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

November 2, 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 November 2, 2009, Diodes Incorporated issued a press release announcing its third quarter 2009 results. A copy of the press release is attached as Exhibit 99.1.

On November 2, 2009, Diodes Incorporated hosted a conference call to discuss its third quarter 2009 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 November 2, 2009, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, as well as Richard D. White, Chief Financial Officer, Mark King, Senior Vice President of Sales and Marketing and Carl C. Wertz, Vice President of Finance and Investor Relations made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

In the press release and earnings conference call, Diodes Incorporated (the "Company") 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. The following, along with others described in Exhibit 99.1, is a description of non-GAAP measures used:

Free Cash Flow (FCF) is operating cash flows minus capital expenditures. FCF represents the cash and cash equivalents that we are able to generate after taking into account investments required to maintain or expand property, plant and equipment. FCF is important because it allows us to pursue opportunities to develop new products, make acquisitions and reduce debt.

Item 7.01 Regulation FD Disclosure.

The press release in Exhibit 99.1 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: November 6, 2009

DIODES INCORPORATED

By /s/ Richard D. White

RICHARD D. WHITE

Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated November 2, 2009
99.2	Conference call script dated November 2, 2009
99.3	Question and answer transcript dated November 2, 2009

Exhibit 99.1

Diodes Incorporated Reports Third Quarter 2009 Financial Results

Revenue Increases 18% and Gross Profit Increases 37%, Sequentially

GAAP EPS of $0.16, Up $0.23 Over Second Quarter

Dallas, Texas — November 2, 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 third quarter ended September 30, 2009.

Financial and Business Highlights:

- Revenue was $122.1 million, an increase of $18.2 million, or 17.5 percent, over second quarter revenue of $103.9 million;
- Gross profit was $37.6 million, an increase of 37.2 percent over the second quarter of $27.4 million;
- Gross margin was 30.8 percent, a 450 basis point increase over the second quarter gross margin of 26.3 percent;
- GAAP net income was $7.0 million, or $0.16 per diluted share, compared to a second quarter net loss of $3.0 million, or ($0.07) per share;
- Non-GAAP adjusted net income was $9.0 million, or $0.21 per diluted share, compared to a second quarter adjusted net income of $2.5 million, or $0.06 per diluted share;
- Achieved $19.4 million cash flow from operations, $15.9 million free cash flow and $16.6 million net cash flow for the third quarter, bringing the year to date cash flow from operations to $44.0 million, free cash flow to $31.0 million and net cash flow to $22.6 million;
- EBITDA was $21.4 million, a 29 percent improvement over the $16.6 million for the second quarter; and
- Repurchased $19.8 million principal amount of Convertible Senior Notes in exchange for Common Stock, bringing total repurchases to approximately $91 million.

Revenue for the third quarter of 2009 was $122.1 million, an increase of 17.5 percent from the $103.9 million reported in the second quarter of 2009 and off only 9 percent from the record revenue of $134.0 million reported in the third quarter of 2008. The sequential increase in third quarter revenue was driven primarily by demand for the Company's products utilized in end-equipment such as LCD and LED televisions and LCD panels, set-top boxes, mobile handsets and notebooks. Revenue exceeded the high end of Company's guidance of a sequential increase of 13 to 17 percent due to customers in Asia advancing fourth quarter orders into the third quarter in preparation for the one-week National Holiday customs shut-down in China, which began October 1st.

Gross profit for the third quarter of 2009 was $37.6 million, or 30.8 percent of revenue, compared to $27.4 million, or 26.3 percent, in the second quarter of 2009 and $38.1 million, or 28.4 percent, in the third quarter of 2008. The increase in gross margin was attributable to continued improvements in utilization at the Company's packaging facilities as well as increased capacity utilization at its wafer fabrication facilities.

Commenting on the quarter, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, said, "The third quarter marked a significant milestone for Diodes as we returned to GAAP profitability, while also delivering robust revenue growth. This achievement is a direct result of our disciplined operational management and solid execution on our new product strategies during the economic downturn that properly positioned the Company to benefit from the recent economic improvements. From the first quarter low point in the business cycle, we have grown revenues by approximately 56 percent and are reaching historical highs in many product areas, in particular our analog business. Over the last several quarters, we have been focused on cash preservation, but we are now in a solid financial position to return to our profitable growth model, which has produced an enviable track record of profitability for the past 18 consecutive years."

Third quarter GAAP net income was $7.0 million, or $0.16 per diluted share. As a result of generating positive net income for the quarter, 44.0 million fully diluted shares were used to compute third quarter GAAP earnings per share, compared to 41.6 million basic shares used in the second quarter. The diluted shares in the third quarter included approximately 1 million shares issued due to recent repurchases of Convertible Senior Notes in exchange for Common Stock.

Non-GAAP adjusted net income was $9.0 million, or $0.21 per diluted share, which excluded, net of tax, $1.2 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes in accordance with FASB ASC 470-20 (prior authoritative literature FSP APB 14-1), $0.9 million of non-cash acquisition related intangible asset amortization costs, and nominal amounts for restructuring charges and a loss on the extinguishment of debt. The following is a summary reconciliation of GAAP net income to non-GAAP adjusted net income and per share data, net of tax (*in thousands, except per share data):*

GAAP net income	**$ 7,020**
GAAP diluted earnings per share	**$ 0.16**
Adjustments to reconcile net income to adjusted net income:	
Amortization of debt discount	**1,208**
Amortization of acquisition related intangible assets	**915**
Other	**(82)**
Non-GAAP adjusted net income	**$ 9,061**
Non-GAAP adjusted diluted earnings per share	**$ 0.21**

See below for further details of the reconciliation.

Included in GAAP and non-GAAP adjusted net income was approximately $1.8 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.04 per share.

EBITDA, which represents earnings before net interest expense, income tax provision, depreciation and amortization, for the third quarter of 2009 was $21.4 million, compared to $16.6 million for the second quarter of 2009 and $19.4 million for the third quarter of 2008. For a reconciliation of GAAP net income to EBITDA, see below.

As of September 30, 2009, Diodes had approximately $438 million in cash and short-term investments, consisting of approximately $126 million in cash and $312 million in short-term investments of par value auction rate securities, which can be put back to UBS AG at par on June 30, 2010 under the previously disclosed settlement (net of the related current liability "no net cost" loan of $204 million). In addition, the Company had $127 million in long-term debt primarily related to its Convertible Senior Notes.

Dr. Lu further commented, "Our future performance will be further driven by increased global demand for our products and improved capacity utilization at our wafer fabrication facilities. Complementing our strong organic growth, our 2008 acquisition of Zetex will continue to enhance Diodes' scale, product offerings and capability to innovate, which will drive additional growth within our expanded serviceable markets. As we continue to increase our global footprint, we believe we are well positioned for continued market share gains in our high-growth target markets."

Business Outlook

Dr. Lu concluded, “For the fourth quarter of 2009, we expect revenue to continue to grow and range between $126 million and $130 million. We are pleased with our growth prospects for the fourth quarter as this outlook represents higher sequential growth than our normal seasonal expectations, even when considering the advanced shipments made in the third quarter. Our fourth quarter revenue guidance represents an increase of nearly 50 percent over the fourth quarter of 2008. Additionally, we expect further improvements in utilization at our wafer fabrication facilities with fourth quarter gross margin expected to range between 31 percent and 33 percent. Fourth quarter operating expenses are anticipated to remain comparable to third quarter levels on a percent of revenue basis. In terms of capital expenditures, we will resume our more normalized range of between 10 percent and 12 percent of revenues, primarily due to equipment lead times and our preliminary forecast of demand growth in the seasonally higher quarters of 2010. We also expect our income tax expense for the fourth quarter to be a relatively nominal amount.”

Conference Call

Diodes will host a conference call on Monday, November 2, 2009 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its third quarter 2009 financial results. Investors and analysts may join the conference call by dialing 1-800-798-2796 and providing the confirmation code 61914770. International callers may join the teleconference by dialing 1-617-614-6204. A telephone replay of the call will be made available approximately two hours after the call and will remain available until November 4, 2009 at midnight Central Time. The replay number is 1-888-286-8010 with a pass code of 60768039. 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), a Standard and Poor’s 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 is 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: our future performance will be further driven by increased global demand for our products and improved capacity at our wafer fabrication facilities; our 2008 acquisition of Zetex will continue to enhance Diodes’ scale, product offerings and capability to innovate, which will drive additional growth within our expanded serviceable markets; as we continue to increase our global footprint, we are well positioned for continued market share gains in our high-growth target markets; for the fourth quarter of 2009, we expect revenue to continue to grow and range between $126 million and $130 million; our fourth quarter outlook represents higher sequential growth than our normal seasonal expectations, even when considering the advanced shipments made in the third quarter; our fourth quarter revenue guidance represents an increase of nearly 50 percent over the fourth quarter of 2008; we expect further improvements in utilization at our wafer fabrication facilities *with fourth quarter gross margin expected to range between 31 percent and 33 percent; fourth quarter operating expenses are anticipated to remain comparable to third quarter levels on a percent of revenue basis; in terms of capital expenditures, we will resume our more normalized range of between 10 percent and 12 percent of revenues, primarily due to equipment lead times and our preliminary forecast of demand growth in the seasonally higher quarters of 2010; and we expect our income tax expense for the fourth quarter to be a relatively nominal amount. 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 or maintain the anticipated cost savings or increase loadings in our manufacturing facilities; 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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DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008 *(As Adjusted)*	**2009**	2008 *(As Adjusted)*	**2009**
NET SALES	$ 134,047	**$ 122,122**	$ 345,645	**$ 304,070**
COST OF GOODS SOLD	95,929	**84,547**	235,993	**224,632**
Gross profit	38,118	**37,575**	109,652	**79,438**
OPERATING EXPENSES				
Selling, general and administrative	20,841	**19,079**	52,435	**50,375**
Research and development	7,212	**6,284**	15,618	**16,944**
Amortization of acquisition related intangible assets	1,804	**1,271**	2,275	**3,480**
Purchased in-process research and development	7,865	**—**	7,865	—
Restructuring	—	**(291)**	—	**(440)**
Total operating expenses	37,722	**26,343**	78,193	**70,359**
Income from operations	396	**11,232**	31,459	**9,079**
OTHER INCOME (EXPENSES)				
Interest income	1,824	**805**	9,826	**3,907**
Interest expense	(3,213)	**(1,784)**	(7,041)	**(5,709)**
Amortization of debt discount	(2,748)	**(1,981)**	(8,073)	**(6,471)**
Other	(897)	**(1,062)**	(2,393)	**(1,074)**
Total other expenses	(5,034)	**(4,022)**	(7,681)	**(9,347)**
Income (loss) before income taxes and noncontrolling interest	(4,638)	**7,210**	23,778	**(268)**
INCOME TAX PROVISION	(722)	**(629)**	2,258	**4,924**
NET INCOME (LOSS)	(3,916)	**7,839**	21,520	**(5,192)**
Less: NET INCOME attributable to noncontrolling interest	(659)	**(819)**	(1,938)	**(1,507)**
NET INCOME (LOSS) attributable to common stockholders	$ (4,575)	**$ 7,020**	$ 19,582	**$ (6,699)**
EARNINGS (LOSS) PER SHARE attributable to common stockholders				
Basic	$ (0.11)	**$ 0.17**	$ 0.48	**$ (0.16)**
Diluted	$ (0.11)	**$ 0.16**	$ 0.46	**$ (0.16)**
Number of shares used in computation				
Basic	40,889	**42,533**	40,585	**41,761**
Diluted	40,889	**44,013**	42,746	**41,761**

Note: (1) The three and nine months ended September 30, 2008 amounts were adjusted for the retrospective application of FASB ASC 470-20.

(2) Throughout this release, we refer to “net income (loss) attributable to common stockholders” as “net income (loss).”

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME
(in thousands, except per share data)
(unaudited)

For the three months ended September 30, 2009:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				$ 7,020
Earnings per share (Per-GAAP)				
Diluted				$ 0.16
Adjustments to reconcile net income to adjusted net income:				
Amortization of acquisition related intangible assets	1,271	—	(356)	915
Restructuring	(291)	—	111	(180)
Loss on extinguishment of debt	—	161	(63)	98
Amortization of debt discount	—	1,981	(773)	1,208
Adjusted (Non-GAAP)				$ 9,061
Diluted shares used in computing earnings per share				44,013
Adjusted earnings per share (Non-GAAP)				
Diluted				$ 0.21

Note: Included in GAAP and non-GAAP adjusted net income was approximately $1.8 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.04 per share.

For the three months ended September 30, 2008:

	Cost of Goods Sold	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income (Loss)
Per-GAAP					$ (4,575)
Loss per share (Per-GAAP)					
Diluted					$ (0.11)
Adjustments to reconcile net loss to adjusted net income:					
Amortization of acquisition related intangible assets	—	1,804	—	(503)	1,301
Inventory valuations and deprecation adjustments	5,388	—	—	—	5,388
In-process research and development	—	7,865	—	—	7,865
Amortization of debt discount	—	—	2,748	(1,072)	1,676
Adjusted (Non-GAAP)					$ 11,655
Diluted shares used in computing earnings per share					42,638
Adjusted earnings per share (Non-GAAP)					
Diluted					$ 0.27

Note: Included in GAAP net loss and non-GAAP adjusted net income was approximately $1.6 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.04 per share.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME — Con't
(in thousands, except per share data)
(unaudited)

For the nine months ended September 30, 2009:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income (Loss)
Per-GAAP				**$ (6,699)**
Loss per share (Per-GAAP)				
Diluted				**$ (0.16)**
Adjustments to reconcile net loss to adjusted net income:				
Amortization of acquisition related intangible assets	3,480	—	(977)	**2,503**
Restructuring	(440)	—	(85)	**(525)**
Gain on extinguishment of debt	—	(1,192)	465	**(727)**
Forgiveness of debt	—	(1,501)	188	**(1,313)**
Amortization of debt discount	—	6,471	(2,526)	**3,945**
Taxes on repatriation of earnings	—	—	10,631	**10,631**
Adjusted (Non-GAAP)				**$ 7,815**
Diluted shares used in computing earnings per share				**42,967**
Adjusted earnings per share (Non-GAAP)				
Diluted				**$ 0.18**

Note: Included in GAAP net loss and non-GAAP adjusted net income was approximately $4.8 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.11 per share.

For the nine months ended September 30, 2008:

	Cost of Goods Sold	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP					**$ 19,582**
Earnings per share (Per-GAAP)					
Diluted					**$ 0.46**
Adjustments to reconcile net income to adjusted net income:					
Amortization of acquisition related intangible assets	—	2,275	—	(635)	**1,640**
Inventory valuations and deprecation adjustments	5,388	—	—	—	**5,388**
In-process research and development	—	7,865	—	—	**7,865**
Currency hedge on purchase price	—	—	1,540	(570)	**970**
Amortization of debt discount	—	—	8,073	(3,148)	**4,925**
Adjusted (Non-GAAP)					**$ 40,370**
Diluted shares used in computing earnings per share					**42,746**
Adjusted earnings per share (Non-GAAP)					
Diluted					**$ 0.94**

Note: Included in GAAP and non-GAAP adjusted net income was approximately $4.9 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.11 per share.

ADJUSTED NET INCOME (LOSS)

This measure consists of generally accepted accounting principles ("GAAP") net income (loss), which is then adjusted solely for the purpose of adjusting for amortization of acquisition related intangible assets, restructuring costs, gain (loss) on extinguishment of debt, amortization of debt discount, inventory valuations and depreciation adjustments, in-process research and development ("IPR&D") expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price, as discussed below. Excluding restructuring costs, gain (loss) on extinguishment of debt, inventory valuations and depreciation adjustments, IPR&D expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price provides investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations. Excluding the amortization of acquisition related intangible assets and amortization of debt discount allows for comparison of the Company's current and historic operating performance. The Company excludes the above listed items to evaluate the Company's 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 the Company's results of operations from the same view point as the Company's management and Board of Directors. The Company has historically provided similar non-GAAP financial measures to provide investors an enhanced understanding of its operations, facilitate investors' analyses and comparisons of its current and past results of operations and provide insight into the prospects of its future performance. The Company also believes 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. The Company recommends a review of net income on both a GAAP basis and non-GAAP basis be performed to get a comprehensive view of the Company's results. The Company provides a reconciliation of GAAP net income (loss) to non-GAAP adjusted net income.

Detail of non-GAAP adjustments:

Amortization of acquisition related intangible assets — The Company has excluded the amortization of its acquisition related intangible assets including developed technologies and customer relationships. The fair value of the 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. The Company believes the exclusion of the amortization expense of acquisition related assets is appropriate as a significant portion of the purchase price for its acquisitions was allocated to the intangible assets that have short lives and exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, the Company excluded the amortization expense as there is significant variability and unpredictability across companies with respect to this expense.

Restructuring costs — The Company has recorded various restructuring charges to reduce its cost structure in order to enhance operating effectiveness and improve profitability. These restructuring activities impacted various functional areas of the Company's operations in several locations and were undertaken to meet specific business objectives in light of the facts and circumstances at the time of each restructuring event. These restructuring charges are excluded from management's assessment of the Company's operating performance. The Company believes the exclusion of the restructuring charges provides investors an enhanced view of the cost structure of the Company's operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

Gain (loss) on extinguishment of debt — The Company excluded the gains and losses from extinguishment of debt from the repurchase of its 2.25% Convertible Senior Notes ("Notes"), which was accounted for under FASB ASC 470-20. These gains and losses were excluded from management's assessment of the Company's core operating performance. The Company believes the exclusion of the gains and losses on extinguishment of debt provides investors an enhanced view of gains and losses the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such gains or losses.

Amortization of debt discount — The Company has excluded the amortization of debt discount on its Notes, which is recorded in accordance with FASB ASC 470-20. This amortization was excluded from management's assessment of the Company's core operating performance. Although the amortization of debt discount is recurring in nature, the expected life of the Notes is five years as that is the earliest date in which the Notes can be put back to the Company at par value. As such, the amortization period ends October 1, 2011, at which time the Company will no longer be recording an amortization of debt discount. In addition, the Company has repurchased some of its Notes, which can make the principal amount outstanding and related amortization vary from period to period, and as such the Company believes the exclusion of the amortization facilitates comparisons with the results of other periods that may reflect different principal amounts outstanding and related amortization.

Inventory valuations and depreciation adjustments — The Company has excluded the inventory valuation and depreciation adjustments. Under GAAP, the Company 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 facilitating an understanding of our gross profit and margins as 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 the Company's newly acquired and long-held businesses. In addition, we exclude the deprecation expense as there is significant variability and unpredictability across companies with respect to this expense.

IPR&D expense — The Company has excluded the non-recurring IPR&D expense, which is non-cash and related to the acquisition of Zetex, from its non-GAAP results. Under GAAP, the Company immediately expensed all the acquired IPR&D as it had not yet reached technological feasibility and had no alternative further use as of the date of 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 facilitating an understanding of earnings as this impact reduces our earnings to amounts lower than we have historically achieved and expect to achieve in the future.

Forgiveness of debt — The Company excluded the forgiveness of debt related to one of its Asia subsidiaries in the second quarter of 2009. This forgiveness of debt is excluded from management's assessment of our operating performance. The Company believes the exclusion of the forgiveness of debt provides investors an enhanced view of the adjustment the Company may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such gains.

Taxes on repatriation of earnings — The Company has excluded the non-cash income tax expense related to the repatriation of earnings. During the first quarter of 2009, the Company repatriated approximately $28.5 million of accumulated earnings from one of its Chinese subsidiaries, resulting in additional non-cash federal and state income tax expense. The Company intends to permanently reinvest overseas all of its remaining earnings from its foreign subsidiaries. The Company believes the exclusion of the non-cash income tax expense related to the repatriation of earnings provides investors an enhanced view of a one-time occurrence and facilitates comparisons with results of other periods that do not reflect such a non-cash income tax expense.

Currency hedge on purchase price — The Company 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 2008. The Company believes the exclusion of the non-recurring currency hedge loss provides investors an enhanced view of the one-time adjustment the Company may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such charges.

ADJUSTED EARNINGS (LOSS) PER SHARE

This non-GAAP financial measure is the portion of the Company's GAAP net income (loss) assigned to each share of stock, excluding amortization of acquisition related intangible assets, restructuring costs, gain (loss) on extinguishment of debt, amortization of debt discount, inventory valuations and depreciation adjustments, IPR&D expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price, as described above. Excluding restructuring costs, gain (loss) on extinguishment of debt, inventory valuations and depreciation adjustments, IPR&D expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price provides investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations, as described in further detail above. Excluding the amortization of acquisition related intangible assets and amortization of debt discount allows for comparison of the Company's 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. The Company recommends a review of diluted earnings per share on both a GAAP basis and non-GAAP basis be performed to obtain a comprehensive view of the Company's results. Information on how these share calculations are made is included in the reconciliation table provided.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME (LOSS) TO EBITDA

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. 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, 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 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 used by other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

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

	Three Months Ended September 30,	
	2008	**2009**
Net income (loss) (per-GAAP)	$ (4,575)	**$ 7,020**
Plus:		
Interest expense (income), net (1)	4,137	**2,960**
Income tax provision (benefit)	(722)	**(629)**
Depreciation and amortization	20,602	**12,092**
EBITDA (Non-GAAP)	$ 19,442	**$ 21,443**

	Nine Months Ended September 30,	
	2008	**2009**
Net income (loss) (per-GAAP)	$ 19,582	**$ (6,699)**
Plus:		
Interest expense (income), net (2)	5,288	**8,273**
Income tax provision	2,258	**4,924**
Depreciation and amortization	37,533	**35,079**
EBITDA (Non-GAAP)	$ 64,661	**$ 41,577**

(1) Includes $2.7 million and $2.0 million for the three months ended September 30, 2008 and 2009, respectively, of amortization of debt discount in accordance with FASB ASC 470-20.

(2) Includes $8.1 million and $6.5 million for the nine months ended September 30, 2008 and 2009, respectively, of amortization of debt discount in accordance with FASB ASC 470-20.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(in thousands)
(unaudited)

	December 31, 2008 *(As Adjusted)*	**September 30, 2009**
CURRENT ASSETS		
Cash and cash equivalents	$ 103,496	**$ 126,072**
Short-term investment securities	—	**311,900**
Accounts receivable, net	74,574	**101,695**
Inventories	99,118	**82,880**
Deferred income taxes, current	3,994	**8,542**
Prepaid expenses and other	15,578	**11,783**
Total current assets	296,760	**642,872**
LONG-TERM INVESTMENT SECURITIES	320,625	—
PROPERTY, PLANT AND EQUIPMENT, net	174,667	**163,521**
OTHER ASSETS		
Goodwill	56,791	**67,616**
Intangible assets, net	35,928	**35,751**
Other	5,907	**4,854**
Total assets	$ 890,678	**$ 914,614**

Note: The December 31, 2008 amounts were adjusted for the retrospective application of FASB ASC 470-20 and ASC 810-10-65.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

LIABILITIES AND EQUITY
(in thousands, except share data)
(unaudited)

	December 31, 2008 *(As Adjusted)*	**September 30, 2009**
CURRENT LIABILITIES		
Lines of credit and short-term debt	$ 6,098	**$ 207,149**
Accounts payable	47,561	**57,339**
Accrued liabilities	31,195	**32,241**
Income tax payable	358	**3,484**
Current portion of long-term debt	1,339	**372**
Current portion of capital lease obligations	377	**313**
Total current liabilities	86,928	**300,898**
LONG-TERM DEBT, net of current portion		
Convertible senior notes	155,451	**123,098**
Long-term borrowings	217,146	**3,540**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,854	**1,726**
DEFERRED INCOME TAXES, non-current	7,986	**18,189**
OTHER LONG-TERM LIABILITIES	22,935	**36,820**
Total liabilities	492,300	**484,271**
COMMITMENTS AND CONTINGENCIES	—	—
EQUITY		
Diodes Incorporated 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; 41,378,816 and 43,508,314 issued and outstanding at December 31, 2008 and September 30, 2009, respectively	27,586	**29,006**
Additional paid-in capital	167,964	**205,549**
Retained earnings	241,814	**235,114**
Accumulated other comprehensive loss	(48,439)	**(48,788)**
Total Diodes Incorporated stockholders' equity	388,925	**420,881**
Noncontrolling interest	9,453	**9,462**
Total equity	398,378	**430,343**
Total liabilities and equity	$ 890,678	**$ 914,614**

Note: The December 31, 2008 amounts were adjusted for the retrospective application of FASB ASC 470-20 and ASC 810-10-65.

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

Operator:

Good afternoon and welcome to Diodes Incorporated's third quarter 2009 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 November 2, 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 afternoon and welcome to Diodes' third quarter 2009 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, who is joining us from Taiwan; Chief Financial Officer, Rick White; Senior Vice President of Sales and Marketing, Mark King; and Vice President of Finance and Investor Relations, Carl Wertz.

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, November 2, 2009.** Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms. Included in the Company's earnings release is a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details.

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 to 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.

The third quarter marked a significant milestone for Diodes in which we returned to GAAP profitability. While we have been profitable from an adjusted earnings point of view, we are pleased with these results. For the quarter, revenue increased about 18 percent and gross profit increased 37 percent sequentially. Revenue grew across all geographies with Europe increasing the highest increase of almost 30 percent sequentially. Total revenue exceeded the high-end of our guidance due to customers in Asia advancing fourth quarter orders into the third quarter in preparation for the one-week National Holiday shut-down in China, which began October 1st.

As I discussed last quarter, we have been actively hiring at our packaging facilities to increase our equipment utilization, and as a result, were fully utilized by the end of the third quarter. Gross margin was 30.8 percent, which is a 450 basis point improvement over the second quarter. Utilization also improved at our two wafer fabs during the quarter, but they are not yet fully utilized. Realizing further utilization improvements at our wafer fabs should provide the opportunity for upside in gross margin in the coming quarters.

In regards to other key financial results, EBITDA has been steadily increasing throughout the year, and we have now returned to our previous $20 million per quarter run-rate. In fact, the third quarter EBITDA was up 29 percent from the second quarter, and up 10 percent from the third quarter a year ago.

In terms of capital expenditures, we invested approximately $6 million in our manufacturing facilities during the quarter. With the recent improvements in our business, we will resume our more normalized range of CapEx between 10 percent to 12 percent of revenues, primarily due to equipment lead times and our initial forecast of demand in the seasonally higher quarters of 2010. Also notable during the third quarter, we achieved approximately $19 million cash flow from operations, $16 million from free cash flow and $17 million net cash flow. We also continued to strengthen our balance sheet during the quarter, further reducing debt through the repurchase of approximately $20 million of our Convertible Senior Notes in exchange for Common Stock. In total, we have repurchased approximately $91 million of our Convertible Senior Notes.

The achievements realized during the third quarter are a direct result of our disciplined operational management and solid execution on our new product strategies during the economic downturn, which properly positioned the Company to benefit from the recent economic improvements. From the low point in the business cycle in the first quarter, we have grown revenues by almost 60 percent and increased gross margin by 1200 basis points. As a result, we are reaching historical highs in many product areas, in particular our analog business. Over the last several quarters, we have been focused on cash preservation, but are now returning to our profitable growth model, which has been proven successful for Diodes over many years.

For the fourth quarter, we are pleased with the growth prospects as our outlook represents higher sequential revenue growth than our normal seasonal expectations, even when considering the advanced shipments made to customers during the third quarter. Our fourth quarter revenue guidance represents an increase of nearly 50 percent over the fourth quarter of 2008. Additionally, we expect further improvements in gross margin as utilization at our wafer fabs increase.

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

Rick White, CFO

Thanks, Dr. Lu, and good afternoon everyone.

Revenue was $122.1 million, an 18 percent increase compared to the $103.9 million last quarter and only 9 percent below the record revenue of $134 million reported in the third quarter of 2008.

Gross profit for the third quarter of 2009 was $37.6 million, or 30.8 percent of revenue, compared to $27.4 million, or 26.3 percent, in the second quarter of 2009 and $38.1 million, or 28.4 percent, in third quarter of 2008. As Dr. Lu mentioned, this represents a 450 basis point sequential increase primarily attributable to our packaging facilities being fully utilized by the end of the quarter as well as the continued improvements in utilization at our wafer fabs. We expect further improvements in utilization at our wafer fab facilities, which will have a positive impact on the fourth quarter. ASPs were down 4.7 percent sequentially during the quarter primarily due to product mix.

Selling, General and Administrative expenses for the third quarter were approximately $19.1 million, or 15.6 percent of revenue, compared to $15.2 million, or 14.7 percent of revenue, last quarter. The increase in SG&A expenses was primarily due to increased employee related expenses due to the cancellation of our temporary salary reductions, increased sales commissions, increased equity compensation expenses and additional global ERP costs.

Investment in Research and Development for the third quarter was $6.3 million, or 5.1 percent of revenue, which was comparable on a percent of revenue basis to the $5.4 million, or 5.2 percent of revenue, in the second quarter. We plan to continue to invest in R&D at similar levels going forward to support our future product initiatives in alignment with our growth.

Total **operating expenses** amounted to $26.3 million, or 21.6 percent of revenue, comparable to the 20.7 percent last quarter. We expect the fourth quarter operating expenses to be comparable to the third quarter on a percent of revenue.

Total other expenses amounted to $4.0 million for the third quarter.

Looking first at interest income and expense, we had $800,000 of interest income, primarily related to our portfolio of auction rate securities, and interest expense of $1.8 million primarily related to our Convertible Senior Notes and our loan for the acquisition of Zetex.

During the third quarter of 2009, we recorded a pre-tax, non-cash amortization of debt discount of approximately $2.0 million in accordance with FASB ASC 470-20 (which was formally known as APB 14-1). As stated previously, effective January 1, 2009, this pronouncement requires us to separately account for a liability and equity component of our Convertible Senior Notes. We expect this additional pre-tax amortization expense to be approximately $2 million per quarter or $7 to $8 million for the full year.

Also included in the total $4.0 million of **other expense** was $1.4 million in foreign exchange losses primarily related to forward currency contracts that were part of the Zetex acquisition.

Turning to **income taxes**, our income tax benefit was approximately $600,000. This is primarily due to the fact that our earnings in Asia are taxed at lower income tax rates, while losses in the U.S. generate a tax benefit at higher income tax rates. Income taxes for the third quarter have been included in the financial statements on the basis of actual year-to-date effective income tax rate.

Looking at the fourth quarter, we expect income tax expense to be a relatively nominal amount.

Third quarter **GAAP net income** was $7.0 million, or $0.16 per diluted share, as compared to a net loss of $3.0 million, or negative ($0.07) per share, last quarter. As a result of generating positive GAAP net income this quarter, 44 million fully diluted shares were used to compute GAAP earnings per share, compared to 41.6 million basic shares used in the second quarter. The diluted share count in the third quarter includes approximately one million shares issued for the recent repurchases of Convertible Senior Notes.

Non-GAAP adjusted net income was $9.0 million, or $0.21 per diluted share, which excluded, net of tax, $1.2 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes, $900,000 of non-cash acquisition related intangible asset amortization costs, and nominal amounts for restructuring charges and a loss on the extinguishment of debt. We have included in our earnings release a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details. Included in GAAP and non-GAAP adjusted net income was approximately $1.8 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional $0.04 per share.

Cash flow for the third quarter amounted to $19.4 million from operations, $15.9 million free cash flow and $16.6 million net cash flow. For the nine months year-to-date, cash flow from operations was $44.0 million, free cash flow was $31.0 million and net cash flow is $22.6 million.

Turning to the **balance sheet**, at the end of the third quarter, we had $438 million in cash and short-term investments, consisting of approximately $126 million in cash and $312 million in short-term investments of par value auction rate securities, which can be put back to UBS AG at par on June 30, 2010 under the previously disclosed settlement (net of the related current liability "no net cost" loan of $204 million). Our working capital at quarter-end was approximately $342 million and long-term debt, including the Convertible Senior Notes, which are redeemable in October 2011, was approximately $127 million.

Now turning to **Inventory**, at the end of the third quarter, inventory was $82.9 million, which was an increase of approximately $3 million over the second quarter due to an increase in raw materials, which was partially offset by decreases in both finished goods and WIP due to the strong revenue performance. Inventory days were 87.

Accounts receivable was $101.7 million and A/R days were 69.

Capital expenditures were approximately $6.3 million for the third quarter, and $15.8 million year-to-date. On the cash flow statement to be included in the 10-Q, the $6.3 million CapEx is broken down into $3.6 million paid in cash and the balance of $2.7 million is included in accounts payable. Moving forward, we will resume our more normalized range of between 10 and 12 percent of revenues, due to equipment lead times and our preliminary forecast of demand growth in the seasonally higher quarters next year.

Depreciation and amortization expense for the third quarter was $12.1 million, and $35.1 million year-to-date.

Turning to our Outlook...

Looking to the fourth quarter of 2009, as Dr. Lu mentioned, we expect revenue to continue to grow sequentially and range between $126 million and $130 million. Additionally, we expect further improvements in utilization at our wafer fab facilities with fourth quarter gross margin expected to range between 31 percent and 33 percent. Operating expenses are anticipated to remain comparable to third quarter levels on a percent of revenue basis, and we also continue to expect our income tax expense for the fourth quarter to be a relatively nominal amount.

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, Rick, and good afternoon.

As Dr. Lu mentioned, we achieved another solid quarter of revenue growth as we executed our new product strategy initiatives. Our increase in revenue was driven by strong demand for our products utilized in LCD and LED televisions, LCD panels, set-top boxes, mobile handsets and notebooks. In particular, we achieved significant gains in MOSFETs, SBR® devices, bi-polar transistors, LED drivers and USB power switches. Additionally, our continued focus on new product development and product line expansion further strengthened our customer position as an analog supplier, with analog revenue reaching an all-time high and surpassing the prior high posted in the third quarter of 2008. We also achieved sequential revenue growth across all geographies and were particularly pleased with our expansion in China as we continue to focus on this region as a key growth initiative. Also during the quarter, we released new products at record levels and in-process design activity remained high, which I will discuss in greater detail in a moment.

In terms of our end market breakout, computing and consumer each represented 32 percent of revenue, with industrial at 18 percent, communications 15 percent, and automotive 3 percent.

In regards to geographic breakout, **Asia** represented 78 percent of total revenues growing 18 percent sequentially led by continued improvements and strong demand for notebooks, mobile phones, panels, LCD TVs, as well as power supply and DC fans. Distributor point-of-purchase grew in support of continued gains in point-of-sale and slightly exceeded POS. Distributor inventory increased 4 percent from historical low levels and ended the quarter at 1.4 months. Design activity remained strong in the quarter and included 11 different design wins for our USB switches utilized in notebooks, set-top boxes and LCD TVs.

As previously mentioned, we are pleased with our continued revenue growth and account development progress in the China market. Increasing our market share in China is a key strategic initiative for Diodes, as we consider the China market a major growth driver for our business.

In **North America**, sales represented 13 percent of total revenues and increased 7 percent over the second quarter. Earlier design wins for smartphones continued to contribute to revenue during the quarter. OEM sales were up 23 percent driven by consumer audio and a recovery at a number of the set-top box manufacturers. Distributor POS was higher than distributor POP in the quarter and inventory declined another 3 percent. Our backlog was strong moving into the fourth quarter.

Design activity in North America also remained strong across the entire product line, highlighted by 30 analog wins, 1 Hall sensor, 4 LED drivers, 2 SBR®s and 23 MOSFETs.

Sales in **Europe** accounted for 9 percent of revenues in the third quarter and increased approximately 27 percent from a soft second quarter. OEM sales were up sequentially, led by automotive customers, which increased 23 percent over the second quarter. Consumer accounts also grew in the quarter, while sales to industrial customers continued to decline. Distributor POP increased as distributors responded to a 10 percent increase in POS and a strong backlog going into the fourth quarter. POS exceeded POP by 16 percent, while distributor inventory increased 11 percent off historic lows. Overall design activity once again increased significantly with the value of new design wins doubling for the second consecutive quarter. As a result, we expect further improvements in the fourth quarter.

Now turning to **new products** - new product revenue increased another $4 million from last quarter and represented 16.5 percent of sales as compared to 15.5 percent last quarter. The improvement was primarily due to increases in LED Drivers, Hall sensors, SBR® devices and bi-polar transistor products.

During the third quarter, we released 179 new products, consisting of 87 analog products across 5 device families and 92 discrete, consisting of 15 MOSFETs, 35 bi-polar devices, 12 SBR® devices and 8 application-specific multi-chip devices for a range of power supply, portable consumer and lighting applications.

Our progress with the Zetex LED driver product family was particularly strong with revenues increasing over 45 percent, and revenue growth from new LED products exceeding 55 percent. Large gains were also achieved in our Hall senor product line, of which 60 percent of the revenue in this segment was from new products. We also had strong growth in power management, standard linear and USB power switches. The adoption rate for USB power switches in LCD TVs, set-top boxes and notebooks continues to increase, which provides Diodes additional growth opportunities as we rapidly expand our USB product portfolio.

Also during the quarter, progress on our SBR® devices continued with new product revenue growing 38 percent sequentially. We have strong momentum in Asia with significant design wins and volume growth, as our technology leadership has led to market share gains in the power supply market. Additionally, our bi-polar transistor new product revenue grew 27 percent with the latest Zetex proprietary Gen-5 bi-polar process platform generating revenue in VoIP, LED driving and mobile phone applications. In terms of our MOSFET product line, revenue grew 35 percent and new product revenue increased 13 percent. Growth was driven by specific targeted design wins for mobile phones, notebooks and industrial accounts. With the significant momentum we have achieved in our MOSFET line over the past few quarters, we are on track to deliver record revenue in this segment for the fourth quarter.

In terms of global design wins, in-process design activity remained at high levels with wins at 171 accounts globally: 93 wins at 72 customers in Asia, 85 wins at 57 customers in North America and 82 wins at 42 accounts in Europe. Design wins and in-process design activity were broad-based in both product and end equipment.

Design activity was the highest in USB switches, LED drivers and low dropout regulators on the analog side and MOSFETs, bi-polar transistors and SBR on the discrete side. New projects for customer specific multi-chip discrete devices was also high in the quarter.

One other point I would like to make before opening the call to questions. As I have stated in the past, our 2008 acquisition of Zetex has provided Diodes enhanced scale, expanded product offerings and additional capabilities for both product and technology innovation. With the recent improvements, we believe that we will begin to realize the full financial benefits of this acquisition in the coming quarters as we further strengthen our position at customers and gain additional market share. Zetex's bi-polar process technology for industry leading transistors and MOSFETs, coupled with Diodes' packaging technology and competitive cost structure has allowed us to expand our discrete SAM by almost 25 percent since the acquisition. The expanded customer exposure that is available to us from the combination of this industry-leading technology and Diodes' global sales and customer footprint is just beginning to be exploited and presents significant growth opportunities for Diodes.

With that, I'll open the call for questions — Operator?

Upon Completion of the Q&A...

Dr. Lu: Thank you for your participation today. Operator, we may now disconnect.

QUESTION AND ANSWER

Operator

(Operator Instructions). Your first question comes from the line of John Vinh with Collins Stewart. Please go ahead.

John Vinh - *Collins Stewart — Analyst*

Good afternoon. Congratulations on the quarter. First question I had was, on the gross margin side, why aren't we seeing maybe a little bit more gross margin up side there? If you look at your original guidance of top line 10 to 15% growth, your gross margin was 28 to 32%. You obviously up ticked that during the quarter to 13 to 17% revenue growth, maintained gross margins, then ultimately top line revenues came in at the high end, actually slightly above that and you're kind of slightly above the midpoint. I would expect that you would have had slightly higher gross margins maybe coming in closer to the higher end, maybe slightly above that just given your original gross margin guidance. That wondering if you could comment on that, please.

Keh-Shew Lu - *Diodes Incorporated — President, CEO*

Well, our original guidance, if you look at the midpoint, is 30%. And we now actually get 30.8%. Due to a couple of the reasons. One is our back end is loading up quite a bit, and almost full now, and actually we reached the full capacity utilization in September month. So it went up from not fully loaded in July to September a little bit faster than what we expected. And number two is, due to our fab. Okay, our fab recover — you know fab is not easy to recover as fast as the back end. We hired the people, and training took a little bit longer, and the ramp-up is slower. So our fab, especially Fabtech and Zetex, they are not ramping up — actually, they ramp up a little better than what I expected. So our GPM percent is better — 18 basis points better than we expected. Some minor one, we original played in — ASP DEGRADATION, and it's a little better than what we expected, because due to the capacity shortage. So all those give us 30.8%. Look at our guidance for fourth quarter. We actually guide furnishings look at midpoint that will be about 32%, which is, again, we believe from the wafer fab loading, going to helping us.

John Vinh - *Collins Stewart — Analyst*

Okay. I appreciate that. And then on peak margins, obviously peak margins historically have been in the mid 30% range, given that your front end utilization rates are seeing some meaningful improvements over the next couple quarters. How soon could we be back to kind of those peak gross margin run rates at this point?

Keh-Shew Lu - *Diodes Incorporated — President, CEO*

Well, we don't really give the guidance further than fourth quarter, and we already said 32%. I believe with the fab continue recovery, we'll continue to improve, and continuing to improve, then loading, depend on next year's business, we really don't know. And if next year the business recovers quite well, especially our foundry business, our fab in Fabtech, still significant portion is relying on foundry business, we don't like that. That we try to convert it, but still today, depend on our foundry partners and depend on how they recover. It's very difficult for us to guess.

John Vinh - *Collins Stewart — Analyst*

I see. Okay. Then on the pull-ins— can you help us understand what the magnitude of these pull-ins are? Also, were there any sort of key end markets where you saw more of these pull-ins, or were they broad based? Hoping you could shed a little more color on that.

Keh-Shew Lu - *Diodes Incorporated — President, CEO*

Our pull-in, every year, typically, the Chinese National Holiday is always October 1, so every year, you know, and this year the pull-in particularly significant than the past is because our customers' inventory is quite low. They are due to the capacity constraint. Our customers' inventory is particularly low, so they're all asking to us give them more than for the first week of their production. But again, we are constrained by our output, so we help them as much as our back end can deliver, and so I would say probably a couple million somewhere there.

John Vinh - ***Collins Stewart — Analyst***

Got it.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

More than our expectation.

John Vinh - ***Collins Stewart — Analyst***

I see. Thank you very much.

Operator

Your next question comes from the line of Harsh Kumar of Morgan Keegan.

Harsh Kumar - ***Morgan Keegan — Analyst***

Congratulations. Very good numbers. I also had a couple of questions on your margins. Dr. Lu, could you tell us about what your long-term goal, again, for gross margins is going out? And in this recent quarter, did you get any benefit from mix, per se?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. Our long-term — I can emphasize we really want to focus on GPM dollars instead of GPM%. We want to focus on gross profit instead of gross margin. And the reason is, our company's vision is profitable growth. We emphasize growth, and what we want is profitable growth. I believe if I can get the top line growth 20%, our GPM dollars, our gross profit would grow 20%. And the growth GPM dollar 20% is much easier and the benefit to both our customers and us better than just — gross margin, or gross margin up and therefore I really do not really set a goal of continuing increase gross margin up and up and up. That's not the company focus.

Harsh Kumar - ***Morgan Keegan — Analyst***

Got it.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Company focus. So that, and actually the product mix — I think in the markets, our ASP actually decreased a little bit, but it's due to the product mix. Okay. So our — it depends on which one growth, which one not. Our ASP is affected by product mix.

Harsh Kumar - ***Morgan Keegan — Analyst***

Got it.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

4%, right?

Harsh Kumar - ***Morgan Keegan — Analyst***

Okay. And that was very helpful, Dr. Lu. Let me ask a question on what you're seeing. Looking into December, a lot of companies have guided flat. You're guiding for growth. Of your four or five markets what are you most excited about for December? Is it computing or consumer or one of the other ones?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

I think computing is not in the mix, I feel — we feel very strong in the LCD, the LCD TV, LED TV, and those areas. So consumer area is still quite exciting for us.

Harsh Kumar - ***Morgan Keegan — Analyst***

Okay. That's also helpful. And then last question, it's a little bit tough, because I'm trying to reach a little bit into March, Dr. Lu. Chinese New Year is in the second week of February. I guess question for Dr. Lu and Mark, do you feel like it's going to impact the March seasonality to be a little bit worse than normal?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, you know, that's really seasonality. We believe, for our business, at least for Diodes, we're back to the normal seasonal cycles. First quarter of 2010, it will be back to normal seasonal.

Harsh Kumar - ***Morgan Keegan — Analyst***

Congratulations. Very good numbers. Very good execution.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Thank you.

Operator

Your next question comes from the line of Steven Smigie with Raymond James.

Steven Smigie - ***Raymond James — Analyst***

I will add my congratulations on the numbers as well.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Thank you.

Steven Smigie - ***Raymond James — Analyst***

I was hoping you could talk a little bit about where your inventory is in the channel in terms of weeks. I know you guys certainly don't provide the exact numbers, but if you could give us some color it sounded like you put a little bit more into the channel, but you also said you were coming off record lows. So are your weeks of inventory in the channel half of what they normally are, or something like that? Just to get some sense of that.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, I think in the Mark's speech he gives to the POS versus POP, you can see in Asia POP is more than POS inventory up about 4%, and the US is actually going down, and Europe is — anyway, but if you look at those numbers compared with our growth, third quarter we actually grow 17%. So those inventory compare with the revenue level I would say actually going down, okay? as a percent. -(Inaudible) value going upside that's why we say because the inventory is very low level, historically low level, we're up from the historical level. But very slightly up, and if you look at relative to our revenue, revenue growth 17%, so you need a little better inventory in the distributors to support the continuing growth. Then from that percentage point of view, it's not high.

Rick White - ***Diodes Incorporated — CFO***

Steven to give you a little perspective, the inventory in the channel is down just under 30% for the year. So it's still down very significantly.

Steven Smigie - ***Raymond James — Analyst***

Okay. Could you talk a little bit more about SG&A expense here, particularly sequentially it looks like it had add decent jump. Sounds like maybe it's sort of some temporary staff coming back on line, but then you also guided to have OpEx same percentage-wise, and normally you guys talk about having OpEx grow less than revenue growth. So I was hoping you could talk a little bit about that.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. There's a couple of key elements affected that. Number one, number one, during the 1Q and second quarter, we have a lot of temporary cost reduction efforts. For example, we have forced vacation, and we have salary reduction, and we stop all the bonus accrual, and all these ones. So we have, due to the business, we're in the negative profit, we have a lot of actions we've taken, and start from third quarter, for example, our — we just don't feel if the company turning to profit, you are going to continue asking employees to take the salary reductions. So we stop the salary reductions in third quarter, okay? And we start to accrue some employee bonus, okay. So those are the key. And we believe we need to continue that. And that's why, go to the fourth quarter, it will be the same. Did I answer your question? Hello?

Mark King - ***Diodes Incorporated — SVP of Sales & Marketing***

Hello.

Operator

Your next question comes from the line of Ramesh Misra with Brigantine Advisors.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Dr. Lu, I know going forward you probably don't want to break out Zetex as part of your operations but with the industry coming back to a more normalized range, can you give us a sense of how Zetex did? Are we back to pre-acquisition revenue run rate? And do you see Zetex actually contributing to gross margin growth going forward?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. Number one, we really — very difficult now to separate Zetex from Diodes' operation, because we consolidated together. Right now, our analog is already consolidated together, and probably a year ago, and then discrete we consolidated last quarter. So it's very difficult now for us to look at Zetex and Diodes different, because a lot of time we take a Zetex product, package it in SKE and sell it, so very difficult to distinguish this Zetex product from a Diodes product. So very difficult. But I can tell you Zetex, even our Diodes business, we are not back to the highest point yet. We're about 9%, below the highest, highest quarter. I think our highest quarter is third quarter last year, and we — third quarter this year we are about 9% below our highest quarter. So we almost recover but not fully recover yet. And Zetex is relatively slower than Diodes recovery. So you can, from here, you can guess, Zetex recovery is not as fast as Diodes recovery.

Ramesh Misra - ***Brigantine Advisors — Analyst***

That helps, Dr. Lu. In regards to your fab, the silicon fab production right now, can you give us a rough sense of from a wafer standpoint how much is external and how much is internal currently?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

In the past, it's 50/50. Now it's internal, more than external, because our internal recovery faster than our external. Rick, do you have that number?

Rick White - ***Diodes Incorporated — CFO***

I would say it's about 65 to 70% internal now.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. And that's in the fab test. Now Zetex fab is 100% internal.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Right.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Zetex fab is 100% internal. The reason Zetex is a little bit slower to recover is because we shut down — I don't know if you remember or not — we actually shut down the four-inch line— last year, fourth quarter last year, and we shut down four-inch line. We transferred that to the six-inch. So we put the six-inch line, and that's —gradually build up the capacity. Gradually build up utilization. So Zetex currently is about — Zetex in the third quarter is about 50% loaded, and the Fabtech is about 70% loaded in third quarter, and for the first quarter, Zetex probably increased to 75%, and —Fabtech probably increased to 85%.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Okay, great. And then, Mark, this is in regards to your automotive business. I think you said it was around 3% of sales. Now, especially based upon comments out of European automotive manufacture that business has kind of rebounded and trending upwards. So I wanted to get a sense where, do you see automotive becoming as a percentage of your revenue going forward, and is there a tangible lag in your Zetex automotive business versus the rest of the industry?

Mark King - ***Diodes Incorporated — SVP of Sales & Marketing***

Actually, as I said, we did have good improvements in the quarter, although we don't look at the outlook quite as positively. I think there's still a little bit of uncertainty in the automotive market predominantly in Europe. And I don't foresee that I can forecast the growth in our automotive numbers, because we have so many opportunities in our other end equipments to grow the Zetex line faster that I think the growth rate in the automotive section will be slower than some of the other segments. So it will be hard to keep up actually.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Okay. Is there any real difference in gross margins in auto versus others?

Mark King - ***Diodes Incorporated — SVP of Sales & Marketing***

Not really. On the Zetex line, they're pretty consistent. Depending on products on the Diodes side, there may be some, but I think automotive is pretty close.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Okay.

Mark King - ***Diodes Incorporated — SVP of Sales & Marketing***

To the same.

Ramesh Misra - ***Brigantine Advisors — Analyst***

Thanks very much, gentlemen.

Operator

Your next question comes from the line of Shawn Harrison with Longbow Research.

Shawn Harrison - ***Longbow Research — Analyst***

Good evening and good morning. Just looking ahead in terms of the March quarter, more operating expenses, given that you've had bonuses and other items come back during the September quarter, will there be another step-up in operating expenses to begin 2010 that we should look for, or do you expect it, getting back to an early question, just to see it grow continually steady in line with sales throughout 2010?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

I don't think so. Right now, we're just trying to back to the normal life. 1Q, 2Q this year, for us it's not a normal life. We're trying to tightening our belt and then try to cost save the cash -and improve the performance. And I think next year we believe we will continue our growth and we should be back to normal. When you go back to the growth, you can easier to maintain your gross margin — GPM and SG&A as a percent, or operation expense, as a percent of revenue. If your revenue can continue to grow. So we will try to get — that's why I said in my speech, I tell everybody now, we go back to our growth mode. Last year at this time we said that the business outlook is unclear, we're going to the cash flow, positive cash flow mode, so we're very careful in our cash expenditure and our capital expenditure, we are very careful, but start from this quarter actually for CapEx, for the next year, we start to go into go back to the profitable growth mode, and when we go back to the profitable growth mode, we will try to put in the capital, put in the capacity to support our growth, and then if revenue can grow, then your operation expense as a percent of revenue should be easy to control.

Shawn Harrison - ***Longbow Research — Analyst***

Okay. So there shouldn't be a one-time step-up for higher bonus or something like that, or stock-based compensation. We should just kind of expect back to normal.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, it will be our third quarter, fourth quarter especially, we'll be go back to our fourth quarter run rate. If our revenue go down, we'll reduce our bonus accrual, but if the revenue going up, the profit going up, we will increase, so we'll go back to this normal performance.

Shawn Harrison - ***Longbow Research — Analyst***

Okay. My second question has to do with ASPs. Maybe if you could just help clarify something. With ASPs down 4% but sales in Europe up strongly, I thought typically Europe is maybe — or can be beater margin business, maybe if could you compare and contrast ASPs are down, maybe a little bit less than you are expected, but Europe is up so strong I would expect that to help out ASPs a little bit.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, Mark, can you answer this one?

Mark King - ***Diodes Incorporated — SVP of Sales & Marketing***

Yes. I think it all has to do with the — the ASPs all to have do with the mix. We didn't — we were very firm on price throughout the third quarter in all regions, okay, and Europe being up 20 (something), remember, it only represents, what did I say, 9% of sales. So I don't think that could have the impact. Actually, we were quite happy the way the prices progressed during the quarter. We were pretty firm. There may have been a little bit of ASP move in Europe. Maybe a little bit of ASP move in North America, but there was almost no ASP move in Asia. So really, I think it's mix, and the growth may be just — we grew in areas that were a little lower in ASP.

Shawn Harrison - ***Longbow Research — Analyst***

Okay. And then —

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

That's the reason our GPM can better than — our expected, is because our ASP really performed better than our expectation.

Shawn Harrison - ***Longbow Research — Analyst***

And then kind of a final question, based upon those ASP trends, my guess is given that there's a lot of capacity constraints in the industry that's aiding ASPs right now, do you think your capacity constraints will be fixed exiting this fiscal year, and does that mean that you could see a little bit more price aggression just in the market in general in early 2010 as other manufacturers also fix their capacity constraints?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, very difficult for us to see, okay? and we — in semiconductor business, you always expect ASP DEGRADATION, you just need to be — you just need to improve the productivity, improve the utilization — everywhere to take care of that and so your gross profit will be continue to improve due to the revenue improve so that's normal life. We are not really concerned; we are semiconductor business. ASP DEGRADATION is life, always that way, anyway.

Shawn Harrison - ***Longbow Research — Analyst***

But just to confirm you believe your capacity constraint should be fixed here in the fourth quarter on the back end?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

On the back end, we are 100% fully utilized on the back end— fully utilized on the back end. But we start to authorize the CapEx, okay, so we start to put — ready for the, because we believe next year the revenue , I mean, the business will start to turn, growth will be coming, then we start to put in— we start to put in the capital equipment authorization now and get ready for next year growth.

Shawn Harrison - ***Longbow Research — Analyst***

Okay.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

May not be first quarter, but after the first quarter.

Shawn Harrison - ***Longbow Research — Analyst***

Okay. Thank you very much, and congratulations, everyone.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Thank you.

Operator

Your next question comes from the line of Stephen Chin with UBS.

Stephen Chin - ***UBS — Analyst***

Good morning, Dr. Lu. Dr. Lu, first, a question for you in terms of China. I guess looking at the growth expectations that you're pursuing out there, how does that change the nature of your business either from an OpEx position in terms of the headcount that you may need to hire to help pursue opportunities from a sales perspective, and a pricing perspective, products targeted for the Chinese domestic market does that also change the whole pricing dynamic of your overall business?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Well, you know our growth coming from Asia, and a lot of the end product may not necessary come to US and Europe. Our end product, our customer view, a lot of them really consumed in China, especially the cost, China cost. But for some reason, we know that the ASP typically China should be loaded. ASP, but due to the shortage, we don't really particularly feel that it's worse than our normal. That's why our ASP — do not really decrease. And so I just don't think it really affects but from operation point of view, yes we are going to be probably put more people, try to do the sales in Asia and, especially in China, we probably from sales point of view, we will continue enhance our China sales — enhance our China sales teams, or sales force.

Stephen Chin - ***UBS — Analyst***

Great. The other question is related to CapEx, in terms of the 10% sales spending is that relatively constant on a quarterly basis or is that sort of a target over the next fiscal year? And any split that you can provide on how that will be spent from capacity expansion standpoint versus technology standpoint? Because I believe Zetex related technology, as you waterfall back to that technology through some of your other product that may also have some increase in spending.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. Our CapEx, before this year, in the past, historically, we always grow 10 to 15%, okay. So this just goes back to our normal run rate. Other than this year, go back to our normal run rate. We start to authorize the CapEx in fourth quarter because equipment lead-time, we looking at start from second quarter, or third quarter, the capacity — I mean, the -business would start to ramp up again. Due to the lead-time, and then set up the equipment, qualified the equipment, and get ready for our growth. So we start to authorize the CapEx start from this quarter. Now, talk about Zetex technology, give us technology is in the wafer fab, not in the packages. So when we are talking about CapEx, I'm more talking about packaging capacity. Our wafer fab capital is still not as high. Still very small portion of our CapEx expenditures. So, especially Fabtech not fully loaded, and Zetex is not fully loaded. We are not putting the manufacturing capitals. Now, for R&D, yes, we are putting some wafer fab R&D equipment for our process technology, R&D, innovations. That we spend some, not a major amount. 10 to 12% is go back to the packaging capacity, which would be utilized by Zetex, but it's not due to the Zetex technology, does that answer your question?

Stephen Chin - ***UBS — Analyst***

Yes. One quick follow-up. The longer lead times that you're seeing for back end packaging equipment, what is that approximate lead time currently?

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

About three months.

Stephen Chin - ***UBS — Analyst***

Okay, great.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Three months, so we need to authorize in 4Q, and get equipment and then due to the Chinese New Year, so I need to take action now. Because Chinese New Year and three-month lead time, set it up, get it qualified, get it ready for the — it won't be ready for 1Q, but I hope it get ready sometime in second quarter.

Stephen Chin - ***UBS — Analyst***

That's very helpful. Thank you and nice job in the following quarter.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Thank you.

Operator

Ladies and gentlemen, we are out of time. I would like to turn the call back over to Dr. Keh-Shew Lu.

Keh-Shew Lu - ***Diodes Incorporated — President, CEO***

Okay. Thank you very much for joining us today, and have a good, well for you it's good afternoon, for me good morning. Thank you for joining us, Operator you may now disconnect.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may disconnect and have a great day.