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, 2008 and 2007, 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 investments of NT\$46,015,524 thousand and NT\$43,056,251 thousand, long-term equity investment credits of NT\$0 and NT\$450,592 thousand, deferred intercompany profits of NT\$24,898 thousand and NT\$9,990 thousand and foreign currency translation adjustment of NT\$(323,656) thousand and NT\$2,840,950 thousand as of September 30, 2008 and 2007, respectively, and related net investment income of NT\$2,306,403 thousand and NT\$7,655,993 thousand and change in realized (unrealized) inter-company profits of NT\$(8,937) and NT\$18,073 thousand for the nine-month periods ended September 30, 2008 and 2007, respectively, were accounted for under 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 companys' 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.

The Company recognized employee bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. The changes in accounting principle decreased the Company's net income and earnings per share by NT\$1,554,051 thousand and NT\$0.63, respectively.

KPMG October 27, 2008

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, 2008 and 2007 (Expressed in thousands of New Taiwan dollars) Unaudited

Assets	<u>2008.9.30</u> NT\$	<u>2007.9.30</u> NT\$	Liabilities and Stockholders' Equity
Current assets:			Current liabilities:
Cash and cash equivalents	2,472,828	18,280,366	Short-term borrowings
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$119,362	_,,		Notes and accounts payable
and NT\$47,397 as of September 30, 2008 and 2007, respectively	17,246,166	10,640,090	Notes and accounts payable to related parties
Notes and accounts receivables from related parties	62,366,007	44,848,121	Financial liabilities at fair value through profit or loss – current
Other receivables from related parties	652,128	120,126	Other payables to related parties
Other receivables	2,176,896	982,251	Hedging purpose derivative financial liabilities
Inventories	15,382,710	16,304,857	Royalties payable
Financial assets at fair value through profit or loss – current	2,677,332	10,501,057	Accrued expenses and other current liabilities
Available-for-sale financial assets-current	75,633	5,375,874	Long-term debt-current portion
Hedging purpose derivative financial assets-current	644,087	-	Deferred inter-company profits
Deferred income tax assets-current	1,100,973	1,298,044	Total current liabilities
Prepaid expenses and other current assets	188,310	476,080	
Total current assets	104,983,070	98,325,809	Long-term liabilities:
Total current assets	104,703,070		Long-term debt
Funds and investments:			Other liabilities
Long-term equity investments under equity method	75,366,226	43,056,251	Deferred income tax liabilities-noncurrent
Prepaid long-term equity investments	-	1,581,302	Long-term equity investment credits
Available-for-sale financial assets-noncurrent	1,459,675	3,039,232	Total long-term liabilities
Financial assets carried at cost-noncurrent	1,033,882	899,418	Total liabilities
Total funds and investments	77,859,783	48,576,203	
Property, plant and equipment:			Stockholders' equity:
Land	376,842	376,842	Common stock
Buildings and improvements	578,892	578,892	Capital surplus
Machinery and computer equipment	441,794	435,360	Retained earnings:
Transportation equipment	24,141	25,503	Legal reserve
Office equipment	14,056	15,901	Unappropriated earnings
Other equipment	389,373	203,336	Other stockholders' equity components:
Leasehold improvement	26,053	26,053	Foreign currency translation adjustment
Construction in progress and advance payments for purchases of property and			Minimum pension liability adjustment
equipment	640,482	424,629	Unrealized gain (loss) on available-for-sale financial assets
	2,491,633	2,086,516	Hedging reserve
Less: accumulated depreciation	(579,349)	(547,646)	Treasury stock
Net property, plant and equipment	1,912,284	1,538,870	Total stockholders' equity
Intangible assets	665,899	479,362	Commitments and contingencies
Property not used in operations	4,254,255	5,071,042	
Refundable deposits	211,634	232,922	
Noncurrent receivable, net of allowance for doubtful accounts of NT\$37,380 and			
NT\$0 as of September 30, 2008 and 2007, respectively	95,879	293,744	
Deferred expenses and other assets	1,013,564	683,496	
Total assets	<u>190,996,368</u>	<u>155,201,448</u>	Total liabilities and stockholders' equity

<u>2008.9.30</u>	<u>2007.9.30</u>
NT\$	NT\$
$\begin{array}{r} 3,370,437\\ 65,752,399\\ 8,783,109\\ 180,006\\ 2,519,931\\ 96,581\\ 5,768,180\\ 7,774,422\\ 3,547,500\\ \underline{24,898}\\ 97,817,463\end{array}$	52,286,175 3,913,790 1,467,342 1,146,344 1,506,661 5,620,691 12,746,850 - - 9,990 78,697,843
8,652,500 139,027 4,098,006 - - 12,889,533 110,706,996	28,999 2,856,735 450,592 3,336,326 82,034,169
26,427,316	24,054,904
37,081,534	29,898,471
8,786,583	7,490,689
11,172,288	11,153,906
825,185	2,840,950
(172,116)	-
(828,796)	2,583,700
519,976	(1,584,421)
(3,522,598)	(3,270,920)
80,289,372	73,167,279

<u>190,996,368</u> <u>155,201,448</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 30, 2008 and 2007 (Expressed in thousands of New Taiwan dollars, except earnings per share data) Unaudited

Net Revenue $308,449,675$ $219,574,363$ Cost of revenues $(301,806,962)$ $(211,351,551)$ Gross profit $6,642,713$ $8,222,812$ Changes in realized (unrealized) inter-company profits $(8,937)$ $18,073$ Realized gross profit $6,633,776$ $8,240,885$ Operating expenses: $(1,675,524)$ $(1,986,879)$ Selling $(1,675,524)$ $(1,986,879)$ Administrative $(167,935)$ $(73,627)$ Total operating expenses $(1,679,524)$ $(1,986,879)$ Operating income $4,739,694$ $6.056,825$ Non-operating income and gains: $(1,679,524)$ $(1,840,600)$ Investment gain recognized by equity method $3,779,541$ $1,134,522$ Gain on disposal of assets, net $-108,637$ $3,394,454$ Other income $(298,423)$ $296,181$ Investment gain recognized by equity method $3,779,541$ $1,134,522$ Gain on disposal of assets, net $-108,637$ $6,288,967$ $5,183,627$ Non-operating expenses $(221,930)$		<u>200</u> NT	_	<u>200</u> NT			
Gross profit 6,642,713 8,222,812 Changes in realized (unrealized) inter-company profits (8,937) 18,073 Realized gross profit 6,633,776 8,240,885 Operating expenses: (1,675,524) (1,986,879) Selling (1,675,524) (1,986,879) Administrative (150,623) (123,554) Research and development (167,935) (73,627) Total operating expenses (1,894,082) (2,184,060) Operating income 208,423 296,181 Investment gain recognized by equity method 3,779,541 1,134,522 Gain on disposal of assets, net 2,195,470 3,904,833 Other income 108,637 5,31 139,454 6,288,967 5,183,627 5,183,627 5,183,627 Non-operating expenses and loss: (443,383) (47,440) 1,194,452 Interest expense (443,383) (47,440) 6,288,967 5,183,627 Non-operating expenses and loss on valuation of financial instrument, net (443,383) (47,440) 6,288,927 5,183,627	Net Revenue	308,449	9,675	219,574	4,363		
Changes in realized (unrealized) inter-company profits (8.937) 18.073 Realized gross profit 6.633.776 8.240.885 Operating expenses: (1.675.524) (1.986,879) Administrative (1.675.524) (1.986,879) Administrative (67.935) (73.627) Total operating expenses (1.679.524) (1.986,879) Operating income 2.084.082 (2.184.060) Operating income 2.084.023 (2.184.060) Operating income 2.08,423 296,181 Interest income 2.08,423 296,181 Investment gain recognized by equity method 3.779,541 1.134.522 Gain on disposal of investments, net 2.195,470 3.504.833 Other income 108,637 1.134.522 Interest expense (443,383) (47,440) Financial currency exchange loss and loss on valuation of financial instrument, net (221.930) . Assets impairment loss (221.930) . . Other loss (801) (833) . . Interest expense 	Cost of revenues	<u>(301,806</u>	<u>,962</u>)	(211,35	1, <u>551</u>)		
Realized gross profit	Gross profit	6,642	2,713	8,222,812			
Operating expenses: Selling (1,675,524) (1,986,879) Administrative (167,935) (123,554) Research and development $(67,935)$ (130,623) (123,554) Total operating expenses $(1,675,524)$ (1,986,879) (130,622) Total operating expenses $(1,675,524)$ (1,986,879) (132,554) Non-operating income $(1,675,524)$ (1,986,879) (132,554) Non-operating income $(1,675,524)$ (123,554) (123,554) Intrest income $(1,675,524)$ (123,554) (123,554) Interest income $2(1,840,60)$ $4,739,694$ $6.056,825$ Non-operating income and gains: $11,134,522$ Gain on disposal of assets, net $-108,637$ Gain on disposal of investments, net $2,195,470$ $3,504,833$ (47,440) Other income $105,533$ $139,454$ $6,288,967$ $5,183,627$ Non-operating expense and loss: $(443,383)$ $(47,440)$ $(444,191)$ $(241,198)$ Instrument, net 8060 (801) $(832,21)$ $(832,21)$ $(1,110,305)$ $(288,721)$	Changes in realized (unrealized) inter-company profits	(8	(8,937)		18,073		
Selling (1.675,524) (1.986,879) Administrative (150,623) (123,554) Research and development (67,935) (73,627) Total operating expenses (1.894,082) (2,184,060) Operating income 4,739,694 6,056,825 Non-operating income and gains: 1 1,134,522 Interest income 208,423 296,181 Investment gain recognized by equity method 3,779,541 1,134,522 Gain on disposal of assets, net 2,195,470 3,504,833 Other income 105,533 139,454 formed 6,288,967 5,183,627 Non-operating expenses and loss: (443,383) (47,440) Financial currency exchange loss and loss on valuation of financial instrument, net (444,191) (241,198) Assets impairment loss (221,930) - (389,916) Other loss (801) (83) (1,110,305) (288,721) Income before income taxes 9,918,356 10,951,731 (389,916) (389,916) Income tax expense (989,251) (389,916) (389,916) (389,916) (389,916)	Realized gross profit	6,633	<u>,776</u>	8,240,885			
Administrative $(150,623)$ $(123,554)$ Research and development $(67,935)$ $(73,627)$ Total operating expenses $(1,894,082)$ $(2,184,060)$ Operating income $4,739,694$ $6,056,825$ Non-operating income and gains: $208,423$ $296,181$ Investment gain recognized by equity method $3,779,541$ $1,134,522$ Gain on disposal of assets, net $ 108,637$ Gain on disposal of investments, net $2,195,470$ $3,504,833$ Other income $105,533$ $139,454$ Interest expense $(443,383)$ $(47,440)$ Financial currency exchange loss and loss on valuation of financial $(444,191)$ $(241,198)$ instrument, net $8,829,2105$ $10,951,731$ Assets impairment loss $(221,930)$ $-$ Other loss $(288,721)$ $9,918,356$ $10,951,731$ Income before income taxes $9,918,356$ $10,951,731$ Income tax expense $(989,251)$ $(389,916)$ Net income $\frac{taxes}{xxs}$ $\frac{taxes}{xxs}$ $\frac{taxes}{xxs}$ Basic earnings per common share (in New Taiwan dollars):BeforeAfterBeforeAfterBasic earnings per common share 4.05 3.64 4.50 4.34	Operating expenses:						
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Other income $105,533$ $6,288,967$ $139,454$ $5,183,627$ Non-operating expenses and loss: Interest expense(443,383)(47,440)Financial currency exchange loss and loss on valuation of financial instrument, net Assets impairment loss(221,930)-Other loss(221,930)-Other loss(801)(83)Income before income taxes9,918,35610,951,731Income tax expense Net income(989,251)(389,916)BeforeAfter income income income income income incomeBeforeAfter incomeEarnings per common share (in New Taiwan dollars):Before After incomeAfter incomeBefore incomeBasic earnings per common share 4.05 3.64 4.50 4.34		2 105	- 2 105 470				
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Earnings per common share (in New Taiwan dollars): income income income income income Image: taxes taxes taxes taxes taxes taxes taxes Basic earnings per common share 4.05 3.64 4.50 4.34	Net income	<u> </u>	<u>,105</u>	10,561,815			
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taxestaxestaxestaxesNT\$NT\$NT\$NT\$Basic earnings per common share4.053.644.504.053.644.504.34	Earnings per common share (in New Taiwan dollars):	income	income	income	income		
NT\$ NT\$ NT\$ NT\$ Basic earnings per common share <u>4.05</u> <u>3.64</u> <u>4.50</u> <u>4.34</u>		taxes	taxes	taxes	taxes		
	Basic earnings per common share	<u>4.05</u>	<u>3.64</u>	<u>4.50</u>	<u>4.34</u>		
	Diluted earnings per common share	<u>4.00</u>	<u>3.60</u>				

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2008 and 2007

(Expressed in thousands of New Taiwan dollars) Unaudited

			Retained earnings						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum pension liability Adjustment	Unrealized gain (loss) on available-for-sale <u>financial assets</u>	Hedging reserve
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2007 2007 net income	23,370,637	29,947,020	6,468,865	283,921	11,531,479 10,561,815	1,335,500	-	4,374,388	(12,780)
Foreign currency translation adjustment	-	-	-	-	-	1,505,450	-	-	-
Change in fair values of financial instruments Appropriation approved by the stockholders:	-	-	-	-	-	-	-	-	(1,571,641)
Legal reserve	-	-	1,021,824	-	(1,021,824)	-	-	-	-
Stock dividends and employees' bonuses in stock	684,267	-	-	-	(684,267)	-	-	-	-
Special reserve	-	-	-	(283,921)	283,921	-	-	-	-
Cash dividends	-	-	-	-	(8,997,695)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(94,804)	-	-	-	-
Employees' bonuses in cash	-	-	-	-	(424,719)	-	-	-	-
Decrease in capital surplus resulting from long-term equity investments									
accounted for by the equity method	-	(170,784)	-	-	-	-	-	-	-
Cash dividends distributed to subsidiaries	-	122,235	-	-	-	-	-	-	-
Change in unrealized loss on available-for sale financial assets								(1,790,688)	
Balance at September 30, 2007	24,054,904	29,898,471	7,490,689	<u> </u>	<u>11,153,906</u>	<u>2,840,950</u>	<u> </u>	2,583,700	(<u>1,584,421</u>)
Balance at January 1, 2008	24,054,904	29,898,983	7,490,689	-	13,551,024	2,733,899	(173,364)	2,508,663	15,836
2008 net income	-	-	-	-	8,929,105	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	(1,908,714)	-	-	-
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	504,140
Appropriation approved by the stockholders:									
Legal reserve	-	-	1,295,894	-	(1,295,894)	-	-	-	-
Stock dividends and employees' bonuses in stock	690,823	-	-	-	(690,823)	-	-	-	-
Cash dividends	-	-	-	-	(8,659,766)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(116,630)	-	-	-	-
Employees' bonuses in cash	-	-	-	-	(544,728)	-	-	-	-
Cash dividends distributed to subsidiaries	-	114,832	-	-	-	-	-	-	-
Decrease in capital surplus resulting from long-term equity investments									
accounted for by the equity method	-	(87,959)	-	-	-	-	-	-	-
Change in unrealized loss on available-for sale financial assets	-	-	-	-	-	-	-	(3,337,459)	-
Minimum pension liability adjustment	-	-	-	-	-	-	1,248	-	-
Issuance of shares for acquisitions	1,681,589	7,155,678	-	-	-	-	-	-	-
Treasury stock held by subsidiaries	-					<u> </u>	-		-
Balance at September 30, 2008	26,427,316	<u>37,081,534</u>	<u>8,786,583</u>		<u> 11,172,288</u>	<u>825,185</u>	<u>(172,116</u>)	<u>(828,796</u>)	<u> 519,976 </u>

Treasury <u>stock</u> NT\$	Total stockholders' equity NT\$
(3,270,920) - -	74,028,110 10,561,815 1,505,450 (1,571,641)
- - - - - - - - - - - - - - - - - - -	- (8,997,695) (94,804) (424,719) (170,784) 122,235 (1,790,688) 73,167,279 76,809,714 8,929,105 (1,908,714) 504,140
- - - - - - - - - - - - - - - - - - -	- (8,659,766) (116,630) (544,728) 114,832 (87,959) (3,337,459) 1,248 8,837,267 (251,678) 80,289,372

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2008 and 2007 (Expressed in thousands of New Taiwan dollars) Unaudited

	<u>2008</u> NT\$	<u>2007</u> NT\$
Cash flows from operating activities:		
Net income	8,929,105	10,561,815
Adjustments to reconcile net income to cash provided by (used in) operating activities:	106 714	
Depreciation	106,714	97,900
Amortization	190,290	166,045
Loss (gain) on disposal of assets, net	113	(108,637)
Other expenses	130	1,694
Gain on disposal of investments, net	(2,195,470)	(3,504,833)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(7,302,056)	(5,262,356)
Assets impairment loss	221,930	-
Realized foreign currency translation adjustment	(32,422)	(18,780)
Deferred income tax expense (benefit)	1,259,177	(40,582)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(6,199,640)	(2,623,816)
Receivables from related parties	(13,159,954)	4,115,738
Inventories	(2,528,457)	(10,183,531)
Other financial assets, prepaid expenses and other current assets	(4,250,018)	(287,183)
Noncurrent receivable	159,733	186,793
Notes and accounts payable	31,205,847	16,587,215
Payables to related parties	1,710,325	1,842,641
Deferred inter-company profits	8,937	(18,073)
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	(4,182,669)	6,086,175
Other liabilities	57,665	(93,751)
Cash provided by operating activities	3,999,280	17,504,474
Cash flows from investing activities:		4.0.44 80.0
Decrease in available-for-sale financial assets-current	1,118,665	4,066,728
Proceeds from sales of long-term equity investments and available-for-sale financial assets-noncurrent	2,925,471	5,343,016
Increase in prepaid long-term equity investments	(191,444)	(1,581,302)
Return of capital from investees	4,697,249	3,649,915
Proceeds from disposal of property, plant and equipment and property not used in operations	393,789	1,221,303
Additions to property, plant and equipment	(189,679)	(393,589)
Increase in intangible assets	(98,133)	(217,143)
Decrease (increase) in loans and advances to related parties	114,572	(33,123)
Decrease in restricted assets – current	1,958,585	-
Increase in refundable deposits, deferred expenses and other assets	(40,116)	(116,963)
Cash provided by investing activities Cash flows from financing activities:	10,688,959	11,938,842
Decrease in short-term borrowings	(1,482,672)	(5,375,080)
Decrease in long-term debt	(4,300,000)	-
Increase in loans from related parties	1,555,373	-
Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration	(9,321,124)	(9,094,715)
Cash used in financing activities	(13,548,423)	(14,469,795)
Net increase in cash and cash equivalents	1,139,816	14,973,521
Cash and cash equivalents at beginning of period	1,333,012	3,306,845
Cash and cash equivalents at end of period	2,472,828	18,280,366
Supplemental disclosures of cash flow information:		
Interest paid	446,984	47,440
Income taxes paid	331,965	225,162
Supplementary schedules of non-cash investing and financing activities:		
Issuance of shares for acquisitions	8,837,267	<u> </u>
Change in foreign currency translation adjustment	(1,876,292)	1,524,230
Change in unrealized gain on available-for-sale financial assets	(3,337,459)	(1,790,688)
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