

ACER INCORPORATED
Consolidated Balance Sheets
June 30, 2006 and 2005
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2006.6.30</u> NT\$	<u>2005.6.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2006.6.30</u> NT\$	<u>2005.6.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	31,135,646	23,725,369	Short-term borrowings	2,596,863	2,603,360
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$824,918 thousand and NT\$827,924 thousand as of June 30, 2006 and 2005, respectively	51,694,746	45,666,077	Current installment of long-term debt	43,749	43,449
Notes and accounts receivables from related parties	6,631,798	1,802,264	Notes and accounts payable	40,657,044	39,264,526
Other receivables from related parties	158,613	1,038,220	Notes and accounts payable to related parties	6,791,435	3,550,650
Other receivables	4,141,414	2,534,505	Assigned financial liabilities measured at fair value-current	308,411	-
Assigned financial asset measured at fair value-current	58,291	1,015,867	Other payables to related parties	97,944	40,714
Available-for-sale financial assets-current	8,785,313	11,018,498	Hedging derivative financial liabilities	127,178	-
Hedging derivative financial assets-current	67,791	63,726	Royalties payable	5,634,641	3,295,487
Inventories	21,915,278	16,409,320	Accrued cash dividends, employees' bonuses and directors' and supervisors' remuneration	7,297,620	5,044,850
Deferred income tax assets-current	925,002	747,025	Accrued expenses and other current liabilities	18,375,456	20,200,782
Prepaid expenses and other current assets	1,370,360	986,150	Deferred income tax liabilities-current	355,800	-
Pledged deposits	<u>58,046</u>	<u>20,682</u>	Current installments of bonds payable	-	3,000,000
Total current assets	<u>126,942,298</u>	<u>105,027,703</u>	Total current liabilities	<u>82,286,141</u>	<u>77,043,818</u>
Long-term equity investments			Long-term liabilities:		
Accounted for using equity method	8,001,591	15,034,230	Long-term debt, excluding current installments	163,580	39,872
Financial asset measured at holding cost-noncurrent	3,914,362	4,646,483	Other liabilities	400,325	625,285
Available-for-sale financial assets-noncurrent	<u>2,688,896</u>	-	Deferred income tax liabilities-noncurrent	<u>1,747,672</u>	<u>727,909</u>
Net long-term equity investments	<u>14,604,849</u>	<u>19,680,713</u>	Total long-term liabilities	<u>2,311,577</u>	<u>1,393,066</u>
Property, plant and equipment:			Total liabilities	<u>84,597,718</u>	<u>78,436,884</u>
Land	2,085,977	2,678,918	Stockholders' equity:		
Buildings and improvements	3,890,386	6,916,538	Common stock	22,545,187	20,933,677
Machinery and computer equipment	3,539,566	3,712,109	Stock dividend to be distributed	825,450	1,611,510
Transportation equipment	129,801	119,968	Capital surplus	29,911,909	29,480,510
Furniture and fixtures	795,794	749,800	Retained earnings:		
Other equipment	579,760	764,698	Legal reserve	6,468,865	5,621,115
Leasehold improvement	384,036	415,238	Special reserve	283,921	2,017,819
Construction in progress and advance payments for purchases of property and equipment	<u>609,791</u>	<u>91,887</u>	Unappropriated earnings	8,415,766	4,416,490
	12,015,111	15,449,156	Other stockholders' equity components:		
Less: accumulated depreciation	(4,337,630)	(4,633,557)	Foreign currency translation adjustment	532,862	(846,306)
Less: accumulated impairment	<u>(257,000)</u>	<u>(752,000)</u>	Unrealized gain on available-for-sale financial assets	3,486,384	-
Net property, plant and equipment	<u>7,420,481</u>	<u>10,063,599</u>	Hedge revaluation gain (loss)	(87,851)	63,726
			Treasury stock	<u>(3,270,920)</u>	<u>(3,411,280)</u>
Intangible assets	454,026	706,074	Total stockholders' equity	69,111,573	59,887,261
Property not used in operation	4,351,802	3,325,052	Minority interest	<u>1,482,441</u>	<u>1,457,443</u>
Other financial assets	1,109,640	781,145	Total stockholders' equity and minority interest	70,594,014	61,344,704
Deferred expenses and other assets	308,636	197,302	Commitments and contingencies		
			Total liabilities and stockholders' equity	<u>155,191,732</u>	<u>139,781,588</u>
Total assets	<u>155,191,732</u>	<u>139,781,588</u>			

ACER INCORPORATED
Consolidated Statements of Income
For the six-month periods ended June 30, 2006 and 2005
(Expressed in thousands of New Taiwan dollars, except per share data)
Unaudited

	<u>2006</u> NT\$	<u>2005</u> NT\$
Revenues	155,851,438	131,386,241
Cost of revenues	<u>(139,188,116)</u>	<u>(116,161,134)</u>
Gross profit	16,663,321	15,225,107
Operating expenses:		
Selling	(11,524,753)	(10,339,666)
Administrative	(1,497,374)	(1,116,353)
Research and development	<u>(200,964)</u>	<u>(170,054)</u>
Total operating expenses	<u>(13,223,091)</u>	<u>(11,626,073)</u>
Operating income	<u>3,440,230</u>	<u>3,599,034</u>
Non-operating income and gains:		
Interest income	331,708	169,496
Investment gain recognized by equity method	12,524	250,203
Gain on disposal of investments, net	5,326,750	2,677,323
Financial asset revaluation gain	103,614	1,015,867
Other income	<u>1,857,586</u>	<u>211,073</u>
	<u>7,632,182</u>	<u>4,323,962</u>
Non-operating expenses and loss:		
Interest expense	(216,533)	(193,153)
Other investment loss	(154,829)	(373,027)
Foreign exchange loss, net	(83,231)	(1,140,427)
Financial liability revaluation loss	(326,166)	-
Assets impairment loss	(995,000)	(805,000)
Other loss	<u>(414,973)</u>	<u>(153,928)</u>
	<u>(2,190,732)</u>	<u>(2,665,535)</u>
Income before income taxes	8,881,680	5,257,461
Income tax expense	<u>(1,730,972)</u>	<u>(815,120)</u>
Consolidated net income	<u>7,150,708</u>	<u>4,442,341</u>
Net income attributable to:		
Shareholders of parent company	7,102,529	4,409,714
Minority shareholders	<u>(48,179)</u>	<u>(32,627)</u>
Consolidated net income	<u>7,150,708</u>	<u>4,442,341</u>
Earnings per common share (in New Taiwan dollars):	After income <u>tax</u> NT\$	After income <u>tax</u> NT\$
Basic earnings per common share	<u>3.09</u>	<u>1.92</u>

ACER INCORPORATED

Consolidated Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2006 and 2005

(Expressed in thousands of New Taiwan dollars)
Unaudited

	Common stock	Stock dividend to be distributed	Capital surplus	Retained earnings			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	Minority interest	Total stockholders' equity
				Legal reserve	Special reserve	Unappropriated earnings							
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2005	20,933,677	-	30,541,968	4,919,949	1,261,851	7,029,767	(214,814)	132,516	-	(516,611)	(3,411,280)	1,540,696	62,217,719
2005 net income	-	-	-	-	-	4,409,714	-	-	-	-	-	32,627	4,442,341
Foreign currency translation adjustment	-	-	-	-	-	-	-	(978,822)	-	-	-	-	(978,822)
Hedge revaluation gain	-	-	-	-	-	-	-	-	580,337	-	-	-	580,337
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 depreciation on long-term equity investment	-	-	-	-	-	-	214,814	-	-	-	-	-	214,814
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(56,642)	-	-	-	-	-	-	-	-	-	(56,642)
Change in minority interest, net	-	-	-	-	-	-	-	-	-	-	-	(115,880)	(115,880)
Balance at June 30, 2005	20,933,677	1,611,510	29,480,510	5,621,115	2,017,819	4,416,490	-	(846,306)	-	63,726	(3,411,280)	1,457,443	61,344,704
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)	1,461,037	67,249,451
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	-	-	-	-	-	7,102,529	-	-	-	-	-	48,179	7,150,708
Foreign currency translation adjustment	-	-	-	-	-	-	-	759,668	-	-	-	-	759,668
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,017,407)	-	-	-	(1,017,407)
Hedge revaluation loss	-	-	-	-	-	-	-	-	-	(153,913)	-	-	(153,913)
Appropriation approved by the stockholders:													
Legal reserve	-	-	-	847,750	-	(847,750)	-	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	-	825,450	-	-	-	(825,450)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,733,898)	1,733,898	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,763,556)	-	-	-	-	-	-	(6,763,556)
Directors' and supervisors' remuneration	-	-	-	-	-	(93,637)	-	-	-	-	-	-	(93,637)
Employees' bonuses in cash	-	-	-	-	-	(374,546)	-	-	-	-	-	-	(374,546)
Change in unrealized depreciation on long-term equity investments	-	-	-	-	-	-	454	-	-	-	-	-	454
Decease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(640,224)	-	-	-	-	-	-	-	-	-	(640,224)
Change in minority interest, net	-	-	-	-	-	-	-	-	-	-	-	(26,775)	(26,775)
Balance at June 30, 2006	22,545,187	825,450	29,911,909	6,468,865	283,921	8,415,766	-	532,862	3,486,384	(87,851)	(3,270,920)	1,482,441	70,594,014

ACER INCORPORATED

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2006 and 2005

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2006</u>	<u>2005</u>
	NT\$	NT\$
Cash flows from operating activities:		
Consolidated Net income	7,150,708	4,442,341
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	438,465	526,930
Amortization	164,608	254,784
Loss on disposal of assets, net	(59,297)	4,202
Gain on disposal of investments, net	(5,326,750)	(2,677,323)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	185,823	(222,669)
Other investment loss	154,829	373,027
Assets impairment loss	995,000	805,000
Deferred income tax expense	59,734	166,296
Changes in operating assets and liabilities:		
Notes and accounts receivable	12,167,249	(4,398,164)
Receivables from related parties	(591,401)	(416,894)
Inventories	7,135,311	(877,740)
Other receivables, prepaid expenses and other current assets	(1,393,676)	(1,297,656)
Notes and accounts payable	(24,122,292)	8,342,797
Payables to related parties	(1,782,234)	237,556
Royalties payable, accrued expenses and other current liabilities	(147,526)	2,245,972
Other liabilities	<u>73,317</u>	<u>(884,386)</u>
Cash provided by (used in) operating activities	<u>(4,898,132)</u>	<u>6,624,073</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial asset	2,190,839	7,582,235
Proceeds from disposal of long-term investments	5,683,340	652,683
Proceeds from disposal of property, plant and equipment	94,402	58,561
Additions to property, plant and equipment and property not used in operation	(831,779)	(244,840)
Increase in intangible assets	(39,164)	(86,894)
Increase in long-term investments	-	(189,720)
Refund from reduction in investees' share capital	-	44,652
Decrease in loans and advances to related parties	565,889	-
Decrease (increase) in refundable deposits, deferred expenses and other assets	<u>958,569</u>	<u>(78,621)</u>
Cash provided by investing activities	<u>8,622,096</u>	<u>7,738,056</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(802,243)	(2,578,700)
Redemption of bonds	-	(3,000,000)
Payment of long-term debt	<u>16,957</u>	<u>(241,081)</u>
Cash used in financing activities	<u>(785,286)</u>	<u>(5,819,781)</u>
Net increase in cash and cash equivalents	2,938,678	8,542,348
Effect of exchange rate changes	(285,685)	(503,684)
Cash and cash equivalents at beginning of period	<u>28,482,653</u>	<u>15,686,705</u>
Cash and cash equivalents at end of period	<u>31,135,646</u>	<u>23,725,369</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>155,657</u>	<u>217,101</u>
Income taxes paid	<u>953,477</u>	<u>46,130</u>
Supplementary schedules of non-cash investing and financing activities:		
Accrued cash dividends, employees' bonuses and directors' and supervisors' remuneration	<u>7,297,620</u>	<u>5,044,850</u>

