

ACER INCORPORATED
Non-Consolidated Balance Sheets
December 31, 2005 and 2004
(Expressed in thousands of New Taiwan dollars)

Assets	<u>2005.12.31</u> NT\$	<u>2004.12.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2005.12.31</u> NT\$	<u>2004.12.31</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	10,918,662	1,683,755	Short-term borrowings	2,538	131,917
Short-term investments	3,726,081	9,453,202	Notes and accounts payable	39,571,454	19,149,719
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$95,130 thousand and NT\$77,210 thousand as of December 31, 2005 and 2004, respectively	20,693,541	10,938,475	Notes and accounts payables to related parties	8,740,460	3,051,756
Notes and accounts receivables from related parties	31,155,257	19,064,687	Other payables to related parties	2,669,418	2,194,320
Other receivables from related parties	1,026,356	1,323,169	Current installments of bonds payable	-	6,000,000
Other financial assets	636,759	329,808	Royalties payable	4,258,035	2,088,579
Inventories	7,605,635	2,848,853	Accrued expenses and other current liabilities	5,121,575	5,380,178
Deferred income tax asset	538,031	564,222	Deferred inter-company profits	<u>53,499</u>	<u>71,105</u>
Prepaid expenses and other current assets	<u>108,405</u>	<u>100,246</u>	Total current liabilities	<u>60,416,979</u>	<u>38,067,574</u>
Total current assets	<u>76,408,727</u>	<u>46,306,417</u>	Long-term liabilities:		
Long-term equity investments:			Deferred income tax liability	1,681,544	550,550
Accounted for using equity method	39,084,754	40,545,143	Other liabilities	81,937	87,040
Accounted for using cost method or lower-of-cost-or-market-value method	3,361,060	3,355,795	Long-term equity investment credits	<u>411,850</u>	<u>654,527</u>
Allowance for unrealized depreciation on investments	<u>-</u>	<u>(208,792)</u>	Total long-term liabilities	<u>2,175,331</u>	<u>1,292,117</u>
Net long-term equity investments	<u>42,445,814</u>	<u>43,692,146</u>	Total liabilities	<u>62,592,310</u>	<u>39,359,691</u>
Property and equipment:			Stockholders' equity:		
Land	1,722,448	1,722,897	Common stock	22,545,187	20,933,677
Buildings and improvements	3,149,031	3,153,648	Capital surplus	30,552,133	30,541,968
Machinery and computer equipments	551,412	560,812	Retained earnings:		
Transportation equipments	31,364	32,766	Legal reserve	5,621,115	4,919,949
Furniture and fixtures	18,519	18,413	Special reserve	2,017,819	1,261,851
Other equipments	16,335	15,252	Unappropriated earnings	8,484,278	7,029,767
Leasehold improvements	26,053	26,357	Other stockholders' equity components:		
Construction in progress and advance payments for purchases of property and equipment	141,446	23,844	Unrealized loss on long-term equity investments	(454)	(214,814)
	5,656,608	5,553,989	Foreign currency translation adjustment	(226,806)	132,516
Less: accumulated depreciation	(1,052,779)	(889,946)	Hedge revaluation gain (loss)	66,062	(516,611)
accumulated impairment	<u>(495,000)</u>	<u>-</u>	Treasury stock	<u>(3,270,920)</u>	<u>(3,411,280)</u>
Net property and equipment	<u>4,108,829</u>	<u>4,664,043</u>	Total stockholder's equity	65,788,414	60,677,023
Intangible assets	319,106	465,632	Commitments and contingencies		
Property not used in operation	4,156,320	4,336,618			
Refundable deposits	341,549	338,755			
Deferred expenses and other assets	113,388	112,667			
Long-term accounts receivable	<u>486,991</u>	<u>120,436</u>			
Total assets	<u>128,380,724</u>	<u>100,036,714</u>	Total liabilities and stockholders' equity	<u>128,380,724</u>	<u>100,036,714</u>

ACER INCORPORATED
Non-Consolidated Statements of Income
For the years ended December 31, 2005 and 2004
(Expressed in thousands of New Taiwan dollars, except per share data)

	<u>2005</u> NT\$	<u>2004</u> NT\$		
Revenues	207,668,832	133,619,907		
Sales return and allowances	<u>(2,710,733)</u>	<u>(4,511,210)</u>		
Net Revenue	204,958,099	129,108,697		
Cost of revenues	<u>(196,643,286)</u>	<u>(123,428,393)</u>		
Gross profit	8,314,813	5,680,304		
Changes in unrealized inter-company profits	<u>17,606</u>	<u>(20,538)</u>		
Realized gross profit	<u>8,332,419</u>	<u>5,659,766</u>		
Operating expenses:				
Selling	(2,268,817)	(2,223,082)		
Administrative	(177,539)	(170,553)		
Research and development	<u>(49,551)</u>	<u>(54,963)</u>		
Total operating expenses	<u>(2,495,907)</u>	<u>(2,448,598)</u>		
Operating income	<u>5,836,512</u>	<u>3,211,168</u>		
Non-operating income and gains:				
Interest income	134,370	17,650		
Gain on disposal of investments, net	5,385,966	5,545,662		
Foreign exchange gain, net	18,272	185,038		
Other income	<u>624,924</u>	<u>700,552</u>		
	<u>6,163,532</u>	<u>6,448,902</u>		
Non-operating expenses and loss:				
Interest expense	(186,459)	(367,350)		
Investment loss recognized by equity method	(1,522,516)	(1,376,767)		
Investment loss recognized by cost method	(89,813)	(20,850)		
Assets impairment loss	(548,000)	-		
Other loss	<u>(3,100)</u>	<u>(135,685)</u>		
	<u>(2,349,888)</u>	<u>(1,900,652)</u>		
Income before income taxes	9,650,156	7,759,418		
Income tax expense	<u>(1,172,654)</u>	<u>(747,757)</u>		
Net income	<u>8,477,502</u>	<u>7,011,661</u>		
Earnings per common share (in New Taiwan dollars):			Before	After
			income	income
			tax	tax
			NT\$	NT\$
Basic earnings per common share	<u>4.36</u>	<u>3.83</u>	<u>3.48</u>	<u>3.14</u>
Diluted earnings per common share	<u>4.36</u>	<u>3.83</u>	<u>3.47</u>	<u>3.14</u>

ACER INCORPORATED
Non-Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2005 and 2004
(Expressed in thousands of New Taiwan dollars)

	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\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	
Balance at January 1, 2004	\$ 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	-	-	-	-	-	7,011,661	-	-	-	-	7,011,661
Foreign currency translation adjustment	-	-	-	-	-	-	(359,247)	-	-	-	(359,247)
Appropriation approved by the stockholders:											
Reverse of special reserve	-	-	-	-	(409,440)	409,440	-	-	-	-	-
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)	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	(28,692)	-	-	-	(28,692)
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	-	-	(597,980)	-	-	-	-	-	-	-	(597,980)
Convertible bonds converted into common stock	255,787	(86,121)	515,357	-	-	-	-	-	-	-	685,023
Hedge revaluation loss	-	-	-	-	-	-	-	(492,241)	-	-	(492,241)
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	-
Balance at December 31, 2004	\$ 20,933,677	-	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	-	-	-	-	-	8,477,502	-	-	-	-	8,477,502
Foreign currency translation adjustment	-	-	-	-	-	-	-	(359,322)	-	-	(359,322)
Hedge revaluation gain	-	-	-	-	-	-	-	-	582,673	-	582,673
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	-	-	-	-	-	-	214,360	-	-	-	214,360
Cash dividends distributed to subsidiaries	-	-	68,318	-	-	-	-	-	-	-	68,318
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	985,448	-	-	-	-	-	-	-	985,448
Cancellation of treasury stock	-	-	(38,785)	-	-	-	-	-	-	140,360	101,575
Balance at December 31, 2005	\$ 22,545,187	-	30,552,133	5,621,115	2,017,819	8,484,278	(454)	(226,806)	66,062	(3,270,920)	65,788,414

ACER INCORPORATED
Non-Consolidated Statements of Cash Flows
For the years ended December 31, 2005 and 2004
(Expressed in thousands of New Taiwan dollars)

	<u>2005</u>	<u>2004</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	8,477,502	7,011,661
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	235,426	268,050
Amortization	281,455	239,706
Loss on disposal of assets, net	1,129	10,698
Gain on disposal of investments, net	(5,385,966)	(5,545,662)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(4,406,431)	1,442,759
Investment loss on long-term equity investments accounted for by cost method	103,673	20,850
Assets impairment loss	548,000	-
Loss on other assets valuation	-	115,700
Provision for redemption of convertible bonds	-	6,542
Realized foreign exchange gain on long-term investments	12,074	(359,807)
Deferred income tax expense	1,157,185	630,146
Changes in operating assets and liabilities:		
Notes and accounts receivable	(9,755,066)	(978,016)
Receivables from related parties	(11,755,049)	(3,320,872)
Inventories	(4,787,247)	(1,259,373)
Other financial assets, prepaid expenses and other current assets	261,930	151,371
Long-term accounts receivable	(366,555)	(120,436)
Notes and accounts payable	20,421,735	748,875
Payables to related parties	6,163,802	(405,399)
Deferred inter-company profits	(17,606)	20,538
Royalties payable, accrued expenses and other current liabilities	1,772,674	2,016,072
Other liabilities	(5,103)	(11,045)
Cash provided by operating activities	<u>2,957,562</u>	<u>682,358</u>
Cash flows from investing activities:		
Decrease in short-term investments	9,119,469	1,370,881
Proceeds from disposal of long-term investments	4,550,247	5,321,733
Increase in long-term equity investments	(452,120)	(2,498,323)
Refund from reduction in investees' share capital	4,344,021	3,593,172
Proceeds from disposal of property and equipment	6,780	11,769
Additions to property and equipment	(132,672)	(60,404)
Increase in intangible assets	(81,589)	(113,734)
Decrease (increase) in loans and advances to related parties	(38,708)	158,958
Decrease in refundable deposits, deferred expenses and other assets	50,459	235,175
Cash provided by investing activities	<u>17,365,887</u>	<u>8,019,227</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(129,379)	(847,483)
Disposal of treasury stock	-	335,247
Redemption of bonds payable	(6,000,000)	-
Payment of cash dividends, employee's bonuses and director's and supervisor's remuneration	(4,959,163)	(5,107,074)
Purchase of treasury stock	-	(3,849,015)
Cash used in financing activities	<u>(11,088,542)</u>	<u>(9,468,325)</u>
Net increase (decrease) in cash and cash equivalents	9,234,907	(766,740)
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><u>10,918,662</u></u>	<u><u>1,683,755</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>356,877</u>	<u>359,903</u>
Income taxes paid	<u>-</u>	<u>4,035</u>
Supplementary schedules of non-cash investing and financing activities:		
Convertible bonds converted into common stock	<u>-</u>	<u>685,023</u>
Foreign currency translation adjustment	<u>(371,396)</u>	<u>560</u>
Accounts receivable transferred to investments in a subsidiary company	<u>-</u>	<u>998,070</u>

