

**ACER INCORPORATED**  
**Non-Consolidated Balance Sheets**  
**March 31, 2006 and 2005**  
(Expressed in thousands of New Taiwan dollars)  
**Unaudited**

Assets	<u>2006.3.31</u> NT\$	<u>2005.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2006.3.31</u> NT\$	<u>2005.3.31</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	12,571,489	6,730,092	Notes and accounts payable	42,067,684	25,072,728
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$54,304 thousand and NT\$81,492 thousand as of March 31, 2006 and 2005, respectively	19,308,482	11,784,109	Notes and accounts payable to related parties	10,682,751	3,010,687
Notes and accounts receivables from related parties	40,705,174	18,847,623	Other payables to related parties	1,728,613	1,363,277
Other receivables from related parties	706,907	1,079,208	Current installments of bonds payable	-	3,000,000
Assigned financial asset measured at fair value-current	-	161,681	Assigned financial liabilities measured at fair value-current	99,679	-
Available-for-sale financial assets-current	5,184,467	7,807,470	Hedging derivative financial liabilities	6,129	-
Hedging derivative financial assets-current	-	223,497	Royalties payable	3,758,268	2,234,788
Other financial assets-current	87,784	145,912	Accrued expenses and other current liabilities	5,537,355	4,479,651
Inventories	5,496,937	1,728,592	Deferred inter-company profits	<u>51,199</u>	<u>71,105</u>
Deferred income tax assets-current	699,450	448,066	<b>Total current liabilities</b>	<u>63,931,678</u>	<u>39,232,236</u>
Prepaid expenses and other current assets	<u>99,466</u>	<u>139,593</u>	<b>Long-term liabilities:</b>		
<b>Total current assets</b>	<u>84,860,156</u>	<u>49,095,843</u>	Other liabilities	78,593	84,065
<b>Long-term equity investments</b>			Deferred income tax liabilities-noncurrent	2,210,594	554,871
Accounted for using equity method	41,213,897	41,625,728	Long-term equity investment credits	<u>404,627</u>	<u>370,310</u>
Financial asset measured at holding cost-noncurrent	3,331,052	3,355,747	<b>Total long-term liabilities</b>	<u>2,693,814</u>	<u>1,009,246</u>
Allowance for unrealized depreciation on investments	-	(249,239)	<b>Total liabilities</b>	<u>66,625,492</u>	<u>40,241,482</u>
<b>Net long-term equity investments</b>	<u>44,544,949</u>	<u>44,732,236</u>	<b>Stockholders' equity:</b>		
<b>Property, plant and equipment:</b>			Common stock	22,545,187	20,933,677
Land	1,722,897	1,722,897	Capital surplus	30,764,700	30,538,568
Buildings and improvements	3,149,031	3,153,648	Retained earnings:		
Machinery and computer equipment	546,399	572,478	Legal reserve	5,621,115	4,919,949
Transportation equipment	30,936	29,098	Special reserve	2,017,819	1,261,851
Furniture and fixtures	18,519	18,297	Unappropriated earnings	12,505,428	9,174,888
Other equipment	16,335	15,252	Other stockholders' equity components:		
Leasehold improvement	26,053	26,357	Unrealized depreciation on long-term equity investments	-	(249,239)
Construction in progress and advance payments for purchases of property and equipment	<u>260,358</u>	<u>65,811</u>	Foreign currency translation adjustment	(210,875)	(335,823)
	5,770,528	5,603,838	Unrealized gain on available-for-sale financial assets	2,520,517	-
Less: accumulated depreciation	(1,089,751)	(940,842)	Hedge revaluation gain (loss)	(8,355)	223,497
Less: accumulated impairment	<u>(495,000)</u>	<u>(495,000)</u>	Treasury stock	<u>(3,270,920)</u>	<u>(3,411,280)</u>
<b>Net property, plant and equipment</b>	<u>4,185,777</u>	<u>4,167,996</u>	<b>Total stockholders' equity</b>	72,484,616	63,056,088
<b>Intangible assets</b>	306,517	461,884	<b>Commitments and contingencies</b>		
<b>Property not used in operation</b>	4,137,972	4,272,926			
<b>Refundable deposits</b>	351,124	328,507			
<b>Long-term accounts receivable</b>	621,254	139,309			
<b>Deferred expenses and other assets</b>	<u>102,359</u>	<u>98,869</u>			
<b>Total assets</b>	<u>139,110,108</u>	<u>103,297,570</u>	<b>Total liabilities and stockholders' equity</b>	<u>139,110,108</u>	<u>103,297,570</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

**For the three-month periods ended March 31, 2006 and 2005**  
**(Expressed in thousands of New Taiwan dollars, except per share data)**  
**Unaudited**

	<u>2006</u> NT\$	<u>2005</u> NT\$		
<b>Revenues</b>	55,422,044	41,866,432		
<b>Sales return and allowances</b>	<u>(619,589)</u>	<u>(734,495)</u>		
<b>Net Revenue</b>	54,802,455	41,131,937		
<b>Cost of revenues</b>	<u>(52,517,984)</u>	<u>(39,365,444)</u>		
<b>Gross profit</b>	2,284,471	1,766,493		
<b>Changes in unrealized inter-company profits</b>	<u>2,300</u>	<u>-</u>		
<b>Realized gross profit</b>	<u>2,286,771</u>	<u>1,766,493</u>		
<b>Operating expenses:</b>				
Selling	(594,995)	(589,265)		
Administrative	(62,658)	(43,356)		
Research and development	<u>(26,795)</u>	<u>(13,499)</u>		
<b>Total operating expenses</b>	<u>(684,448)</u>	<u>(646,120)</u>		
<b>Operating income</b>	<u>1,602,323</u>	<u>1,120,373</u>		
<b>Non-operating income and gains:</b>				
Interest income	50,599	19,769		
Investment gain recognized by equity method	459,417	424,615		
Gain on disposal of investments, net	2,491,970	1,202,632		
Foreign exchange gain, net	53,693	-		
Financial asset revaluation gain	-	161,681		
Other income	<u>67,963</u>	<u>67,480</u>		
	<u>3,123,642</u>	<u>1,876,177</u>		
<b>Non-operating expenses and loss:</b>				
Interest expense	(15,178)	(54,708)		
Foreign exchange loss, net	-	(127,333)		
Financial liability revaluation loss	(99,679)	-		
Assets impairment loss	-	(548,000)		
Other loss	<u>(90)</u>	<u>(911)</u>		
	<u>(114,947)</u>	<u>(730,952)</u>		
<b>Income before income taxes</b>	4,611,018	2,265,598		
<b>Income tax expense</b>	<u>(589,868)</u>	<u>(120,477)</u>		
<b>Net income</b>	<u><b>4,021,150</b></u>	<u><b>2,145,121</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>
	<b>tax</b>	<b>tax</b>	<b>tax</b>	<b>tax</b>
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Basic earnings per common share	<u><b>2.08</b></u>	<u><b>1.82</b></u>	<u><b>1.02</b></u>	<u><b>0.97</b></u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Changes in Stockholders' Equity**

**For the three-month periods ended March 31, 2006 and 2005**

(Expressed in thousands of New Taiwan dollars)  
Unaudited

	<u>Retained earnings</u>					Unrealized depreciation on long-term equity investments	Foreign currency translation adjustment	Unrealized gain on available-for-sale financial asset	Hedge revaluation gain (loss)	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<b>Balance at January 1, 2005</b>	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	-	-	-	-	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)
<b>Balance at March 31, 2005</b>	<u>20,933,677</u>	<u>30,538,568</u>	<u>4,919,949</u>	<u>1,261,851</u>	<u>9,174,888</u>	<u>(249,239)</u>	<u>(335,823)</u>	<u>-</u>	<u>223,497</u>	<u>(3,411,280)</u>	<u>63,056,088</u>
Balance at January 1, 2006	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
Effect of adoption of Statement of Financial Accounting Standard No.34 "Accounting for Financial Instruments" starting from January 1, 2006.	-	-	-	-	-	-	-	4,503,791	-	-	4,503,791
2006 net income	-	-	-	-	4,021,150	-	-	-	-	-	4,021,150
Foreign currency translation adjustment	-	-	-	-	-	-	15,931	-	-	-	15,931
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	(1,983,274)	-	-	(1,983,274)
Hedge revaluation loss	-	-	-	-	-	-	-	-	(74,417)	-	(74,417)
Change in unrealized depreciation on long-term equity investments	-	-	-	-	-	454	-	-	-	-	454
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	212,567	-	-	-	-	-	-	-	-	212,567
<b>Balance at March 31, 2006</b>	<u>22,545,187</u>	<u>30,764,700</u>	<u>5,621,115</u>	<u>2,017,819</u>	<u>12,505,428</u>	<u>-</u>	<u>(210,875)</u>	<u>2,520,517</u>	<u>(8,355)</u>	<u>(3,270,920)</u>	<u>72,484,616</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Cash Flows**

**For the three-month periods ended March 31, 2006 and 2005**

**(Expressed in thousands of New Taiwan dollars)**

**Unaudited**

	<u><b>2006</b></u>	<u><b>2005</b></u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income	4,021,150	2,145,121
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	46,826	61,435
Amortization	33,917	65,563
Loss on disposal of assets, net	12	545
Gain on disposal of investments, net	(2,491,970)	(1,202,632)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(1,836,149)	(1,783,807)
Assets impairment loss	-	548,000
Realized foreign exchange gain on long-term investments	3,343	5,013
Deferred income tax expense	367,631	120,477
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,385,059	(801,876)
Receivables from related parties	(9,296,847)	436,063
Inventories	2,108,558	1,105,431
Other financial assets, prepaid expenses and other current assets	557,914	(240,629)
Long-term accounts receivable	(134,263)	(18,873)
Notes and accounts payable	2,496,230	5,879,251
Payables to related parties	1,001,486	(872,112)
Deferred inter-company profits	(2,300)	-
Royalties payable, accrued expenses and other current liabilities	(6,930)	(121,678)
Other liabilities	(3,344)	(2,975)
<b>Cash provided by (used in ) operating activities</b>	<u>(1,749,677)</u>	<u>5,322,317</u>
<b>Cash flows from investing activities:</b>		
Decrease in available-for-sale financial asset	3,271,481	2,848,355
Proceeds from disposal of long-term investments	29,954	56
Refund from reduction in investees' share capital	162,400	369,150
Proceeds from disposal of property, plant and equipment	119	1,656
Additions to property, plant and equipment	(119,034)	(34,875)
Increase in intangible assets	(6,508)	(49,902)
Increase in long-term investments	-	(320,500)
Decrease in loans and advances to related parties	66,379	24,962
Decrease in refundable deposits, deferred expenses and other assets	251	12,134
Proceeds from disposal of other assets	-	4,901
<b>Cash provided by investing activities</b>	<u>3,405,042</u>	<u>2,855,937</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(2,538)	(131,917)
Redemption of bonds	-	(3,000,000)
<b>Cash used in financing activities</b>	<u>(2,538)</u>	<u>(3,131,917)</u>
<b>Net increase in cash and cash equivalents</b>	1,652,827	5,046,337
<b>Cash and cash equivalents at beginning of period</b>	<u>10,918,662</u>	<u>1,683,755</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>12,571,489</b></u>	<u><b>6,730,092</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u><b>15,178</b></u>	<u><b>18,076</b></u>
<b>Supplementary schedules of non-cash investing and financing activities:</b>		
Foreign currency translation adjustment	<u><b>12,588</b></u>	<u><b>(473,352)</b></u>

