

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

For the nine-month period ended September 30, 2009 and 2008

(Expressed in thousands of New Taiwan dollars)

Unaudited

Assets	2009.9.30	2008.9.30	Liabilities and Stockholders' Equity	2009.9.30	2008.9.30
	NT\$	NT\$		NT\$	NT\$
Current assets :			Current liabilities :		
Cash and cash equivalents	41,559,053	28,232,431	Short-term borrowings	1,144,138	4,394,546
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,714,192 and NT\$1,862,929 as of Sep. 30, 2009 and 2008, respectively	126,919,679	131,570,287	Current installation of long-term debt	0	3,547,500
Notes and accounts receivables from related parties	864,445	547,783	Notes and accounts payable	96,480,787	97,249,668
Other receivables from related parties	29,337	41,457	Notes and accounts payable to related parties	11,784,532	9,569,675
Other receivables	14,482,130	9,616,897	Financial liabilities at fair value through profit or loss—current	672,677	201,674
Inventories	52,641,613	44,601,640	Other payables to related parties	68,698	71,962
Financial assets at fair value through profit or loss-current	45,047	2,840,307	Hedging purpose derivative financial liabilities—current	1,508,783	549,158
Available-for-sale financial assets-current	193,786	684,220	Royalties payable	13,470,291	14,315,213
Hedging purpose derivative financial assets-current	804,907	965,584	Accrued expenses and other current liabilities	67,958,826	52,101,675
Deferred income tax assets-current	3,431,140	1,446,779	Deferred intercompany profit	554	876
Prepaid expenses and other current assets	1,594,702	1,788,427	Total current liabilities	193,089,286	182,001,947
Restricted deposits	0	16,730			
Total current assets	242,565,839	222,352,542	Long-term liabilities:		
Funds and investments:			Long-term debt, excluding current installments	12,375,703	8,846,113
Equity method investment	3,176,964	2,882,764	Other liabilities	953,739	487,844
Prepayments for long-term investments	78,236	0	Deferred income tax liabilities—noncurrent	6,565,747	6,625,619
Financial assets carried at cost	2,916,708	3,070,844	Total long-term liabilities	19,895,189	15,959,576
Available-for-sale financial assets—noncurrent	2,927,483	1,760,756	Total liabilities	212,984,475	197,961,523
Total Funds and investments	9,099,391	7,714,364			
Property, plant and equipment:			Stockholders' equity:		
Land	2,676,641	2,669,126	Common stock	26,856,466	26,427,316
Buildings and improvements	5,271,558	4,807,256	Capital surplus	38,310,686	37,081,534
Computer equipment and machinery	3,488,505	4,992,319	Retained earnings:		
Transportation equipment	111,533	112,236	Legal reserve	9,960,796	8,786,583
Office equipment	1,073,490	1,162,344	Special reserve	1,991,615	0
Leasehold improvement	969,352	746,513	Unappropriated earnings	13,104,990	11,172,288
Other equipment	1,109,301	841,462	Other stockholders' equity components:		
Construction in progress and advance payments for purchases of property and equipment	178,808	689,272	Foreign currency translation adjustment	1,958,580	825,185
	14,879,188	16,020,528	Minimum pension liability adjustment	(567)	(172,116)
Less: accumulated depreciation	(5,393,413)	(5,399,253)	Hedging reserve	578,325	519,976
Less: accumulated impairment	(274,990)	(1,370,762)	Unrealized gain on available-for-sale financial assets	382,358	(828,796)
Net property, plant and equipment	9,210,785	9,250,513	Treasury stock	(3,522,598)	(3,522,598)
Intangible assets	36,196,752	32,877,336	Total stockholders' equity	89,620,651	80,289,372
Property not used in operation	2,978,419	3,459,516	Minority interest	548,104	578,257
Other financial assets-noncurrent	764,344	893,126	Total stockholders' equity and minority interest	90,168,755	80,867,629
Deferred charges and other assets	2,337,700	2,281,755			
Total assets	303,153,230	278,829,152	Total Liabilities and Stockholders' equity	303,153,230	278,829,152

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
For the nine-month periods ended September 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars, except per share data)
Unaudited

	2009	2008
	NT\$	NT\$
Revenues	\$ 405,785,947	\$ 411,329,817
Cost of revenues	(364,580,344)	(368,355,270)
Gross profit	<u>41,205,603</u>	<u>42,974,547</u>
Operating expenses:		
Selling	(25,011,390)	(26,066,845)
General and administrative	(5,220,888)	(6,471,743)
Research and development	(606,002)	(338,506)
Total operating expenses	<u>(30,838,280)</u>	<u>(32,877,094)</u>
Operating income	<u>10,367,323</u>	<u>10,097,453</u>
Non-operating income and gains:		
Interest income	282,450	938,978
Investment gain recognized by equity method, net	273,315	440,058
Gain on disposal of property and equipment, net	5,303	806,850
Gain on disposal of investments, net	26,293	2,720,002
Other income	341,029	559,687
	<u>928,390</u>	<u>5,465,575</u>
Non-operating expenses and loss:		
Interest expense	(302,824)	(1,013,621)
Other investment loss	(17,300)	(221,229)
Foreign currency exchange loss and loss on valuation of financial instruments, net	(280,063)	(1,065,331)
Restructuring cost	0	(1,223,617)
Assets impairment loss	0	(221,931)
Other loss	(380,579)	(318,974)
	<u>(980,766)</u>	<u>(4,064,703)</u>
Income from continuing operations before income taxes	<u>10,314,947</u>	<u>11,498,325</u>
Income tax expense	(2,479,106)	(2,668,810)
Income from continuing operations	<u>7,835,841</u>	<u>8,829,515</u>
Income from discontinued operations(net of income taxes of NT\$0)	<u>0</u>	<u>99,843</u>
Consolidated net income	<u><u>\$ 7,835,841</u></u>	<u><u>\$ 8,929,358</u></u>
Net income attributable to:		
Shareholders of parent company	\$7,835,764	\$8,929,105
Minority shareholders	77	253
	<u><u>\$7,835,841</u></u>	<u><u>\$8,929,358</u></u>
	NT\$	NT\$
Earnings per common share (in New Taiwan dollars):		
Basic earnings per common share-retroactively adjusted	<u>\$ 2.98</u>	<u>\$ 3.61</u>
Diluted earnings per common share	<u><u>\$ 2.94</u></u>	<u><u>\$ 3.56</u></u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the nine-month period ended September 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)

Unaudited

	Common stock	Capital surplus	Retained earnings			Foreign currency translation adjustment	Minimum pension liability Adjustment	Unrealized gain (loss) on available-for-sale financial assets	Hedging reserve	Treasury stock	Minority interest	Total stockholders' equity
			Legal reserve	Special reserve	Unappropriated earnings							
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	
Balance at January 1, 2008	24,054,904	29,898,983	7,490,689	-	13,551,024	2,733,899	(173,364)	2,508,663	15,836	(3,270,920)	599,280	77,408,994
2008 net income	-	-	-	-	8,929,105	-	-	-	-	-	253	8,929,358
Foreign currency translation adjustment	-	-	-	-	-	(1,908,714)	-	-	-	-	-	(1,908,714)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	504,140	-	-	504,140
Appropriation approved by the stockholders:												
Legal reserve	-	-	1,295,894	-	(1,295,894)	-	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	690,823	-	-	-	(690,823)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,659,766)	-	-	-	-	-	-	(8,659,766)
Directors' and supervisors' remuneration	-	-	-	-	(116,630)	-	-	-	-	-	-	(116,630)
Employees' bonuses in cash	-	-	-	-	(544,728)	-	-	-	-	-	-	(544,728)
Cash dividends distributed to subsidiaries	-	114,832	-	-	-	-	-	-	-	-	-	114,832
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(87,959)	-	-	-	-	-	-	-	-	-	(87,959)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	(3,337,459)	-	-	-	(3,337,459)
Minimum pension liability adjustment	-	-	-	-	-	-	1,248	-	-	-	-	1,248
Issuance of shares for acquisitions	1,681,589	7,155,678	-	-	-	-	-	-	-	-	-	8,837,267
Treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(251,678)	-	(251,678)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	(21,276)	(21,276)
Balance at September 30, 2008	26,427,316	37,081,534	8,786,583	0	11,172,288	825,185	(172,116)	(828,796)	519,976	(3,522,598)	578,257	80,867,629
Balance at January 1, 2009	26,428,560	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,456,066)	(273,565)	(3,522,598)	558,656	82,877,615
2009 net income	-	-	-	-	7,835,764	-	-	-	-	-	77	7,835,841
Foreign currency translation adjustment	-	-	-	-	-	717,522	-	-	-	-	-	717,522
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	851,890	-	-	851,890
Appropriation approved by the stockholders:												
Legal reserve	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-	-
Special reserve	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-	-	-
Stock dividends to shareholders	264,298	-	-	-	(264,298)	-	-	-	-	-	-	-
Employees' bonuses in stock	162,338	737,662	-	-	-	-	-	-	-	-	-	900,000
Cash dividends	-	-	-	-	(5,285,966)	-	-	-	-	-	-	(5,285,966)
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	-	-	70,510
Increase in capital surplus resulting from long-term equity investments accounted for by the equity method	-	168,843	-	-	-	-	-	-	-	-	-	168,843
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	1,838,424	-	-	-	1,838,424
Minimum pension liability adjustment	-	-	-	-	-	-	(284)	-	-	-	-	(284)
Issuance of stock for employee stock option exercised	1,270	876	-	-	-	-	-	-	-	-	-	2,146
Share-based payment transactions	-	202,843	-	-	-	-	-	-	-	-	-	202,843
Change in minority interest	-	-	-	-	-	-	-	-	-	-	(10,629)	(10,629)
Balance at September 30, 2009	26,856,466	38,310,686	9,960,796	1,991,615	13,104,990	1,958,580	(567)	382,358	578,325	(3,522,598)	548,104	90,168,755

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars)
Unaudited

	2009	2008
	NT\$	NT\$
Cash flows from operating activities:		
Consolidated net income	7,835,841	8,929,358
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	626,609	706,138
Amortization	1,375,219	859,960
Stock-based compensation cost	202,843	0
Gain on disposal of assets, net	(5,303)	(806,850)
Gain on disposal of investments, net	(26,293)	(2,720,002)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(181,067)	(202,757)
Other investment loss	17,300	221,229
Assets impairment loss	0	221,931
Restructure cost	0	1,223,617
Deferred income tax expense(benefit)	(848,523)	1,048,734
Changes in operating assets and liabilities:		
Notes and accounts receivable	(19,093,368)	(23,312,135)
Receivables from related parties	(22,981)	7,365
Inventories	(12,680,127)	(9,153,489)
Other financial assets, prepaid expenses and other current assets	(4,434,015)	(3,412,538)
Noncurrent assets	62,479	178,405
Notes and accounts payable	32,115,173	17,113,937
Payables to related parties	3,913,046	4,142,818
Royalties payable, accrued expenses and other current liabilities	16,815,451	4,100,302
Other liabilities	110,988	(687,348)
Cash provided by (used in) operating activities	<u>25,783,272</u>	<u>(1,541,325)</u>
Cash flow from investing activities:		
Change in available-for-sale financial assets – current, net	479,028	2,091,684
Proceeds from sales of long-term equity investments	37,760	3,379,782
Proceeds from disposal of property, plant and equipment and property not used in operations	41,175	1,903,900
Additions to property, plant and equipment and property not used in operation	(478,859)	(319,758)
Increase in long-term investments	(324,883)	(96,381)
Return of capital from investees	38,337	279,338
Other receivable from related parties	15,836	0
Increase in restricted assets – current	922,794	1,958,585
Acquisition of business, net of cash acquired	0	(817,532)
Increase in intangible assets, refundable deposits, deferred charges and other assets	(3,016,229)	(943,186)
Cash provided by (used in) investing activities	<u>(2,285,041)</u>	<u>7,436,432</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	57,287	(977,562)
Decrease in long-term debt	(6,900)	(4,412,316)
Stock-based compensation cost	2,146	0
Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration	(5,215,456)	(9,206,292)
Change in minority interests	0	(21,276)
Cash used in financing activities	<u>(5,162,923)</u>	<u>(14,617,446)</u>
Net decrease (increase) in cash and cash equivalents	18,335,308	(8,722,339)
Effects of exchange rate changes	1,082,020	(990,569)
Cash and cash equivalents at beginning of period	22,141,725	37,945,339
Cash and cash equivalents at end of period	<u>41,559,053</u>	<u>28,232,431</u>
Supplemental disclosures of cash flow information		
Interest paid	314,852	1,094,573
Income taxes paid	1,536,567	1,890,571
Cash acquired from acquisition of Packard Bell B.V.:		
Cash consideration		3,263,840
Non-cash assets acquired		(11,391,507)
Liabilities assumed		10,799,443
Goodwill		(1,135,886)
		<u>1,535,890</u>