

**ACER INCORPORATED**  
**Non-Consolidated Balance Sheets**  
**March 31, 2007 and 2006**  
(Expressed in thousands of New Taiwan dollars)  
**Unaudited**

Assets	<u>2007.3.31</u> NT\$	<u>2006.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2007.3.31</u> NT\$	<u>2006.3.31</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	24,428,073	12,571,489	Notes and accounts payable	38,734,852	42,067,684
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$42,945 thousand and NT\$54,304 thousand as of March 31, 2007 and 2006, respectively	8,323,472	19,308,482	Notes and accounts payable to related parties	2,733,509	10,682,751
Notes and accounts receivables from related parties	30,597,865	40,705,174	Other payables to related parties	1,511,276	1,728,613
Other receivables from related parties	81,299	706,907	Financial liabilities at fair value through profit or loss—current	264,326	99,679
Financial assets at fair value through profit or loss—current	8,120	-	Hedging purpose derivative financial liabilities	162,481	6,129
Available-for-sale financial assets-current	5,970,600	5,184,467	Royalties payable	3,639,227	3,758,268
Hedging purpose derivative financial assets-current	18,548	-	Accrued expenses and other current liabilities	9,172,563	5,537,355
Other receivables	939,977	87,784	Deferred inter-company profits	15,781	51,199
Inventories	8,714,943	5,381,580	<b>Total current liabilities</b>	<u>56,234,015</u>	<u>63,931,678</u>
Deferred income tax assets-current	875,650	699,450			
Noncurrent assets held for sale	2,918,806	-	<b>Long-term liabilities:</b>		
Prepaid expenses and other current assets	309,332	99,466	Other liabilities	160,236	78,593
<b>Total current assets</b>	<u>83,186,685</u>	<u>84,744,799</u>	Deferred income tax liabilities-noncurrent	2,389,179	2,210,594
			Long-term equity investment credits	448,505	404,627
<b>Funds and investments:</b>			<b>Total long-term liabilities</b>	<u>2,997,920</u>	<u>2,693,814</u>
Long-term equity investments under equity method	43,300,778	41,213,897	<b>Total liabilities</b>	<u>59,231,935</u>	<u>66,625,492</u>
Available-for-sale financial assets-noncurrent	1,631,880	-			
Financial assets carried at cost-noncurrent	985,733	3,331,052	<b>Stockholders' equity:</b>		
<b>Total funds and investments</b>	<u>45,918,391</u>	<u>44,544,949</u>	Common stock	23,370,637	22,545,187
			Capital surplus	29,854,175	30,764,700
<b>Property, plant and equipment:</b>			Retained earnings:		
Land	376,842	1,722,897	Legal reserve	6,468,865	5,621,115
Buildings and improvements	578,892	3,149,031	Special reserve	283,921	2,017,819
Machinery and computer equipment	543,106	546,399	Unappropriated earnings	17,194,044	12,505,428
Transportation equipment	25,008	30,936	Other stockholders' equity components:		
Furniture and fixtures	17,880	18,519	Foreign currency translation adjustment	2,051,659	(210,875)
Other equipment	203,453	16,335	Net losses not recognized as retirement costs	2,040	-
Leasehold improvement	26,053	26,053	Unrealized gain on available-for-sale financial assets	1,920,682	2,520,517
Construction in progress and advance payments for purchases of property and equipment	6,632	260,358	Hedge reserve	(194,375)	(8,355)
	<u>1,777,866</u>	<u>5,770,528</u>	Amounts recognized directly in equity relating to noncurrent assets held for sale	(19,191)	-
Less: accumulated depreciation	(662,698)	(1,089,751)	Treasury stock	(3,270,920)	(3,270,920)
Less: accumulated impairment	-	(495,000)	<b>Total stockholders' equity</b>	<u>77,661,537</u>	<u>72,484,616</u>
<b>Net property, plant and equipment</b>	<u>1,115,168</u>	<u>4,185,777</u>	<b>Commitments and contingencies</b>		
<b>Intangible assets</b>	257,977	306,517			
<b>Property not used in operations</b>	5,168,036	4,137,972			
<b>Refundable deposits</b>	348,282	351,124			
<b>Noncurrent accounts receivable</b>	414,236	621,254			
<b>Deferred expenses and other assets</b>	<u>484,697</u>	<u>217,716</u>			
<b>Total assets</b>	<u>136,893,472</u>	<u>139,110,108</u>	<b>Total liabilities and stockholders' equity</b>	<u>136,893,472</u>	<u>139,110,108</u>

**ACER INCORPORATED**

**Non-Consolidated Statements of Income**

**For the three-month periods ended March 31, 2007 and 2006**

**(Expressed in thousands of New Taiwan dollars, except earnings per share data)**

**Unaudited**

	<u>2007</u> NT\$	<u>2006</u> NT\$		
<b>Revenues</b>	65,151,981	55,422,044		
<b>Sales return and allowances</b>	<u>(705,727)</u>	<u>(619,589)</u>		
<b>Net Revenue</b>	64,446,254	54,802,455		
<b>Cost of revenues</b>	<u>(61,939,934)</u>	<u>(52,517,984)</u>		
<b>Gross profit</b>	2,506,320	2,284,471		
<b>Changes in unrealized inter-company profits</b>	<u>12,282</u>	<u>2,300</u>		
<b>Realized gross profit</b>	<u>2,518,602</u>	<u>2,286,771</u>		
<b>Operating expenses:</b>				
Selling	(557,186)	(594,995)		
Administrative	(40,832)	(62,658)		
Research and development	<u>(22,795)</u>	<u>(26,795)</u>		
<b>Total operating expenses</b>	<u>(620,813)</u>	<u>(684,448)</u>		
<b>Operating income</b>	<u>1,897,789</u>	<u>1,602,323</u>		
<b>Non-operating income and gains:</b>				
Interest income	80,152	50,599		
Investment gain recognized by equity method	717,028	459,417		
Gain on disposal of investments, net	3,052,775	2,491,970		
Foreign exchange gain, net	313,391	53,693		
Financial assets revaluation gain	8,120	-		
Other income	<u>126,885</u>	<u>67,963</u>		
	<u>4,298,351</u>	<u>3,123,642</u>		
<b>Non-operating expenses and loss:</b>				
Interest expense	(25,172)	(15,178)		
Financial liabilities revaluation loss	(264,326)	(99,679)		
Other loss	<u>(18)</u>	<u>(90)</u>		
	<u>(289,516)</u>	<u>(114,947)</u>		
<b>Income before income taxes</b>	5,906,624	4,611,018		
<b>Income tax expense</b>	<u>(244,059)</u>	<u>(589,868)</u>		
<b>Net income</b>	<u><b>5,662,565</b></u>	<u><b>4,021,150</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><b>tax</b></u>	<u><b>tax</b></u>	<u><b>tax</b></u>	<u><b>tax</b></u>
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>
Basic earnings per common share	<u><b>2.57</b></u>	<u><b>2.47</b></u>	<u><b>2.01</b></u>	<u><b>1.75</b></u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the three-month periods ended March 31, 2007 and 2006

(Expressed in thousands of New Taiwan dollars)  
Unaudited

	<u>Retained earnings</u>					Foreign currency translation adjustment	Unrealized loss on long-term equity investments	Unrecognized pension cost	Unrealized gain on available-for- sale financial assets	Hedge reserve	Amounts recognized directly in equity relating to noncurrent assets held for sale	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings								
Balance at January 1, 2006	22,545,187	30,552,133	5,621,115	2,017,819	8,484,278	(226,806)	(454)	-	-	66,062	-	(3,270,920)	65,788,414
Effect of adoption of Statement of Financial Accounting Standard No.34 "Financial Instruments: Recognition and Measurement" 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)
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	-	(74,417)	-	-	(74,417)
Change in unrealized loss 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>	<b>22,545,187</b>	<b>30,764,700</b>	<b>5,621,115</b>	<b>2,017,819</b>	<b>12,505,428</b>	<b>(210,875)</b>	<b>-</b>	<b>-</b>	<b>2,520,517</b>	<b>(8,355)</b>	<b>-</b>	<b>(3,270,920)</b>	<b>72,484,616</b>
<b>Balance at January 1, 2007</b>	<b>23,370,637</b>	<b>29,947,020</b>	<b>6,468,865</b>	<b>283,921</b>	<b>11,531,479</b>	<b>1,335,500</b>	<b>-</b>	<b>-</b>	<b>4,374,388</b>	<b>(12,780)</b>	<b>-</b>	<b>(3,270,920)</b>	<b>74,028,110</b>
2007 net income	-	-	-	-	5,662,565	-	-	-	-	-	-	-	5,662,565
Foreign currency translation adjustment	-	-	-	-	-	716,159	-	-	-	-	-	-	716,159
Translation adjustment of noncurrent assets held for sale	-	-	-	-	-	-	-	-	-	-	(19,191)	-	(19,191)
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	-	(181,595)	-	-	(181,595)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(92,845)	-	-	-	-	-	-	-	-	-	-	(92,845)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(2,453,706)	-	-	-	(2,453,706)
Unrecognized pension cost	-	-	-	-	-	-	-	2,024	-	-	-	-	2,024
<b>Balance at March 31, 2007</b>	<b>23,370,637</b>	<b>29,854,175</b>	<b>6,468,865</b>	<b>283,921</b>	<b>17,194,044</b>	<b>2,051,659</b>	<b>-</b>	<b>2,024</b>	<b>1,920,682</b>	<b>(194,375)</b>	<b>(19,191)</b>	<b>(3,270,920)</b>	<b>77,661,537</b>

**ACER INCORPORATED**

**Non-Consolidated Statements of Cash Flows**

**For the three-month periods ended March 31, 2007 and 2006**

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

**Unaudited**

	<u>2007</u>	<u>2006</u>
	NT\$	NT\$
<b>Cash flows from operating activities:</b>		
Net income	5,662,565	4,021,150
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	37,605	46,826
Amortization	43,695	33,917
Loss (gain) on disposal of assets, net	(117,962)	12
Gain on disposal of investments, net	(3,052,775)	(2,491,970)
Net investment income on long-term equity investments accounted for by equity method, net of cash dividends received	(2,707,181)	(1,836,149)
Realized foreign exchange gain on long-term investments	-	3,343
Deferred income tax expense	(85,744)	367,631
Changes in operating assets and liabilities:		
Notes and accounts receivable	(307,198)	1,385,059
Receivables from related parties	18,365,994	(9,296,847)
Inventories	(2,447,034)	2,108,558
Other financial assets, prepaid expenses and other current assets	(86,279)	557,914
Noncurrent accounts receivable	66,301	(134,263)
Notes and accounts payable	3,035,891	2,496,230
Payables to related parties	1,027,292	1,001,486
Deferred inter-company profits	(12,281)	(2,300)
Royalties payable, accrued expenses and other current liabilities	(170,089)	(6,930)
Other liabilities	<u>39,675</u>	<u>(3,344)</u>
<b>Cash provided by (used in ) operating activities</b>	<u>19,292,475</u>	<u>(1,749,677)</u>
<b>Cash flows from investing activities:</b>		
Decrease in available-for-sale financial assets	3,434,613	3,271,481
Proceeds from disposal of long-term investments	2,438,898	29,954
Refund of capital from investees	232,400	162,400
Proceeds from disposal of property, plant and equipment	1,136,775	119
Additions to property, plant and equipment	(54,353)	(119,034)
Increase in intangible assets	(10,459)	(6,508)
Decrease in loans and advances to related parties	5,704	66,379
Decrease in refundable deposits, deferred expenses and other assets	<u>20,255</u>	<u>251</u>
<b>Cash provided by investing activities</b>	<u>7,203,833</u>	<u>3,405,042</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	<u>(5,375,080)</u>	<u>(2,538)</u>
<b>Cash used in financing activities</b>	<u>(5,375,080)</u>	<u>(2,538)</u>
<b>Net increase in cash and cash equivalents</b>	21,121,228	1,652,827
<b>Cash and cash equivalents at beginning of period</b>	<u>3,306,845</u>	<u>10,918,662</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>24,428,073</u></u>	<u><u>12,571,489</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>25,172</u>	<u>15,178</u>
Income taxes paid	<u>6,484</u>	<u>-</u>
<b>Supplementary schedules of non-cash investing and financing activities:</b>		
Change in foreign currency translation adjustment	<u>716,159</u>	<u>12,588</u>
Change in unrealized gain on available-for-sale financial assets	<u>2,310,836</u>	<u>2,261,123</u>

