

## **Independent Auditors' Report**

The Board of Directors  
Acer Incorporated:

We have audited the non-consolidated balance sheets of Acer Incorporated (the "Company") as of June 30, 2010 and 2009, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods 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.

Except as stated in the third paragraph, we conducted our audits in accordance with generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards and regulations 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.

The Company's long-term equity investments of NT\$78,606,880 thousand and NT\$80,488,665 thousand, deferred inter-company profits of NT\$75,407 thousand and NT\$16,936 thousand and foreign currency translation adjustment of NT\$(1,478,242) thousand and NT\$1,901,168 thousand as of June 30, 2010 and 2009, respectively, and related net investment gain of NT\$4,219,052 thousand and NT\$2,897,478 thousand and change in unrealized inter-company profits of NT\$(17,055) thousand and NT\$4,679 thousand for the six-month periods ended June 30, 2010 and 2009, respectively, were accounted for under the equity method based on the unaudited financial statements of the related investees of the Company. Therefore, we are unable to evaluate the effect on the Company's financial statements referred to in the first paragraph if such investees' financial statements were audited by independent auditors. In addition, the information related to investee companies and investments in Mainland China as stated in note 11(2)(3) is provided by investee companies and is not audited using the audit procedures as stated in the second paragraph.

In our opinion, except for the effect of possible adjustments, if any, that might have been determined to be necessary had the investees' financial statements been audited by independent auditors, 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 June 30, 2010 and 2009, and the results of its operations and its cash flows for the six-month periods then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", 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.

We have reviewed the consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009, prepared by the Company. Based on our reviews, we issue an unqualified review report related to the consolidated financial statements as of and for the six-month period ended June 30, 2010 and 2009.

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.

**ACER INCORPORATED**  
**Non-Consolidated Balance Sheets**  
**June 30, 2010 and 2009**  
(Expressed in thousands of New Taiwan dollars)

	<u>2010.6.30</u>	<u>2009.6.30</u>	<u>2010.6.30</u>	<u>2009.6.30</u>
	NT\$	NT\$	NT\$	NT\$
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	1,148,206	16,669,644	2,731,004	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$168,395 and NT\$154,289 as of June 30, 2010 and 2009, respectively	10,272,697	10,192,665	65,971,325	54,519,190
Notes and accounts receivables from related parties	77,823,859	58,176,231	5,090,669	7,692,286
Other receivables from related parties	35,021	171,217	47,384	64,856
Other receivables	3,761,789	2,942,248	952,631	2,896,583
Inventories	22,914,923	17,376,662	226,597	1,062,762
Financial assets at fair value through profit or loss – current	24,480	4,455	11,571,813	8,323,851
Available-for-sale financial assets-current	74,167	68,542	8,336,835	5,285,966
Hedging purpose derivative financial assets-current	481,164	23,698	15,924,748	21,650,769
Deferred income tax assets-current	1,125,867	2,475,339	3,050,000	-
Prepayments and other current assets	244,400	158,520	75,407	16,936
<b>Total current assets</b>	<u>117,906,573</u>	<u>108,259,221</u>	<u>113,978,413</u>	<u>101,513,199</u>
<b>Long-term investments:</b>				
Investments accounted for using equity method	78,606,880	80,488,665	9,150,000	12,200,000
Available-for-sale financial assets-noncurrent	1,932,916	1,624,319	30,753	30,119
Financial assets carried at cost-noncurrent	763,269	800,169	3,013,072	4,372,207
<b>Total long-term investments</b>	<u>81,303,065</u>	<u>82,913,153</u>	<u>12,193,825</u>	<u>16,602,326</u>
<b>Property, plant and equipment:</b>				
Land	379,364	376,842	26,891,821	26,429,830
Buildings and improvements	581,035	578,892	53,376	426,636
Computer equipment and machinery	574,042	509,820	38,933,094	38,163,250
Transportation equipment	29,634	28,709	-	-
Office equipment	13,325	13,516	11,096,134	9,960,796
Other equipment	695,958	695,923	-	1,991,615
Leasehold improvement	26,053	26,053	16,035,788	9,635,290
Construction in progress and advance payments for purchases of property and equipment	198,971	60,368	(1,478,242)	1,901,168
Less: accumulated depreciation	2,498,382	2,290,123	(4,368)	(567)
<b>Net property, plant and equipment</b>	<u>(770,244)</u>	<u>(655,597)</u>	<u>360,741</u>	<u>(704,154)</u>
Intangible assets	8,264,426	3,559,684	(3,522,598)	(3,522,598)
<b>Property not used in operation</b>	<u>1,257,599</u>	<u>1,562,455</u>	<u>88,363,746</u>	<u>84,281,266</u>
<b>Refundable deposits</b>	<u>172,510</u>	<u>204,029</u>	<u>-</u>	<u>-</u>
<b>Noncurrent receivable, net of allowance for doubtful accounts of NT\$0 and NT\$9,345 as of June 30, 2010 and 2009, respectively</b>	<u>98,510</u>	<u>35,724</u>	<u>-</u>	<u>-</u>
<b>Deferred charges and other assets</b>	<u>214,537,984</u>	<u>202,396,791</u>	<u>214,537,984</u>	<u>202,396,791</u>
<b>Total assets</b>	<u>214,537,984</u>	<u>202,396,791</u>	<u>214,537,984</u>	<u>202,396,791</u>
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings	-	-	-	-
Notes and accounts payable	-	-	-	-
Notes and accounts payable to related parties	-	-	-	-
Financial liabilities at fair value through profit or loss – current	-	-	-	-
Other payables to related parties	-	-	-	-
Hedging purpose derivative financial liabilities – current	-	-	-	-
Royalties payable	-	-	-	-
Accrued cash dividends	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	-
Current portion of long-term debt	-	-	-	-
Deferred inter-company profits	-	-	-	-
<b>Total current liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Long-term liabilities:</b>				
Long-term debt, excluding current portion	-	-	-	-
Other liabilities	-	-	-	-
Deferred income tax liabilities-noncurrent	-	-	-	-
<b>Total long-term liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Stockholders' equity:</b>				
Common stock	-	-	-	-
Stock dividend to be distributed	-	-	-	-
Capital surplus	-	-	-	-
Retained earnings:	-	-	-	-
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Unappropriated earnings	-	-	-	-
Other equity components:	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Minimum pension liability adjustment	-	-	-	-
Unrealized gain (loss) on financial instruments	-	-	-	-
Treasury stock	-	-	-	-
<b>Total stockholders' equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Commitments and contingencies</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and stockholders' equity</b>	<u>214,537,984</u>	<u>202,396,791</u>	<u>214,537,984</u>	<u>202,396,791</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

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

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

	<u>2010</u> NT\$	<u>2009</u> NT\$
<b>Net Sales</b>	271,779,109	203,267,982
<b>Cost of sales</b>	<u>(263,453,800)</u>	<u>(197,368,382)</u>
<b>Gross profit</b>	8,325,309	5,899,600
<b>Changes in unrealized inter-company profits</b>	<u>(17,055)</u>	<u>4,679</u>
<b>Realized gross profit</b>	<u>8,308,254</u>	<u>5,904,279</u>
<b>Operating expenses:</b>		
Selling	(2,650,369)	(1,991,181)
Administrative	(486,519)	(166,466)
Research and development	<u>(496,904)</u>	<u>(247,641)</u>
<b>Total operating expenses</b>	<u>(3,633,792)</u>	<u>(2,405,288)</u>
<b>Operating income</b>	<u>4,674,462</u>	<u>3,498,991</u>
<b>Non-operating income and gains:</b>		
Interest income	18,301	36,874
Investment gain recognized using equity method, net	3,960,147	1,712,539
Gain on disposal of investments, net	328,101	2,213
Other income	<u>46,145</u>	<u>24,760</u>
	<u>4,352,694</u>	<u>1,776,386</u>
<b>Non-operating expenses and losses:</b>		
Interest expense	(140,712)	(147,475)
Foreign currency exchange loss and valuation loss on financial instruments, net	(589,849)	(224,423)
Impairment of non-financial assets	(350,000)	-
Other losses	<u>-</u>	<u>(459)</u>
	<u>(1,080,561)</u>	<u>(372,357)</u>
<b>Income before income taxes</b>	7,946,595	4,903,020
<b>Income tax expense</b>	<u>(1,025,956)</u>	<u>(536,956)</u>
<b>Net income</b>	<u><b>6,920,639</b></u>	<u><b>4,366,064</b></u>

	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
<b>Earnings per common share (in dollars):</b>	<b>income</b>	<b>income</b>	<b>income</b>	<b>income</b>
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share – retroactively adjusted	<u><b>3.00</b></u>	<u><b>2.62</b></u>	<u><b>1.87</b></u>	<u><b>1.66</b></u>
Diluted earnings per common share – retroactively adjusted	<u><b>2.96</b></u>	<u><b>2.58</b></u>	<u><b>1.84</b></u>	<u><b>1.63</b></u>

ACER INCORPORATED

Non-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)

Retained earnings

	Common stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum Pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity
	NT\$	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
Employees' bonuses in stock	-	162,338	737,662	-	-	-	-	-	-	-	900,000
Issuance of stock from exercising stock option	1,270	-	876	-	-	-	-	-	-	-	2,146
Stock-based compensation cost	-	-	146,441	-	-	-	-	-	-	-	146,441
2009 net income	-	-	-	-	-	4,366,064	-	-	-	-	4,366,064
Appropriation approved by the stockholders (note 1):											
Legal reserve	-	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-
Special reserve	-	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,285,966)	-	-	-	-	(5,285,966)
Stock dividends to shareholders	-	264,298	-	-	-	(264,298)	-	-	-	-	-
Unrealized valuation gain on available-for sale financial assets	-	-	-	-	-	-	-	-	854,651	-	854,651
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	170,826	-	170,826
Minimum pension liability adjustment	-	-	-	-	-	-	-	(284)	-	-	(284)
Foreign currency translation adjustment	-	-	-	-	-	-	660,110	-	-	-	660,110
Increase in capital surplus resulting from equity method investments	-	-	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>
Employees' bonuses in stock	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
Issuance of stock from exercising stock option	9,538	-	173,517	-	-	-	-	-	-	-	200,000
Stock-based compensation cost	-	-	23,427	-	-	-	-	-	-	-	32,965
2010 net income	-	-	238,007	-	-	6,920,639	-	-	-	-	238,007
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)
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	(638,776)
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	-	(14,800)	-	(14,800)
Minimum pension liability adjustment	-	-	-	-	-	-	-	3,540	-	-	3,540
Foreign currency translation adjustment	-	-	-	-	-	-	(2,437,863)	-	-	-	(2,437,863)
Increase in capital surplus resulting from equity method investments	-	-	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>

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 \$1,222,096 and employee bonuses of \$1,000,000 have been deducted in the 2009 net income.

# ACER INCORPORATED

## Non-Consolidated Statements of Cash Flows

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

(Expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2009</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income	6,920,639	4,366,064
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	94,035	84,358
Amortization	226,892	193,078
Stock-based compensation cost	234,903	123,354
Net investment gain on equity method investments	(4,219,052)	(2,897,478)
Cash dividends received from equity method investments	3,104	3,662
Gain on disposal of property and equipment, net	(68)	(78)
Gain on disposal of investments, net	(328,101)	(2,213)
Impairment of non-financial assets	350,000	-
Deferred income tax expense (benefit)	168,895	(892,480)
Other investment gain	(10,122)	-
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,683,652	269,936
Receivables from related parties	9,891,778	(1,171,400)
Inventories	(3,924,264)	(3,179,574)
Other financial assets, pre payments and other current assets	(1,037,315)	644,426
Noncurrent accounts receivable	(80,757)	33,224
Notes and accounts payable	(5,735,301)	9,733,790
Payables to related parties	(3,822,032)	1,331,538
Other financial liabilities, accrued expenses and other current liabilities	(3,527,929)	7,494,262
Deferred inter-company profits	17,055	(4,679)
Other liabilities	1,894	(1,667)
<b>Cash provided by (used in ) operating activities</b>	<u>(2,092,094)</u>	<u>16,128,123</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	603,483	-
Proceeds from disposal of long-term equity investments	18,251	-
Proceeds from capital return and liquidation of investees	84,859	8,791
Additions to property, plant and equipment	(154,351)	(84,680)
Proceeds from disposal of property, plant and equipment and property not used in operation	31,976	78
Decrease in loans and advances to related parties	80,592	684,000
Increase in intangible assets	(4,924,070)	(2,979,411)
Decrease (increase) in refundable deposits, deferred charges and other assets	82,364	(33,653)
<b>Cash used in investing activities</b>	<u>(4,176,896)</u>	<u>(2,404,875)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	2,731,004	-
Decrease in loans from related parties	-	(348,018)
Proceeds from exercise of employee stock option	32,965	2,146
<b>Cash provided by (used in) financing activities</b>	<u>2,763,969</u>	<u>(345,872)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,505,021)</u>	<u>13,377,376</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>4,653,227</u>	<u>3,292,268</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>1,148,206</u></u>	<u><u>16,669,644</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>114,615</u>	<u>140,923</u>
Income taxes paid	<u>1,729,922</u>	<u>467,861</u>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Current portion of long-term debt	<u>3,050,000</u>	<u>-</u>
Change in unrealized valuation gain (loss) on financial instruments	<u>(653,576)</u>	<u>1,025,477</u>
Change in foreign currency translation adjustment	<u>(2,437,863)</u>	<u>660,110</u>
Accrued cash dividends	<u>8,336,835</u>	<u>5,285,966</u>