

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

For the nine-month period ended September 30, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

Unaudited

		2010		2009				2010		2009	
		NT\$	%	NT\$	%			NT\$	%	NT\$	%
Current assets :											
1100	Cash and cash equivalents	\$ 33,521,048	11	\$ 41,559,053	14	2100	Short-term borrowings	\$ 2,524,468	2	\$ 1,144,138	1
1120-40	Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,852,961 and NT\$1,714,192 as of September 30, 2010 and 2009, respectively	147,740,335	47	126,919,679	42	2272	Current portion of long-term debt	3,050,000	2	0	0
1130-50	Notes and accounts receivables from related parties	849,239	0	864,445	0	2120-40	Notes and accounts payable	97,258,085	31	96,480,787	32
1180	Other receivables from related parties	25,862	0	29,337	0	2130-50	Notes and accounts payable to related parties	7,388,293	2	11,784,532	4
1190	Other receivables	11,023,298	4	10,362,067	3	2183	Financial liabilities at fair value through profit or loss—current	1,209,742	0	672,677	0
120-123	Inventories	57,000,124	18	52,641,613	18	2190	Other payables to related parties	270,102	0	68,698	0
1310	Financial assets at fair value through profit or loss-current	121,374	0	45,047	0	2200	Hedging purpose derivative financial liabilities—current	1,831,600	1	1,508,783	1
1320	Available-for-sale financial assets-current	184,391	0	193,786	0	2228	Royalties payable	14,441,053	5	13,470,291	5
1340	Hedging purpose derivative financial assets-current	392,369	0	804,907	0	2170-2280	Accrued expenses and other current liabilities	59,929,730	20	63,158,980	22
1286	Deferred income tax assets-current	1,065,254	0	3,431,140	1	2286	Deferred income tax liabilities—current	634,062	1	679,783	1
1250-80	Prepayments and other current assets	3,562,126	1	1,594,702	1	2881	Deferred inter-company profits	77	0	554	0
1291	Restricted deposits	152,516	0	0	0		Total current liabilities	188,537,212	60	188,969,223	64
	Total current assets	255,637,936	82	238,445,776	80		Long-term liabilities:				
	Long-term investments:					2421	Long-term debt, excluding current portion	9,312,870	3	12,375,703	4
1421	Investments accounted for using equity method	3,256,300	1	3,176,964	1	2400	Bonds payable	13,998,055	4	0	0
1425	Prepayments for long-term investments	136,689	0	78,236	0	2800	Other liabilities	335,872	0	953,739	0
1480	Financial assets carried at cost—noncurrent	2,024,122	1	2,916,708	1	2411	Financial liabilities at fair value through profit or loss—noncurrent	1,347,441	0	0	0
1451	Available-for-sale financial assets—noncurrent	2,613,520	1	2,927,483	1	2861	Deferred income tax liabilities—noncurrent	5,609,770	2	6,565,747	2
	Total Funds and investments	8,030,631	3	9,099,391	3		Total long-term liabilities	30,604,008	9	19,895,189	6
							Total liabilities	219,141,220	70	208,864,412	70
	Property, plant and equipment:						Stockholders' equity:				
1501	Land	2,509,005	1	2,676,641	1		Common stock	26,947,413	9	26,856,466	9
1521	Buildings and improvements	5,320,592	2	5,271,558	2	3110	Capital surplus	39,479,465	13	38,310,686	13
1531	Computer equipment and machinery	3,175,213	1	3,488,505	1	3150	Retained earnings:				
1551	Transportation equipment	126,207	0	111,533	0	3200	Legal reserve	11,096,134	4	9,960,796	3
1561	Office equipment	956,060	1	1,073,490	1		Special reserve	0	0	1,991,615	1
1631	Leasehold improvement	1,028,596	0	969,352	0	3310	Unappropriated earnings	20,334,472	6	13,104,990	4
1681	Other equipment	1,165,844	0	1,109,301	0	3328					
1670	Construction in progress and advance payments for purchases of property and equipment	227,759	0	178,808	0	3350	Otherequity components:				
		14,509,276	5	14,879,188	5	3420	Foreign currency translation adjustment	(645,333)	0	1,958,580	1
15X9	Less: accumulated depreciation	(5,218,822)	(2)	(5,393,413)	(2)	3430	Minimum pension liability adjustment	(4,365)	0	(567)	0
1599	Less: accumulated impairment	(668,334)	0	(274,990)	0	3451	Unrealized gain (loss) on financial instruments	(192,358)	0	960,683	0
	Net property, plant and equipment	8,622,120	3	9,210,785	3	3510	Treasury stock	(3,522,598)	(1)	(3,522,598)	(1)
1700	Intangible assets	33,918,508	11	36,196,752	12		Total stockholders' equity	93,492,830	30	89,620,651	30
1810	Property not used in operation	2,568,111	1	2,978,419	1		Minority interest	417,357	0	548,104	0
1440	Other financial assets	1,006,788	0	764,344	0	3610	Total stockholders' equity and minority interest	93,910,187	30	90,168,755	30
1830-80	Deferred charges and other assets	3,267,313	1	2,337,700	1						
	Total assets	\$ 313,051,407	100	\$ 299,033,167	100		Total Liabilities and Stockholders' equity	\$ 313,051,407	100	\$ 299,033,167	100

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
For the nine-month periods ended September 30, 2010 and 2009
(Expressed in thousands of New Taiwan dollars, except per share data)
Unaudited

		2010		2009	
		NT\$	%	NT\$	%
4000	Net Sales	\$ 479,944,852	100	\$ 405,785,947	100
5000	Cost of sales	(432,440,631)	(90)	(364,580,344)	(90)
5910	Realized gross profit	47,504,221	10	41,205,603	10
Operating expenses:					
6100	Selling	(28,579,866)	(6)	(25,011,390)	(6)
6200	Administrative	(4,209,477)	(1)	(5,220,888)	(1)
6300	Research and development	(900,192)	0	(606,002)	0
	Total operating expenses	(33,689,535)	(7)	(30,838,280)	(7)
6900	Operating income	13,814,686	3	10,367,323	3
Non-operating income and gains:					
7110	Interest income	211,080	0	282,450	0
7120	Investment gain recognized using equity method, net	391,256	0	273,315	0
7122		218,251	0	0	0
7130	Gain on disposal of property and equipment, net	0	0	5,303	0
7140	Gain on disposal of investments, net	907,791	0	26,293	0
7480	Other income	948,799	0	341,029	0
		2,677,177	0	928,390	0
Non-operating expenses and loss:					
7510	Interest expense	(654,105)	0	(302,824)	0
7522	Other investment loss	0	0	(17,300)	0
7530	Loss on disposal of property and equipment, net	(4,053)	0	0	0
7561	Foreign currency exchange loss and valuation loss on financial instruments, net	(1,276,945)	0	(280,063)	0
7630	Impairment of non-financial assets	(350,000)	0	0	0
7880	Other loss	(136,752)	0	(380,579)	0
		(2,421,855)	0	(980,766)	0
7900	Income before income taxes	14,070,008	3	10,314,947	3
8110	Income tax expense	(2,851,996)	(1)	(2,479,106)	(1)
9600	Consolidated net income	\$ 11,218,012	2	\$ 7,835,841	2
Net income attributable to:					
9601	Shareholders of parent company	\$11,219,323		\$7,835,764	
9602	Minority shareholders	(1,311)		77	
		\$11,218,012		\$7,835,841	
		NT\$		NT\$	
Earnings per common share (in New Taiwan dollars):					
9750	Basic earnings per common share-retroactively adjusted	\$ 4.24		\$ 2.98	
9850	Diluted earnings per common share-retroactively adjusted	\$ 4.16		\$ 2.94	

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							Treasury stock NT\$	Total stockholders' equity of parent company NT\$	Minority interest NT\$	Total stockholders' equity NT\$	
	Retained earnings				Foreign currency translation adjustment NT\$	Minimum pension liability adjustment NT\$	Unrealized gain (loss) on financial instruments					
	Common stock NT\$	Capital surplus NT\$	Legal reserve NT\$	Special reserve NT\$								Unappropriated earnings NT\$
Balance at January 1, 2009	26,428,560	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,729,631)	(3,522,598)	82,318,959	558,656	82,877,615
Issuance of stock from exercising stock option	1,270	876	-	-	-	-	-	-	-	2,146	-	2,146
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	70,510	-	70,510
Stock-based compensation cost	-	202,843	-	-	-	-	-	-	-	202,843	-	202,843
Net income for the nine-month period ended September 30, 2009	-	-	-	-	7,835,764	-	-	-	-	7,835,764	-	7,835,840
											76	
Appropriation approved by the stockholders (note 1):												
Legal reserve	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-	-
Special reserve	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,285,966)	-	-	-	-	(5,285,966)	-	(5,285,966)
Stock dividends to shareholders	264,298	-	-	-	(264,298)	-	-	-	-	-	-	-
Employees' bonuses in stock	162,338	737,662	-	-	-	-	-	-	-	900,000	-	900,000
Unrealized valuation gain on available-for sale financial assets	-	-	-	-	-	-	-	1,838,424	-	1,838,424	-	1,838,424
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	851,890	-	851,890	-	851,890
Minimum pension liability adjustment	-	-	-	-	-	-	(284)	-	-	(284)	-	(284)
Foreign currency translation adjustment	-	-	-	-	-	717,522	-	-	-	717,522	-	717,522
	-	-	-	-	-	-	-	-	-	-	(10,628)	(10,628)
Decrease in minority interest											(10,628)	
Increase in capital surplus resulting from equity method investments	-	168,843	-	-	-	-	-	-	-	168,843	-	168,843
Balance at September 30, 2009	26,856,466	38,310,686	9,960,796	1,991,615	13,104,990	1,958,580	(567)	960,683	(3,522,598)	89,620,651	548,104	90,168,755
Balance at January 1, 2010	26,882,283	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844	482,818	92,877,662
Issuance of stock from exercising stock option	11,754	28,163	-	-	-	-	-	-	-	39,917	-	39,917
Cash dividends distributed to subsidiaries	-	125,922	-	-	-	-	-	-	-	125,922	-	125,922
Stock-based compensation cost	-	357,155	-	-	-	-	-	-	-	357,155	-	357,155
Net income for the nine-month period ended September 30, 2010	-	-	-	-	11,219,323	-	-	-	-	11,219,323	(1,311)	11,218,012
Conversion right from issuance of convertible bonds	-	297,149	-	-	-	-	-	-	-	297,149	-	297,149
Appropriation approved by the stockholders (note 2):												
Legal reserve	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)	(123)	(8,336,958)
Stock dividends to shareholders	26,893	-	-	-	(26,893)	-	-	-	-	-	-	-
Employees' bonuses in stock	26,483	173,517	-	-	-	-	-	-	-	200,000	-	200,000
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(168,592)	-	(168,592)	-	(168,592)
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	(1,038,083)	-	(1,038,083)	-	(1,038,083)
Minimum pension liability adjustment	-	-	-	-	-	-	3,543	-	-	3,543	-	3,543
Foreign currency translation adjustment	-	-	-	-	-	(1,604,954)	-	-	-	(1,604,954)	-	(1,604,954)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(64,027)	(64,027)
Increase in capital surplus resulting from equity method investments	-	3,441	-	-	-	-	-	-	-	3,441	-	3,441
Balance at September 30, 2010	26,947,413	39,479,465	11,096,134	-	20,334,472	(645,333)	(4,365)	(192,358)	(3,522,598)	93,492,830	417,357	93,910,187

Note 1: Directors' and supervisors' remuneration of \$85,763 and employee bonuses of \$1,500,000 have been deducted in the 2008 net income.

Note 2: Directors' and supervisors' remuneration of \$122,096 and employee bonuses of \$1,000,000 have been deducted in the 2009 net income.

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)
Unaudited

Cash flows from operating activities:	2010	2009
Consolidated net income	11,218,012	7,835,841
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	532,343	626,609
Amortization	1,299,836	1,375,219
Stock-based compensation cost	357,155	202,843
Effect of exchange rate on bonds payable	(253,569)	0
Amortization of bonds payable discount	60,622	0
Gain on valuation of non-current financial liabilities	(50,608)	0
Gain on disposal of assets, net	4,053	(5,303)
Gain on disposal of investments, net	(907,791)	(26,293)
Net investment gain on equity method investments	(319,796)	(307,938)
Cash dividends received from equity method investments	280,117	126,871
Other investment loss (gain)	(213,181)	17,300
Impairment of non-financial assets	350,000	0
Deferred income tax expense (benefit)	1,199,486	(848,523)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(35,881,967)	(19,093,368)
Receivables from related parties	(248,933)	(22,981)
Inventories	(5,837,566)	(12,680,127)
Other financial assets, prepayments and other current assets	(2,821,270)	(4,434,015)
Noncurrent receivable	(72,646)	62,479
Notes and accounts payable	1,426,365	32,115,173
Payables to related parties	(2,666,157)	3,913,046
Other financial liabilities, accrued expenses and other current liabilities	4,131,032	16,815,451
Other liabilities	(46,528)	110,988
Cash used in operating activities	(28,460,991)	25,783,272
Cash flow from investing activities:		
Proceeds from disposal of available-for-sale financial assets	1,221,669	479,028
Proceeds from disposal of financial assets carried at cost – noncurrent	370,027	0
Proceeds from disposal of equity method investments	44,678	37,760
Proceeds from disposal of property, plant and equipment and property not used in operations	188,697	41,175
Additions to property, plant and equipment	(509,588)	(478,859)
Increase in long-term investments	(148,923)	(324,883)
Return of capital from investees	330,670	38,337
Other receivable from related parties	(4,355)	15,836
Increase in restricted assets – current	(152,516)	922,794
Decrease (increase) in intangible assets	10,840	(2,913,112)
Decrease (increase) in refundable deposits, deferred charges and other assets	(1,188,396)	(103,117)
Cash provided by (used in) investing activities	162,803	(2,285,041)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	1,976,409	57,287
Issuance of convertible bonds	15,886,200	0
Decrease in long-term debt	(8,986)	(6,900)
Proceeds from exercise of employee stock option	39,918	2,146
Distribution of cash dividends	(8,210,912)	(5,215,456)
Cash provided by (used in) financing activities	9,682,629	(5,162,923)
Net decrease (increase) in cash and cash equivalents	(18,615,559)	18,335,308
Effects of exchange rate changes	(1,479,460)	1,082,020
Cash and cash equivalents at beginning of period	53,616,067	22,141,725
Cash and cash equivalents at end of period	\$33,521,048	\$41,559,053
Supplemental disclosures of cash flow information		
Interest paid	\$625,470	\$314,852
Income taxes paid	\$5,341,958	\$1,536,567