**Operator Intro:** Welcome to Himax Technologies' fourth quarter and full year 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 1PM on Wednesday, February 16, 2011 in Taiwan. The replay dial-in number is 1-858-384-5517 with account number 3055 and conference ID number 364670. The replay will also be accessible at www.himax.com.tw.

**Joseph Villalta**

Thank you, operator. Welcome everyone to Himax's fourth quarter and full year 2010 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, 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.
Thank you Joseph and thank you everyone for joining us on today’s call.

In today’s earnings call, in addition to reporting our performance in the fourth quarter, I will also summarize our results for 2010 and highlight key milestones we achieved last year. I will then provide our outlook for the first quarter 2011 and outline our strategic focus areas for 2011. Our Acting CFO, Jessica Pan, will then provide further details on our financial performance.

**2010 Q4 Results**

To begin, our fourth quarter results were either in line or better than the guidance we provided in the previous earnings call. Our revenue and GAAP earnings per share were better than we had guided, while our gross margin came in line with our forecast.

Our fourth quarter revenues came in at $141.2 million, representing a 21.0% decline year-over-year and a 2.1% growth sequentially.

Revenues from large panel display drivers were $71.1 million, down 44.6% from a year ago and down 1.9% sequentially. Large panel drivers accounted for 50.3% of our total revenues for the fourth quarter compared to 71.8% a year ago and 52.4% in the previous quarter.

Revenues from small and medium-sized applications continued to substantially outpace those from large panels. They were $57.5 million, up 52.3% from the same period last year and up 6.1% sequentially. Small and medium-sized applications accounted for 40.7% of total revenues for the fourth quarter, as compared to 21.1% for the same period last year, and 39.2% in the previous quarter.

Revenues from our non-driver businesses were $12.6 million, down 0.4% from the same period last year and up 8.6% sequentially. Our non-driver products accounted for 9.0% of our total revenues as compared to 7.1% a year ago and 8.4% in the previous quarter.

Our GAAP gross margin for the fourth quarter was 21.5%, as compared to 20.0% a year earlier, and 22.9% in the previous quarter.
For the fourth quarter, GAAP net income was $11.7 million, or 7 cents per ADS, compared to $11.0 million, or 6 cents per ADS, a year ago, and $0.4 million, or 0.3 cents per ADS, in the prior quarter.

Earnings per ADS for the fourth quarter were higher than we had anticipated primarily due to the lower-than-expected R&D expenses.

**Impact of FX**

As has been our standard practice for years, virtually all of our revenues and costs of goods sold are priced in US dollars. We are therefore naturally hedged in terms of gross margin from foreign exchange fluctuation. Also as a way to obtain a natural hedge for our US dollar based balance sheet, we keep essentially all of our cash in US dollars. However, we do maintain a small portion of cash in NT dollars and other non-US-dollar foreign currencies for local working capital purposes. We may therefore still incur some foreign exchange gains or losses from time to time.

**2010 Whole Year Summary**

Now let me summarize our 2010 performance. 2010 was a year full of both challenges and excitement. While we lost share in large panel drivers, we also gained a lot of ground in small and medium size panels. Meanwhile, we also picked up strong momentum last year across all of our non-driver businesses, which we have cultivated for a long time. We believe the strong momentum will continue into this year and beyond.

Compared to smaller panels, large-panel drivers have become a market with customer concentration becoming a way of life as the amount of capital required to build a new generation fab represents a very high barrier for entry. We suffered from a significant decline in large panel driver business last year primarily because one of our major large panel customers decided to diversify their driver IC supply base. However, we were able to grow our small and medium-sized driver businesses and significantly expand our market share there. The market for smaller size panels is a lot more fragmented with a much larger number of customers participating in the market space. The fact that we were able to achieve outstanding performance in this area
last year was a strong demonstration of our continued competitiveness in the driver IC industry. Meanwhile, our non-driver products remain on an excellent growth track, showing strong momentum and likely to reach a double digit percentage of our total revenue in the near future.

Our revenues totaled $642.7 million in 2010, representing a 7.2% decline year-over-year. The decline was caused by the 25.7% year over year reduction of large-panel drivers, which represented 57.0% of 2010 revenue, as compared to 71.3% in 2009. We don't expect further loss of market share for large-sized drivers with our existing major customers for this year. Moreover, we are confident that we will gain share in China where there are aggressive panel capacity expansion plans offering attractive new driver business opportunities in the near term, especially in the large panel segment.

Small-and medium-sized drivers, on the other hand, grew 46.5% year over year, representing 34.8% of our total revenue, as compared to 22.0% a year ago. This strong growth momentum in the small and medium drivers will continue into this year, thanks to the expanding markets for several emerging product segments, especially smart phones and tablet PCs.

Non-driver products grew 13.8% year over year, representing 8.2% of our total sales, as compared to 6.7% a year ago. We achieved numerous milestones for non-driver products in 2010. Firstly, 2010 was the year when we commenced mass production for several new product areas, including CMOS image sensors, wafer-level optics, wafer-level camera modules, 2D to 3D conversion solutions and touch controller ICs. These milestones are illustrations of our strong R&D capability and our commitment to a more diversified product portfolio. It has also paved the way for strong long term growth. Moreover, our LCOS pico-projector solutions, power management ICs and WLED drivers all showed significant year-over-year shipment and revenue growth in 2010. We are confident that the strong momentum will continue into 2011 and beyond for every non-driver product segment.

Gross margin in 2010 was 21.0% compared to 20.5% in 2009. Our net income was $33.2 million, or 19 cents per ADS, compared to $39.7 million, or 21 cents per ADS in the previous year. We expect to see contribution from our non-driver products to our gross profit and bottom line this year, on top of their contributions to the top line. Other than a short period of ramping time in the initial stage of mass production, each of our non-driver products exhibits higher gross
margin than our driver products. We believe, with further ramp-up in non-driver products, we will be able to improve our gross margin from the current level.

2011 Outlook

Entering into 2011, we are seeing encouraging signs in literally all aspects of our businesses, including large panel driver business where we suffered last year. We are therefore optimistic that our business is bottoming out and we are on track again to see top line and bottom line growth starting this year, following three years of decline. Equally important, looking ahead, we foresee a more balanced business portfolio with the large panel driver business accounting for a smaller percentage of our total sales. We also anticipate small panel drivers and non-drivers, which do not rely on a small number of large customers, to contribute significantly to our total sales.

We have just talked about our overall outlook for our driver IC products for the year. Now let me run through each non-driver area briefly. CMOS image sensor is and will continue to be a fast-growing area for us. We currently offer VGA, 1.3 mega pixel, HD, 2 mega pixel and 3 mega pixel products focusing on handset and notebook camera modules. While we are a new comer to the market, our sensors have been highly praised by several customers with leading market positions to have outperformed those offered by the incumbent players in terms of image quality. Consequently we have won numerous design-wins from customers ranging from camera module makers, contract manufacturers to system integrators with world leading brand names. While our current shipments are handicapped by the serious wafer foundry capacity shortage from which the industry is suffering, we remain confident that we will deliver phenomenal volume growth and strong market expansion this year. To what extent our sensor products will grow this year will depend largely on the availability of foundry capacity.

Touch controller is another very exciting area for us where we offer solutions for capacitive and multi-touch resistive touch panels. During the fourth quarter of 2010 we began shipping projected capacitive touch controller ICs to a leading Chinese brand customer for their MID application. Our analog multi-touch resistive touch controllers received Windows 7 certification for medium and large panel applications. We are now working closely with several touch panel makers and a number of world-leading handset and tablet PC brand names who are using our projected capacitive solutions primarily. While we still have a limited shipping record, we are
excited about such first tier design-wins as they are a strong endorsement to our technology. We will leverage our leading market share in the small- and medium-panel drivers and solid customer relationships we have built over the years for the long term success in this fast growing segment.

Moreover, 2D to 3D conversion is gradually becoming a popular feature for all kinds of electronic devices with a 3D display. Our innovative world-leading 2D to 3D conversion solutions have been adopted by first-tier TV brands in China and Japan and we are working with additional leading brands in new product development. We are also pioneers in introducing new features such as eye-protection for our next generation products, which have attracted the attention of numerous TV makers.

We recently made two announcements regarding our latest progress in LCOS pico-projectors. The first announcement was the partnership with Faraday for the world’s first USB 3.0 pico-projector solution, which offers an unprecedented real-time, seamless and high-quality video streaming projection for customers. The other was with our customer, Compal Communication Inc., which adopted our proprietary color filter type LCOS microdisplay in their newly-launched robot product for toy market. These new applications reflect the dynamics and diversity of the pico-projector solutions. We believe that new applications of LCOS pico-projector will surface with further development and innovation in products.

Furthermore, our analog product line has been contributing stable and above average gross margins. With the increasing penetration of LED panels, our WLED driver segment experienced strong growth in 2010 and we expect the momentum to continue into this year. In addition, we are expecting several major project wins for our integrated power ICs in 2011 which are to be used for large-sized applications.

2011 will be marked as a year of transition for us. Seeing the exciting upside potential, we continue to invest heavily on R&D, which will result in less than satisfactory first quarter profitability, as will be provided by the guidance below. Nevertheless, we believe we will be able to grow both our top and bottom lines each quarter during 2011.

TDR Plan
Another important task for this year is the listing of our planned Taiwan Depositary Receipts, or TDR. The filing, however, can only be made after the publication of the 2010 full year US GAAP audited financial reports, which is scheduled for the end of April. Prior year audited financial report is one of the essential documents required for official TDR application with the Taiwan Stock Exchange. We expect the issuance of TDR will provide a more convenient platform for our Asia-based investors and would help better reflect our corporate value through increased liquidity. We will provide application updates along the way.

Q1 Guidance

Moving to our first quarter 2011 guidance, we expect revenues to remain flat or go up slightly, with our non-driver products to account for over 10% of the total sales, the first time in our history. However, we expect gross margin to decline within 1 percentage point. The decline in gross margin is primarily due to certain ramping-up expenses involved in non-driver products in their early stage of mass production. With further shipment ramp-up, we do expect non-driver products to contribute positively to our overall gross margin soon after this quarter. As mentioned earlier, R&D expenses are projected to increase from last quarter. Finally, our GAAP earnings per ADS is expected to be in the range of 1-2 cents.

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

Mrs. Jessica Pan

Thank you, Jordan. I will now provide additional details for our fourth quarter and full year 2010 financial results.

For the fourth quarter, our GAAP operating expenses were $17.4 million, down 23.1% from $22.7 million a year ago and down 46.1% from $32.4 million in the previous quarter. The significant sequential reduction in operating expenses was primarily due to the recovery of SVA-NEC bad debt expense and the higher RSU amount expensed in the third quarter. As we mentioned in our last earnings call in November, we recovered $8.6 million in cash in October from the $25.3 million of bad debt we wrote off during the fourth quarter of 2008 for the default of SVA-NEC. This recovery led to lower operating expenses for us in the fourth quarter. Also, our third quarter operating expenses were high because we granted our 2010 RSUs, or
Restricted Share Units, at the end of the third quarter. Of the $9 million RSUs, about 65.0% were vested and expensed immediately on September 28, the day of the grant.

GAAP net income for the fourth quarter was $11.7 million, or 7 cents per ADS, up from $11.0 million, or 6 cents per ADS in the same period last year. Excluding the SVA-NEC bad debt recovery and its associated tax benefit at the time of the bad debt expense was charged, our net income for the fourth quarter was $5.4 million, or 3 cents per ADS.

Excluding share-based compensation and acquisition-related charges, our non-GAAP gross margin for the fourth quarter was 21.5%, as compared to 20.0% a year ago and 23.0% a quarter ago. Non-GAAP operating income for the fourth quarter was $14.5 million, down from $15.4 million in the same period last year and up from $7.3 million in the previous quarter.

Share-based compensation and acquisition-related charges for the fourth quarter were $0.9 million and $0.4 million, respectively, as compared to $1.5 million and $0 million, a year earlier.

Non-GAAP net income in the fourth quarter was $13.0 million, or 7 cents per ADS, up from $12.6 million or 7 cents per ADS for the same period last year, and up from $7 million or 4 cents per ADS in the previous quarter.

Our cash, cash equivalents and marketable securities available for sale were $105.5 million at the end of December, up from $82.6 million a quarter ago.

Inventories at the end of 2010 were $118.0 million, compared to $111.7 million a quarter ago. While we were able to digest old inventories from the previous quarter, we had a slight increase in inventories at the quarter end primarily due to build-up of new stocks resulted from sudden changes in customers’ orders. We will work toward bringing down our inventory level at the end of this quarter.

Net cash inflow from operating activities for the fourth quarter was $29.8 million as compared to a net cash outflow of $20.3 million in the previous quarter.

In terms of 2010 full year performance, our GAAP operating expenses were $99.7 million as compared to $98.3 million a year earlier.
GAAP net income in the year of 2010 was $33.2 million, or 19 cents per ADS, compared to $39.7 million, or 21 cents per ADS, in 2009.

Excluding share-based compensation and acquisition-related charges, our non-GAAP gross margin for the year 2010 was 21.0%, as compared to 20.5% last year. Non-GAAP operating income for the year 2010 was $49.7 million, as compared to $60.8 million in 2009.

Share-based compensation and acquisition-related charges for 2010 were $10.6 million and $1.5 million, respectively, as compared to $12.8 million and $1.2 million in 2009.

Non-GAAP net income was $45.2 million, or 25 cents per ADS, as compared to $53.6 million, or 29 cents per ADS in the previous year.

The first quarter 2011 earnings per ADS guidance that Jordan provided earlier is based on the assumption of having 356 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 May. Thank you.