

# Acer Inc.

## Q3, 2007

### Investor Conference

October 26, 2007

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# Consolidated Financial Results

Howard Chan

CFO

*acer*

# Consolidated Income Statement (3<sup>rd</sup> Quarter)

(NT\$ Million)	3Q'07		3Q'06		Change
Revenue	121,934	100%	94,726	100%	+29%
Gross Profit	12,517	10.3%	9,475	10.0%	+32%
Operating Expenses	9,710	8.0%	7,499	7.9%	+30%
Operating Income	2,807	2.3%	1,976	2.1%	+42%
Non-Operating Income	340	0.3%	221	0.2%	
PBT (before tax, discontinued Seg.)	3,147	2.6%	2,196	2.3%	
PAT	2,917	2.4%	1,851	2.0%	
EPS	1.24		0.78		

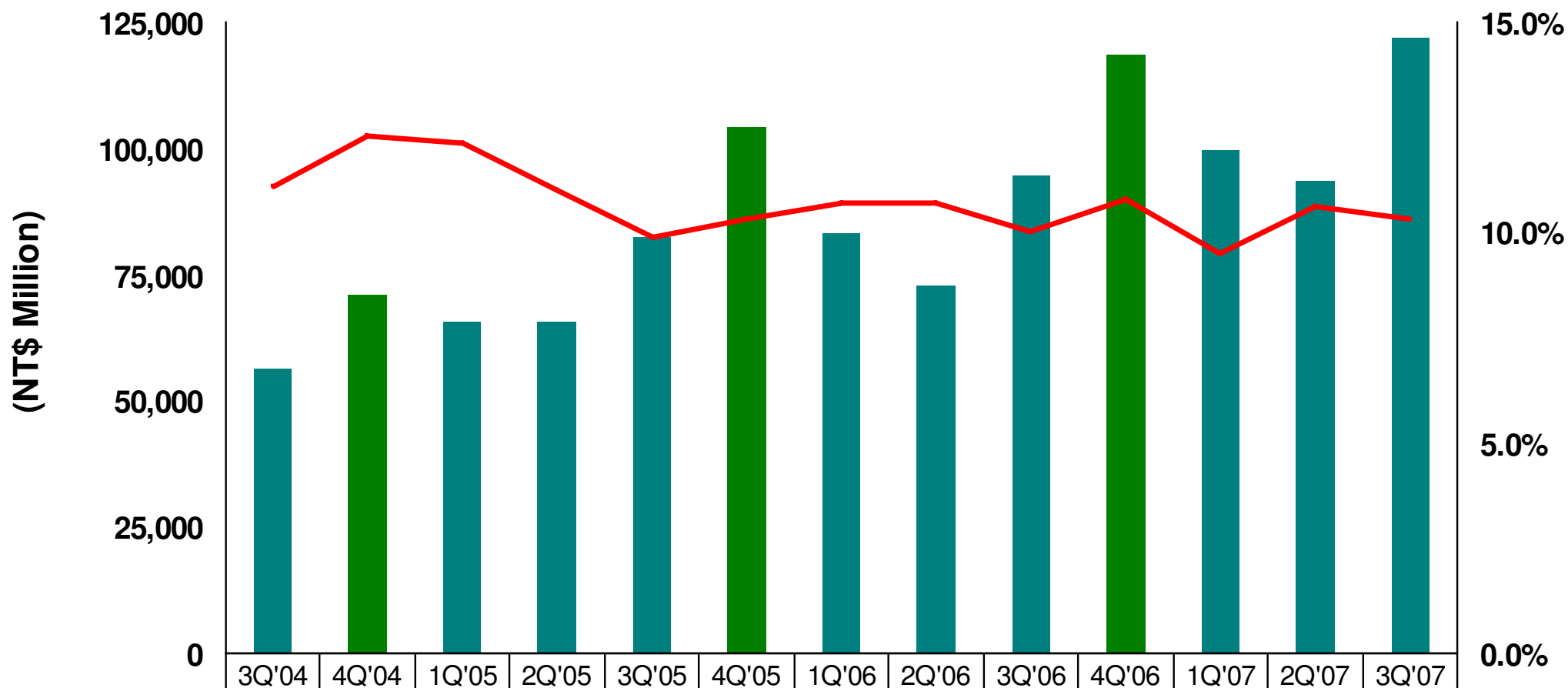
Note: Figures in 3Q'07 are un-audited

# Consolidated Income Statement (Q1-Q3)

(NT\$ Million)	Y2007 Q1-Q3		Y2006 Q1-Q3		Change
Revenue	314,967	100%	250,577	100%	+26%
Gross Profit	31,879	10.1%	26,138	10.4%	+22%
Operating Expenses	25,163	8.0%	20,722	8.3%	+21%
Operating Income	6,716	2.1%	5,416	2.2%	+24%
Non-Operating Income	5,213	1.7%	5,662	2.3%	
PBT	11,929	3.8%	11,078	4.4%	
PAT	10,562	3.4%	8,953	3.6%	
EPS	4.47		3.90		

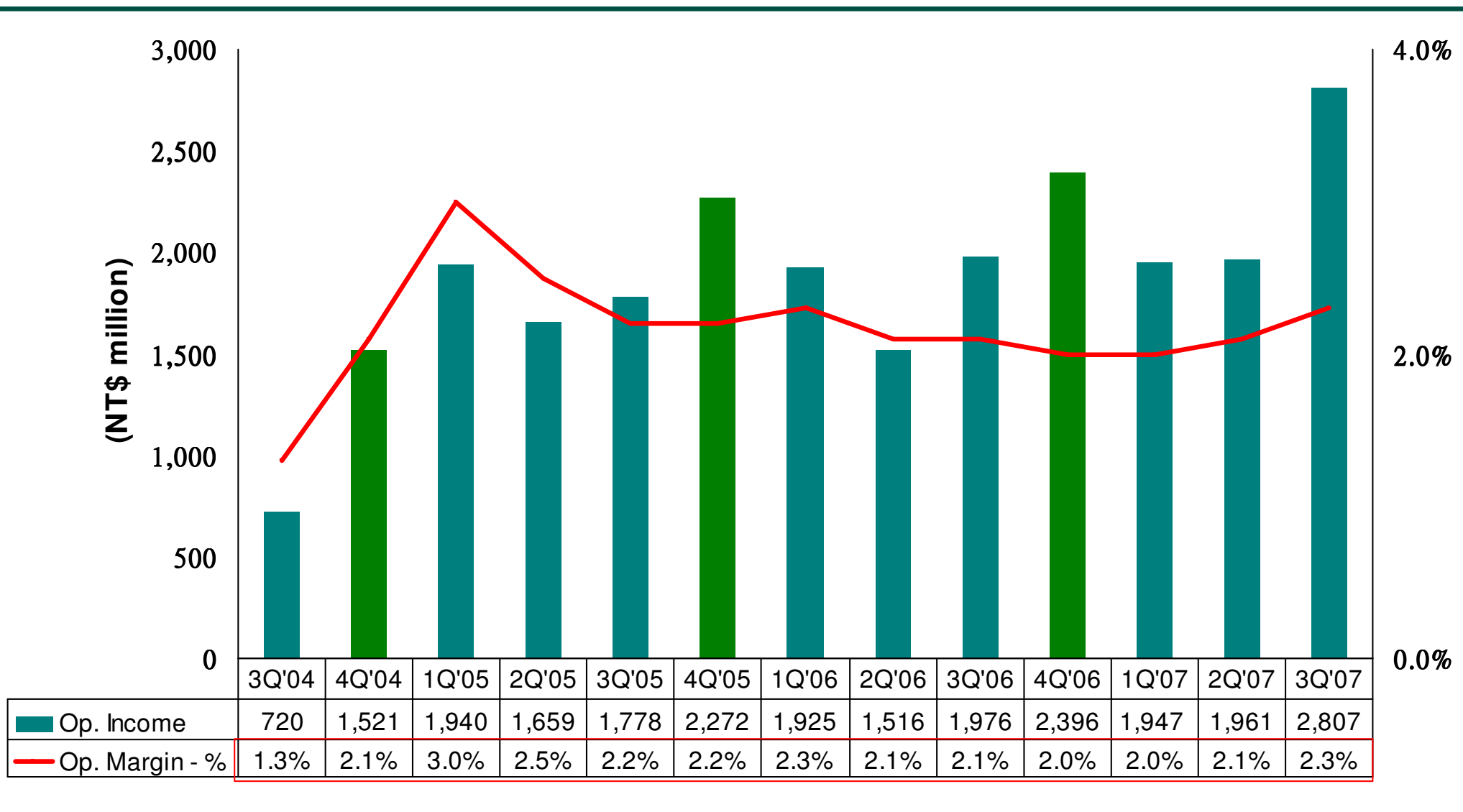
# Consolidated Revenue and Gross Margin

Q3, 2007 Revenue Growth: +29% Y/Y



	3Q'04	4Q'04	1Q'05	2Q'05	3Q'05	4Q'05	1Q'06	2Q'06	3Q'06	4Q'06	1Q'07	2Q'07	3Q'07
Revenue	56,057	70,901	65,710	65,676	82,518	104,184	82,996	72,855	94,726	118,516	99,513	93,520	121,934
Gross Margin	11.1%	12.3%	12.1%	11.0%	9.9%	10.3%	10.7%	10.7%	10.0%	10.8%	9.5%	10.6%	10.3%
Revenue Growth	39%	32%	33%	35%	47%	47%	26%	11%	15%	14%	20%	28%	29%

# Consolidated Operating Income



Note: (a) Operating Income in 1Q'05 includes one-time special gains

# Consolidated Balance Sheet

(NT\$ Million)

Sept. 30, 2007

## Current Assets

Cash and cash equivalents	42,745	20%
Notes & Account receivable	89,843	43%
Financial Assets-Current	7,661	4%
Inventory	33,828	16%
Others	11,558	6%

<b>Total Current Assets</b>	<b>185,635</b>	89%
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<b>Long-term Investment</b>	10,883	5%
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<b>Property, plant and equipment</b>	10,408	5%
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<b>Others</b>	2,499	1%
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<b>Total Asset</b>	<b>209,425</b>	100%
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Account payable	81,162	39%
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Other current liabilities	51,061	24%
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<b>Current Liabilities</b>	<b>132,223</b>	63%
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<b>Total Liabilities</b>	<b>135,623</b>	65%
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<b>Total Shareholders' Equity</b>	<b>73,802</b>	35%
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## Healthy Financial Ratio

- ◆ Current Ratio : 140%
- ◆ Quick Ratio : 112%
- ◆ Liability Ratio : 65%
- ◆ Liability / E Ratio : 184%



# Holding & Investment Business

	Percentage of Ownership	Market Value (NT\$ M)	Book Value (NT\$ M)	Potential Gain (Oct. 23,2007)
Major Shareholdings				
Qisda	4.82%	3,093	1,384	1,709
Wistron	9.13%	8,488	2,717	5,771
TSMC	0.04%	706	217	489
Hon Hai	0.04%	670	65	605
CDFH	0.38%	524	450	74
Others*		8,086	5,372	2,714
<b>Total</b>		<b>21,567</b>	<b>10,205</b>	<b>11,361</b>

*Note: The above numbers are valued on October 23, 2007*

*\*Others include Venture Capital Business*

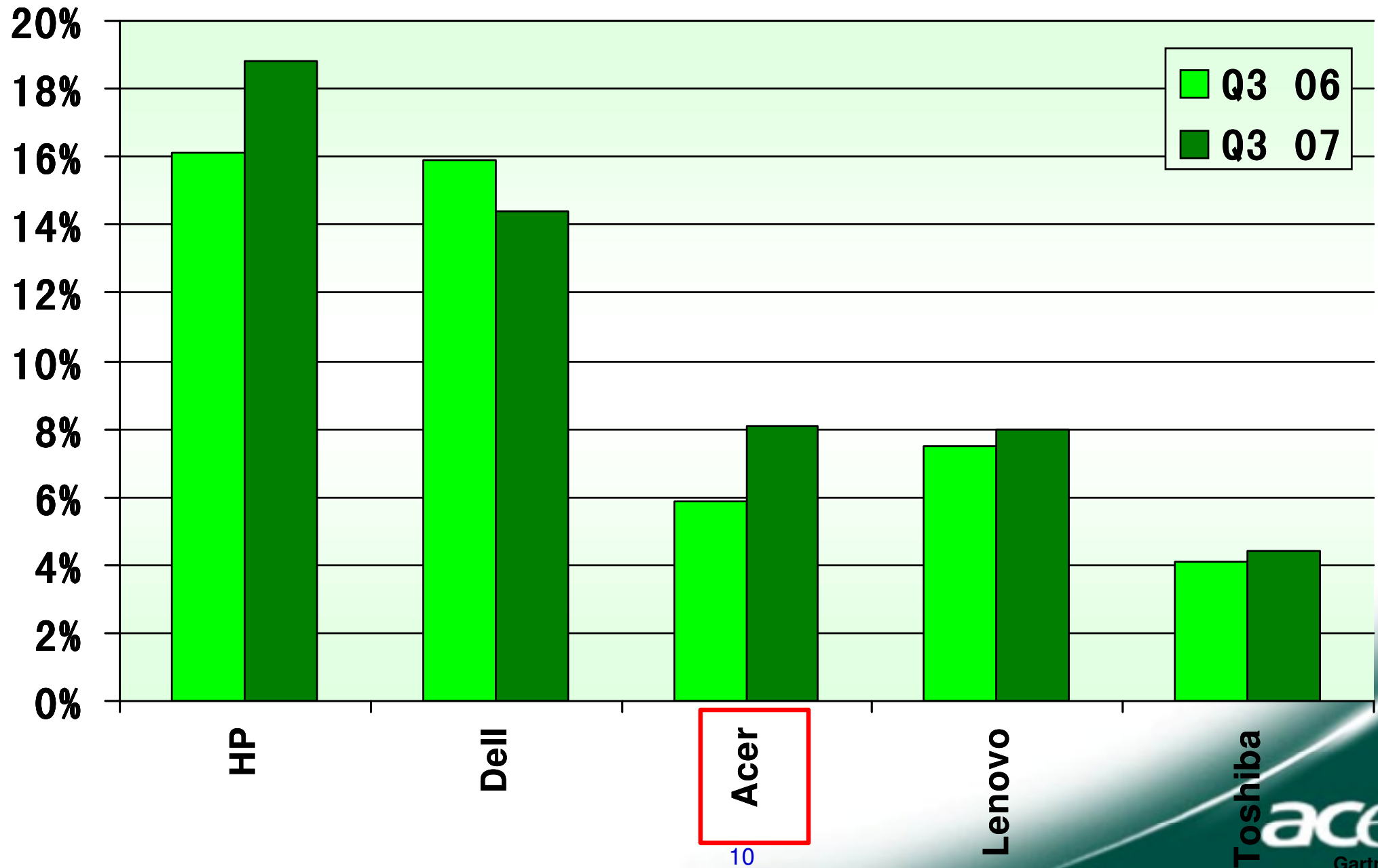
# **Business Review**

**Gianfranco Lanci**

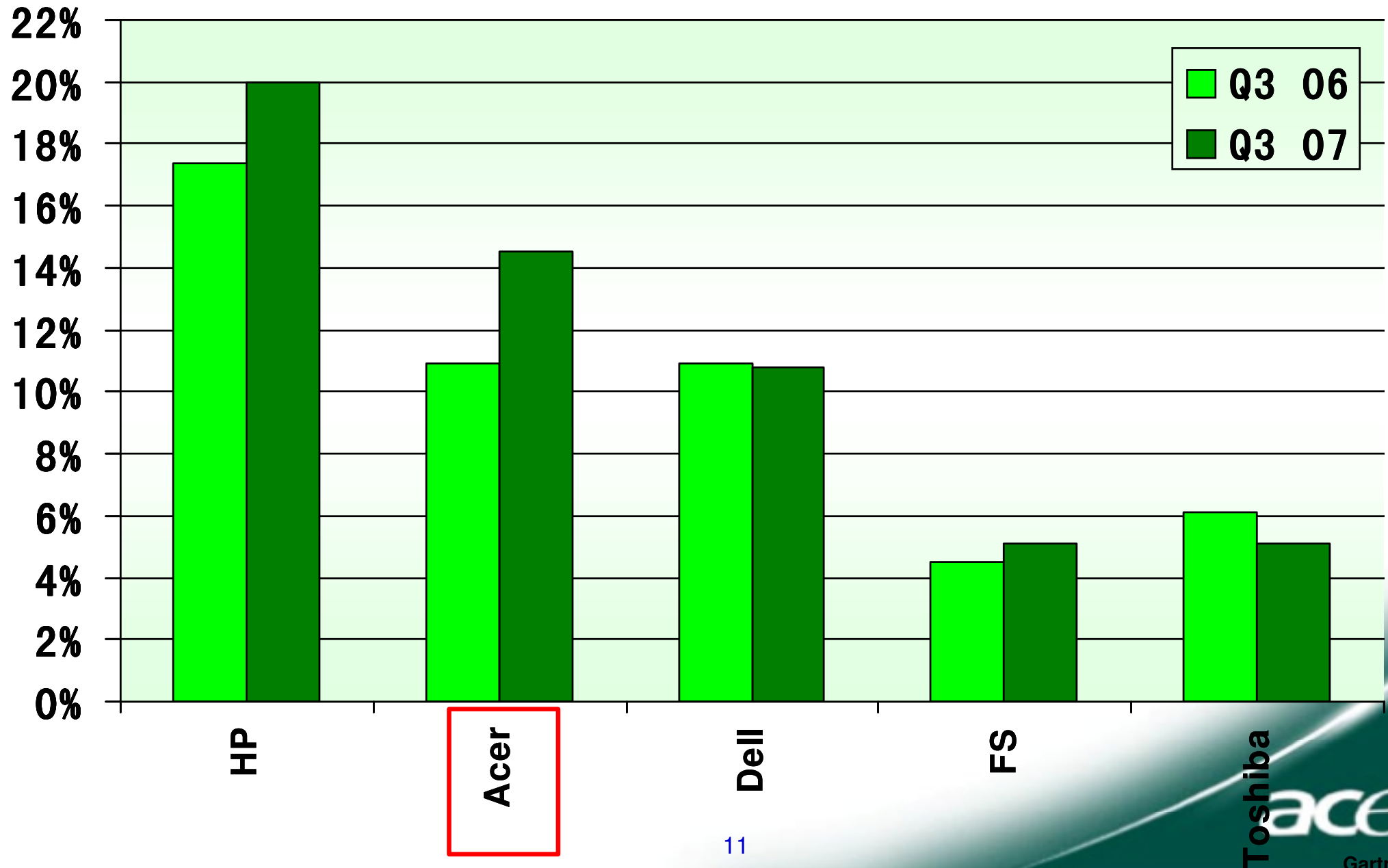
**President**

*acer*

# WW Total PC Market: Top Vendors

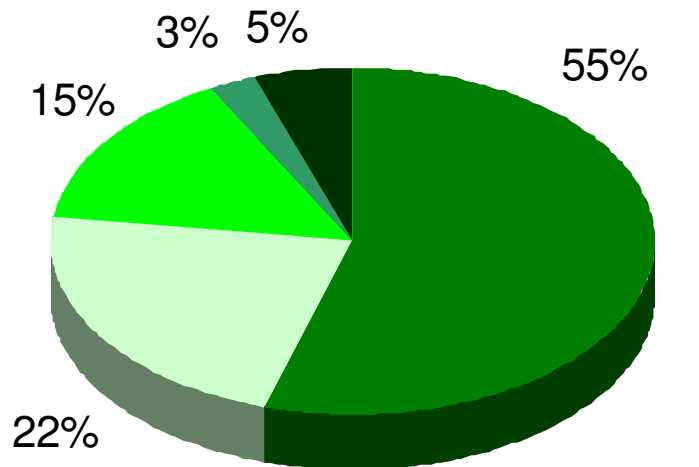


# EMEA Total PC Market: Top Vendors



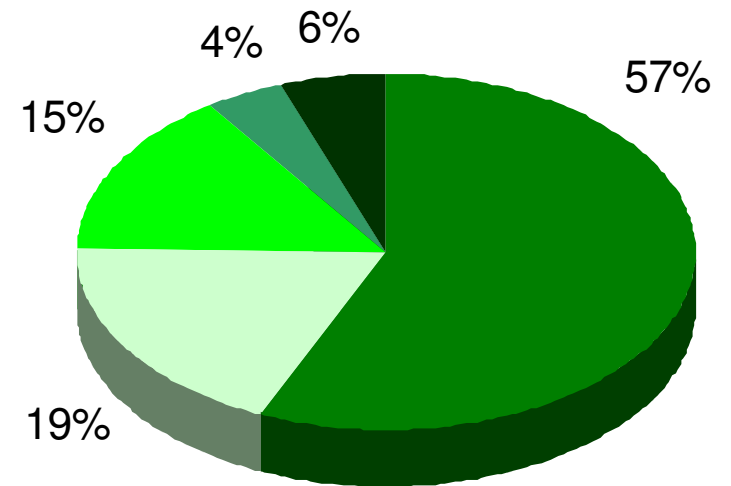
# IT Product Revenue Breakdown by Geography

**Q1-Q3, 2007**  
**US\$8,859M**  
**(NT\$292,184 M)**



■ EMEA  
■ Asia Pacific  
■ China  
■ Pan America  
■ Taiwan

**Q1-Q3, 2006**  
**US\$6,642M**  
**(NT\$215,456 M)**



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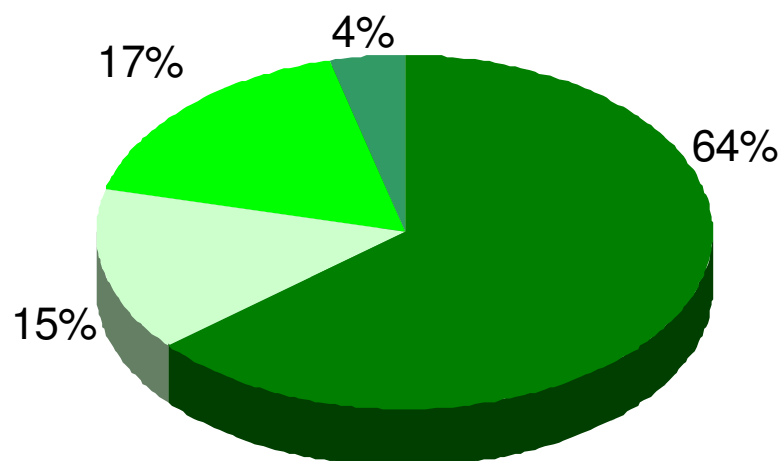
Note: (a) Asia Pacific excludes Greater China (Taiwan, HK, and Mainland China)

(b) EMEA stands for Europe, Middle East and Africa

(c) China includes HK from Q3 '06

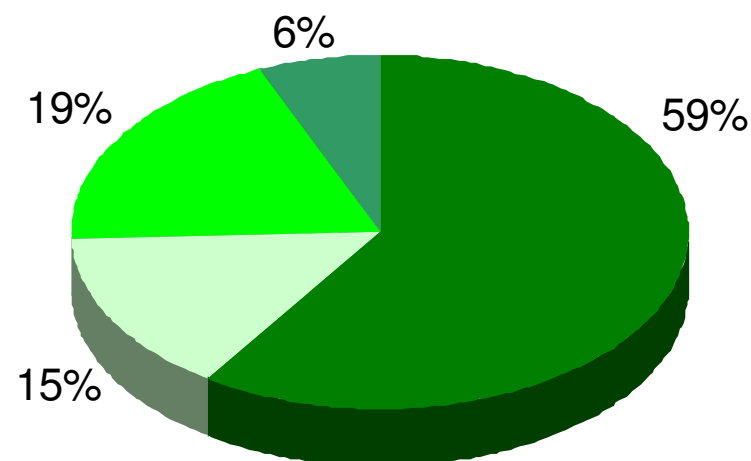
# IT Product Revenue Breakdown

**Q1-Q3, 2007**  
**US\$8,859M**  
**(NT\$292,184 M)**



■ Notebook      ■ Desktop PC  
■ Display      ■ Others

**Q1-Q3, 2006**  
**US\$6,642M**  
**(NT\$215,456 M)**

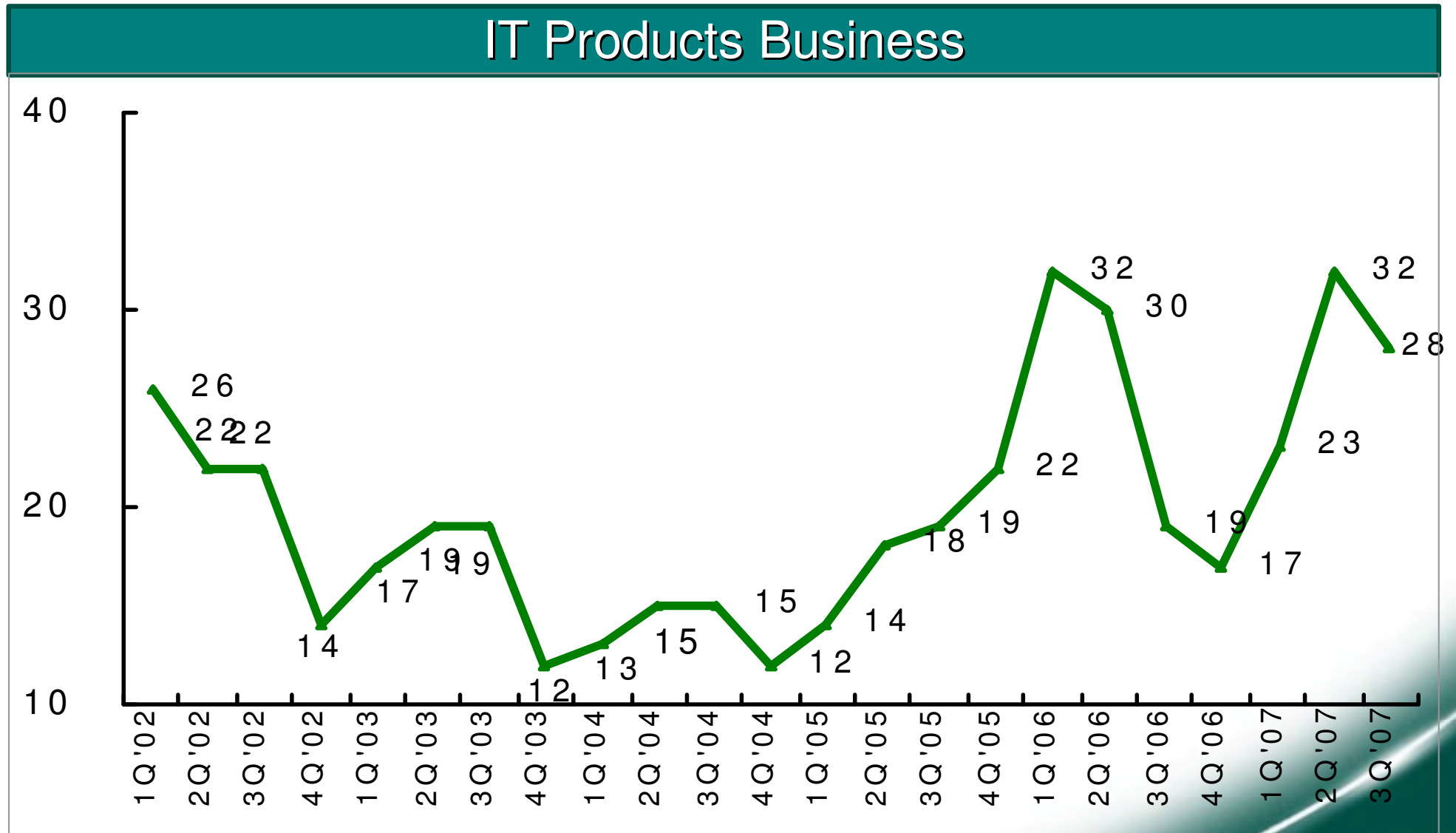


■ Notebook      ■ Desktop PC  
■ Display      ■ Others

Note: Others include servers, projector and IA products

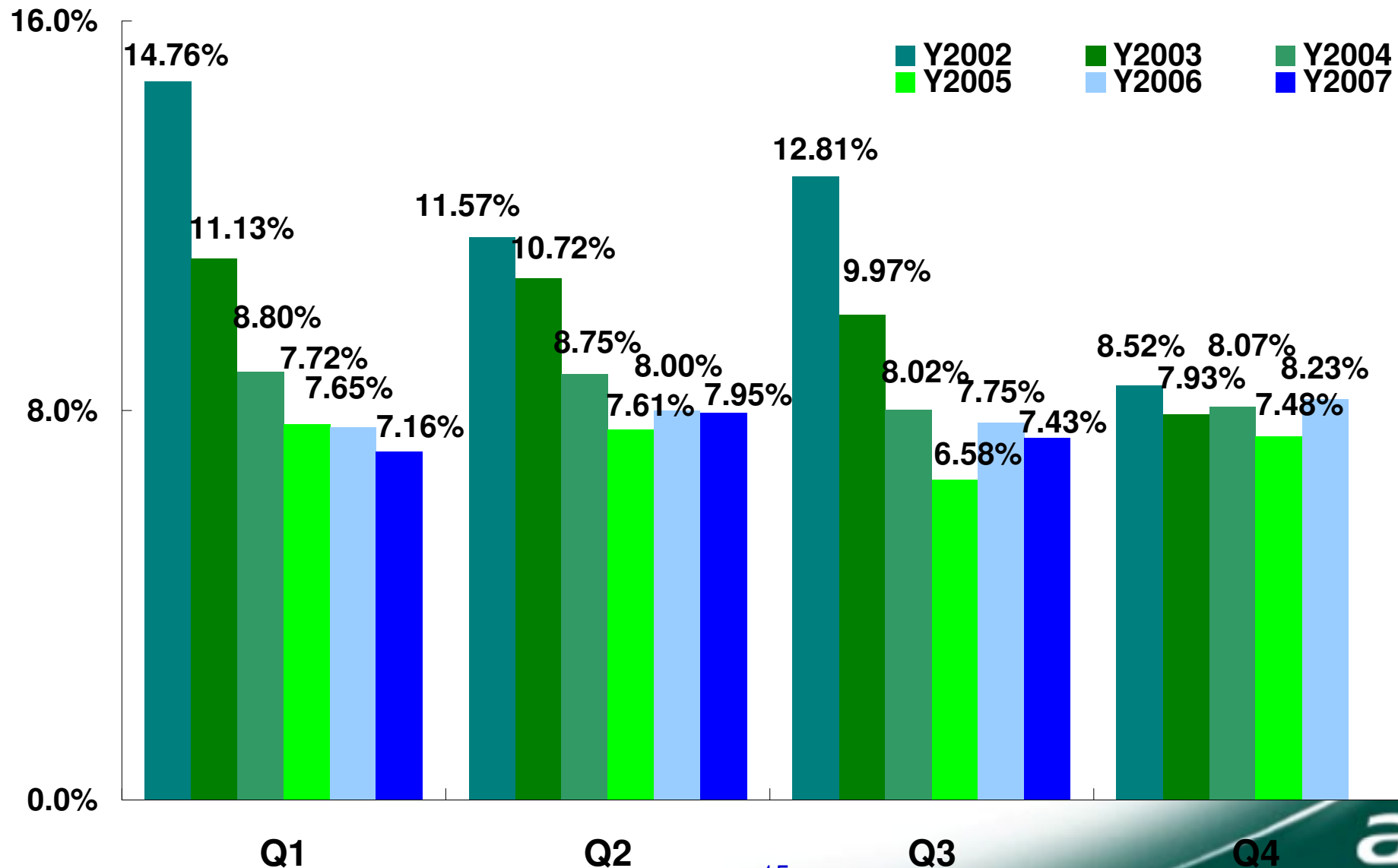
**acer**

# Inventory Turnover Days (ADS)



# Operating Expenses as % of Total Revenue

## IT Product Business





# Acquisition Update

# Since We Last Spoke...



■ September 4, 2007

- **Start of tender offer** – Acer's wholly owned subsidiary, Galaxy Acquisition Corp., commenced a tender offer for all of the outstanding shares of common stock, including the associated preferred stock purchase rights, of Gateway at a purchase price of US\$1.90 per share in cash

■ October 10, 2007

- **Successful completion of tender offer** – approximately 86.09% of Gateway's outstanding common stock on a fully diluted basis was validly tendered and not properly withdrawn

■ October 17, 2007

- **Merger completed** – all outstanding shares of Gateway common stock, other than shares for which appraisal rights are perfected under Delaware law, were converted into the right to receive US\$1.90 per share in cash

# Why Are We Doing This?

## Reminder Of Strategic Rationale For Merger

□ REMINDER

- Increases scale and solidifies position as 3rd largest PC company in the world
- Establishes foundation for a multiple-brand strategy
- Completes global footprint with US market share and strong Gateway brand
- Potential for significant synergies



# Completes Global Footprint With US Market Share

## USA

%	acer	Gateway	Packard Bell	Total
Desktop	2.9%	6.8%	--	9.7%
Notebook	9.2	6.0	--	15.2
PC	5.6	6.1	--	11.7

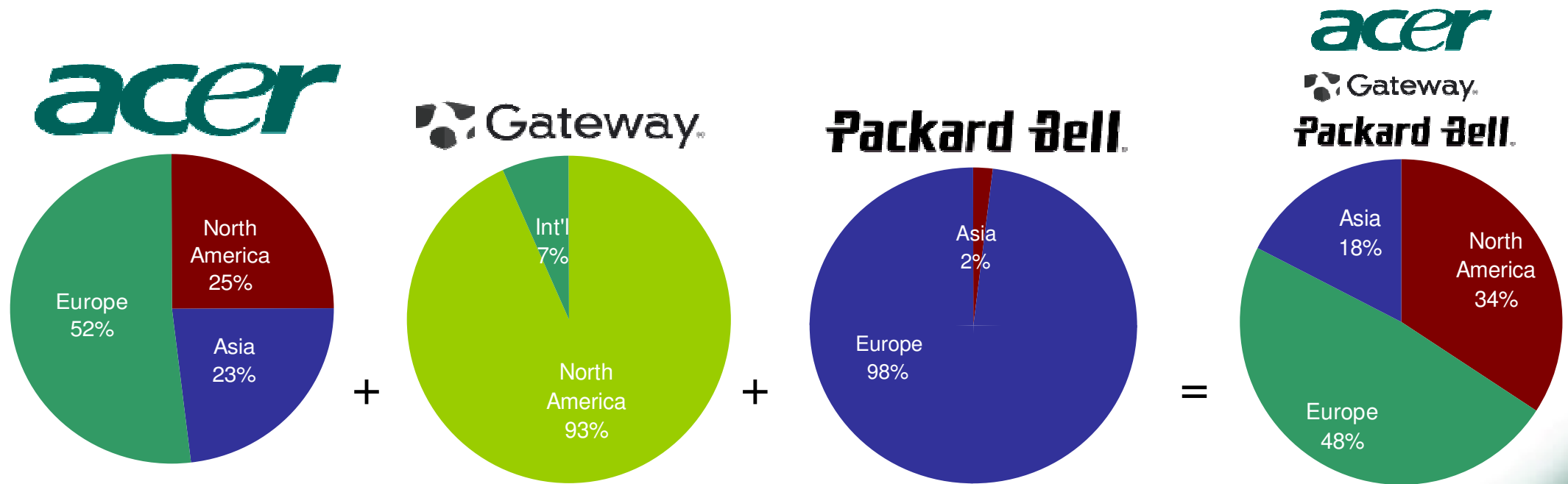
## EMEA

%	acer	Gateway	Packard Bell	Total
Desktop	5.7%	0.3%	1.7%	7.7%
Notebook	20.3	0.1	2.4	22.8
PC	11.7	0.2	1.9	13.8

## Asia-Pacific

%	acer	Gateway	Packard Bell	Total
Desktop	3.0%	--	--	3.0%
Notebook	13.1	--	--	13.1
PC	5.6	--	--	5.6

# Pro Forma Revenues by Geography



# Acer Business Status & Strategy

**J.T. Wang**

**Chairman & CEO**



# Q3'07 Top 5 PC Brands Worldwide (Gartner)

Rank		Market Share			Unit Growth
		Q3'07	Q2'07	Q3'06	YOY
1	HP	18.8%	18.0%	16.1%	33.1%
2	Dell	14.4%	14.8%	15.9%	3.5%
3	<i>acer</i>	8.1%	7.1%	5.9%	<b>58.0%</b>
4	Lenovo	8.0%	7.9%	7.5%	22.8%
5	Toshiba	4.4%	3.9%	4.1%	22.6%
Overall Market					14.4%

## Q3'07 Top 5 PC Brands Worldwide (IDC)

Rank		Market Share			Unit Growth
		Q3'07	Q2'07	Q3'06	YOY
1	HP	19.6%	19.2%	17.0%	33.0%
2	Dell	15.2%	16.1%	16.9%	3.8%
3	Lenovo	8.2%	8.3%	7.7%	22.9%
4	<b>acer</b>	8.1%	7.0%	5.9%	<b>59.2%</b>
5	Toshiba	4.4%	4.1%	4.3%	17.3%
Overall Market					15.5%



# Remarks on Q4'07

1. Acer's on-hand orders for Q4'07 are good
2. Two critical issues to overcome:
  - Key component shortages worldwide
  - Labor shortage in China
3. Efforts to overcome the challenges are encouraging

# Acquisition of Gateway

1. Decision on Aug. 27 to acquire Gateway is a good strategic move for Acer
2. The integration synergies are expected to deliver pleasing results in 2008
3. To design a multi-brand strategy that creates synergy, and avoids high expenditure

# Acer's Choice

Acer is focusing on the mainstream market and responding to users' dissatisfaction by delivering product innovations. The resulting business success helps reinforce Acer's position in the global PC market. Dolby® Surround sound built into Aspire consumer notebooks is a good example of product innovation.

# Acer Inc.

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# Q & A

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