

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

Unaudited

Assets		2011.09.30		2010.09.30		Liabilities and Stockholders' Equity		2011.09.30		2010.09.30	
		NT\$	%	NT\$	%			NT\$	%	NT\$	%
Current assets :						Current liabilities :					
1100	Cash and cash equivalents	\$ 37,796,603	16	33,521,048	11	2100	Short-term borrowings	\$ 384,191	-	2,524,468	2
1120-40	Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,208,686 and NT\$1,852,961 as of September 30, 2011 and 2010, respectively	87,019,202	36	147,740,335	47	2272	Current portion of long-term debt	9,150,000	5	3,050,000	1
1130-50	Notes and accounts receivables from related parties	145,675	-	849,239	-	2120-40	Notes and accounts payable	60,509,017	25	97,258,085	31
1188	Other receivables from related parties	39,891	-	25,862	-	2130-50	Notes and accounts payable to related parties	4,769,050	2	7,388,293	2
1190	Other receivables	8,641,591	4	11,023,298	4	2183	Financial liabilities at fair value through profit or loss—current	124,935	-	1,209,742	-
1200	Inventories	40,104,898	17	57,000,124	18	2190	Other payables to related parties	84,301	-	270,102	-
1310	Financial assets at fair value through profit or loss-current	1,232,249	1	121,374	-	2200	Hedging purpose derivative financial liabilities—current	15,859	-	1,831,600	-
1320	Available-for-sale financial assets-current	102,072	-	184,391	-	2228	Royalties payable	9,716,427	4	14,441,053	5
1340	Hedging purpose derivative financial assets-current	830,759	-	392,369	-	2170-2280	Accrued expenses and other current liabilities	57,962,606	24	59,929,807	20
1286	Deferred income tax assets-current	2,264,798	1	1,065,254	-	2286	Deferred income tax liabilities—current	552,989	-	634,062	-
1250-80	Prepayments and other current assets	4,565,325	2	3,562,126	1		Total current liabilities	143,269,375	60	188,537,212	61
1275	Noncurrent assets held for sale	1,827,855	-	-	-	2400	Long-term liabilities:				
1291	Restricted deposits	27,700	-	152,516	-	2411	Financial liabilities at fair value through profit or loss—noncurrent	1,261,445	1	1,347,441	-
	Total current assets	184,598,618	77	255,637,936	81	2421	Bonds payable	14,053,358	6	13,998,055	4
	Long-term investments:					2800	Long-term debt, excluding current portion	129,164	-	9,312,870	3
1421	Investments accounted for using equity method	2,068,653	1	3,256,300	1	2861	Other liabilities	393,883	-	335,872	-
1425	Prepayments for long-term investments	-	-	136,689	-		Deferred income tax liabilities—noncurrent	1,978,546	1	5,609,770	2
1480	Financial assets carried at cost—noncurrent	1,607,402	1	2,024,122	1		Total long-term liabilities	17,816,396	8	30,604,008	9
1451	Available-for-sale financial assets—noncurrent	964,727	-	2,613,520	1		Total liabilities	161,085,771	68	219,141,220	70
	Total long-term investments	4,640,782	2	8,030,631	3	3110	Stockholders' equity:				
	Property, plant and equipment:					3140	Common stock	27,036,055	11	26,947,413	9
1501	Land	1,929,607	1	2,509,005	1	3200	Common stock subscribed	94,661	-	-	-
1521	Buildings and improvements	4,678,517	2	5,320,592	2		Capital surplus	40,065,421	17	39,479,465	13
1544	Computer equipment and machinery	3,120,414	1	3,175,213	1	3310	Retained earnings:				
1681	Other equipment	3,395,736	1	3,276,707	1	3320	Legal reserve	12,607,933	5	11,096,134	4
1670	Construction in progress and advance payments for purchases of equipment	290,261	-	227,759	-	3350	Special reserve	4,659,275	2	-	-
		13,414,535	5	14,509,276	5		Unappropriated earnings	1,687,572	1	20,334,472	5
15X9	Less: accumulated depreciation	(5,308,912)	(2)	(5,218,822)	(2)	3420	Other equity components:				
1599	accumulated impairment	(895,024)	-	(668,334)	-	3430	Foreign currency translation adjustment	(2,274,044)	(1)	(645,333)	-
	Net property, plant and equipment	7,210,599	3	8,622,120	3	3450	Minimum pension liability adjustment	(18,185)	-	(4,365)	-
	Intangible assets:					3480	Unrealized loss on financial instruments	(436,354)	-	(192,358)	-
1710	Trademark	9,984,557	4	7,889,286	3		Treasury stock	(6,390,846)	(3)	(3,522,598)	(1)
1760	Goodwill	21,023,413	9	21,481,611	7		Total stockholders' equity	77,031,488	32	93,492,830	30
1780	Other intangible assets	5,175,036	2	4,547,611	1		Minority interest	375,361	-	417,357	-
	Total intangible assets	36,183,006	15	33,918,508	11		Total stockholders' equity and minority interest	77,406,849	32	93,910,187	30
1810	Property not used in operation	2,320,695	1	2,568,111	1						
1440	Other financial assets	1,491,854	1	1,006,788	-						
1830-80	Deferred charges and other assets	2,047,066	1	3,267,313	1						
	Total assets	\$ 238,492,620	100	\$ 313,051,407	100		Total liabilities and stockholders' equity	\$ 238,492,620	100	313,051,407	100

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
For the nine-month periods ended September 30, 2011 and 2010
(Expressed in thousands of New Taiwan dollars, except for earnings per share data)
Unaudited

		2011		2010	
		NT\$	%	NT\$	%
4000	Net Sales	347,780,390	100	479,944,852	100
5000	Cost of sales	(320,844,008)	(92)	(432,440,631)	(90)
5910	Gross profit	26,936,382	8	47,504,221	10
Operating expenses:					
6100	Selling	(26,156,039)	(8)	(28,579,866)	(6)
6200	Administrative	(6,151,814)	(2)	(4,209,477)	(1)
6300	Research and development	(1,107,159)	-	(900,192)	-
Total operating expenses		(33,415,012)	(10)	(33,689,535)	(7)
6900	Operating income (loss)	(6,478,630)	(2)	13,814,686	3
Non-operating income and gains:					
7110	Interest income	319,626	-	211,080	-
7121	Investment gain recognized using equity method, net	178,279	-	391,256	-
7122	Other investment income	12,230	-	218,251	-
7130	Gain on disposal of property and equipment, net	4,839	-	-	-
7160-7310	Foreign currency exchange gain and valuation gain on financial instruments, net	62,608	-	-	-
7140	Gain on disposal of investments, net	345,836	-	907,791	-
7480	Other income	464,402	-	948,799	-
		1,387,820	-	2,677,177	-
Non-operating expenses and loss:					
7510	Interest expense	(781,349)	-	(654,105)	-
7530	Loss on disposal of property and equipment, net	-	-	(4,053)	-
7571	Foreign currency exchange loss and valuation loss on financial instruments, net	-	-	(1,276,945)	-
7660	Restructuring cost	(1,052,611)	-	-	-
7630	Impairment loss of non-financial assets	-	-	(350,000)	-
7880	Other loss	(255,762)	-	(136,752)	-
		(2,089,722)	-	(2,421,855)	-
7900	Income (loss) before income taxes	(7,180,532)	(2)	14,070,008	3
8110	Income tax benefit (expense)	484,404	-	(2,851,996)	(1)
Consolidated net income (loss)		(6,696,128)	(2)	11,218,012	2
Net income attributable to:					
Shareholders of parent company		(6,696,456)		11,219,323	
Minority shareholders		328		(1,311)	
		(6,696,128)		11,218,012	
		NT\$		NT\$	
Earnings per common share (in New Taiwan dollars):					
9750	Basic earnings per common share-retroactively adjusted	(2.55)		4.24	
9850	Diluted earnings per common share-retroactively adjusted	(2.55)		4.16	

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the nine-month period ended September 30, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Unaudited

	Retained earnings						Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on financial instruments	Treasury stock	Total stockholders' equity of parent company	Minority interest	Total stockholders' equity
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings							
	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
Common stock subscribed under option plans	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
2010 net income	-	-	-	-	-	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 1):													
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 gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	182,186	-	182,186	-	182,186
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	(524,467)	-	(524,467)	-	(524,467)
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)
Adjustments from investments accounted for using equity method	-	-	3,441	-	-	-	-	-	(864,394)	-	(860,953)	-	(860,953)
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
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
Common stock subscribed under option plans	34,262	73,005	49,624	-	-	-	-	-	-	-	156,891	-	156,891
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358	-	140,358
Stock-based compensation cost	-	-	321,953	-	-	-	-	-	-	-	321,953	-	321,953
2011 net loss	-	-	-	-	-	(6,696,456)	-	-	-	-	(6,696,456)	328	(6,696,128)
Appropriation approved by the stockholders (note 2):													
Legal reserve	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	(194)	(9,678,238)
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,068,478)	-	(1,068,478)	-	(1,068,478)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	29,274	-	29,274	-	29,274
Minimum pension liability adjustment	-	-	-	-	-	-	-	5,772	-	-	5,772	-	5,772
Foreign currency translation adjustment	-	-	-	-	-	-	2,821,875	-	-	-	2,821,875	-	2,821,875
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	16,623	16,623
Adjustments from investments accounted for using equity method	-	-	(25,429)	-	-	-	-	-	142,250	-	116,821	-	116,821
Balance at September 30, 2011	\$ 27,036,055	94,661	40,065,421	12,607,933	4,659,275	1,687,572	(2,274,044)	(18,185)	(436,354)	(6,390,846)	77,031,488	375,361	77,406,849

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

Note 2: Directors' and supervisors' remuneration of \$89,469 and employee bonuses of \$1,500,000 have been deducted in the 2010 net income.

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)
Unaudited

	2011	2010
	NT\$	NT\$
Cash flows from operating activities:		
Consolidated net income (loss)	(6,696,128)	11,218,012
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation	532,666	532,343
Amortization	1,971,760	1,299,836
Stock-based compensation cost	321,953	357,155
Amortization of bonds payable discount and transaction cost	314,914	60,622
Unrealized exchange loss (gain) on bonds payable	634,557	(253,569)
Gain on disposal of property and equipment, net	(4,839)	4,053
Gain on disposal of investments, net	(345,836)	(907,791)
Investments gain recognized using equity method, net	(178,279)	(319,796)
Cash dividends received from equity method investments	142,797	280,117
Other investment loss (gain)	12,230	(218,251)
Impairment loss of non-financial assets	-	350,000
Restructuring cost	1,052,611	-
Valuation loss (gain) on financial assets and liabilities	(2,652,137)	2,512,471
Deferred income tax expense (benefit)	(1,677,493)	1,199,486
Changes in operating assets and liabilities:		
Notes and accounts receivable	14,711,686	(35,881,967)
Receivables from related parties	573,350	(248,933)
Inventories	1,085,650	(5,837,566)
Other receivables, prepayments and other current assets	(3,704,372)	(2,821,270)
Noncurrent receivables	24,398	(72,646)
Notes and accounts payable	(23,725,608)	1,426,365
Payables to related parties	(3,450,015)	(2,666,157)
Royalties payable, accrued expenses and other current liabilities	5,994,612	1,567,953
Other liabilities	65,173	(46,528)
Cash used in operating activities	(14,996,350)	(28,466,061)
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	907,185	1,221,669
Proceeds from disposal of financial assets carried at cost – noncurrent	-	370,027
Proceeds from disposal of equity method investments	41,286	44,678
Proceeds from disposal of property, plant and equipment and property not used in operation	56,010	188,697
Additions to property, plant and equipment	(718,169)	(509,588)
Increase in long-term investments	(101,993)	(148,923)
Proceeds from capital return and liquidation of investees	133,943	330,670
Other receivable from related parties	7,023	(4,355)
Increase in restricted assets – current	(3,502)	(152,516)
Decrease (increase) in intangible assets	(190,394)	10,840
Increase in refundable deposits, deferred charges and other assets	(836,898)	(1,188,396)
Cash provided by (used in) investing activities	(705,509)	162,803
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,267,439)	1,976,409
Issuance of convertible bonds	-	15,886,200
Repayment of long-term debt	(3,050,000)	(8,986)
Increase in long-term debt	5,278	-
Proceeds from exercise of employee stock option	156,891	39,918
Distribution of cash dividends	(9,537,686)	(8,210,912)
Purchase of treasury stock	(2,868,248)	-
Cash provided by (used in) financing activities	(16,561,204)	9,682,629
Net decrease in cash and cash equivalents	(32,263,063)	(18,620,629)
Effects of exchange rate changes	1,603,281	(1,474,390)
Cash and cash equivalents at beginning of period	68,456,385	53,616,067
Cash and cash equivalents at end of period	37,796,603	33,521,048
Supplemental disclosures of cash flow information:		
Interest paid	277,524	625,470
Income taxes paid	1,442,568	5,341,958
Supplementary disclosures of non-cash investing and financing activities:		
Current portion of long-term debt	9,150,000	3,050,000
Change in unrealized valuation loss on financial instruments	896,954	1,206,675
Change in foreign currency translation adjustment	2,821,875	(1,604,954)