

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 4, 2006

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 Number)

3050 East Hillcrest Drive

Westlake Village, California

(Address of principal executive offices)

91362

(Zip Code)

(805) 446-4800

(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 (see General Instruction A.2. below):

- 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))
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Item 2.02 Results of Operations and Financial Condition

On May 4, 2006, Diodes Incorporated issued a press release announcing first quarter 2006 earnings. A copy of the press release is attached as Exhibit 99.1.

On May 4, 2006, Diodes Incorporated hosted a conference call to discuss its fourth quarter 2005 results. A copy of the transcript is attached as Exhibit 99.2.

During the conference call on May 4, 2006, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, and Mark King, Sr. 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 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 1984, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

- Exhibit 99.1 - Press Release dated May 4, 2006
- Exhibit 99.2 - Conference call transcript dated May 4, 2006
- Exhibit 99.3 - Question and answer transcript dated May 4, 2006

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: May 4, 2006

DIODES INCORPORATED

By: /s/ Carl C. Wertz

CARL C. WERTZ
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated May 4, 2006
99.2	Conference call transcript dated May 4, 2006
99.3	Question and answer transcript dated May 4, 2006



FOR IMMEDIATE RELEASE

Diodes Incorporated Reports First Quarter 2006 Results

- *Revenues up 51% year-over-year to record \$73.6 million*
- *Net income increased 29% to \$9.3 million, or \$0.34 per share*
- *Pro forma net income up 48% to \$10.7 million, or \$0.38 per share*

Westlake Village, California, May 4, 2006 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete and analog semiconductors, today reported financial results for the first quarter ended March 31, 2006.

First Quarter Highlights

- Ø Revenues increased 51% year-over-year and 20% sequentially to \$73.6 million
- Ø Operating income increased 19% to \$10.8 million; pro forma up 36% to \$12.4 million
- Ø Net income increased 29% to \$9.3 million, or \$0.34 per share
- Ø Pro forma net income increased 48% to \$10.7 million, or \$0.38 per share, excludes \$0.04 share-based compensation expense
- Ø Completed Anachip acquisition
- Ø Launched new Synchronous PWM controller and series of standard analog IC products targeting high volume applications

Revenues for the first quarter of 2006 were \$73.6 million, an increase of 51.4% from the first quarter of 2005, and a sequential increase of 19.9% from the fourth quarter of 2005. Net income for the quarter increased 28.6% to \$9.3 million, compared to \$7.2 million for the three months ended March 31, 2005. Diluted earnings per share were \$0.34 for the first quarter of 2006, as compared to \$0.31 for the same period last year reflecting additional shares from the follow-on offering. First quarter 2006 net income includes \$1.4 million related to stock option expensing. Under FAS 123(R), the Company began expensing stock options in the first quarter of 2006, and therefore, equivalent share-based compensation expense was not reflected in prior periods.

Commenting on the quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said, "We are very pleased to report another quarter of record revenues and strong profitability, reflecting the success of our growth strategy and excellent reception to our new products by Diodes' global customers. During the first quarter, we were able to enter the analog market successfully, with the completion of the Anachip acquisition and the introduction of our first series of new standard linear devices targeting high-volume applications.

"We have made excellent progress in integrating Anachip with Diodes' product offerings and that of our sales and marketing organization. Over the balance of 2006, we intend to complete the manufacturing integration of analog products with our world-class packaging capability in China, which we expect will have a favorable impact on our gross margins. Customer interest in our expanded product offerings has been very strong, and we believe that we are well positioned for substantial future growth in both the discrete and analog segments."

End Markets

Diodes' market share in Asia, North America and Europe set new records, with Asia contributing 69% of total sales, and North America and Europe generating 28% and 3%, respectively.

Mark King, Senior Vice President of Sales and Marketing, stated, "Our very strong growth in Asia was driven primarily by the Anachip acquisition, with robust demand for applications in LCD monitors, TVs, Wireless LANs, and battery chargers more than compensating for some seasonal weakness in motherboard and digital audio players. As a result of the Anachip acquisition, we have significantly increased our sales and applications team in China, realized synergies with our Taiwan sales team, and gained a new Korean sales office that strengthens our footprint in this key market."

"North America sales exceeded our expectations, with brisk demand for TV set-top boxes and hand-held medical devices. Sales to customers that design in the United States and build in Asia remained strong, with intensified new design activity as well as new qualifications to 'second source' long lead-time parts. We have seen strong design activity for our growing family of array products, as customized arrays gain traction with applications requiring very small form factors. There is also robust interest in our new PowerDI123 packages, resulting in several new design wins," said Mr. King.

"Revenue in Europe rose better than 50% sequentially, reflecting strong demand by both OEM accounts and distributors. We are very pleased with the performance of our recently expanded distribution network in Europe, adding additional sales staff in France and Germany, and had our most successful quarter ever for design wins with European accounts," concluded Mr. King.

New Products and Design Wins

New product revenues reached a record 23% during the quarter, reflecting the large number of recently introduced products from the Anachip acquisition. At the end of the first quarter, Diodes launched a new Synchronous Pulse Width Modulation (PWM) Controller in a series of planned analog integrated circuit (IC) part introductions into Diodes' analog power management product line.

"We are very pleased with customer reception to our new standard analog power management products, and we have a very aggressive product development road map in place targeting analog applications where we see the opportunity to leverage our highly efficient packaging capabilities," stated Dr. Lu. "Along with the new controller, we released six industry standard analog products and two surface-mount package types now manufactured at our China facility. These new packages enable us to compete in the high-volume analog IC market and expand our discrete offerings in the medium-power range."

Additional Financial Highlights

Gross profit for the first quarter of 2006 was \$24.2 million, compared to \$21.4 million in the fourth quarter of 2005, and a 45.9% increase over \$16.6 million in the first quarter of 2005. Gross margin for the quarter was 32.9%, compared to 34.1% of sales for the same period in 2005, reflecting the lower gross margins associated with the current analog products. The Company expects that gross margins will benefit from the planned manufacturing integration of analog products in the second half of 2006. Excluding share-based expenses included in cost of goods sold, first quarter gross margin would have been 33.1%.

For the quarter, SG&A expenses were \$11.3 million, or 15.3% of sales, as compared to \$6.7 million, or 13.8% of revenue, in the comparable quarter last year. Included in SG&A expenses were \$1.3 million in non-cash, share-based compensation. For comparable purposes, excluding the share-based compensation, SG&A for the first quarter of 2006 would have been 13.5% of sales. (See table for a reconciliation of the impact of share-based compensation expense to reported results.)

Investment in research and development rose by \$1.1 million to \$2.0 million, or 2.7% of revenue, compared to 1.9% of revenue in the first quarter of 2005. The increase in R&D reflects the impact of the Anachip acquisition and Diodes' investment in developing new products in the discrete, analog and mixed signal segments.

Operating income for the first quarter increased by 19.0% to \$10.8 million, or 14.7% of revenue, compared to \$9.1 million, or 18.7% of revenue, for the first quarter of 2005. Excluding the FAS123(R) impact, operating income for the first quarter of 2006 would have been 16.9% of revenue.

Capital expenditures for the current quarter were \$11.8 million and depreciation expense was \$4.7 million.

At March 31, 2006, Diodes had \$99.5 million in cash and short-term investments, \$139.2 million in working capital, and \$6.6 million in long-term debt. For the first quarter, the Company generated cash flow from operations of \$17.0 million, and shareholders' equity increased 6.6% to \$240.4 million.

Business outlook

"Entering the second quarter, shipments and orders for delivery continue to show strength with a book-to-bill ratio above one. Given our strong momentum in the marketplace and expanded addressable markets, we expect that revenues will increase sequentially by an additional 3-6% in the second quarter. We expect second quarter gross margin percentage to be comparable to the first quarter and we expect to see gradual expansion in our gross margin over the balance of 2006 and beyond, as we continue to execute our strategy," Dr. Lu concluded.

Conference Call

Diodes Incorporated will hold its first quarter conference call for all interested persons at 1:00 p.m. Pacific Time (4:00 p.m. Eastern Time) today 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) is a leading manufacturer and supplier of high-quality discrete and analog semiconductor products primarily to the communications, computing, industrial, consumer electronics and automotive markets. The Company's corporate sales, marketing, engineering and logistics headquarters is located in Southern California, with two manufacturing facilities in Shanghai, China, a wafer fabrication plant in Kansas City, Missouri, engineering, sales, warehouse and logistics offices in Taipei, Taiwan and Hong Kong, and sales and support offices throughout the world. Diodes, Inc. recently acquired Anachip Corporation, a fabless analog IC company in Hsinchu Science Park, Taiwan.

Diodes, Inc.'s product focus is on subminiature surface-mount discrete devices, analog power management ICs and Hall-effect sensors all of which are widely used in end-user equipment 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, 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, including, but not limited to, any forecast of revenues, gross margin or the manufacturing integration of analog products. Potential risks and uncertainties include, but are not limited to, such factors as 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, risks of foreign operations, 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,

(818) 789-0100, 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 BALANCE SHEET

ASSETS

	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2006</u> (unaudited)
CURRENT ASSETS		
Cash and equivalents	\$ 73,288,000	\$ 53,671,000
Short-term investments	40,348,000	45,806,000
Total cash and short-term investments	113,636,000	99,477,000
Accounts Receivable		
Customers	48,348,000	54,611,000
Related parties	6,804,000	6,107,000
	55,152,000	60,718,000
Less: Allowance for doubtful receivables	(534,000)	(568,000)
	54,618,000	60,150,000
Inventories	24,611,000	36,877,000
Deferred income taxes, current	2,541,000	5,301,000
Prepaid expenses and other current assets	5,326,000	5,978,000
Total current assets	200,732,000	207,783,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net		
of accumulated depreciation and amortization	68,930,000	76,391,000
DEFERRED INCOME TAXES, non current		
	8,466,000	7,547,000
OTHER ASSETS		
Equity investment	5,872,000	—
Goodwill	5,090,000	24,383,000
Other	425,000	2,854,000
TOTAL ASSETS	<u>\$ 289,515,000</u>	<u>\$ 318,958,000</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2006</u> <u>(unaudited)</u>
CURRENT LIABILITIES		
Line of credit	\$ 3,000,000	\$ 4,712,000
Accounts payable		
Trade	18,619,000	29,047,000
Related parties	7,921,000	11,145,000
Accrued liabilities	19,782,000	21,635,000
Current portion of long-term debt		
Related party	—	—
Other	4,621,000	1,937,000
Current portion of capital lease obligations	138,000	139,000
	<u>54,081,000</u>	<u>68,615,000</u>
LONG-TERM DEBT, net of current portion		
Related party	—	—
Other	4,865,000	4,679,000
	<u>1,618,000</u>	<u>1,568,000</u>
CAPITAL LEASE OBLIGATIONS, net of current portion		
	<u>1,618,000</u>	<u>1,568,000</u>
MINORITY INTEREST IN JOINT VENTURE		
	<u>3,477,000</u>	<u>3,728,000</u>
STOCKHOLDERS' EQUITY		
Common stock - par value \$0.66 2/3 per share; 30,000,000 shares authorized; 25,258,119 and 25,516,788 shares issued at December 31, 2005 and March 31, 2006, respectively	16,839,000	17,007,000
Additional paid-in capital	94,664,000	100,106,000
Retained earnings	114,659,000	123,971,000
Less:	226,162,000	241,084,000
Accumulated other comprehensive gain (loss)	(688,000)	(716,000)
	<u>225,474,000</u>	<u>240,368,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>289,515,000</u>	<u>318,958,000</u>

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	March 31,	
	2005	2006
Net sales	\$ 48,600,000	\$ 73,589,000
Cost of goods sold (1)	32,004,000	49,375,000
Gross profit	16,596,000	24,214,000
Selling and general administrative expenses (2)	6,692,000	11,284,000
Research and development expenses (3)	900,000	1,966,000
Loss (gain) on disposal of fixed assets	(105,000)	120,000
Total operating expenses	7,487,000	13,370,000
Income from operations	9,109,000	10,844,000
Other income (expense)		
Interest income	4,000	734,000
Interest expense	(159,000)	(140,000)
Other	(42,000)	(207,000)
	(197,000)	387,000
Income before income taxes and minority interest	8,912,000	11,231,000
Income tax provision (4)	(1,433,000)	(1,690,000)
Income before minority interest	7,479,000	9,541,000
Minority interest in joint venture earnings	(239,000)	(229,000)
Net income	<u>\$ 7,240,000</u>	<u>\$ 9,312,000</u>
Earnings per share		
Basic	\$ 0.34	\$ 0.37
Diluted	<u>\$ 0.31</u>	<u>\$ 0.34</u>
Number of shares used in computation		
Basic	21,326,865	25,348,986
Diluted (5)	<u>23,525,022</u>	<u>27,679,070</u>

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME TO PRO FORMA NET INCOME

Pro forma consolidated statements of income are presented because we use it as an additional measure of our operating performance. Pro forma net income and pro forma net income per share should not be considered as alternatives to net income, earnings per share or other measures of consolidated operations and cash flow data prepared in accordance with accounting principles generally accepted in the United States of America, as indicators of our operating performance, or as alternatives to cash flow as a measure of liquidity. Pro forma consolidated statements of income are intended to present our operating results, excluding items described below, for the periods presented.

Pro forma net income and earnings per share reconciliation

	Three Months Ended	
	March 31,	
	<u>2005</u>	<u>2006</u>
GAAP net income	<u>\$ 7,240,000</u>	<u>\$ 9,312,000</u>
Pro forma adjustments:		
Share-based compensation expense included in cost of goods sold:	—	133,000
Share-based compensation expense included in selling, general and administrative expenses:	—	1,316,000
Share-based compensation expense included in research and development expenses:	—	147,000
Total share-based compensation expense	—	1,596,000
Income tax benefit related to share-based compensation	—	205,000
Pro forma net income	<u>\$ 7,240,000</u>	<u>\$ 10,703,000</u>
Diluted shares used in computing Pro forma earnings per share	23,525,022	27,679,070
Incremental shares considered to be outstanding:	—	769,928
Adjusted diluted shares used in computing Pro forma earnings per share	<u>23,525,022</u>	<u>28,448,998</u>
Pro forma earnings per share		
Basic	<u>\$ 0.34</u>	<u>\$ 0.42</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.38</u>

- (1) For the quarter ended March 31, 2006, includes \$133,000 of share-based compensation expense.
- (2) For the quarter ended March 31, 2006, includes \$1,316,000 of share-based compensation expense.
- (3) For the quarter ended March 31, 2006, includes \$144,000 of share-based compensation expense.
- (4) For the quarter ended March 31, 2006, includes \$205,000 of income tax benefit related to share-based compensation expense.
- (5) For the quarter ended March 31, 2006, 769,928 fewer shares are considered to be outstanding under FAS123R.

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)	Three Months Ended	
	March 31,	
	2005	2006
Net Income	\$ 7,240	\$ 9,312
Plus:		
Interest expense, net	155	594
Income tax provision	1,433	1,690
Depreciation and amortization	3,910	4,673
EBITDA	\$ 12,738	\$ 16,269

Diodes First Quarter 2006 Conference Call

Participants: Dr. Keh-Shew Lu, Carl Wertz & Mark King

Introduction: Crocker Coulson, CCG

Good afternoon and welcome to Diodes' first quarter 2006 earnings conference call.

With us today are Diodes' President and CEO, Dr. Keh-Shew Lu, Chief Financial Officer, Carl Wertz, and Mark King, VP of Sales and Marketing.

Before I turn the call over to them, 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 & Exchange Commission.

In addition, any projections as to the Company's future performance represent management's estimates as of May 4, 2006. 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 I'd like to turn the call over Diodes' CEO, Dr. Keh-Shew Lu.

Dr. Keh-Shew Lu, CEO of Diodes

Welcome everyone, and thank you for joining us on the call today.

I am pleased to announce that Diodes started 2006 with robust growth across our business. Diodes' market share reached new records in the quarter as we continued to lead the discrete semiconductor segment with strong revenue and healthy profitability. In addition, this is our first quarter of results that includes a contribution from our analog products.

We announced back in June of 2005 that we planned to expand into adjacent technologies in analog and mixed signal. With the secondary offering last September and the acquisition of Anachip in January this year we significantly accelerated our move into these new markets.

I am pleased to say that this acquisition is already making a positive contribution to our growth and profitability, and we see excellent momentum across our business segments.

The following are the major financial highlights that we published:

- Revenues increased 51% year-over-year and 20% sequentially to \$73.6 million.
- New product revenue increased to 23% of total sales.
- Operating income increased 19% and on a pro forma basis, without stock option expense, operating income increased 36% to \$12.4 million.
- Net income increased 29% to \$9.3 million, and on a pro forma basis, net income increased 48% to \$10.7 million.
- Earnings per share were 34 cents per share, affected by the additional of 3.2 million shares, split adjusted, issued in our secondary offering last September, as well as the stock option expense.
- Pro forma 1Q-06 EPS of 38 cents compares to 31 cents per share in the first quarter of 2005 and 36 cents in 4Q05

Our strong performance was the result of introducing new, innovative products to market, the efficiency of our manufacturing process, our superior customer service, and ability to integrate Anachip into our operations quickly. We continue to generate profitable growth by taking advantage of our low-cost business model and unique discrete component technology and packaging capabilities.

With the addition of Anachip, we can now pursue opportunities in adjacent product categories that significantly expand our growth horizons and offer attractive margin opportunities.

We are successfully executing our business strategy on several fronts:

- We are on plan for the integration of the Anachip strategic acquisition into Diodes' operations - with marketing and sales organizations already combined, and significant conversion of Anachip products to our China packaging facility expected to take place by the end of 2006. For example, in the quarter, we released six industry standard analog products and two surface-mount package types that are now manufactured at our China facility.

· We continue to invest in R&D for next-generation technologies. We recently launched a new Synchronous Buck Pulse Width Modulation (PWM) Controller into the market that is the first in a series of integrated (IC) circuit releases scheduled for introduction into Diodes' analog power management product line.

· Our new products are being very well received by our global customers. For first quarter 2006, we had 14 Analog design wins in North America alone. In conjunction with the Anachip acquisition, we significantly expanded our sales and applications teams and facilities in Asia. We also introduced a total of 13 new part numbers from 8 different series during the quarter.

· We continue to exercise strict financial discipline over operating costs, while ensuring our capital structure protects our shareholders' interests by striking the right balance between capital investments and maintaining profitability.

Our balance sheet is strong enough to support our ongoing operations and continue to invest in future growth. As of March 31, 2006, Diodes had \$99 million in cash and short-term investments, \$140 million in working capital, and only \$6.6 million in long-term debt. This provides us with significant flexibility to make additional acquisitions, and we are actively evaluating candidates.

In summary, we made several important achievements in the first quarter of 2006 that lay the foundation to implement successfully our long-term analog market vision.

We are already seeing excellent synergies from the combination of Anachip's products and our discrete offerings. Given our strong momentum and aggressive product development plan, we feel very positive about our direction for the balance of 2006.

With that, I'm going to turn it over to Carl to discuss the financials in more detail.

Thanks, Dr. Lu, and good afternoon everyone.

Our record first quarter revenues were up considerably both sequentially and on a year-over-year basis as Diodes continued to grow its position in the discrete semiconductor industry and expand into the analog market.

Our pro forma net income of \$10.7 million and 38 cents per share were also both new records for Diodes. In reviewing our income statement, keep in mind that beginning in the first quarter Diodes began expensing our stock options in line with the new 123R FASB rules. As a result, our GAAP financials are not directly comparable with prior periods in which this equity compensation was not expensed. For your convenience we have provided a pro forma reconciliation in our earnings release to show the impact of stock option expense to our gross profit, operating expenses, net income, and EPS.

· **Revenues** for the first quarter were a record \$73.6 million, an increase of 51.4% from the first quarter of 2005. On a sequential basis our revenues grew 19.9% from our fourth quarter sales, which was due to the acquisition of Anachip.

· **Gross profit** increased \$2.8 million, or 13% sequentially, better than our updated guidance of 10-12%.

· I am pleased to say that the manufacturing integration is on track and we expect to make significant progress by year end. We expect that this will have a positive impact on the margins for our analog products over time.

· For the quarter, **Selling, General & Administrative** expenses were \$11.3 million, or 15.3% of sales, as compared to \$6.7 million, or 13.8% of sales, in the comparable quarter last year. Sequentially, SG&A expenses increased by \$2.5 million over the fourth quarter of 2005. The increase of SG&A as a percentage of sales primarily reflects \$1.3 million in non-cash expense related to stock-based compensation. Without the impact of stock-based accounting, SG&A would have improved to 13.5%, a significant improvement from 14.4% reported last quarter.

- **Research and development** investment rose by \$1.1 million to \$2.0 million, or 2.7% of revenue, from \$900,000, or 1.9% of revenue, in the first quarter of 2005, as the Company combined the analog investment, and continues investing in enhancing current product features and developing new products.
- **Operating income** increased 19.0% to \$10.8 million, or 14.7% of sales, compared to \$9.1 million, or 18.7% of sales, for the first quarter of 2005.
- **Depreciation** was \$4.7 million for the quarter.
- **EBITDA** for the quarter was \$16.3 million.
- Our effective **income tax** rate in the first quarter was 15.0%, compared to 16.5% for the previous quarter, and 16.1% for the same period last year. The lower tax rate is primarily a result of the preferential tax treatment on Anachip earnings.
- **Net income** for the first quarter increased 28.6% to \$9.3 million, or \$0.34 per diluted share. Excluding the impact from expensing of stock options, which began 1Q06, pro forma net income increased 48% to \$10.7 million or \$0.38 per diluted share. This is a \$3.5 million increase over the \$7.2 million, or \$0.31 per share reported for the first quarter last year, and better than \$0.36 reported last quarter.

· Turning to the **balance sheet**, we had \$99 million in cash and short-term investments, and \$139 million in working capital as of March 31, 2006. Our total debt to equity ratio improved to 32% from 42% a year ago.

· **Inventories** were \$36.9 million, with inventory turns at 5.4 times in the quarter compared to 6.6 times in the fourth quarter of 2005. Without the newly acquired Anachip inventory, our turns would have been 7 times, and thus we see significant opportunity with the Anachip acquisition to improve inventory efficiency.

· **Days sales outstanding** were 74 days in the first quarter compared to 80 days in the prior quarter and 82 days for the first quarter of 2005.

· **Capital expenditures** were \$10.1 million in the first quarter. Slightly ahead of our prior guidance, but in line with our objective of meeting increased demand and investing in equipment to increase our manufacturing efficiencies, as well as purchases required to bring analog production in-house. We continue to project full-year capital expenditures in the 10-12% of revenue range.

Our Outlook

Going into the second quarter of 2006, we continue to experience strong demand for our discrete semiconductor products as Diodes solidifies its leadership position in the sector. The Anachip acquisition is already contributing to our greater profitability and we continue to integrate Anachip's analog products into our offerings.

Entering the second quarter, shipments and orders for delivery continue to show strength with a book-to-bill ratio above one. Given our strong momentum in the marketplace and expanded addressable markets, we expect that revenues will increase sequentially by an additional 3-6% in the second quarter. We expect second quarter gross margin percentage to be comparable to the first quarter and we expect to see gradual expansion in our gross margin over the balance of 2006 and beyond, as we continue to execute our strategy.

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

Markets and Growth Strategies - Mark King

Thanks, Carl and good afternoon everyone.

In the first quarter, Diodes' marketing and sales activity included record sales, strong new product revenues, and several key design wins. The integration of Anachip's sales and marketing organization into Diodes was completed in Q1-06, with brand conversion scheduled for completion by the end of Q3-06. Initial customer and distributor feedback to the acquisition and our analog strategy is extremely positive.

In the quarter, we made significant strides in executing on our new product road map, which combines Anachip's analog and power management devices with our highly efficient packaging capabilities. As Dr. Lu mentioned, we recently announced the launch of a new PWM Controller, which is part of a series of planned analog integrated circuit part introductions.

The PWM Controller delivers power conversion efficiency of up to 92%, with output current to 20 Amperes and output voltage as low as 1.5V. With extremely low operating temperatures, the Controller is well-suited for power management designs supporting both commercial and industrial markets.

Also, the six industry standard analog products and two new surface-mount package types that we released will enable us to compete in the high-volume analog IC market, as well as expand our discrete offerings in the medium-power range.

Geographic Breakout

Diodes' **market share** for the discrete product line reached record highs this quarter, driven by gains in all regions. Our revenue in Asia continues to expand at a rapid pace, up substantially as a result of the recent Anachip acquisition. Asia is contributing the most at 69% of total sales, with North America and Europe generating 28% and 3%, respectively.

North American sales exceeded our expectations, with brisk demand for TV set top boxes, hand-held medical devices and broad-based distributor sales. Increased lead times and competitor shortages contributed to this performance, with this trend expected to continue into Q2-06.

Sales for accounts designed in the United States and built in Asia remained strong. Array designs are becoming more widely adopted, as custom arrays gain traction with certain accounts that require very small form factors. There is also robust interest in our new PowerDI packages, resulting in several new design wins.

Distributor Point of Sales reached record highs. Distributor inventory increased in response to strong customer demand and is in line with sales.

As expected, wafer sales compressed slightly as we continue converting more wafers for our internal usage. However, wafer average selling price (ASP) trended upward by 5% in the quarter, while that of our discretets remained stable.

In Europe, revenue rose 53% sequentially on record sales. OEM was up 46% and distributors up 57%, sequentially. Distribution inventory was up in the quarter to support POS. We view this as a clear sign that our distributor program is gaining greater traction in Europe. We also enhanced our European sales and marketing organization with two key new hires in Germany and France to build on our significant inroads into these markets

In Asia, our computer and consumer sector again drove robust sales, with particularly strong demand for LCD monitors, TVs, Wireless LANs, and battery chargers. The pricing for commodity products was stable for the quarter, and should remain so into 2Q06. Commodity product lead times continued to lengthen in the quarter.

As for our Market Segments...

For the first quarter of '06, our segment breakout, which includes the Anachip acquisition, was: 35% consumer, 36% computer and peripherals, 13% industrial, 14% telecom and 2% automotive. The acquisition of Anachip strengthened our position in the communications segment, resulting in an even more balanced exposure to the key growth segments for discrete and analog devices. This enables us to further diversify our revenue sources so as to mitigate the impacts to us of fluctuations in customer demand in any one or more market segments.

Design Wins

We had multiple design wins in a broad base of end equipment categories at over 50 accounts globally, including 14 different accounts in Europe. There was robust demand for our PowerDI, array, and DFN platforms. We also secured the Company's 1st design wins via our North American channel on 12 Anachip Power Products and 2 Anachip Hall Sensors.

Notable wins include:

- **PowerDI 5** wins in automotive audio and migration to 3 new notebook platforms.
- **PowerDI 123** wins in DC to DC converter, Down converter for satellite dish, 2 LCD panels, LCD TV, portable DVD, flash memory card and an automotive actuator.
- A sole source 8-element array using our DFN technology for a digital audio player application.
- Other array wins included a subminiature ESD-protected Mosfet array in a digital audio player, a Quad Zener in a new cell phone platform, as well as other wins in DC to DC converter and portable GPS.
- 3 new designs in our new Hall Effect Line - one in Brushless DC motor and 2 in DC fan, including a motor controller.

On the power management side:

- Anachip's Switching Regulators Family AP1500 Series - The Power IC flag ship product and Linear Regulators continue to make in-roads into next-generation designs.
Notable wins include:
- 5 new designs in LCD-TV and 4 new designs in LCD - Monitor Market with Switching and Linear Regulators.
- 5 New Designs in Wireless LAN 802.11 Market for Router and Access Point and 3 new designs in VOIP with Switching Regulator.
- 2 New designs in HDTV with complete power solution using - Switching/Linear Regulators - Re-set ICs - USB Power Switch and Schottky Diodes.

We are seeing powerful synergies between Anachip's power management product lines and our discrete offerings. For every new Switching Regulator design sold, we have the opportunity to sell a Schottky Diode, as well as various other discrete devices.

In Conclusion...

Customer acceptance of our additional product line is strong.
Packaging of Anachip products is underway at our China facility.

In discretetes, we are continuing to grow share by introducing innovative, value-added solutions to the market. We are expanding our market share in Asia, and gaining traction in the European market.

Customer orders were also robust across all of our geographic regions.

Given our strong momentum in the marketplace and expanded addressable markets, we expect that revenues will enjoy a solid second quarter. We are ahead of schedule and very excited about our achievements in executing our analog strategy and our significant gains in the Company's key geographic regions. Diodes' is off to a strong start, and we plan to continue this momentum throughout the remainder of 2006.

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

5/4/06 1Q96 Earnings Call - QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. Your first question comes from the line of Steve Smigie with Raymond James.

<Q>: Thank you. Congratulations on another very nice quarter.

<A>: Thank you.

<A>: Thank you.

<Q>: In terms of total growth, could you give us some sense of what you think 2006 might look like on the top-line?

<A>: You want to talk about 2006.

<A>: Or the whole projection for the year.

<A>: Well, I think we give the potential for the second quarter and that is 3 to 6 percent. Now, we do not give a projection for further down. So I am sorry, but we are at 3 to 6% for this quarter - second quarter.

<Q>: Okay. Could you just say at least, you know, based on design wins now the second half looks fairly robust, would that be accurate?

<A>: I think we will continue to execute our strategy, we feel very comfortable with the progress we are making with our customers and with our design wins and our products. So, there is no reason that we shouldn't continue to perform positively.

<Q>: Okay. In terms of your guidance for gross margin in the second quarter, I think you said comparable. Is that comparable in terms of sequential change or comparable in terms of on actual percentage of revenue?

<A>: I think it's the latter part. It's the percent of the revenue. As you know, we more emphasize on the gross margin dollar instead of gross margin percent, because really the bottom-line is the dollars not the percent. But, to answer your question is we said comparable is in percent.

<Q>: Okay, great. And one last question if I could. You mentioned that I think previously that you should be able to get the Anachip gross margin up above 35% at some point. Do you think that happens in 2006? Is that - come as a result of moving the stuff to - the parts into your back-end facilities, the Diodes back-end facilities?

<A>: Okay. I think we are talking about, you know, if you look was Carl said, he is talking about percentage.

But, don't forget to get the gross margin up is not just transfer the product to the -our China facility. That is only one of the things that can bring our margin up. Another thing is we can open that Anachip product into the areas like US, like Europe, which gives us a better ASP. And at the same time, we are able to - if you heard Mark King talking about, we are able to have more design wins in the major customers. And all those would not really get benefit this year; it took time to do the design win and to go to production. So, we will be able to get Anachip, our analog product gross margin up, but it would not be finished by end of this year, it will take some time.

<Q>: Okay, great. Thank you.

Operator: Your next question comes from the line of Alex Gauna with UBS.

<Q - Alex Gauna>: Hi, yes, thank you. I was wondering if I could ask for a little bit more color on analog and gross margin dynamics right now. Are you able to say what your core gross margin might have been for the quarter or a ballpark without the contribution from analog at this juncture and what implicitly are your assumptions in gross margin beginning to accrete in the second half of the year? What's your visibility on that?

<A>: Well, I think Alex since the day one when we were talking about we buying analog product and we buy Anachip, we will tell you - I tell everybody our gross margin percent will be going down because of Anachip acquisition. And if you look at our gross margin dollars are actually better than what we give the guidance last, you know, couple months ago, okay. And we continue moving the product from outsourcing Anachip product outsourcing to our China facility. So, it will continue to improve our gross margin percent, okay. And like I just mentioned, the customer design win in Europe and US and major customer design wins, it takes time, and especially to be able to put more stuff into - put more units, you know, analog and discrete, integrate together, it even takes us longer to do it. So, I can tell you our gross margin will gradually improve. But to get to the total we really want to like to have, it will probably take time.

<Q - Alex Gauna>: And that - in saying that you believe gross margins will accrete in the second half of the year, the principal reason is that because of the migration into your internal facilities or is that a view on other design wins or products that you have ramping?

<A>: Again, there are a few elements that require us to do that. First of all, we are still getting to use to the mix and how we can carry the mix of their product lines. Yes, we should have contribution from some expanded customer base on global customers. We should have some contribution from the integration of some of the manufacturing into our facilities and so on. But, we are still getting, you know, we are still only three months in. So, how we can move that next, how soon we can accomplish these tasks, we still want to be a little bit careful in projecting at this point.

<Q - Alex Gauna>: Fair enough. And I was wondering you mentioned that pricing was stable right now. Is that sort of across the board, in each product segment it's stable, or is it stable because we are seeing the normal pricing declines in most product categories, but you are seeing some higher ASP products ramping to keep the overall average stable?

<A>: Well, I would say, you know, I would say more of the commodity products are stable, you know, are quite stable. It's still more profitable growth; it still takes some price pressure. But, I think generally there isn't this much traditional price reduction, it's kind of in a hold mode. As I mentioned, there has been some transitory shortages, how long they will last and so on. Some people seem more concerned with supply rather than price for a great period of time. If the third and fourth quarters are strong as some people project, then it could, you know, that could really stabilize some pricing, but that remains to be seen.

<Q - Alex Gauna>: Is it fair to say that you stand to potentially if you are successful with your analog road map as you are seeing them, in areas like PWM we could actually see blended ASPs are you rising or should see them rising?

<A>: Absolutely, okay. And again, we just haven't been in a position to spend a lot of time trying to forecast that and look out at that at this point. We have been basically trying to integrate the business and deal with 20% growth in the quarter and so on. So, to be honest with you, we just haven't gotten into all of our margin planning and outlining and benchmarking yet.

<Q - Alex Gauna>: Okay and...

<A>: We pay more attention to the design wins than the, you know, look into the pricing at this moment, because we really want to move our Anachip product to our US and Europe customers.

<A>: We are very comfortable about the ability to shift the mix to higher ASP and the higher margin products than they presently do, build them cheaper and so forth. It's just a matter of how long it will take and when it could start to be core impact on that margin line.

<Q - Alex Gauna>: So, with regard to your 3 to 6% sequential guidance for June, what kind of growth is Anachip representing with that, is that a drag at this point or is it growing at the corporate average?

<A>: I think you can expect that to grow at the corporate average. They had a relatively good quarter, some of that where I think they got more share because they were associated with us and some of our big customers. So, we expect them to come right along with us.

<Q - Alex Gauna>: And is there potential for - because you are still trying to win customers, is there potential for upside here from those conversions happening that aren't necessarily rolled into your guidance at this point?

<A>: No, it won't happen in second quarter. Remember, I would say for a customer design win, it takes time to change that win to production, to the revenue. And don't forget, we just get it - we just acquired Anachip in January. So, we will be happy to get design win, but to get the production or to convert the design win to revenue, it probably will happen in the late part of the year, won't be in the second quarter.

<Q - Alex Gauna>: Okay. I will come back with some follow-ups, but congratulations, nice quarter.

<A>: Thank you.

<A>: Thank you, Alex.

Operator: Your next question comes from the line of Gary Mobley with AG Edwards.

<Q -Gary Mobley>: Hi, good afternoon.

<A>: Yeah. Hi, Gary.

<A>: Hi Gary.

<Q - Gary Mobley>: It sounds that the Anachip provided a little bit of upside relative to your original expectations. So, is it fair to say that the organic growth of the Diodes discrete business may have been down 100 basis points or so on a sequential basis?

<A>: When you adjust to the wafer sales and stuff, we are pretty much relatively flat which we expected. And remember, we came off of a 7% increase in the third quarter, and sequentially almost 14% in the fourth quarter. I think that that's kind of what we forecasted in our guidance last quarter.

<A>: Yeah. But, if you look at the season adjustment, year-to-year we actually grow organically -our business, we actually grow 20 percent. And second, we actually gain the market share. So even we are talking about flat organic business, but if you look at year-to-year, it's 20% growth and we gain the market share. So even with internal consumption, wafer sales are external and strong fourth quarter, at the same time season adjust, you know, season effect. I feel very happy with our first quarter organic portion of the business.

<Q - Gary Mobley>: Sure. Now, Mark when you are sitting down with customers, what are they telling you as far as their behavior and supply constraints and what are they expecting to do with the days of inventory held whether it be at system OEM level or distributor level?

<A - Mark King>: I missed it when you said the - you described the customer; I didn't hear the first couple of words.

<Q - Gary Mobley>: So when you are sitting down with customers, what are customers telling you that they are doing with their inventory levels, whether it be with their distribution partners or whether it be direct shipment from you guys et cetera?

<A - Mark King>: Yeah, most of our customers - we're pretty well known to our customers to deliver our products. So we don't feel that our customers are concerned about getting products from us on a direct basis, okay. We believe that some of our other problems, most of the shortage business that we're receiving is occurring from the distributor network and it's tracking with POS, so it's coming in and out. So, I don't think the distributors, they are building significant amounts of inventory. I think they are being a little bit more aggressive than they had been in the last maybe three to six quarters, but I don't think it's excessive. As I - I think I said we had, you know, our record POS quarter, and I think our inventory was up \$300,000, which was negligible. So I was very happy to see that our, you know, even though we had a pretty robust POS inventory sales out of distribution, the inventory didn't go up significantly and the POS was up significantly. So I think we're tracking fine. Regarding what they're doing with their inventories in the other lines, I just don't have that visibility. But I think that they're more searching for an outlet rather than duplicate billing.

<Q - Gary Mobley>: Okay. Could you give us a little more color on the internal development of the analog integrated circuits as far as the timing of the introduction of these various products?

<A - Mark King>: You know, we're still working through a lot of that, I mean we're getting the new - redoing the schedules, re-prioritizing some things, and I don't really think I can give you too much color on that. Hopefully in the next quarter or so we'll be able to give you a little bit more insight into our roadmap in the direction that we're going in that area.

<Q - Gary Mobley>: Okay.

<A>: You know, we just got the Anachip product and we said we would introduce those to our customer. And, now we start taking the feedback from our customers and prioritize what to convert into our China facility, so it takes time.

<A>: As well as the development projects they were working on, you know, putting the who, what, where and whys behind it and re-changing the priorities, that's been basically what we have been working on for the last 60 days.

<Q - Gary Mobley>: Okay. Mark I think you mentioned that Europe was up 50 some odd percent on a sequential basis, how much of that was organic and - of that organic growth, how much of that was driven by some of your design wins with the cell phone manufacturers over there?

<A - Mark King>: Well, I will consider anything we did with design wins organic, okay. So, that's all Diodes Inc. saying there was really no Anachip in there at all, okay. I think it was a broad-based game in our automotive customers; some of our cell phone customers, and clearly this distribution POP was also quite strong. But the distribution POS was up 23% sequentially, the excitement that I had there is that the distributors are now trying to - are becoming more comfortable with our product line and so forth and they are getting a broader based customer acceptance of our product line. So, they are now willing in positioning inventory to ramp the POS further in the second quarter. So, all in all, you know I was - our excitement about the progress in Europe in the last quarter was quite good. You know, some of the traditional suppliers in Europe are quartering [ph] a little bit, match opening up great opportunity for us. So, we just feel good about everything that's going on over there.

<Q - Gary Mobley>: Thanks guys, I will hop back in the queue.

<A>: Thanks.

<Q - Gary Mobley>: Thank you.

Operator: Your next question comes from the line of Michael Bertz with WR Hambrecht.

<A>: Hello Michael.

<A>: He must have lost.Operator: Michael your line is open sir.

<Q - Michael Bertz>: Okay, is that better?

<A>: Yeah.

<Q - Michael Bertz>: Okay, sorry. Good afternoon and congratulations guys.

<A>: Thank you.

<Q - Michael Bertz>: Okay, just a couple of quick questions here, and I know you guys in case you talked a little bit about you know, gross margins improving the second half of the year. I am wondering if you can I guess throw in a little bit of fire on that. So, in terms of, if we thought about the lost season improvement, would you think that we might see a little bit more in terms of - again we focused on percentage points on the Street, unfortunately, a little bit more in terms of percentage point increase in the third quarter versus the fourth quarter, or do you think it's somehow increases on a curve over the course of the year.

<A>: I am sorry, I know the market - you know investors are looking at gross margin percent that you know, I am joining this company, I really want to do is grow EPS; earning per share is the most important for me. Therefore I am joining the company looking at profit dollar instead of profit percent, okay, or growth margin and that's why we keep the guidance on the margin dollar instead of percent. Okay and like I say you would pick a time for us to back to you know our traditional you know, past number of 35 percent, it would take the time. But, that right now I cannot really give you about when to get that.

<Q - Michael Bertz>: Okay, that's fair. And then in looking again over the course, as far as the R&D goes, obviously we came up a little bit here in the first quarter. Would you think that would be fairly stable, I mean, in terms of you know percentage of revenue over the course of the year.

<A>: Yes. Yes I think you know we say our biggest model is somewhat about you know 2.5% to above 30% or 3.5% so it will be there, you know, it probably will be stable, especially you know we are going to grow in a quarterly, sequentially say 3 to 6 percent. So, I think, it will be stable.

<Q - Michael Bertz>: Okay. And then, talking about that 36% into Q2, any thoughts on in particular you know, any relative strength or seeing from any other categories you know, computing, our consumer, they might pick up after the seasonal, you know, impacts you're seeing there in the second quarter?

<A>: You know it is kind of all over the place, you know, we see some improvements in some of the notebook category and in some other areas, but this is kind of second quarter is always kind of a mix bag quarter and so forth. So, we are not seeing, we are seeing strong continuation in North America and Europe and Asia, and those - in Asia is pretty similar to, you know, the general growth that we had this quarter.

<A>: Well, we tried to stay, we don't see any particular market segment cause into the whole growth, it's quite of a basic to almost all the, you know, all the marketplace we are playing.

<A>: It is an interesting that the LCD TV market seems to be doing pretty well because of the world cup. People are buying a lot of big screen TVs, so that market place seems to be up significantly.

<Q - Michael Bertz>: Yeah, okay. And, let me ask one question, so specifically for the flat panel TV market that you're seeing, you Diodes in particular seeing, you know, more of you strengthen from more - major OEMs, you know, Samsung or well that kind of thing, are you seeing a lot from some other time when you said, we make either ODM or some of the smaller makers that are making such for that.

<A>: Both.

<Q - Michael Bertz>: You are seeing for both, okay.

<A>: Yeah.

<Q - Michael Bertz>: And then, again, coming back to sort of you know, Q1 by segment, you know, it did like know the industry on our move actually declined sequentially, but I'm assuming that mainly because of the end of contributions came more in the other segments and those, is that the fair statement.

<A>: Yeah, the Anachip had no automotive and they have a heavy communication. Over the next few quarters you might see some movement in here as we really dig into the classifications of all the product lines and reclassify and so forth, you know, we'll do a another analysis of exactly where everything is positioned. But the key difference is that the Anachip gives us a much better product or vision into the communication segment.

<Q - Michael Bertz>: Okay, fair enough. I mean, you know, one thing about industrial, it did decline sequentially, was there anything in particular was going on in that category?

<A>: No, again, it really has to do with the, you know, you look at the North American marketplace, we had a great quarter in North America and the percentage of our business decreased from I don't remember what it was last quarter, but I think it was 31% down to 28 percent, it's because we added revenue in Anachip and we continue to add in Asia and Anachip as an industrial base for automotive.

<Q - Michael Bertz>: So, if you look at dollar wise, it's not really.

<A>: Dollar wise you know had the best quarter and a long period of time in the North American marketplace, and we had a record quarter in Europe, okay so it's just more in the Asian marketplace.

<Q - Michael Bertz>: Understood. Okay I guess I mean on a dollar wise it look like it ticked down a little bit too into March.

<A>: You know, I really you know, I don't see any significant trend that would cause that. So, I will investigate that a little bit further, but I think it's just a matter of revenue shift in the new model or the new segment that carried with answer.

<Q - Michael Bertz>: Okay, fair enough guys, thanks.

<A>: Okay.

Operator: Your next question comes from the line of Alex.

<Q - Alex Gauna>: Hi, yes thank you I have got a follow-up and ask you about some of the designing when these spoke up. You did mention five new wins in wireless LAN, were those share captures and existing 802.11G generation, or do you believe you are starting to see some opportunities from the 802.11and it's getting ready to ramp?

<A>: I think it's both, you know, some new designs as well as the next generation.

<Q - Alex Gauna>: And do you have any color in terms of - can you name the OEMs you are with, are Tier 1, are they in Asia.

<A>: Yes. You know, a lot is more reference designed based. So, we do a lot of our work with the chip- set and then followed into the Asia. But, I would say that there is a mixture with between Asian suppliers and Tier 1.

<Q - Alex Gauna>: Okay. And can you help put in to context you mentioned five new LCD TV win, same sort of question. How does this compare to what would you normally expect on a quarter, is this some sort of exhilaration, are these particularly high volume type of platforms that we should be getting excited about?

<A>: Well, you know, I think that it tells us - you know, again I don't have all the records of what they tracked before. Okay, so I am just looking at the position of where we were doing business, on what board versus what we are now positioned to do so forth. I really not in a position to give our revenue estimate, but certainly we were very excited to hit our radar screen and they are in the accounts that we are covering to business with, so you know, I think it's a very positive sign. But, I can't say what it's replacing and what the overlap is and how much incremental revenue it comes from at this point.

<Q - Alex Gauna>: Okay, and last one maybe because it's such a unique new market on VOIP side. The wins that you are talking about there are these within VOIP handsets that we are talking about or it VOIP infrastructure?

<A>: Infrastructure.

<Q - Alex Gauna>: Okay, very good. Thank you very much.

Operator: You have a follow up question from the line of Steve Smigie with Raymond James

<Q>: Great, thank you. I hoping you could talk a little bit about design wins on handsets and how it's progressing [indiscernible]?

<A>: I think we are continuing to make general progress in that area. The ray we designed in that was out of new low cost platform for one of our customers. Again, we are seeing a significant amount of activity on our DFN product line and designs in Asia and so forth. And, I think we are continuing to make progress there, and it's clearly a growth opportunity for us going forward and we've become more and more focus on handsets everyday.

<Q>: And clearly it's a substantial market. I mean is this - would you guys consider this a very important growth driver going forward or is just sort of you just wanted still getting going there?

<A>: Well, you know, it can be important growth driver depending on how we want to position ourselves at it. So, there is a lot of low cost business in that area those if we want to work on that margin side and we don't necessarily want to focus ourselves into. But, in some of the Anachip product areas we see some opportunities going forward. And our DFN product we see some opportunity going forward and the potential area we see some opportunities going forward. But we want to be selective to position ourselves properly for our margin profile in those areas.

<Q>: Thanks, great.

<A>: We gained the market share and you know, our goal, you know, we have allowed year-over-year we could pay a lot of attention. So, if you know, selected gain to the market, we want to gain to it.

<Q>: Okay. Could you talk a little bit about SG&A guidance for Q2 as well and what that might break throughout the year with Anachip, are there any you know, some small synergies there or anything?

<A>: I don't think we really have a major change in our G&A.

<A>: So, SG&A dollar should track fairly constant to this quarter.

<A>: Yeah.

<Q>: Okay.

<A>: Let me put it this way, we are hiring a lot of people, engineers, at the same time we are really you know, are not reducing our sales people, okay?

<A>: If you look for the sales out standpoint, our objective is to redeploy rather than the change that we hopefully can cover more customer. In the China marketplace very difficult part the higher good people okay, and our problem often intending enough people properly call on an account. So, we have some overlap now, we are making sure that we position that overlap. I mean, that we got everything under control. And we are doing some hand offs and then redeploying some of those resources. One of the advantages of Anachip, we also picked up an application team in China that we want to exploit. So a lot of those areas, you know, look like there might be redundancies. But we look at that as an opportunity to create increase. We actually picked up a sales branch in Korea, okay, that we've been, you know, planning to start anyway. So, we can afford to take a little bit of time to see whether we can, you know, get, you know, exponential financial gain out of these extra people rather than look to save on SG&A.

<A>: Yeah. So, from the sale and marketing point of view, when we do the integration we actually get adding all the people together, but we are not try to reduce the people. And from the operation point of view from designs you know, we want to keep them. So, therefore I think from SG&A point of view we will not see a major change from 1Q to 2Q. Did that answer your question?

<Q>: Yes, it does, thank you. And the last one, could you talk a little bit about new products may be just on the Diodes insight, you know, what your products was as a percent age of revenue. I know it can be a little misleading but just sort of how new products are progressing, and I know you have mentioned in the past that some of those have upwards of 60% gross margin and just talk a little bit about, you know, what margin the products are coming in?

<A>: I think our new products are staying pretty consistent. Our segment in - we are down a little bit in Q1 from the previous quarter as a percentage. I really only looked originally at the combined. But most of that was due to aging - once your product you know, some of the product dropped off.

<Q>: Yeah.

<A>: I think we are making consistent progress. Some of the factory focus has been on the integration of and the qualification of these Anachip parts in there. So I expect to see some new product platforms coming out in the next quarter from the discrete side.

<Q>: Okay. Thank you very much.

<A>: Okay.

Operator: Your next question comes form the line of John Wen [ph] with Unterberg.

<Q - Ramesh Misra>: Good afternoon. It is actually Ramesh from Unterberg. Good afternoon, gentlemen, can you hear me?

<A>: Hi, Ramesh.

<A>: Yeah, Ramesh.

<Q - Ramesh Misra>: Hi, So, well, first let me chime in. Congratulations on another characteristic strong quarter.

<A>: Okay.

<Q - Ramesh Misra>: First, a few book keeping questions. How much did Lite-On account for revenues during the quarter?

<A>: I don't think there is a significant change in the number of that. We will put it out in the 10-Q.

<Q - Ramesh Misra>: I see. So was it over 10% or below 10?

<A>: Yeah, historically we've been right around 10 percent. I think that has not fluctuated.

<Q - Ramesh Misra>: Got it, okay. And any estimates on what share of your revenues came from Apple as an end customer?

<A>: I don't think we've ever really given that in that detail.

<Q - Ramesh Misra>: Okay. Okay, Mark, let me try this one on you then. I know you have been pretty proactive in moving your products over to green compliant. I wanted to get a sense of if that was one of the factors helping you in Europe and in other geographies. And also where do you see that kind of going over the next may be one or two quarters?

<A>: Actually, frankly, it is a nuisance more than any thing, the overall compliances. But I don't think particularly in Asia or/and you know, in - I don't think it's really affected positively our revenue. We may have won some design wins at specific accounts or on traditional products as they added new sources. And, specifically may be somebody like Apple or something where they had a legacy product that we weren't on, but when they put it on it is green. It would go on a new board, so that they could cut it off. Certain things like that happen. But I don't think it has had a major impact positively or negatively on revenue, anywhere.

<Q - Ramesh Misra>: Okay. And then finally, Dr. Lu, in terms of the acquisitions. Any potential future acquisitions, are there any particular holes that you hope to fill into in your product portfolio or you know, any kind of guidance that you can provide in where those acquisition will be in?

<A>: Well, back in my speech I was talking about we will still be actively looking for acquisitions. But it is not just in the analog area. We are going to look for acquisitions both in analog and discrete, okay, because we don't want to forget discrete, still our major segment, and where we have been successful. Therefore, we don't just because we came to analog and forget about discrete. We are going to look at any potential good opportunity which can give us, you know, open up more product portfolio in a new market or new technology. We would not hesitate to do acquisition. So, at this moment I don't have any particular, you know, any particular opportunity in my mind yet. But I am always interested in looking for both potential in analog area as well as in the discrete area which ever can give us a good market opportunity, good product portfolio, and good, you know, get us gain to the new technology. We will always, you know, still consider deals.

<Q - Ramesh Misra>: Okay. And, just one clarification - on the wafer sales out of WaferTech, how much - what proportions of those wafer sales were internally utilized and what proportion was for external sales?

<A>: I don't know if we give out that information out or not.

<A>: I think, Ramesh, the information we have given in the past, I don't think, has varied. This quarter is I believe internally we are using around 25% range plus or minus a few.

<Q - Ramesh Misra>: Okay.

<A>: And that's still pretty much I believe holding for this quarter's pattern. But our goal is to increase that more and more into our internal manufacturing and we are doing that. It is just, I don't know if it was just a couple of thousand more wafers this quarter or...

<A>: We pick opportunity, you know, if we can load in our product over there we would try to over, you know load in. And, we want to gradually convert, you know, our FabTech facility to support our sales.

<Q - Ramesh Misra>: Okay. All right, gentlemen, thanks so much.

<A>: Thank you.Operator: [Operator Instructions].

<A>: Actually, I think, we are pretty much at the end of our allotted time. We are encouraged by all the questions we have had today. So, Keh-Shew, you want to make? Any closing remarks

Dr. Keh-Shew Lu, Chief Executive Officer, President, Director

Well, I think, we had an exciting and very successful 1Q. And, you know, I think, we are looking forward to second quarter, and we are at 3 to 6% growth, which we think will be another great quarter coming in front of us.

Company Representative

Great. And the Company will also be presenting on Monday at the AEA Micro Cap Conference. So, we look forward to seeing as many of you in person as are able to attend that event. Thank you very much.

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