

AVer Information Inc. 2012 Business Overview

- TWSE: 3669



Table of Contents

- I. Letter to Shareholders
- II. Introduction to AVer & Market Overview
- III. Corporate Governance
- IV. Operational Highlights
- V. Corporate Social Responsibility
- VI. Financial Statements



Letter to Shareholders

Ladies and Gentlemen,

Year 2012 is the most challenging year since its establishment. For the main revenue used to rely on the sales of presentation productions, the new products and new markets did not reach the expansion scale as expected. Once the factors of educational market sales are affected, the revenue impact is evident. The consolidated revenue of 2012 totaled NTD1.829 billion down 16% over 2011; the consolidated net income of 2012 was NTD40.84 million, an 80% fall over 2011; the consolidated gross profit margin of 2012 was kept at 54%, still a slight 3% decline over 2011 due to the aggressive investment in R&D. In respond to unsatisfactory operating outcome, the products transformation and the markets expansion are accelerated to live up to shareholders' expectation.

Nevertheless, the R&D, the emerging markets expansion and sales strategies have been implementing in full swing. Along with one after another new products release in 2013, we expect to harvest in the shortest period.

2012 operational performance and 2013 operational plans listed below:

1. 2012 operational performance

A. 2012 operational performance and financial highlights

AVer's consolidated revenue of 2012 was NTD1,829,110 thousand, income before income tax was NTD72,884 thousand, net income was NTD40,837 thousand, earnings per share was NTD0.42, the consolidated gross profit margin was 54%. Affected by macroeconomic slump an apparent drop on major income of presentation/educational products in 2012, which surveillance and debut video conferencing sales couldn't make up the decrease resulted in consolidated revenue of 2012 a 16% shortage compared with year of 2011. In comply with rapid changes in external circumstances, AVer in one hand adjusted RD resource, on the other hand continuously invests on product innovation and improvement to create value and maintain high level gross profit margin.

B. Financial statement and profit analysis

AVer runs business in solid and stable steps, which reflects in finance operational pattern. Financial structure, solvency and profitability analysis listed as below for reference:

Description		2012	2011
Financial Structure (%)	Ratio of liabilities to assets	16.20%	25%
	Ration of long-term capital to fixed assets	176.88%	195%
Solvency (%)	Current ratio	295.67%	242%
	Quick ratio	257.44%	222%



Profitability	Ratio of return on total assets	1.08%	5.90%
	Ration of return on total stockholders' equity	1.53%	8.09%
	Profit ratio	2.23%	12.28%
	Earnings per share (\$)	0.42	2.22

C. Research & development status

AVer spends at least 10% annual turnover in R&D and proactively develops differential stages core technologies such as digital image signal processing, optical information processing, image transformation/compression, mechanic/optical/electronic integration, industrial design and human-machine interface design ...etc. to make AVer predominant in presentation, surveillance and video conferencing categories among competitors. Furthermore, AVer wields worldwide sales teamwork exploring preferences deepened into each application market enhancing R&D designs human-machine interface in line with the need of habitual user and casting more infrastructural studies in mechanic, optical, electronic to extend breadth and depth of life cycle of products. In addition to maintain advanced technologies, AVer values establishing Intellectual Property Rights (IPR) and knowledge management system to achieve both in elevating threshold of digital video industry and legal protection on Intellectual Property Rights keeping technology leading and preserving the fruits of R&D. Up to the end of 2012, AVer got more than 133 pieces patent and another 129 more pieces were on processing worldwide.

In 2012, the presentation products mainly focused on educational markets by making a dynamic interactive environments, AVer kept developing HD resolution Wi-Fi wireless visualizers, cost-effective USB visualizers, TabCam streams live video to iPad/Android tablet, interactive pen (AP20), and AVer+ software to provide a complete solution; more considerations by integrating with electronic white board and projector, improving the connection of visualizers and internet applied to cloud computing classroom. The surveillance products - Megapixel IP Cam, NVR, embedded hybrid DVR, intelligent video analytics, intelligent central management system researches fostered under faster, easier concepts - aimed at providing customer-tailored, high add-ons intelligent management solutions. Keep tracking with mobile facilities, the video conferencing products designed trend toward integration and application of software and hardware to hold a meeting no matter in Taipei, Shanghai, Tokyo ...altogether on multi-locations. Users can communicate through meeting equipments or individual mobile facilities.

D. Certification and award

For quality concern, AVer has passed ISO 9001(Quality Assurance System), ISO14000 (Environmental Management System), OHSAS18000 (Occupational Health & Safety Management System) and IECQ QC 080000 (Hazardous Substance Management System), ISO 28000 (Security Management System for the Supply Chain), ISO14064-1 (Quantification and Reporting of Greenhouse Gas Emissions and Removals), PAS 2050 (Life Cycle Greenhouse



Emissions carbon footprint)... international quality and environmental certifications. One way along with product designs, components, materials to factory processing materials are source controlled and included into all dimensional safety and environmental concerns.

Innovation part, AVer presented 2012 award winning worldwide as below:

- (a) AVer HVC310 video conferencing system won the award of 2011 Unified Communications Product by American Internet Telephony magazine.
- (b) AVer HVC330 video conferencing system won the golden award by Tailand BuyCOMs IT magazine..
- (c) AVer HVC330 video conferencing system won Taiwan Excellence Silver Award.
- (d) AVer H300 video conferencing system won the 2012 Best-in-Tech Award by American Scholastic Administrators Magazine.
- (e) AVer Academy Document Camera Suite and AVer W30 Wireless Document Camera won 2012 Excellence Award by American Tech & Learning Magazine.

2. Outline of 2013 operational plan

A. Business policy

(a) Market expansion:

*** Invigorating AVer image deeply embedded into customers.**

Through a long-term investment on educational markets, AVer visualizer become the top brand since 1999. According to the latest Futursource Consulting research report indicated, AVer visualizer was the first market share brand between 1999 to 2012 in western Europe and the U.S. also the first choice for interactive education tools. AVer is made its own brand renowned by conducting the global marketing strategies in more than 100 countries - headquarter based in Taiwan including four branch offices and ten subsidiaries and/or local sales representatives, over 200 distributors worldwide - to build a complete and immediate localized service system. AVer spends over 20% of yearly revenue taking a series of exhibitions, events, news media, advertisements, Internet to implant AVer into people all over the world.

*** Intensifying competitive advantages, striving for the valuable ODM strategic partner.**

Recruit international talents;
Upgrade R&D competitive ability;
Improve production processing;
Allying with the international well-known companies;
Strive for the valuable ODM orders;
Reach the economic scale as well as decreasing the cost;
Accelerate the improvement of quality.

***To maintain the leading position of visualizer in Europe and the US or other advanced countries.**

Replicate the successful experiences in western world by developing medium and low-cost products to emerging countries and new application markets.



- *Promoting AVer presentation products into government organization, music studio, talent studio and companies with OA equipment.
- *Aggressively expand surveillance system in emerging countries, and set up local services to satisfy clients' need.
- *Focusing on video conferencing in small-medium sized enterprises markets, by offering a leading warranty and software update in the industry and building up professional image as well as AVer royalty, actively developing telecom and cloud computing clients

B. Technique and product development:

Develop technique ability to strengthen AVer brand, mastering the core values of R&D through key techniques and product differentiation to highlight product value.


The key techniques development listed below:

- * Internet storage and image processing.
- * Intellectual surveillance application software development.
- * Remote collaboration function development.
- * Technique integration to product and cloud computing.
- * Low lux image color processing.
- *Development and integration of new generation video coding.

2. Future Strategy Plan

- A. Sustainable management looks up to excellence: Keeping market share leading insuperable, extending technology capability boundless, developing diversified business strategy.
- B. Strengthening quality requirements and core competence: Developing disruptive innovation product, integrating values chain.
- C. Worldwide recognized brand and solid services: Expanding marketing contacts worldwide, balancing revenue & profit growth, providing excellent quality and warranty service.
- D. Fulfilling corporate social responsibility and promoting public welfare activity: Promoting public security and environmental protection, intensifying corporate governance, fair value exchange.

Sincerely Yours

A handwritten signature in black ink, appearing to read "Michael Ho".

Chairman



II. Introduction to AVer Information Inc. & Market Overview

Introduction to AVer

AVer Information Inc. was established in January of 2008 and is a major global provider of presentation/education solutions, surveillance solutions and video conferencing solutions in design, marketing and manufacturing. Headquarter & manufacture locate in Tu-Cheng industrial area of New Taipei City, total area measurement 12,000 ping (=40,036.71 m²). AVer adopts advanced automation SMT, cell unit production lines highly raising production efficiency. AVer focuses on R&D innovation and branding business there are total 600 people work for AVer domestic and oversea, R&D staff occupies more than 33% , 16% oversea staff who are mainly responsible for localized marketing & customer service.

Under AVer, there are three segments of presentation, surveillance and communication products business unit. Innovatively integrate video technology, electronics, optics, RF/wireless technology, software application and industrial design capabilities providing high efficient solutions and satisfied diverse needs of customers. In application, visualizer and interactive electronic pen mainly utilized in teaching and presentation markets; surveillance products wildly spread among supercenters, business sectors, government sectors and in the banking; video conferencing products excel in functions and prices are welcomed in SME user. AVer sales its owned brand and ODM products by subsidiaries marketing forces of America, China, Japan, Holland and branches of Britain, France, Spain and distributors all over Europe, America, Asia, Middle East, Australia, New Zealand, Japan and China ... more than 100 countries.

According to one market survey of FutureSource, AVer has striven hard in educational market and bloomed on the international stages by AVerVision visualizer (document camera) achieved the first market share in America and West Europe for continuous 4 years from 2009 to 2012, and has received credibility of iF Product Design Award (Germany), Reddot Design Award (Germany), G-Mark Design Award (Japan), CES (Consumer Electronic Show) Innovation Award (America), Worlddidac Award (Switzerland), Computex Taipei Design & Innovation Gold Award, Taiwan Excellence Gold, Silver Award.

AVer Information Inc. was on stage by Taiwan Stock Exchange Corporation (TWSE) in August, 2011 with the ticker number of 3669.



R&D and Patent

In 2012, AVer spent over 19% of annual turnover in R&D. The core techniques are according to short, medium, long term plans to accelerate new products and technologies development in comply with markets need. By rooting in each product line and market segmentation also maximizing value of products. As a leading technology corporate, AVer has put more efforts on establishing Intellectual Property Rights and knowledge management system. AVer targets to get 10 pieces at least invention patent among Europe, the US, Japan, China... etc. by 2013. In ceaseless casting R&D expenditures to approach unique technologies and elevate industry threshold of video conferencing solutions, expecting more legal protection on Intellectual Property Rights to maintain technology leading and preserve the fruits of R&D.

Presentation products unit set up the short, medium terms target in educational market. It's been developing constructively HD resolution Wi-Fi wireless visualizers, cost-effective USB visualizers, AVer+ software, and integrated with electronic white board and projector. Improve the connection of visualizers and internet equipped toward cloud computing classroom and position AVer as a service provider. In respond to popular application of iPad or Android, a new generation of iPad A+ app and Android app developed to support TabCam. In practice, adopting AVer' unique video transmission technique through wireless visualizer (TabCam) transmits real-time taken to iPad or Android Tab for a teaching media between teachers and students to reach an immediate, interactive effect. Or recording down one whole course, handy to edit/annotate on images and save easily for remote up/down loading all depends on unique update A+ app to make teachers happily with half work but double effects.

The surveillance products, AVer consistently focused on Megapixel IP Cam, NVR, embedded hybrid DVR, intelligent central management system researches providing customer-tailored, high add-ons intelligent management solutions. The video conferencing products are kept improving the application design and integration of software and hardware. Users can communicate through multi-location meeting facilities or by individual mobile conference.

As a leading supplier in the industry for years, the innovative R&D events are presented as below:

Year	Event
2006	◆ First 3.2-megapixel portable visualizer
2007	◆ First 5 -megapixel platform visualizer
2009	◆ First interactive pen to integrate features from wireless slates, wireless presenters, interactive voting systems and interactive whiteboards ◆ First 32-channel PCI-e 4x capture card at D1 resolution ◆ First 4-channel wireless NVR ◆ First full GUI Linux embedded hybrid DVR
2010	◆ First HD video conferencing system with direct A/V recording First portable visualizer with one-touch recording
2011	◆ First portable visualizer to feature onboard annotation



2012

- ◆ First 3.2-megapixel, standalone wireless visualizer
- ◆ First protocol bridge for VC-Skype™ integration

2012 Outstanding Technologies or Products:

- (a) AVer HVC310 video conferencing system won the Internet Telephony Excellence Award in Unified Communications Product category from the TMC Magazine in USA.
- (b) AVer HVC330 video conferencing system received Gold Award from the BuyCOMs IT magazine in Thailand.
- (c) AVer HVC330 video conferencing system won Taiwan Excellence Silver Award.
- (d) AVer H300 video conferencing system won 2012 Best-in-Tech Award from the Scholastic Administrators Magazine in USA.
- (e) AVer W30 Wireless Document Camera won 2012 Taiwan Excellence Award.
- (f) AVer Academy Document Camera Suite and AVer W30 Wireless Document Camera won 2012 Excellence Award from the Tech&Learning Magazine in USA.
- (g) AVer W30 Wireless Document Camera won 2012 Excellence Award from the Tech&Learning Magazine in USA.
- (h) AVer SF2121H-R, full HD 2M bullet type IP camera and AVer IWH5416 TouchII, full HD hybrid DVR won 2012 Taiwan Excellence Award.

Market Overview

AVer is an export-oriented maker not only in supply but also provides after-care services to elevate services level, AVer set up sales and after-care services chain in major marketplace one by one through America, Germany, Britain, Spain, France, Holland, Japan, S. Korean, Thailand, Russia and China by adopting localized marketing and services to cope with each local culture. The marketing network force is strengthened in shipment & needs forecast expediting delivery to customers timely and satisfactory after-care services.

AVer runs stable development with excellent technologies and competitive pricing policy into surveillance, presentation market and both have won public praises and taken their places in the industry. New video conferencing system with superior quality and competitive prices penetrate into the market. In facing drastic competition worldwide daily, AVer aggressively focuses on innovation R&D creating unique quality, outstanding functions products and marketing dual-strategy of owned brand "AVer" & ODM capability to get long lasting and higher market share.

In future, adoption mobile devices will be prevail among classrooms at an explosive pace. More and more teachers are using iPad or Android Tab as a means of teaching or learning, which is different from the habitual teaching and learning method. Tablet PC will be popularized in classrooms. The school teaching tools reformation represents the market of visualizers will be reset - TabCam product lines will unfold to dynamic grow no matter in shipments or sales.

For surveillance device, worldwide market sales activities mainly play on the U.S. and Europe - even though products reached its maturity stage; whereas in the developing countries, after



economic taking off, step in the need for security mounting day by day. To worldwide sales a stable growth for 10-15% annually (quoted from IMS research 2012). Attributing to HD resolution camera elevates the quality accompanies by gradual mature IP networking environments in transmission, surveillance device broke the bottle neck of cable networking and the significant cost down replacing instead by a growing force. According to IMS research, IP surveillance market entirety will keep at 24.5% and above yoy till 2014 and reach to 7 billions US dollars; also for the IP Cameras compound growth rate reached 27% for the past few years to 4 billions US dollars in 2014. Out of the unique needs of surveillance products and IP maturity, popularity environments affect little by boom cycle, which becomes a few industries with sales growth under nowadays economics. For years' efforts, AVer relies on its techniques and owned brand fixed the ground by DVR, the quality values of DVR will replicate to IP Camera/NVR. Ensure IP Camera/NVR keeping techniques advantages assist by the core technology competence of hardware also software.

Video conferencing product was budding in 1980, followed by broadband expansion, upgrade video compression techniques made the unit price lower and higher in quality efficacy, and later the products adapted to mainstream market after 2003. Afterwards, oil price became rocket high, macroeconomic factors drastic fluctuation impelled enterprises control travel expenses increasingly. Under such circumstances, video conferencing solution became a major communication pattern to decrease unnecessary meeting travel expenses promoting the enterprises performance. Since 2003 the overall industry presented at least 2 digit figures annual compound growth rate no matter in shipments or sales records. Even though the financial storm invaded in 2008 Q3, the statistics shown positive growth. Moreover, the worldwide production value of 2011 reached 3 billions US dollars approx. 38 thousand units shipments.

Assuming the meeting room system takes 80% of production value from the whole industry, major makers are European, American, and Japanese occupy totally around 80% market share. By the leading technology advantages there is more than 60% gross profit. Viewing the future prospects, video conferencing system has vast unexploded potential. Yearly 300 thousand units shipments of video conferencing system compared to the scale of commercial use projector market (commercial use projector worldwide shipments around 2 million 150 thousand units in 2012) there are rooms to strive for. Assisted by the price cut and popularity of broadband networking, and echoing with original networking effect - video conferencing system attracts not only large multinational incorporates also increasingly small-medium sized enterprises, the potential is hard to overlook. AVer put the first generation video conferencing system on stage in 2011 Q4 won out by products property excellent and price advantage gained clients of small-medium sized enterprises. But to a new provider full of efforts on brand establishing and channels build up by cost-effective is expected.



III 、 Corporate Governance

Board of directors

AVer Information Inc. consists of 7 directors, three of the eleven members are independent directors:

- Mr. J. T. Lin (known as Henry Lin)—Chief Financial Officer (CFO)of Wistron Corporation, a professional specialist of finance & accounting with degree of Executive Master Business Administration (EMBA) of National Taiwan University (NTU Taiwan), International Business;
- Mr. J. L. Huang (known as David Huang)— Chairman of Spirox Corporation & Starise Investment with master degree of Business Administration of NTU, Taiwan ;
- Mr. Yao-Ching Hsu – Principal Attorney, Yuan Ching Law Firm, with degree of Master of Laws of Cornell University USA.

The independent directors have a great breadth of practical experiences of financial & accounting in hi-tech industry.

The duties of board of directors are to provide guidance in direction and strategy of the company business, to supervise operational performances and abide by relevant laws & regulations, to prevent conflict of interested parties. Every director has practical and abundant experiences in industrial management and is dedicated to AVer creating not only substantial help but also the highest profit for all the shareholders.

Audit Committee and Compensation Committee

The audit committee is set up in accordance with the regulations of Securities and Exchange Act (SEA) the members are comprised of all three independent directors, one of them should be specialized in accounting or financial field and holds a meeting once quarterly the least. The responsibilities of the audit committee are empowered by relevant laws & regulations and assisting board of directors carry out supervision, which includes financial statement, internal control system, complying with regulations and laws relevant, existing or potential risk control, transactions of major assets or derivative financial products, major capital loans or endorsement, offering or issuance of any equity-type securities, hiring /dismissal or payments of an attesting CPA , appointment/discharge financial, accounting or internal auditor officers.

The compensation committee is empowered in accordance with the regulations of Securities and Exchange Act and relevant laws & regulations to fulfill its duties of assisting the board of directors assesses compensation and benefit policies of company, compensation of directors and executives by referring to the industry level, nature and company sales feature. The members of compensation committee are comprised of three persons, one is independent director and the rest are assigned by the decision of the board of directors. The convener – is one of the independent directors and elected by the compensation committee to hold meeting twice a year at least.



IV 、 Operational Highlights

Business Scope

1. Products (Services)

A. Presentation Product:

With an AVerVision visualizer, you get a well-designed digital presentation tool that is easy-to-use and provides superior image quality. In addition, AVerVision visualizers lead the market with the inexhaustible development of unique, forward-thinking capabilities, like one-touch recording, onboard annotation and standalone wireless operation. Whether it's a high school chemistry teacher conducting an experiment, a sales manager presenting to a prospective client, or engineers unveiling a new prototype all can exhibit to professional capability by images capturing or group presentations through integration of AVerVision visualizer, computer, interactive pen or video conferencing system ...etc.

- Flexible Arm Visualizers.
- Mechanical Arm Visualizers.
- Platform Visualizers.
- Wireless Visualizers.
- Interactive Electronic Pen.
- A+ Interactive software.

B. Surveillance Products:

AVer is determined to provide smart surveillance solutions to meet all kinds of challenging security demands. We strive to offer easy-to-use, complete solutions by fully integrating hardware and software. Adopting AVer's surveillance solutions can help to minimize your business costs, while expanding your business potential.

IP camera (network camera): Featuring a range of camera types, including cube, box, bullet, and dome, the 2-megapixel series adopts the H.264 compression technology and deliver HD resolution with real-time recording and display up to 30fps. When fully integrated with AVer DVRs/NVRs, AVer's IP camera (network camera) series give users preview performance up to three times faster than that of other IP camera (network camera) brands through the exclusive *intelligent streaming* feature. Coupling AVer's IP cameras (network cameras) with its DVRs/NVRs also helps users to achieve unlimited surveillance management through CMS and remote access through mobile devices such as iPhones, iPads, and Android mobile devices.

- NVR Surveillance System
- DVR Surveillance System
- Surveillance Software



C. Video Conferencing Solution:

AVer video conferencing system can be summed up in simple install, easy use and good service! Communication is the basic, more efforts are working for high efficiency video conferencing solutions. All AVer video conferencing systems use the H.323 and SIP protocols so users can rest assured that their AVer video conferencing system is compatible with all major video conferencing brands. With a number of one-of-a-kind features, industry-leading warranty periods and smooth HD imaging, AVer turns the dream of high-quality, budget-friendly video conferencing into reality for small-medium sized businesses, universities and many more.

2. R&D Projects Plan

Presentation series

Presentation products unit set up the short, medium terms target in educational market. It's been developing constructively HD resolution Wi-Fi wireless visualizers, cost-effective USB visualizers, AVer+ software, and to integrate with electronic white board and projector, improving the connection of visualizers and internet equipped toward cloud computing classroom and positioning AVer as a service provider. In respond to popular application of iPad and Android, a recharging cart to load with iPad and tablet PC and a new generation of iPad A+ app and Android app are developed to support TabCam. In practical, adopting AVer' unique video transmission technique through wireless visualizer (TabCam) transmits real-time taken to iPad or Android Tab for a teaching media of teachers and students to reach an immediate, interactive effect.

Surveillance series

R&D ongoing focuses on megapixel IP Cam, NVR, explores embedded hybrid monitoring system & intelligent central management system (CMS), AVer intends to provide customer-tailored and high add-ons intelligent management solutions.

Video Conferencing solutions

AVer looks to video conferencing system toward integration of software, hardware and application design as well; explores multi-connection video conferencing system to the field of commercial, educational, medical treatments .. etc.. The developed products are:

A. High efficiency video conferencing solutions:

Through years of solid video technologies accumulated and advantage of experiences in Taiwanese management, AVer has launched high Performance-to-Price Ratio (PPR) video conferencing solution. It differentiates application market among competitors and is expected striving toward popularity in small-medium sized enterprises .

B. Entry -level video conferencing solutions:

AVer evaluated conference room in general conditions of being used by small-medium sized enterprises and large scale enterprises, employed unique video/audio compression technology decreasing unnecessary hardware to the minimum. It is providing economic solutions for



potential customers and indicating a miniaturized structure evolution as well. The video conferencing solutions are applied more than commercial use and under profitable basis turn to customer-made special application market.

Others

- A. By adopting high level designed ASIC and exploring ASIC to all kinds of video processing techniques to decrease cost of key components.
- B. Accelerating R&D for new product, exploring new technology and investing to build up computerized system of intellectual property rights and knowledge management.



V. Corporate Social Responsibilities

AVer' Responsibilities and Commitments

AVer' guiding principles of corporate social responsibilities meet relevant laws and regulations requirements of every country and international society reflecting the corporate culture values of “human-oriented , self –reflection, self-transcendence, honesty & integrity” and management concept of “attitudes of being down to earth, value creation, self-devotion, service to society”. AVer bases on sustainable management and development and describes the guiding principles as below:

- 1. Safeguard consumer rights & interests:** AVer bases on the concept of “customer-oriented” developing the needed products and services and also stands against personal data by keeping to the spirit of personal data protection and relevant laws & regulations of every country.
- 2. Employment rights and employee relationship:** AVer respects employee, puts human-oriented first, safeguards employee rights and interests, strengthens relationship between employer & employee and expects to set up a safety, health, non sexual harassment, no discrimination, fair & equitable treatment work environment.
- 3. Partnership & fair trade:** AVer cautiously selects partners (such as suppliers and distributors) and cares them by establishing a ground of mutual trust & benefit to a long term relationship meanwhile, values market function on free competition, and abides by the faire trade & competition of relevant laws & regulations of every country
- 4. Innovation encouragement and safeguard Intellectual Property Rights:** AVer proactively encourages innovation and protects company' Intellectual Property Rights (IPS) and stands to IPS protection of the relevant laws & regulations of every country and international society.
- 5. Tax-paying, equity of shareholders & corporate governance :** Paying tax according to laws is one positive ways of creating company value and stable growth to keep shareholders' long term interests by providing shareholders and investors in time, transparent, open, and creditable information.
- 6. Maintain environment restless:** AVer pursues sustainable growth and dedicates to tune it with environment. Except keep to relevant laws & regulations of environmental protection more emphasis on technology innovation, design and manufacture green products of low pollution, low energy consumption. AVer' staff are encouraged participating in environmental protection activities and cooperating with other organizations or individual to fight for the Earth and living environment.
- 7. Establishing harmony & healthy social community relationship:** AVer respects local culture, customs & historic inheritance, participates local social community activities, cares about the disadvantage groups and appropriately contributes and feedback to society to play a good role of corporate social responsibility.
- 8. Social care & participation:** AVer bears with service mind actively gets public welfare activities moving and cares about educational, cultural and scientific developments to achieve the



mission of “ being a corporate fulfill its contribution to society” °

Green Commitment

AVer Information Inc. founded in 2008 since then implemented RoHS (Restriction of Hazardous Substance Directive), adopted lead free components and clean production process step by step received lots of Green Partner Certifications and met the WEEE (Waste Electrical & Electronic Equipment Directive) requirements to synchronize using the latest materials with trend-setting production process. Moreover, the product specification design is local concerned in low energy consumption, electromagnetic compatibility and safety all comply with the requirements of relevant laws and regulations.

In management system, AVer received ISO 9001 (Quality Assurance Management), ISO 14000 (Environmental Management), IECQ QC 080000 (Hazardous Substance Process Management), ISO 28000 (Security System Management on Supply Chain), ISO 14064-1 (Organization Level of GHG Emission Reduction), PAS 2050 (Product Carbon footprint) ...etc. international certification as well as set up green supply chain management system to well curb the source.

Energy Saving & Environmental Protection

Production process of AVer generates 99.67% carbon dioxide - greenhouse emission - mainly comes from computer, machine & equipment. Therefore, energy saving improvement is focused on scenario planning in air-conditioning, electricity, illuminations to achieve the purpose of saving energy & carbon deduction.

Occupational Security & Health

AVer puts people-oriented first under the thought of people is the most important asset of the corporate and also one of the dynamic powers of corporate growth and cares to health and safety of staff by adopting OHSAS 18000 (Occupational Health & Safety Assessment series) to improve working environment, rise up satisfaction of staff and reduce accidental risk to well-protected assets of corporate.

Social Care

Caring Education

By receiving education is the solution to get rid of proverty cycle. AVer dedicates to develop interactive-teaching products meanwhile holds creative teaching competitions among primary & junior high schools in elevating teaching quality, effeciency and fun. Moreover, a call for internal staff volunteers to participate the long term programs such as accompanying-study with the children of disadvantage familys and hope of reading program - promoted by Commonwealth Magazine... etc.

Caring Environmental Protection

By echoing the activity of 『 clean up the world 』 promoted by Good Neighbor Foundation – on Saturday of the 3rd week in September annually – under the spirit of caring, support community and environmental protection, AVer called for staff and their family actively participate the clean



up furthermore, extended the caring spirit to worldwide subsidiaries since 2009. Internal holds eco-volunteers courses as well leading people through explication and participation to love the Earth.

Caring Native Agriculture

AVer expects to imitate farmer spirit of being down to the earth and feeling how hardship cultivation to be and risks of the nature. AVer echoes the sales activities of native agriculture products recommended by charitable organizations through buying to support Taiwanese native agriculture.

Volunteers Serving Hour and Leave System

AVer has implemented “the volunteers serving hour and leave system” and encourages staff by devoting themselves to help disadvantage groups, up to now AVer encourages all of the staff to achieve the least half day service every year. Staff selects charitable organizations whatever they wished to serve and accumulate their service hour – it’s an activity according to personal interest and specialty to serve in a long term basis.

AVer is a part of society participating public welfare and caring social community are the responsibilities of the corporate. Following by the corporate growth, AVer will be more capable to serve and give caring and support to the society.



VI. Financial Statements

AVer Information Inc and Subsidiaries

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

ASSETS	2012.12.31		2011.12.31	
	Amount	%	Amount	%
CURRENT ASSETS :				
Cash	\$ 993,364	32	1,263,328	35
Financial assets at fair value through profit or loss	50,361	2	190,807	5
Notes receivable	1,764	-	794	-
Accounts receivable, net	186,492	6	181,542	5
Other receivables	5,150	-	20,057	1
Inventories	166,168	5	223,058	6
Other current assets	59,387	2	101,435	3
Total current assets	1,462,686	47	1,981,021	55
PROPERTY , PLANT AND EQUIPMENT :				
Cost :				
Land	373,218	12	373,218	10
Buildings	849,635	27	848,979	24
Machinery and equipment	141,738	5	137,325	4
Transportation equipment	10,371	-	13,078	-
Office equipment	90,107	3	82,242	2
Leased assets	718	-	-	-
Leasehold improvements	8,788	-	10,964	-
Other equipment	98,119	3	93,551	3
	1,572,694	50	1,559,357	43
Less : Accumulated depreciation	(258,665)	(8)	(188,005)	(5)
Construction in progress and prepayments for equipment	162,977	5	83,490	2
Net property , plant and equipment	1,477,006	47	1,454,842	40
INTANGIBLE ASSETS	16,496	1	18,453	1
OTHER ASSETS :				
Assets leased to others	74,859	2	75,705	2
Refundable deposits	11,810	-	6,360	-
Deferred charges	16,256	1	6,310	-
Deferred income tax assets –non current	58,058	2	56,607	2
Total other assets	160,983	5	144,982	4
Total	\$ 3,117,171	100	3,599,298	100



LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES :				
Financial liabilities at fair value through profit or loss	\$ 706	-	-	-
Accounts payable	154,670	5	145,706	4
Income tax payable	905	-	24,374	1
Accrued expenses	106,046	3	268,287	7
Current portion of long-term bank loans	200,000	7	200,000	6
Other current liabilities	32,371	1	11,311	-
Total current liabilities	494,698	16	649,678	18
LONG-TERM LIABILITIES :				
Long-term bank loans	-	-	200,000	6
Capital lease liabilities	264	-	-	-
Total long-term liabilities	264	-	200,000	6
OTHER LIABILITIES :				
Guarantee deposits received	797	-	797	-
Others	9,200	-	10,532	-
Total other liabilities	9,997	-	11,329	-
Total liabilities	504,959	16	861,007	24
AVER'S EQUITY :				
Capital stock	982,370	32	982,370	27
Capital surplus	776,642	25	776,642	21
Retained earnings :				
Legal reserve	188,083	6	167,672	5
Special reserve	13,559	-	27,179	1
Unappropriated earnings	684,873	22	798,182	22
Cumulative translation adjustment	(30,107)	(1)	(13,559)	-
Treasury stock	(3,208)	-	(195)	-
Total shareholders' equity	2,612,212	84	2,738,291	76
Total	\$ 3,117,171	100	3,559,298	100

The accompanying notes are an integral part of the consolidated financial statements.



AVer Information Inc and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 1,937,934	106	\$ 2,295,359	106
Sales returns and allowances	108,824	6	128,530	6
NET OPERATING REVENUES	1,829,110	100	2,166,829	100
OPERATING COSTS	839,165	46	938,558	43
GROSS PROFIT	989,945	54	1,228,271	57
OPERATING EXPENSES :				
Marketing	492,076	27	548,379	25
General and administrative	94,092	5	104,646	5
Research and development	342,806	19	354,276	17
	928,974	51	1,007,301	47
INCOME FROM OPERATIONS	60,971	3	220,970	10
NON-OPERATING INCOME AND GAINS :				
Interest income	7,605	-	9,218	-
Gain on disposal of assets, net	869	-	-	-
Gain on valuation of financial asset	624	-	571	-
Foreign exchange gain, net	-	-	13,561	1
Others	9,996	1	11,032	1
	19,094	1	34,382	2
NON-OPERATING EXPENSES AND LOSSES :				
Interest expense	2,816	-	5,614	-
Foreign exchange loss, net	2,119	-	-	-
Loss on disposal of assets, net	1,562	-	7,138	1
Others	684	-	-	-
	7,181	-	12,752	1
INCOME BEFORE INCOME TAX	72,884	4	242,600	11
INCOME TAX EXPENSE	32,047	2	38,492	2
NET INCOME	\$ 40,837	2	\$ 204,108	9
ATTRIBUTABLE TO :				
Shareholders of the parent	\$ 40,837	2	\$ 204,108	9
	Before	Aftere	Before	Aftere
	income	income	income	income
	tax	tax	tax	tax
EARNINGS PER SHARE(NT\$)				
Basic earnings per share	\$ 0.69	0.42	2.54	2.22
Diluted earnings per share	\$ 0.68	0.41	2.50	2.19

The accompanying notes are an integral part of the consolidated financial statements.





AVer Information Inc and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus	Retained Earnings			Total	Others		Total
			Legal Reserve	Special Reserve	Unappropriat ed earnings		Cumulative translation adjustment	Treasury stock	
BALANCE, JANUARY 1, 2011	\$ 828,990	428,469	115,567	-	963,505	1,079,072	(27,179)	-	2,309,352
Appropriations of prior year's earnings									
Legal Reserve	-	-	52,105	-	(52,105)	-	-	-	-
Special Reserve	-	-	-	27,179	(27,179)	-	-	-	-
Cash dividends	-	-	-	-	(248,697)	(248,697)	-	-	(248,697)
Stock dividends	41,450	-	-	-	(41,450)	(41,450)	-	-	-
Issuance of common stock for cash	97,930	323,169	-	-	-	-	-	-	421,099
Employee bonus	14,000	25,004	-	-	-	-	-	-	39,004
Net income in 2011	-	-	-	-	204,108	204,108	-	-	204,108
Translation adjustments	-	-	-	-	-	-	13,620	-	13,620
Treasury stock	-	-	-	-	-	-	-	(195)	(195)
BALANCE, DECEMBER 31, 2011	982,370	776,642	167,672	27,179	798,182	993,033	(13,559)	(195)	2,738,291
Appropriations of prior year's earnings									
Legal Reserve	-	-	20,411	-	(20,411)	-	-	-	-
Special Reserve	-	-	-	(13,620)	13,620	-	-	-	-
Cash dividends	-	-	-	-	(147,355)	(147,355)	-	-	(147,355)
Net income in 2012	-	-	-	-	40,837	40,837	-	-	40,837
Translation adjustments	-	-	-	-	-	-	(16,548)	-	(16,548)
Treasury stock	-	-	-	-	-	-	-	(3,013)	(3,013)
BALANCE, DECEMBER 31, 2012	\$ 982,370	776,642	188,083	13,559	684,873	886,515	(30,107)	(3,208)	2,612,212

The accompanying notes are an integral part of the consolidated financial statements.

AVer Information Inc and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	\$ 40,837	204,108
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	86,770	56,056
Deferred income tax	28,752	11,374
Amortization	17,380	15,106
Provision for (recovery of) loss on inventories	(8,719)	9,688
Property, plan and equipment transferred to expense	2,166	3,977
Provision for (recovery of) doubtful accounts	(927)	1,130
Gain on disposal of financial assets	(624)	(571)
Loss on disposal of assets,net	693	7,138
Net changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	141,776	9,964
Notes receivable	(970)	(287)
Accounts receivable	(4,023)	(11,822)
Other receivables	14,907	14,250
Inventories	65,609	26,034
Other current assets	(2,572)	(2,349)
Accounts payable	8,964	32,077
Income tax payable	(23,469)	(33,604)
Accrued expenses	(92,138)	47,006
Other current liabilities	20,711	(8,202)
Other liabilities	(1,332)	(389)
Net cash provided by operating activities	293,791	380,684
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisition of property, plant and equipment	(181,434)	(647,332)
Acquisition of intangible assets	(10,787)	(2,179)
Decrease(increase) in refundable deposits	(5,450)	509
Increase in deferred charges	(2,365)	-
Proceeds from Disposal of Property, Plant and Equipment	2,353	1,571
Net cash used in investing activities	(197,683)	(647,431)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of Long-term Debt	(200,000)	(200,000)
Cash dividends	(147,355)	(248,697)
Increase in treasury stock	(3,013)	(195)



Issuance of common stock for cash	-	421,099
Increase in deposits received	-	797
Net cash (used in) provided by financing activities	<u>(350,368)</u>	<u>(26,996)</u>
Effect of exchange rate changes	<u>(15,704)</u>	<u>13,620</u>
NET (DECREASE)INCREASE IN CASH	<u>(269,964)</u>	<u>(280,123)</u>
CASH,BEGINNING OF YEAR	<u>1,263,328</u>	<u>1,543,451</u>
CASH,END OF YEAR	<u>\$ 993,364</u>	<u>1,263,328</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION :		
Interest paid	<u>\$ 2,860</u>	<u>5,659</u>
Income tax paid	<u>\$ 26,764</u>	<u>88,993</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES : :		
Current portion of long-term bank loans	<u>\$ 200,000</u>	<u>200,000</u>
Proposal for a new share issue through capitalization of earnings	<u>\$ -</u>	<u>41,450</u>
Proposal for a new share issue through capitalization of employee bonus	<u>\$ -</u>	<u>39,004</u>

The accompanying notes are an integral part of the consolidated financial statements.



Contact Information

Headquarters

AVer Information Inc.

8F, No.157, Da-An Rd., Tucheng Dist., New Taipei City 23673, Taiwan
Tel: +886-2-2269-8535 Fax: +886-2-2269-8537

USA

AVer Information Inc.

423 Dixon Landing Road, Milpitas, CA 95035
Tel: 1-408-263-3828 Fax: 1-408-263-8132

China

AVer Information (ShangHai) Inc.

Room 1509, Hitech Plaza, #488, South Wuning Road. Jing'an District, Shanghai, China.
Tel: +86-021-5298-7988 Fax: +86-021-5298-7970

Japan

AVer Information Inc.

5F Kojimachi Syuei bldg, 4-3-13 Kudan-minami Chiyoda-ku, Tokyo 102-0074
Tel: +81-3-3222-7380 Fax: +81-3-3222-7381

Netherlands

AVer Information Europe B.V.

Kwartsweg 50, 2665 NN Bleiswijk, The Netherlands
Tel: +31-10-7600-550 Fax: +31-10-7600-599

France

AVer Information Europe B.V.

10 allée Hendrick Lorentz, Immeuble A4 77420 Champs sur Marne, France
Tel: +33-1-6005-7516 Fax: +33-1-6005-7842

Spain

AVer Information Europe B.V.

Centro Empresarial Euronova Ronda de Poniente, 2. 2ºF 28760 Tres Cantos (Madrid)
Tel: +34-91-804 69 72 Fax: +34-91-803 76 29

United Kingdom

AVer Information Europe B.V..

Suite 3, Douglas House, 32-34 Simpson Road Fenny Stratford, Milton Keynes, MK1 1BA, United Kingdom
Tel: +44-1908-371-772 Fax: +44-1908-644-259



Spokesperson/ Investor Relations

Name: Laura Chen

Title: Manager, Public Relations office

Tel: +886-2-2269-8535 #8991 Fax: +886-2-2269-8537

Email: laura.chen@aver.com

Deputy Spokesperson

Name: Linda Hsu

Title: Section Manager, Financial Division

Tel: +886-2-2269-8535 #8984 Fax: +886-2-2269-8537

Email: linda.hsu@aver.com

Auditors

Company: Deloitte & Touche

Auditors: Janice Wang, Peter Fan

Address: 12th Fl. 156 Min Sheng E Rd., Sec 3. Taipei 10596. Taiwan, R.O.C

Tel: +886-2- 2545-9988

Website: <http://www.deloitte.com>

Stock Transfer Agent

Company: The Transfer Agency Department of SinoPac Securities

Address: 3F, 17 Po Ai Rd., Taipei, 10044, Taiwan, R.O.C.

Tel: +886-2-2381-6288

Website: <http://www.sinotrade.com.tw>

* Copyright © 2012 by AVer Information Inc. All rights reserved.

