

**ACER INCORPORATED**  
**Non-Consolidated Balance Sheets**  
**September 30, 2005 and 2004**  
(Expressed in thousands of New Taiwan dollars)  
**Unaudited**

Assets	<u>2005.9.30</u> NT\$	<u>2004.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2005.9.30</u> NT\$	<u>2004.9.30</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	10,331,478	2,619,008	Short-term borrowings	-	1,233,980
Short-term investments	2,464,748	3,313,834	Notes and accounts payable	35,960,313	17,449,185
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$113,910 thousand and NT\$49,538 thousand as of September 30, 2005 and 2004, respectively	18,586,528	9,098,324	Payables to related parties	11,721,428	4,679,428
Receivables from related parties	34,768,164	17,663,630	Current installments of bonds payable	3,000,000	3,000,000
Other financial assets	609,563	349,830	Royalties payable	3,495,852	1,691,727
Inventories	4,001,294	1,740,190	Accrued expenses and other current liabilities	5,625,206	3,837,635
Deferred income tax asset	731,930	562,786	Deferred inter-company profits	<u>121,492</u>	<u>52,798</u>
Prepaid expenses and other current assets	<u>121,525</u>	<u>91,364</u>	<b>Total current liabilities</b>	<u>59,924,291</u>	<u>31,944,753</u>
<b>Total current assets</b>	<u>71,615,230</u>	<u>35,438,966</u>	<b>Long-term liabilities:</b>		
<b>Long-term equity investments:</b>			Bonds payable	-	3,000,000
Accounted for using equity method	40,913,658	47,011,675	Deferred income tax liability	1,367,965	463,892
Accounted for using cost method or lower-of-cost-or-market-value method	3,434,653	3,101,486	Other liabilities	76,845	77,486
Allowance for unrealized depreciation on investments	<u>(15,069)</u>	<u>(222,917)</u>	Long-term equity investment credits	<u>421,427</u>	<u>1,241,158</u>
<b>Net long-term equity investments</b>	<u>44,333,242</u>	<u>49,890,244</u>	<b>Total long-term liabilities</b>	<u>1,866,237</u>	<u>4,782,536</u>
<b>Property and equipment:</b>			<b>Total liabilities</b>	<u>61,790,528</u>	<u>36,727,289</u>
Land	1,722,448	1,722,897	<b>Stockholders' equity:</b>		
Buildings and improvements	3,149,031	3,157,203	Common stock	22,545,186	20,933,677
Machinery and computer equipments	571,088	546,085	Capital surplus	29,991,460	31,005,612
Transportation equipments	30,737	32,532	Retained earnings:		
Furniture and fixtures	17,329	18,517	Legal reserve	5,621,115	4,919,949
Other equipments	16,395	14,719	Special reserve	2,017,819	1,261,851
Leasehold improvements	26,053	26,684	Unappropriated earnings	6,382,163	3,849,904
Construction in progress and advance payments for purchases of property and equipment	<u>108,308</u>	<u>23,411</u>	Other stockholders' equity components:		
	5,641,389	5,542,048	Unrealized loss on long-term equity investments	(15,069)	(222,917)
Less: accumulated depreciation	<u>(1,026,053)</u>	<u>(838,231)</u>	Foreign currency translation adjustment	81,379	489,964
accumulated impairment	<u>(495,000)</u>	<u>-</u>	Hedge revaluation gain (loss)	441,973	(493)
<b>Net property and equipment</b>	<u>4,120,336</u>	<u>4,703,817</u>	Treasury stock	<u>(3,411,280)</u>	<u>(3,411,280)</u>
<b>Intangible assets</b>	354,630	429,929	<b>Total stockholder's equity</b>	63,654,746	58,826,267
<b>Refundable deposits</b>	325,934	293,388	<b>Commitments and contingencies</b>		
<b>Deferred expenses</b>	112,638	104,958			
<b>Long-term accounts receivable</b>	422,242	90,103			
<b>Property not used in operation</b>	<u>4,161,022</u>	<u>4,602,151</u>			
<b>Total assets</b>	<u>125,445,274</u>	<u>95,553,556</u>	<b>Total liabilities and stockholders' equity</b>	<u>125,445,274</u>	<u>95,553,556</u>

# ACER INCORPORATED

## Non-Consolidated Statements of Income

**For the nine-month periods ended September 30, 2005 and 2004**  
**(Expressed in thousands of New Taiwan dollars, except per share data)**  
**Unaudited**

	<u>2005</u> NT\$	<u>2004</u> NT\$		
<b>Revenues</b>	140,204,280	87,542,249		
<b>Sales return and allowances</b>	<u>(1,630,533)</u>	<u>(2,753,389)</u>		
<b>Net Revenue</b>	138,573,747	84,788,860		
<b>Cost of revenues</b>	<u>(132,702,727)</u>	<u>(80,836,325)</u>		
<b>Gross profit</b>	5,871,020	3,952,535		
<b>Changes in unrealized inter-company profits</b>	<u>(50,387)</u>	<u>(2,230)</u>		
<b>Realized gross profit</b>	<u>5,820,633</u>	<u>3,950,305</u>		
<b>Operating expenses:</b>				
Selling	(1,903,853)	(1,618,498)		
Administrative	(135,440)	(101,271)		
Research and development	<u>(40,631)</u>	<u>(28,210)</u>		
<b>Total operating expenses</b>	<u>(2,079,924)</u>	<u>(1,747,979)</u>		
<b>Operating income</b>	<u>3,740,709</u>	<u>2,202,326</u>		
<b>Non-operating income and gains:</b>				
Interest income	86,994	8,260		
Gain on disposal of investments, net	4,355,072	2,797,530		
Other income	<u>493,840</u>	<u>449,104</u>		
	<u>4,935,906</u>	<u>3,254,894</u>		
<b>Non-operating expenses and loss:</b>				
Interest expense	(143,044)	(273,556)		
Investment loss recognized by equity method	(927,757)	(460,531)		
Investment loss recognized by cost method	(23,000)	-		
Foreign exchange gain, net	(7,713)	(146,088)		
Assets impairment loss	(548,000)	-		
Other loss	<u>(2,007)</u>	<u>(200,117)</u>		
	<u>(1,651,521)</u>	<u>(1,080,292)</u>		
<b>Income before income taxes</b>	7,025,094	4,376,928		
<b>Income tax expense</b>	<u>(649,707)</u>	<u>(545,130)</u>		
<b>Net income</b>	<u><b>6,375,387</b></u>	<u><b>3,831,798</b></u>		
<b>Earnings per common share (in New Taiwan dollars):</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</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	<u><b>3.17</b></u>	<u><b>2.88</b></u>	<u><b>1.96</b></u>	<u><b>1.71</b></u>
Diluted earnings per common share	<u><b>3.17</b></u>	<u><b>2.88</b></u>	<u><b>1.95</b></u>	<u><b>1.71</b></u>

**ACER INCORPORATED**  
**Non-Consolidated Statements of Changes in Stockholders' Equity**  
**For the nine-month periods ended September 30, 2005 and 2004**  
(Expressed in thousands of New Taiwan dollars)  
**Unaudited**

	Common stock	Convertible bonds being converted to common stock	Retained earnings				Unrealized loss on long-term equity investments	Foreign currency translation adjustment	Hedge revaluation gain (loss)	Treasury stock	Total stockholders' equity
			Capital surplus	Legal reserve	Special reserve	Unappropriated earnings					
			NT\$	NT\$	NT\$	NT\$					
<b>Balance at January 1, 2004</b>	\$ 20,650,877	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	-	-	-	-	-	3,831,798	-	-	-	-	3,831,798
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,799)	-	-	(1,799)
Hedge revaluation gain	-	-	-	-	-	-	-	23,877	-	-	23,877
Convertible bonds converted into common stock	255,787	(86,121)	515,357	-	-	-	-	-	-	-	685,023
Appropriation approved by the stockholders:											
Legal reserve	-	-	-	731,382	-	(731,382)	-	-	-	-	-
Stock dividends and employees' bonuses in stock	940,008	-	-	-	-	(940,008)	-	-	-	-	-
Capital surplus transferred to common stock	492,529	-	(492,529)	-	-	-	-	-	-	-	-
Reverse of special reserve	-	-	-	-	(409,440)	409,440	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,925,285)	-	-	-	-	(4,925,285)
Directors' and supervisors' remuneration	-	-	-	-	-	(69,919)	-	-	-	-	(69,919)
Employees' bonuses in cash	-	-	-	-	-	(111,870)	-	-	-	-	(111,870)
Change in unrealized loss on long-term equity investment	-	-	-	-	-	-	(36,795)	-	-	-	(36,795)
Cash dividends distributed to subsidiaries	-	-	71,783	-	-	-	-	-	-	-	71,783
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(134,336)	-	-	-	-	-	-	-	(134,336)
Common stock acquired by the Company	-	-	-	-	-	-	-	-	-	(3,849,015)	(3,849,015)
Disposal of the Company's common stock held by subsidiaries	-	-	-	-	-	(2,872)	-	-	-	2,202	(670)
Disposal of treasury stock	-	-	-	-	-	(803)	-	-	-	336,050	335,247
Cancellation of treasury stock	(1,405,524)	-	(2,302,293)	-	-	(3,122,050)	-	-	-	6,829,867	-
<b>Balance at September 30, 2004</b>	<b>\$ 20,933,677</b>	<b>-</b>	<b>31,005,612</b>	<b>4,919,949</b>	<b>1,261,851</b>	<b>3,849,904</b>	<b>(222,917)</b>	<b>489,964</b>	<b>(493)</b>	<b>(3,411,280)</b>	<b>58,826,267</b>
<b>Balance at January 1, 2005</b>	\$ 20,933,676	-	30,541,968	4,919,949	1,261,851	7,029,767	(214,814)	132,516	(516,611)	(3,411,280)	60,677,022
2005 net income	-	-	-	-	-	6,375,387	-	-	-	-	6,375,387
Foreign currency translation adjustment	-	-	-	-	-	-	-	(51,137)	-	-	(51,137)
Hedge revaluation gain	-	-	-	-	-	-	-	958,584	-	-	958,584
Appropriation approved by the stockholders:											
Legal reserve	-	-	-	701,166	-	(701,166)	-	-	-	-	-
Stock dividends and employees' bonuses in stock	606,694	-	-	-	-	(606,694)	-	-	-	-	-
Special reserve	-	-	-	-	755,968	(755,968)	-	-	-	-	-
Capital surplus transferred to common stock	1,004,816	-	(1,004,816)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,814,746)	-	-	-	-	(4,814,746)
Directors' and supervisors' remuneration	-	-	-	-	-	(55,545)	-	-	-	-	(55,545)
Employees' bonuses in cash	-	-	-	-	-	(88,872)	-	-	-	-	(88,872)
Change in unrealized loss on long-term equity investments	-	-	-	-	-	-	199,745	-	-	-	199,745
Cash dividends distributed to subsidiaries	-	-	67,655	-	-	-	-	-	-	-	67,655
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	386,653	-	-	-	-	-	-	-	386,653
<b>Balance at September 30, 2005</b>	<b>\$ 22,545,186</b>	<b>-</b>	<b>29,991,460</b>	<b>5,621,115</b>	<b>2,017,819</b>	<b>6,382,163</b>	<b>(15,069)</b>	<b>81,379</b>	<b>441,973</b>	<b>(3,411,280)</b>	<b>63,654,746</b>

**ACER INCORPORATED**  
**Non-Consolidated Statements of Cash Flows**  
**For the nine-month periods ended September 30, 2005 and 2004**  
**(Expressed in thousands of New Taiwan dollars)**  
**Unaudited**

	<u>2005</u>	<u>2004</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income	6,375,387	3,831,798
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	174,160	200,607
Amortization	200,213	167,165
Loss on disposal of assets, net	942	1,235
Gain on disposal of investments, net	(4,355,072)	(2,797,530)
Realized translation loss	12,074	-
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(2,857,939)	(820,790)
Investment loss on long-term equity investments accounted for by cost method	23,000	-
Assets impairment loss	548,000	-
Impairment of other assets	-	34,000
Provision for redemption of convertible bonds	-	6,542
Deferred income tax expense	649,707	544,924
Changes in operating assets and liabilities:		
Notes and accounts receivable	(7,312,150)	(6,466,662)
Receivables from related parties	(14,365,989)	(387,802)
Inventories	(1,178,677)	(133,796)
Other financial assets, prepaid expenses and other current assets	(301,033)	441,809
Long-term accounts receivable	(301,806)	(90,103)
Notes and accounts payable	16,474,692	6,377,138
Payables to related parties	6,475,351	(972,047)
Deferred inter-company profits	50,387	2,231
Royalties payable, accrued expenses and other current liabilities	2,412,210	460,212
Other liabilities	(765)	(17,189)
<b>Cash provided by operating activities</b>	<u>2,722,692</u>	<u>381,742</u>
<b>Cash flows from investing activities:</b>		
Decrease in short-term investments	10,162,681	6,522,989
Proceeds from disposal of long-term investments	2,964,440	1,096,072
Proceeds from disposal of property and equipment	6,829	10,363
Additions to property and equipment	(94,167)	(59,810)
Increase in intangible assets	(51,453)	(26,551)
Increase in long-term equity investments	(452,120)	(439,450)
Refund from reduction in investees' share capital	1,320,483	924,000
Increase in loans and advances to related parties	(14,320)	(49,886)
Decrease in refundable deposits and deferred expenses	84,866	175,305
<b>Cash provided by investing activities</b>	<u>13,927,239</u>	<u>8,153,032</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(131,917)	254,580
Purchase of treasury stock	-	(3,849,015)
Disposal of treasury stock	-	335,248
Payment of cash dividends, employee's bonuses and director's and supervisor's remuneration	(4,870,291)	(5,107,074)
Redemption of bonds payable	(3,000,000)	-
<b>Cash used in financing activities</b>	<u>(8,002,208)</u>	<u>(8,366,261)</u>
<b>Net increase in cash and cash equivalents</b>	8,647,723	168,513
<b>Cash and cash equivalents at beginning of period</b>	<u>1,683,755</u>	<u>2,450,495</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>10,331,478</b></u>	<u><b>2,619,008</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>189,296</u>	<u>191,638</u>
Income taxes paid	<u>-</u>	<u>84,879</u>
<b>Supplementary schedules of non-cash investing and financing activities:</b>		
Foreign currency translation adjustment	<u>63,211</u>	<u>(1,799)</u>
Accounts receivable transferred to investments in a subsidiary company	<u>-</u>	<u>998,070</u>

