LIVE CALL INFORMATION	REPLAY INFORMATION
Tuesday, August 10, 2010 7AM Taiwan **Monday, August 9, 2010 7PM NYC** **CEO / CFO Number: 1-201-689-8472** **Listener Call Number: 1-201-689-8471 or 1-877-407-4018**	Accessible 2 hours after the call through noon on Tuesday, August 17, 2010 Taiwan Replay Number: 1-858-384-5517 Conference ID number: 353643

Operator Intro: Welcome to Himax Technologies' second quarter 2010 financial results conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. At that time, if you have a question, you will need to press star 1 on your push button phone. The call is scheduled for one hour.

As a reminder, this conference is being recorded today. A replay will be available 2 hours after the call today, through noon on Tuesday, August 17, 2010 in Taiwan. The replay dial-in number is 1-858-384-5517 with conference ID number 353643. The replay will also be accessible at www.himax.com.tw.

Joseph Villalta

Thank you, operator. Welcome everyone to Himax's second quarter 2010 earnings call. Joining us from the company are Mr. Jordan Wu, President and Chief Executive Officer, and Mr. Max Chan, Chief Financial Officer. After the company's prepared comments, we will have time for any questions today.

If you have not yet received a copy of today's results release, please call The Ruth Group at 1-646-536-7028. Or you can get a copy off Himax's website at www.himax.com.tw.

Before we begin the formal remarks, I'd like to remind everyone that some of the statements in this conference call, including statements regarding expected future financial results, industry growth and the Taiwan listing plan, are forward-looking statements that involve a number of risks and uncertainties that could cause actual events or results to differ materially from those described in this conference call.

Factors that could cause actual events or results to differ materially include, but not limited to, general business and economic conditions and the state of the semiconductor industry; market acceptance and competitiveness of the driver and non-driver products developed by the Company; demand for end-use applications products; reliance on a small group of principal customers; the uncertainty of continued success in technological innovations; our ability to develop and protect our intellectual property; pricing pressures including declines in average selling prices; changes in customer order patterns; changes in estimated full-year effective tax rate; shortages in supply of key components; changes in environmental laws and regulations; exchange rate fluctuations; regulatory approvals for further investments in our subsidiaries; our ability to collect accounts receivable and manage inventory; the uncertainty of our Taiwan listing plan which is still under review by Taiwan regulatory authorities and subject to change due to, among other things, changes in either Taiwan or US authorities' policies and Taiwan regulatory authorities' acceptance of the Company's Taiwan listing application, and other risks described from time to time in the Company's SEC filings, including those risks identified in the section entitled "Risk Factors" in its Form 20-F for the year ended December 31, 2009 filed with SEC on dated June 3, 2010, as amended.

Except for the Company's full year of 2009 financials which were provided on the Company's 20-F, filed with the SEC on June 3, 2010, the financial information included in this conference call is unaudited and consolidated, and prepared in accordance with US GAAP. Such financial information is generated internally and has not been subjected to the same review and scrutiny, including internal auditing procedures and audit by independent auditors, to which we subject our annual consolidated financial statements, and may vary materially from the audited consolidated financial information for the same period. Any evaluation of the financial information included in this conference call should also take into account our published audited consolidated financial statements and the notes to those statements. In addition, the financial information included in this conference call is not necessarily indicative of our results for any future period.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

At this time, I would now like to turn the call over to Mr. Jordan Wu. Please go ahead, sir.

Mr. Jordan Wu

Thank you Joseph and thank you everyone for joining us today to discuss our second quarter 2010 financial results. I will start with a brief overview of our performance during the quarter, and discuss our outlook for the third quarter. Our CFO, Max Chan, will then provide additional details on our financial performance for the quarter.

Our second quarter 2010 revenue, gross margin and earnings per ADS were all in-line with our guidance updated in early July.

Our second quarter revenues came in at $187.7 million, representing a 1.5% growth year-over-year and a 7.0% growth, sequentially.

In terms of product mix, revenues from large panel display drivers were $107.8 million, down 21.2% from a year ago and down 5.8% sequentially. Large panel drivers accounted for 57.4% of our total revenues for the second quarter, compared to 74.0% a year ago and 65.2% in the previous quarter.

Revenues from small- and medium-sized applications achieved a record-level of $65.7 million in the second quarter, up 74.9% from the same period last year and up 42.0% sequentially. Small- and medium-sized applications accounted for 35.0% of total revenues, compared to 20.3% for the same period last year, and 26.4% in the previous quarter. This strong sequential and year-over-year growth for small- and medium-sized products reflects our continued efforts and solid execution to diversify our product portfolio and customer base.

Revenues from our non-driver business were $14.2 million, up 34.9% from the same period last year and down 3.7% sequentially. Non-driver products accounted for 7.6% of our total revenues, compared to 5.7% a year ago and 8.4% in the previous quarter.

Our GAAP gross margin for the second quarter was 20.4%, compared to 20.8% a year earlier, and 19.8% in the previous quarter. The sequential improvement in gross margin was primarily a combined result of gross margin improvement in some of our major non-driver products and our being able to raise selling prices of display drivers, which partially offset the increase in our back-end costs.

For the second quarter, GAAP net income was $12.0 million, or 7 cents per ADS, compared to $15.4 million, or 8 cents per ADS, a year ago, and $9.1 million, or 5 cents per ADS, in the prior quarter. Max will elaborate more on this later.

Now, I'd like to talk about our product portfolio. We expanded our small-and medium-sized market share and further strengthened our market position. Most notably, in the first half 2010, our display driver revenues for handset applications achieved 84.6% year-over-year growth. We believe our complete product lineup, coupled with our strategic marketing and solid execution will continue to drive growth and increase our market share.

Our LCOS product line, including LCOS panels and their associated controller ICs, continued to dominate this market segment. In particular, our proprietary color-filter LCOS solutions, which enable easy mass production, continue to be widely-adopted by customers for a broad range of pico-projector applications, in standalone or embedded types. In the first half of 2010, we have already shipped more LCOS panels than we delivered in the full year 2009. We are confident that we are well positioned to capitalize on the emerging pico-projector industry, which we believe is still in the early stage of a long-term product life cycle.

Our analog IC line, comprising primarily of power management ICs and white LED drivers, is another important product category at Himax. Moreover, thanks to the ramp-up of WLED drivers for notebooks and TV applications, revenues from our analog ICs line more than doubled in the first half of 2010, both sequentially and year-over-year. We expect this momentum to continue, with increased penetration of white LED back-light in TFT-LCD panels and the growing adoption of our white LED drivers.

We achieved another important milestone in July 2010 with the commencement of small-volume shipment of our 2D to 3D chip to a major TV brand. Our real-time 2D to 3D conversion solutions, suitable for all types of 3D displays, has received overwhelming interest from customers since we introduced this technology in February. Customers are keen to incorporate our solutions into a number of 3D-ready displays to capitalize on the early-adopter advantages in the 3D era. While our design-in and sales activities have been intensive, our near-term shipments are constrained by the limited availability of 3D panels. We expect the supply shortage to ease in the next few quarters.

In our CMOS image sensor product line, on top of shipment for handsets, we started small volume shipments for notebook PC applications to one of the world's top notebook brands. The adoption by this world-class brand validates our product and technology competiveness. With the sampling of our next generation CMOS image sensors, we are on track to be awarded with more design-in projects for a wider range of customers.

Before providing third quarter 2010 guidance, I would like to share with you some of my recent observations.

We are seeing softening demand since June with talks of end product sell-through noticeably slowing down and customers getting cautious on inventory levels. Over the last ten days, in particular, literally all our customers cut back their forecasts significantly for August and September. While we are actively talking to our customers, we have not yet come to a conclusion as to whether this is a short-term over-reaction owing to customers' concerns over excess inventory and weakening demand or this has longer term implications. While the forecast reduction came from a wide range of customers covering a broad range of products, we are still uncertain if this is specific to Himax or this is an industry-wide phenomenon. That said, demand for our handset display drivers remains relatively stable and we are still having difficulties fulfilling all those demands due to tight foundry supplies.

In response to the uncertain market conditions, we have been managing our production plan and inventory level carefully. Our inventory days at the end of second quarter was 48 days, remained within the normal course of our business, as compared to 52 days a year ago and 42 days a quarter ago.

Despite recent concerns over excess inventory and weakening demand industry-wide, we have seen our gross margin improve since the beginning of the year. We expect this trend to continue primarily due to better product mix, and solid execution of our price strategies and cost reduction measures. In particular, we are pleased to see improved gross margins for some of our major non-driver products. Take our LCOS pico-projector product line for example, with increased shipment and higher capacity utilization, gross margin and gross profit continue to grow. We believe similar economies of scale are taking place in some of our other non-driver product lines, which will eventually be growth drivers of both our top line revenue and bottom line profit in the not too distant future.

Now comes to our guidance. In the third quarter 2010, we expect revenues to decline by 13% to 18%, gross margin to increase by 1-2 percentage points, sequentially, and GAAP earnings per ADS to be in the range of 0-2 cents. Our third quarter GAAP earnings per ADS guidance takes into account our 2010 grant of restricted share units, or RSUs, at the end of September. The 2010 RSUs, subject to Himax's Board approval, is assumed to be valued in the range of $9-10 million, of which approximately 60% will be vested and expensed immediately on the grant date. Excluding share-based compensation and acquisition-related charges, our third quarter 2010 non-GAAP earnings per ADS are expected to be between 4-6 cents.

Now let me turn over to Max Chan, our CFO, for further details on our financials.

Mr. Max Chan

Thank you, Jordan. I will now provide additional details on our second quarter financial results.

For the second quarter, our GAAP operating expenses were $25.3 million, up 7.2% from $23.6 million a year ago and up 2.8% from $24.6 million in the previous quarter. GAAP operating income for the second quarter was $13.0 million, down 12.0% from $14.8 million, in the same period last year and up 28.7% from $10.1 million in the prior quarter.

Excluding share-based compensation and acquisition-related charges, our non-GAAP gross margin for the second quarter was 20.4%, compared to 20.8% a year ago and 19.8% a quarter ago. Non-GAAP operating income for the second quarter was $15.4 million, down from $17.7 million in the same period last year and up from $12.5 million in the previous quarter.

Share-based compensation and acquisition-related charges for the second quarter were $1.7 million and $0.3 million, respectively, compared to $2.1 million and $0.4 million, a year earlier.

Non-GAAP net income was $14.0 million, or 8 cents per ADS, down from $17.9 million or 10 cents per ADS for the same period last year, and up from $11.2 million or 6 cents per ADS in the previous quarter.

In the second quarter, net cash inflow from operating activities was $2.3 million compared to a net cash inflow of $45.8 million in the previous quarter. Our cash, cash equivalents and marketable securities available for sale were $ 157.9 million at the end of June, compared to $161.1 million a quarter ago.

As announced previously, we scheduled our annual cash dividend of 25 cents per ADS, or 12.5 cents per ordinary share to be paid on August 13, 2010, to shareholders of record as of August 6, 2010. The total dividend payout amount is approximately $44 million.

In May, we announced that we are pursuing a TDR listing on the Taiwan Stock Exchange as an alternative to the prior application of a primary listing of our ordinary shares. As Himax is a Cayman Islands company listed on the Nasdaq, a major benefit of a TDR listing for Himax, as opposed to primary listing as initially planned, is that maintenance costs of listing in Taiwan will likely be substantially lower because additional compliance requirements in the case of TDR listing is rather limited. We are preparing our semi-annual financial statements, to be reviewed by our external auditor, as a required procedure for our TDR application. We are also in further discussions with the Taiwan authorities on the details of our TDR mechanism. We will continue to provide updates on our TDR plan as they become available.

As Jordan discussed, excluding share-based compensation and acquisition-related charges, our non-GAAP earnings per ADS guidance for third quarter would be 4 to 6 cents, as compared to the GAAP earnings per ADS guidance for the third quarter of 0 to 2 cents. The difference is primarily due to our 2010 RSUs grant at the end of September. As Jordan mentioned earlier, the total value of the award is expected to be in the range of $9-10 million, of which approximately 60% would be vested and expensed immediately on the grant date, settled in cash, with the balance being vested in three equal installments in three years and amortized over three years accordingly. This vesting and expensing schedule of our annual RSUs grant has been a consistent practice since our IPO in 2006. We are studying a new bonus scheme for 2011, under which the expenses will be expensed more evenly over the four quarters of a year. We will provide further updates in our next earnings call scheduled in early November.

During the quarter, we continued to repurchase our ADSs and thereby cancelled our underlying ordinary shares accordingly. Share repurchases in the second quarter totaled $2.9 million or approximately 1.0 million ADSs. At the end of the second quarter 2010, we had roughly $4.1 million remaining in the current authorized share repurchase plan.

The third quarter 2010 earnings per ADS guidance that Jordan provided earlier is based on the assumption of having 357 million diluted weighted average ordinary shares, with one ADS representing two ordinary shares.

Operator, that concludes our prepared remarks. We can now take any questions.

Jordan's closing remarks

Thank you everyone for taking time to join today's call. We look forward to talking to you again at our next earnings call in early November with an update on our third quarter results.