

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

Assets	<u>2006.9.30</u> NT\$	<u>2005.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2006.9.30</u> NT\$	<u>2005.9.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	15,414,299	10,331,478	Notes and accounts payable	34,671,752	35,960,313
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$54,342 thousand and NT\$113,910 thousand as of September 30, 2006 and 2005, respectively	6,362,644	18,586,528	Notes and accounts payable to related parties	6,106,749	9,464,734
Notes and accounts receivables from related parties	37,152,266	33,649,675	Other payables to related parties	1,302,356	2,256,694
Other receivables from related parties	214,422	1,118,489	Royalties payable	4,664,009	3,495,852
Other receivables	136,278	135,181	Accrued expenses and other current liabilities	6,390,538	5,625,206
Assigned financial asset measured at fair value-current	262,941	32,409	Current installments of bonds payable	-	3,000,000
Available-for-sale financial assets-current	6,346,527	2,464,748	Deferred inter-company profits	28,747	121,492
Hedging derivative financial assets-current	79,755	441,973	Total current liabilities	<u>53,164,151</u>	<u>59,924,291</u>
Inventories	4,859,191	4,001,294	Long-term liabilities:		
Deferred income tax assets-current	582,869	731,930	Other liabilities	90,915	76,845
Prepaid expenses and other current assets	286,524	121,525	Deferred income tax liabilities-noncurrent	1,892,265	1,367,965
Total current assets	<u>71,697,716</u>	<u>71,615,230</u>	Long-term equity investment credits	437,825	421,427
Long-term equity investments			Total long-term liabilities	<u>2,421,005</u>	<u>1,866,237</u>
Accounted for using equity method	41,141,256	40,898,589	Total liabilities	<u>55,585,156</u>	<u>61,790,528</u>
Financial asset measured at holding cost-noncurrent	3,235,503	3,434,653	Stockholders' equity:		
Available-for-sale financial assets-noncurrent	2,538,736	-	Common stock	23,370,637	22,545,186
Net long-term equity investments	<u>46,915,495</u>	<u>44,333,242</u>	Capital surplus	29,949,442	29,991,460
Property, plant and equipment:			Retained earnings:		
Land	476,159	1,722,448	Legal reserve	6,468,865	5,621,115
Buildings and improvements	621,394	3,149,031	Special reserve	283,921	2,017,819
Machinery and computer equipment	543,991	571,088	Unappropriated earnings	10,266,327	6,382,163
Transportation equipment	30,443	30,737	Other stockholders' equity components:		
Furniture and fixtures	19,000	17,329	Unrealized depreciation on long-term equity investments	-	(15,069)
Other equipment	179,384	16,395	Foreign currency translation adjustment	950,387	81,379
Leasehold improvement	26,053	26,053	Unrealized gain on available-for-sale financial assets	3,940,638	-
Construction in progress and advance payments for purchases of property and equipment	7,382	108,308	Hedge revaluation gain	82,586	441,973
	1,903,806	5,641,389	Treasury stock	(3,270,920)	(3,411,280)
Less: accumulated depreciation	(674,485)	(1,026,053)	Total stockholders' equity	<u>72,041,883</u>	<u>63,654,746</u>
Less: accumulated impairment	-	(495,000)	Commitments and contingencies		
Net property, plant and equipment	<u>1,229,321</u>	<u>4,120,336</u>			
Intangible assets	282,889	354,630			
Property not used in operation	6,239,408	4,161,022			
Refundable deposits	363,276	325,934			
Long-term notes and lease accounts receivable	513,559	422,242			
Deferred expenses and other assets	385,375	112,638			
Total assets	<u>127,627,039</u>	<u>125,445,274</u>	Total liabilities and stockholders' equity	<u>127,627,039</u>	<u>125,445,274</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 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	160,397,104	140,204,280		
Sales return and allowances	<u>(2,580,461)</u>	<u>(1,630,533)</u>		
Net Revenue	157,816,643	138,573,747		
Cost of revenues	<u>(151,424,678)</u>	<u>(132,702,727)</u>		
Gross profit	6,391,965	5,871,020		
Changes in unrealized inter-company profits	<u>24,752</u>	<u>(50,387)</u>		
Realized gross profit	<u>6,416,717</u>	<u>5,820,633</u>		
Operating expenses:				
Selling	(1,779,555)	(1,903,853)		
Administrative	(136,762)	(135,440)		
Research and development	<u>(77,183)</u>	<u>(40,631)</u>		
Total operating expenses	<u>(1,993,500)</u>	<u>(2,079,924)</u>		
Operating income	<u>4,423,217</u>	<u>3,740,709</u>		
Non-operating income and gains:				
Interest income	319,401	86,994		
Investment gain recognized by equity method	2,218,368	-		
Gain on disposal of investments, net	4,546,420	4,355,072		
Financial asset revaluation gain	262,941	32,409		
Other income	<u>362,007</u>	<u>493,840</u>		
	<u>7,709,137</u>	<u>4,968,315</u>		
Non-operating expenses and loss:				
Interest expense	(221,765)	(143,044)		
Foreign exchange loss, net	(857,828)	(40,122)		
Investment loss recognized by equity method	-	(927,757)		
Investment loss recognized by cost method	-	(23,000)		
Assets impairment loss	(995,000)	(548,000)		
Other loss	<u>(32,295)</u>	<u>(2,007)</u>		
	<u>(2,106,888)</u>	<u>(1,683,930)</u>		
Income before income taxes	10,025,466	7,025,094		
Income tax expense	<u>(1,072,376)</u>	<u>(649,707)</u>		
Net income	<u>8,953,090</u>	<u>6,375,387</u>		
Earnings per common share (in New Taiwan dollars):	Before	After	Before	After
	income	income	income	income
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
	NT\$	NT\$	NT\$	NT\$
Basic earnings per common share	<u>4.37</u>	<u>3.90</u>	<u>3.06</u>	<u>2.78</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2006 and 2005

(Expressed in thousands of New Taiwan dollars)

			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	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
	NT\$	NT\$	NT\$	NT\$	NT\$						
Balance at January 1, 2005	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 depreciation on long-term equity investment	-	-	-	-	-	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
Balance at September 30, 2005	22,545,186	29,991,460	5,621,115	2,017,819	6,382,163	(15,069)	81,379	-	441,973	(3,411,280)	63,654,746
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	-	-	-	-	8,953,090	-	-	-	-	-	8,953,090
Foreign currency translation adjustment	-	-	-	-	-	-	1,177,193	-	-	-	1,177,193
Hedge revaluation gain	-	-	-	-	-	-	-	16,524	-	-	16,524
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
Cash dividends distributed to subsidiaries	-	92,988	-	-	-	-	-	-	-	-	92,988
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(695,679)	-	-	-	-	-	-	-	-	(695,679)
Unrealized gain on available-for sale financial assets	-	-	-	-	-	-	-	(563,153)	-	-	(563,153)
Balance at September 30, 2006	23,370,637	29,949,442	6,468,865	283,921	10,266,327	-	950,387	3,940,638	82,586	(3,270,920)	72,041,883

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the nine-month periods ended September 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:		
Net income	8,953,090	6,375,387
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	129,043	174,160
Amortization	132,998	200,213
Loss on disposal of assets, net	587	942
Gain on disposal of investments, net	(4,546,420)	(4,355,072)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(5,675,448)	(2,857,939)
Investment loss on long-term equity investments accounted for by cost method	-	23,000
Assets impairment loss	995,000	548,000
Realized foreign exchange gain on long-term investments	3,343	12,074
Allowance for doubtful of advances to related parties	367,116	-
Deferred income tax expense	165,882	649,707
Changes in operating assets and liabilities:		
Notes and accounts receivable	14,330,897	(7,312,150)
Receivables from related parties	(5,743,939)	(14,365,989)
Inventories	2,733,920	(1,178,677)
Other financial assets, prepaid expenses and other current assets	53,511	(301,033)
Long-term notes and lease accounts receivable	(26,568)	(301,806)
Notes and accounts payable	(4,899,702)	16,474,692
Payables to related parties	(4,000,773)	6,475,351
Deferred inter-company profits	(24,752)	50,387
Royalties payable, accrued expenses and other current liabilities	1,300,391	2,412,210
Other liabilities	8,978	(765)
Cash provided by operating activities	<u>4,257,154</u>	<u>2,722,692</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial asset	2,192,702	10,162,681
Proceeds from disposal of long-term investments	3,995,417	2,964,440
Refund from reduction in investees' share capital	1,424,529	1,320,483
Proceeds from disposal of property, plant and equipment and property not used in operation	147,652	6,829
Additions to property, plant and equipment and property not used in operation	(463,295)	(94,167)
Increase in intangible assets	(47,628)	(51,453)
Increase in long-term investments	-	(452,120)
Decrease (increase) in loans and advances to related parties	191,748	(14,320)
Decrease (increase) in refundable deposits, deferred expenses and other assets	(342,911)	84,866
Cash provided by investing activities	<u>7,098,214</u>	<u>13,927,239</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(2,538)	(131,917)
Redemption of bonds	-	(3,000,000)
Payment of cash dividends, employee's bonuses and director's and supervisor's remuneration	(6,857,193)	(4,870,291)
Cash used in financing activities	<u>(6,859,731)</u>	<u>(8,002,208)</u>
Net increase in cash and cash equivalents	4,495,637	8,647,723
Cash and cash equivalents at beginning of period	<u>10,918,662</u>	<u>1,683,755</u>
Cash and cash equivalents at end of period	<u><u>15,414,299</u></u>	<u><u>10,331,478</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>221,765</u>	<u>189,296</u>
Income tax paid	<u>23,963</u>	<u>-</u>
Supplementary schedules of non-cash investing and financing activities:		
Accrued employees' bonuses	<u>374,546</u>	<u>-</u>
Foreign currency translation adjustment	<u>1,173,850</u>	<u>63,211</u>

