

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

August 2, 2007
Date of Report (Date of earliest event reported)

DIODES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-5740
(Commission File Number)

95-2039518
(I.R.S. Employer
Identification No.)

15660 North Dallas Parkway, Suite 850
Dallas, TX
(Address of principal executive offices)

75248
(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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- 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 August 2, 2007, Diodes Incorporated issued a press release announcing second quarter 2007 results. A copy of the press release is attached as Exhibit 99.1.

On August 2, 2007, Diodes Incorporated hosted a conference call to discuss its second quarter 2007 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 August 2, 2007, Dr. Keh-Shew Lu, President and CEO 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.

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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 - Press release dated August 2, 2007
Exhibit 99.2 - Conference call script dated August 2, 2007
Exhibit 99.3 - Question and answer transcript dated August 2, 2007

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: August 3, 2007

DIODES INCORPORATED

By /s/ Carl C. Wertz

CARL C. WERTZ
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description

99.1	Press release dated August 2, 2007
99.2	Conference call script dated August 2, 2007
99.3	Question and answer transcript dated August 2, 2007

FOR IMMEDIATE RELEASE

Diodes Incorporated Reports Second Quarter Results

- o Record revenues up 16% year-over-year to \$96 million

Dallas, Texas - August 2, 2007 - 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 solid financial results for the second quarter ending June 30, 2007.

Second Quarter Highlights:

- o Revenues increased 16.4% YOY and 4.6% sequentially to a record \$96.3 million
- o Adjusted net income increased 16.2% YOY to \$15.0 million, or \$0.53 per share (\$0.35 split adjusted), up from \$12.9 million, or \$0.45 per share (\$0.30 split adjusted), in the second quarter of 2006
- o Completes 3-for-2 stock split

Revenues for the second quarter of 2007 increased 16.4% to a record \$96.3 million, compared to \$82.7 million reported in the second quarter of 2006. Sequentially, revenues were 4.6% higher than the first quarter of 2007 as a 7% increase in units sold was partially offset by a 2% decrease in pricing. Second quarter net income, which included a one-time \$1.8 million restructuring charge related to consolidating its Asia analog operations, was \$12.2 million, or \$0.44 per diluted share (\$0.29 split adjusted), compared to \$11.4 million, or \$0.41 (\$0.27 split adjusted) in the second quarter of 2006 and \$13.0 million, or \$0.47 (\$0.31 split adjusted) per share in the prior quarter.

On July 10th, the Company announced a 3-for-2 stock split in the form of a 50% stock dividend payable on July 30, 2007 to stockholders of record on July 20, 2007; therefore, in accordance with GAAP financial reporting, the split-adjusted earnings per share is reflected on the income statement included herein.

Adjusted net income for the second quarter of 2007, which primarily excludes \$1.4 million SFAS123R stock option expense and the one-time \$1.8 million restructuring charge to consolidate the analog manufacturing from Taiwan to China, was \$15.0 million or \$0.53 per share (\$0.35 split adjusted), an increase of 16.3% compared to the \$12.9 million or \$0.45 (\$0.30 split adjusted) per share reported in the year-ago quarter and \$14.2 million or \$0.50 (\$0.33 split adjusted) per share reported in the first quarter of 2007.

Commenting on the second quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said, "We are satisfied with our results during the second quarter as Diodes continued to outperform the industry across all regions. We are also pleased with the execution of our business plan, as we consolidated our analog manufacturing in Asia to improve our cost structure and launched numerous industry-leading innovative new products positioning us well to deliver profitable growth in the quarters ahead. In addition, with a strong balance sheet, we continue to actively evaluate acquisition candidates to accelerate our profitable growth."

End-Markets

"We saw strong demand for our products in Asia during the second quarter coming off a seasonally slow first quarter, with healthy volume growth offsetting continued price pressure. Design activity remained brisk and lead times have stabilized. During the quarter, we launched a number of new innovative products targeted at high growth segments of the market, and we continue to expand our market share," commented Mark King, Sr. Vice President of Sales and Marketing.

"Asia revenue was up 10% sequentially and contributed 76% of our second quarter sales, with demand in core end-equipment categories such as LCD TV and monitors, notebook computers and set-top boxes. Despite strong OEM demand, North American sales were down 11% sequentially and accounted for 20% of total sales driven by the continued shift to Asian assembly.

We saw a slight sequential decline in Europe and this region contributed 4% of total sales. We continued to make progress with new design wins, initial orders, and expanded customer relationships as well as distribution reach," said Mr. King. "Our total market share for our discrete products remained at record high levels during the second quarter, driven by continued gains in Asia and Europe

across a broad range of end-equipment categories, including digital audio players, set-top boxes, LCD and TV monitors, notebooks and wireless LAN."

Design Wins and New Products

"Design activity remained strong across all regions in the second quarter with multiple wins at over 70 accounts globally. The activity around our Super Barrier Rectifier (SBR(R)) technology continues to be very strong with design wins in five accounts during the quarter for end-equipments ranging from our newest welding equipment market to printers," Mr. King commented. "Diodes also had important wins at key OEM accounts, including wins in LCD TV, set-top box, wireless LAN, VOIP and cable modem. On the discrete side we experienced strong interest on our proprietary PowerDI(TM) packages, our recently announced low threshold MOSFET line, and our DFN leadless packages, as well as array platforms for digital media devices, mobile handsets and LCD monitors."

During the quarter, Diodes launched a new series of low-threshold voltage MOSFETs, optimized for low-voltage applications and designed for simple integration into a wide variety of low-voltage circuits common to portable and handheld end-products. In addition, Diodes announced a broad expansion of its ultra-miniature DFN1006 package product family, including an industry leading 0.5 ampere SBR(R) targeted at small electronic appliances, and a new 300-mA fast transient response LDO designed for simple integration into a wide variety of low-power applications such as mobile phones and digital media players.

In the second quarter, Diodes also announced the launch of the AH1884, a new contact-less switch designed for use in cell phones, laptops and other portable applications. Its ultra-low voltage makes it an ideal fit for clam-shell mobile handsets. The design provides users with longer battery life, while OEMs benefit through excellent price, performance and enhanced design flexibility. The AH1884 operates in the 1.65V to 3V range and its dual output eliminates the need for external components, which reduces printed circuit board size as well as overall manufacturing costs.

More recently Diodes announced a new addition to the portfolio of high-efficiency DC-DC PWM Buck Converters, the AP1533. The AP1533 is a 300KHz, 1.8A Asynchronous PWM Buck Converter with soft-start function, low ripple noise output, low current consumption, high efficiency and excellent transient characteristics, ideal for use in a wide range of computing and consumer electronic applications. This high-efficiency buck converter has a wide input voltage range of 4V to 23V, an adjustable output voltage from 0.8V to 23V, and is well suited for applications like LCD monitors, TVs, DVD/PVR players, set-top boxes, xDSL modems, and networking and telecommunications equipment.

Sales of new products for the quarter amounted to 33.5% of total sales, compared to 24.9% a year ago, and this growth includes the contribution of the Anachip acquisition as well as the acquired SBR(R) technology. New product revenue was driven by products in sub-miniature array, QFN, PowerDI(TM)323, PowerDI(TM)123, PowerDI(TM)5, SBR(R) and Schottky platforms in both the discrete and analog product lines. Diodes released 54 products covering 13 product families during the second quarter of 2007.

Additional Financial Highlights

Gross profit for the second quarter of 2007 increased 11.8% compared to the same period last year to \$30.7 million, or 31.9% of revenue, compared to 33.2% in the prior-year quarter, and 32.1% in the first quarter of 2007. While sequential unit sales increased 7.2%, overall gross margin was affected by a 2.4% decrease in average selling prices.

For the quarter, SG&A expenses were at 13.9% of revenue or \$13.4 million, compared to 14.2% of revenue or \$11.8 million, in the comparable quarter last year. Included in SG&A was non-cash, SFAS 123R share-based compensation of \$1.2 million and \$1.4 million in the second quarters of 2007 and 2006, respectively.

As previously announced, a one-time restructuring charge of \$1.8 million to consolidate Diodes' analog manufacturing operations from Taiwan to China was recorded in the second quarter of 2007. The restructuring charges primarily related to severance, equipment and relocation expenses.

Investment in research and development grew to \$3.2 million, or 3.3% of revenue, compared to \$2.1 million, or 2.5% of sales, in the second quarter of 2006. The R&D increase was primarily the result of the acquisition of APD in the fourth quarter of 2006.

Second quarter 2007 effective tax rate of 14.8% reflects additional tax planning efforts aimed at lower planned foreign earnings repatriations in 2007.

Capital expenditures for the current quarter were \$14.9 million and \$27.3 million for the first half of 2007, representing 14.5% of revenue, ahead of our full-year estimate as the Company continues to invest in current and expected revenue growth. Depreciation expense for the second quarter and first six months of 2007 was \$6.2 million and \$12.0 million, respectively.

At June 30, 2007, Diodes had approximately \$352 million in total cash and short-term investments, \$420 million in working capital, \$239 million in long-term debt (including the convertible note), and unused and available credit facilities of \$47 million.

Business Outlook

"Coming off a quarter where we saw expanding demand, and with a book-to-bill ratio above one, we currently expect to see sequential revenue growth in the 6 to 9% range, with slightly improved gross profit margin for the third quarter of 2007. Over the next few quarters, as we continue to introduce new discrete and analog products, internalize packaging of our analog products, and enjoy the benefits of our recent restructuring program in Asia, we expect to see gradual expansion in our gross margins," stated Dr. Lu. "We are very pleased with our progress to-date in executing our strategic objectives, and we are excited about the opportunities ahead for profitable growth through customer-focused innovation."

Conference Call

Diodes Incorporated will hold its second quarter conference call for all interested persons at 8:00 a.m. Pacific Time (11:00 a.m. Eastern Time) on August 2nd, 2007 to discuss its results. 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 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 60 days.

About Diodes Incorporated

Diodes Incorporated (Nasdaq:DIOD - News), an S&P SmallCap 600 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, power management devices including DC-DC switching and linear voltage regulators, amplifiers and comparators, and Hall-effect sensors. The Company has its corporate offices in Dallas, Texas, with a sales, marketing, engineering and logistics office in Southern California; design centers in Dallas, San Jose and Taipei; a wafer fabrication facility in Missouri; two manufacturing facilities in Shanghai; a fabless IC plant in Hsinchu Science Park, Taiwan; engineering, sales, warehouse and logistics offices in Taipei and Hong Kong, and sales and support offices throughout the world. With its recent asset acquisition of APD Semiconductor, a privately held U.S.-based fabless semiconductor company, Diodes acquired proprietary SBR(R) technology. Diodes, Inc.'s product focus is on high-growth end-user equipment markets such as TV/Satellite set-top boxes, portable DVD players, datacom devices, ADSL modems, power supplies, medical devices, wireless notebooks, flat panel displays, digital cameras, mobile handsets, DC to DC conversion, Wireless 802.11 LAN access points, brushless DC motor fans, and automotive applications. 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 our statement regarding our expectations to see gradual expansion in our gross margins. Potential risks and uncertainties include, but are not limited to, such factors as the integration of acquisitions within Diodes existing operations, the Company's ability to successfully make additional acquisitions, fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, successful integration of acquired companies and/or assets, risks of foreign operations, availability of tax credits, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Source: Diodes Incorporated

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or

Crocker Coulson, President, CCG Investor Relations, (310) 231-8600, Ext. 103,

e-mail: crocker.coulson@ccgir.com

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.

CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS

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

	Three Months Ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
Net sales	\$82,712	\$96,283	\$156,301	\$188,303
Cost of goods sold	55,279	65,605	104,654	128,102
Gross profit	27,433	30,678	51,647	60,201
Selling, general and administrative expenses	11,716	13,397	23,000	26,075
Research and development expenses	2,077	3,156	4,043	6,100
Restructuring cost and impairment of fixed assets	--	1,770	120	1,770
Total operating expenses	13,793	18,323	27,163	33,946
Income from operations	13,640	12,355	24,484	26,255
Other income (expense)				
Interest income	1,004	4,286	1,738	8,321
Interest expense	(133)	(1,385)	(273)	(2,791)
Other	12	(240)	(195)	(687)
Income before income taxes and minority interest	883	2,661	1,270	4,843
Income tax provision	14,523	15,016	25,754	31,098
	(2,885)	(2,221)	(4,575)	(4,879)
Income before minority interest	11,638	12,795	21,179	26,219
Minority interest in joint venture earnings	(253)	(546)	(482)	(961)
Net income	\$11,385	\$12,249	\$ 20,697	\$ 25,258
Earnings per share				
Basic *	\$ 0.30	\$ 0.31	\$ 0.54	\$ 0.64
Diluted *	\$ 0.27	\$ 0.29	\$ 0.50	\$ 0.60
Number of shares used in computation				
Basic *	38,282	39,397	38,152	39,220
Diluted *	41,991	42,023	41,793	41,897

* Adjusted for the effect of a 3-for-2 stock split in July 2007.

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

	Three Months Ended June 30,		Six months ended June 30,	
	----- 2006 -----	----- 2007 -----	----- 2006 -----	----- 2007 -----
Net income	\$11,385	\$12,249	\$20,697	\$25,258
	=====	=====	=====	=====
Adjustments to reconcile net income to adjusted net income:				
Stock option expense				
included in cost of goods sold:	133	78	266	160
Stock option expense				
included in selling and general administrative expenses:	1,441	1,205	2,757	2,508
Stock option expense				
included in research and development expenses:	146	118	293	243
Total stock option expense	1,720	1,402	3,316	2,911
Restructuring costs	--	1,770	--	1,770
Other adjustments	--	55	--	95
Income tax benefit related to stock option expense, restructuring costs and other adjustments	228	479	433	828
Adjusted net income	\$12,877	\$14,997	\$23,580	\$29,206
	=====	=====	=====	=====
Diluted shares used in computing earnings per share	41,991	42,023	41,793	41,897
Incremental shares considered to be outstanding: *	1,207	847	1,232	898
	-----	-----	-----	-----
Adjusted diluted shares used in computing Adjusted earnings per share	43,198	42,870	43,025	42,795
	=====	=====	=====	=====
Adjusted earnings per share				
Basic *	\$ 0.34	\$ 0.38	\$ 0.62	\$ 0.74
Diluted *	\$ 0.30	\$ 0.35	\$ 0.55	\$ 0.68
	=====	=====	=====	=====

* Adjusted for the effect of a 3-for-2 stock split in July 2007.

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 in evaluating companies in our industry. In addition, our management believes that EBITDA is useful 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 and income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our business. However, 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, as it does not consider certain cash requirements such as a tax and debt service payments.

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

	Three Months Ended June 30,	
	----- 2006	2007 -----
Net Income	\$11,385	\$12,249
Plus:		
Interest expense, net	(871)	(2,901)
Income tax provision	2,885	2,221
Depreciation and amortization	4,935	6,735
EBITDA	\$18,334	\$18,304
	-----	-----
	Six Months Ended June 30,	
	----- 2006	2007 -----
Net Income	\$20,697	\$25,258
Plus:		
Interest expense, net	(1,465)	(5,530)
Income tax provision	4,575	4,879
Depreciation and amortization	9,608	13,026
EBITDA	\$33,415	\$37,633
	-----	-----

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS
(in thousands, except share data)

	December 31, 2006	June 30, 2007
	-----	-----
		(unaudited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,888	\$ 42,679
Short-term investments	291,008	309,780
	-----	-----
Total cash and short-term investments	339,896	352,459
Accounts receivable		
Customers	72,175	79,690
Related parties	6,147	6,126
	-----	-----
	78,322	85,816
Less: Allowance for doubtful receivables	(617)	(462)
	-----	-----
	77,705	85,354
Inventories	48,202	48,549
Deferred income taxes, current	4,650	6,511
Prepaid expenses and other current assets	8,393	9,621
Total current assets	478,846	502,494
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	95,469	110,424
DEFERRED INCOME TAXES, non current	5,428	6,906
OTHER ASSETS		
Intangible assets	10,669	10,037
Goodwill	25,030	24,872
Other	6,697	6,690
	-----	-----
TOTAL ASSETS	\$622,139	\$661,423
	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

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

	December 31, 2006	June 30, 2007
	-----	-----
		(unaudited)
CURRENT LIABILITIES		
Line of credit	\$ --	\$ 1,035
Accounts payable		
Trade	40,030	34,787
Related parties	12,120	11,873
Accrued liabilities	24,966	29,269
Income tax payable	3,433	3,342
Long-term debt, current portion	2,802	2,122
Capital lease obligations, current portion	141	143
	-----	-----
Total current liabilities	83,492	82,571
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	230,000
Others	7,115	6,412
CAPITAL LEASE OBLIGATIONS, net of current portion	1,477	1,395
OTHER LONG-TERM LIABILITIES	1,101	5,267
MINORITY INTEREST IN JOINT VENTURE	4,787	5,748
	-----	-----
Total liabilities	327,972	331,393
STOCKHOLDERS' EQUITY		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value \$0.66 2/3 per share; 70,000,000 shares authorized; 25,961,267 and 26,476,108 shares issued at December 31, 2006 and June 30, 2007, respectively	17,308	17,651
Additional paid-in capital	113,449	125,856
Retained earnings	162,802	186,104
Accumulated other comprehensive gain	608	419
	-----	-----
Total stockholders' equity	294,167	330,030
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$622,139	\$661,423
	=====	=====

Diodes Second Quarter 2007 Conference Call Participants:

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

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Introduction: Crocker Coulson, CCG

Good morning and welcome to Diodes' second quarter 2007 earnings conference call.

With us today are Diodes' President and CEO, Dr. Keh-Shew Lu calling in from Taiwan, as well as its Chief Financial Officer, Carl Wertz, Senior VP of Sales and Marketing, Mark King, and Senior Vice President-Finance, Richard White.

Before I turn the call over to Dr. Lu, may I remind our listeners that in this call, 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.

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In addition, any projections as to the Company's future performance represent management's estimates as of today, August 2, 2007. Diodes assumes no obligation to update these projections in the future as market conditions change.

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

And now it's my pleasure to turn the call over Diodes' CEO, Dr. Keh-Shew Lu.

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Dr. Keh-Shew Lu, President and CEO of Diodes

Thank you, Crocker.

Welcome everyone, and thank you for joining us today.

We are very pleased to report another quarter of solid results, with Diodes continuing to outperform the overall industry. During the second quarter we made progress on a number of important areas of our business strategy, as we:

- o restructured our analog manufacturing operations from Taiwan to China to improve efficiency,
- o launched a number of new innovative products targeted at high growth end markets, and
- o delivered solid results for our shareholders.

Second quarter highlights include the following results:

- o Revenues increased 16% year-over-year, and 4.6% sequentially to a new record of \$96.3 million
- o Adjusted net income increased 16% year-over-year to \$15 million, or 53 cents per share, up from \$12.9 million, or 45 cents per share, in the second quarter of 2006, and 50 cents in the first quarter of 2007
- o And, we announced another 3-for-2 stock split which became effective two days ago

Our second quarter results demonstrate that Diodes has continued to outperform the overall market and continues to take share of our key markets, as market conditions improved and demand picked up in Asia following the seasonally slow first quarter.

During the quarter we moved and consolidated our analog manufacturing operations from Hsinchu, Taiwan into our facilities in China, to drive operational efficiencies and leverage the infrastructure already in place at our high volume Shanghai manufacturing facilities.

During the second quarter we introduced several innovative new products leveraging our Super Barrier Rectifier technology, called SBR(R), technology packaged in Diodes' proprietary high performance Power(TM)DI, and in the Ultra-Miniature DFN package.

We also introduced new Low-Voltage Operational-Amplifiers and Comparators, a second generation switch for the cell phone and the portable consumer electronics market, in addition to a new high-efficiency DC-DC Buck Converter.

Later Mark will discuss new product launches that reaffirm our commitment to research and development for next-generation technologies designed to meet the growing demand for higher efficiencies and smaller form factor in the fastest growing end markets.

We ended the quarter with over \$350 million in cash and short-term investments, which gives us enough financial flexibility to continue to pursue acquisition candidates within our targeted market segments that fit our criteria to accelerate our profitable growth.

As we enter the third quarter, we expect to continue to build on our strengths as we benefit from synergies between our discrete and adjacent analog segments, and continue to focus on customer centric innovation and efficient manufacturing to deliver profitable growth.

With that, I'm going to turn the call over to Carl to discuss our financial results in more detail.

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, in the second quarter Diodes continued to outperform the industry, and to make solid progress in the execution of our strategy. In the second quarter of 2007 both revenue and profits were up on a year-over-year basis.

- o Revenues for the second quarter reached an all-time high of \$96.3 million, an increase of 16.4% from the second quarter of 2006. On a sequential basis our revenues were up 4.6%, at the high end of our guidance range. New product sales accounted for 33.5% of revenue, compared to 24.9% just one year ago.
- o Gross profit for the second quarter increased 11.8% to \$30.7 million, compared to the same period last year. On a sequential basis, gross profit dollars were up 3.9% as demand picked up with a 7.2% increase in units. Gross margin was off 20 basis points sequentially at 31.9% as the ASPs declined 2.4%.

Over the course of 2007 we should see opportunities for margin expansion as we transitioned analog production from the currently outsourced packaging to our state-of-the art facilities, and as we benefit from the consolidation of our analog manufacturing at our facilities in Shanghai, and introduce newly developed products.

- o Selling, General & Administrative expenses for the quarter were 13.9% of revenue or \$13.4 million, compared to 14.2% of revenue or \$11.8 million, in the comparable quarter last year. Included in second quarter 2007 SG&A was \$1.2 million in non-cash, FAS123R, share-based compensation. In the earnings release we have included a table to reconcile the impact of share-based compensation expense to our reported results.
- o Research and development investment in the quarter was \$3.2 million, or 3.3% of revenue, compared to \$2.1 million, or 2.5% of revenue, in the second quarter of 2006. The R&D increase was primarily the result of the APD acquisition in the fourth quarter of 2006. We continue to enhance our research and development capabilities to support our broader market focus and position us for our profitable growth objectives.

- o Restructuring charges were \$1.8 million as we consolidated and moved our Taiwan analog operations into our China manufacturing facilities.
- o Our effective income tax rate in the second quarter was 14.8%, compared to 16.5% for the previous quarter, and 19.8% for the same period last year. The lower effective tax rate reflects additional tax planning efforts aimed at lower planned foreign earnings repatriations in 2007. Going forward, we currently anticipate our consolidated tax rate to be in the mid teens.
- o Adjusted net income, which excludes the one-time restructuring costs of 1.8 million and \$1.4 million in FAS123R, non-cash stock option expense increased 16.2% year-over-year to \$15 million, or \$0.53 per diluted share (and \$0.35 split adjusted), up from \$12.9 million, or \$0.45 per diluted share (and \$0.30 split adjusted), in the second quarter of 2006, and \$0.50 per diluted share (or \$0.33 split adjusted) last quarter.
- o Cash flow from operations for the quarter was \$21.5 million, a 19% increase compared to \$18 million for the same period last year.

- o Turning to the balance sheet, at the end of the quarter we had \$352 million in total cash and short-term investments, \$420 million in working capital, and \$239 million in long-term term debt including the convertible bond.
- o Our total debt-to-equity ratio was 1.0 for the second quarter, while our total debt-to-assets ratio was 50%.
- o Inventories ended the second quarter at \$48.6 million, with inventory days at 63 compared to 61 days the previous quarter and we believe we are properly positioned to support our revenue growth in the third quarter.
- o Accounts receivable days were 80 days in the second quarter compared to 81 days in the prior quarter.
- o Capital expenditures for the current quarter were \$14.9 million and \$27.3 million for the first half of 2007, representing 14.5% of revenue, ahead of our full-year estimate as we continue to invest for expected growth. Depreciation expense for the second quarter and first six months of 2007 was \$6.2 million and \$12.0 million, respectively.

We had originally planned our 2007 Capital Expenditures to be at the upper end of our 10-12% model, and front-loaded in the first half of the year to allow us to take advantage of projected second half growth prospects.

Our first half actual at 14.5% of revenue is in line with this plan. We are continuing to evaluate our second half Capital Expenditures plans in light of our original plan and the developing second half market environment.

Turning to our Outlook...

With the backdrop of improved market conditions and as we move into the seasonally stronger part of the year, we remain confident that Diodes' focus on the application specific standard products within the broad discrete and analog market, while leveraging our cost efficient manufacturing base, positions us well to continue to deliver profitable growth in the quarters ahead.

Coming off a quarter where we saw expanding demand, and with a book-to-bill ratio above one, we currently expect to see third quarter 2007 revenue grow another 6 to 9% sequentially, with slightly improved gross profit margin.

With that said, I'm now going to turn the discussion over to Mark King, our Senior VP of Sales and Marketing. Mark will discuss our new products, market opportunities, and give you a view on the direction of the general marketplace.

Markets and Growth Strategies - Mark King

Thanks, Carl and good morning.

During the second quarter we made solid progress along our new product road map in the discrete, analog and hall sensor categories. Sales of new products reached 33.5% of total, driven by products in our QFN and PowerDI(TM) lines, as well as our analog and Zener lines.

We had an exceptionally active period for new product introductions, releasing 54 products from 13 product families in the quarter, including 11 SBR(R), 6 analog and 3 hall-sensor devices. Earlier in the quarter, we launched a new series of low threshold MOSFETs, optimized for low voltage applications common to ultra-miniature electronic devices.

We also made several new additions to our SBR(R) product family leveraging our proprietary high performance PowerDI(TM) as well as our ultra-miniature DFN1006 packages. The combination of our SBR(R) technology with our advanced ultra-miniature packaging capability has pushed the boundaries of innovation.

During the second quarter we also introduced a new family of high-efficiency ultra-low V(F) SBR(R) rectifiers targeting the PC power supply market. And more recently, we launched the breakthrough 300V SBR(R) targeted at high power applications in consumer electronics, industrial applications and telecom, among others.

We also launched dual and quad low-voltage Op-Amp and Comparators for providing critical circuit functions targeted at the rapidly expanding low-voltage product segment. And we launched the AH1884, a new hall sensor switch for small portable applications that offers greater performance than comparable products available in the market.

In addition, we expanded our portfolio of high-efficiency DC-DC PWM Buck Converters with the introduction of the AP1533, a 1.8A Asynchronous Converter for use in a wide range of computing and consumer electronic applications.

With these product introductions, Diodes continues to drive technology forward, setting new industry standards, expanding our product breath, and positioning us well to deliver on our profitable growth objectives.

Starting with Geographic Breakout...

Market share for Diodes' products remained at all time highs in the second quarter.

Asia sales volume increased sequentially driven by OEM sales in the consumer and computer segments, and contributed 75% of our second quarter sales; core end equipment categories such as LCD TVs and monitors, notebooks, set-top boxes and datacom were up strongly in the quarter, whereas digital audio players and motherboards showed modest improvements.

Distributor point of purchase, or POP, was down in the second quarter, with rising point of sale, POS, and with distributor inventories at healthy levels.

Next, in North America...

Sales were down sequentially coming off a stronger than expected first quarter. OEM sales, however, were up 2% driven by set-top box, security and portable medical devices. OEM strength in North America has been partially offset by continued movement towards Asian assembly. North America distributor POP and POS were down 5% in the second quarter with inventory down in line with sales.

Design activity in the quarter was high with 130 new part qualifications at 35 customers, with 16 of these being analog designs.

Wafer sales were down 17% as we consumed more wafer internally, while wafer ASPs were down 7%.

Finally, in Europe...

The market was down slightly during the second quarter coming off a record first quarter, with OEM sales down 4% and distributor point of purchase down 3% sequentially. Distributor point of sales continued to climb, growing 21% to a new record. Europe accounted for 4% of sales in the quarter.

Our momentum in Europe continue to expand with 38 design wins at 21 accounts in the second quarter, including 1 significant SBR(R) win, 7 new analog design wins, 1 hall sensor win, and a key ASMCC win.

We are particularly pleased with our new distribution agreement with SILICA, an Avnet company, and one of the largest distributor of semiconductor products in Europe. SILICA's highly specialized semiconductor focus and extensive local presence will improve our ability to service our customer's logistic requirements, enhance our competitiveness and strengthen Diodes' brand recognition.

Moving to Market Segments...

For the second quarter, our segment breakout was: 38% consumer, 36% computer and peripherals, 15% telecom, 10% industrial, and 2% automotive.

Now I'll go into Design Wins...

Design activity is very positive. We had multiple design wins at over 70 accounts globally. The activity around our new SBR(R) technology continues to be strong across all regions. We had significant design wins at 5 accounts in the quarter for end use applications ranging from printers to welding equipment. More importantly, the in process design volume is quite high and initial customer input continues to present new product opportunities.

Design wins for our commodity analog products continue to gain traction in North America and Europe. In the second quarter we had wins in Wireless LAN and VoIP, as well as cable modem and graphic cards. In Asia, standard analog design activity was strong in LCD TV and motherboards, set-top boxes, and portable DVD.

We continue to see strong interest in our Omnipolar hall sensor platform and the pending design activity is quite high. We had wins in cell phones, notebooks, industrial control, and personal hygiene devices. The product development on this line has been brisk in response to specific customer requirements and we expect this line will become a key driver in the quarters to come

On the discrete side we had a very strong quarter in our propriety PowerDI line with wins in solar panel, LCD module, DC Fan, digital audio player, and industrial timing to name a few. We also continue to see robust and expanded interest in our DFN leadless packages especially our new 0.4mil thick devices, our recently announced low threshold MOSFET line and our application specific line.

The synergy between the analog and discrete product lines continues to present opportunities with our customers.

In Summary...

Diodes made excellent progress in implementing our strategy of innovation and profitable growth with:

- solid financial results,
- a record level of design wins,
- best-in-class product launches,
- and expanded distribution capabilities.

Our high volume of new product launches and design wins provide us confidence we will sustain this positive momentum going into the third quarter.

In the second half of 2007, we expect to continue to expand our market share in both the discrete and standard analog markets, realize further cost and cross-selling synergies from our prior acquisitions, and accelerate the pace of product innovation through our expanded global R&D platform.

In addition, we continue to actively evaluate acquisitions that could accelerate our growth, by enhancing our product breadth, expanding our customer base and broadening our geographic footprint.

With that, let's open the floor to questions. Operator?

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) Shawn Harrison, Longbow Research.

Shawn Harrison - Longbow Research - Analyst

Two quick points of clarification. Mark, if you could just run through this is segment break down again for me?

Mark King - Diodes Inc - SVP-Sales and Marketing

Okay. Let me get to my page there. 38% consumer, 36% computers, 15% telecom, 10% industrial, 2% automotive.

Shawn Harrison - Longbow Research - Analyst

And other point of clarification was, Carl, I don't know if you mentioned cash flow from operations for the quarter.

Carl Wertz - Diodes Inc - CFO

It was about \$21.5 million, about 19% increase over the last year period.

Shawn Harrison - Longbow Research - Analyst

My two real questions are just looking at the ASP decline quarter-over-quarter, it improved substantially. What are you anticipating for pricing pressure in the back half of the year and, more importantly, the third quarter?

Mark King - Diodes Inc - SVP-Sales and Marketing

I think that we -- the third quarter is -- the market situation is better, so I would expect the ASP declines to be, or the ASP to be relatively stable in the quarter.

Shawn Harrison - Longbow Research - Analyst

Okay, and then just the improved guidance, I guess, versus most of our expectations, was that more on the discrete side of the business or the analog? I guess if you could parse out of strength that you are seeing and maybe break it down to the market, as well.

Mark King - Diodes Inc - SVP-Sales and Marketing

I think it is across all product lines. All of our products sell quite well together, so generally our customer momentum, they fly together. So I think, again, the second half of the year is very computer and consumer-oriented, so we see a good percentage of this as what we expect in the third quarter.

Shawn Harrison - Longbow Research - Analyst

Is there any, I guess, improving sales volume into the handset market baked into that, as well, given some of the new wins?

Mark King - Diodes Inc - SVP-Sales and Marketing

I don't think so. I think this is more our traditional end equipment that is driving this number. Maybe some increase, but not dramatic increase from that volume.

Shawn Harrison - Longbow Research - Analyst

If and when that happens, would that be more of an '08 phenomenon, then?

Mark King - Diodes Inc - SVP-Sales and Marketing

I think we are continuing to make progress in that market in some of our newer products where we are focused, our hall sensor and so forth. So I would expect it to be back-end loaded or end of 2008.

Shawn Harrison - Longbow Research - Analyst

Okay. Thank you.

Operator

Steve Smigie, Raymond James.

Steven Smigie - Raymond James & Associates - Analyst

I was hoping you might be given to clarify a little bit more the gross margin pick up you might expect to see in Q3. Is that 20 basis points or more like 50 basis points?

Carl Wertz - Diodes Inc - CFO

Basically, we are indicating it is going to be up slightly. Again, I'm not sure what the definition of slightly is. It's better than zero and probably less than 100 basis points. I think the analysts actually have us about 100 basis points up in the third quarter. That is probably a little on the high-end.

Steven Smigie - Raymond James & Associates - Analyst

Okay, and then Mark indicated that the pricing seems to be stabilizing a little bit. Would that allow you to potentially see another gross margin increase going into Q4, as well?

Mark King - Diodes Inc - SVP-Sales and Marketing

I think we have to continue to watch the market environment and the utilization of our competitors and how well our competitors perform to really judge that. So I think we should just look at where we are at right at this point.

Carl Wertz - Diodes Inc - CFO

We usually face about a 1.5 to 2% price erosion on a quarterly basis and on an annualized basis of five to 7%. So I think we still will see price erosion competitiveness in the third quarter. Hopefully the revenue pick-up will be from the units and a mix improvement, integration of the -- moving the test facility up to our facilities in China. Now, we will have the full quarter of using that. So we should be up slightly. We just don't know how much in the environment we are in right now.

Steven Smigie - Raymond James & Associates - Analyst

R&D was 3.3% of revenue this quarter. I think your target had been about 3%. Was it just a one-time item with the acquisition here and it will drop back to less than 3% sort of short-term, or is the 3.3 more of a normal rate --

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Let me answer that question. When we picked up APD, we picked up the R&D dollar, but APD did not have that much revenue. So from a percent point of view, we could get it higher. But as -- when our revenue continue growing, on top of our 6 to 9% then continue growing. That percent R&D would drop. We are not increasing our R&D dollar expense. So therefore, the percent could be higher in second quarter because the revenue is not increased from APD acquisition.

Steven Smigie - Raymond James & Associates - Analyst

I appreciate that. And the last question and I'll get off, is if I did the number right, it looks like SG&A also ticked up a few tenths of a point here. Does that stay at a higher level here, or does that drop back off?

Carl Wertz - Diodes Inc - CFO

SG&A at 13.9 in the second -- first quarter was 13.8. I would envision for the third quarter the percentage will drop down a little. We will maintain pretty good control.

Steven Smigie - Raymond James & Associates - Analyst

Thanks a lot.

Operator

Gary Mobley, A. G. Edwards.

Gary Mobley - A.G. Edwards - Analyst

With ASP's having declined only 2% quarter-over-quarter, it appears as though most of the gross margin decline on a sequential basis was a function of the increase in depreciation. So with CapEx twice the rate of depreciation, or twice the amount of depreciation, why should we not think that depreciation will grow at a much faster rate than sales and thus provide a much faster -- rather large headwind to the gross margin improvement?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

I think, number one, we have been keeping our CapEx at the 12% -- 10 to 12% of our revenue. So while our revenue continued growing, our depreciation as a percent of the revenue should not increase because we have been keeping that kind of rate for awhile. And -- when this time, the gross margin a little drop is really because when you put in the capacity, sometimes you are not fully loaded at the beginning. But then give a quarter or two, then you have loaded up that new capacity.

Gary Mobley - A.G. Edwards - Analyst

I'm coming up with a number here where your depreciation should grow about 30% this year versus sales growth of 17% or so. Is that going to be a long-term trend, where we have depreciation ramping up at a much faster rate?

Carl Wertz - Diodes Inc - CFO

Gary, you need to probably look at the 30%. That may be on the high-end. We grew at about, I think, 7% sequentially from the first quarter to the second, pretty much in line with the unit production and the increase in sales. So our depreciation for the quarter was \$6.7 million and we were \$6.3 million in the first.

Gary Mobley - A.G. Edwards - Analyst

Okay, moving on to a different topic, could you give us some update on what you guys are having to pay for wafer pricing? Have you seen reprive in the pricing trends there?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Are you talking about the pricing for the wafer we purchase?

Gary Mobley - A.G. Edwards - Analyst

That's correct.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Number one, for discrete, a lot of wafers actually come in from our manufacturing FabTech wafer Fab and therefore, I don't see, other than the original wafer material at the beginning of this year, it is some increase. Other than that, we don't see a major price increasing.

For analog majority of our wafer is coming from our sister company Lite-On Semiconductor. And when we purchased Anachip, we do have a purchase agreement at the beginning of this year again, due to the six inch wafer raw material increase, we pay a little more. But after that, the price is holding the same.

Gary Mobley - A.G. Edwards - Analyst

All right. Thanks, guys.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

(multiple speakers) Okay.

Operator

Kevin Rottinghaus, Cleveland Research.

Kevin Rottinghaus - Cleveland Research Company - Analyst

On R&D, just to clarify, will the percentage of revenues, you expect it to stabilize here or do you think it will go down second half of the year?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

I think that I mentioned if our revenue go to a higher level since our R&D will not be significant increase, then as a percent, could be slightly drop in the second half.

Kevin Rottinghaus - Cleveland Research Company - Analyst

Okay and SG&A, you do expect to drop in 3Q and 4Q as a percentage of revenue?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

It's the same situation.

Carl Wertz - Diodes Inc - CFO

Yes. Percentagewise, definitely.

Kevin Rottinghaus - Cleveland Research Company - Analyst

Okay. The increase in gross margins that you are looking for this quarter, how much of that is attributable to mix versus just a higher utilization inside the fab?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

The majority we are looking at it is like we moved our operation from Hsinchu, Taiwan to our facility in China. That will give us some improvement. Number two, when we start to move subcontracts in the third quarter, we will finish whatever we want to transfer to our manufacturing. We will transfer from Anachip. And therefore, it will give us another improvement. So based on that end, and we might need to offset some of the ASP drop due to the market -- traditionally every quarter, you look at a one to 2% ASP drop, but with the improvement of what I mentioned, then we should see some improvement.

Kevin Rottinghaus - Cleveland Research Company - Analyst

The Anachip move, you will effectively be done by the end of Q3 with what you want to get done, moved in-house?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Yes, I mentioned before we are not 100% moved in. I think I talked about that before. We intend to do -- it is about 25% of the total usage. We either don't have that capability or it is not worth it to increase the capacity for it. So we will keep about 25%, but not move in. And then we will keep another probably 10% just keep a subcontract or continue producing for us in case we have a need to -- if our own capacity cannot catch up with the demand. So we took in somewhere around 65%, 60 to 65% of the total remaining going to be produced by our manufacturing. And in third quarter, by end of third quarter we should be done with all this.

Mark King - Diodes Inc - SVP-Sales and Marketing

And if I might add, just because we dumped in the production there doesn't mean all the profit comes right away. As we move products in, efficiencies will come over time and especially in some of the new packages we've done. So there should be a gradual improvement as the factory builds more and more of these devices and we balance those line centers.

Kevin Rottinghaus - Cleveland Research Company - Analyst

Okay.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

That is another thing I forgot to mention. We picked up a new package like a [TR220] package and like other, when you transfer from outside to inside and you need then incur some extra yield higher. So with all this stuff, it takes time to be efficient, as good as other product line. Therefore, you continue to see some improvement.

Operator

Ramesh Misra, C.E. Unterberg, Towbin.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Good morning, and good evening, gentlemen. Good to see you hitting records again. My first question was in regards to your decline in wafer sales from your Kansas facility fab. So can you talk about what factory utilization of your Kansas City facility was?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Our realization is still somewhere around 80 to 85%

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay, so was that up or down in the quarter?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Actually, it is up.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay. And so --

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

But we used more and that is why we reduced the sale to outside.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

-- eventually.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

So are wafer costs over there better than what you are getting from your external suppliers?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Sure.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Is it significantly greater? Can you quantify that, Dr. Lu?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

I won't say significantly lower, but our operation should -- it is lower than we could get from outside, even if you're talking about U.S. operation versus the Asia operation. We still -- one thing you know our capacity in the wafer fab is quite large. And that capacity and that efficiency, especially the yield, all this will give us a cost edge. Therefore, even if our overhead is a bit higher and our other costs are higher, but the efficiency, the volume, and the productivity will offset this. So we still -- should be making money from that operation.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

So why would you not pull in more of the wafer production that you're doing outside into this facility and run it at pretty much 100% or 95%?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Well (multiple speakers) typically for the wafer fab 85% -- 80 to 85% is considered. It depends on how you define. I know some of the companies, they define. They always talking about 105%. They define. How do you define 100%? What I can tell you is our output is about 5x of about six, seven years ago when we bought this wafer fab. Our output is now -- monthly output is about 5x.

Carl Wertz - Diodes Inc - CFO

Actually, we've been producing around 50,000 wafers per month and I think part of the revenue decrease was the fact that we moved a lot of that internally and we are using -- consuming more than internally in China. And I think when Dr. Lu is saying we're at 85% approximate, we are also looking at a theoretical of about 55,000 wafers a month. So we are probably in the 85 to 90% bracket on a theoretical 55. We've never hit 55 yet, but we put some CapEx in there to try and give them some opportunity to continue to grow that wafer opportunities.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Is any of the analog products being manufactured in Kansas or any plan on doing so?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

No.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

No and no because most of the analog we moved from the bipolar to CMOS. So today, most -- or almost 90, 80, 90% of our analog is in bipolar. But we moved from bipolar for the future products on the boards of CMOS and our Kansas City facility is a bipolar facility. Second thing is for analog, currently, we loading at the LSC six inch. Our Kansas City is only five inch. So I don't think it is cost-effective. For the discrete, five inch may be enough and 6 inch will be more cost-effective. So we might try to convert it to six inch, but at this moment, we do not intend to move any bipolar analog to our FabTech operation and we continually develop a new product based on the CMOS technology.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay (multiple speakers). Thanks, Dr. Lu. How much of the CapEx in the first half was allocated to FabTech?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Actually, very small.

Mark King - Diodes Inc - SVP-Sales and Marketing

The majority is going into the packaging in China.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

You know our back-end capacity, again, we don't call 100% because we see the capability for changing the product from one to the other one. But we are running above 95% and therefore, we -- the revenue continue going up. If you look at it, we kept asserting that record revenue and with most of the analog product from subcontract to internal, we actually spent a lot of money in China facilities for packaging.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Got it. Okay, shifting gears a little then it, would you say that it is reasonable to expect to complete the acquisition before the year end?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

You're talking about another acquisition?

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Yes.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

I don't think so.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

We might, we might, but not at this moment, I cannot tell you I have complete acquisition by end of the year. We continue to talk to different companies. We continue evaluating the new opportunities. But today, I do not have anyone agreed with the price I'm willing to offer.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay. And will this acquisition be purely financed through cash or would there be a stock component, as well?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Well, as I said, so far we don't have any. But the one did look at so far is all-cash. We have several of them we are evaluating right now and all of them we evaluate today it's all 100% cash.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay. And one final question and then I will get off. Is this potential acquisition in the analog space or is it discrete. Can you provide a little more details about what kind of product types are you focusing on to complement your portfolio?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Ideally I like to, is for both. So currently, the majority of the one I evaluate and focus on is all analog plus discrete.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Okay. Thank you very much, gentlemen.

Operator

Harish Kumar.

Harish Kumar - Morgan, Keegan & Company - Analyst

Harish Kumar, Morgan Keegan. Good evening, Dr. Lu, and good morning Carl and Mark. A couple of housekeeping questions. Should we assume tax rates to be around 15% going forward?

Carl Wertz - Diodes Inc - CFO

We said mid-teens, so 14, 16, 15, it is a pretty complex environment.

Harsh Kumar - Morgan, Keegan & Company - Analyst

Fair enough. And that I think this question was asked earlier and Dr. Lu had given some clarification on R&D that it won't grow too much on absolute dollars. Can you give us some sense of SG&A? You said it would come down as a percentage a little bit. Is that pretty fair to assume, so this would be the high percentagewise?

Carl Wertz - Diodes Inc - CFO

Pretty safe to say that 13.9 is the high side. You should see improvement in a percentage.

Harsh Kumar - Morgan, Keegan & Company - Analyst

Next question, Anachip, I think you had said publicly that 34% -- after you move everything in that gross margins could go up to 34% exiting the year. Is that optimistic at this point in time?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

For this year, it is probably because, like I mentioned earlier, because the yield, the learning curve, we do need some time to build our efficiency, our yield.

Carl Wertz - Diodes Inc - CFO

I believed by the end of the year exiting it, we should be very close to that. We are already in the 32% range for analog products.

Harsh Kumar - Morgan, Keegan & Company - Analyst

So you'll be somewhere in that zone. That's helpful, Carl. And then last question, your cell phone revenues I believe are not a whole lot, one, 2% call it. Can you give us a sense, Dr. Lu, can you give me a sense of what kind of products outside of a hall sensor you have addressing the cell phone market, either Mark or Dr. Lu?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Well, I think we use the hall sensor as a vehicle to bring us into the cell phone company. So originally when we in the discrete only, I do not think any cell phone company really want to use our product. But right now with our analog product, especially now that we have a hall sensor, which provide a solution to the need, we open up the door to get into the cell phone market. So we do have several of design win, but it is not finalized yet, but we cannot really disclose about it. And we don't know when they are going to be granted.

Harsh Kumar - Morgan, Keegan & Company - Analyst

Okay. I guess, Dr. Lu, are there other products in your company portfolio that going to cell phone or that could go into cell phones?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Power management is one because cell phones do use a lot of power management type of products and we hope some of the LCD -- somewhat the LCD driver and the majority is hall sensor.

Harsh Kumar - Morgan, Keegan & Company - Analyst

Fair enough. Thank you, that's helpful. Thank you.

Operator

Christopher Longiaru, Sidoti & Co.

Christopher Longiaru - Sidoti & Company - Analyst

I guess my main question is you said that as percentage of sales, research and development and SG&A will be coming down a little bit. Stripping out that one-time charge, it looks like you had operating margin of about 14.7%. What kind of improvement can we expect in Q3?

Carl Wertz - Diodes Inc - CFO

I just don't have data right in front of me. I think --

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Could you repeat the question?

Christopher Longiaru - Sidoti & Company - Analyst

Just talking about sequential improvement, you said that as a percentage of sales, both the R&D and SG&A were going to come down in the quarter, and excluding that one-time charge you have this quarter, your operating margin was about 14.7%. It was actually down slightly sequentially. I wanted to know what kind of an operating margin improvement we could expect based on the fact that you're going to have efficiencies going forward from the combination of the movement of the analog productline, as well as a sales increase, making SG&A and R&D a smaller percentage of sales going forward.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Okay, let me try to answer this one. As I said, the SG&A and the R&D dollarwise probably won't decrease, but due to the revenue increase these costs as a percent probably will be going down, that's number one. Number two, we do see our entities, we could have a gross margin improvement because the ASP is going to be move to the wrong direction. But we believe our effort to improve the gross margin should be over ASPs. And that is why we put a slight improvement on the gross margin. Now, exactly what will be the number would be very difficult at this moment to predict, because we cannot really predict too much of ASP. I don't know if that answers your question.

Christopher Longiaru - Sidoti & Company - Analyst

I was thinking more on the operating side, but that kind of gives me an idea.

Carl Wertz - Diodes Inc - CFO

I think we've given the guidance on the gross margin. We've talked about the SG&A as a relatively slight improvement on a percentage of revenue. Likewise, we're going to control the R&D, that should be back in the lower 3% range instead of 3.3, and there will not be restructuring costs flowing through the income statement of the third quarter. And if you take the six to 9% revenue growth, the should pretty much get you operating margins.

Christopher Longiaru - Sidoti & Company - Analyst

Got that. And just Europe was down slightly sequentially from 4.5% of sales to 4%, was that just mainly because Asia was so strong?

Unidentified Company Representative

Yes.

Christopher Longiaru - Sidoti & Company - Analyst

And what kind of growth do you see in Asia -- in Europe going forward?

Mark King - Diodes Inc - SVP-Sales and Marketing

I think we just continued to grow our share there. As I mentioned, our POS, we have a record -- most of our European business goes through distribution channels like North America. And we came off a record first quarter in POS and we were up another 21% in POS this quarter. So I -- third quarter is generally soft because of the European holidays, but I think our progress there is quite good. I think it will continue to be. Now Asia continues to grow and to work the growth we can do in these other territories. But I think Europe is definitely going to be a revenue driver going forward.

Christopher Longiaru - Sidoti & Company - Analyst

Okay, great. That's all I had, gentlemen. Thank you.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

We're going to continue to set new record revenue. I think all the region is gaining market share. That's for sure.

Operator

(OPERATOR INSTRUCTIONS) Ray Rund, Shaker Investments.

Ray Rund - Shaker Investments - Analyst

My questions have been answered. Thank you.

Operator

Steve Smigie, Raymond James.

Steven Smigie - Raymond James & Associates - Analyst

Thanks for letting me do the follow-up here. Mark, on the order trends with the customers, you mentioned 70 customers. If I remember correctly, it has been more 50 customers in the past if I'm remembering that right. Is that marking a pretty significant jump here in the number of customers you are addressing and you're seeing pretty significant expansion with all the new products? Is that the way to read that?

Mark King - Diodes Inc - SVP-Sales and Marketing

Yes, there is just a lot of activity. The design activity is quite good. The product acceptance is quite good. We have a lot of new products. These SBRs are new to the customer, so it may take a little longer and so forth, but the interest levels are quite high, on the hall sensor the interest levels are quite high. So we are seeing an enormous amount of activity at the design cycle. And we feel we are pretty well positioned to win designs because of our previous customer positions. So I think it is going quite well, yes.

Steven Smigie - Raymond James & Associates - Analyst

So would it be fair to say that as I try to look out to Q4 revenue that I might expect that to be potentially even a little bit better than seasonally normal?

Mark King - Diodes Inc - SVP-Sales and Marketing

We have pretty aggressive third quarter revenue. I don't want to focus on the third quarter (multiple speakers) start talking about the fourth quarter a little later. I kind of go a week, a day, a month, a quarter at a time.

Steven Smigie - Raymond James & Associates - Analyst

Fair enough. I think you mentioned a European handset customer, I'm not sure if one you mentioned in the past, but wouldn't be fair to say that European customer is a major OEM?

Mark King - Diodes Inc - SVP-Sales and Marketing

I don't think I mentioned a European handset -- yes, not a major OEM, secondary.

Steven Smigie - Raymond James & Associates - Analyst

And you had the 2% ASP decline in the quarter. But you also saw pretty decent revenue here and decent revenue outlook. Is the ASP decline partly as you were making the decision maybe to sacrifice a little bit on the margin side to try to get that extra revenue growth, or is that just pick up more wins?

Mark King - Diodes Inc - SVP-Sales and Marketing

I think that we live in a competitive environment on all of our products and there is always going to be ASP decline. So it is important that we manage our mix. It is important that we manage our mix geographically. And it is important that we work our costs down. So ASP erosion and price declines are a part of our business.

So last year was a softer year because it was just a more solid year from a growth perspective and so on. We just had a little bit more pressure. So I think we do live in a competitive environment, so there will be price erosion and there will be price pressure all the time.

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

But profitable growth, since we said a profitable growth is our vision as long as we are making money.

Carl Wertz - Diodes Inc - CFO

Still focus on growing the gross profit dollars.

Steven Smigie - Raymond James & Associates - Analyst

Okay, and along those lines, you guys have had a significant number of new product announcements here in the past quarter. Would you say that the gross margin percentage that you get on those new products is somewhat higher than products you have introduced in the past?

Mark King - Diodes Inc - SVP-Sales and Marketing

Yes.

Steven Smigie - Raymond James & Associates - Analyst

Okay, great. Thank you.

Operator

(OPERATOR INSTRUCTIONS) Ramesh Misra, C.E. Unterberg, Towbin.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Just a quick follow-up. In the past you've supplied pretty much across the board into Apple. Is there any reason to believe that you are in the Apple iPhone?

Mark King - Diodes Inc - SVP-Sales and Marketing

We don't really get into specific programs, but I think we are pretty consistent in our saying, and we I think we participate in all their platforms.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

Any rough gauge what the dollar content?

Mark King - Diodes Inc - SVP-Sales and Marketing

We've never -- going back all the way to the beginning we've never really discussed contents and amount in each.

Ramesh Misra - C.E. Unterberg, Towbin - Analyst

I try to push my luck. Thanks, Mark.

Mark King - Diodes Inc - SVP-Sales and Marketing

Okay.

Operator

At this time, there are no further questions.

Crocker Coulson - CCG Investor Relations - IR

I think we would really like to thank everyone for the questions and the strong participation. Dr. Lu, you have any closing remarks?

Dr. Keh-Shew Lu - Diodes Inc - President, CEO

Well, I think we had a great quarter in second quarter and looking forward even the market -- another company announced their third quarter going to be tough, but I think we still look at six to 9% growth. So we believe we going to be still gaining market share. Now, we believe we going to be seeing some improvement due to -- like I mentioned earlier, about several actions we're taking to improve the gross margin. So I think we will have another good quarter in front of us.

Crocker Coulson - CCG Investor Relations - IR

That was quite an elegant summary. We're going to be participating in a number of conferences this fall and look forward to seeing many of you there. If anyone has any follow-up questions, feel free to give myself or Carl Wertz a call at the conclusion of this call and we will do our best to get your answers. Thank you.

Operator

Thank you for participating in today's conference call. You may now disconnect.