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 7, 2009
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)	**002-25577** (Commission File Number)	**95-2039518** (I.R.S. Employer Identification No.)

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

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

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

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 7, 2009, Diodes Incorporated issued a press release announcing its first quarter 2009 results. A copy of the press release is attached as Exhibit 99.1.

On May 7, 2009, Diodes Incorporated hosted a conference call to discuss its first quarter 2009 results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on May 7, 2009, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, Rick White, Senior Vice President of Finance, and Mark King, Senior Vice President of Sales and Marketing, made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

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

Earnings Before Net Interest Expense, Income Tax Provision, Depreciation and Amortization (EBITDA), is explained in further details in Exhibit 99.1.

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

Item 7.01 Regulation FD Disclosure.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

See exhibit index.

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

SIGNATURES

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

Dated: May 12, 2009	DIODES INCORPORATED
	By /s/ Carl C. Wertz
	CARL C. WERTZ
	Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated May 7, 2009
99.2	Conference call script dated May 7, 2009
99.3	Question and answer transcript dated May 7, 2009

For Immediate Release

Diodes Incorporated Reports First Quarter 2009 Financial Results

Revenue Exceeds Guidance due to Strength in China and Market Share Gains

Dallas, Texas — May 7, 2009 — Diodes Incorporated (Nasdaq: DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, today reported financial results for the first quarter ended March 31, 2009.

Financial and Business Highlights:

- Revenue was $78.1 million, which exceeded guidance of $71 to $75 million;
- Gross margin was 18.6 percent, which was within the guidance range of 16 to 20 percent;
- GAAP net loss was $10.8 million, or ($0.26) per share;
- GAAP net loss adjusted for the change in accounting principle effected by FSP APB 14-1 was $9.5 million, or ($0.23) per share;
- Achieved $6.8 million cash flow from operations and $2.5 million free cash flow;
- Reduced inventory by $16 million, 16.4 percent from fourth quarter of 2008;
- Reduced capital expenditures to $4.3 million from 2008 quarterly run rate of $13 million;
- Repurchased $9.6 million of the Convertible Senior Notes for $6.6 million in cash; and
- Completed implementation of previously announced cost reduction initiatives.

Revenue for the first quarter of 2009 was $78.1 million, compared to $87.1 million reported in the fourth quarter of 2008 and $95.6 million reported in the first quarter of 2008. Revenue for the first quarter exceeded the Company's guidance primarily due to stronger than expected demand in the China market for the Company's products utilized in mobile phone handsets, LCD televisions and netbooks, and the ramping of new design wins, as well as an increase in market share at current customers for existing designs.

Gross profit for the first quarter of 2009 was $14.5 million, or 18.6 percent of revenue, compared to $22.9 million, or 26.3 percent in the fourth quarter of 2008. The decrease was primarily due to lower manufacturing capacity utilization as a result of weaker global demand and our planned finished goods inventory reduction.

First quarter GAAP net loss was $10.8 million, or ($0.26) per share, which included $2.2 million of non-cash interest expense related to the amortization of the debt discount on our Convertible Senior Notes in accordance with FSP APB 14-1, $1.1 million of non-cash acquisition related intangible asset amortization costs, and $0.7 million of SFAS 123R stock option expense, as well as a $1.5 million gain related to the repurchase of our Convertible Senior Notes.

GAAP net loss adjusted for the change in accounting principle effected by FSP APB 14-1, which we adopted during the first quarter of 2009 was $9.5 million, or ($0.23) per share. FSP APB 14-1 requires that issuers of debt instruments, such as convertible notes, must separately account for the liability and equity components in a manner that reflects the entity's nonconvertible debt borrowing rate. All adjustments were made retrospectively as of the date of issuance of the Convertible Senior Notes and, therefore, all prior quarters and years have been adjusted accordingly.

As of March 31, 2009, Diodes had approximately $93.2 million in cash, $320.6 million of par-value auction rate securities, which will be converted to cash on June 30, 2010 under the UBS settlement ($284 million market value in long-term investments) and $366 million in long-term debt (including the Convertible Senior Notes).

Commenting on the quarter, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, said, "I am pleased with our improved performance throughout the first quarter, resulting in revenues that exceeded our updated guidance due to strength in China and market share gains related to both new and existing products. Notable during the quarter, we completed the implementation of our previously announced cost savings initiatives, which contributed to lower operating expenses in the current quarter and resulted in an improved cost structure going forward. Also, we further reduced debt, capital expenditures and inventory, which collectively resulted in positive cash flow from operations and positive free cash flow in the first quarter."

Business Outlook

Dr. Lu further commented, "For the second quarter of 2009, we expect our business will further benefit from increasing demand in China and the continued ramping of our new design wins. We also anticipate continued improvement in the global environment with demand and order rates showing further improvements. During the first quarter, we reduced our sales channel inventories, and in second quarter of 2009 we expect distributors' inventories to remain relatively flat despite the demand increases on a global basis. As such, we estimate that second quarter revenue will increase 14 to 22 percent over the first quarter, which is above our fourth quarter 2008 revenue level and a further indication of market stability and an improving environment. Additionally, with our cost reduction initiatives implemented and the loading at our manufacturing facilities improving, we expect second quarter gross margin to be approximately 20 to 24 percent. We also continue to focus on cash flow and expect to once again achieve positive cash flow from operations in the second quarter. In terms of capital expenditures, in the second quarter we expect investment to be slightly above the first quarter level because we are experiencing a change in product mix towards more complex devices as a result of the ramp of our analog and Zetex products, which will require some additional investment to balance our manufacturing lines."

Dr. Lu concluded, "I believe that we have taken the right steps to decisively respond to current market conditions by aggressively reducing operating expenses, inventory levels, debt and capital expenditures in order to sustain our positive cash flow. Additionally, our continued focus on new product development and design wins is proving successful as a strong contributor to our increasing revenue. These accomplishments serve as a strong testament to the scalability of our business model and our ability to execute in all business environments."

Conference Call

Diodes will host a conference call on Thursday, May 7, 2009 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time) to discuss its first quarter 2009 financial results. Investors and analysts may join the conference call by dialing 1-866-804-6923 and providing the confirmation code 94642048. International callers may join the teleconference by dialing 1-857-350-1669. A telephone replay of the call will be available approximately two hours after the call and will be available until May 11, 2009 at midnight Pacific Time. The replay number is 1-888-286-8010 with a pass code of 94527203. International callers should dial 1-617-801-6888 and enter the same pass code at the prompt. Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investor section of Diodes' website at http://www.diodes.com. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 60 days.

About Diodes Incorporated

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

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: for the second quarter of 2009, we expect our business will further benefit from increasing demand in China and the continued ramping of our new design wins; we anticipate continued improvement in the global environment with demand and order rates showing further improvements; in the second quarter of 2009 we expect distributors' inventories to remain relatively flat despite the demand increases on a global basis; we estimate that second quarter revenue will increase 14 to 22 percent over the first quarter; our estimated second quarter revenue will be a further indication of market stability and an improving environment; we expect second quarter gross margin to be approximately 20 to 24 percent; we continue to focus on cash flow and expect to once again achieve positive cash flow from operations in the second quarter; our second quarter investment will be slightly above the first quarter level because we are experiencing a change in product mix towards more complex devices, as a result of the ramp of our analog and Zetex products, which will require some additional investment to balance our manufacturing lines; our continued focus on new product development and design wins is proving successful as a strong contributor to our increasing revenue; and our accomplishments in cost reduction initiatives and continued focus on new product development and design wins serve as a strong testament to the scalability of our business model and our ability to execute in all business environments. Potential risks and uncertainties include, but are not limited to, such factors as: the UBS settlement may not provide us with the liquidity intended; we may not realize or maintain the anticipated cost savings or increase loadings in our manufacturing facilities; our future guidance may be incorrect; the global economic weakness may be more severe or last longer than we currently *anticipated; and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.*

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

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CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOW

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

	Three months ended March 31,	
	2008 *(As Adjusted)*	**2009**
NET SALES	$ 95,580	**$ 78,050**
COST OF GOODS SOLD	63,664	**63,557**
Gross profit	31,916	**14,493**
OPERATING EXPENSES		
Selling, general and administrative (1)	14,542	**16,056**
Research and development (2)	3,574	**5,275**
Amortization of acquisition related intangible assets (3)	234	**1,091**
Restructuring charge	—	**99**
Total operating expenses	18,350	**22,521**
Income (loss) from operations	13,566	**(8,028)**
OTHER INCOME (EXPENSES)		
Interest income	5,448	**1,757**
Interest expense	(1,621)	**(2,048)**
Amortization of debt discount (4)	(2,634)	**(2,209)**
Other (5)	(294)	**263**
Total other income (expenses)	899	**(2,237)**
Income (loss) before income taxes and noncontrolling interest	14,465	**(10,265)**
INCOME TAX PROVISION	1,218	**397**
NET INCOME (LOSS)	13,247	**(10,662)**
Less: NET INCOME attributable to noncontrolling interest	(604)	**(104)**
NET INCOME (LOSS) attributable to common stockholders	$ 12,643	**$ (10,766)**
EARNINGS (LOSS) PER SHARE attributable to common stockholders		
Basic	$ 0.31	**$ (0.26)**
Diluted	$ 0.30	**$ (0.26)**
Number of shares used in computation		
Basic	40,245	**41,146**
Diluted	42,534	**41,146**

(1) Includes $0.6 million and $1.1 million for the three months ended March 31, 2009 and 2008, respectively, of SFAS 123R stock option expense.

(2) Includes $0.1 million for the three months ended March 31, 2009 and 2008 of SFAS 123R stock option expense.

(3) Amortization of acquisition related intangible assets related to recent acquisitions, including Zetex.

(4) Amortization of debt discount is a non-cash interest expense related to the adoption of FSP APB 14-1.

(5) Includes $1.5 million gain related to the repurchase of Convertible Senior Notes in accordance with APB 14-1 for the three months ended March 31, 2009.

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

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties, such as financial institutions in extending credit, in evaluating companies in our industry and provides further clarity on our profitability. In addition, our management uses EBITDA, along with other generally accepted accounting principles, or 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 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 tax and debt service payments.

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

	Three Months Ended March 31,	
	2008	**2009**
Net income (loss) (per-GAAP)	$ 12,643	**$ (10,766)**
Plus:		
Interest expense (income), net (1)	(1,194)	**2,500**
Income tax provision	1,218	**397**
Depreciation and amortization	7,656	**11,355**
EBITDA (Non-GAAP)	$ 20,323	**$ 3,486**

(1) Includes $2.2 million and $2.6 million for the three months ended March 31, 2009 and 2008, respectively, for amortization of debt discount related to the adoption of FSP APB 14-1.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(in thousands)
(unaudited)

	December 31, 2008 *(As Adjusted)*	**March 31, 2009**
CURRENT ASSETS		
Cash and cash equivalents	$ 103,496	**$ 93,208**
Accounts receivable, net	74,574	**68,174**
Inventories	99,118	**82,835**
Deferred income taxes, current	6,761	**7,810**
Prepaid expenses and other	15,578	**13,468**
Total current assets	299,527	**265,495**
LONG-TERM INVESTMENT SECURITIES	320,625	**320,625**
PROPERTY, PLANT AND EQUIPMENT, net	174,667	**168,432**
OTHER ASSETS		
Goodwill	56,791	**63,672**
Intangible assets, net	35,928	**34,899**
Other	5,907	**5,964**
Total assets	$ 893,445	**$ 859,087**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

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

	December 31, 2008 *(As Adjusted)*	**March 31, 2009**
CURRENT LIABILITIES		
Lines of credit	$ 6,098	**$ 4,129**
Accounts payable	47,561	**30,709**
Accrued liabilities	31,195	**28,286**
Income tax payable	358	**1,553**
Current portion of long-term debt	1,339	**348**
Current portion of capital lease obligations	377	**350**
Total current liabilities	86,928	**65,375**
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	155,451	**149,497**
Long-term borrowings	217,146	**216,111**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,854	**1,776**
DEFERRED INCOME TAXES, non-current	10,753	**16,982**
OTHER LONG-TERM LIABILITIES	22,935	**28,766**
Total liabilities	495,067	**478,507**
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Diodes Incorporated stockholders' equity		
Preferred stock — par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	**—**
Common stock — par value $0.66 2/3 per share; 70,000,000 shares authorized; 41,378,816 and 41,395,815 issued and outstanding at December 31, 2008 and March 31, 2009, respectively	27,586	**27,597**
Additional paid-in capital	167,964	**170,416**
Retained earnings	241,814	**231,048**
Accumulated other comprehensive loss	(48,439)	**(56,536)**
Total Diodes Incorporated stockholders' equity	388,925	**372,525**
Noncontrolling interest	9,453	**8,055**
Total equity	398,378	**380,580**
Total liabilities and equity	893,445	**859,087**

Diodes, Inc. First Quarter 2009 Financial Results Script
Thursday May 7, 2009 @ 10:00am CST / 8:00am PST

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

Operator:

Good morning and welcome to Diodes Incorporated's first quarter 2009 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of today's conference call, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference call, please press the star followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Thursday May 7, 2009. I would now like to turn the call to Leanne Sievers of Shelton Group, the investor relations agency for Diodes Incorporated. Leanne, please go ahead.

Introduction: Leanne Sievers, EVP of Shelton Group

Good morning and welcome to Diodes' first quarter 2009 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

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

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

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

In addition, any projections as to the Company's future performance represent management's estimates as of **today, May 7, 2009.** Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

Additionally in the Company's press release and during this conference call, management will discuss certain measures and financial information in GAAP and non-GAAP terms

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

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

Dr. Keh-Shew Lu, President and CEO

Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

I am pleased to report that our first quarter revenue of $78.1 million exceeded our guidance of $71 to $75 million. We are encouraged by the early signs of stability in the marketplace as we increased market share at current customers for existing designs and ramped our new design wins. Our better than expected revenue results were also driven by increasing demand in the China market for our products utilized in mobile phone handsets, LCD TVs and netbooks. Based on our current estimates, we believe this trend will continue into the second quarter coupled with further improvements in demand and order rates by our customers. As a result, our revenue projection for the second quarter of 2009 exceeds our fourth quarter 2008 revenue level, which is a further indication of an improving business environment.

In terms of gross profit, our margin for the quarter was 18.6 percent, which was slightly above the mid-point of our guidance range of 16 to 20 percent. Gross margin was affected by the low utilization of our manufacturing facilities caused by the global economic market conditions, a reduction in distributors' inventory and our planned finished goods inventory reduction.

As I reported last quarter, we implemented a number of cost savings initiatives, which we completed during the first quarter. We also initiated a second round of layoffs of approximately 29 percent of the work force at FabTech. In total, we have reduced headcount by 348 people, or 11 percent, since the end of 2008, bringing our employee headcount to 2,719 people. We expect the full benefit of these actions to be realized in the second quarter, resulting in operating expenses within our expected range of $21 to $23 million, compared to our third quarter 2008 level of $28 million.

Also during the first quarter, in response to the decline in demand, we took immediate actions to reduce our authorizations on capital expenditures as well as inventory. Capital expenditures were reduced to $4.3 million in the first quarter, which was a significant reduction from the 2008 quarterly run rate of approximately $13 million. In the second quarter, we are experiencing a change in product mix towards more complex devices as a result of the ramp of our analog and Zetex products, which will require some additional investment to balance our manufacturing lines. Therefore, we expect our capital expenditures will be $6 to $7 million, which includes approximately $2 million that we expected to be in the first quarter but were able to delay until the second quarter as a result of our cautious stance on demand and our desire to conserve cash.

Also during the first quarter, we began efforts to significantly reduce inventory resulting in a $16 million decrease, or 16.4 percent, from the fourth quarter. Additionally, we took further steps to improve our balance sheet by repurchasing $9.6 million of our Convertible Senior Notes for $6.6 million in cash. As a result of these collective actions, we achieved positive cash flow from operations and positive free cash flow in the first quarter.

Looking at the second quarter of 2009, we expect our business will further benefit from increasing demand in China and the continued ramping of our new design wins. During the first quarter, we reduced our sales channel inventories, and in second quarter 2009 we expect distributors' inventories will remain relatively flat despite the demand increases on a global basis. Carl will discuss our detailed guidance in a minute, but I would like to highlight that we expect to significantly improve our profitability due to higher revenue and better factory utilization and once again generate positive cash flow from operations in the second quarter. These continued accomplishments during this tough economic environment serve as a testament to the scalability of our business model and our ability to consistently execute in all types of business environments.

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

Carl Wertz, CFO

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, **Revenue** was $78.1 million as compared to $87.1 million last quarter and $95.6 million reported in the first quarter of 2008. Quarterly revenue was affected by the continued deterioration of the global economic environment and the related overall decrease in demand. On a positive note, our results exceeded expectations due to stronger than anticipated demand in China as well as the ramping of new design wins.

Gross profit for the first quarter of 2009 was $14.5 million, or 18.6 percent of revenue, compared to $22.9 million, or 26.3 percent, in the fourth quarter of 2008. As Dr. Lu mentioned, gross margin was affected by the low utilization of our manufacturing facilities caused by the global economic market conditions, a reduction in distributors' inventory and our finished goods inventory reduction.

We expect loading at our facilities will continue to improve in the second quarter and will be approximately 70 percent utilized in the second quarter.

Selling, General and Administrative expenses for the quarter were approximately $16.1 million, or 20.6 percent of revenue, which was comparable on an absolute dollar basis to the $15.9 million, or 18.3 percent of revenue, last quarter.

Research and Development investments in the first quarter were $5.3 million, or 6.8 percent of revenue, compared to $6.3 million, or 7.2 percent of revenue, in the fourth quarter as a result of our previously discussed cost reduction initiatives. We continue to invest in R&D at the similar level while remaining conscious of market conditions.

Total **operating expenses** amounted to $22.5 million, which is within our expected range as a result of our cost reduction efforts. Included in first-quarter operating expenses was approximately $700,000 of non-cash, **FAS123R**, stock option expense. We expect the second quarter expenses to be comparable to the first quarter reflecting the completion of our major cost saving programs.

Total other expense amounted to $2.2 million for the quarter. We had $2 million of interest and other income, primarily related to our portfolio of auction rate securities offset by interest expense of $2 million primarily related to our Convertible Senior Notes and our loan for the acquisition of Zetex.

During the first quarter of 2009, we also recorded a pre-tax, non-cash interest expense of approximately $2.2 million due to the adoption of APB 14-1, which requires us to change how we account for our Convertible Senior Notes. Effective January 1, 2009, APB 14-1 requires us to separately account for a liability and equity component, which reflects an estimated non-convertible borrowing rate of 8.5 percent. The new accounting rule also requires us to adjust prior periods back to the date of issuance of the Convertible Senior Notes, and so we recorded additional non-cash, pre-tax interest expense for 2006, 2007 and 2008 in the amounts of $1.7 million,

$10.0 million and $10.7 million, respectively. Also as we stated last quarter, we expect this additional pre-tax expense to amount to approximately $8 to 9 million for the full year of 2009.

Also included in the total $2.2 million other expense was a $1.5 million gain on the repurchase of $9.6 million face value of the Convertible Senior Notes, which was accounted for under APB 14-1 and offset by $1.5 million in foreign exchange losses related to forward currency contracts that were part of the Zetex acquisition. The gain on the repurchase of Notes would have been approximately $3 million under previous GAAP accounting.

Turning to **income taxes**, we recorded a net tax expense of approximately $400,000 for the quarter. Due to our decision to cancel our U.S. credit line to reduce costs, we repatriated $28.5 million of accumulated earnings from one of our Chinese subsidiaries. This dividend required us to record non-cash income tax expense. This tax expense more than offset the tax benefit from our loss in the quarter. Looking at calendar year 2009, we expect the effective tax rate to be approximately negative 10 percent, which means a tax expense on GAAP results.

Net loss on a GAAP basis was $10.8 million, or ($0.26) per share, which included pre-tax charges of $2.2 million of non-cash APB 14-1 interest expense related to the Convertible Senior Notes, $1.1 million of non-cash acquisition related intangible asset amortization costs, $720,000 of FAS 123R stock option expense as well as a $1.5 million gain related to the repurchase of Convertible Senior Notes.

GAAP net loss adjusted for the change in accounting principle effected by APB 14-1, which I discussed previously, was $9.5 million, or ($0.23) per share.

Cash flow from operations was $6.8 million for the first quarter with free cash flow of $2.5 million.

Turning to the **balance sheet**, at quarter-end, we had $93.2 million in cash, which was a decrease of approximately $10 million from the fourth quarter. Positive cash flow from operations was used to partially fund the $6.6 million in cash used to repurchase the Convertible Senior Notes, $4.3 million of capital expenditures, and $4m to pay down long-term debt and repay our U.S. credit line. Long-term investments were $320.6 million, which represented the fair market value of our auction rate securities and the put option as part of the UBS settlement. Our working capital at quarter-end was $200 million. Long-term debt, including the loan related to the Zetex acquisition and the Convertible Senior Notes, which are redeemable in October 2011, was approximately $366 million.

Now turning to **Inventory**, at the end of the first quarter, inventory was $82.8 million, which was a decrease of approximately $16 million, or 16.4 percent, from the fourth quarter as part of our successful efforts to reduce inventory.

Accounts receivable was $68.2 million, or 82 days in the first quarter.

Capital expenditures were $4.3 million for the quarter, which as Dr. Lu mentioned, was a significant reduction from our 2008 spending level and part of our efforts to better align our expenditures with market and capacity demand. For the second quarter, we decided to invest in new equipment to balance our manufacturing lines, due to a change in product mix towards more complex devices as a result of the ramp of our analog and Zetex products. We expect our capital expenditures in the second quarter 2009 will be $6 to $7 million, which includes approximately $2 million that we expected to be in the first quarter but were able to delay until the second quarter.

Depreciation and amortization expense for the first quarter was $11.4 million.

Turning to our Outlook...

Looking at the second quarter of 2009, as Dr. Lu stated, we expect our business to further benefit from increasing demand in China and the continued ramping of our new design wins. As such, we estimate that second quarter revenue will increase 14 to 22 percent sequentially. Additionally, with our cost reduction initiatives implemented and the loading at our manufacturing facilities improving, we expect second quarter gross margin to range between 20 to 24 percent. We also continue to focus on cash flow and expect to once again achieve positive cash flow from operations in the second quarter.

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

Mark King, Senior VP of Sales and Marketing

Thank you, Carl, and good morning.

As Dr. Lu and Carl mentioned, the first quarter began to show signs of improvement in the global environment with increases in demand and order rates each month throughout the quarter. Our business benefited from the stronger than expected demand in China for our products utilized in mobile phone handsets, LCD TVs and netbooks. Additionally, our continued focus on new product development and our high level of design win activities resulted in an increase in market share at current customers for existing designs and the further ramping of our new design wins. We also gained traction with the Zetex products as we continue to work with existing customers while also attracting new customers with our expanded product line. All targeted product conversions to Diodes internal factories were completed by the end of the first quarter with full manufacturing ramp expected in the latter part of the second quarter. Also during the quarter, we strengthened our inventory position in the sales channel by significantly reducing and repositioning inventory, and although we expect inventory to remain flat in the second quarter, we have positioned ourselves for future growth.

In terms of our segment breakout, computing represented 33 percent of revenue, consumer 26 percent, industrial 22 percent, communications 16 percent and automotive 3 percent.

In regards to geographic breakout, **Asia** represented 74 percent of total revenues. Revenue in Asia was down 9 percent from the fourth quarter, but better than originally expected. Demand rose sharply beginning in mid-February due to the China government stimulus for white goods and TVs, which followed large inventory reductions in the fourth quarter. First quarter demand was driven by panel and LCD TVs as well as China domestic mobile phones. Distributor point of purchase was down 21 percent due to uncertainty earlier in the quarter, but point of sales was down only 11 percent in comparison. Distributor inventory decreased 41 percent as we used this time period to balance and utilize channel inventory.

We expect second quarter growth in Asia to be driven by increases in panels, LCD TVs, netbooks, and mobile handsets.

In **North America**, sales represented 13 percent of total revenues. OEM sales were down 8.5 percent from the fourth quarter due to the decline in the overall economy specifically in industrial accounts as a result of the housing market, the decrease in set-top box due to lower demand, as well as a continued shift of manufacturing to Asia. POS sales were down 14 percent from fourth quarter with declines across a broad spectrum of customers and markets.

Distribution inventory continued to decline down 9 percent from the end of the fourth quarter, as distribution POP decreased by 20 percent sequentially. Diodes now has an improved inventory profile at all distributors based on cost and product mix due to a focused effort to clean up inventory throughout the first quarter.

Sales in **Europe** accounted for 13 percent of revenues in the first quarter. Total revenue increased slightly over a soft fourth quarter. Distributor sales were up 22 percent, while OEM sales were down 27 percent. Distributor POS was up 8 percent, and the channel's inventory remained flat. Sales to direct, automotive and consumer customers remained relatively flat in the first quarter, whereas the business to the broad industrial customer base experienced a decrease of 36 percent after a relatively decent fourth quarter.

While we expect further stabilization or a slight recovery in the second quarter for our automotive and consumer accounts in Europe, the weakness in the industrial segment is likely to continue. The channel network, strongly exposed to the industrial market, is still experiencing a decrease in orders and has been reducing inventory in response to this trend.

Now turning to **new products**, new product revenue was 15.6 percent of sales during the quarter. This was a decrease from the 23.5 percent of sales last quarter, primarily due to customer order mix and the aging-out of older analog products.

During the first quarter, we released 49 new products, consisting of 3 analog, 4 hall devices and 42 discrete, which included 14 transistors, 17 MOSFETs, and 11 SBR® devices. Our continued focus on Bipolar transistors further broadened the range of devices introduced in the fourth quarter, which utilized the silicon technology of Zetex and the packaging expertise of Diodes and are aimed at winning market share from competitors. The 11 new SBR parts included high voltage devices targeted at netbook power adaptors. The 17 new MOSFETs were for consumer and battery management applications and the telecom market, which included 4 application specific combination products and 4 innovative H-bridge devices for DC fan motor control applications. Additionally, our new self—protected MOSFET, which we introduced to the market in December 2008, has secured 8 design wins in the 3 months since its release. Initially this product was aimed at the industrial and automotive markets, but is currently under evaluation in several more applications, which underscores the exceptional flexibility and broad appeal of this new technology.

Also during the quarter, we introduced two low-voltage Omnipolar Hall switches that substantially reduce power consumption in battery-powered, hand-held devices. End-market uses include contact-less lid or display orientation and position detection tasks in notebooks, and mobile phones.

Additionally, we announced an active OR’ing controller chip, enabling shared power system designers to replace heat-dissipating blocking diodes with high efficiency MOSFETs. The chip ensures cool-running, low-maintenance and high-reliability operation in up-time critical telecom, server and mainframe applications.

Lastly, Diodes introduced a family of LED driver ICs capable of significantly reducing the number and size of external components required by driver circuits. The drivers are suitable for a broad range of high-brightness, general illumination applications, including signage, architectural, emergency lighting, and ensure uniform LED brightness as well as eliminate the need for ballast resistors. We have already secured several design wins for these products.

In terms of global design wins, despite the soft economy, in-process design activity remained high and design wins were strong in the quarter with wins at 114 accounts globally: 84 wins at 60 customers in Asia, 94 wins at 36 customers in North America and 38 wins at 18 accounts in Europe.

We continue to gain momentum with our USB power switch series in end-equipment such as notebooks, netbooks and set-top boxes with over 35 active projects. We also continued to gain traction with our Omnipolar Hall sensor with more than 30 active projects for mobile phones and notebooks. We also have 27 LED lighting projects and 30 MOSFET working projects.

In summary, I believe Diodes has taken decisive actions to appropriately respond to the current market conditions by aggressively reducing costs, inventory levels, debt and capital expenditures in order to maintain positive cash flow. We remain focused on ramping design wins, capitalizing on the product synergies of our Zetex acquisition and expanding our position with customers. As we have stated in the past, we are confident in our ability to emerge as a stronger Company with expanded growth opportunities as the economy improves, which is evident in the improvement in our first quarter revenue results and our second quarter expected results.

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

Upon Completion of the Q&A...

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

Diodes Inc — 1Q 2009
May 7, 2009

QUESTION AND ANSWER

Operator

(Operator Instructions) John Vinh.

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

Good morning and congratulations on the better than expected results. First question for you, Carl, is — can you clarify what you said about the tax rate for 2009?

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

Yes. Basically for the tax rate of '09, we estimate to be about a negative-10% overall, which is actually not a credit then, so it will be an additional expense added to our PBT number.

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

Okay, that's negative — 10%, okay. Then the second question I had was on China. Can you help me understand roughly what percent of your end-market demand comes from domestic China?

Then what do you think is the incremental impact to your revenues from the China stimulus package on top of that?

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

I think — like Mark was talking about our Asia revenue in 1Q, it's 74% of our total revenue. Okay? Now, out of that actually if you look at it, the majority is coming from China. Because all the OEM companies [are] in China. A lot of direct [are] all in China.

So other than Korea, it's a big market for us, and Taiwan is another one. But I think majority or more than half of the revenue is coming from the China market for us.

The products may not necessary go to China, because, for example, it may go to the OEM, may go to Apple, go to RIMM, go to somewhere else. But for us, it's China market.

Now you're talking about the stimulus package initiated by China, which is one of the reasons our revenue actually much better than our expected or our previous guidance. It's in addition to our market share gain, okay? Then another major reason is China's stimulus package.

The reason we're doing good in that area is years ago we already saw this coming, so we spent a lot of strong effort working with China local manufacturers in like the cell phone, like netbook, like those. We're working with the China manufacturers.

So this time when the stimulus package initiated by the China government — really the sale is coming from those companies, the China local manufacturing companies. So we get benefit from there.

And again, that's why start from February, our business started picking up, in March even higher.

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

Are you able to maybe quantify the stimulus package benefit a little bit more? Maybe in terms of what is the size of the TV market that is driven by the stimulus package or maybe handsets?

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

We cannot. We cannot really separate. For example — I'll give you an example, okay? When the LCD TV really started to pick up, because of this package, who is really the one that's buying the panel? It is the local manufacturing building the TV, the LCD TV.

But they buy the panel from like Samsung, from like AUO, and Chi Mei. So those [are] not really China companies. Samsung, AUO, and Chi Mei, they are not. But we can benefit because you go to read in the newspaper from Taiwan, you are going to see Chi Mei is fully loaded, AUO is fully loaded, Samsung is ramping up very quickly.

And the reason — they are not really for the US market, but when those panels went to China LCD TV manufacturing and they buy, building the LCD TV. So for us it's very difficult to separate which effect is by the stimulus package, which is not. It's very difficult for us.

All we know is our sale is much better than what we expected, and we know we continue gaining the market share. (technical difficulty) Did I answer your question?

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

Yes, just one more follow-up question. On gross margins, can you give us a sense going forward? What sort of revenue run rate do you think you need to get you to, to get back to let's say a 30% gross margin rate at this point?

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

Well, really the gross margin has a lot to do with loading. Okay? We already give the guidance in second quarter. Our loading in second quarter going to be about 70% loaded; and based on that we give estimate about 20% to 24%. Okay?

So when you are going to 80% loading, you're going to be improve that gross margin again. So it depends on the revenue level and how the factory was loaded.

For us, since we produced the parts ourselves, and we have wafer fab to produce the wafer ourselves, loading factor is going to be the one deciding our GPM.

Other than a few foundries and subcons to everybody, only ASP affect[s] the gross margin. But for us, loading is the significant factor of our GPM improvement.

So when you see our revenue continue going up, our loading will getting better and our GPM should be back.

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

Okay, fair enough. Then just last question for me I will get back in the queue. Some of your peers have talked about pricing pressures in Q1. Can you maybe talk about where ASPs declines were in Q1 and if you were seeing any sort of pricing pressures?

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

How about, Mark? You answer this.

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

Yes, Q1 pricing pressure was pretty good, pretty strong. I think we had ASP decline of about 9% in the first quarter. First quarter is generally a pretty strong decline for us generally, but maybe it's running about 4% more.

Part of that is just due to mix, but some of the commodity products took some pretty difficult hits during this quarter as people tried to load. But those parts are pretty elastic, so as things tighten up again, those prices should go right back up. So I think we should see improvement. I don't think those are lifelong declines. I think those are short-term declines.

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

Yes, I think 1Q is really short-term, because everybody is under-loaded and so everybody is trying to drop the price. (multiple speakers)

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

As well as some of our goal to reduce our inventory by the $16 million. All those combinations. We definitely had some pricing pressure that we felt we won't see in the second quarter.

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

But in the second quarter, you can see — I think — you probably know, people started to see some kind of shortage in March and then going to April. Not many people can really react.

Fortunately for us, we have inventory and we take this opportunity to reduce inventory from us and reduce the inventory from the distributors so we can support our customers. But you can start to see — or actually in the March/April time frame we already started to see some shortage.

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

Great. Thank you very much.

Operator

Vijay Rakesh.

Vijay Rakesh - ***ThinkEquity — Analyst***

Hi guys. I was wondering if you can give some color on where inventory levels are at your distributors here, versus where normal levels should be. And where do you see that as you exit the quarter?

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

I'm not sure I got all that. There was some cloudiness in the line. So I think our inventory levels in distributor at this point globally are actually quite low and quite solid. The drop — at the end of the fourth quarter, inventory levels in Asia were up, because of the sudden drop in demand. They were planned, say, for two months; they have maybe went to 3 and half months, and are probably down to 1.25 months or lower at this point.

So we don't really expect to be able to build any inventory back into the channel in this quarter. Okay? Possibly depending on the outlook of — as we go a little further along in the quarter, we will get a better vision of what the third quarter is going to look like. But it may be sometime before we are able to build inventory in the channel.

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

If you go to look at 1Q, inventory level is significant lower than our traditional 1Q inventory level. Yes, and we really did not have opportunity or the capability to build inventory level back up.

So you can see in Mark's speech we could say inventories will be flat in the second quarter, and it is just because we have no capacity to backfill this inventory.

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

It will be difficult to keep it flat. It decreased 16% in the first quarter.

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

Yes. Right now, for your information, we actually — it's man-capacity limited. Even we are talking about second quarter, we are 70% loaded. Our fortune is we have man-capacity limited, because the time you are hiring the people it takes about two months, to training them, to put them back to the line. Okay?

So we ramp it up in April and May and then June, because we started hiring the people in March. So we have started building up and ramping up in May and then June. Okay?

Vijay Rakesh - ***ThinkEquity — Analyst***

And one other question. As we look at — you guys have done a good job before in getting kind of how point of sales looks like. As you look at the major geographies in the US, Europe, and China, can you give us by geography how the point of sales is tracking?

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

Actually I would say that the European point-of-sale tracked relatively — was very soft in Q4, actually grew in Q1, and I think I mentioned that it's going to have pressure in Q2.

North America was relatively flat in fourth quarter. It was down, roughly — it's in my thing — but I think it was 10% in the first quarter and I think it is tracking more positively.

And Asia was down in the fourth quarter significantly. It was down further in the first quarter. I think again around 10%, and I expect it to track very positively in Q2.

Vijay Rakesh - ***ThinkEquity — Analyst***

Got it. Last question here. Any long lead-time orders that you are seeing that can give you some indication on how orders could track as you enter Q3 or into Q3?

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

Right now, we cannot really. We are not giving any guidance for Q3 or Q4. What we see today, the market in second quarter, we think the guidance looks pretty strong for us.

We gave guidance of 14% to 22% growth, and even 1Q is quite high compared with what we originally forecast. So if you look at it from 4Q to 1Q, we only dropped less than 10%; and now from 1Q to 2Q we are going to grow, midpoint is 18%.

So that is why we said we are going to be higher revenue than fourth quarter last year. So we are very happy with continued gain in market share with growth. We're basically going to be more than fourth quarter and get to the record high of the third quarter.

Vijay Rakesh - ***ThinkEquity — Analyst***

Okay, got it. Great job. Good job, guys. Thanks.

Operator

Harsh Kumar.

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

Hey, guys. First of all, good job on managing cash flow in this tough environment and very happy to see the great guidance. Question is, a lot of cost reductions. Can you, Carl, maybe help us with your new target model? Or if it's not changed, just tell us that.

Previously, I think you were 3.5% R&D; SG&A was about — correct me if I'm wrong — 12% to 13%. How should we think of those numbers with the new cost cuts and maybe things ramping up?

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

Well, I think that the key thing is this. If you look at — we have been able to maintain R&D and SG&A together, we already said $21 million to $23 million; and in 1Q we hit 22-point-something. That is the range.

And in second quarter, we give guidance the same, $21 million to $23 million. So you can see that is the range we try to maintain.

Now we really don't want to layoff the design or get rid of people just because the revenue all of a sudden come down. So this is a transition moment, using percent may not be a right way to do it.

I think that the easier way to look at it is $21 million to $23 million; and that is a target we try to hold in it.

And then we get revenue continue to grow, and when the revenue grows to, like I say in the second quarter, then that percentage automatically will go down.

So if our revenue go up to a midpoint, 18% for our guidance, then you can see that as percentage of those expenses would down 18%.

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

Very, very fair. That's very helpful. Then kind of going back to one of the previous questions, China. Is this, Carl and Mark, in your opinion, is the pickup in China really stimulus driven? Or are you able to gauge if there is any real customer demand to this at all?

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

Let me answer. I think it's actually all those. Number one, stimulus package is one; but second is really our new design wins. Okay?

If you go through Mark's presentation in the last several quarters, we said we have a lot of our design win activity even in US, and they transfer that business to Asia. So if you go to look at it, all those design win activities, now we start to get benefit when our customers started changing the model, and we are there, and then we start to ramp it up.

But at the same time, we gain market share by some existing customers, existing designs, since we are able to support it during this difficult time. Since we can support it, then we can take the opportunity.

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

I think some of the revenue may have come a little bit bigger in this quarter than it would have without the stimulus. But most of that cell phone business was all new business for Diodes Inc. anyway, okay? So it's new entry into those things.

Those end equipments and those customers are becoming an emerging revenue stream for our Company. It might have been a little bit better this quarter because of the stimulus; but I think long term we will be positioned well in that marketplace in China on the local side.

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

Got it. No, that's very helpful. You guys are doing a great job. Thanks. Thank you.

Operator

Gary Mobley.

Gary Mobley - ***Noble Financial Group — Analyst***

Hi, guys. I guess backing into the number, you're fully utilized at, what, $130 million in quarterly revenue?

I'm going to pressure you a little bit on the gross margin questions that we had previously. At that $130 million mark, what is your targeted gross margin percent?

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

Well, I think if we go back to 130-something, I will be above 30%. Okay? Now how much? They depend on the ASP, but we should be up. Okay? If we get to $130 million.

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

We're [back] to fully utilize — pretty full.

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

We will be — 130 probably at the 90% to 95% loaded. Because that is about our third-quarter run rate. Yes, our third-quarter run rate, we have October, we have September a little bit soft. Okay? So if you go to look at last year's third quarter, July, August w[ere] strong; then September slowly a little bit soft.

But the third-quarter run rate is about $134 million. I remember that is the number. So if you go back to that kind of level, we are probably 95% loaded. I think that one, our gross margin should be 30. Remember that was 32%.

But you know, I think [assume] ASP, assume something, I strongly believe if we can run $130 million, we should be above 30%.

Gary Mobley - ***Noble Financial Group — Analyst***

Okay, and —

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

Post the EPS.

Gary Mobley - ***Noble Financial Group — Analyst***

With Zetex, do you think given the product contribution from Zetex that you can (technical difficulty) at some point in the future, Diodes prior gross margin peak of — I believe it was 35% or so.

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

Well, actually here I want to take this opportunity to let you know, I think Zetex purchase is quite successful. Number one, from sales, marketing side, we are fully consolidated. Then for the manufacturing side, I think Mark mentioned about we are ramping it up in this quarter. We should be fully ramped by end of this quarter to our manufacturing on SKE on the product we want to ramp.

In addition to that, people probably didn't know is we really appreciate the support from Zetex's people. Now we are able to take their MOSFET technology and offload to some other fabs; and then we can start to ramp up those MOSFET products very nicely.

And another thing is the transistor, bipolar transistor. They're helping us in the FabTech, therefore we are ramping up FabTech. It's not fully qualified yet, but it's almost there. And if we ramp up at FabTech, again that gives us a momentum to grow that bipolar transistor business.

So you can see a lot of the growth really contributed by all these ones, not just Zetex products, it's sales. Sale by cross-selling by us. Okay?

Not just that. It's their MOSFET technology, we are utilizing that technology now, and bipolar junction transistor, BJT, is another help. And then at the same time, we transfer SBR technology to Zetex and let them start to develop future technology for us.

So I believe Zetex acquisition is really positive for us. If you go to see our second quarter, our growth compared to first quarter, it is much better than what we expected; and a lot of contribution really coming from what I mentioned above.

Gary Mobley - ***Noble Financial Group — Analyst***

Thank you, guys.

Operator

Tristan Gerra.

Tristan Gerra - ***Robert Baird — Analyst***

Hi, guys. Where is your lead-time range currently and your projection for Q2?

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

Could you say that again, Tristan?

Tristan Gerra - ***Robert Baird — Analyst***

I was looking at your range for lead-times currently and what you're projecting in terms of lead-times for Q2?

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

Yes, I think our lead-times vary depending on the importance of the customer project and product line. I think —

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

Product mix.

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

And product mix. Again, in the second quarter we expect our product to be quite tight. We expect to be able to meet our customer demand, but closely watching so no one is building any inventory.

So we don't like to — we kind of believe lead-time is a decision. Okay? So we don't — we are not so firm about those things. But I think we are running anywhere from three to eight weeks on our products depending on the die positioning and so forth.

So we still have some flexibility, but we're utilizing things to the best possible mix we can while we get our people back on board.

Tristan Gerra - ***Robert Baird — Analyst***

Okay. Could you mention the type of products that are currently running at eight weeks, so at the higher end of the range? And could that take us above 10 weeks in Q2?

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

Yes, you could look at some of our lighting products that are external fab-based and so forth. They probably would be running in our longer product areas.

Most of the products that we have internal fab we can adjust very rapidly. You might see some of our analog products that might stretch to the longer side of that, because of being mostly outsourced from a fab perspective.

But we generally have always tried to keep some sort of solid buffer in place to be able to give us some flexibility.

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

But from assembly point of view, again on the standard package, which we have enough capacity, we may not have problem. But from the special analog package, like TO220, ITO220S, and like a SOT323, a lot of complicated packaging, especially for analog and those for Zetex.

And those products we do not have enough excess capacity at this time when you ramp up the Zetex product, when we ramp up the analog product. We're kind of hand to mouth.

And that is the reason in April I authorized capital money, $3 million capital money to reduce some of the bottleneck. You can see our second-quarter CapEx, we increased to $6 million — $7 million. $2 million is due to a move from 1Q. But the other $4 million, out of that $3 million was due to some testers for analog and some special packaging. Those we are hand to mouth.

So those kind of products we are going to see a little bit longer lead-time because of the assembly capacity issue.

Tristan Gerra - ***Robert Baird — Analyst***

Okay. Then your working guidance for Q2 is nearly the same run rate as what you had in Q1 '08. And of course, the gross margin provided in Q1 '08 was decent. It was above 30%.

So just going back on a couple of questions that were asked earlier, is mix or ASPs having a significant impact? Could there also be a delay in gross margin recovery based — even though we have win rates that are similar now to Q1 '08?

And do you have room for further manufacturing permanent cuts, if you don't get back to the $130 million run rate that will optimize utilization rates?

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

Okay, you know, it probably is not that fair to compare 1Q ‘08 versus 2Q ‘09. The reason is 1Q ‘08 we had no Zetex, okay? In 2Q we do have a Zetex.

And the Zetex products, like I mentioned, we are not fully transport to SKE yet. We are qualified now. By end of 1Q, we qualified. But our customers won’t take it right away. They are — we need to deplete our inventory, and then the customers need to accept our manufacturing site change.

And therefore, we said we won’t be fully ramped until end of second quarter or third quarter. Okay? So it’s not that apples-to-apples comparison, but let me — Mark want to answer?

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

As well as we picked up three manufacturing facilities. We’ve got two assembly sites, one full assembly site, one joint venture assembly site, and another fab that we also have to move into the utilization mode.

We’ve got very active programs to bring those up to full utilization the same way we are at our own facility, but I think it changes the mix quite a bit.

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

You can see right now the fab is half loaded. Okay? And when you are half loaded, they are the one training the GPM dollar and close the GPM percent went down. If we can go back to fully loaded at those fabs, then everything will be back to above 30%.

Operator

Shawn Harrison.

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

Hi. First, just a clarification on the variance between GAAP and non-GAAP earnings for the first quarter. My math was showing at least the non-cash interest expense charge is about a $0.05 hit versus kind of the $0.03 variance that was highlighted in the earnings release.

I was wondering if maybe you could just talk through what the tax impact was there, or if there is something I am missing in that variance.

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

Okay, why don’t we have Rick to answer this?

Richard White - ***Diodes Incorporated — SVP Finance***

If you look at the measure that we put in the earnings release, we talked about GAAP less the APB 14-1 cost; that is the $1.3 million.

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

Which is $0.03.

Richard White - ***Diodes Incorporated — SVP Finance***

Which is $0.03, right. But in the things that you're talking about, we didn't remove those from the GAAP number that we gave you. So therefore, it's a little apples-and-oranges, the comparison that you are making.

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

Okay, so the $2.2 million highlighted in the income statement includes a number of other items, the amortization of debt discount?

Richard White - ***Diodes Incorporated — SVP Finance***

Yes, right.

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

Okay, so it's a $1.3 million cost.

Richard White - ***Diodes Incorporated — SVP Finance***

Right, after tax. Right.

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

After tax? Okay.

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

It's a little bit confusing right now, because we changed the APB 14-1, and then we — they have purchase price adjustment — and the stock options — a lot really [are] not operational.

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

(multiple speakers) no gain.

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

Yes. Then operational stuff was put in, so we are thinking — I don't know. We are talking about maybe we should start to report like profit from operation type of thing, instead of a lot of stuff.

If you go to look at GAAP, they have a lot of non-operational costs, which do not really affect our operation. So maybe we should start to concentrate more on the profit from operation.

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

Okay, and just really quick, Rick. It is $2.2 million pre-tax, $1.3 million after-tax, meaning that there is a pretty hefty tax impact. Correct?

Richard White - ***Diodes Incorporated — SVP Finance***

Yes, that's right. That is all US-based.

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

Because US base.

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

Okay. Second question is just looking at guidance, two parts. First, the run rate of sales you are seeing here in April, if we extrapolated that — or that you —. Excuse me. The sales that you saw in April, if you extrapolated that to the quarter, where would that put you within the guidance? What I am trying to get at is what type of upside do you need to see to maybe get the high versus the midpoint?

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

I think we're on track to our guidance.

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

Any clarification whether that is high, mid, or low?

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

I don't know. We probably don't prepare to talking about that. I think we give the guidance. We say 14% to 22%, and then I think you can do whatever you wish to change it from that guidance.

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

Okay.

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

(inaudible) that guidance, because right now we see that.

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

Got you. Then following up on a question from a prior caller. It looks like there is going to be some incremental cost savings from some headcount reductions that were made recently. But then you're also facing some headwinds from loading Zetex better, internalizing some of those functions.

Maybe is there a way to qualify on a dollar base or quantify on a dollar basis what the savings from these headcount reductions will be in the second quarter?

Then also kind of maybe what is the dollar drag you are seeing right now from Zetex in just not having full utilization or having some of those functions internalized as you would like, until we see that happen in the late second, early part of the third quarter?

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

Okay, let me answer that. I think we ought to give the guidance for the R&D and SG&A, for these portions, it's $21 million to $23 million in the second quarter. That is probably the range compared to first quarter.

And why we put the range the same because the first quarter we still have some of the people do not get reduction yet. But we have a short — like Chinese New Year and we have forced vacation in the US side, and then in Asia again, we have forced vacation. So in 1Q, all the people action will not fully reflect in 1Q. But 1Q have additional Chinese holiday and the forced vacation.

2Q, all the people action already in effect. But we do not implement any more forced vacation. Therefore, we think from bottom line they're about the same. Okay?

Now, when we say we have a capacity problem, we are hiring back the workers; that is in the assembly side. And that will be implemented into the gross margin portion. It won't be affecting R&D and SG&A. Okay?

Therefore, our operation in a GPM percent will not be higher is because we are hiring more people in SKE. Okay?

Now if we look at the loading in Zetex and the FabTech, they are not fully loaded yet. They are still half loaded. Okay?

So further, when the business continues to pick it up, then I believe our gross margin will be improved, because that loading in the wafer fab will be improved from there.

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

Okay. Just point, I want to be crystal clear on this. The pricing pressure and the negative mix effects that occurred during the March quarter, you've seen those issues alleviate and kind of lessen here as we have moved into April and early May. Correct?

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

Correct.

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

That's correct. Because the capacity shortage now, I don't think anybody start to try to drop the price, try to gain the units.

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

Okay. Thank you very much and congratulations on the solid cash flow generation this quarter.

Operator

Steve Smigie.

Steve Smigie - ***Raymond James — Analyst***

Great. Thank you. As we look out to Q3, is it possible that we could see another several hundred basis point jump in gross margin?

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

Well, Steve —

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

Anything is possible.

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

— if this business continues to improve, our loading continue, then it will. But really I don’t know.

So far we do not really have any indication on the third quarter yet. We must see the picture of June. If you remember, if you asked me last month I said we don’t even see the picture in June. But now we see the picture in June a little bit much clearer. But July is still not that clear yet.

But traditionally, third quarter should be a growth quarter. Now is this year going to be tradition or not? I don’t know, but I do sure hope so.

Steve Smigie - ***Raymond James — Analyst***

Okay. Now I know in past cycles when business has gotten a little bit soft you have been willing to take on more commoditized type products at a lower gross margin. Did that happen this cycle, so that as we get into Q3, Q4 that stuff will mix back out and you’ll be shipping more of your higher value-added parts?

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

This time may not. But remember what I say is today we have man-capacity limited. In the past, we do not. We just continue loading it and try to drop the price.

And now I think what we do, since we put the people action in 1Q, and now in SKE is man-capacity limited, we are hiring the people, get training, prepare for second quarter. We believe third quarter, if it is the same, then no problem. If they are going down, then attrition may [let] those people go down too.

And therefore, I do not foresee for us to drop the price significantly and try to gain the market — gain that loading.

Steve Smigie - ***Raymond James — Analyst***

Okay. In terms of the pickup you guys are talking about here for Q2, how much of that is wafers? I know that has been a business I think got hit pretty hard. Are you seeing the wafer part of the business pick up? Or is it more other pieces of the business?

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

No, wafer area did not really pick it up.

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

We targeted those wafer fabs for internal consumption going forward.

Steve Smigie - ***Raymond James — Analyst***

Okay, that’s interesting. Okay, and then obviously I think one of the main features that — or one of the drivers of going after Zetex was that it was going to give you access to European markets. How far are you in terms of penetrating European accounts with previous Diodes parts?

Are we 20% there? Could that be significant driver going forward, but much more than we’ve seen to date?

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

Yes, I think that there is a tremendous amount of opportunity with their customer position in that marketplace and the overall distributor position and so forth. It's unfortunately right when we started moving that the economy changed, and the economy changed relatively drastically in Europe. So I think it will take us a little bit of time to work those two areas.

Actually, we are doing well on both sides. There were Diodes customers in Europe that Zetex was not traditionally doing very much business with or were struggling with that we have readjusted. So I think the synergies in all geographic regions that we expected remain the same; and as the economy and as the market situation improves, we will be able to capitalize on it.

Steve Smigie - ***Raymond James — Analyst***

Okay. Then in terms of a handset, I know you had originally started with some Hall sensor products. How many parts do you have available? Or maybe dollar content is a better way to ask that question.

It seems like it's a billion-unit market roughly that you guys are just starting in, and you're going from a few pennies to maybe something more than that in terms of your total exposure. So maybe you could just sort of size the market for us there.

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

No, I can't size the market for you on where we are on those things. Each cell phone unit you've got — in smartphones we have got certain kinds of content. In local phones we have got a different kind of content. Main brand phones we have got a different kind of content.

Zetex brings us some content in some of their current monitoring devices and some other areas. We've got LTO opportunities; we have Hall sensor opportunities; we have load switch opportunities; we have performance transistor opportunities across the board.

There's just — the product line for us is coming together in that area. But each phone set and each type presents different opportunities for us.

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

I think what we say in the past is we don't have anything to dealing us into the cell phone business. Hall sensor opened that gate for us, since we are able to get into the cell phone manufacturing by using the Hall sensor. Now we are able to.

Then now since we have the Zetex, now in a Zetex again it is just like Hall sensor. They help us to open the door. Therefore, today we have much more product in the handset business than before.

And it is not just wholesale. [They are for] a different handset manufacturer and have different product. And that is where we gain the market, our growth coming from.

Steve Smigie - ***Raymond James — Analyst***

Okay. Last question. I apologize for all the questions, but in terms of inventory building out there, it sounded like you guys are not building inventory. But is it possible that your customers or your customers' customers, basically the OEMs, do you think they are restocking some of their own inventory that could maybe make say a Q3, Q4 seasonality more challenging?

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

Again, I really don't think that our customers ever build excess inventory on products that they buy from us. And that would be our end customers.

Our distributors in North America and in Europe will still want to continue to shed inventory. Okay? That is a natural phenomenon that is going on in our channel now. In Asia, they are all trying to build inventory, and we are not allowing it.

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

(inaudible) to allow them.

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

Right, so we — if the third quarter is good, there will be no inventory build in Asia until late fourth quarter and early first quarter.

Steve Smigie - ***Raymond James — Analyst***

Okay, great. Thank you very much.

Operator

Steven Chin.

Steven Chin - ***UBS — Analyst***

Thanks for squeezing me in. Let me also add my congrats on a job well done in navigating the environment.

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

Thank you, Steven.

Steven Chin - ***UBS — Analyst***

A couple questions on revenues and margins, first on revenues. For the guidance for Q2, how much of that is due to the new analog and Zetex products that are ramping production, as opposed to just normal underlying orders for the existing product lines already out there?

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

Zetex ramp production is not — it just like we already sell to this customer, we qualify with our SKE manufacturing. We tell customer will convert from subcon to our own manufacturing.

So that revenue is not due to we move Zetex to SKE packaging. Now we do gain some business by able to push the Zetex product into our customer base that we do gain the revenue.

Steven Chin - ***UBS — Analyst***

Okay, and also on revenues, is the quarter expected to be somewhat more linear than normal because of the new products that are ramping? Or will it still follow fairly normal patterns throughout the different months of the quarter?

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

I think second quarter is higher than normal in the past, because in the past second quarter typically is about 5% to 10% growth from second to first. Second compared with first.

But this year, we already gave the guidance, 14% to 22%, so we believe it’s much stronger than just historical growth.

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

I would say it's pretty linear. There might be a slight drop-off in the end of June, but we don't see that.

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

We don't see that.

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

We have taken that into consideration.

Steven Chin - ***UBS — Analyst***

Okay. That's helpful. Then a question on your exposure to the industrial market. It sounds like there were some positive activity in the European market during Q1.

But just more broadly, like on a global basis, I guess first of all how were the inventory levels for products that target the industrial market?

Secondly, what is the underlying factor or factors that is helping to kickstart the activity there again?

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

I think actually what I said was that the industrial level was the problem area. Actually in Europe, consumer — in the fourth quarter, the industrial level — it seems like the industrial is responding later.

In the fourth quarter the automotive and consumer totally crashed and came back quite strongly in the first quarter. But the industrial just totally tanked in the first quarter.

So I think that — our outlook going forward is that consumer and automotive don't look as bad for us as we originally expected, where we don't see a great deal of recovery in industrial for a period of time. I think that that is also evident in the US.

Steven Chin - ***UBS — Analyst***

Okay. Got it. Lastly, in terms of margins for the Zetex products that are now qualified at SKE but haven't quite been ramped yet, just for the underlying or new cost structure for those Zetex products, is that now more in line or even above your corporate average?

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

There should be improvements in our cost structure for those products.

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

But that will be probably — we start to fully ramp in the end of second quarter, so you won't see the full benefit in the second quarter.

Carl Wertz - ***Diodes Incorporated — CFO, Secretary, Treasurer***

We really won't see the full benefit of those conversions until we reach our utilization point. When we reach our utilization point, the synergies there should be quite good.

Steven Chin - *UBS — Analyst*

Okay. Lastly, in terms of the repatriated $28 million in offshore funds, is there a particular use that the Company currently has in mind for that?

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

No, it is just because we cancelled the credit line because it cost — they want to charge us the credit line; and we have the money; we don't really want to spend the money to have a credit line while we have the money put in the bank.

So we just decided to move the money back to US to make our credit line [for] ourselves.

Richard White - *Diodes Incorporated — SVP Finance*

Just general working capital.

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

Just general working capital.

Steven Chin - *UBS — Analyst*

Okay, great. Thank you.

Operator

Vernon Essi.

Vernon Essi - *Needham & Company — Analyst*

Thanks for fitting me in there, just two quick technical questions. Just on the last line of questioning on (technical difficulty)

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

Hello?

Operator

I apologize. Vernon, if you could dial back in, please. There you go.

Vernon Essi - *Needham & Company — Analyst*

Sorry about that. Just in terms of industrial on the last line of questioning there, do you feel that that is a reflection of end demand? Or do you think there could be something more taking place in the channel side of that?

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

No, I think it is end demand.

Vernon Essi - ***Needham & Company — Analyst***

Okay, and my next is very technical. The next question, were there any specific parts shortages that you saw in your portfolio or your competitors that occurred in this recent downturn, that people are catching up on?

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

I don't know. Mark?

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

I don't know. I think it is too hard to tell. I think that different people have different problems with different areas depending on what their mix was. But the key thing is that when you shut things down, it takes a little bit of time to get them ramped back up effectively. So everybody had different issues, and some people performed better than others and some people had better inventory or whatever.

So we just took the stances that we were going to utilize all inventory available whether it was in the channel or whether it was in our facility, and we were going to just try to get product to customers as quickly as we possibly can and get ourselves ramped up.

We really don't focus so much on what we do. We've seen some shortages from other people, but I don't think our business base or our sales maybe being slightly better has any relevance to other people's shortages.

Vernon Essi - ***Needham & Company — Analyst***

Okay. Fair enough. Thank you.

Operator

I would now like to turn the call back over to Dr. Lu. Please proceed.

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

Well, thank you for your participation today. Thank you very much. Operator, you may now disconnect.