

Independent Accountants' Review Report

The Board of Directors
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of September 30, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the nine-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.

Except as stated in following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "The Review of 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.

The Company's long-term equity method investments of NT\$80,724,040 thousand and NT\$82,092,870 thousand, deferred inter-company profits of NT\$89,243 thousand and NT\$45,040 thousand and foreign currency translation adjustment of NT\$(645,333) thousand and NT\$1,958,580 thousand as of September 30, 2010 and 2009, respectively, and related net investment gain of NT\$7,357,306 thousand and NT\$5,155,351 thousand and change in unrealized inter-company profits of NT\$30,890 and NT\$23,424 thousand for the nine-month periods ended September 30, 2010 and 2009, respectively, were accounted for using the equity method based on the unreviewed financial statements of the related investees of the Company.

Based on our reviews, except for the effects of such adjustment, if any, as might have been determined to be necessary had the investee companies' financial statements been reviewed as discussed in the preceding paragraph, 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.

KPMG
October 20, 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
September 30, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2010.9.30</u> NT\$	<u>2009.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2010.9.30</u> NT\$	<u>2009.9.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	4,780,561	13,642,456	Notes and accounts payable	77,381,869	65,682,854
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$177,334 and NT\$158,310 as of September 30, 2010 and 2009, respectively	11,492,172	12,250,218	Notes and accounts payable to related parties	6,109,816	10,942,962
Notes and accounts receivables from related parties	94,892,801	70,572,072	Financial liabilities at fair value through profit or loss — current	721,946	58,221
Other receivables from related parties	1,112,976	483,154	Other payables to related parties	368,494	1,442,198
Other receivables	3,091,976	2,221,396	Hedging purpose derivative financial liabilities — current	1,008,268	1,208,714
Inventories	22,001,841	18,982,839	Royalties payable	12,314,043	9,844,808
Financial assets at fair value through profit or loss — current	3,662	5,650	Accrued expenses and other current liabilities	15,098,108	22,065,349
Available-for-sale financial assets — current	85,617	100,180	Current portion of long-term debt	3,050,000	-
Hedging purpose derivative financial assets — current	3,494	89,787	Deferred inter-company profits	89,243	45,040
Deferred income tax assets — current	416,358	2,591,133	Total current liabilities	<u>116,141,787</u>	<u>111,290,146</u>
Prepayments and other current assets	696,676	163,908			
Total current assets	<u>138,578,134</u>	<u>121,102,793</u>	Long-term liabilities:		
Long-term investments:			Financial liabilities at fair value through profit or loss — noncurrent	1,347,441	-
Investments accounted for using equity method	81,039,740	82,465,217	Bonds payable	13,998,055	-
Available-for-sale financial assets — noncurrent	2,242,233	2,286,458	Long-term debt, excluding current portion	9,150,000	12,200,000
Financial assets carried at cost — noncurrent	760,469	796,169	Other liabilities	30,879	29,733
Total long-term investments	<u>84,042,442</u>	<u>85,547,844</u>	Deferred income tax liabilities — noncurrent	3,559,143	4,607,496
Property, plant and equipment:			Total long-term liabilities	<u>28,085,518</u>	<u>16,837,229</u>
Land	379,364	376,842	Total liabilities	<u>144,227,305</u>	<u>128,127,375</u>
Buildings and improvements	581,035	578,892	Stockholders' equity:		
Computer equipment and machinery	596,194	525,035	Common stock	26,947,413	26,856,466
Transportation equipment	30,634	29,719	Capital surplus	39,479,465	38,310,686
Office equipment	12,577	13,516	Retained earnings:		
Other equipment	695,958	695,923	Legal reserve	11,096,134	9,960,796
Leasehold improvement	26,053	26,053	Special reserve	-	1,991,615
Construction in progress and advance payments for purchases of property and equipment	217,654	64,057	Unappropriated earnings	20,334,472	13,104,990
	2,539,469	2,310,037	Other equity components:		
Less: accumulated depreciation	(808,673)	(689,000)	Foreign currency translation adjustment	(645,333)	1,958,580
Net property, plant and equipment	<u>1,730,796</u>	<u>1,621,037</u>	Minimum pension liability adjustment	(4,365)	(567)
			Unrealized gain (loss) on financial instruments	(192,358)	960,683
Intangible assets	8,216,465	3,485,689	Treasury stock	(3,522,598)	(3,522,598)
Property not used in operation	3,694,096	4,219,309	Total stockholders' equity	93,492,830	89,620,651
Refundable deposits	166,934	219,734	Commitments and contingencies		
Noncurrent receivable	90,400	25,201			
Deferred charges and other assets	1,200,868	1,526,419			
Total assets	<u>237,720,135</u>	<u>217,748,026</u>	Total liabilities and stockholders' equity	<u>237,720,135</u>	<u>217,748,026</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 30, 2010 and 2009

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

Unaudited

	<u>2010</u>	<u>2009</u>		
	NT\$	NT\$		
Net Sales	409,158,464	339,191,376		
Cost of sales	<u>(396,276,725)</u>	<u>(329,452,212)</u>		
Gross profit	12,881,739	9,739,164		
Changes in unrealized inter-company profits	<u>(30,890)</u>	<u>(23,424)</u>		
Realized gross profit	<u>12,850,849</u>	<u>9,715,740</u>		
Operating expenses:				
Selling	(4,243,839)	(3,575,539)		
Administrative	(697,744)	(316,313)		
Research and development	<u>(780,248)</u>	<u>(443,368)</u>		
Total operating expenses	<u>(5,721,831)</u>	<u>(4,335,220)</u>		
Operating income	<u>7,129,018</u>	<u>5,380,520</u>		
Non-operating income and gains:				
Interest income	23,088	51,377		
Investment gain recognized using equity method, net	7,078,406	3,881,590		
Gain on disposal of investments, net	566,319	2,213		
Other income	<u>127,578</u>	<u>100,560</u>		
	<u>7,795,391</u>	<u>4,035,740</u>		
Non-operating expenses and losses:				
Interest expense	(262,683)	(210,881)		
Foreign currency exchange loss and valuation loss on financial instruments, net	(1,436,515)	(131,082)		
Impairment of non-financial assets	(350,000)	-		
Other loss	<u>-</u>	<u>(2,441)</u>		
	<u>(2,049,198)</u>	<u>(344,404)</u>		
Income before income taxes	12,875,211	9,071,856		
Income tax expense	<u>(1,655,888)</u>	<u>(1,236,092)</u>		
Net income	<u>11,219,323</u>	<u>7,835,764</u>		
	Before	After	Before	After
	income	income	income	income
Earnings per common share (in New Taiwan dollars):	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share — retroactively adjusted	<u>4.87</u>	<u>4.24</u>	<u>3.45</u>	<u>2.98</u>
Diluted earnings per common share — retroactively adjusted	<u>4.76</u>	<u>4.16</u>	<u>3.40</u>	<u>2.94</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>Retained earnings</u>					Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings					
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
Issuance of stock from exercising stock option	1,270	876	-	-	-	-	-	-	-	2,146
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	70,510
Stock-based compensation cost	-	202,843	-	-	-	-	-	-	-	202,843
Net income for the nine-month period ended September 30, 2009	-	-	-	-	7,835,764	-	-	-	-	7,835,764
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)	-	-	-	-	-
Employees' bonuses in stock	162,338	737,662	-	-	-	-	-	-	-	900,000
Unrealized valuation gain on available-for sale financial assets	-	-	-	-	-	-	-	1,838,424	-	1,838,424
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	851,890	-	851,890
Minimum pension liability adjustment	-	-	-	-	-	-	(284)	-	-	(284)
Foreign currency translation adjustment	-	-	-	-	-	717,522	-	-	-	717,522
Increase in capital surplus resulting from equity method investments	-	168,843	-	-	-	-	-	-	-	168,843
Balance at September 30, 2009	26,856,466	38,310,686	9,960,796	1,991,615	13,104,990	1,958,580	(567)	960,683	(3,522,598)	89,620,651
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
Issuance of stock from exercising stock option	11,754	28,163	-	-	-	-	-	-	-	39,917
Cash dividends distributed to subsidiaries	-	125,922	-	-	-	-	-	-	-	125,922
Stock-based compensation cost	-	357,155	-	-	-	-	-	-	-	357,155
Net income for the nine-month period ended September 30, 2010	-	-	-	-	11,219,323	-	-	-	-	11,219,323
Conversion right from issuance of convertible bonds	-	297,149	-	-	-	-	-	-	-	297,149
Appropriation approved by the stockholders (note 2):										
Legal reserve	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-
Cash dividends	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)
Stock dividends to shareholders	26,893	-	-	-	(26,893)	-	-	-	-	-
Employees' bonuses in stock	26,483	173,517	-	-	-	-	-	-	-	200,000
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	(168,592)	-	(168,592)
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	(1,038,083)	-	(1,038,083)
Minimum pension liability adjustment	-	-	-	-	-	-	3,543	-	-	3,543
Foreign currency translation adjustment	-	-	-	-	-	(1,604,954)	-	-	-	(1,604,954)
Increase in capital surplus resulting from equity method investments	-	3,441	-	-	-	-	-	-	-	3,441
Balance at September 30, 2010	26,947,413	39,479,465	11,096,134	-	20,334,472	(645,333)	(4,365)	(192,358)	(3,522,598)	93,492,830

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 \$122,096 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 nine-month periods ended September 30, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2010</u>	<u>2009</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	11,219,323	7,835,764
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	142,026	127,607
Amortization	337,487	301,017
Stock-based compensation cost	352,632	174,608
Effect of exchange rate on bonds payable	(253,569)	-
Net investment gain on equity method investments	(7,401,821)	(5,197,399)
Cash dividends received from equity method investments	380,478	988,645
Gain on disposal of property and equipment, net	(85)	(78)
Other expenses reclassified from property and equipment	-	130
Gain on disposal of investments, net	(566,319)	(2,213)
Impairment of non-financial assets	350,000	-
Deferred income tax expense (benefit)	1,247,627	(772,985)
Other investment gain	(27,059)	-
Amortization of bonds payable discount	60,622	-
Gains on valuation of non-current financial liabilities	(50,608)	-
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,464,177	(1,787,617)
Receivables from related parties	(7,177,163)	(13,567,241)
Inventories	(3,022,517)	(4,803,395)
Other financial assets, prepayments and other current assets	(401,297)	1,335,366
Noncurrent receivable	(72,646)	43,746
Notes and accounts payable	5,675,243	20,897,454
Payables to related parties	(3,387,031)	4,475,111
Other financial liabilities, accrued expenses and other current liabilities	(2,522,258)	9,571,873
Deferred inter-company profits	30,890	23,424
Other liabilities	2,020	(2,053)
Cash provided by (used in) operating activities	<u>(3,619,848)</u>	<u>19,641,764</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	972,094	-
Proceeds from disposal of equity method investments	37,286	-
Proceeds from capital return and liquidation of investees	1,007,789	406,981
Additions to property, plant and equipment	(185,313)	(92,922)
Proceeds from disposal of property, plant and equipment and property not used in operation	136,381	78
Decrease (increase) in loans and advances to related parties	(997,363)	372,063
Increase in intangible assets	(4,927,429)	(2,949,242)
Decrease (increase) in refundable deposits, deferred charges and other assets	114,455	(49,414)
Cash used in investing activities	<u>(3,842,100)</u>	<u>(2,312,456)</u>
Cash flows from financing activities:		
Issuance of convertible bonds	15,886,200	-
Decrease in loans from related parties	-	(1,695,300)
Distribution of cash dividends	(8,336,835)	(5,285,966)
Proceeds from exercise of employee stock option	39,917	2,146
Cash provided by (used in) financing activities	<u>7,589,282</u>	<u>(6,979,120)</u>
Net increase in cash and cash equivalents	127,334	10,350,188
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><u>4,780,561</u></u>	<u><u>13,642,456</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>175,549</u>	<u>228,854</u>
Income taxes paid	<u>2,423,175</u>	<u>469,767</u>
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	<u>3,050,000</u>	<u>-</u>
Change in unrealized valuation gain (loss) on financial instruments	<u>(1,206,675)</u>	<u>2,690,314</u>
Change in foreign currency translation adjustment	<u>(1,604,954)</u>	<u>717,522</u>