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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

February 9, 2009
Date of Report (Date of earliest event reported)

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**002-25577**	**95-2039518**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

15660 North Dallas Parkway, Suite 850 **Dallas, TX**	**75248**
(Address of principal executive offices)	(Zip Code)

(972) 385-2810
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On February 9, 2009, Diodes Incorporated issued a press release announcing fourth quarter 2008 results. A copy of the press release is attached as Exhibit 99.1.

On February 9, 2009, Diodes Incorporated hosted a conference call to discuss its fourth quarter 2008 results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on February 9, 2009, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, Rick White, Senior Vice President of Finance, and Mark King, Senior Vice President of Sales and Marketing, made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

In the press release, Diodes Incorporated utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States ("GAAP") in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We also believe these non-GAAP measures provide investors with a more informed baseline for modeling the Company's future financial performance. Our management uses these non-GAAP measures for the same purpose. We believe that our investors should have access to, and that we are obligated to provide, the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. In the press release, we have provided definitions of the non-GAAP financial measures, together with an explanation of why management uses these measures and why management believes that these non-GAAP financial measures are useful to investors. In addition, in our press release we have provided tables to reconcile the non-GAAP financial measures utilized to GAAP financial measures.

Item 7.01 Regulation FD Disclosure.

The earnings release also provides an update on the Company's business outlook.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

See exhibit index.

The information in this Form 8-K and the exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 13, 2009	DIODES INCORPORATED
	By /s/ Carl C. Wertz CARL C. WERTZ Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated February 9, 2009
99.2	Conference call script dated February 9, 2009
99.3	Question and answer transcript dated February 9, 2009

For Immediate Release

Diodes Incorporated Reports Fourth Quarter and Fiscal 2008 Financial Results

Annual Revenue Increased 8 percent to a Record $433 Million

DALLAS, TEXAS — February 9, 2009 — Diodes Incorporated (NASDAQ:DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, today reported financial results for the fourth quarter and fiscal year ended December 31, 2008.

Year 2008 Highlights:

- Acquired Zetex plc in June;
- Revenue increased 8 percent to a record $432.8 million;
- Gross profit increased to a record $132.5 million;
- GAAP net income was $39.0 million, or $0.91 per share;
- Non-GAAP net income was $44.8 million, or $1.04 per share;
- Generated $90.4 million of EBITDA;
- Generated $57 million in cash flow from operations.

Fourth Quarter Highlights:

- Revenue was $87.1 million, which includes a $1.7 million reduction as part of the Company's strategic effort to consolidate Asian distributors;
- GAAP net income was $14.6 million, or $0.35 per share, including a $22.8 million gain related to the repurchase of convertible notes and a $4.1 million restructuring charge related to future headcount reductions;
- Non-GAAP EPS was $0.04 per share;
- Generated $25.8 million of EBITDA;
- Generated $21 million in cash flow from operations;
- Increased cash by $20.8 million and reduced debt by $11.2 million over the third quarter.

For the fiscal year 2008, revenue increased 8 percent to a record $432.8 million, compared to $401.2 million for fiscal 2007. Gross profit was $132.5 million, or 30.6 percent of revenue, compared to $130.4 million, or 32.5 percent of revenue, last year. GAAP net income was $39.0 million, or $0.91 per diluted share, compared to $59.7 million, or $1.41 per diluted share, in 2007. Non-GAAP net income, which excluded a $22.8 million gain related to the repurchase of convertible notes, $4.0 million of net share-based compensation, $17.5 million in non-cash acquisition related charges and adjustments and $4.1 million in restructuring charges in 2008, was $44.8 million, or $1.04 per share, compared to $64.9 million, or $1.50 per share, in the prior year.

Revenue for the fourth quarter of 2008 was $87.1 million, compared to $134.0 million in the third quarter of 2008 and $107.6 million in the fourth quarter of 2007. The decline in revenue was primarily due to the decrease in demand caused by the continued deterioration of the global economic environment. Additionally, revenue was reduced by approximately $1.7 million as part of the Company's strategic effort to consolidate Asian distributors.

Gross profit for the fourth quarter of 2008 was $22.9 million, or 26.3 percent of revenue, compared to $38.1 million, or 28.4 percent of revenue, in the third quarter. The decrease in gross margin was primarily due to lower capacity utilization in the Company's packaging and manufacturing operations due to weaker global demand.

Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, commented, "In further response to the weakness in the global economy, we continued to make incremental changes to the organizational structure in order to maximize efficiencies, reduce costs and conserve cash. We have implemented in the fourth quarter a number of cost savings initiatives that included, among other things, the shut-down of our 4-inch fab line in Oldham, U.K., a 30 percent headcount reduction in our Kansas City wafer fab along with the realignment of our product development and wafer fabrication organizations, mandatory time-off, a reduction of authorizations for capital expenditures to a maintenance level and the implementation of strict controls over discretionary spending. Moving forward, we are taking a number of additional cost saving measures, including further headcount reductions across our entire organization, temporary site shut-downs, compensation and hiring freezes, additional mandatory time-off, accelerating the integration of the Zetex products into our manufacturing facilities, continued reduction of manufacturing process and raw material costs, and the consolidation of wafer output."

Dr. Lu continued, "During the quarter, we took advantage of our 'no net cost' loan obtained in our settlement with UBS and collateralized by our $320.6 million auction rate securities portfolio and repurchased $46.5 million of our $230 million 2.25% Convertible Senior Notes for approximately $23.2 million in cash, which reduces our convertible debt to $183.5 million. As a result of our debt reduction and cost containment measures, we generated $21 million of net cash flow during the fourth quarter."

Fourth quarter GAAP net income was $14.6 million, or $0.35 per diluted share, which included a $22.8 million gain related to the repurchase of convertible notes and a $4.1 million restructuring charge related to headcount reductions.

Net income computed on a non-GAAP basis for the fourth quarter of 2008, which excluded the gain on the convertible notes, restructuring charges and $1.1 million in Zetex purchase price accounting was $1.7 million, or $0.04 per share. As noted last quarter, Diodes changed its policy regarding SFAS 123R net stock option expenses, which the Company now includes in non-GAAP net income. SFAS 123R stock option expense was $0.7 million in the fourth quarter.

As of December 31, 2008, Diodes had approximately $103.5 million in total cash, $320.6 million of par-value auction rate securities, which will be converted to cash on June 30, 2010 under the UBS settlement ($289 million market value in long-term investments) and $401 million in long-term debt (including the convertible notes).

Business Outlook

"Looking at the first quarter of 2009, we expect that the economy and global demand will continue to deteriorate and well beyond the typical seasonality associated with the quarter. As a result of these factors, we estimate that the first quarter revenue will decrease approximately 20 percent sequentially," stated Dr. Lu. "Furthermore, as a result of the weakened demand, we will reduce our 2009 capital authorizations to a maintenance level of approximately 2 percent of revenue, and we plan to reduce inventory, which will further reduce loading at our manufacturing facilities. As a result, we expect first quarter gross margin to be approximately 16 to 20 percent and expect to generate positive cash flow from operations as well as positive free cash flow for the quarter. Also, beginning in 2009 the adoption of FSP APB 14-1 requires us to change how we account for our Convertible Senior Notes. APB 14-1 will require us to separately account for a liability and equity component, which will reflect an estimated non-convertible notes borrowing rate. We therefore expect to record an additional pre-tax, non-cash interest expense of approximately $8 to 9 million for 2009."

Dr. Lu continued, "We are implementing further cost reductions while working to maintain strong cash flow. In addition to the 7 percent headcount reductions initiated in the fourth quarter, we will be reducing headcount by an additional 17 percent in the first quarter, primarily at our manufacturing operations. In the third quarter of 2008, operating expenses (excluding purchase price accounting adjustments) totaled approximately $28 million. Once all of the cost reduction actions that have been announced since that time are fully implemented, we estimate that the quarterly run rate will range between $21 and $23 million, which represents a reduction of approximately 20 percent. Going forward, we will continue to carefully monitor the market conditions and take decisive actions as needed to sustain cash flow. We also remain focused on new product development and design wins in order to create additional revenue sources for future quarters and to position the Company for rapid growth when the economy improves."

Conference Call

Diodes will host a conference call on Monday, February 9, 2009 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time) to discuss its fourth quarter and fiscal 2008 financial results. Investors and analysts may join the conference call by dialing 1-866-383-8108 and providing the confirmation code 28809817. International callers may join the teleconference by dialing 1-617-597-5343. A telephone replay of the call will be available approximately two hours after the call until February 11, 2009 at midnight Pacific Time. The replay number is 1-888-286-8010 with a pass code of 41273923. International callers should dial 1-617-801-6888 and enter the same pass code at the prompt. Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investor section of Diodes' website at http://www.diodes.com. To listen to the live call, please go to the Investor section of Diodes' website and click on the conference call link at least fifteen minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 60 days.

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD), an S&P SmallCap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. Diodes' products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, amplifiers and comparators, Hall-effect sensors and temperature sensors, power management devices including LED drivers, DC-DC switching regulators, linear voltage regulators and voltage references along with special function devices including USB power switch, load switch, voltage supervisor and motor controllers. The Company's corporate headquarters are located in Dallas, Texas. A sales, marketing, engineering and logistics office is located in Westlake Village, California. Design centers are located in Dallas; San Jose, California; Taipei, Taiwan; Manchester, England and Neuhaus, Germany. The Company's wafer fabrication facilities are located in Kansas City, Missouri and

Manchester; with two manufacturing facilities located in Shanghai, China, another in Neuhaus, and a joint venture facility located in Chengdu, China. Additional engineering, sales, warehouse and logistics offices are located in Taipei; Hong Kong; Manchester and Munich, Germany, with support offices located throughout the world. For further information, including SEC filings, visit the Company's website at http://www.diodes.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: we continued to make incremental changes to the organizational structure in order to maximize efficiencies, reduce costs and conserve cash; we are taking a number of additional cost saving measures, including further headcount reductions across our entire organization, temporary site shut-downs, compensation and hiring freezes, additional mandatory time-off, accelerating the integration of the Zetex products into our manufacturing facilities, continued reduction of manufacturing process and raw material costs, and the consolidation of wafer output; $320.6 million of par-value auction rate securities will be converted to cash on June 30, 2010 under the UBS settlement; we expect that the economy and global demand will continue to deteriorate and well beyond the typical seasonality associated with the quarter; we estimate that the first quarter revenue will decrease approximately twenty percent sequentially; we will reduce our 2009 capital authorizations to a maintenance level of approximately 2 percent of revenue; we plan to reduce inventory, which will further reduce loading at our manufacturing facilities; we expect first quarter gross margin to be approximately sixteen to twenty percent and expect to generate positive cash flow from operations as well as positive free cash flow for the quarter; APB14-1 will require us to separately account for a liability and equity component, which will reflect an estimated non-convertible notes borrowing rate; we therefore expect to record an additional pre-tax, non-cash interest expense of approximately $8 to 9 million for 2009; we are implementing further cost reductions while working to maintain strong cash flow; we will be reducing headcount by an additional seventeen percent in the first quarter, primarily at our manufacturing operations; we estimate that the quarterly run rate will range between $21 and $23 million, which represents a reduction of approximately 20 percent; we will continue to carefully monitor the market conditions and take decisive actions as needed to sustain cash flow; and we remained focused on new product development to drive design wins in order to create additional revenue sources for future quarters and to position the Company for continued growth when the economy improves. Potential risks and uncertainties include, but are not limited to, such factors as: the UBS settlement may not provide us with the liquidity intended; we may not realize the anticipated cost savings; we may not effect the planned further reductions in costs or these cost containment measures may not prove to be material; our future guidance may be incorrect; the global economic weakness may be more severe or last longer than we currently anticipated; and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Recent news releases, annual reports, and SEC filings are available at the Company's website: http://www.diodes.com. Written requests may be sent directly to the Company, or they may be e-mailed to: diodes-fin@diodes.com.

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CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOW

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2007	**2008**	2007	**2008**
NET SALES	$107,591	**$87,141**	$401,159	**$432,785**
COST OF GOODS SOLD	71,567	**64,265**	270,780	**300,257**
Gross profit	36,024	**22,876**	130,379	**132,528**
OPERATING EXPENSES				
Selling, general and administrative expenses	14,720	**16,219**	55,403	**68,874**
Research and development expenses	3,860	**6,433**	13,515	**22,523**
Amortization of acquisition related intangible assets	—	**981**	—	**2,564**
In-process research and development	—	**—**	—	**7,865**
Restructuring charge	(709)	**4,089**	1,061	**4,089**
Total operating expenses	17,871	**27,722**	69,979	**105,915**
Income from operations	18,153	**(4,846)**	60,400	**26,613**
OTHER INCOME (EXPENSES)				
Interest income	5,085	**2,165**	18,117	**11,991**
Interest expense	(1,704)	**(2,074)**	(6,831)	**(9,348)**
Other	(155)	**18,989**	(225)	**16,594**
Total other income (expenses)	3,226	**19,080**	11,061	**19,237**
Income before income taxes and minority interest	21,379	**14,234**	71,461	**45,850**
INCOME TAX PROVISION (BENEFIT)	2,306	**(729)**	9,428	**4,585**
Income before minority interest	19,073	**14,963**	62,033	**41,265**
Minority interest in earnings of joint ventures	(775)	**(352)**	(2,376)	**(2,290)**
NET INCOME	$ 18,298	**$14,611**	$ 59,657	**$ 38,975**
EARNINGS PER SHARE				
Basic	$ 0.46	**$ 0.36**	$ 1.51	**$ 0.96**
Diluted	$ 0.43	**$ 0.35**	$ 1.41	**$ 0.91**
Number of shares used in computation				
Basic	40,113	**41,078**	39,601	**40,709**
Diluted	42,702	**41,817**	42,331	**42,638**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(in thousands, except per share data)

(unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2007	**2008**	2007	**2008**
Net income (Per-GAAP)	$18,298	**$ 14,611**	$59,657	**$ 38,975**
Adjustments to reconcile net income to adjusted net income:				
Stock option expense included in cost of goods sold:	—	**—**	273	**112**
Stock option expense included in selling and general administrative expenses:	—	**—**	4,824	**3,594**
Stock option expense included in research and development expenses:	—	**—**	463	**330**
Total stock option expense	—	**—**	5,560	**4,036**
Inventory valuations and depreciation adjustments	—	**107**	—	**5,495**
Amortization of acquisition related intangible assets	—	**981**	—	**2,564**
In-process Research and Development	—	**—**	—	**7,865**
Restructuring costs	(709)	**4,089**	1,061	**4,089**
Gain from extinguishment of debt	—	**(22,791)**	—	**(22,791)**
Other adjustments	—	**—**	55	**1,540**
Income tax adjustments related to stock option expense, restructuring costs and other adjustments	(71)	**(4,679)**	1,384	**(2,980)**
Adjusted net income (Non-GAAP)	$17,660	**$ 1,676**	$64,949	**$ 44,753**
Diluted shares used in computing earnings per share	42,702	**41,817**	42,331	**42,638**
Incremental shares considered to be outstanding:	—	**—**	836	**403**
Adjusted diluted shares used in computing Adjusted earnings per share	42,702	**41,817**	43,167	**43,040**
Adjusted earnings per share (Non-GAAP)				
Basic	$ 0.44	**$ 0.04**	$ 1.64	**$ 1.10**
Diluted	$ 0.41	**$ 0.04**	$ 1.50	**$ 1.04**

ADJUSTED NET INCOME

This measure consists of generally accepted accounting principles in the United States, or GAAP, net income, which is then adjusted solely for the purpose of adjusting for restructuring costs, gain from extinguishments of debt, purchase accounting impact on earnings, stock option expense (only for the twelve months ended December 31, 2008) and other adjustments, as discussed below. Excluding the restructuring costs, in-process research and development ("IPR&D") expense, inventory valuations impact on gross profit and margins, gain from extinguishment of debt, stock option expense and other adjustments provides investors with a better depiction of our operating results and provides a more informed baseline for modeling future earnings expectations. Excluding the amortization of acquisition-related intangible assets and depreciation impact on gross profit and margins allows for comparison of our current and historic operating performance. We exclude the above items to evaluate our operating performance, to develop budgets, to determine incentive compensation awards and to manage cash expenditures. Presentation of the above non-GAAP measures allows investors to review our results of operations from the same viewpoint as our management and Board of Directors. We have historically provided similar non-GAAP financial measures to provide investors an enhanced understanding of our operations, facilitate investors' analyses and comparisons of our current and past results of operations and provide insight into the prospects of our future performance. We also believe that the non-GAAP measures are useful to investors because they provide additional information that research analysts use to evaluate semiconductor companies. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. We recommend a review of net income on both a non-GAAP basis and a GAAP basis be performed to get a comprehensive view of our results. We provide a reconciliation of adjusted net income to GAAP net income below.

Detail of non-GAAP adjustments:

(1) Restructuring Costs — We have recorded various restructuring charges to reduce our cost structure to enhance operating effectiveness and improve profitability. These restructuring activities impacted different functional areas of our operations in different locations and were undertaken to meet specific business objectives in light of the facts and circumstances at the time of each restructuring event. For 2007, these charges include costs related to the consolidation of our analog wafer probe and final test operations from Hsinchu, Taiwan to our manufacturing facilities in Shanghai, China, which primarily consisted of termination and severance costs and impairment of fixed assets. For 2008, these charges included costs to reduce the headcount in our UK operations in Oldham along with additional immaterial headcount reductions in our worldwide workforce. These restructuring charges are excluded from management's assessment of our operating performance. We believe that the exclusion of the non-recurring restructuring charges provides investors an enhanced view of the cost structure of our operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

(2) Purchase Accounting Impact on Earnings:

- **Amortization of acquisition-related intangible assets —** We have excluded the amortization of Zetex acquisition-related intangible assets, including developed technologies, customer relationships and trade name from our non-GAAP results. The fair value of the Zetex acquisition-related intangible assets, which was allocated to the assets through purchase accounting, is amortized using straight-line methods, which approximate the proportion of future cash flows estimated to be generated each period over the estimated useful lives of the applicable assets. We believe that the exclusion of the amortization expense of acquisition-related assets is appropriate because a significant portion of the purchase price for the acquisition was allocated to the intangible assets that have short lives and the exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses. In addition, we exclude the amortization expense because there is significant variability and unpredictability across companies with respect to this expense.

- **IPR&D expense —** We have excluded the non-recurring IPR&D expense, which is non-cash and related to the Zetex acquisition, from our non-GAAP results. Under GAAP, we immediately expensed all the acquired IPR&D as we had not yet reached technological feasibility and had no alternative further use as of the date of the acquisition. This adjustment to R&D expense is not recurring in nature and, as such, we believe that the exclusion of this adjustment provides investors useful information to facilitate an understanding of earnings because this impact reduces our earnings to amounts lower than we have historically achieved and expect to achieve in the future.

- **Inventory valuations and depreciation adjustments —** We have excluded the $5.5 million inventory valuation and depreciation adjustments. Under GAAP, we adjusted the inventory acquired from Zetex to account for the reasonable profit allowance for the selling effort on finished goods inventory and the reasonable profit allowance for the completing and selling effort on the work-in-process inventory. This non-cash adjustment to inventory is not recurring in nature and, as such, we believe that the exclusion of this adjustment provides investors useful information to facilitate an understanding of our gross profit and margins because this impact reduces our gross profit and margins to percentages lower than we have historically achieved and expect to achieve in the future. The exclusion of the depreciation expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses. In addition, we exclude the depreciation expense because there is significant variability and unpredictability across companies with respect to this expense.

(3) Gain from extinguishment of debt — In the fourth quarter of 2008, we repurchased $46.5 million of our $230 million 2.25% Convertible Senior Notes for approximately $23.2 million in cash, which reduces our convertible debt to $183.5 million, and realized a $22.8 million gain from extinguishments of debt. We believe that the exclusion of the non-recurring gain from extinguishment of debt provides investors an enhanced view of a one-time gain that we may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such gains.

(4) Stock Option Expense— Historically, we excluded the non-cash stock option expense adjustments because we provided investors with a better depiction of our operating results and provided a more informed baseline for modeling future earnings expectations. Upon further review of our non-GAAP adjustments, we have concluded that we will no longer adjust for stock option expense.

(5) Other Adjustments — We incurred a one-time non-cash currency hedge loss related to the Zetex acquisition in the second quarter of 2008. This currency hedge loss is excluded from management's assessment of our operating performance for the full year of 2008. We believe that the exclusion of the non-recurring currency hedge loss provides investors an enhanced view of the one-time other adjustments that we may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such charges.

ADJUSTED EARNINGS PER SHARE

This non-GAAP financial measure is the portion of our GAAP net income assigned to each share of stock, excluding restructuring costs, gain from extinguishment of debt, purchase accounting impact on earnings, stock option expense (only for the twelve months ended December 31, 2008) and other adjustments, as described above. Excluding the restructuring costs, IPR&D expense, inventory valuations and depreciation impact on gross profit and margins, gain from extinguishment of debt, stock option expense and other adjustments provides a more informed baseline for modeling future earnings expectations as described in further detail above. Excluding the amortization of acquisition-related intangible assets allows for comparison of our current and historic operating performance as described in further detail above. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. We recommend that a review of diluted EPS on both a non-GAAP basis and GAAP basis be performed to get a comprehensive view of our results. Information on how these share calculations are made is included in the table above.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME TO EBITDA

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties such as financial institutions in extending credit, in evaluating companies in our industry and provides further clarity on our profitability. In addition, our management uses EBITDA, along with other GAAP measures, in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing, operating in different income tax jurisdictions, and accounting effects of capital spending, including the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization expense. EBITDA is not a recognized measurement under generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management's discretionary use because it does not consider certain cash requirements such as tax and debt service payments.

The following table provides a reconciliation of net income to EBITDA
(in thousands, unaudited):

	Three Months Ended December 31,	
	2007	**2008**
Net Income (Per—GAAP)	$ 18,298	**$ 14,611**
Plus:		
Interest expense (income), net	(3,381)	**(91)**
Income tax provision	2,306	**(729)**
Depreciation and amortization	7,605	**11,979**
EBITDA (Non—GAAP)	$ 24,828	**$ 25,770**

	Twelve Months Ended December 31,	
	2007	**2008**
Net Income (Per—GAAP)	$ 59,657	**$ 38,975**
Plus:		
Interest expense (income), net	(11,286)	**(2,643)**
Income tax provision	9,428	**4,585**
Depreciation and amortization	27,081	**49,512**
EBITDA (Non—GAAP)	$ 84,880	**$ 90,429**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

(in thousands, except share data)

	December 31, 2007	December 31, 2008 (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	$ 56,179	**$ 103,496**
Short-term investments	323,472	—
Total cash and short-term investments	379,651	**103,496**
Accounts receivable, net	89,578	**74,574**
Inventories	53,031	**99,118**
Deferred income taxes, current	5,173	**3,994**
Prepaid expenses and other	10,576	**15,578**
Total current assets	538,009	**296,760**
LONG-TERM INVESTMENT SECURITIES	—	**320,625**
PROPERTY, PLANT AND EQUIPMENT, net	123,407	**174,667**
DEFERRED INCOME TAXES, non-current	3,241	**2,745**
OTHER ASSETS		
Goodwill	25,135	**56,791**
Intangible assets	9,643	**35,928**
Other	6,930	**6,627**
TOTAL ASSETS	$ 706,365	**$ 894,143**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY
(in thousands, except share data)

	December 31, 2007	December 31, 2008 (unaudited)
CURRENT LIABILITIES		
Line of credit	$ —	**$ 6,098**
Accounts payable	55,145	**47,561**
Accrued liabilities	27,841	**31,195**
Income tax payable	1,732	**358**
Current portion of long-term debt	1,345	**1,339**
Current portion of capital lease obligations	145	**377**
Total current liabilities	86,208	**86,928**
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	**183,500**
Long-term borrowings	5,815	**217,146**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,331	**1,854**
OTHER LONG-TERM LIABILITIES	6,249	**22,935**
Total liabilities	329,603	**512,363**
MINORITY INTEREST IN JOINT VENTURES	7,164	**9,453**
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock — par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock — par value $0.66 2/3 per share; 70,000,000 shares authorized; 40,172,491 and 41,378,816 issued and outstanding at December 31, 2007 and December 31, 2008, respectively	26,782	**27,586**
Additional paid-in capital	121,412	**133,701**
Retained earnings	220,504	**259,479**
Accumulated other comprehensive income (loss)	900	**(48,439)**
Total stockholders' equity	369,598	**372,327**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 706,365	**$ 894,143**

Exhibit 99.2

Diodes, Inc. Fourth Quarter 2008 Financial Results Script
Monday, February 09, 2009 @ 10:00am CST / 8:00am PST

FINAL 2

Call Participants: Dr. Keh-Shew Lu, Carl Wertz, Mark King and Richard White

Operator:

Good morning and welcome to Diodes Incorporated's fourth quarter and fiscal 2008 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of today's conference call, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference call, please press the star followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Monday, February 9, 2009. I would now like to turn the call to Leanne Sievers of Shelton Group, the investor relations agency for Diodes Incorporated. Leanne, please go ahead.

Introduction: Leanne Sievers, EVP of Shelton Group

Good morning and welcome to Diodes' fourth quarter and fiscal 2008 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

With us today are Diodes' President and CEO, Dr. Keh-Shew Lu; Chief Financial Officer, Carl Wertz; Senior Vice President of Sales and Marketing, Mark King; and Senior Vice President of Finance, Richard White.

Before I turn the call over to Dr. Lu, I would like to remind our listeners that management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions.

Therefore, the Company claims the protection of the safe harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities and Exchange Commission.

In addition, any projections as to the Company's future performance represent management's estimates as of **today, February 9, 2009.** Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

Additionally in the Company's press release and during this conference call, management will discuss certain measures and financial information in GAAP and non-GAAP terms. A reconciliation of GAAP to non-GAAP results is provided in the financial tables following the text of the earnings release.

For those of you unable to listen to the entire call at this time, a recording will be available via webcast for 60 days in the investor relations section of Diodes' website at www.diodes.com.

And now I will turn the call over Diodes' President and CEO, Dr. Keh-Shew Lu. Dr. Lu, please go ahead.

Dr. Keh-Shew Lu, President and CEO
Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

As everyone knows these are very challenging times for the economy and, particularly, for the semiconductor industry. Nevertheless, we ended 2008 with record revenues of $433 million, an 8 percent increase over 2007.

For the fourth quarter, revenue was $87 million, which included a $1.7 million reduction as part of Diodes' strategic effort to consolidate our Asian distributors.

On a net income basis for the quarter, we achieved GAAP earnings of $0.35 cents per share, which exceeded our previous guidance. When excluding the $22.8 million gain related to the repurchase of convertible notes and $4.1 million of restructuring charges related to future headcount reductions, our non-GAAP EPS in the fourth quarter was $0.04 cents. The restructuring charges were higher than originally projected due to a one-time charge for additional planned headcount reductions, which I will discuss in greater detail in a minute.

In response to the declining demand resulting from the continued weakness in the economy, we took immediate actions to make incremental changes to the organizational structure in order to maximize efficiencies, reduce costs and conserve cash. We have reduced our authorizations on capital expenditures at the beginning of the fourth quarter 2008.

However, due to prior equipment purchase commitments, Cap-Ex will be reduced to less than half of last year’s run rate in the first quarter and to a maintenance level in the second quarter. We also initiated efforts to significantly reduce inventory, which will further reduce loading at our manufacturing facilities. Also during the quarter, we took advantage of the ‘no net cost’ loan obtained through our settlement with UBS and repurchased $46.5 million of our convertible senior notes for $23.2 million in cash, which reduces our convertible debt to $183.5 million. As a result of these actions, we reduced debt by $11.2 million over the third quarter and generated $21 million of net cash flow during the quarter.

As I discussed with you last quarter, we implemented a number of cost saving initiatives that began in the fourth quarter and have since executed additional initiatives due to the continued weakness in the economy. These additional initiatives include:

- A reduction of Cap-Ex authorizations, as I mentioned previously, with a current plan of less than 2 percent of revenues until such time that the market recovers and additional manufacturing capacity is needed.
- Accelerating the integration of the Zetex products into our packaging facilities in Shanghai in order to reduce our dependence on subcontractors and improve the utilization of our internal capacity. We believe the majority of this integration will be completed by the end of the first quarter with full manufacturing ramp one quarter later.
- A shut-down of Zetex's 4-inch wafer fab line in Oldham, U.K. and the consolidation of wafer output to the 6-inch line in Oldham as well as the 5- and 6-inch lines at Diodes-FabTech. Additionally, temporary site shut-downs were implemented at Diodes-FabTech and in China during both the fourth quarter of last year and the first quarter of this year.
- Decreasing manufacturing process and raw material costs by reducing our gold consumption while protecting and maintaining product quality and performance.
- In the fourth quarter, we implemented a worldwide hiring freeze and strict cost controls over discretionary spending, including mandatory time-off, reduction of bonuses and cancellation of 401k profit sharing payments. Continuing in 2009, we will freeze salaries at current levels, suspend bonuses and other discretionary payments, and

continue the hiring freeze and mandatory time-off until the market improves.

- In terms of headcount reductions, which were executed primarily at our manufacturing operations: in the fourth quarter, we reduced our workforce by approximately 230 people, or 7 percent of our worldwide employees. During the first quarter of 2009, we will be reducing staff by an additional 17 percent, or about 500 employees. Collectively, these reductions represent a 26 percent decrease of direct and indirect labor in China, 30 percent at FabTech, 10 percent in Taiwan and 13 percent in Europe, bringing our worldwide headcount to about 2,560 employees by the end of the first quarter of 2009.

Once all of the cost reduction initiatives that have been announced since the third quarter of 2008 are fully implemented on top of the manufacturing cost reductions, we estimate the quarterly run rate for operating expenses to range between $21 and $23 million, which represents a reduction of approximately 20 percent from the third quarter level of $28 million.

Looking at the first quarter of 2009, we expect that the economy and global demand will continue to deteriorate well beyond the typical seasonality associated with the quarter. We will continue to carefully monitor the market conditions and take decisive actions as needed to sustain cash flow. Most importantly, as a result of our recent and planned initiatives, we expect to achieve positive cash flow from operations and positive free cash flow in the first quarter.

With that, I will turn the call over to Carl to discuss our fourth quarter financial results in more detail.

Carl Wertz, CFO

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, **Revenue** was a record $432.8 million for the year, an increase of 8 percent. For the fourth quarter, revenue was $87.1 million. Quarterly revenue declined both sequentially and over the prior year period due to the continued deterioration of the global economic environment and the related overall decrease in demand. As mentioned previously, fourth-quarter revenue was reduced by approximately $1.7 million as part of our strategic effort to consolidate our distributors in Asia.

Gross profit for the fourth quarter of 2008 was $22.9 million, or 26.3 percent of revenue, compared to $38.1 million, or 28.4 percent of revenue, in the third quarter. The decrease in gross margin was primarily due to lower capacity utilization in our packaging and manufacturing facilities as a result of weaker global demand. We expect that gross margin will continue to be under pressure as a direct result of the decrease in global demand and lower capacity utilization. We have historically operated our packaging facilities near full capacity, but the fourth quarter was closer to 75 percent utilized. Our packaging technology and capabilities have always been a strength of

Diodes and have contributed to our solid margin performance in the past, but this underutilization has a severe impact on our gross margin.

Selling, General and Administrative expenses for the quarter were approximately $16.2 million, or 18.6 percent of revenue, compared to $21 million, or 15.6 percent of revenue, last quarter. Approximately half of the $4.7 million decrease in SG&A is related to our recent cost reduction initiatives.

Included in fourth-quarter SG&A was $729,000 of non-cash, **FAS123R**, share-based compensation. Looking forward and as Dr. Lu mentioned, we will remain focused on reducing costs in order to keep expenses aligned with our revenue.

Research and Development investments in the fourth quarter were $6.4 million, or 7.4 percent of revenue, compared to $7.4 million, or 5.5 percent of revenue last quarter.

Other income amounted to $19.1 million for the quarter, consisting of $22.8 million gain from our convertible notes repurchase, and $2.2 million of interest income primarily from our auction rate securities, partially offset by $4 million in foreign exchange losses related to forward currency contracts that were part of the Zetex acquisition, and $1.9 million of interest expense primarily related to our convertible notes and our loan for the purchase of Zetex.

Beginning in 2009, the adoption of APB 14-1 requires us to change how we account for our convertible senior notes. APB 14-1 will require us to separately account for a liability and equity component, and will reflect an estimated non-convertible borrowing rate of 8.5 percent. We therefore expect to record an additional pre-tax, **non-cash** interest expense of approximately $8 to 9 million for 2009.

Turning to **income taxes**, we recorded a $2 million income tax credit related to the Zetex purchase price accounting adjustments in the fourth quarter. Looking to 2009, we expect the effective tax rate to be in the mid-teens.

Net income on a GAAP basis was $14.6 million, or $0.35 per share, which included the $22.8 million gain on the convertible notes repurchase and a $4.1 million restructuring charge related to future headcount reductions. Shares used to calculate GAAP EPS were approximately 41.8 million fully diluted shares.

Net income computed on a non-GAAP basis was $1.7 million, or $0.04 per share and excluded the gain on the convertible notes repurchase, restructuring charges and $1.1 million in Zetex purchase price accounting. As we mentioned last quarter, non-GAAP net income now includes approximately $0.01 of FAS 123R stock option expense in the quarter. For the year, 123R expense was approximately $0.07.

Cash flow from operations for the quarter was $21 million and $57 million for the year. EBITDA for the quarter was $25.8 million and $90.4 million for 2008.

Turning to the **balance sheet**, at year-end, we had $103.5 million in cash, which was an increase of almost $21 million over the third quarter. Long-term investments were $320.6 million, which represents the fair market value of our auction rate securities, including the put option as part of the UBS settlement. Our working capital at year-end was $210 million. Long-term debt, including the loan related to the Zetex acquisition and the convertible notes, which are redeemable October 2011, was $401 million.

In terms of our auction rate securities, during the quarter we announced that we had entered into a settlement with UBS.

Per the agreement, UBS provides us the right to sell our $320 million ARS portfolio to UBS at 100% par value beginning June 30, 2010.

We are also permitted to borrow up to $213 million, under a "no net cost" loan to Diodes in which our borrowing rate equals the interest rate earned on our ARS portfolio. We have fully utilized this credit facility.

Now turning to **Inventory**, at the end of the fourth quarter, inventory was $99 million, which was essentially flat compared with the third quarter, with inventory days at 139. As Dr. Lu mentioned, we are working to reduce inventory further.

Accounts receivable was $75 million, or 95 days in the fourth quarter.

Capital expenditures were $12.1 million for the quarter, which was for previously authorized and committed expenditures. For the year, Cap-Ex was $53.2 million, or 12 percent of revenues.

As Dr. Lu mentioned, Cap-Ex will be reduced significantly below our 10 to 12 percent historical model with a maintenance goal of less than 2 percent of revenues in order to better align our expenditures with market and capacity demands. In addition to our inventory reduction efforts, these initiatives will contribute to positive free cash flow in the first quarter of 2009.

Depreciation and amortization expense for the fourth quarter was $12 million and $49.5 million for the full year.

Turning to our Outlook...

Looking at 2009, as we have discussed, we expect that the economy and global demand will continue to deteriorate, and as a result, we estimate first quarter revenue will decrease approximately 20 percent sequentially. Revenue at this level utilizes approximately 50 to 60 percent of our manufacturing capacity. We plan to significantly lower our inventory and will reduce our manufacturing loading by an additional 10 percent causing our capacity utilization in the first quarter to range between 40 and 50 percent, resulting in a gross margin for the quarter to be approximately 16 to 20 percent.

When combining our cost savings initiatives, lower inventory and capital expenditure reductions, we expect to generate positive cash flow from operations and positive free cash flow in the first quarter.

With that said, I will now turn the call over to Mark King, Senior Vice President, Sales and Marketing. Mark...

Mark King, Senior VP of Sales and Marketing

Thank you, Carl, and good morning.

Mark King, Senior VP of Sales and Marketing

Thank you, Carl, and good morning.

As Dr. Lu and Carl mentioned, the fourth quarter was a challenging quarter across all market segments for Diodes. Although Zetex has improved the diversification of our business, we are still heavily weighted in the consumer and computing markets, which represent approximately 60 percent of our business. Demand in these segments has decreased significantly in recent quarters, but the same can be said for the automotive and industrial segments as well. In terms of detailed segment breakout: computing represented 31 percent of revenue; consumer 30 percent; industrial 20 percent; communications 15 percent; and automotive 4 percent.

In addition to expense reductions that Dr. Lu highlighted, we remain focused on maintaining our market share position. We continue to design in Diodes products, while attracting new customers with our expanded product line. We believe these are the necessary steps to return Diodes to growth when the economy improves.

As I mentioned last quarter, we have integrated the Zetex sales organization and distributors outside of some remaining distributor consolidation in Asia and have been working closely with the combined customer bases. Additionally, all targeted product conversions to Diodes internal factories should be completed by the end of the first quarter with full manufacturing ramp one quarter later. We also continue to focus on new product development in order to drive additional design wins and future revenue opportunities. Although customers' buying patterns are soft at this time, the activity on design is very high.

Let me begin with an overview of our global sales in the fourth quarter. We were down approximately 35 percent led by a decrease in wafer sales of 56 percent and a 40 percent decrease in global point of purchase as distributors took a very conservative stance on inventory. In comparison, point of sales was down 23 percent. The reduction in POP is much higher than POS, which is forcing channel inventory down. The positive point that can be taken from these numbers is that as long as POS doesn't continue to decline, POP will begin to stabilize.

In terms of OEM sales, which represented 58 percent of our business in the fourth quarter, sales were down 32 percent with the largest decrease in Asia and the lowest in Europe. Overall, global markets remain uncertain and a recovery cannot be predicted at this time.

In regards to specific geographic breakout, **Asia** represented 73 percent of total revenues. We saw the greatest decline in demand for panels, mobile phones, notebooks and LCD-TVs, and this trend is expected to continue into the first quarter of 2009 at rates that are beyond typical seasonality. Distributor POP was off significantly as distributors tried to reduce inventory as quickly as possible. Distributor inventory reduced 8 percent in the quarter, and we expect it to decrease further in the first quarter.

In **North America**, sales represented 16 percent of total revenue, where we continued to see pressure in our industrial accounts due to the slowdown in the housing market, for applications such as climate control and security systems. Distributor point of sales was soft across all market segments. The decline in OEM sales can be attributed to set-top boxes and audio in particular. Distributor inventory declined by 7 percent as the distribution channel continues to reduce inventory in response to the market conditions.

Sales in **Europe** accounted for 12 percent of revenues. Revenue declines came primarily from OEM sales within the automotive and consumer segments. Distributor point of purchase decreased significantly the quarter as they continued to reduce inventory due to concerns surrounding the overall global economy. Distributor inventory decreased 15 percent in the quarter.

Now turning to new products, new product revenue was 23.5 percent of sales in the fourth quarter. We released 75 new products, consisting of 22 analog, 4 hall devices and 49 discrete, which included 29 transistors, 11 MOSFETs, 7 SBR® devices and 4 custom arrays. The significant number of new transistor devices serves as a good example of how we continue to leverage Zetex's technology with Diodes' packaging to expand our standard product lines.

During the quarter, we announced the first devices in a series of high-efficiency synchronous DC-DC converters specifically targeting consumer electronics. These buck and boost converters are targeted for the portable market, with maximum switching frequencies of 1.2 and 2.2 megahertz, respectively. With 94 percent efficiency, these converters extend battery life in portable applications. Currently, we have sampled the products with 5 customers in Asia and one in the U.S. and are targeting 13 additional customers.

Also during the quarter, we introduced the first in a new family of synchronous controllers, optimized for external power adapters, servers, LCD monitors and set-top boxes. This innovative device enables designers to replace Schottky diodes with surface-mount MOSFETs, which improves efficiency, reduces device temperature and provides the option to reduce the size and weight of the overall power supply solution. On the Hall sensor side, we introduced the AH5792 single chip solution for driving low power single coil brushless DC fans and motors for low voltage micro-motors and ultra thin cooling fan applications. This product integrates a Hall sensor, amplifier and a full bridge output driver providing a complete digital control solution. We are currently sampling with 3 customers.

Additionally in the fourth quarter, Diodes released our new SVMOS IntellliFET platform. This new technology platform enables the design, development and manufacture of standard or self-protected MOSFETs with voltage ratings up to 200V. The first product to be released as part of the ZXMS-6000 series is the world’s smallest self-protected MOSFET. This is a monolithic 60-V self-protected FET that has secured its first design win in an automotive lighting application just 4 weeks after its debut. Production volumes are expected to ship to this customer starting in the second quarter of 2009. Furthermore, this product is being evaluated by 3 major European automotive electronics manufacturers for use in future platforms.

In terms of global design wins, despite the soft economy, in-process design activity remains high and design wins were strong in the quarter with wins at 110 accounts globally: including 77 wins at 50 customers in Asia; 72 wins at 37 customers in North America; and 54 wins at 22 accounts in Europe.

We continue to gain significant traction with our USB power switch series in end equipment such as servers, notebooks, LCD monitors, printers, cable modems and set-top boxes. We had two significant design wins with large, key customers and achieved our first production orders during the fourth quarter.

We also had a solid quarter with our Omnipolar Hall sensor with wins on our new 0.4 millimeter thick AH1802 on a key notebook platform with a popular computer manufacturer as well as a win with one of the largest smart phone manufacturers. In addition, we secured design wins on 2 new mobile phone models for our AH1888.

Additional highlights on design wins and in-process design activity included:

- 2 additional smart phone wins for our dual low threshold MOSFET and a proprietary Low Vsat dual transistor;
- A reference design on a key mobile phone chipset for our proprietary current monitor;
- 5 wins for our power die SBR device: 3 in new notebook releases, one for a solar panel application and one for a new thin notebook power supply;
- And wins on lighting products in street lighting and LED projectors, MOSFETs in printers, voice-over-IP, set-top boxes as well as significant standard linear wins in set-top box, cable modem and LCD monitors.

In summary, for the near term and the first quarter of 2009, we expect market weakness and a decline in demand to continue. We are monitoring the market conditions closely in order to take the appropriate actions to reduce costs and maintain positive cash flow. We also remain focused on the long-term growth of the Company through new product development, expanding our position with customers and securing a high level of design wins at key accounts. We believe this is the best strategy for the Company at this time and are confident in our ability to emerge a stronger Company with expanded growth opportunities as the market recovers.

With that, we will open the call for questions — Operator?

Q&A Session

Upon Completion of the Q&A...

Dr. Lu: Thank you for your participation today; we appreciate your time and consideration. Operator, we may now disconnect.

QUESTION AND ANSWER

Operator

(Operator Instructions) John Vinh, Collins Stewart.

John Vinh — *Collins Stewart — Analyst*

Can you remind us again what percentage of your OpEx is contributed by Zetex?

And then if you look at your cost-cutting initiatives, if I heard you right, it sounds like you are pretty much going to be able to keep OpEx flattish in Q1. How should we be thinking about OpEx for the rest of the year?

Carl Wertz — *Diodes, Inc. — CFO*

Give us a second on that, John. We'll grab the data. Yes, I think we mentioned on the total expenses basically being in the $21 million to $23 million for the first quarter; and it is probably a good assumption they will be flattish in the second.

Again, I think from the total operating expense side that gives us (technical difficulty) yes, around 28% to 30% bracket, maybe closer to the 30% with the R&D in there.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

No, that is operations including R&D.

Carl Wertz — *Diodes, Inc. — CFO*

Yes, yes.

John Vinh — *Collins Stewart — Analyst*

Okay. Then if things continue to worsen, are there other cost-cutting measures you think you could take at this point? Or is this kind of the levels that we should be thinking about for '09?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, this is Dr. Lu. We do continue taking the cost-reduction efforts, depending on the market. Like I previously announced, we are working on reduce the headcount in the UK and that is during the process. It will not be 100% effective until end of February. Okay?

Then at the same time, we are cutting down the headcount in China manufacturing; and the key people reduction will be in January during the Chinese New Year. So typically, we know we have attrition. People don't come back to work after the Chinese New Year. We're knowing that and we are putting in those numbers.

Therefore our major people reduction from our manufacturing side in the [SKE] will be happen — majority will be happen in February. So those will not be reflected to 100% in the first quarter. Okay?

So basically, we announced different action to defray market situation. If the market continues to deteriorate, then we will take even more cost-reduction efforts.

For example, we have mandatory people take off fourth quarter. In US, the fourth quarter is seven days; first quarter is seven days. We didn't announce the second quarter yet, and if the market recovers, we don't need. If the markets are going worse, then we will come down another forced vacation.

And the same thing, we are working in UK right now. We don't have the agreement yet. We're negotiating with the union, but that does another effort of the cost reduction.

So from the global operation, we look at different areas and then try to take the action differently. But due to different country requirements, different government requirements, you cannot take the action immediately. Sometimes you need to go through negotiations. Sometime you need to go through contracts and all this.

So we will continue to action, depend on the market.

John Vinh — *Collins Stewart — Analyst*

Got it, thank you. Then can you give us a sense of where you think your cash flow or EPS breakeven level on a revenue basis is currently?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, the cash flow breakeven for us is not difficult. I'll give you some numbers; then you can figure out yourself. Okay?

Our depreciation and amortization cost is about $11 million, $12 million a quarter. That is — I think today you can see Carl talking about $12 million in 4Q and about almost $49.5 million in the whole year. So our depreciation and amortization is about $12 million a quarter. Okay?

Start from next quarter, APB 14-1, it will cost us about $2 million which is not cash related; it is just accounting related. And then you remember we are purchase pricing adjustment; that is about $1.3 million a quarter. Then with our stock option, it is about $2.5 million a quarter.

So if I add all those together, our non-cash portion is really about $17 million to $14 million — I'm sorry, $17 million to $18 million. You know, $12 million on depreciation; $2 million is the APB 14-1; $1.3 million is purchase price; $2.5 million is stock option. So somewhere around $17 million, $18 million a quarter of not really cash.

So if I look at cash flow from operation, we can add those numbers back in. Therefore, to make a positive cash flow is not that challenging for us. We should be able to do it.

On top of that, since we have been putting in 12% of our revenue into our capital expenditure, and with now the loadings go down we really don't need that capacity any more, and so we announced we will cut our capital operation into maintenance-level only, which is about probably 2%.

So we do not have that much of a capital requirement. Therefore, our free cash flow will be almost equal to our cash flow from operations.

John Vinh — *Collins Stewart — Analyst*

Okay.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

We generate cash and that is why I am trying to do all the cost-reduction effort. You probably see today we announced we canceled this credit line. We canceled it because it cost us a lot of money to maintain that credit line. Since we really don't need the cash — I mean, we have enough cash flow from operations and free cash flow, and even last quarter we generated $20 million of cash. Therefore we go ahead, canceled that — how much is our — ?

Carl Wertz — *Diodes, Inc. — CFO*

22.5.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

— $22.5 million of credit line. Since we generated $20 million last quarter, we go ahead and cancel it and that will save us the money too.

The money, we generally are putting it in the bank. The interest rate is very, very low. But to maintain that credit line our cost is high and the interest is high too. Therefore the best one, since we already generate $20 million cash, we just go ahead. Better yield, the cash we have in our hand. I hope that answers your question.

John Vinh — *Collins Stewart — Analyst*

Yes, thank you. My last question is just a question on inventory levels, channel inventories. Can you give us a sense of what you are seeing in terms of inventory levels in some of your key markets? Consumer computing; maybe talk about automotive a little bit.

And then obviously maybe still a little too early to call, but are we at a point where you think you will start to get more replenishment orders in Q2? Are you expecting Q2 levels — revenues to be higher than Q1 levels at this point?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Okay, John. Let me answer your question. You had several questions there. First, I believe our customer, their inventory level probably is right; and some of them might be cut a little too short, because recently we do get some rush orders from here or there, so we do — and this different from before. Okay?

Before, customers always tell us we don't want it; we have enough inventory. But recently, right after Chinese (inaudible) or right before the Chinese New Year and a few after Chinese New Year, we get some rush orders coming in. So we believe some of the imbalance of the inventory do exist in some of our customers and that is why we get those.

The market? Well, they tell me I need to put these terms, okay? Cautiously optimistic. You can tell Mark King; he's the one tell me. I just say it.

Okay. I think we are thinking; we don't know yet. We have no visibility in the second quarter. You know we don't see that, but I think the channel are feeling this, cautiously optimistic. Does that answer your question?

John Vinh — *Collins Stewart — Analyst*

Yes, thank you very much.

Operator

Shawn Harrison, Longbow Research.

Shawn Harrison — *Longbow Research — Analyst*

Good morning. I want to focus in on the demand side. I'm sorry maybe if I missed this, but if we could talk about the pricing experience both in the fourth quarter as well as here in the first quarter to date.

Then secondarily, I know January is a tough data point to use; but if we were to just string along January here, where would we end up in terms of that 20% down guidance rate for the quarter? Would we be within that range? Or do you need to see an uptick in demand at quarter end to make that number?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Shawn, this is Dr. Lu again. I think from an ASP point of view, we really don't see any particularly different from seasonality of the ASP and because very simple — the customer, they know they have no demand. And typically when they don't have the demand, they cannot come to say cut their price. Especially when they come to say, if I want you to cut the price, first thing we are going to ask them, okay; can you give me double the revenue? And if the answer is not, then why do you change the pricing? Everybody probably knows that.

So anyway, we don't see a major difference from our old cadence. Okay? Product mix will be changing to ASP, but not much of a change from the price pressure point of view.

In January, we don't separate; but I can only answer you we are meet our original plan in January.

Shawn Harrison — *Longbow Research — Analyst*

Okay. So what the guidance here probably encapsulates, that miss versus plan?

Carl Wertz — *Diodes, Inc. — CFO*

Definitely. We have got the pricing erosion built into the guidance.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Yes, everything is; that is what I am saying. The pricing erosion is put in the guidance and our January is within our guidance.

Shawn Harrison — *Longbow Research — Analyst*

Okay, okay. Just maybe another way to ask about the pricing, I guess, is if we start to see an environment of distribution restocking or your customers beginning to restock, would you anticipate then maybe a little bit more pricing pressure there?

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

I don't think the pricing for first quarter has been totally established yet. In the fourth quarter we had only about a 2% erosion, which was actually very typical. I think there is pressure on price; but we always experience a lot of price pressure in Q1. So we expect a greater than normal compared to other quarters in this quarter. But it's still — the verdict on that is still a little bit out.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

That is seasonality anyway. It is a season. So like I said, we don't see a particularly uptick on the pricing. It's seasonally 1Q typically going down a little bit, but nothing going to surprise us.

Shawn Harrison — *Longbow Research — Analyst*

Okay. Then maybe getting into some greater detail on the cost savings as well as just kind of margins. It looks like the majority of the headcount savings that will be announced here in kind of the February time frame will more benefit kind of fixed cost versus — I guess in terms of the COGS line, instead of operating expenses given that you are kind of already within that $21 million to $23 million window. Is that a correct statement?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Yes, well I don't call — fixed costs isn't — the cost savings have two — it fell into two categories. One is operation line, which is R&D and SG&A. I think we already gave you the guidance of $21 million to $23 million, down from $28 million; but 100% reflects in the second quarter. In the first quarter, it won't 100% reflect.

Now the other category is from the labor and the overhead in the making function. In the making function, that will reflect into the GPM line; and I think we keep the guidance — what is the guidance we kept on that?

Carl Wertz — *Diodes, Inc. — CFO*

About 16% to 20% (multiple speakers).

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

16% to 20%, okay. Now, 16% to 20% in 1Q is particularly bad because, like I mentioned or Carl mentioned, we want to cut the inventory to in line with the (inaudible) level, therefore even SKE is underloaded, we actually take even further down and to reflect the Chinese New Year, and the people cut. All these ones. So we actually underload additional 10%.

So I think Carl talking about our fourth quarter is about 75% loaded. Our first quarter we saw inventory [hover] probably somewhere 50%, 60%. Okay? And with inventory action tried to reduce our finished goods inventory; then we take additional 10% down.

And that will give us more cash from the finished goods at the same time try to get the capacity more in line. Then start from second quarter, that inventory reduction will be disappear.

Shawn Harrison — *Longbow Research — Analyst*

Okay. Maybe as a follow-up to that quickly, my back of the envelope math suggests, Carl, that maybe without the inventory pressures you could do something like a 21% gross margin, 22% in the March quarter. Is that a correct statement?

Then the other question is — why maybe the 4 point range in terms of gross margin for the quarter?

Carl Wertz — *Diodes, Inc. — CFO*

There are still a lot of ifs out there, and this 16% to 20% was our best estimate at the time. Of course, we might be able to do better than the 20%.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, how about let me answer this one, okay. Number one, like I said, the fixed cost for our making function, SKE, is there; and this you reduce the people. The number of units you [view] is most of them will give you the profit. Okay?

So if we particularly reduce 10% of the capacity — on the loading, that will reflect quite a bit on the cost. At the same time, like I mentioned, our people action really will not really come out because for China you cannot just tell them to go home. Okay? They have a certain regulation you need to go through. So even we start to take action our four quarter, you cannot really get the people gone until February. Some of them do leave in the fourth quarter; but the majority will leave in — some in January but majority will be in February.

And therefore, when we said 16% to 20%, that particularly is — we do not really reflect all the people action until second quarter. Like I said, 10% reduction on the building is another significant load problem too.

So we should be able to back to a little bit higher number than 16% to 18% in the second quarter, assume the loading back to normal run rate — even I assume no revenue increase. Then by not reduce the inventory, you already additional 10% loading. And at that the same time, the people reaction will give you additional profit. So that GPM now is shifting up more.

Carl Wertz — *Diodes, Inc. — CFO*

That is part of our cautiously optimistic statement then.

Shawn Harrison — *Longbow Research — Analyst*

Got you. Thank you very much for answering the questions.

Operator

Kevin Rottinghaus, Cleveland Research.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Do you have a goal for where you want inventory to go inside the quarter?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

What is the question, Kevin?

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Do you have a goal for where you want inventory to go inside this quarter?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, our goal is $10 million reduction from the fourth quarter.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Okay. Then if the —

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

That is why we cut loading 10 — and that is, you can generate cash flow from there too.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Okay. If you hit that number and you don't have [utilization] charges in 2Q, what should that do to gross margins?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, I don't have that number yet. You are talking about second quarter so I don't have that number. It should be above 20%, back to what Shawn is talking about.

So like I say, Shawn is right, okay, with our 20-something-%. It is just the reason 1Q is down because we cut inventory. Okay?

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Okay. The bookings that you have seen kind of pick up for rush orders, when did that start and could you give us any color there, what end market that is?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

I think it started from before the Christmas — I'm sorry, Christmas — before the Chinese New Year. I think some of our customers started to get ready for Chinese New Year when they come back, and they know most of the manufacturing shut down in Chinese New Year. So they kind of say, hey, if my inventory a little bit too low, too risky, I may need to get some rush order.

Then right after Chinese New Year when they really got back to work, they start to see here or there they might need spot purchasing. So it is right around the Chinese New Year, before and after.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

But your best perspective is this is just restocking inventory, it is not a reflection of demand?

Carl Wertz — *Diodes, Inc. — CFO*

Right, yes.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Right, yes. I used that words right? Optimistically — cautiously optimistically.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Okay. Last question, Carl, I don't know if you gave a number for where depreciation would be for 2009.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Depreciation for 2009?

Carl Wertz — *Diodes, Inc. — CFO*

It is going to be pretty close to — we are $12 million a quarter now. (multiple speakers)

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Depreciation for us (multiple speakers)

Carl Wertz — *Diodes, Inc. — CFO*

Yes, depreciation and amortization, correct. Because we are pretty much freezing the CapEx except for maintenance. So then we will have some depreciation falling off.

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

But it sounded like you had shut down a number of lines. I just didn't know if there were any savings from those going away.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

We shut in lines is for the Oldham 4-inch; but the rest of it is not really shut. It is just the people actions. We are not really shutting [the many]. When we say shutting down, we are not really taking off the manufacturing floor except 4-inch in Oldham, UK, due to the Zetex acquisition. That is the only one we actually shut it down and then moved out the equipment. The rest of it we just scaled down due to the demand. It is more [man-limited].

Kevin Rottinghaus — *Cleveland Research Company — Analyst*

Okay, thank you very much.

Operator

Stephen Chin, UBS.

Stephen Chin — *UBS — Analyst*

Thank you. My first question is on cost reductions. So given that pricing as you mentioned was relatively benign in Q4, and a possibility of pricing pressure to increase in Q1, what is the ability of your manufacturing network to continue maintaining prior levels of cost reductions given the current plans for lower loadings and also reduction of CapEx to maintenance levels?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Okay, Steve. That is the different side; I can give you a little bit more detail, okay? From the FabTech point of view, I think our people action is — I think in the beginning of February — November we announced we shut down and we reduced 30% of people. Okay?

Then from there, our continued cost reduction will be by factory shut down. We are no longer reduce the people, because we look at it and then we just do the plant shutdown. Okay?

Now if we need it, we will continue the plant shutdown. What I mean is, you don’t working all the time. You just shut down one week a month; or it is just a temporary plant shutdown for a couple weeks a quarter, something like that.

Then you are talking about SKE, SKE we are still working on people reduction. Okay? We do have some people reduced in 4Q, but the majority of people reduction will be in January and majority will be in February. So that will be people reduction.

Then in addition to that, we will look at the demand and then plan on the shutdown. Okay? We probably will shut down one week in March if the demand didn’t come. But since the visibility is so bad, you really only need to — all we can do is play by ear. And then to do that, hiring the people is difficult, but plant shutdown is much easier to implement. So we plan to have plant shutdown.

Now go to second quarter, if the market didn’t come back, then we will play with that [namesa] too.

Then in the UK, we are working on like I think 4Q we announced this 4-inch shutdown and that is completed, it is already done. Then we reduced some people; it was completed too.

But then we have additional people actions which will be — majority will be done probably by end of February, too, right? End of February. About half of them probably are already gone. It is day to day different. But the majority, all of them will be down by the end of February.

Then we are negotiating with the union and labor for — they don’t call forced vacation. They call — I don’t know, but they have a different terminology. Different countries have different terminology. Okay? Like Germany, we already implement this short working week, okay? So Germany we already implemented a short working week.

And the UK, we are working with negotiate with the labor union and the people and the management about reduce. At the end, it's reduce their cost, their pay.

Stephen Chin — *UBS — Analyst*

Okay. Thanks for that additional color, Dr. Lu. The other question I also had was related to manufacturing. So I guess to the best that you can quantify this, given the many moving pieces right now, what type of impact or effect will you see on your gross margins from the migration of the Zetex products to the Shanghai packaging operations? I guess this would be more applicable to beyond the Q1 time frame once the full ramp is initiated again?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Yes. The action — we are doing the qualification. Actually, we already finished the qualification; but we are waiting for customer approval. You know now since the demand is not very strong, you are really very careful and force the customer to change it. Right? So I think here we said we will start to convert it by end of — during the January a very small portion; and then we said ramp it up by end of the second quarter.

So we were hoping by start from third quarter, whatever we can convert into SKE, we will convert it. But it really depends on the market, the customer approval. If you go to the standard general market, if you don't [damage] your problem — and we are hoping that will be during the 1Q and especially during the Q2. But we are hoping we give enough time to our major customer and then we can convert it start from 3Q.

So it takes time. Especially when the time is tough, we are very careful to asking the customer to change.

Stephen Chin — *UBS — Analyst*

Okay, thank you.

Operator

Tristan Gerra, Robert W. Baird.

Tristan Gerra — *Robert W. Baird — Analyst*

Good morning. With the understanding that you don't have much visibility at all, when will you expect the month-over-month revenue run rate to pick up?

If we look at the normal seasonality in semiconductor in Q2, typically there is only a recovery in June. Any sense that you could actually see a month-over-month improvement in revenues earlier than that or would you expect normal seasonality in the next few months?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

I think I will let Mark King to answer this one.

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

No, I think we expect and hope and more traditionally would start to see some increase in March. Okay? I think February is still a little unsure. I think we need another probably week coming out of the Chinese New Year to understand where February is going. But we hope to start to see some improvements going forward in March and hopefully on into the year.

Tristan Gerra — *Robert W. Baird — Analyst*

Okay. Finally, what is the current impact on operating expenses from Zetex if you can break down versus the overall number?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, I don't know. Do we separate Zetex that much or not? The reason is the [GD] operation, when we started to put it into SKE, your very difficult to separate Zetex versus Diodes anymore. Because they're coming from — most of the operation is in the manufacturing. Wafer cost is not that significant. Okay?

So after we [port] it into SKE, it's very difficult to say how much they're going to burden or help. One thing that we know for sure is they will for sure help for loading SKE. And after we move in, you will help.

So I do not separate into how much burden they are going to give to us or how many help. We are now just running as one Company. Our sales [guys] is consolidated in all three regions now. US is actually consolidated. And therefore, we probably start very difficult to see the visibility of their gross margin effect to our gross margin.

Tristan Gerra — *Robert W. Baird — Analyst*

Okay, great. Thank you.

Operator

Harsh Kumar, Morgan Keegan.

Harsh Kumar — *Morgan Keegan — Analyst*

A couple of questions. I know this is a tough question to ask and answer, but could you give us maybe in weeks or months, given current level of demand where it is, how much excess inventory there is in your opinion in your channels in either the consumer or the computing space?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Let me answer some and then Mark King can answer some. I think we ought to keep the guidance on 1Q, and we ought to say January it's about — because we announced it today. Therefore, you can see January is about in our plan. Okay?

And February, Chinese New Year, we already put that in ours. So only one week back from Chinese New Year, so it is very difficult to talking about February.

So all I can say is January met our plan, February probably will, and we will give the 20% down from 4Q; and I think we are not that far away from our plan today, when we see it today. Now one month later, we don't know, but at least today we see the number we don't — and that is the number we see.

Now I think particularly you ask in different market segments, I think Mark can answer.

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

Actually, I thought you had mentioned the channel inventory. We (multiple speakers) our channel inventory in Asia as part of our plan to come down further in this quarter, and probably the same thing will happen in North America and Europe. They're a little bit more turns based, so we are not sure exactly how they're going to go at this point.

I think the customers are in actually pretty good shape. I think so much of our businesses is [combon] and just-in-time and so forth that I think that the biggest reduction would be in the channel, and I think the channel is starting to get in line.

Harsh Kumar — *Morgan Keegan — Analyst*

Yes, I would agree with that, Mark. That is what we are hearing too. Somebody had previously asked about — or you had mentioned, Dr. Lu, about spot orders. Let me turn it around and ask you, are you still seeing cancellations in your business, or those are pretty much gone away?

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

I don't think we ever really saw a rash of cancels. We have seen a little bit of distributor action where they are shortening their stock windows, which has caused some cancellation in the first quarter, but I think it is pretty isolated. It has been more order flow rather than mass cancellation over the last two quarters.

We did see a little bit in Q1, as one of our key distributors made some adjustments in their ordering patterns, and then they are ordering them again the next day. So I don't think it's mass cancellations. It is really more order entry that is being controlled.

Harsh Kumar — *Morgan Keegan — Analyst*

Got it. That is very helpful. Maybe you guys gave this and I missed it, but could you give me the turns that are needed for the 20% down quarter in March?

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

I don't think we have that figure right in front of us. We always run a strong turns number. It does require turns, but within our normal turns ratio that we established in the fourth quarter. But not our normal one, our more adjusted turns ratio that we adjusted — that we kind of established in Q4.

Harsh Kumar — *Morgan Keegan — Analyst*

Got it. Just my last question, I saw the Oldham fab, you're shutting it down. You guys have done a great job taking expenses out of Zetex. The market, the environment is the environment. Is there a lot of room, Dr. Lu or Mark or Carl, left still in Zetex that you could take out in terms of cost?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

I think we took it the way we are going down. But like I said, Germany, we take some of the cost down by shutting one week, working with the company, with the union, and with the government, and we're doing that and the same thing. It just needs slowly. And it's worldwide, with not just Zetex. I don't want to get people fear we are target at Zetex. No.

Actually, we are taking the action globally; like FabTech 30% down, short week, US. All this, if you go through my presentation, we have all kinds of different cost reductions. And actually, Zetex is slowly — because they had more negotiation need to be done, and so we take action but slowly.

Harsh Kumar — *Morgan Keegan — Analyst*

Got it, very helpful. Thanks, guys.

Operator

Steven Smigie, Raymond James.

Steven Smigie — *Raymond James & Assocs. — Analyst*

Just a follow-up on a question that was asked a little bit earlier on what your depreciation will look like in 2009. I see you have been cutting or are in the process of cutting back your CapEx. How long does that typically take before those actions flow through on the depreciation line?

So you said, it seemed like maybe you gave an '09 level, but is it maybe third quarter or something do you see the depreciation expense drop quite a bit? I mean you are taking a pretty substantial cut in the CapEx there. So wouldn't I expect your COGS to have some positive impact from that?

So I guess the basic question is, how long does it take for those cuts to flow through?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Okay. Number one, we announced the capital cut in the beginning of December — or beginning of 4Q. So if you look our CapEx in 4Q, we actually didn't go down. Okay? It is $16 million or something, I forget the number. $12 million?

Carl Wertz — *Diodes, Inc. — CFO*

Yes, $12 million. Well, we use a five-year life on an equipment base rate. So that is not a straight line. It is not by units produced.

So you are right, I think by the end of '09 if we don't have a lot of CapEx, then you will see a little bit of improvement in the margin for the depreciation line. That is significant (multiple speakers) our bill of materials over in China.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

That is right. Steve, does that answer your questions?

Steven Smigie — *Raymond James & Assocs. — Analyst*

Yes, I'm just trying to get a sense in recovery. I mean, you are cutting CapEx here, and even if you started up at the start of 2010 or something like that, you will still be seeing the benefit of that for some time. And then you have taken quite a bit of people out of manufacturing as well. It just seems in a recovery, you have — coming next quarter, maybe you have the pop-up from the inventory reductions, and then you have the CapEx benefits, and the headcount coming down.

So just trying to look at what the trajectory or the recovery is going to be assuming sort of a normalized revenue environment. Do you get gross margins above previous levels in a normalized environment, given all the actions you are taking?

Carl Wertz — *Diodes, Inc. — CFO*

That may be (multiple speakers) speakers) for '09.

Mark King — *Diodes, Inc. — SVP of Sales and Marketing*

That's kind of (multiple speakers) cautious.

Carl Wertz — *Diodes, Inc. — CFO*

But Steve, we have been geared up to run full capacity for years and that is why we have been adding 10%, 12% every year in capital. And now that we are running at 50%, that definitely has a huge detriment on our gross margin line as indicated by the 16% to 20% expectation in the first quarter.

But as we control that now, Dr. Lu has (technical difficulty) all the CapEx authorization expenditures; Mark will work to get the improved mix, and he has always worked to fill that factory. So there is hope that the second half, we will get back into more of a normalized swing anyway, direction at least.

Steven Smigie — *Raymond James & Assocs. — Analyst*

Right, right. And I was talking much further out than 2009. But in any event, also wanted to follow-up. Dr. Lu, you have always indicated at least relative to some of the smaller competitors you have had a margin advantage.

So as the environment has gotten tougher here again, what impact do you have relative to those smaller competitors? Are they forced out of business at this point and just do you have any specific competitive advantages in this environment?

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

The answer is no. I didn’t really pay attention to (inaudible) our small competitor; but with the crunch, some of them may not able to have enough money to maintain. So at least virtually we are able to have a positive cash flow and a free cash flow even the business go down even further. So number one, we do have the scale.

Number two, we do have the cost efficiency.

Number three, I think we take action earlier and quicker than everybody — well I won’t say everybody; but we do take action much quicker. So if you look at it, we are able to even in 1Q at that kind of revenue and even — we still can maintain the positive cash flow and free cash flow. And we believe next quarter, even after that, we don’t see any reason to change it.

Therefore we will be pretty strong from cash flow point of view and very strong. Therefore, if our small competitors run into the cash problems, then it is opportunity for us to pick up the business. So I don’t pay attention to our (inaudible) who are going to be out of business, but I do know I am okay.

Steven Smigie — *Raymond James & Assocs. — Analyst*

The final question is just I appreciate the operating expense guidance. It is very helpful. I assume obviously that includes the stock option expense in it, correct?

Carl Wertz — *Diodes, Inc. — CFO*

Correct.

Steven Smigie — *Raymond James & Assocs. — Analyst*

Okay, great. Thank you very much.

Operator

Ladies and gentlemen, due to time this concludes the question-and-answer session. I would now like to turn the call back over to Dr. Lu for closing remarks.

Keh-Shew Lu — *Diodes, Inc. — President, CEO*

Well, thank you everybody for joining us today for the call. The times are very tough; but like I mentioned, I am cautiously optimistic of the future. Especially I think our focus for the next couple quarters are going to be continue our cost-reduction efforts; continue our design-in, design win efforts; continue our new product introduction efforts. Those are all the efforts we are going to focus on.

And we are hoping when the market turns with our strong cash flow position, we should be able to grow, go back to our growth, then again, the market share [fresh growth path]. But we already positioned ourselves for that.

Thank you very much for you joining us. Operator, you may now disconnect.

Operator

Thank you for joining today’s conference. That concludes the presentation. You may now disconnect and have a wonderful day.