LIVE CALL INFORMATION	REPLAY INFORMATION
Wednesday, August 10, 2011 7AM Taiwan **Tuesday, August 9, 2011 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 12PM on Tuesday, August 15, 2011 Taiwan Replay Number: +1-858-384-5517 (international) or +1-877-870-5176 (U.S. domestic) Conference ID number: 375533

Operator Intro: Welcome to Himax Technologies' second quarter 2011 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 12PM on Tuesday, August 15, 2011 in Taiwan. The replay dial-in number is 1-858-384-5517 with conference ID number 375533. The replay will also be accessible at www.himax.com.tw.

Joseph Villalta

Thank you, operator. Welcome everyone to Himax's second quarter 2011 earnings call. Joining us from the company are Mr. Jordan Wu, President and Chief Executive Officer, and Mrs. Jessica Pan, Acting 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 1-646-536-7009. 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 results and the Taiwan listing plan to differ 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; shareholders' support on the dual listing plan, changes in either Taiwan or US authorities' policies, Taiwan Stock Exchange and Taiwan authority's acceptance of the Company's Taiwan listing application, changes in capital market conditions in either Taiwan or the US, capital market acceptance of our share offering, the capability to maintain the full two-way fungibility between the Company's ordinary shares and ADSs 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, 2010 filed with SEC on dated May 20, 2011, as amended.

Except for the Company's full year of 2010 financials which were provided on the Company's 20-F, filed with the SEC on May 20, 2011, 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 on today's call.

In today's earnings call I will be reporting our second quarter results and provide outlook for the third quarter of 2011. Our Acting CFO, Jessica Pan, will then provide further details on our financial performance.

On June 20, we reiterated our second quarter guidance. As we will report today, our revenues, gross margin and earnings per ADS were all within our previous guidance.

Our second quarter revenues came in at $160.6 million, representing a 14.5% decline year-over-year and a 13.8% growth sequentially.

Revenues from large panel display drivers were $76.4 million, down 29.1% from a year ago and up 17.7% sequentially. Large panel drivers accounted for 47.6% of our total revenues for the second quarter compared to 57.4% a year ago and 46.0% in the previous quarter.

Revenues from small and medium-sized applications were $62.2 million, down 5.3% from the same period last year and up 4.3% sequentially. Small and medium-sized applications accounted for 38.7% of total revenues for the second quarter, as compared to 35.0% for the same period last year, and 42.3% in the previous quarter.

Non-driver segment continued to perform strongly. Revenues from our non-driver businesses were $22.0 million, up 54.3% from the same period last year and up 32.8% sequentially. The percentage of our non-driver products revenues reached another record high, accounting for 13.7% of our total revenues in the second quarter, as compared to 7.6% a year ago and 11.7% in the previous quarter.

Our GAAP gross margin for the second quarter was 18.6%, as compared to 20.4% a year earlier, and 20.1% in the previous quarter.

For the second quarter, GAAP net income was $3.6 million, or 2 cents per ADS, compared to $12.0 million, or 7 cents per ADS, a year ago, and $2.7 million, or 2 cents per ADS, in the prior quarter.

Now, let me go through the second quarter performance and third quarter outlook for major product lines.

For large panel display drivers, the 17.7% quarterly revenue growth in the second quarter was primarily the result of orders coming from one of our customers in China which was ramping up its new capacity. The third quarter outlook however, appears sluggish for large panel drivers. We are seeing reduced demand for all applications and many of our customers have responded to the uncertain global economy by lowering capacity utilization for large panel products.

The quarterly revenue growth for small and medium size display drivers was just 4.3% in the second quarter, primarily a consequence of the weak feature phone demand particularly in China's white box market. However, we are seeing robust third quarter customer forecast for the cellphone market. Accounting for the bulk of this strong growth momentum will be smart phones from both world leading brands and Chinese manufacturers. We remain the leading player in high end panel drivers for smart phone applications. For example, our industry-leading HD720 high resolution cellphone panel driver has been adopted by first-tier smart phone brands and shipments are expected to commence at the end of the third quarter. The driver IC offers an unrivaled color and brightness enhancement feature which is very popular among our customers.

As mentioned earlier, our non-driver segment continued to contribute positively to our top line growth, particularly the CMOS image sensor and LCOS micro-display products. We expect both products to carry the strong revenue growth momentum into the third quarter.

In our previous earnings calls, we talked about wafer foundry capacity shortage for CMOS image sensor which limited our revenue growth in this segment over the past few quarters. Starting from the second quarter, the shortage situation has been gradually alleviated and we have been able to fulfill more customer orders. We expect the capacity shortage to further loosen going forward. We also continue to make wafer level optics (WLO) and wafer level module (WLM) shipments to leading laptop and handset brands.

We are also seeing increasing demand for our LCOS pico-projector products, particularly for cellphone embedded applications targeting emerging markets. We have therefore embarked on a capacity expansion for our LCOS production line. This expansion requires just a marginal increase in the total investment in our fab and will allow us to increase our monthly panel output from 150,000 units to over 250,000 units.

We are pleased to report that, after a thorough and strict verification process, our touch panel controller has been adopted by a top worldwide smart phone brand. We expect shipment to start at the end of the third quarter. We will build upon this success to broaden our market share in this fast growing market.

Furthermore, our 2D to 3D solution was adopted by several monitor and 3D projector customers. We also integrated the 2D to 3D conversion feature into timing controllers designed for handheld naked-eye 3D panel applications.

Looking into the third quarter, the TFT-LCD industry is suffering from weak end market demand and general concerns for the outlook of the global economy. Many customers are evaluating whether they should further reduce capacity utilization. We are therefore seeing lower-than-usual visibility for orders and forecasts provided to us by our customers.

Despite the negative market sentiment, we remain committed to continue the execution of our strategy toward building a more balanced product portfolio and customer base, which, we believe, will lead to long term improvement in both our gross margin and bottom line. We have seen significant progress in diversification of our revenue stream, with small and medium panel business expected to replace large panel to become our largest revenue contributor in the third quarter. We also expect non-driver to approach 15% of our total sales soon. Our immediate challenge is to improve our overall gross margin, particularly by bringing up the gross margins of the two fastest growing non-driver product lines: CMOS image sensor and LCOS micro-display.

As we reported in the previous earnings call, our CMOS image sensor, the fastest growing non-driver product line, is suffering from low margin as we are still shipping a relatively high proportion of older generation products, which will gradually be replaced by a newer generation of products with improved cost and margin. While we are confident that our margin in this segment will improve as our customers make the switch, we are seeing third quarter gross margin from our sensor product line still lower than our overall average.

The LCOS capacity expansion we mentioned earlier will also lead to short-term gross margin pressure. This is because the expansion involves relocation of certain facilities during the third quarter. We will therefore have reduced capacity utilization and may suffer a temporary yield loss during the relocation process. As a result, the LCOS product line will still not make a positive contribution to our overall gross margin, despite its anticipated revenue growth.

We also mentioned in the previous earnings call that we faced low production yield and certain product rework charges in the second quarter when starting to ship wafer level optics to a leading handset brand for the first time. We do foresee a steady yield improvement in the third quarter.

We believe these are crucial and necessary investments in the short term that will allow us to execute our long-term strategy. We are not satisfied with the current profitability and will by all means do our best to shorten this painful period where gross margin is not improved while R&D expense stays high at a time when we are bringing up the non-driver products. We remain confident in our long-term outlook and we are fully committed to enhancing shareholder value. We paid out an annual cash dividend of $21.2 million, or $0.12 per ADS, on July 20, 2011. In addition, we announced a $25 million share buyback program as we are confident on the long term prospect of our share price. Jessica will elaborate on that later on.

Moving to the third quarter, we expect revenues to remain flat or to decline slightly with gross margin to remain at the current level. Taking into account our 2011 grant of restricted share units, or RSUs, at the end of September, our GAAP loss per ADS is expected to be in the range of 2 to 0 cents. Excluding share-based compensation and acquisition-related charges, our non-GAAP earnings per ADS is expected to be in the range of 0 to 2 cents.

Our 2011 RSUs, subject to Himax's Board approval, is projected to be valued in the range of $3 million to $4 million, representing a 56% to 67% decline year over year. Almost all of the 2011 RSU is expected to be vested and expensed immediately on the grant date.

<u>Now let me turn over to Jessica Pan, our Acting CFO, for further details on our financials.</u>

Mrs. Jessica Pan

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

For the second quarter, our GAAP operating expenses were $26.5 million, up 4.7% from $25.3 million a year ago and up 2.8% from $25.8 million in the previous quarter.

GAAP operating income for the second quarter was $3.4 million, down from $13.0 million in the same period last year and up from $2.5 million in the previous quarter.

Excluding share-based compensation and acquisition-related charges, our non-GAAP gross margin for the second quarter was 18.6%, as compared to 20.4% a year ago and 20.1% a quarter ago. Non-GAAP operating income for the second quarter was $5.1 million, down from $15.4 million in the same period last year and up from $4.3 million in the previous quarter.

Share-based compensation and acquisition-related charges for the second quarter and first quarter were both $1.0 million and $0.4 million, respectively, as compared to $1.7 million and $0.3 million a year earlier.

Non-GAAP net income in the second quarter was $5.0 million, or 3 cents per ADS, down from $14.0 million or 8 cents per ADS for the same period last year, and up from $4.1 million or 2 cents per ADS in the previous quarter.

Our cash, cash equivalents and marketable securities available for sale were $104.1 million at the end of June, down from $116.4 million a quarter ago. On July 20, 2011, we paid out our annual cash dividend of $0.12 per ADS, totaled $21.2 million.

As Jordan mentioned earlier, in addition to the cash dividend, we announced a $25 million share buyback program on June 20, 2011 to repurchase our ADSs and thereby cancel the underlying ordinary shares accordingly. Share repurchases up to the end of July totaled $0.6 million or approximately 0.3 million ADSs. At the end of the July 2011, we had roughly $24.4 million remaining in the current authorized share repurchase plan.

Inventories at the end of June were $124.4 million, compared to $130.1 million a quarter ago.

Net cash outflow from operating activities for the second quarter was $3.5 million as compared to a cash inflow of $12.2 million in the previous quarter.

The third quarter 2011 guidance that Jordan provided earlier is based on the assumption of having 355 million diluted weighted average ordinary shares, with one ADS representing two ordinary shares.

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

Jordan's closing remarks

Thank you everyone for taking the time to join today's call. We look forward to talking with you again at our next earnings call in early November. Thank you.