

ACER INCORPORATED

Non-Consolidated Balance Sheets

March 31, 2005 and 2004

(Expressed in thousands of New Taiwan dollars)

Unaudited

Assets	<u>2005</u> NT\$	<u>2004</u> NT\$	Liabilities and Stockholders' Equity	<u>2005</u> NT\$	<u>2004</u> NT\$
Current assets:					
Cash and cash equivalents	6,730,092	1,773,902			
Short-term investments	7,807,470	6,040,538			
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$81,492 thousand and NT\$46,105 thousand as of March 31, 2005 and 2004, respectively	4,411,554	2,243,853			
Receivables from related parties	19,926,831	15,518,735			
Other receivables	145,912	442,577			
Inventories	1,728,592	1,380,379			
Prepaid expenses and other current assets	<u>972,837</u>	<u>923,373</u>			
Total current assets	<u>41,723,288</u>	<u>28,323,357</u>			
Long-term equity investments					
Accounted for using equity method	41,625,728	48,538,418			
Accounted for using cost method or lower-of-cost-or-market-value method	3,355,747	3,888,255			
Allowance for unrealized depreciation on investments	<u>(249,239)</u>	<u>(168,602)</u>			
Net long-term equity investments	<u>44,732,236</u>	<u>52,258,071</u>			
Property, plant and equipment:					
Land	1,722,897	1,691,751			
Buildings and improvements	3,153,648	3,165,737			
Machinery and computer equipment	572,478	534,822			
Transportation equipment	29,098	32,008			
Furniture and fixtures	18,297	22,229			
Other equipment	15,252	10,540			
Leasehold improvement	26,357	26,684			
Construction in progress and advance payments for purchases of property and equipment	<u>65,811</u>	<u>15,745</u>			
	5,603,838	5,499,516			
Less: accumulated depreciation	(940,842)	(728,124)			
Less: accumulated impairment	<u>(495,000)</u>	<u>-</u>			
Net property, plant and equipment	<u>4,167,996</u>	<u>4,771,392</u>			
Intangible assets	461,884	501,972			
Refundable deposits	328,507	272,634			
Deferred expenses	98,869	128,048			
Long-term accounts receivable	139,309	-			
Property not used in operation	<u>4,272,926</u>	<u>4,860,824</u>			
Total assets	<u>95,925,015</u>	<u>91,116,298</u>			
			Current liabilities:		
			Notes and accounts payable	17,700,173	10,057,683
			Payables to related parties	4,373,964	5,510,804
			Current installments of bonds payable	3,000,000	3,262,798
			Royalties payable	2,234,788	1,512,255
			Accrued expenses and other current liabilities	4,479,651	2,910,743
			Deferred inter-company profits	<u>71,105</u>	<u>48,493</u>
			Total current liabilities	<u>31,859,681</u>	<u>23,302,776</u>
			Long-term liabilities:		
			Bonds payable	-	3,000,000
			Other liabilities	638,936	156,348
			Long-term equity investment credits	<u>370,310</u>	<u>1,113,604</u>
			Total long-term liabilities	<u>1,009,246</u>	<u>4,269,952</u>
			Total liabilities	<u>32,868,927</u>	<u>27,572,728</u>
			Stockholders' equity:		
			Common stock	20,933,677	20,543,268
			Convertible bonds being converted to common stock	-	104,909
			Capital surplus	30,538,568	33,454,259
			Retained earnings:		
			Legal reserve	4,919,949	4,188,567
			Special reserve	1,261,851	1,671,291
			Unappropriated earnings	9,174,888	10,444,433
			Other stockholders' equity components:		
			Unrealized depreciation on long-term equity investments	(249,239)	(168,602)
			Foreign currency translation adjustment	(335,823)	(85,432)
			Hedge revaluation gain (loss)	223,497	(32,241)
			Treasury stock	<u>(3,411,280)</u>	<u>(6,576,882)</u>
			Total stockholders equity	63,056,088	63,543,570
			Commitments and contingencies		
			Total liabilities and stockholders' equity	<u>95,925,015</u>	<u>91,116,298</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the three-month periods ended March 31, 2005 and 2004

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

Unaudited

	<u>2005</u> NT\$	<u>2004</u> NT\$
Revenues	41,866,432	27,558,181
Sales return and allowances	<u>(734,495)</u>	<u>(579,114)</u>
Net Revenue	41,131,937	26,979,067
Cost of revenues	<u>(39,365,444)</u>	<u>(25,711,497)</u>
Gross profit	1,766,493	1,267,570
Changes in unrealized inter-company profits	<u>-</u>	<u>2,075</u>
Realized gross profit	<u>1,766,493</u>	<u>1,269,645</u>
Operating expenses:		
Selling	(589,265)	(505,020)
Administrative	(43,356)	(42,704)
Research and development	<u>(13,499)</u>	<u>(6,762)</u>
Total operating expenses	<u>(646,120)</u>	<u>(554,486)</u>
Operating income	<u>1,120,373</u>	<u>715,159</u>
Non-operating income and gains:		
Interest income	19,769	2,392
Investment gain recognized by equity method	424,615	-
Gain on disposal of investments, net	1,202,632	1,228,746
Foreign exchange gain, net	34,348	-
Other income	<u>67,480</u>	<u>57,565</u>
	<u>1,748,844</u>	<u>1,288,703</u>
Non-operating expenses and loss:		
Interest expense	(54,708)	(95,996)
Investment loss recognized by equity method	-	(283,935)
Foreign exchange gain, net	-	(56,328)
Assets impairment loss	(548,000)	-
Other loss	<u>(911)</u>	<u>(54,876)</u>
	<u>(603,619)</u>	<u>(491,135)</u>
Income before income taxes	2,265,598	1,512,727
Income tax expense	<u>(120,477)</u>	<u>(125,459)</u>
Net income	<u>2,145,121</u>	<u>1,387,268</u>

	Before	After	Before	After
	income	income	income	income
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Earnings per common share (in New Taiwan dollars):				
Basic earnings per common share	<u>1.10</u>	<u>1.04</u>	<u>0.72</u>	<u>0.66</u>
Diluted earnings per common share	<u>1.10</u>	<u>1.04</u>	<u>0.72</u>	<u>0.66</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the three-month periods ended March 31, 2005 and 2004

(Expressed in thousands of New Taiwan dollars)
Unaudited

	Common stock	Convertible bonds being converted to common stock	Capital surplus	Retained earnings			Unrealized depreciation on long-term equity investments	Foreign currency translation adjustment	Hedge revaluation gain (loss)	Treasury stock	Total stockholders' equity
				Legal reserve	Special reserve	Unappropriated earnings					
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2004	20,650,8	86,121	33,347,630	4,188,567	1,671,291	9,512,855	(186,122)	491,763	(24,370)	(6,730,384)	63,008,228
2004 net income	-	-	-	-	-	1,387,268	-	-	-	-	1,387,268
Foreign currency translation adjustment	-	-	-	-	-	-	-	(577,195)	-	-	(577,195)
Hedge revaluation loss	-	-	-	-	-	-	-	-	(7,871)	-	(7,871)
Change in unrealized depreciation on long-term equity investment	-	-	-	-	-	-	17,520	-	-	-	17,520
Convertible bonds converted into common stock	86,1	18,788	241,291	-	-	-	-	-	-	-	346,200
Forfeited unpaid interest of convertible bonds	-	-	76,027	-	-	-	-	-	-	-	76,027
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	95,453	-	-	-	-	-	-	-	95,453
Common stock acquired by the Company	-	-	-	-	-	-	-	-	-	(1,136,637)	(1,136,637)
Disposal of the Company's common stock by subsidiaries	-	-	(2,873)	-	-	-	-	-	-	2,202	(671)
Disposal of treasury stock	-	-	(803)	-	-	-	-	-	-	336,051	335,248
Cancellation of treasury stock	(193,7	-	(302,466)	-	-	(455,690)	-	-	-	951,886	-
Balance at March 31, 2004	20,543,6	104,909	33,454,259	4,188,567	1,671,291	10,444,433	(168,602)	(85,432)	(32,241)	(6,576,882)	63,543,570
Balance at January 1, 2005	20,933,6	-	30,541,968	4,919,949	1,261,851	7,029,767	(214,814)	132,516	(516,611)	(3,411,280)	60,677,023
2005 net income	-	-	-	-	-	2,145,121	-	-	-	-	2,145,121
Foreign currency translation adjustment	-	-	-	-	-	-	-	(468,339)	-	-	(468,339)
Hedge revaluation gain	-	-	-	-	-	-	-	-	740,108	-	740,108
Change in unrealized depreciation on long-term equity investment	-	-	-	-	-	-	(34,425)	-	-	-	(34,425)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(3,400)	-	-	-	-	-	-	-	(3,400)
Balance at March 31, 2005	20,933,6	-	30,538,568	4,919,949	1,261,851	9,174,888	(249,239)	(335,823)	223,497	(3,411,280)	63,056,088

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2005 and 2004

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2005</u>	<u>2004</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	2,145,121	1,387,268
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	61,435	64,022
Amortization	65,563	55,530
Loss on disposal of assets, net	545	7,362
Gain on disposal of investments, net	(1,202,632)	(1,228,746)
Realized translation loss	5,013	-
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(1,783,807)	(805,437)
Assets impairment loss	548,000	-
Provision for redemption of convertible bonds	-	6,544
Deferred income tax expense	120,477	125,459
Changes in operating assets and liabilities:		
Notes and accounts receivable	(801,876)	387,809
Receivables from related parties	436,063	1,627,696
Inventories	1,105,431	239,354
Other receivables, prepaid expenses and other current assets	(240,629)	(206,509)
Long-term accounts receivable	(18,873)	-
Notes and accounts payable	5,879,251	(1,014,364)
Payables to related parties	(872,112)	(140,671)
Deferred inter-company profits	-	(2,074)
Royalties payable, accrued expenses and other current liabilities	(121,678)	(704,353)
Other liabilities	<u>(2,975)</u>	<u>(1,394)</u>
Cash provided by (used in) by operating activities	<u>5,322,317</u>	<u>(202,504)</u>
Cash flow from investing activities:		
Decrease in short-term investments	2,848,355	1,102,349
Proceeds from disposal of long-term investments	56	363,480
Return of capital from investees	369,150	-
Proceeds from disposal of property, plant and equipment	1,656	454
Additions to property, plant and equipment	(34,875)	(586)
Increase in intangible assets	(49,902)	(9,237)
Increase in long-term investments	(320,500)	(229,940)
Decrease in loans and advances to related parties	24,962	79,511
Decrease in refundable deposits, deferred expenses and other assets	12,134	(17,733)
Proceeds from disposal of other assets	<u>4,901</u>	<u>18,401</u>
Cash provided by investing activities	<u>2,855,937</u>	<u>1,306,699</u>
Cash flows from financing activities:		
Purchase of treasury stock	-	(1,136,636)
Disposal of treasury stock	-	335,248
Redemption of bonds	(3,000,000)	-
Decrease in short-term borrowings	<u>(131,917)</u>	<u>(979,400)</u>
Cash used in financing activities	<u>(3,131,917)</u>	<u>(1,780,788)</u>
Net increase (decrease) in cash and cash equivalents	5,046,337	(676,593)
Cash and cash equivalents at beginning of period	<u>1,683,755</u>	<u>2,450,495</u>
Cash and cash equivalents at end of period	<u>6,730,092</u>	<u>1,773,902</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u><u>18,076</u></u>	<u><u>179,829</u></u>
Income taxes paid	<u><u>-</u></u>	<u><u>83,734</u></u>
Supplementary schedules of non-cash investing and financing activities:		
Convertible bonds converted to common stock	<u><u>-</u></u>	<u><u>346,200</u></u>
Foreign currency translation adjustment	<u><u>(473,352)</u></u>	<u><u>(577,195)</u></u>

