

LIVE CALL INFORMATION	REPLAY INFORMATION
<b>Friday, November 2, 2007 7AM Taiwan</b> <b>Thursday, November 1, 2007 7PM NYC</b> <b>CEO / CFO Number: 1-201-689-8561</b> <b>Listener Call Number: 1-201-689-8560</b>	Accessible 2 hours after the call through noon on Friday, November 9, 2007 Taiwan Replay Number: 1-201-612-7415 Account number: 3055 Conference ID number: 258193

**Operator Intro:** Welcome to Himax Technologies third quarter 2007 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 the 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 Friday, November 9, 2007 in Taiwan. The replay dial-in number is 1-201-612-7415 with account number 3055 and conference ID number 258193. The replay will also be accessible at [www.himax.com.tw](http://www.himax.com.tw).

David

Thank you operator. Welcome everyone to Himax's third quarter 2007 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.

If you have not yet received a copy of today's results release, please call The Ruth Group at 646-536-7003. Or you can get a copy off of Himax's website.

Before we begin the formal remarks, the Company's attorneys advise that certain statements in this conference call, including statements regarding expected future financial results and industry growth, 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 to differ include general business and economic conditions and the state of the semiconductor industry; level of competition; demand for end-use applications products; reliance on a small group of principal customers; continued success in technological innovations; ability to develop and protect our intellectual property; pricing pressures including declines in average selling prices; changes in customer order patterns; shortages in supply of key components; changes in environmental laws and regulations; exchange rate fluctuations; regulatory approvals for further investments in our subsidiaries; and other risks described from time to time in the Company's SEC filings, including its Form 20-F dated June 22, 2007, as amended.

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 David and thank you everyone for joining us on today's call.

I will now start with a brief highlight of Himax's performance during the third quarter of 2007 and discuss the outlook for the fourth quarter of 2007. Max, our CFO, will then provide further details on our financial performance.

Our third quarter revenues came in within our guidance. At the same time, both gross margin and EPS were able to beat our guidance. This was another strong quarter for us.

In the third quarter, we achieved record high net revenues of \$243.3 million, representing a 37.4% growth year-over-year and a 9.2% growth sequentially. The increase in revenue was primarily due to increase in demand for large applications products, especially TV, as we enter the strong season in the second half of the year.

Revenues from large panel display drivers were up 29.1% from the same period last year, or up 10.0% sequentially and accounted for approximately 82.9% of our total revenues in the third quarter. Customers maintained high level of fab utilization to meet high demands for all of TV, monitor and notebook panels as holiday season approaches.

Revenues from small- and medium-sized display drivers grew 118.5% year-over-year and grew 2.6% sequentially. Small- and medium-sized revenue accounted for about 14.2% of our total revenues. While demand for handset in the third quarter was strong, capacity constrained at the panel maker's level limited our handset shipments.

Our gross margin was 22.5% in the third quarter of 2007, up 510 basis points year-over-year and 210 basis points sequentially. We are pleased that we were able to improve our gross margin for the fourth consecutive quarter. This positive trend showed the results of our continued efforts in diversifying our product offering and supplier base.

Our GAAP operating income was \$19.9 million, up almost twenty-five folds from approximately \$800 thousand in the same period last year, and down from \$24.9 million in the previous quarter.

The year-over-year increase was a result of achieving record high quarterly revenue, improving gross margin from a historical low level in the same period last year, and maintaining our operating expense at a relatively stable level. The sequential decline is primarily due to granting of our 2007 RSUs at the end of September.

Our GAAP net income came in at \$21.8 million, up seven folds from \$2.6 million in the same period last year, and down from \$26.8 million in the previous quarter. EPS was \$0.11, as compared to \$0.01 in the same period last year and \$0.14 in the previous quarter.

Excluding share-based compensation and acquisition-related charges, we achieved a record-high non-GAAP operating income of \$36.2 million, up significantly from \$12.2 million in the same period last year, and up from \$28.1 million in the previous quarter. Also, we posted a record-high non-GAAP net income of \$38.0 million, up considerably from \$14.1 million in the same period last year, and up from \$30.0 million in the previous quarter. Non-GAAP EPS of \$0.19, also a record-high, was up from \$0.07 in the same period last year and up from \$0.15 in the previous quarter.

We made a 2007 annual RSU grant of approximately \$26.4 million of which approximately 54.5% was paid out in cash and vested and expensed immediately. The remainder of the 2007 grant will be paid in restricted share units, which will be vested in three equal installments over the next three years, resulting in a maximum of approximately 1.5% dilution to our total shares outstanding. Max will provide more details on the 2007 RSU grant.

On October 12, we announced plans to spin-off our TV and monitor chipset operation, which will be named Himax Media Solutions, Inc., a wholly-owned subsidiary of Himax Taiwan upon its establishment. Himax Media Solutions, Inc. will be focusing on expanding market share in the global TV and monitor chipset market opportunity. We have identified certain strategic investors and have planned to invite them to partner with us in the future. We've already had a good working relationship with these partners, with our chips designed into several of their LCD TV and monitor projects. We believe this new company structure will allow us to better focus our resources for the global TV and monitor chipset market opportunity.

On November 1, our board approved a stock repurchase program that authorizes the Company to repurchase up to \$40 million worth of the Company's American Depository Receipts, or ADRs,

in the open market or through privately negotiated transactions, depending on prevailing market conditions and other factors. The program does not obligate Himax to acquire any particular amount of ADRs and may be modified or suspended at any time at the Company's sole discretion. With the repurchase program, we reaffirm our confidence and optimism in the long term future of the company. This also demonstrates our commitment to deliver value to our shareholders.

Now let me talk about our guidance for the fourth quarter of 2007.

We expect revenue growth for large application to decelerate as we approach seasonal downturn in the second half of the fourth quarter. However, we are excited about the outlook for our small- and medium-sized product segment as shipments of our new generation products to previously designed-in customers are either being ramped at present or expected to ramp up in the next quarter and onward.

Overall, we expect revenue to grow around mid-single digit in the fourth quarter and gross margin to remain flat. We expect diluted GAAP EPS to be in the range of \$0.16 to \$0.17.

**Now let me turn over to Max Chan, our CFO, for some financial details.**

<b>Mr. Max Chan</b>
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Thank you, Jordan.

Our net revenues in the third quarter were \$243.3 million, representing a year-over-year growth of 37.4% and a sequential growth of 9.2%.

Our gross margin increased to 22.5% from 20.4% a quarter ago, primarily due to product mix change.

Our GAAP operating expenses were \$34.8 million in the third quarter, up from \$20.5 million in the previous quarter, primarily due to the annual grant of 2007 RSUs at the end of September.

Our non-GAAP operating expenses, excluding share-based compensation and acquisition-related charges were approximately \$18.9 million in the third quarter, slightly increased from approximately \$17.4 million in the previous quarter. In the third quarter, share-based compensation was approximately \$15.7 million, and acquisition-related charges were approximately \$0.6 million.

The fair value of our 2007 annual RSU grant was around \$26.4 million, of which approximately 54.5% or \$14.4 million was paid out in cash, and vested and expensed immediately. The remainder of the grant will be vested in three equal installments over the next three years. Total share-based compensation accrued in the third quarter, including expenses from legacy grants amounted to \$15.7 million, or \$0.08 per diluted share.

Our net cash used in operating activities was approximately \$14.6 million, down from approximately \$34.6 million provided for in the previous quarter. The decline was primarily due to the cash payout of 2007 RSU grant and significant increase in sales in the third quarter.

On August 15, we announced that the board of directors declared a dividend of US\$0.20 per ordinary share of the company, or approximately \$40 million. The dividend was paid out on October 30, 2007 to shareholders of record on October 5th.

Capital expenditure for the third quarter was approximately \$2.5 million, mainly for the purchase of software, equipments and subsequent payments relating to the earlier construction of our headquarters.

Our total headcount remained literally unchanged at around 1,050 at the end of the third quarter.

Jordan provided our 4Q07 outlook earlier. We are basing that guidance on approximately 199.5 million diluted weighted average outstanding shares.

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