u>	<u>84,281,266</u>
<b>Property not used in operation</b>	750,086	775,359	<b>Minority interest</b>	450,544	558,314
<b>Other financial assets</b>	1,972,509	2,398,925	<b>Total stockholders' equity and minority interest</b>	<u>88,816,290</u>	<u>84,839,580</u>
<b>Deferred charges and other assets</b>	<u>279,893,775</u>	<u>264,879,416</u>	<b>Total liabilities and stockholders' equity</b>	<u>279,893,775</u>	<u>264,879,416</u>

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

**Consolidated Statements of Income**

**For the six-month periods ended June 30, 2010 and 2009**

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

	2010 NT\$	2009 NT\$
Net sales	312,392,382	238,168,983
Cost of sales	<u>(281,630,281)</u>	<u>(213,685,238)</u>
<b>Gross profit</b>	30,762,101	24,483,745
<b>Operating expenses:</b>		
Selling	(18,527,317)	(15,418,358)
Administrative	(3,128,885)	(3,065,113)
Research and development	<u>(582,163)</u>	<u>(386,493)</u>
<b>Total operating expenses</b>	<u>(22,238,365)</u>	<u>(18,869,964)</u>
<b>Operating income</b>	<u>8,523,736</u>	<u>5,613,781</u>
<b>Non-operating income and gains:</b>		
Interest income	139,822	210,179
Investment gain recognized using equity method, net	149,225	167,887
Gain on disposal of investments, net	443,090	30,002
Other investment income	40,492	-
Other income	<u>638,577</u>	<u>139,036</u>
	<u>1,411,206</u>	<u>547,104</u>
<b>Non-operating expenses and loss:</b>		
Interest expense	(381,355)	(186,663)
Other investment loss	(29,073)	(17,300)
Loss on disposal of property and equipment, net	(2,307)	(2,231)
Foreign currency exchange loss and valuation loss on financial instruments, net	(456,706)	(246,517)
Impairment of non-financial assets	(350,000)	-
Other loss	<u>(82,784)</u>	<u>(126,587)</u>
	<u>(1,302,225)</u>	<u>(579,298)</u>
<b>Income before income taxes</b>	8,632,717	5,581,587
<b>Income tax expense</b>	<u>(1,711,947)</u>	<u>(1,215,567)</u>
<b>Consolidated net income</b>	<u><b>6,920,770</b></u>	<u><b>4,366,020</b></u>
<b>Net income attributable to:</b>		
Shareholders of parent company	6,920,639	4,366,064
Minority shareholders	<u>131</u>	<u>(44)</u>
	<u><b>6,920,770</b></u>	<u><b>4,366,020</b></u>
<b>Earnings per common share (in New Taiwan dollars):</b>		
	NT\$	NT\$
Basic earnings per common share-retroactively adjusted	<u><b>2.62</b></u>	<u><b>1.66</b></u>
Diluted earnings per common share-retroactively adjusted	<u><b>2.58</b></u>	<u><b>1.63</b></u>

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ACER INCORPORATED AND SUBSIDIARIES**

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

**For the six-month periods ended June 30, 2010 and 2009**

(Expressed in thousands of New Taiwan dollars)

	Common stock NT\$	Stock dividend to be distributed NT\$	Capital surplus NT\$	Retained earnings					Foreign currency translation adjustment NT\$	Minimum Pension liability adjustment NT\$	Unrealized gain (loss) on financial instrument NT\$	Treasury stock NT\$	Total stockholders' equity of parent company NT\$	Minority interest NT\$	Total stockholders' equity NT\$
				Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings 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		
Employees' bonuses in stock	-	162,338	737,662	-	-	-	-	-	-	-	900,000	-	900,000		
Issuance of stock from exercising stock option	-	-	876	-	-	-	-	-	-	-	2,146	-	2,146		
Stock-based compensation cost	-	-	146,441	-	-	-	-	-	-	-	146,441	-	146,441		
2009 consolidated net income	-	-	-	-	-	4,366,064	-	-	-	-	4,366,064	(44)	4,366,020		
Appropriation approved by the stockholders (note 1):															
Legal reserve	-	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	1,991,615	(1,991,615)	-	-	-	-	(5,285,966)	-	(5,285,966)		
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-		
Stock dividends to shareholders	-	264,298	-	-	-	-	-	-	-	-	-	-	-		
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	854,651	-	854,651	-	854,651		
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	170,826	-	170,826	-	170,826		
Minimum pension liability adjustment	-	-	-	-	-	-	-	(284)	-	-	(284)	-	(284)		
Foreign currency translation adjustment	-	-	-	-	-	-	660,110	-	-	-	660,110	-	660,110		
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	(298)	(298)		
Increase in capital surplus resulting from equity method investments	-	-	148,319	-	-	-	-	-	-	-	148,319	-	148,319		
<b>Balance at June 30, 2009</b>	<b>26,429,830</b>	<b>426,636</b>	<b>38,163,250</b>	<b>9,960,796</b>	<b>1,991,615</b>	<b>9,635,290</b>	<b>1,901,168</b>	<b>(567)</b>	<b>(704,154)</b>	<b>(3,522,598)</b>	<b>84,281,266</b>	<b>558,314</b>	<b>84,839,580</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		
Employees' bonuses in stock	-	26,483	173,517	-	-	-	-	-	-	-	200,000	-	200,000		
Issuance of stock from exercising stock option	-	-	23,427	-	-	-	-	-	-	-	32,965	-	32,965		
Stock-based compensation cost	-	-	238,007	-	-	-	-	-	-	-	238,007	-	238,007		
2010 consolidated net income	-	-	-	-	-	6,920,639	-	-	-	-	6,920,639	131	6,920,770		
Appropriation approved by the stockholders (note 2):															
Legal reserve	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-	-	-		
Stock dividends to shareholders	-	26,893	-	-	-	(26,893)	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	-	(8,336,835)	-	-	(638,776)	-	(8,336,835)	(123)	(8,336,958)		
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(14,800)	-	(14,800)	-	(14,800)		
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	-	3,540	-	3,540	-	3,540		
Minimum pension liability adjustment	-	-	-	-	-	-	-	3,540	-	-	-	-	-		
Foreign currency translation adjustment	-	-	-	-	-	-	(2,437,863)	-	-	-	(2,437,863)	-	(2,437,863)		
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	(32,282)	(32,282)		
Increase in capital surplus resulting from equity method investments	-	-	4,025	-	-	-	-	-	-	-	4,025	-	4,025		
<b>Balance at June 30, 2010</b>	<b>26,891,821</b>	<b>53,376</b>	<b>38,933,094</b>	<b>11,096,134</b>	<b>-</b>	<b>16,035,788</b>	<b>(1,478,242)</b>	<b>(4,368)</b>	<b>360,741</b>	<b>(3,522,598)</b>	<b>88,365,746</b>	<b>450,544</b>	<b>88,816,290</b>		

Note 1: Directors' and supervisors' remuneration of \$85,763 and employee bonuses of \$1,500,000 have been deducted in the 2008 net income.

Note 2: Directors' and supervisors' remuneration of \$1,000,000 have been deducted in the 2009 net income.

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**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2010 and 2009**  
**(Expressed in thousands of New Taiwan dollars)**

	<b>2010</b>	<b>2009</b>
	<b>NT\$</b>	<b>NT\$</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income	6,920,770	4,366,020
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	349,188	414,453
Amortization	665,795	910,528
Loss on disposal of property and equipment, net	2,307	2,231
Gain on disposal of investments, net	(443,090)	(30,002)
Net investment gain on equity method investments	(149,225)	(167,887)
Cash dividends received from equity method investments	5,750	3,662
Other investment loss (gain)	(11,419)	17,300
Impairment of non-financial assets	350,000	-
Stock-based compensation cost	238,007	143,969
Deferred income tax expense (benefit)	157,461	(928,136)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(9,242,033)	9,657,311
Receivables from related parties	(334,486)	84,062
Inventories	(9,227,843)	(7,041,882)
Other financial assets, prepayments and other current assets	(1,056,340)	34,417
Noncurrent accounts receivable (under other financial assets-noncurrent)	(80,756)	51,956
Notes and accounts payable	(11,811,016)	9,156,045
Payables to related parties	(3,583,766)	970,050
Other financial liabilities, accrued expenses and other current liabilities	(3,227,069)	5,655,697
Other liabilities	(47,848)	90,727
<b>Cash provided by (used in) operating activities</b>	<b><u>(30,525,613)</u></b>	<b><u>23,390,521</u></b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial asset	852,547	450,538
Increase in long-term investments	(138,637)	(161,123)
Proceeds from disposal of financial assets carried at cost – noncurrent	16,240	5,110
Proceeds from disposal of long-term equity investments	18,251	-
Proceeds from capital return or liquidation of investees	274,516	26,068
Proceeds from disposal of property and equipment and property not used in operation	75,921	18,618
Additions to property, plant and equipment	(346,088)	(208,853)
Decrease (increase) in restricted deposits	(19,120)	822,984
Increase in loans and advances to related parties	(1,516)	(20,291)
Increase in intangible assets	(37,726)	(2,846,933)
Decrease (increase) in refundable deposits, deferred charges, and other assets	122,459	(157,594)
<b>Cash provided (used in) by investing activities</b>	<b><u>816,847</u></b>	<b><u>(2,071,476)</u></b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	3,860,355	(845,374)
Repayment of long-term debt	(23,626)	(13,761)
Proceeds from exercise of employee stock option	32,965	2,146
Decrease in minority interests	(32,282)	-
<b>Cash provided (used in) financing activities</b>	<b><u>3,837,412</u></b>	<b><u>(856,989)</u></b>
<b>Effects of exchange rate changes</b>	<b>(2,429,847)</b>	<b>587,648</b>
<b>Net decrease (increase) in cash and cash equivalents</b>	<b>(28,301,201)</b>	<b>21,049,704</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>53,616,067</u></b>	<b><u>22,141,725</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>25,314,866</u></b>	<b><u>43,191,429</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<b><u>355,644</u></b>	<b><u>193,060</u></b>
Income taxes paid	<b><u>2,905,579</u></b>	<b><u>1,541,130</u></b>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Accrued cash dividends	<b><u>8,336,958</u></b>	<b><u>5,425,187</u></b>
Current portion of long-term debt	<b><u>3,050,000</u></b>	<b><u>-</u></b>
Change in unrealized gain (loss) on financial instruments	<b><u>(653,576)</u></b>	<b><u>1,025,477</u></b>