**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**

**May 6, 2010**
**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 Dallas Parkway, Suite 850** **Dallas, Texas** | **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 May 6, 2010, Diodes Incorporated issued a press release announcing its first quarter 2010 financial results. A copy of the press release is attached as Exhibit 99.1.

On May 6, 2010, Diodes Incorporated hosted a conference call to discuss its first quarter 2010 financial 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 May 6, 2010, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated (the "Company"), 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, 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 that 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. See Exhibit 99.1 for a description of the non-GAAP measures used.

**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.

DIODES INCORPORATED

Dated: May 11, 2010

By /s/ Richard D. White
RICHARD D. WHITE
Chief Financial Officer

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 99.1 | Press release dated May 6, 2010 |
| 99.2 | Conference call script dated May 6, 2010 |
| 99.3 | Question and answer transcript dated May 6, 2010 |

**Exhibit 99.1**

**Diodes Incorporated Reports First Quarter 2010 Financial Results**

*Achieves Record Quarterly Revenue of $136.8 Million and*
*Record Gross Profit of $47.8 Million*

**Dallas, Texas — May 6, 2010 —** 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 first quarter ended March 31, 2010.

**First Quarter Highlights:**

- Revenue was a record $136.8 million, an increase of 75 percent over the $78.1 million in the first quarter of 2009 and a sequential increase of 5 percent over the $130.3 million in the fourth quarter of 2009;
- Gross profit was a record $47.8 million, an increase of 230 percent over the $14.5 million in the first quarter of 2009 and an increase of 14 percent over the $41.8 million in the fourth quarter of 2009;
- Gross margin was 34.9 percent, compared to 18.6 percent in the first quarter of 2009 and 32.1 percent in the fourth quarter of 2009;
- Income before income taxes and noncontrolling interest was $19.0 million, compared to a loss of $10.3 million in the first quarter of 2009 and income of $11.4 million in the fourth quarter of 2009;
- GAAP net income was $15.0 million, or $0.33 per diluted share, compared to first quarter of 2009 net loss of $10.8 million, or ($0.26) per share, and fourth quarter of 2009 net income of $14.2 million, or $0.32 per diluted share;
- Non-GAAP adjusted net income was $15.7 million, or $0.35 per diluted share, compared to an adjusted net loss of $3.8 million, or ($0.09) per share, in the first quarter of 2009 and adjusted net income of $16.3 million, or $0.36 per diluted share, in the fourth quarter of 2009;
- Excluding $2.1 million of share-based compensation expense, both GAAP and non-GAAP adjusted net income would have increased by $0.05 per diluted share;
- Achieved $23.9 million cash flow from operations, $5.8 million net cash flow and $7.3 million free cash flow; and
- EBITDA was $32.9 million, a significant increase over the $3.5 million in the first quarter of 2009 and 30 percent over the $25.3 million for the fourth quarter of 2009.

Revenue for the first quarter of 2010 was a record $136.8 million, an increase of 75 percent over the $78.1 million in the first quarter of 2009 and a sequential increase of 5 percent over the $130.3 million in the fourth quarter of 2009. Revenue increased in the quarter due to strong demand in all geographic regions led by North America and Europe as well as better than normal seasonality in Asia.

Gross profit for the first quarter of 2010 was a record $47.8 million, or 34.9 percent of revenue, compared to $14.5 million, or 18.6 percent of revenue, in the first quarter of 2009 and $41.8 million, or 32.1 percent of revenue, in the fourth quarter of 2009. The increase in gross margin was attributable to improved product mix resulting from stronger than expected growth in North America and Europe, in addition to higher wafer fab loading and performance.

Commenting on the results, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, stated, “Our achievement of record revenue and gross profit in the quarter is a direct result of the reinstatement of our profitable growth strategy during the second half of 2009. Exceeding our historical financial peaks at this point in the economic recovery is a distinct accomplishment. Revenue increased five percent sequentially despite the first quarter typically being a seasonally down quarter. Our consistent execution on new product initiatives and design win traction combined with our judicious capacity expansion has enabled us to gain market share as well as improve our product mix and wafer fab utilization. In addition, gross margin is on par with our previous high achieved in the fourth quarter of 2005. Margins during the first quarter benefited from our wafer fabs operating at full capacity and better than expected performance in North America and Europe.”

First quarter of 2010 GAAP net income was $15.0 million, or $0.33 per diluted share, compared to net loss of $10.8 million, or ($0.26) per share, in the first quarter of 2009 and net income of $14.2 million, or $0.32 per diluted share, in the fourth quarter of 2009.

Non-GAAP adjusted net income was $15.7 million, or $0.35 per diluted share, which excluded, net of tax, $1.1 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes, $0.8 million of non-cash acquisition related intangible asset amortization costs, and a gain of $1.2 million on the sale of assets. 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):*

| | Three Months Ended March 31, 2010 |
|---|---|
| **GAAP net income** | $ **14,958** |
| **GAAP diluted earnings per share** | $ **0.33** |
| **Adjustments to reconcile net income to adjusted net income:** | |
| **Amortization of debt discount** | **1,119** |
| **Amortization of acquisition related intangible assets** | **812** |
| **Gain on sale of assets** | **(1,176)** |
| **Non-GAAP adjusted net income** | $ **15,713** |
| **Non-GAAP adjusted diluted earnings per share** | $ **0.35** |

See tables below for further details of the reconciliation.

Included in the first quarter of 2010 GAAP and non-GAAP adjusted net income was approximately $2.1 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 $0.05 per diluted share.

EBITDA, which represents earnings before net interest expense, income tax, depreciation and amortization, for the first quarter of 2010 was $32.9 million, compared to $3.5 million for the first quarter of 2009 and $25.3 million for the fourth quarter of 2009. For a reconciliation of GAAP net income to EBITDA, see table below.

As of March 31, 2010, Diodes had approximately $486 million in cash and short-term investments, consisting of approximately $248 million in cash and $238 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 $238 million). In addition, the Company had $127 million in long-term debt primarily related to its Convertible Senior Notes.

**Business Outlook**

Dr. Lu concluded, "We expect to continue our growth momentum in the second quarter of 2010 with revenue anticipated to range between $142 million and $148 million, or an increase of 4 to 8 percent sequentially, which follows our achievement of 5 percent sequential growth in the typically seasonally down first quarter. This forecast represents our fifth consecutive quarter of revenue growth and will signify another quarterly revenue record for the Company. Additionally, we expect gross profit to increase at a rate comparable to our revenue growth. Operating expenses are anticipated to decrease slightly from first quarter levels on a percent of revenue basis. We expect our income tax rate for the second quarter to range between 15 and 20 percent due to profits in higher tax jurisdictions. Shares outstanding are expected to be approximately 46.0 million."

**Conference Call**

Diodes will host a conference call on Thursday, May 6, 2010 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its first quarter 2010 financial results. Investors and analysts may join the conference call by dialing 1-866-770-7120 and providing the confirmation code 34798295. International callers may join the teleconference by dialing 1-617-213-8065. A telephone replay of the conference call will be available approximately two hours after the conference call and will be available until May 10, 2010 at midnight Central Time. The replay dial-in number is 1-888-286-8010, and the pass code is 33614616. 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 Investors section of Diodes' website at http://www.diodes.com. To listen to the live call, please go to the Investors 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. Diodes serves 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 switches, load switches, voltage supervisors, and motor controllers. The Company's corporate headquarters and logistics office are located in Dallas, Texas. A sales, marketing, and engineering 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 consistent execution on new product initiatives and design win traction combined with our judicious capacity expansion has enabled us to gain market share as well as improve our product mix and wafer fab utilization; we expect to continue our growth momentum in the second quarter of 2010 with revenue anticipated to range between $142 million and $148 million, or an increase of 4 to 8 percent sequentially, which follows our achievement of 5 percent sequential growth in the typically seasonally down first quarter; this forecast represents our fifth consecutive quarter of revenue growth and will signify another quarterly revenue record for the Company; we expect gross profit to increase at a rate comparable to our revenue growth; operating expenses are anticipated to decrease slightly from first quarter levels on a percent of revenue basis; we expect our income tax rate for the second quarter to range between 15 and 20 percent due to profits in higher tax jurisdictions; and shares outstanding are expected to be approximately 46.0 million. 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 be able to maintain our current growth strategy or continue to maintain our current performance and 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 March 31, 2010 | Three Months Ended March 31, 2009 |
|---|---|---|
| **NET SALES** | $ 136,847 | $ 78,050 |
| **COST OF GOODS SOLD** | 89,064 | 63,557 |
| Gross profit | 47,783 | 14,493 |
| **OPERATING EXPENSES** | | |
| Selling, general and administrative | 21,419 | 16,056 |
| Research and development | 6,376 | 5,275 |
| Amortization of acquisition related intangible assets | 1,128 | 1,091 |
| Restructuring | — | 99 |
| Total operating expenses | 28,923 | 22,521 |
| Income (loss) from operations | 18,860 | (8,028) |
| **OTHER INCOME (EXPENSES)** | | |
| Interest income | 1,312 | 1,757 |
| Interest expense | (1,982) | (2,048) |
| Amortization of debt discount | (1,834) | (2,209) |
| Other | 2,648 | 263 |
| Total other income (expenses) | 144 | (2,237) |
| Income (loss) before income taxes and noncontrolling interest | 19,004 | (10,265) |
| **INCOME TAX PROVISION** | 3,324 | 397 |
| **NET INCOME (LOSS)** | 15,680 | (10,662) |
| Less: NET INCOME attributable to noncontrolling interest | (722) | (104) |
| **NET INCOME (LOSS) attributable to common stockholders** | $ 14,958 | $ (10,766) |
| **EARNINGS (LOSS) PER SHARE attributable to common stockholders** | | |
| Basic | $ 0.34 | $ (0.26) |
| Diluted | $ 0.33 | $ (0.26) |
| Number of shares used in computation | | |
| Basic | 43,767 | 41,146 |
| Diluted | 45,323 | 41,146 |

Note: 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 (LOSS)**

*(in thousands, except per share data)*
*(unaudited)*

For the three months ended March 31, 2010:

| | Operating Expenses | Other (Income) Expense | Income Tax Provision | Net Income |
|---|---|---|---|---|
| **GAAP** | | | | **$ 14,958** |
| **Earnings per share (GAAP)** | | | | |
| Diluted | | | | **$ 0.33** |
| **Adjustments to reconcile net income to adjusted net income:** | | | | |
| **Amortization of acquisition related intangible assets** | 1,128 | — | (316) | **812** |
| **Amortization of debt discount** | — | 1,834 | (715) | **1,119** |
| **Gain on sale of assets** | — | (1,837) | 661 | **(1,176)** |
| **Adjusted (Non-GAAP)** | | | | **$ 15,713** |
| Diluted shares used in computing earnings per share | | | | **45,323** |
| **Adjusted earnings per share (Non-GAAP)** | | | | |
| Diluted | | | | **$ 0.35** |

Note: Included in GAAP and non-GAAP adjusted net income was approximately $2.1 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted earnings per share (“EPS”) would have increased by an additional $0.05 per share.

For the three months ended March 31, 2009:

| | Operating Expenses | Other (Income) Expense | Income Tax Provision | Net Loss |
|---|---|---|---|---|
| **GAAP** | | | | **$ (10,766)** |
| **Loss per share (GAAP)** | | | | |
| Diluted | | | | **$ (0.26)** |
| **Adjustments to reconcile net loss to adjusted net loss:** | | | | |
| **Taxes on repatriation of foreign earnings** | — | — | 5,716 | **5,716** |
| **Amortization of acquisition related intangible assets** | 1,091 | — | (305) | **786** |
| **Restructuring** | 99 | — | (52) | **47** |
| **Gain on extinguishment of debt** | — | (1,490) | 581 | **(909)** |
| **Amortization of debt discount** | — | 2,209 | (861) | **1,348** |
| **Adjusted (Non-GAAP)** | | | | **$ (3,778)** |
| Diluted shares used in computing loss per share | | | | **41,146** |
| **Adjusted loss per share (Non-GAAP)** | | | | |
| Diluted | | | | **$ (0.09)** |

Note: Included in GAAP and non-GAAP adjusted net loss 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.

**<u>ADJUSTED NET INCOME</u>**

This measure consists of generally accepted accounting principles ("GAAP") net income, which is then adjusted solely for the purpose of adjusting for amortization of acquisition related intangible assets, amortization of debt discount, gain on sale of assets, restructuring costs, gain on extinguishment of debt, and taxes on repatriation of foreign earnings, as discussed below. Excluding gain on sale of assets, restructuring costs, gain on extinguishment of debt, and taxes on repatriation of foreign earnings 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 viewpoint 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 to non-GAAP adjusted net income.

***Detail of non-GAAP adjustments:***

**<u>Amortization of acquisition related intangible assets</u> —** The Company 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.

**<u>Amortization of debt discount</u> —** The Company excluded the amortization of debt discount on its 2.25% Convertible Senior Notes ("Notes"). 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.

**<u>Gain on sale of assets</u> —** The Company excluded the gain recorded for the sale assets. During the first quarter of 2010, the Company sold assets located in Germany and this gain was excluded from management's assessment of the Company's core operating performance. The Company believes the exclusion of the gain on sale of assets provides investors an enhanced view of a gain the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such gains.

**<u>Restructuring costs</u> —** The Company 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.

**<u>Gain on extinguishment of debt</u> —** The Company excluded the gain from extinguishment of debt from the repurchase of its Notes. This gain was excluded from management's assessment of the Company's core operating performance. The Company believes the exclusion of the gain on extinguishment of debt provides investors an enhanced view of a gain the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such gains.

**<u>Taxes on repatriation of foreign earnings</u>** — The Company excluded the non-cash income tax expense related to the repatriation of foreign 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 foreign 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.

**ADJUSTED EARNINGS PER SHARE**

This non-GAAP financial measure is the portion of the Company's GAAP net income assigned to each share of stock, excluding amortization of acquisition related intangible assets, amortization of debt discount, gain on sale of assets, restructuring costs, gain on extinguishment of debt, and taxes on repatriation of foreign earnings, as described above. Excluding gain on sale of assets, restructuring costs, gain on extinguishment of debt and taxes on repatriation of foreign earnings 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.

**FREE CASH FLOW (FCF)**

FCF of $7.3 million is a non-GAAP financial measure, which is calculated by taking cash flow from operations less capital expenditures ($23.8 million less (-) $16.5 million). FCF represents the cash and cash equivalents that we are able to generate after taking into account cash outlays 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.

**DIODES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED RECONCILIATION OF NET INCOME 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 to EBITDA *(in thousands, unaudited):*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| Net income (loss) (GAAP) | **$ 14,958** | $ (10,766) |
| Plus: | | |
| Interest expense, net (1) | **2,504** | 2,500 |
| Income tax benefit | **3,324** | 397 |
| Depreciation and amortization | **12,069** | 11,355 |
| **EBITDA (Non-GAAP)** | **$ 32,855** | $ 3,486 |

(1) Includes $1.8 million and $2.2 million for the three months ended March 31, 2010 and 2009, respectively, of amortization of debt discount.

**DIODES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED CONDENSED BALANCE SHEETS**

**ASSETS**
*(in thousands)*

| | March 31, 2010 (Unaudited) | December 31, 2009 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 247,795 | $ 241,953 |
| Short-term investment securities | 237,825 | 296,600 |
| Accounts receivable, net | 105,077 | 99,074 |
| Inventories | 93,977 | 89,652 |
| Deferred income taxes, current | 8,294 | 7,834 |
| Prepaid expenses and other | 11,400 | 11,591 |
| **Total current assets** | 704,368 | 746,704 |
| **PROPERTY, PLANT AND EQUIPMENT,** net | 173,979 | 162,988 |
| **OTHER ASSETS** | | |
| Goodwill | 65,908 | 68,075 |
| Intangible assets, net | 32,163 | 34,892 |
| Other | 5,450 | 5,324 |
| **Total assets** | $ 981,868 | $ 1,017,983 |

**DIODES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED CONDENSED BALANCE SHEETS**

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

| | March 31, 2010 *(Unaudited)* | December 31, 2009 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Lines of credit and short-term debt | $ 239,930 | $ 299,414 |
| Accounts payable | 65,651 | 62,448 |
| Accrued liabilities | 35,294 | 27,236 |
| Income tax payable | 3,388 | 2,641 |
| Current portion of long-term debt | 375 | 373 |
| Current portion of capital lease obligations | 279 | 283 |
| **Total current liabilities** | 344,917 | 392,395 |
| **LONG-TERM DEBT, net of current portion** | | |
| Convertible senior notes | 123,166 | 121,333 |
| Long-term debt | 3,396 | 3,464 |
| **CAPITAL LEASE OBLIGATIONS, net of current portion** | 1,548 | 1,669 |
| **DEFERRED INCOME TAXES, non-current** | 7,418 | 7,743 |
| **OTHER LONG-TERM LIABILITIES** | 41,635 | 40,455 |
| **Total liabilities** | 522,080 | 567,059 |
| **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; 43,841,730 and 43,729,304 issued and outstanding at March 31, 2010 and December 31, 2009, respectively | 29,228 | 29,153 |
| Additional paid-in capital | 215,573 | 211,618 |
| Retained earnings | 263,132 | 248,174 |
| Accumulated other comprehensive loss | (59,084) | (48,311) |
| **Total Diodes Incorporated stockholders' equity** | 448,849 | 440,634 |
| **Noncontrolling interest** | 10,939 | 10,290 |
| **Total equity** | 459,788 | 450,924 |
| **Total liabilities and equity** | $ 981,868 | $ 1,017,983 |

**Exhibit 99.2**

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

**Operator:**

Good afternoon and welcome to Diodes Incorporated's first quarter 2010 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, Thursday, May 6, 2010. 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' first quarter 2010 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

With us today are Diodes' President and CEO, Dr. Keh-Shew Lu; Chief Financial Officer, 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, May 6, 2010.** 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 press release is a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details. Also, throughout the Company's press release and management's statements during this conference call, we refer to "net income (loss) attributable to common stockholders" as "GAAP net income."

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 first quarter reflects a number of significant accomplishments for Diodes, the first of which includes the achievement of record quarterly revenue and record gross profit. As many of you know, in the second half of 2009 we shifted from a focus on cash management back to our profitable growth strategy, which is evidenced in our first quarter results. Exceeding our prior financial peaks at this point in the economic recovery is a distinct accomplishment compared to many other companies in our peer group. Revenue in the first quarter increased five percent sequentially despite the first quarter typically being a seasonally down quarter. Additionally, we are forecasting continued growth momentum in the second quarter, which will represent our fifth consecutive quarter of revenue growth and another record quarter for the Company.

Gross margin in the first quarter was 34.9 percent and is on par with our previous high achieved in the fourth quarter of 2005. The increase in gross margin was attributable to improved product mix resulting from stronger than expected growth in North America and Europe, in addition to our wafer fabs operating at near capacity. We remain capacity limited in our assembly test facilities as demand has picked up faster than anticipated and has outpaced our capital expenditures. But keep in mind, Diodes proactively began increasing our Capex authorizations in September of 2009 ahead of most of the industry in order to ramp-up early and support our future growth. These expenditures are just now beginning to be recorded in the first quarter. As such, we have already initiated our 2010 authorizations and currently have the appropriate equipment committed to us, thereby preventing any potential delays from manufacturers.

These record achievements are a direct result of our consistent execution on new product initiatives and design win traction combined with our well-judged capacity expansion, which has enabled us to gain market share as well as improve our product mix and wafer fab utilization.

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

*Rick White, CFO*

Thanks, Dr. Lu, and good afternoon everyone.

As Dr. Lu mentioned, **Revenue** for the first quarter was a record $136.8 million, an increase of 75 percent over the $78.1 million in the first quarter of 2009 and an increase of 5 percent over the $130.3 million in the fourth quarter of 2009.

**Gross profit** for the first quarter of 2010 was a record $47.8 million, or 34.9 percent of revenue, compared to $14.5 million, or 18.6 percent of revenue, in the first quarter of 2009 and $41.8 million, or 32.1 percent of revenue, in the fourth quarter of 2009. The 280 basis point sequential increase in gross margin was primarily attributable to improved product mix that resulted from stronger than expected growth in North America and Europe, in addition to higher wafer fab loading and performance. OFAB, our wafer fab in Oldham, UK has gone from a utilization of less than 50 percent to near full utilization achieving record output in March 2010. In addition, cross-selling of Zetex products is increasing with Zetex sales growing in all regions. During the quarter, our packaging capacity continued to be fully utilized with output from our China facilities at 5.2 billion units.

Total **operating expenses** amounted to $28.9 million, or 21.2 percent of revenue, down slightly from the 21.5 percent last quarter.

Looking specifically at **Selling, General and Administrative** expenses for the first quarter, SG&A was approximately $21.4 million, or 15.7 percent of revenue, compared to $20.0 million, or 15.4 percent of revenue, last quarter.

**Investment in Research and Development** for the first quarter was $6.4 million, or 4.7 percent of revenue, which was effectively in line on a dollar basis to the $6.8 million, or 5.2 percent of revenue, in the fourth quarter.

**Total other income** amounted to $144,000 for the first quarter.

Looking first at interest income and expense, we had approximately $1.3 million of interest income, primarily related to our portfolio of auction rate securities, and interest expense of $2.0 million primarily related to our Convertible Senior Notes and our ”no net cost” loan.

During the first quarter of 2009, we recorded approximately $1.8 million of non-cash amortization of debt discount. As stated on previous calls, effective January 1, 2009, U.S. GAAP requires us to separately account for a liability and equity component of our Convertible Senior Notes. Also included in Total Other Income was $845,000 of foreign currency gains, and a $1.8 million gain on the sale of assets.

In terms of **Income Before Income Taxes and Noncontrolling Interest**, the first quarter income amounted to $19.0 million, which was a 66 percent increase over the fourth quarter 2009 level of $11.4 million and compared to a loss of $10.3 million in the first quarter of 2009.

Turning to **income taxes**, our effective income tax rate in the first quarter was approximately 17.5 percent, which was slightly above our guidance due to better overall profitability, particularly in the higher tax jurisdictions of North America and Europe.

First quarter **GAAP net income** was $15.0 million, or $0.33 per diluted share, compared to net loss of $10.8 million, or ($0.26) per share, in the first quarter of 2009 and net income of $14.2 million, or $0.32 per diluted share, in the fourth quarter of 2009. Tax expense in fourth quarter of 2009 was a credit of $3.6 million, or $.08 per diluted share. The share count used to compute GAAP diluted earnings per share for the first quarter was 45.3 million shares. For the second quarter, we expect shares outstanding to be approximately 46.0 million.

**Non-GAAP adjusted net income** was $15.7 million, or $0.35 per diluted share, which excluded, net of tax, $1.1 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes, $800,000 of non-cash acquisition related intangible asset amortization costs, and a gain of $1.2 million on the sale of assets. 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 first quarter GAAP and non-GAAP adjusted net income was approximately $2.1 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 $0.05 per diluted share.

**Cash flow** for the first quarter amounted to $23.9 million from operations, $5.8 million net cash flow and $7.3. million free cash flow.

Turning to the **balance sheet**, at the end of the first quarter, we had $486 million in cash and short-term investments, consisting of approximately $248 million in cash and $238 million in short-term investments of par value auction rate securities. The auction rate securities, which have been fully borrowed against resulting in a related current liability "no net cost" loan of $238 million can be put back to UBS AG at par on June 30, 2010 under the previously disclosed settlement. Our working capital at quarter-end was approximately $359 million and long-term debt, including the Convertible Senior Notes, which are redeemable in October 2011, was approximately $127 million carrying value.

Now turning to **Inventory**, at the end of the first quarter, inventory was approximately $94 million, or approximately $4 million higher than the fourth quarter due to an increase in raw materials. WIP and finished goods were relatively flat compared to last quarter. Inventory days were 93, a slight increase from the 88 days in the fourth quarter of 2009.

**Accounts receivable** was approximately $105 million and A/R days were 67.

**Capital expenditures** were approximately $24.6 million during the first quarter, or 18 percent of revenue, compared to 8 percent of revenue in the fourth quarter. Our historical pattern is to have higher capital expenditures as a percent of revenue in the first half of the year as we put assembly capacity in place to meet the normally higher growth rates in the second and third quarters. This pattern in 2010 is the same as the historical pattern, but exaggerated by the reduced Capex in 2009. We continue to authorize CapEx at our annual model rate of between 10 and 12 percent of revenue to keep the growth of our packaging capacity in line with demand.

**Depreciation** and amortization expense for the first quarter was $12.1 million.

**Turning to our Outlook...**

As previously discussed, we expect to continue our growth momentum in the second quarter of 2010 with revenue anticipated to range between $142 million and $148 million, or an increase of 4 to 8 percent sequentially. Additionally, we expect gross profit to increase at a rate comparable to our revenue growth. Operating expenses are anticipated to decrease slightly from first quarter levels on a percent of revenue basis. We expect our income tax rate for the second quarter to range between 15 and 20 percent due to profits in higher tax jurisdictions.

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.

Our record first quarter revenue was a result of strong demand across all geographic regions and led by a resurgence in North America and Europe as well as better than normal seasonality in Asia. Distributor inventory remained low and below the normal distributor inventory level. Global POS was up 17 percent and experienced solid growth in all regions. Both our Diodes and Zetex-branded products reached record levels as we continue to capitalize on the cross-selling opportunities, resulting in increased market share at existing customers in addition to winning designs at new customers. We achieved strong momentum and design activity on our MOSFET portfolio, SBR® products and high performance bi-polar transistors, as well as strong increases in analog product revenue from USB power switches and RESET devices. From an end market perspective, we saw a high level of design activity and revenue increases at industrial, consumer and communications accounts.

In terms of specific end market breakout, consumer 32 percent of revenue, computing 28 percent, industrial 20 percent, communications 17 percent, and automotive 3 percent.

**Asia** represented 73 percent of total revenue. Product sales increased 1.3 percent sequentially led by notebook, power supply and DC fan. Mobile phone, LCD and LED TV as well as panels were flat for the quarter, while LNB products were down following normal seasonal patterns. Foundry wafer sales decreased 78 percent quarter-over-quarter, due mainly to a planned reduction in foundry wafer sales to support internal growing demand, while the fab capacity is nearly full. Distributor POS grew 12.6 percent despite the impact of the Chinese New Year holiday. Distributor inventory was generally low during the period at just under 2 months.

Design activity in Asia remained strong in the first quarter with 80 wins at 57 customers, highlighted by 14 USB switches, 11 RESET ICs, 8 MOSFETs, 7 SBR® and 5 Hall sensors.

In **North America**, first quarter sales represented 16 percent of total revenue and increased 28 percent over the fourth quarter. OEM sales were driven by continued improvements in our industrial and communication account base. Distributor POS grew 23 percent, while POP and inventory grew in support of the increases in POS. Distributor inventory is healthy and is positioned to support further growth in the second quarter. Our backlog was strong once again, positioning us for further growth in North America during the second quarter. Overall, the near- to mid-term outlook from both OEMs and distributors remains positive.

Design activity in North America was extremely strong with 133 total design wins, highlighted by 17 analog wins, 4 Hall sensor, 5 LED drivers, 5 SBRs® and 20 MOSFETs.

Sales in **Europe** accounted for 11 percent of total revenue in the quarter and increased 18 percent over the fourth quarter driven primarily by strong growth in analog sales and LED drivers. This represents the third consecutive quarter of growth in Europe and confirms the ongoing recovery in the region. OEM sales grew 9 percent sequentially with sales to consumer accounts up 17 percent, sales to industrial accounts up 7 percent and telecom increased 52 percent, while automotive accounts declined 13 percent. Distributor POS grew 31 percent and exceeded distributor POP. Inventory was up slightly in the quarter. We enter the second quarter with a very strong customer backlog and expect further improvements in the second quarter.

Design activity in Europe was also strong with 95 wins at 46 accounts.

Now turning to **new products** — During the first quarter, we released 43 new products, consisting of 19 MOSFETs for mobile phone applications, notebooks, telecom and industrial, as well as an automotive device; 12 bi-polar devices comprising the first family of devices launched in the PowerDi 5 package for a wide range of applications; 7 SBR® and Schottky devices for power supply and solar applications; and 5 protection and application specific products.

On the Analog side, we continue to see new product revenue increase from our USB power switch family, where shipments grew by 50 percent sequentially. We gained further traction in penetrating the notebook and TV space, and this growth trend is expected to continue for the rest of 2010 and will be accelerated by upcoming new product releases. Additionally, the RESET devices continued to gain traction with first quarter shipments increasing 140 percent over the fourth quarter. The newly released APX803, which is ideal for use in portable equipment, will further improve our SAM. Also in the quarter, Diodes released the first in a new series of DC to DC converters, the AP5100. This product will be complemented by an additional high current asynchronous converter released in 2Q, plus a new synchronous high current DC-DC converter currently in development and scheduled to sample in June. For Hall Sensors, over 70 percent of the new product revenue from this product segment was from the notebook and cell phone markets, with the remainder driven by the DC fan business in Asia. The growth in Hall sensors is expected to continue, driven by increases in both existing products as well as the release of new products. In DBS, our product revenue growth will be driven by our new interface and bias switches, especially the new ZXNB4202 which is targeted for China and Japan.

In terms of global design wins, in-process design activity was solid and remained at high levels with wins at 163 accounts globally, including 80 wins at 57 customers in Asia, 113 wins at 62 customers in North America and 95 wins at 46 accounts in Europe. We are very pleased with both the quality of the designs and the customers we are penetrating. We are winning business in our target applications and with our focus customers. Design activity on MOSFETs has been exceptionally high due to our aggressive new product releases and product expansion, as well as a growing product shortage in the industry that is providing additional opportunities. Designs for our USB switches and LED drivers continue to increase on the analog side with the previously mentioned strength in MOSFETs along with bipolar transistors and SBR® on the discrete side. New projects for customer specific multi-chip devices continue to increase quarter over quarter.

In summary, our continued execution on new product initiatives and our high level of design wins will further contribute to market share gains and support our solid positioning with customers. The achievement of record results this quarter is evidence of the success that we are beginning to see from the expanded customer base we obtained through our acquisition of Zetex, which provided us with deeper technology expertise, a larger sales footprint and broader global reach. We enter the second quarter with strong backlog and positive momentum across all business segments and in all geographies. We remain focused on expanding our new product initiatives, further penetrating the China market and improving our product mix to drive additional growth opportunities and market share gains for the remainder of the year.

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, you may now disconnect.

Exhibit 99.3

**DIODES INCORPORATED Q&A 1Q10 EARNINGS CALL**

## QUESTION AND ANSWER

With that, I will open the floor to questions.

**Operator**

(Operator Instructions). Tristan Gerra with Robert Baird.

**Tristan Gerra — *Robert W. Baird & Co. — Analyst***

Good afternoon. Could you give some specifics in terms of products helping mix in the quarter and how sustainable you believe that is?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Yes, I would say that I think it is relatively sustainable going into the third quarter. I mean going into the second quarter — excuse me — I think basically what we have started to do is limit our supply of our commodity devices and just moved up the food chain, moving into higher ASP or higher mix units, products within the different segments that we operate. But I think it is pretty broad-based.

I did mention that we had some improvements on our USB switch and some of those areas so that is kind of driving a better mix and some of our new products on MOSFETs are helping improve. But I think we focused on trying to limit the growth of our commodity space and trying to position products differently.

**Tristan Gerra — *Robert W. Baird & Co. — Analyst***

Okay, and in case maybe I missed it, what was your total sell-ins of POP sequential change for worldwide distributor in the quarter?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

I think, yes, I don’t have the actually percentage up. Asia was flat. Both North America and Europe, based on the numbers, were up. But POS exceeded the growth in POP significantly in the quarter.

**Tristan Gerra — *Robert W. Baird & Co. — Analyst***

Okay, great, and then just a last quick one. How has been the main trends in China recently including at retail?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

I don’t really follow the retail, but I think the demands in China actually looked good, pretty good going into the second quarter and through the year. I think everything looks relatively strong.

**Tristan Gerra — *Robert W. Baird & Co. — Analyst***

Great. Thank you.

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

If you consider the Chinese New Year and in 1Q actually is quite strong. In China, internal consumption during the Chinese New Year period.

**Operator**

Joe Whitten with Longbow Research.

**Joe Whitten — *Longbow Research — Analyst***

Good afternoon. First off, congratulations, particularly on the gross margin numbers and those being kind of record highs. That is my first question, actually. I wanted to hit in on the gross margin. So guidance seems to imply flat margin sequentially. I'm just trying to reconcile that with Mark's comments that maybe there's some more high mix products coming out.

So I'm just curious. Are gross margins topping out around these levels or can you potentially go higher in the future on either the strong seasonal periods or in continued mix improvements?

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

Hey Joe, you know our strategy always concentrates on that topline and bottom-line. We focus our strategy on profitable growth. We really concentrate more on the growth and that the gross profit follows to the topline and increase. And, therefore, we really don't intentionally just try to improve gross margin.

Now due to the — all our operation is fully loaded, including in addition to our packaging facility is fully loaded have been that way for a while. Now our wafer fab — and both wafer fab from Kansas City and from [Zetex] acquisition, they are all fully loaded. Especially like Zetex wafer fab, we have a record output in March. And Kansas City, we actually at the beginning of the year there was a lot of snow storms and bad weather, so we're originally thinking they are going to be bad. But, you know, then they catch it up in March.

And therefore, those in addition to the higher GPM region like US grow 28% and Europe grows 18%. Those high gross — those high GPM percent regions actually grow much faster. And so it gives us a surprise on the gross margin improvements, and we believe the wafer fab would continue loaded and we believe the product mix we've been doing should be continued.

That's why we predicted, you know, it would be similar. Since you are asking are we going to be continuing gaining higher and higher, that really is not our focus. So we take opportunity to change in a product mix when opportunity is right. But we do not want to sacrifice the growth for that.

**Joe Whitten — *Longbow Research — Analyst***

Got you and then just two quick follow-ups. I mean you said the wafer fabs, Dr. Lu, are fully utilized or were fully utilized. Is that the whole quarter or just kind of recently you are reaching those high utilization numbers?

And then, secondly, given your capital expenditure plans for the year, now that you have those positioned, how much more sales do you think the current footprint could support when you get through the current expansion plans for the year?

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

Okay. You know, when I say now you remember I said, March, we had a record output for the Zetex wafer fab. Therefore, if we can continue that record output, our second quarter will be a little bit more than first quarter output. Okay? And Kansas City, remember, I said January, February, we had snowstorms, bad weather delayed our ramp up and then the March we have a very good output.

So if you look at all of those, yes, we still have some room for the wafer fab improvement. Then after that we don't put a lot of capital in the wafer fab because for the Kansas City one we do use in our wafer fab to support foundry to help reduce the cost. Help loading the fab. But if it doesn't run, that is not our focus. So we would just continue move from foundry business to support ourselves.

**Joe Whitten — *Longbow Research — Analyst***

Is it possible to say what percentage of sales at each wafer fab just approximately is being used for internal consumption versus external wafer sales?

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

I don't think that we disclosed that number, but I can tell you Zetex 100% use for ourselves. Zetex fab we don't do foundry.

**Joe Whitten — *Longbow Research — Analyst***

Great. Thanks a lot and congratulations again.

**Operator**

Harsh Kumar with Morgan Keegan.

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

Congratulations. Great quarter once again. Maybe a question perhaps for Dr. Lu or Mark.

Can you guys tell us where you are seeing the strongest — by end market, of course, and what end market are you seeing perhaps the strongest order activity going into the June quarter and maybe talk about the linearity of orders how they check out in the quarter so far?

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

If you look at the second quarter, I'd think it looked like most end-equipment is all very strong. We do not really see up a particularly slow down in end-equipment and for example, LED — LCD LED TV from one of our major customers, so far they're still focused very strong.

In notebook so far at least the customers and our customers so far did not give us any sign of softness or anything and then you're talking about Deltacom.

This quarter, second quarter Deltacom for us from what we see is quite strong, even compared with 1Q. Deltacom is much stronger, like Set Top Box and all those and so we do not really see a much slower business.

Now for Europe, I really don't know what would be happening. So whatever my comment is more in the Asia market.

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

If I can cut in, you can see that by the numbers in North America and Europe that, obviously, the resurgence of the industrial and communications markets are back and so there's really been kind of an all boats rising. So the demand looks pretty strong against all segments.

In Europe, in some of our direct accounts, we are seeing a little softness in automotive and the end of last quarter. Don't know how that will play out so much in the second quarter, but actually things continue to look pretty strong in all regions.

You'll see our computer was down a little bit in the quarter and will remain down because that is a mix space thing. Motherboard at times drives some of our numbers and we are kind of a little bit of a de-emphasis in there because of product mix. So you'll see some changes there.

But the consumer number remained very strong.

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

Okay, that's very helpful. Europe, I guess Europe is just going through some churning right now as we know today.

But guys, you hit operating margin, I think peak was about 16% on a non-GAAP basis. You are doing about 14 and half.

How much more of a run rate there is left? Is it fair to say you can go past the 16% peak pretty easily this time around?

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

Are you talking about —?

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

Operating margin. Sorry.

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

So that's GPM less SG&A?

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

Yes.

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

I think we will continue kind of holding our — in our SG&A flat and you know when we — when we get the more revenues. So eventually we will get to that but — .

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

If you look at the model, what we've said is that can't grow at the same rate as the revenue. And the SG&A will grow at about half that rate. So we would expect that the operating margins would go up somewhat over time. Not immediately.

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

And if you go to look at our business model we actually — our model is 35% GPM, 20% R&D plus SG&A in the operation of cost expense. And get to 15% like operational margin. So we are not that far away from that. Our operational cost now is about 21%. So slightly higher.

Now if we continued growth then that percentage goes to our model, 20%.

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

Got it. Fair enough. Very helpful. And if I can ask one more.

A couple of the companies are talking about supply constraints. I'm seeing — I'm asking in the products that you guys compete in, are you seeing supply constraints from your customer — from your, I apologize, your competitors? And maybe you could talk about pricing.

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Yes absolutely we are seeing constraint. There are some products that are more constrained than others. There seems to be a lot of difficulty in the MOSFET arena.

I think what we're seeing, some prices increase. We are not usually the lowest guy out there. So we are raising and looking at some of our commodity prices where we've seen some people that are a little bit more dramatic with their pricing. Their pricing might have generally been a lower than ours in the first place.

So there's definitely some opportunity to increase price and there's certainly opportunities to gain market share.

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

Fair enough. Thanks, guys, and congratulations. I'll get back in the queue. Thank you.

**Operator**

Stephen Chin with UBS.

**Stephen Chin — *UBS — Analyst***

Thank you and, also, congratulations on the record results.

First question, I just wanted to drill down a little bit more on performance in the North American and European markets. I guess just looking at the sales performance and also the gross margin performance, can we — is it safe to assume that some of the outperformance in the North American and Europe group was due to demand for some of your higher margin, maybe higher TV parts such as analog or Zetex or some ASMCC products? Or —.

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Yes, we generally are a very positive mix focused in North America and Europe. We sell a much better mix in these two territories. We generally let our commodities get sold in Asia. So when the boats rise and when the sales go up in North America and Europe, it should be a very positive sign for our margin mix.

We keep our commodity product at a set price and we generally allow the competitors to come back up to us when the market condition gets better. So yes, our mix is much — we have a superior mix in North America and Europe.

**Stephen Chin — *UBS — Analyst***

Okay.

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

Yes, you know we put the priority to support US and Europe. And let the commodity constraint, the commodity product in Asia. Therefore, when this kind of shortages situation happen, it is a great opportunity for us to gain a market share in the US Europe area because that is the one that gives us a much better GPM percent. And constraint the commodity area, especially in Asia.

So if you look at through our speech you can see we do not really grow that much in Asia. And with that output to support US and Europe such that, it gives us surprise on the GPM percent.

**Stephen Chin — *UBS — Analyst***

One more for Mark. Mark, you mentioned some additional traction by your package products earlier. Is that a new trend that is emerging in your business where of those multifunction package parts are now?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

We are seeing a lot of interest in consolidation. You know when units get tight, people want to see us make it more simple too. We are seeing just more and more interest due to size constraints and complexity of boards to combine more units into one.

And it just seems over the last two or three quarters, that the quantities of inquiries and the active projects continue to grow and we should see some positive results in that in the quarters to come.

**Stephen Chin — *UBS — Analyst***

Okay. Great. And my last question is for Rick. Rick, just given some of the fluctuations in the foreign exchange market and potential for Chinese Yuan revaluations, what kind of potential impact did that have on your business?

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

Well, we have looked at — specifically if you look at the European currencies, they are weakening versus the dollar. And we’ve — we basically don’t think it is going to have a lot of impact on the bottom line. We have Euro-based and Pound-based revenue, but we also have a Euro-based and Pound-based cost. And so those are basically a wash. Kind of the same thing in China.

**Stephen Chin — *UBS — Analyst***

Okay. Great. Thank you.

**Operator**

Ramesh Misra with Brigantine Advisors.

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

Good afternoon. First question, just a clarification, Mark. I missed end market numbers. Can I request that you repeat those please?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Let me find them. Okay, I got my papers all mixed up.

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

While he's looking why don't you ask the second question?

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

Okay. My second question is your Shanghai facility basically running fully utilized at this point. And it still takes some time to ramp up capacity over there. Where does your Q2 revenue growth come from? Is it mix-driven or is it — is that CapEx actually beginning to have an impact already?

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

I think if you remembered several conference calls we have been talking about we change from cash management strategy to profitable growth strategy several conference calls ago. And actually, we detect this kind of shortage much earlier to about September last year.

So we start to authorize the capital equipment in September last year and the equipment started to come in in 1Q and then continued since September last year. We continue to give the CapEx authorization. So actually we have all the capital equipment lined-up continue until August this year.

So whatever we plan to grow in 2010, each quarter, we had the capital equipment ordered and committed and delivered to us per the schedule.

So in the second quarter our output will be increased and that the revenue will be coming — majority coming from more output, more demand so we won't be using this opportunity to gain the market share. So product mix, if it is there, we will take opportunity, but the growth is going to come in from the support.

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

Okay. Got it. And then on the front end, Dr. Lu, I remembered that your Kansas City facility has more room for — physical room for expansion. What is the situation over at your Oldham fab? Is there room for expansion over there as well?

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

Well in this answer from the Kansas City, even with room, the way if we need more capacity I would just convert from 5 inch to 6 inch. Okay. I would not expand it by putting more 5 inch equipment. So anymore future expansion we just put some 6 inch equipment and convert 5 inch line gradually to the 6 inch.

And in the Oldham fab, you know you remember in November 2008 when economy is bad, we shut down the 4 inch line. If you remember that's what action we took in. We took is to shut down the 4 inch line and so the space is still there. If needed we will authorize more 6 inch equipment and into that 4 inch clean room.

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

Okay.

(multiple speakers)

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

Mark has that number for you.

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Ramesh, 32% consumer, 28% computing, industrial 20, communications 17 and automotive 3.

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

Got it. Okay. In regards to — sorry, just getting my train of thought realigned again. In regards to your current CapEx plan, how much — what kind of a revenue run rate would that support on an annualized basis?

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

We — you know.

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

I had to try.

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

Our biggest model is 10 to 12% and that's what we have been doing historically and our growth historically is 23 to 25% CAGR. Okay.

So this year in 1Q we actually authorized 18%. And so — but again, typically, we authorize more capital at the first half than at the second half. So this year we will expect if at the high end of that 10 to 12% — and don't forget because last year we only authorized 6%. So we might if the business continues to improve, we might authorize above 12%.

Okay, completely depends on the business outlook. And so far I already authorize enough capital equipment to support for second quarter growth and third quarter growth. I am still watching it. If the fourth quarter they are flat then I probably don't need to do anything, but if they are continue strong I might authorize more, but I have enough time, see.

So we just take action since the last of September to predict this kind of up and fortunately we have all the equipment line up and ready to deliver to us.

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

Okay. And just a very final quick one, if I may? In terms of lead times, can you give us at least a qualitative read on where lead times are and how they've been trending?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

The lead times are longer now. We've kind of pushed again. If you look at the way we are trying to drive our mix, we are definitely pushing the lead times out on our commodity products. We are seeing industry leadt imes continue to grow.

We like to, in our Company, try to think lead times are a decision rather than a set term. So we are very focused on trying to accomplish what we're trying to do. So we use our capacity to meet those goals.

So you'll see some standard products' lead times stretching, but I think we still have an opportunity to operate in pretty close to our normal zone.

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

Thanks, Mark. Very diplomatic answer, but I will take it. Thank you.

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

You know Mark.

**Operator**

Steve Smigie with Raymond James.

**Steve Smigie — *Raymond James & Associates — Analyst***

Great, thank you. And I will add my congratulations on this and nice numbers there. Since we were on capacity, I will just throw another question in there. You guys had some issues a number of quarters ago where you didn't have enough people. It seemed like that got fixed.

Do we also have a benefit in terms of possible output going forward as now we are several quarters down the road? Those guys were better or people are better trained. Will there be better efficiencies coming and therefore output potential is better just because the people are better trained at this point?

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

You have a good memory. That's good. Because yes. We do start the benefits for our operators are getting more mature.

Okay. You know during last year we — our output capacity was constrained by the — manpower constrained. Not equipment capacity limited. And so we hired the people and it takes two to three months to be able to put them back to production line. And then you take a while for them to be very productive.

And fortunately, I think those kind of problems are behind us now because we continue hiring people and continue training the people, continue, put it into the production line. And unfortunately is, we do increase the capital — CapEx, increase the equipment therefore we continue need to hire more people to put in the line.

Well, our people now is really the record worker in China now.

**Steve Smigie — *Raymond James & Associates — Analyst***

All right. And Dr. Lu, you were one of the first to take capacity off, one of the first to add it back. So my next question is, you are increasing spending here, but it seems like the lead times have gone out on the ability to get new equipment. It seems like you already got everything you need in place through Q3 in terms of what you maybe have placed in the past.

So if you needed extra capacity for Q4, I mean do you have to sort of start ordering now or how is that working? Does your equipment not have lead times and the other equipment does?

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

I just authorized another chunk of equipment, okay, out and tried to participate. Maybe needed for 4Q. Now I gamble with that because if 4Q turns out to be cyclical, if you remember our cycle typically 4Q is flat from 3Q cyclically.

And so if that is the case, our equipment might be just excess capacity for us for the future growth. But if, you know, fortunately, the fourth quarter starts to continue to grow then we will be able to take that capability to gain the market share. Therefore I am a little bit bullish so we start authorizing equipment for the fourth quarter growth.

But up to the third quarter, we have all the equipment committed to us.

**Steve Smigie — *Raymond James & Associates — Analyst***

Right. That should be a good gamble. Like you said all you have to do is capture more market share.

So my other question, well, I had two more actually. One was just on the fabs. What end markets are you primarily gaining traction in there? Was it computing and TVs or is there other stuff?

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

I think — you know, I mentioned to you in Asia almost all the segments are going up quite strong. We're gaining market share from, like I mentioned, LCD LED TV and set-top box and cell phone.

Now we do intentionally in a constraint of commodity products in the motherboard area. You know motherboard typically is very commodity type of product and so we constrained that area. So we might lose the market share in that area. In the US and Europe since that growth is industrial and, you know, all this.

So I think I won't just say some (inaudible) and equipment. We control our growth actually. Okay.

In the area we have a much better product portfolio and that's the one we want to grow and we would put more capacity in that area for the commodity which we know the growth margin is not as good. And we just convert capacity to outside that area to support the other area. So you look at — for us all the end-equipment is running. But for Diodes alone, we selected to grow one area instead of the other one.

**Steve Smigie — *Raymond James & Associates — Analyst***

Okay. And the last question just if I ever thought I just — on the TVs it got beat down pretty bad as we went into the downturn. It seemed like it came back fairly strongly and has continued to be, I think, fairly healthy over the last several quarters.

Any feeling that maybe that is getting overheated? Too many TVs have been sold out there, too much penetration, or is it in China, for example, such a growth market you have multiple TVs for people or could can ship into business in addition to individuals? Just any sense on the TV market actually. Because it seems like it has been going strong for some time now.

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

It's going strong and it is actually getting stronger. And it's very surprised and for a lot of people too. How can they continue strong?

One thing I want to point out is the China economic is quite heated up. They are able to compete — accomplish 8% GDP and now they are talking about 9 or 10% GDP this year. So they continue very strong.

Now you are going to say, well, how do people have the money to buy. Very surprised is because they were shortage in that area because the government started to do the minimum wage. It was surprised the salary increase in the China area is getting stronger and higher and higher. People are actually getting richer and richer especially the — we call in the middle, middle level of the people. Our engineers and all engineer managers, they all get quite good a raise.

And so and the general market is very hot so they don't have the unemployment rate like what we have in the US and so people have the money to buy. They get — they spend the money.

**Steve Smigie — *Raymond James & Associates — Analyst***

Great. Thanks very much.

**Operator**

Kevin Cassidy with Thomas Weisel.

**Kevin Cassidy — *Thomas Weisel Partners — Analyst***

Kevin Cassidy here from Thomas Weisel. We were just wondering, you had mentioned about in the inventory that raw materials increased. Has there been a cost increase in any of your raw materials?

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

Well, if you see the cost like, for example, the gold wire. You know gold had been increased, but fortunately we started to take action to convert some of the gold product to the copper product. Now some raw materials increased, yes, but because of the shortage, but we kind of take action.

That is why we'rebase part increase and you know like we know they are going to have wafer shortage. We order wafers ahead of time. Now we have — we have enough back up wafers so we can continue our growth.

So to answer your question, yes, we see some building material increase, but by changing the product mix you can see we actually can improve our GPM percent.

**Kevin Cassidy — *Thomas Weisel Partners — Analyst***

I see so you haven't had the issue of trying to pass along any cost increase?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

Yes, clearly, we are trying to pass along some price increases on our lower value devices, okay, where there's not as much room. But what we're really trying to do is sell different products where those impacts would be — almost no impact on them. (multiple speakers)

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

We changed the product mix.

**Kevin Cassidy — *Thomas Weisel Partners — Analyst***

I see, okay.

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

Contraint our commodity product and try to focus more on the high GPM type of the product.

**Kevin Cassidy — *Thomas Weisel Partners — Analyst***

Okay and do you think that because you are coming in and helping the customers out on these higher GPM products that you'll be able to keep that in, I guess, if this market slows down?

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

I hope so.

**Kevin Cassidy — *Thomas Weisel Partners — Analyst***

Yes. Great, thanks for taking my questions.

**Operator**

Brian Piccioni with BMO Capital Markets.

**Brian Piccioni — *BMO Capital Markets — Analyst***

Yes, congratulations as well. Most of my questions as you can imagine have been asked and answered. You know, it's a minor detail to your business but many other companies that are serving the automotive space have noticed a sharp rebound. And I understand that, of course, in your business it's still a very small component of revenues. Any sense what is going on there?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

I think it is just customer mix on those. I think we know in our business I think there was just a couple of key designs we had may not have been running last quarter and so far. And I think that is why we have a drop. And that was specifically on our OEM side.

So I don't think there's anything, any big change or says that we're missing anything. When you have got a small number, a small percentage of your sales in one area, then if one of your customers isn't clicking on one of their projects, it can change your mix.

**Brian Piccioni — *BMO Capital Markets — Analyst***

Right. And you know, this might sound like sort of a negative question but it is not intended to be. Many companies seem to be claiming growth in market share these days, and you know, you would obviously have better visibility and especially with your acquisition of Zetex and the cross-selling opportunities because it is characteristically different.

What does the competitive environment look like right now for you guys?

**Mark King — *Diodes Incorporated — SVP, Sales and Marketing***

I mean, I think there's always a competitiveness for sockets. I think right now, I think the competitive — there's really not a significant price-competitive market because people are constrained and everybody in these better times has a little bit more patience with price.

But I mean, clearly, we all have the same objectives that are two and three years long. So we all have the same customers and so forth.

So I think that it's a very competitive market. I think we are positioned with a lot of product and a lot of segments and a lot of good product that will offer very significant opportunities to our customer base. So I think we are positioned competitively in all of our segments.

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

And the evidence of that is we are now in the record revenue in 1Q. And if you look at our guidance, we are going to continue setting the new revenue record. And so if you look at our competitors, I don't think any probably — I don't see that many companies, our competitors claimed that they have already setting a new revenue record.

And so I think we feel very good and we feel very comfortable on our market position. And we believe we are well positioned ourselves for continued gaining the market share. Continue setting the revenue record.

**Brian Piccioni — *BMO Capital Markets — Analyst***

Okay, Great. keep up the good work.

**Operator**

And we have run out of time for questions today. I would now like to turn the call back over to Dr. Lu for any closing remarks.

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

Thank you for your participation today and, Operator, you may now disconnect.