

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	2011.3.31 NT\$	2010.3.31 NT\$	Liabilities and Stockholders' Equity	2011.3.31 NT\$	2010.3.31 NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	50,809,155	36,638,645	Short-term borrowings	1,510,990	1,866,051
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,222,060 and NT\$1,690,336 as of March 31, 2011 and 2010, respectively	108,783,371	116,759,611	Notes and accounts payable	70,152,497	83,279,473
Notes and accounts receivable from related parties	638,037	869,628	Notes and accounts payables to related parties	5,001,386	10,599,257
Other receivable from related parties	38,172	16,324	Financial liabilities at fair value through profit or loss—current	528,125	536,311
Other receivables	8,820,436	11,009,651	Other payables to related parties	322,743	49,398
Inventories	38,127,280	51,701,626	Hedging purpose derivative financial liabilities—current	213,317	187,624
Financial assets at fair value through profit or loss—current	42,831	106,388	Royalties payable	9,056,196	15,007,307
Available-for-sale financial assets—current	204,243	203,929	Accrued expenses and other current liabilities	53,517,934	55,529,688
Hedging purpose derivative financial assets—current	119,650	545,773	Current portion of long-term debt	6,100,000	-
Prepayments and other current assets	2,361,755	2,765,076	Deferred income tax liabilities—current	564,058	638,009
Deferred income tax assets—current	1,677,124	1,800,572	Deferred Credit-UIP	154	67
Non-current assets held for sale	1,827,855	-	Total current liabilities	146,967,400	167,693,185
Restricted deposits	34,798	-			
Total current assets	213,484,707	222,417,223	Long-term liabilities:		
Long-term investments:			Bonds payable	13,339,219	-
Investments accounted for using equity method	2,431,242	3,392,495	Financial liabilities at fair value through profit or loss—noncurrent	1,500,703	-
Prepayments for long-term investments	-	137,560	Long-term debt, excluding current portion	6,231,729	12,361,548
Available-for-sale financial assets—noncurrent	2,036,212	2,999,947	Other liabilities	340,154	332,417
Financial assets carried at cost	1,728,650	2,168,684	Deferred income tax liabilities—noncurrent	3,120,677	5,514,026
Total long-term investments	6,196,104	8,698,686	Total long-term liabilities	24,532,482	18,207,991
Property, plant and equipment:			Total liabilities	171,499,882	185,901,176
Land	1,937,076	2,507,867	Stockholders' equity and minority interest:		
Buildings and improvements	4,670,960	5,332,019	Common stock	27,001,793	26,882,283
Computer equipment and machinery	3,177,114	3,085,472	Common stock subscribed	83,886	-
Other equipment	3,274,674	3,136,383	Capital surplus	39,673,304	38,616,522
Construction in progress and advance payments for purchases of property and equipment	73,734	115,218	Retained earnings		
	13,133,558	14,176,959	Legal reserve	11,096,134	9,960,796
Less: accumulated depreciation	(5,306,604)	(4,934,085)	Special reserve	-	1,991,615
accumulated impairment	(883,581)	(675,508)	Unappropriated earnings	25,418,036	19,917,077
Net property, plant and equipment	6,943,373	8,567,366	Other equity components		
Intangible assets:			Foreign currency translation adjustment	(3,380,767)	(305,102)
Trademark	9,976,761	7,903,832	Minimum pension liability adjustment	(17,926)	(4,367)
Goodwill	20,583,616	21,753,814	Unrealized gain (loss) on financial instrument	95,600	860,955
Other intangible assets	5,741,484	5,165,977	Treasury stock	(3,522,598)	(3,522,598)
Total intangible assets	36,301,861	34,823,623	Total stockholders' equity	96,447,462	94,397,181
Property not used in operation	2,349,138	2,938,305	Minority interest	362,251	469,851
Other financial assets	1,146,877	904,447	Total stockholders' equity and minority interest	96,809,713	94,867,032
Deferred charges and other assets	1,887,535	2,418,558	Commitments and contingencies		
Total assets	268,309,595	280,768,208	Total liabilities and stockholders' equity	268,309,595	280,768,208

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

For the three-month periods ended March 31, 2011 and 2010

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

Unaudited

	2011	2010
	NT\$	NT\$
Net sales	\$ 127,798,935	162,129,895
Cost of sales	(114,586,231)	(146,416,109)
Gross profit	<u>13,212,704</u>	<u>15,713,786</u>
Operating expenses		
Selling	(9,304,689)	(9,090,068)
Administrative	(1,589,004)	(1,956,786)
Research and development	(390,159)	(281,538)
Total operating expenses	<u>(11,283,852)</u>	<u>(11,328,392)</u>
Operating income	<u>1,928,852</u>	<u>4,385,394</u>
Non-operating income and gains:		
Interest income	86,146	95,335
Investment gain recognized using equity method, net	64,311	109,859
Other investment Income	58	-
Gain on disposal of property and equipment, net	1,516	-
Gain on disposal of investments, net	19,609	97,567
Other income	173,884	57,773
	<u>345,524</u>	<u>360,534</u>
Non-operating expenses and loss:		
Interest expense	(282,226)	(173,219)
Loss on disposal of property and equipment	-	(2,007)
Foreign currency exchange loss and valuation loss on financial instruments, net	(223,160)	(296,665)
Other loss	(275,369)	(115,294)
	<u>(780,755)</u>	<u>(587,185)</u>
Income before income taxes	1,493,621	4,158,743
Income tax expense	<u>(308,627)</u>	<u>(864,189)</u>
Consolidated net income	<u>1,184,994</u>	<u>3,294,554</u>
Net income attributable to:		
Shareholders of parent company	1,184,890	3,294,477
Minority shareholders	104	77
	<u>1,184,994</u>	<u>3,294,554</u>
Earnings per common share (in New Taiwan dollars):	NT\$	NT\$
Basic earnings per common share — retroactively adjusted	<u>0.45</u>	<u>1.25</u>
Diluted earnings per common share	<u>0.44</u>	<u>1.23</u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the three-month periods ended March 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

	<u>Retained earnings</u>					<u>Other equity components</u>					<u>Total stockholders' equity of parent company</u>	<u>Minority interest</u>	<u>Total stockholders' equity</u>
	<u>Common stock</u>	<u>Common stock subscribed</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>	<u>Foreign currency translation adjustment</u>	<u>Minimum pension liability adjustment</u>	<u>Unrealized gain (loss) on financial instruments</u>	<u>Treasury stock</u>			
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$			
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
Stock-based compensation cost	-	-	118,481	-	-	-	-	-	-	-	118,481	-	118,481
2010 net income	-	-	-	-	-	3,294,477	-	-	-	-	3,294,477	77	3,294,554
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	54,943	-	54,943	-	54,943
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(11,077)	-	(11,077)	-	(11,077)
Minimum pension liability adjustment	-	-	-	-	-	-	3,541	-	-	-	3,541	-	3,541
Foreign currency translation adjustment	-	-	-	-	-	-	(1,264,723)	-	-	-	(1,264,723)	-	(1,264,723)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	(13,044)	(13,044)
Adjustments from investments accounted for using equity method	-	-	3,923	-	-	-	-	-	(197,228)	-	(193,305)	-	(193,305)
Balance at March 31, 2010	<u>26,882,283</u>	<u>-</u>	<u>38,616,522</u>	<u>9,960,796</u>	<u>1,991,615</u>	<u>19,917,077</u>	<u>(305,102)</u>	<u>(4,367)</u>	<u>860,955</u>	<u>(3,522,598)</u>	<u>94,397,181</u>	<u>469,851</u>	<u>94,867,032</u>
Balance at January 1, 2011	27,001,793	21,656	39,578,915	11,096,134	-	24,233,146	(5,095,919)	(23,957)	460,600	(3,522,598)	93,749,770	358,604	94,108,374
Issuance of stock under option plans	-	62,230	-	-	-	-	-	-	-	-	62,230	-	62,230
Stock-based compensation cost	-	-	94,798	-	-	-	-	-	-	-	94,798	-	94,798
2011 net income	-	-	-	-	-	1,184,890	-	-	-	-	1,184,890	104	1,184,994
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	(214,232)	-	(214,232)	-	(214,232)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(152,102)	-	(152,102)	-	(152,102)
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,031	-	-	6,031	-	6,031
Foreign currency translation adjustment	-	-	-	-	-	-	1,715,152	-	-	-	1,715,152	-	1,715,152
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	3,543	3,543
Adjustments from investments accounted for using equity method	-	-	(409)	-	-	-	-	-	1,334	-	925	-	925
Balance at March 31, 2011	<u>27,001,793</u>	<u>83,886</u>	<u>39,673,304</u>	<u>11,096,134</u>	<u>-</u>	<u>25,418,036</u>	<u>(3,380,767)</u>	<u>(17,926)</u>	<u>95,600</u>	<u>(3,522,598)</u>	<u>96,447,462</u>	<u>362,251</u>	<u>96,809,713</u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

	2011	2010
	NT\$	NT\$
Cash flows from operating activities:		
Consolidated net income	1,184,994	3,294,554
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	174,614	175,103
Amortization	573,917	444,240
Stock-based compensation cost	94,798	118,481
Unrealized exchange loss on bonds payable	130,338	-
Amortization of bonds payable discount and transaction costs	104,994	-
Investment gain recognized using equity method, net	(72,757)	(119,916)
Other investment income	(58)	-
Loss (gain) on disposal of property and equipment, net	(1,516)	2,007
Gain on disposal of investments, net	(19,609)	(97,567)
Deferred income tax expense	3,277	293,282
Valuation loss (gain) on financial assets and liabilities	(296,546)	1,189,346
Changes in operating assets and liabilities:		
Notes and accounts receivable	(7,052,483)	(4,901,245)
Receivables from related parties	80,987	(269,322)
Inventories	3,094,759	(516,673)
Other financial assets, prepayments and other current assets	(1,475,378)	(2,845,892)
Noncurrent receivable (under other financial assets — noncurrent)	7,389	(100,969)
Notes and accounts payable	(14,082,128)	(12,552,247)
Payables to related parties	(2,979,236)	324,104
Royalties payable, accrued expenses and other current liabilities	1,956,313	(1,239,170)
Other liabilities	11,445	(52,289)
Cash provided by (used in) operating activities	(18,561,886)	(16,854,173)
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	212,859
Increase in long-term investments	(113,180)	(149,797)
Proceeds from disposal of long-term investments	43,074	14,684
Proceeds from capital return of investees	3,318	131,666
Additions to property, plant and equipments and property not used in operation	(88,038)	(87,584)
Proceeds from disposal of property, plant and equipment and property not used in operation	24,069	36,838
Decrease in advances to related parties	8,742	5,183
Increase in restricted deposits	(10,600)	-
Additions to intangible assets	(175,216)	-
Increase in refundable deposit, deferred charges and other assets	(272,384)	(83,079)
Cash provided by (used in) investing activities	(580,215)	80,770
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(140,640)	1,317,992
Increase (Repayment) of long-term debt	7,844	(10,308)
Proceeds from exercise of employee stock option	62,230	-
Cash provided by (used in) financing activities	(70,566)	1,307,684
Effects of exchange rate changes	1,565,437	(1,511,703)
Net increase (decrease) in cash and cash equivalents	(17,647,230)	(16,977,422)
Cash and cash equivalents at beginning of period	68,456,385	53,616,067
Cash and cash equivalents at end of period	50,809,155	36,638,645
Supplemental disclosures of cash flow information		
Interest paid	205,792	156,990
Income taxes paid	656,664	569,154
Supplemental disclosures of non-cash investing and financing activities:		
Change in unrealized loss on financial instruments	(365,000)	(153,362)
Current portion of long-term debt	6,100,000	-
Decrease in valuation allowance of deferred income tax assets against goodwill	148,399	-

