

Himax Technologies, Inc.
Form 20-F
April 15, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 000-51847

HIMAX TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

CAYMAN ISLANDS

(Jurisdiction of incorporation or organization)

**NO. 26, ZIH LIAN ROAD
SINSHIH DISTRICT, TAINAN CITY 74148
TAIWAN, REPUBLIC OF CHINA**

(Address of principal executive offices)

Jackie Chang

Chief Financial Officer

Telephone: +886-2-2370-3999

E-mail: jackie_chang@himax.com.tw

Facsimile: +886-2-2314-0877
10F, No. 1, Xiangyang Road
Taipei 10046
Taiwan, Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value \$0.3 per ordinary share	The NASDAQ Global Select Market Inc.*

* Not for trading, but only in connection with the listing on the NASDAQ Global Select Market, Inc. of American Depositary Shares representing such Ordinary Shares

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 341,049,418 Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
x Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer x Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

Edgar Filing: Himax Technologies, Inc. - Form 20-F

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

TABLE OF CONTENTS

	<u>Page</u>
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	4
CERTAIN CONVENTIONS	4
PART I	6
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	6
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	6
ITEM 3. KEY INFORMATION	6
3.A. Selected Financial Data	6
3.B. Capitalization and Indebtedness	8
3.C. Reason for the Offer and Use of Proceeds	8
3.D. Risk Factors	9
ITEM 4. INFORMATION ON THE COMPANY	30
4.A. History and Development of the Company	30
4.B. Business Overview	31
4.C. Organizational Structure	54
4.D. Property, Plant and Equipment	56
ITEM 4A. UNRESOLVED STAFF COMMENTS	56
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	56
5.A. Operating Results	56
5.B. Liquidity and Capital Resources	73
5.C. Research and Development	74
5.D. Trend Information	74
5.E. Off-Balance-Sheet Arrangements	75
5.F. Tabular Disclosure of Contractual Obligations	75
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	76
6.A. Directors and Senior Management	76
6.B. Compensation of Directors and Executive Officers	77
6.C. Board Practices	78
6.D. Employees	80
6.E. Share Ownership	83
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	83
7.A. Major Shareholders	83
7.B. Related Party Transactions	84
7.C. Interests of Experts and Counsel	85
ITEM 8. FINANCIAL INFORMATION	85
8.A. Consolidated Statements and Other Financial Information	85
8.B. Significant Changes	86
ITEM 9. THE OFFER AND LISTING	86
9.A. Offer and Listing Details	86
9.B. Plan of Distribution	87
9.C. Markets	87
9.D. Selling Shareholders	87
9.E. Dilution	87
9.F. Expenses of the Issue	87
ITEM 10. ADDITIONAL INFORMATION	87
10.A. Share Capital	87

10.B. Memorandum and Articles of Association	87
10.C. Material Contracts	88
10.D. Exchange Controls	88
10.E. Taxation	88
10.F. Dividends and Paying Agents	91
10.G. Statement by Experts	91
10.H. Documents on Display	91

10.I. Subsidiary Information	91
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	91
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	92
12.A. Debt Securities	92
12.B. Warrants and Rights	92
12.C. Other Securities	92
12.D. American Depositary Shares	92
PART II	93
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	93
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	93
ITEM 15. CONTROLS AND PROCEDURES	93
ITEM 16. [RESERVED]	95
16.A. Audit Committee Financial Expert	95
16.B. Code of Ethics	95
16.C. Principal Accountant Fees and Services	95
16.D. Exemptions from the Listing Standards for Audit Committees	96
16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	96
16.F. Change in Registrant's Certified Accountant	97
16.G. Corporate Governance	97
16.H. Mine Safety Disclosure	97
PART III	97
ITEM 17. FINANCIAL STATEMENTS	97
ITEM 18. FINANCIAL STATEMENTS	97
ITEM 19. EXHIBITS	99

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Although these forward-looking statements, which may include statements regarding our future results of operations, financial condition, or business prospects, are based on our own information and information from other sources we believe to be reliable, you should not place undue reliance on these forward-looking statements, which apply only as of the date of this annual report. The words “anticipate,” “believe,” “expect,” “intend,” “plan,” “estimate” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Our actual results of operations, financial condition or business prospects may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including, among other things and not limited to, our anticipated growth strategies, our and our customers’ future business developments, results of operations and financial condition, our ability to develop new products, the future growth and pricing trend of the display driver markets, the future growth of end-use applications that use flat panel displays, particularly TFT-LCD panels, development of alternative flat panel display technologies, market acceptance and competitiveness of the driver and non-driver products developed by us, our ability to protect intellectual property, changes in customer relations and preference, shortage in supply of key components, our ability to collect accounts receivable and manage inventory, changes in economic and financial market conditions, and other factors. For a discussion of these risks and other factors, please see “Item 3.D. Key Information Risk Factors.”

CERTAIN CONVENTIONS

Unless otherwise indicated, all translations from U.S. dollars to NT dollars in this annual report were made at a rate of \$1.00 to NT\$29.83, the exchange rates set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States (the “Federal Reserve Board”) on December 31, 2013. No representation is made that the NT dollar amounts referred to herein could have been or could be converted into U.S. dollars at any particular rate or at all. On April 4, 2014, the noon buying rate was \$1.00 to NT\$30.20. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Unless otherwise indicated, in this annual report,

the terms “we,” “us,” “our company,” “our,” and “Himax” refer to Himax Technologies, Inc., its predecessor entities and subsidiaries;

the term “Himax Taiwan” refers to Himax Technologies Limited, our wholly owned subsidiary in Taiwan and our predecessor;

“shares” or “ordinary shares” refers to our ordinary shares, par value \$0.3 per share;

“RSUs” refers to restricted share units;

“ADSs” refers to our American depositary shares, each of which represents two ordinary shares;

“ADRs” refers to the American depositary receipts that evidence our ADSs;

“ROC” or “Taiwan” refers to the island of Taiwan and other areas under the effective control of the Republic of China;

“PRC” or “China” for purposes of this annual report refers to the People’s Republic of China, excluding Taiwan and the special administrative regions of Hong Kong and Macau;

“AMOLED” refers to active matrix organic light-emitting diode;

“ASIC” refers to application specific integrated circuit;

“CMOS” refers to complementary metal oxide semiconductor;

“head-mounted-display” refers to a display device, worn on the head or as part of a helmet, that has a small display optic in front of one or each;

“IC” refers to integrated circuit;

“IGZO” refers to indium gallium zinc oxide;

“Innolux” refers to Innolux Corporation, its predecessor and consolidated subsidiaries, unless the context otherwise requires;

“LCOS” refers to liquid crystal on silicon;

“LED” refers to light-emitting diode;

“LTPS” refers to low temperature poly silicon;

“MEMS” refers to micro-electro mechanical systems;

“OLED” refers to organic light-emitting diode;

“TFT-LCD” refers to amorphous silicon thin film transistor liquid crystal display, or “a-Si TFT-LCD”;

“VGA” refers to Video Graphics Array;

“wafer level optics” are optical products manufactured using semiconductor process on wafers;

“processed tape” refers to polyimide tape plated with copper foil that has a circuit formed within it, which is used in tape-automated bonding packaging;

“semiconductor manufacturing service providers” refers to third-party wafer fabrication foundries, gold bumping houses, and assembly and testing houses;

“large-sized panels” refers to panels that are typically above ten inches in diagonal measurement;

“small and medium-sized panels” refers to panels that are typically around ten inches or less in diagonal measurement;

all references to “New Taiwan dollars,” “NT dollars” and “NT\$” are to the legal currency of the ROC; and

all references to “dollars,” “U.S. dollars” and “\$” are to the legal currency of the United States.

On August 10, 2009, we effected: (i) a stock split in the form of a stock dividend of 5,999 ordinary shares for each ordinary share held by shareholders of record, followed by a consolidation of every 3,000 ordinary shares into one ordinary share; (ii) a change of the par value of our ordinary shares from \$0.0001 each to \$0.3 each; and (iii) a change in our ADS ratio from one ADS representing one ordinary share to one ADS representing two ordinary shares. See “Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders” for more information. Unless otherwise indicated, all shares, per share and share equity data in this annual report have been retroactively adjusted to reflect the effect of the stock split and the change in par value for all periods presented.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

The selected consolidated statement of income data and selected consolidated cash flow data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012 and 2013 are derived from our audited consolidated financial statements included herein, which were prepared in accordance with U.S. GAAP. The selected consolidated statement of income data and selected consolidated cash flow data for the years ended December 31, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009, 2010 and 2011 are derived from our audited consolidated financial statements that have not been included herein and were prepared in accordance with U.S. GAAP. Our historical results do not necessarily indicate results expected for any future periods. The selected financial data set forth below should be read in conjunction with “Item 5. Operating and Financial Review and Prospects” and the consolidated financial statements and the notes to those statements included herein.

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands, except per share data)				
Consolidated Statement of Income Data:					
Revenues from third parties, net	\$ 245,075	\$ 304,068	\$ 374,788	\$ 485,281	\$ 684,184
Revenues from related parties, net	447,306	338,624	258,233	251,974	86,555
Costs and expenses ⁽¹⁾ :					
Cost of revenues	550,556	507,647	507,449	566,700	578,886
Research and development	71,364	76,426	79,042	70,913	80,368
General and administrative	16,346	18,770	17,095	17,139	18,147
Bad debt expense (recovery)	218	(8,788)	(1,541)	-	173
Sales and marketing	10,360	13,279	14,368	15,443	18,822
Operating income	\$ 43,537	\$ 35,358	\$ 16,608	\$ 67,060	\$ 74,343
Net income ⁽²⁾	\$ 35,810	\$ 29,066	\$ 9,507	\$ 50,138	\$ 55,924
Net income attributable to Himax stockholders	\$ 39,650	\$ 33,206	\$ 10,706	\$ 51,596	\$ 61,476
Earnings per ordinary share attributable to Himax stockholders ⁽²⁾ :					
Basic	\$ 0.11	\$ 0.09	\$ 0.03	\$ 0.15	\$ 0.18

Edgar Filing: Himax Technologies, Inc. - Form 20-F

Diluted	\$ 0.11	\$ 0.09	\$ 0.03	\$ 0.15	\$ 0.18
Earnings per ADS attributable to Himax stockholders:					
Basic	\$ 0.21	\$ 0.19	\$ 0.06	\$ 0.30	\$ 0.36
Diluted	\$ 0.21	\$ 0.19	\$ 0.06	\$ 0.30	\$ 0.36
Weighted-average number of ordinary shares used in earnings per share computation:					
Basic	369,652	355,037	353,771	341,056	340,423
Diluted	370,229	355,690	353,827	341,524	343,618
Weighted-average number of ADS equivalent used in earnings per share computation:					
Basic	184,826	177,518	176,886	170,528	170,211
Diluted	185,115	177,845	176,914	170,762	171,809
Cash dividends declared per ordinary share ⁽³⁾	\$ 0.150	\$ 0.125	\$ 0.060	\$ 0.032	\$ 0.125
Cash dividends declared per ADS	\$ 0.300	\$ 0.250	\$ 0.120	\$ 0.063	\$ 0.250

Note: (1) The amount of share-based compensation included in applicable costs and expenses categories is summarized as follows:

Edgar Filing: Himax Technologies, Inc. - Form 20-F

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Cost of revenues	\$ 264	\$ 240	\$ 124	\$ 176	\$ 235
Research and development	10,936	8,803	5,062	5,625	6,705
General and administrative	1,959	1,525	872	1,191	1,308
Sales and marketing	1,902	1,613	1,005	1,230	1,425
Total	\$ 15,061	\$ 12,181	\$ 7,063	\$ 8,222	\$ 9,673

Of the \$15.1 million, \$12.2 million, \$7.1 million, \$8.2 million and \$9.7 million in share-based compensation in 2009, 2010, 2011, 2012 and 2013, \$6.5 million, \$5.9 million, \$2.9 million, \$6.3 million and \$7.8 million were settled in cash, respectively.

(2) Under the ROC Statute for Upgrading Industries, we are exempt from income taxes for income attributable to expanded production capacity or newly developed technologies. The effect of such tax exemption on our historical results was an increase on net income and basic and diluted earnings per share attributable to our stockholders of \$9.4 million, \$0.03 and \$0.03, respectively, for the year ended December 31, 2009, \$3.6 million, \$0.01 and \$0.01, respectively, for the year ended December 31, 2010, \$0.8 million, \$0.002 and \$0.002, respectively, for the year ended December 31, 2011, \$2.9 million, \$0.01 and \$0.01, respectively, for the year ended December 31, 2012 and \$2.4 million, \$0.01 and \$0.01, respectively, for the year ended December 31, 2013. A portion of these tax exemptions expired or will expire on December 31, 2012, December 31, 2013 and December 31, 2018.

(3) The above cash dividends should not be considered representative of the dividends that would be paid in any future periods or our dividend policy. See “Item 8.A.8. Financial Information Dividends and Dividend Policy” for more information on our dividends and our dividend policy.

	As of December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 110,924	\$ 96,842	\$ 106,164	\$ 138,737	\$ 127,320
Accounts receivable, net	64,496	80,212	101,280	135,747	200,725
Accounts receivable from related parties, net	138,172	95,964	79,833	73,258	-
Inventories	67,768	117,988	112,985	116,671	177,399
Total current assets	423,797	485,924	515,709	567,088	639,657
Total assets	550,448	619,620	644,978	674,598	759,327
Accounts payable	88,079	115,922	134,353	135,546	151,290
Total current liabilities	120,651	205,748	245,360	242,117	303,833
Total liabilities	126,376	212,644	249,920	246,440	307,112
Redeemable noncontrolling interest	-	-	-	-	3,656
Ordinary shares	107,404	106,153	107,010	107,010	107,010
Total equity	424,072	406,976	395,058	428,158	448,559

Note:Himax Display, Inc., a consolidated subsidiary of our company, issued redeemable convertible preferred shares to a non-controlling shareholder. The noncontrolling shareholder may, solely at its option, convert their preferred shares at any time into ordinary shares of Himax Display, Inc. on a one to one basis. The redeemable noncontrolling interest was originally recognized on the balance sheet at fair value. Each reporting period, the redeemable noncontrolling interest is presented at the greater of its carrying amount or redemption value. Changes in value from

period to period are charged to Himax stockholders on our consolidated balance sheets.

7

	Year Ended December 31,				
	2009	2010	2011	2012	2013
(in thousands)					
Consolidated Cash Flow Data:					
Net cash provided by operating activities	\$ 73,630	\$ 57,631	\$ 43,448	\$ 52,167	\$ 51,123
Net cash used in investing activities	(7,541)	(17,599)	(10,197)	(695)	(30,525)
Net cash used in financing activities	(90,779)	(54,195)	(24,015)	(18,931)	(32,103)

Exchange Rate Information

The following table sets forth the average, high, low and period-end noon buying rates between NT dollars and U.S. dollars for the periods indicated. The exchange rates reflect the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Noon Buying Rate			Period-end
	Average ⁽¹⁾	High	Low	
2009	32.96	35.21	31.95	