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

February 6, 2006
Date of Report (Date of earliest event reported)

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

Delaware	1-5740	95-2039518
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

3050 East Hillcrest Drive Westlake Village, California	91362
(Address of principal executive offices)	(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))

Item 2.02 Results of Operations and Financial Condition

On February 6, 2006, Diodes Incorporated issued a press release announcing fourth quarter 2005 earnings. A copy of the press release is attached as Exhibit 99.1.

On February 6, 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 February 6, 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 February 6, 2006

Exhibit 99.2 - Conference call transcript dated February 6, 2006

Exhibit 99.3 - Question and answer transcript dated February 6, 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: February 7, 2006

DIODES INCORPORATED

By /s/ Carl C. Wertz
CARL C. WERTZ

Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated February 6, 2006
99.2	Conference call transcript dated February 6, 2006
99.3	Question and answer transcript dated February 6, 2006

[DIODES INCORPORATED]

FOR IMMEDIATE RELEASE

Diodes Incorporated Reports Record Fourth Quarter and Full Year 2005 Results

- Annual revenues up 15.6% to a record $214.8 million
- Annual net income increases 30.4% to a record $33.3 million

Westlake Village, California, February 6, 2005 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, today reported record financial results for the fourth quarter and fiscal year 2005 ended December 31, 2005.

Fourth Quarter Highlights:

>> Revenues increased 28% to $61.4 million

>> Gross margin improved 100 basis points to 34.9%

>> Operating income increased 17% to a record $11.6 million

>> Net income increased 37% to a record $10 million, or $0.36 per share

Revenues for the fourth quarter of 2005 were $61.4 million, a 28.1% increase from the fourth quarter of 2004, and a sequential increase of 13.2% from the third quarter of 2005. Net income for the quarter increased 37.0% to a record $10.0 million compared to $7.3 million for the fourth quarter of 2004. Diluted earnings per share were $0.36 for the fourth quarter of 2005, as compared to $0.31 for the same period last year (adjusted for the 3-for-2 stock split in December 2005).

For the twelve months ended December 31, 2005, revenues increased 15.6% to a record $214.8 million versus $185.7 million in the same period last year. For the full year 2005, the Company earned a record $33.3 million, or $1.29 per share, versus $25.6 million, or $1.10 per share, in 2004.

Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, commented: "2005 was another terrific year for Diodes with record-breaking revenues and earnings, capped off by a spectacular fourth quarter. We are continuing to execute our strategy to expand our addressable markets and are on track for continued profitable growth. Our recent acquisition of Anachip Corporation is in line with our long-term growth strategy and is currently being integrated as we completed the acquisition in early January. Moreover, Anachip gives us a jump-start into standard analog products, which complements our current product offerings. Our research and development efforts continue to provide Diodes with new opportunities and are resulting in new products and establishing Diodes as a technology leader for discrete semiconductors. We anticipate we will continue to grow our share of our served markets in North America, Asia and Europe and are looking forward to taking the company to the next level of success in 2006."

End Markets

Diodes' sales growth continued to be driven by robust demand in Asia, which constituted 65.4% of 2005 revenues compared to 59.1% last year. North America generated 32% of total sales, with Europe contributing 2.6%.

Mark King, Vice President of Sales and Marketing, said: "Asia sales continued to be driven by the computer and consumer sector lead by end equipment, digital audio players and notebook computers. We continued our strong share increase in notebooks during the quarter, and we also showed gains in game consoles and mobile handsets. Lead time lengthened on commodity products in the quarter, and we saw some short-term shortages which resulted in prices continuing to hold firm into the first quarter of 2006."

"Sales from accounts in the United States and built in Asia remained brisk, with good overall design activity. Array designs remained very popular with heightened interest in custom arrays and sustained interest in our PowerDI(TM)123 and PowerDI(TM)5. Distributor inventory was flat for the quarter and remains at a very healthy two-year low, while distributor backlog was strong going into the 2006.

"In Europe, we are realizing the benefits of our expanded distribution platform, with record market share and strong design win activity, including wins on new European branded handsets," said Mr. King.

Additional Financial Highlights

Gross profit for the fourth quarter of 2005 was $21.4 million compared to $18.9 million in the third quarter of 2005, and increased 32.1% over the $16.2 million in the fourth quarter of 2004. Gross margins were slightly improved from the third quarter of 2005 at 34.9% of sales. Compared to the prior-year quarter, gross margin rose by 100 basis points due to an improved product mix, new product revenue expansion and manufacturing cost efficiencies. For the year, gross margin increased 190 basis points to 34.6% from 32.7% last year.

For the quarter, SG&A expenses were $8.8 million, or 14.4% of sales, as compared to $5.4 million, or 11.4% of sales, in the comparable quarter last year. SG&A expenses were up due to performance based incentives and commissions combined with the share grant expense.

Research and development expenses were flat, as a percent of revenues, compared to the third quarter of 2005 at 1.7% and down from fourth quarter 2004 of 1.9%.

Operating income for the fourth quarter increased 17.2% to a record $11.6 million, or 18.8% of sales, compared to $9.9 million for the fourth quarter of 2004. Other income for the fourth quarter of 2005 was $0.8 million, due primarily to interest earned on proceeds from the follow-on offering.

The Company recorded a $2.0 million income tax provision for the fourth quarter for an effective tax rate of 16.5%.

Capital expenditures for the current quarter were $8.4 million and $24.7 million for the full year. Depreciation expense for the quarter was $4.3 million and $16.2 million for the full year.

At December 31, 2005, Diodes had $113.6 million in cash and short-term investments, $146.7 million in working capital and $9.5 million in term debt. For the fiscal 2005, shareholder equity doubled to $225.5 million. Cash from operations was $10.1 million for the quarter and $50.6 million for the year of 2005.

EBITDA for the three months ended December 31, 2005 was $15.8 million, representing an increase of $2.9 million, or 22.1%, from EBITDA of $12.9 million for the three months ended December 31, 2004, and an increase of $1.6 million, or 11.0%, from EBITDA of $14.2 million from the third quarter of 2005. EBITDA for the twelve months ended December 31, 2005 was $56.0 million, representing an increase of $10.1 million, or 22.1%, from EBITDA of $45.9 million for the same period of last year. A reconciliation of this non-GAAP financial measure to the Company's net income is set out in the attached schedule.

Business Outlook

"Heading into 2006, we continue to experience a positive demand environment for our discrete semiconductor products as Diodes becomes increasingly recognized as an innovation leader for discretes. The Anachip acquisition is being integrated as planned and is expanding our product line in analog and mixed signal devices. The contributions from Anachip will be seen in the first quarter of 2006, and will provide an initial foundation for developing analog and mixed signal devices that meet the needs of our global customer base," said Dr. Lu.

"As, a result we expect that first quarter revenues will increase 16-20% sequentially with an increase in gross profit dollars of 8-11%. The gross profit margin on the analog products is currently in the mid-20% range, with the expectation to improve the margin above our discrete product lines as we execute our strategy and realize synergies going forward. SG&A, as a percentage of revenue, should improve compared to the fourth quarter of 2005, offsetting our increased investment in research and development to approximately 2.6% of revenue. In addition, we expect first quarter non-cash stock option expense related to FAS123R to be approximately $1.5 million. For the full year 2006, we expect to continue to outperform the growth of the discrete semiconductor market."

Conference Call

Diodes Incorporated will hold its fourth quarter conference call for all interested persons at 2 p.m. Pacific Time (5 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, 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. 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
CONTACT: Carl Wertz, Chief Financial Officer, Diodes Incorporated (805) 446-4800
e-mail: carl_wertz@diodes.com
or
Crocker Coulson, President, Coffin Communications Group,
(818) 789-0100, e-mail: crocker.coulson@ccgir.com

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

CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2005	2004	2005
Net sales	$ 47,887,000	$ 61,367,000	$ 185,703,000	$ 214,765,000
Cost of goods sold	31,676,000	39,960,000	124,968,000	140,388,000
Gross profit	16,211,000	21,407,000	60,735,000	74,377,000
Selling and general administrative expenses	5,439,000	8,816,000	23,503,000	30,285,000
Research and development expenses	902,000	1,025,000	3,422,000	3,713,000
Loss (gain) on disposal of fixed assets	--	3,000	14,000	(102,000)
Total operating expenses	6,341,000	9,844,000	26,939,000	33,896,000
Income from operations	9,870,000	11,563,000	33,796,000	40,481,000
Other income (expense)				
Interest income	14,000	752,000	28,000	819,000
Interest expense	(164,000)	(132,000)	(665,000)	(598,000)
Other	(385,000)	199,000	(418,000)	406,000
	(535,000)	819,000	(1,055,000)	627,000
Income before income taxes and minority interest	9,335,000	12,382,000	32,741,000	41,108,000
Income tax provision	(1,836,000)	(2,049,000)	(6,514,000)	(6,685,000)
Income before minority interest	7,499,000	10,333,000	26,227,000	34,423,000
Minority interest in joint veture earnings	(170,000)	(292,000)	(676,000)	(1,094,000)
Net income	$ 7,329,000	$ 10,041,000	$ 25,551,000	$ 33,329,000
Earnings per share				
Basic	$ 0.35	$ 0.40	$ 1.27	$ 1.44
Diluted	$ 0.31	$ 0.36	$ 1.10	$ 1.29
Number of shares used in computation				
Basic	20,845,500	25,169,874	20,106,414	23,168,180
Diluted	23,562,000	28,024,223	23,207,157	25,894,384

The accompanying notes are an integral part of these financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	December 31, 2004	December 31, 2005 (unaudited)
CURRENT ASSETS		
Cash and equivalents	$ 18,970,000	$ 73,288,000
Short-term investments	--	40,348,000
Total cash and short-term investments	18,970,000	113,636,000
Accounts receivable		
Customers	38,682,000	48,348,000
Related parties	5,526,000	6,804,000
	44,208,000	55,152,000
Less: Allowance for doubtful receivables	(432,000)	(534,000)
	43,776,000	54,618,000
Inventories	22,238,000	24,611,000
Deferred income taxes, current	2,453,000	2,541,000
Prepaid expenses and other current assets	4,243,000	5,326,000
Prepaid income taxes	406,000	--
Total current assets	92,086,000	200,732,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	60,857,000	68,930,000
DEFERRED INCOME TAXES, non current	7,970,000	8,466,000
OTHER ASSETS		
Equity investment	--	5,872,000
Goodwill	5,090,000	5,090,000
Other	1,798,000	425,000
TOTAL ASSETS	$ 167,801,000	$ 289,515,000

The accompanying notes are an integral part of these financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2004	December 31, 2005 (unaudited)
CURRENT LIABILITIES		
Line of credit	$ 6,167,000	$ 3,000,000
Accounts payable		
Trade	17,274,000	19,290,000
Related parties	3,936,000	7,250,000
Income tax payable	978,000	1,470,000
Accrued liabilities	10,481,000	18,312,000
Current portion of long-term debt		
Related party	2,500,000	--
Other	1,014,000	4,621,000
Current portion of capital lease obligations	165,000	138,000
Total current liabilities	42,515,000	54,081,000
LONG-TERM DEBT, net of current portion		
Related party	1,250,000	--
Other	6,583,000	4,865,000
CAPITAL LEASE OBLIGATIONS, net of current portion	2,172,000	1,618,000
MINORITY INTEREST IN JOINT VENTURE	3,133,000	3,477,000
STOCKHOLDERS' EQUITY		
Preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding		
Common stock - par value $0.66 2/3 per share; 30,000,000 shares authorized; 23,644,901 and 25,258,119 shares issued at December 31, 2004 and December 31, 2005, respectively	15,763,000	16,839,000
Additional paid-in capital	16,262,000	94,664,000
Retained earnings	81,330,000	114,659,000
	113,355,000	226,162,000
Less:		
Treasury stock - 2,420,262 and no shares of common stock, at cost, at 2004 and 2005, respectively	(1,782,000)	0
Accumulated other comprehensive gain (loss)	575,000	(688,000)
	(1,207,000)	(688,000)
Total stockholders' equity	112,148,000	225,474,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	167,801,000	289,515,000

The accompanying notes are an integral part of these financial statements.

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:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in thousands)	2004	2005	2004	2005
Net Income	$ 7,329	$ 10,041	$ 25,551	$ 33,329
Plus:				
Interest expense, net	150	(620)	637	(221)
Income tax provision	1,836	2,049	6,514	6,685
Depreciation and amortization	3,631	4,341	13,173	16,228
EBITDA	$ 12,946	$ 15,811	$ 45,875	$ 56,021

Diodes Fourth Quarter 2005 Conference Call
Participants: Dr. Keh-Shew Lu, Carl Wertz & Mark King

Introduction: Crocker Coulson, CCG

Good afternoon and welcome to Diodes' fourth quarter 2005 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 February 6, 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 excited about our outstanding performance in the fourth quarter and for the entire 2005 year. Diodes' market share again hit a new high in the quarter, and we continued to outperform the discrete semiconductor segment and the overall semiconductor industry.

Here are major earnings highlights we published this afternoon:

- o Fourth quarter revenues increased by 28.1% over the year-ago quarter to $61.4 million.

- o New product revenue reached 15.6% of total sales.

- o Gross margin increased 100 basis points to 34.9% versus the same period a year ago.

- o Operating income increased 17% to $11.6 million.

- o And, net income for the quarter rose 36.8% to a record $10 million.

I think we can all agree that these are exceptional results, and reflect the combination of favorable demand environment with a proven business strategy and great execution by our team here at Diodes.

For the full year, we posted the following record results:

- Record revenues of $214.8 million, an increase of 15.6% from 2004

- Gross margins were 34.6% compared to 32.7% in 2004

- Record net income of $33.3 million--an increase of 30% compared to a year ago

Our long-term strategic vision is to achieve sustained profitable growth by leveraging our innovative discrete component technology and take advantage of adjacent product opportunities, including the standard linear analog and mixed signal technologies. We are putting our strategy into action by aggressively introducing new products, leveraging our strengths in next-generation multi-chip devices, distinguishing ourselves through our intense customer service, expanding our manufacturing capacity, and pursuing strategic acquisitions.

This business strategy is being successfully executed.

- We are continuing with our investments in R&D of next-generation technologies. With a number of important new packaging platforms introduced during 2005, we are seeing these translate in to strong design wins and new product revenues, enhancing our margins and profitability.

- We also continue to pursue and achieve manufacturing excellence. Last month, two of our manufacturing facilities in China were awarded ISO's TS16949 certification. This certification represents an automotive industry-recognized level of quality, and it provides customers with added confidence in their decision to partner with Diodes.

- We remain prudent and financially disciplined in maintaining operating costs, maximizing cash through our working capital management, and deploying capital in the best interest of our shareholders.

For fiscal 2005, we generated strong cash flow on robust revenues and improved profit margins. Our balance sheet is very strong with $114 million in cash and short-term investments and total debt-to-equity of 28.4%. In addition to the $5 million at the end of December, we have used $25 million of our cash in the first quarter of 2006 to close the acquisition.

When we went out to meet with investors for our secondary offering, we made it clear that acquisitions would be an important element of our strategy to expand our addressable markets. We also said that our initial focus would be on standard linear product that would leverage our strengths in cost efficient packaging and enables us to rapidly build share with our existing customer base.

The acquisition of Anachip, which closed on January 10th of this year, fits in the center of this strategy. Anachip's main product focus is Power Management ICs. The analog devices they produce are used in LCD monitor/TV's, wireless LAN 802.11 access points, brushless DC motor fans, portable DVD players, datacom devices, ADSL modems, TV/satellite set-top boxes, and power supplies. They bring an excellent design team with strong capabilities in a range of targeted analog and power management technologies.

This acquisition also shows our disciplined approach to making acquisitions. Diodes paid approximately $30 million to acquire Anachip, which had revenues of approximately $35 million in power management in 2005. Again, this acquisition will be accretive for 2006.

What's more, we see significant synergies to be obtained as we integrate Anachip with our operations. This includes growth opportunities from offering their devices to our global customer base and significant cost synergies as we integrate into our operations.

This is the first of our acquisitions that will enable us to accelerate our organic growth while leveraging our innovative discrete component technology, our world-class packaging capabilities and our sales and marketing channels. Last quarter, I told you that you could expect to see our first analog product come to market in the first half of 2006, with meaningful revenues in the second half of the year. The acquisition of Anachip puts us significantly ahead of schedule, and will generate significant analog revenues for Diodes in the first quarter of this year. I plan on providing more details about our exciting product road map in the quarters to come.

In summary, Diodes had an outstanding year in 2005 and we see even greater horizons before us in 2006. We have an excellent, disciplined team in place and I am very pleased to be able to make a contribution to the Company's success. With that, I'm going to turn it over to Carl to discuss the financials in more detail.

4Q05 Financials: Carl Wertz

Thanks, Dr. Lu, and good afternoon everyone.

Fourth quarter revenues were significantly stronger than expected, as Diodes continued to gain share in an improving market. And our net income continued to set new records.

- Revenues for 4Q were $61.4 million, an increase of 28.1% from the same period last year. On a sequential basis our revenue rose 13.2% from our record third quarter sales of $54.2 million. New product sales were 15.6% of revenue compared to 14.1% in the previous quarter.

- Gross margin was 34.9%, for the quarter, and up 100 basis points from the fourth quarter of 2004. This was primarily due to an improved product mix.

- For the quarter, Selling, General & Administrative expenses were $8.8 million, or 14.4% of sales, compared to $5.4 million or 11.4% of sales in the last year's fourth quarter. The SG&A primarily reflects the share grant expense, performance based incentives, and sales commissions.

- Research and development investment was slightly over $1 million, or 1.7% of revenues, for the quarter. On a percentage of sales basis, this was in-line compared the third quarter's 1.7%, or $938,000 and down on a percentage of sales basis, from a year ago when we reported $902,000, or 1.9% of revenues, as our revenue growth outpaced the R&D investment.

- Operating income rose 17.2% to $11.6 million, or 18.8% of sales, from $9.9 million, in the year-ago quarter.

- Depreciation was $4.3 million for the quarter and $16.2 million for the year.

- EBITDA for the quarter was $15.8 million and $56.0 million for the year.

- Our effective income tax rate in the fourth quarter was 16.5%, compared to 15.7% last quarter. In the fourth quarter of 2005, we repatriated $24 million from our foreign subsidiaries to the U.S. to take advantage of the tax incentives offered under the American Jobs Creation Act.

- o Net income for the fourth quarter reached a record $10 million, or $0.36 per diluted share, up 37.0% from $7.3 million, or $0.31 per share, in the same period last year. This is adjusted for the 3-for-2 stock split on December 1st. On a sequential basis, net income increased 19.8% from $8.4 million, or $0.34 per share in the third quarter of 2005.

- o Turning to the balance sheet, we had $114 million in cash and short-term investments and $150 million in working capital as of December 31, 2005. Keep in mind we used approximately $30 million to close the Anachip acquisition, so this will have to be taken into account when projecting interest income going forward.

At the end of the quarter, we had $9.5 million in term debt, as compared to $11.3 million at the beginning of the year. Our total debt balance is $12.5 million, down from $17.5 million a year ago, and our total debt to equity ratio improved to 28.4% from 49.6% a year ago.

- o Inventories were at $24.6 million, with inventory turns at an improved 6.4 times in the quarter compared to 5.5 times in the third quarter.

- o Days sales outstanding was 83 days in the fourth quarter compared to 82 days in the prior quarter.

- o Capital expenditures were $8.4 million in the fourth quarter and $24.7 million for the full year. This was in line with our objective of meeting increased demand and investing in equipment to increase our manufacturing efficiencies.

- o Our Outlook

As Dr. Lu mentioned earlier, 2005 was an outstanding year highlighted by significant growth at Diodes, based on the combination of relatively favorable market conditions, excellent customer reception to our next-generation devices, and our continued expansion into certain geographic regions and new customers.

Heading into 2006, we continue to experience a positive demand environment for our discrete semiconductor products as Diodes becomes increasingly recognized as an innovation leader for discretes. The Anachip acquisition is being integrated as planned and will enable us to accelerate our expansion into analog and mixed signal devices. The contributions from Anachip will be seen beginning in the first quarter of 2006.

As a result we expect that first quarter revenues will increase 16-20% sequentially with a corresponding gross profit dollar increase of 8-11%. The analog margin is currently in the mid-20% range with the expectation to improve the margin above our discrete product lines as we execute our strategy and realize synergies going forward.

SG&A, as a percentage of revenue, should improve compared to the fourth quarter of 2005, offsetting our increased investment in research and development to approximately 2.6% of revenue.

In addition, we expect first quarter non-cash stock option expense related to FAS123R to be approximately $1.5 million. For the full year 2006, we expect to continue to outperform the growth of the discrete semiconductor market.

As reflected in our guidance, we continue to foresee a positive demand environment heading into 2006 for Diodes' discrete semiconductor products, and believe that our expansion into adjacent categories will be an important new element in delivering profitable growth to our shareholders.

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.

From a sales and marketing perspective, the fourth quarter was very active and successful -- with record sales, strong new product revenues, and robust design win activities. We continue to broaden and deepen our product offerings, employing our latest generation packaging, including the Power DI5, PowerDI 123, SOD523 and array lines, with 21 new part numbers introduced during the quarter spanning eight different product series. Our new DFN platform, introduced in the second quarter of 2005, has been highly successful, with customers seeing strong benefits from the innovative quad flat leadless packaging that combines an ultra-miniature footprint with superior power dissipation. We are also seeing a healthy level of interest in our application specific complex arrays, which combine multiple, disparate discrete technologies into a single, very cost-effective package.

We are very excited about the new analog and power management devices we are able to offer following the acquisition of Anachip and are in the process of finalizing a new product road map that aligns these technologies with our highly efficient packaging capabilities. Our customers and distributors are very receptive to the new products we are now able to offer them, and see these standard linear devices as a great fit with Diodes' value proposition.

We see a lot of opportunities to grow our position on the board with these existing customers in adjacent technologies.

Geographic Breakout
Our market share reached new highs across the globe during the quarter. Asia remains the strongest growth driver accounting for 65% of total revenues, followed by North America at 32%, and 3% of revenues coming from Europe.

In Asia, sales continued to be driven by the computer and consumer sector. We continued our strong share increase in notebooks during the quarter, and we also showed gains in game consoles and mobile handsets. While ASPs for the fourth quarter declined by 15% year-over-year, this was largely offset by declining costs on higher unit volumes. Lead times lengthened on commodity products in the quarter, and we saw some short-term shortage situations in commodity products, and product pricing continues to be stable heading into the first quarter of 2006.

In North America, both OEM and distributor sales were stronger then expected during the quarter. These results were driven by strong OEM demand in the areas of TV set-top boxes and hand- held medical devices. Pricing pressure on commodity products eased. Product lead times have increased for certain commodities and we even saw some transitory shortages on select devices. ASPs were off only 3% year-over-year, and actually increased from Q3 levels. Sales from accounts designed in the U.S. and built in Asia remained brisk, with good overall design win activity. Our array designs remained very popular with heightened interest in custom arrays and continuing strong uptake for devices employing our advanced, proprietary PowerDI123 and PowerDI5 packaging.

Distributor inventory levels were flat for the quarter and remains at a very healthy two-year low, while distributor backlog was strong going into the New Year.

North American wafer sales were also very strong during the fourth quarter, although we expect these trade sales to gradually trend down in future quarters as we continue to transition more of our wafers to internal usage.

In Europe, revenues were up 12% sequentially on record sales in a relatively flat market. We saw the first signs of price stabilization in the quarter on commodity products and some lengthening in lead times from the traditional suppliers. Design activity was quite strong in the quarter, and included wins on new cell phone platforms that should contribute to strengthening our position in Europe over 2006. The expansion of our distributor network over the last year is really beginning to pay off in increased activity and revenues, and we feel very confident about our potential to continue to build share.

Moving to Market Segments...

The biggest driver of our sales was notebooks in our computer and peripherals segment, while digital audio devices were the strongest contributor in our consumer markets segment. For the fourth quarter, our segment breakout was: 38% consumer, 34% computer and peripherals, 17% industrial, 7% telecom and 4% automotive.

Design Wins

Design activity was very strong in the quarter on a broad base of products in all product categories. We continue to see excellent momentum in our PowerDI platforms, our array and our new DFN platform. As a result, we had multiple wins at 58 new or exiting accounts in the quarter.

Notable design wins include:

- PowerDI 5 wins for a DC fan, optical networking equipment, and a Tablet PC

- PowerDI 123 wins in a portable GPS system, PDA, DC Fan, LCD module and two different cell phone platforms. This included a PD123 Zener at major branded European manufacturer.

- Multiple and broad base product wins on three different Set-top box platform and two different LCD TV platforms

- Multiple Array wins in DSL and Cable modem, notebook computer, and the latest game console.

- Performance Schottky wins in a hard disk drive, a game console and notebook computers.

With the addition of Anachip Corporation, we look forward to reporting next quarter on the design progress on standard analog and power management lines. Our investment in R&D continues to grow. And more importantly we are seeing a tremendous yield from this investment in the form of innovative new products, design wins and new product revenue - all of which adds up to improving margins and profitability.

In Summary

We are very pleased with our fourth quarter results, which clearly exceeded our initial expectations.

Orders were strong during the fourth quarter, with book to bill ratio remaining above one. Pricing trends on commodity products have improved. In the discrete segment, we believe that we are positioned in the right markets, with the right products, in order to fully exploit the growth opportunities created by the ongoing miniaturization of computing and consumer electronics devices. We are very well situated with our key accounts in Asia, and see opportunities to grow our share of the European market. Despite a healthy level of investment during 2005, our facilities in China are running at near capacity, and it may be some time before we see a reversal of that trend.

The acquisition of Anachip is a great fit with our existing product portfolio, manufacturing strengths, and customer base.

It puts us ahead of schedule in our plans to enter the analog market and we look forward to reporting meaningful revenues and design win activity for our standard products in the first half of 2006. As Dr. Lu mentioned we expect to realize synergies on both the revenue and the cost side over the next several quarters, which will make this acquisition even more beneficial to our shareholders. As we integrate Anachip's existing products into our packaging facilities, we continue to see a better mix of sales by moving toward higher margined products.

In summary, we see another exciting and growth-oriented year for Diodes in 2006.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instruction]. Your first question comes from Alex Gauna with UBS.

[Q - Alex Gauna]: Hi guys, thank you. I was wondering within the outlook, if you could give a little color on what you except to be happening with your organic business plus breaking out a little bit more detail the Anachip contribution, and also on core gross margins what the trend is here in the near term?

[A]: Okay. Gauna, this is tough to do, let me just answer. We, you know, we really don't want to separate the revenue from our, you know, organic growth and from the Anachip, because due to, you know, we are going to be - have more than just Anachip and therefore, you know, it really don't make sense. But, if at all we might separate the running between the discrete and analog, we would not like to separate from, you know, our DII orbiting its organic growth from the Anachip. As you know, we put it our growth for the next - for this quarter, first Q of 2006. We put it like, we say 16 to 20% growth, and our, you know, I can tell you our organic growth have only few portion you know, its probably comfortable you know, with our last quarter. Some forget we have 7 percent, and then, you know, 13 percent, continued two quarter of growth. And, so, you know, you don't really expect these as our own organic growth, will be pretty in a comfortable will be pretty good. And, then, and on that our Anachip growth, then keep as a total of 16 to 20% revenue growth in 1Q from 4Q.

[Q - Alex Gauna]: Sir, if I understood you correctly, despite, or otherwise, the seasonal softness, you are seeing organic growth continue sequentially into the March quarter, is that correct?

[A]: I think, we say it's comparable to the fourth quarter.

[Q - Alex Gauna]: I got it.

[A]: Okay. And, you know, because we are coming off of a little bit stronger growth in the industry experience over the last two quarters. So, you know, we, you know, traditionally the first quarter is slightly softer than the fourth quarter, but we expect it to be right around parity.

[Q - Alex Gauna]: Okay, very good. And, I am wondering you mentioned major wins in Europe, I believe specifically with the cellphone platforms. How far along are you in terms of securing new design wins in software? What kind of contribution is that making to revenues overall at this point?

[A]: I think, the overall contribution is still pretty low, but, the opportunity and the progress is quite good. You know, we are putting more and more focus on this marketplace, and with the emergence of China as a key design area for this product line will - that plays into our strategy quite well. But, we are making continued progress, but it's, you know, it's slow moving and so forth. So, it's still not a significant part of our revenue.

[A]: And, December, those revenue may not show in the European revenue, and now the design wins down in Europe, many times will be procure - the procurement will be in Asia. And therefore, you know, you may not measure discrete, a major revenue growth in Europe but you are going to see a major, you know, design win activity in the cellphone but European manufactures.

[Q - Alex Gauna]: I got it, very good. And, I was wondering also with regard to Dr. Lu, you mentioned clearly that you are ahead of schedule in your move to analog mix signal with Anachip acquisition. But, could you give us an update, I didn't understand clearly, are you still on track with your core analog developments for product releases in the first half of the year and ramp in the second?

[A]: The answer is yes. We are taking some of the Anachip analog sales, and then try to you know, coding for building our factory in China, at the same time, you know, we try to make sure all the quality meet our requirements, and those was on schedule. And, you are going to see series of a new product analog product announce in the first half of this year.

[A]: There was some overlap in the developments we were working on it and some of the areas they were, and we are also researching some of the product areas that they are not really weren't focused on because of their scale and their ability to compete in those marketplaces, we plan to bring those up very rapidly. So, we have a two pronged approach with that product line.

[Q - Alex Gauna]: Okay, very good thank you congratulations, powerful quarter.

[A]: Thank you.

[A]: Thanks a lot.

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

[Q - Michael Bertz]: Good afternoon gentlemen, nice quarter.

[A]: Thank you.

[A]: Thank you.

[Q - Michael Bertz]: Listen, quick question here then, the increase in R&D into the first quarter here, is it pretty much primarily going to come from, you know, adding Anachip guys or is there some other expense increasing you are seeing from your own efforts like in analog?

[A]: Well, the answer is yes, you know, is coming from Anachip, but, you know, again if we will describe what we have said is SG&A, you know, to put them into the Diodes - and that will offset the increase of the R&D and so some of them could be the, you know, how do you - category the R&D versus SG&A. But the total you know, which deal target our motto you know, we want to be somewhere about 2% to 3 percent. So, even we show our R&D now it's higher than last quarter, which is not really worth us, okay, because that's been with in our which is motto. And then, with the key goal, after the, you know, we acquire Anachip, and with Anachip and then, you know, our new product come out those growth, of the grain menu [ph] will be able to as a percent of R&D will be able to reduce it. Therefore, you know, it is still within our financial motto, of 2 to 3% R&D.

[Q - Michael Bertz]: Okay. Fair enough thanks, Keh-Shew. On the - as you look in the quarters ahead, may be Mark, it is direct question to answer these questions, you look at, you know, the European business, but seems to be improving pretty well, any thoughts about, you know, the target for a percentage of revenue might get from your customers over there business is right for you there?

[A]: Yeah, you know, we were striving to get it to be about 5% of our revenue, but I am looking now between 4 and 5% of our revenue. But, you know, when we add, we throw on the acquisition and we throw on a little bit higher growth than expected in the fourth quarter and it may change. So, I guess between 4 and 5. I think we are running about 3% now. Our progress is good. Hopefully, we continue to have this problem, because we are going to the other regions that much faster. But, I think that the things are going very well there.

[Q - Michael Bertz]: Okay, fair enough. And then, I know we touched on this a little bit and you kind of gave us a sense about, you know, commenting about the core business, you know, basically being flat into the first quarter. But, if we can look back at Anachip just for our purposes modeling-wise, what - do you have an estimate of what they do about in the fourth quarter in terms of revenue?

[A]: I don't have it here. But, you know, I need to put a couple of points here. #1, most of the Anachip customers, before we apply a synergy and before we use it for all major customers, its all centralized in Asia, in China. And, you know, and typically 1Q on them, you know, for those Asian markets typically would be, you know, spread or going down, okay. But, they are lying down; I do not have those - the number in front of me to answer that. But, you know, I think they are probably comparable too.

[Q - Michael Bertz]: Okay, great. And then, thinking about in terms of, you know, gross margins, obviously you talked about them being little bit softer than corporate average right now, but, you know, overtime becoming higher. How should be think about that in terms of your plans for, you know, on a quarterly basis, increasing gross margins for the analog side of the business?

[A]: You know, we can't monitor exactly because we have exact, you know, we have been, you know, we have only been in there since January 10. But, we are packaging synergies; we have customer synergies and so forth. They are very focused on - they only have Asian customers, which is the most competitive market in the world, so the global customer base will help them, the packaging synergies will help a great deal and frankly at, you know, at $35 million a year, they just had no scale. So, we can add some scale in there. So, we see significant opportunities going forward to achieve margins higher than our present margin - run rate.

[A]: If you look at our announcement we just said, after we finished the integration and we apply most of the synergies, we are able to get in gross margins higher than our on discrete gross margin. And, you know, no doubt if you look at most at today they have no packaging capability in themselves. So, they are outsourcing their packaging. #2, you know, their scales. With that kind of scales, you know, even they cannot get the good price, you know, both in the wafer and at the packaging cost. Therefore, if we apply our synergy from the making function and apply to our markets, you know, global market inside of just Asia markets, you are going to see the gross margin shipping improve significantly.

[Q - Michael Bertz]: Okay. Fair enough. Let me just ask if I could be little more direct, you guys have run almost 35% the last couple of quarters here, you know, what - obviously its going to be down, probably reading your numbers that you gave in your release somewhere in the 32 something percent range for the next quarter of your Q1. At what point might we think it would be accretive around 35% range, you know, whether that maybe 3Q or 4Q of this year?

[A]: No, I think it's really difficult for us to forecast that. But, I think you can be comfortable that I think it should start to come back towards that figure starting in the second quarter and advancing throughout the year, weather being [indiscernible]. Remember, we are very focused on gross margin dollars versus gross margin percent. We think it's very dangerous for us to get concerned about the percent. We've got some product lines that we need to roll-out and we need to roll-out in volume that in the initial stages it might be less profitable, but over time become very very profitable to our overall cost structure. So, you know, I think it's just too complex right now for us to model that clear for you at this time.

[Q - Michael Bertz]: Okay.

[A]: We are going to see the profits dollar going to be continuing to improve, you know, because that's what we really focus on.

[Q - Michael Bertz]: Okay, great. And then, one last question, in terms of where you are seeing better traction with the analog and I guess, this is more about, you know, your go-to-market strategy, are you seeing more uptake in the design activity where things are going to distributors or things that you are doing directly with OEMs?

[A]: Again, we are still new in seeing where they are, really the design activity until very recently isall in Asia, okay. And, it's basically been key OEM.

[Q - Michael Bertz]: Okay.

[A]: Okay. And, many of - there is already a significant overlap in our customer base, okay withthere key OEM and in our core end equipments. But, we have some other areas where we focus more then we can add value very rapidly in that marketplace. But, it will take us sometime togenerate the design wins at the global customer base.

[Q - Michael Bertz]: Okay, great. Thanks guys, congratulations.

[A]: Thank you.

[A]: Thank you.Operator: Your next question comes from Ramesh Misra with C.E. Unterberg.

[Q - Ramesh Misra]: Good evening everyone.

[A]: Hi.

[Q - Ramesh Misra]: On Anachip, what foundry are they using?

[A]: Well, they are using different foundries; you are talking about wafer fabs, right?

[A]: Yes, correct.

[A]: They are using different ones, okay, they used in charter before and then they used in LAC [ph] and the break even try to go to PSMC [ph].

[Q - Ramesh Misra]: Okay.

[A - Keh-Shew Lu]: So, they use in different kinds of functions.

[Q - Ramesh Misra]: So, would you be able to pull that into your Kansas City facility or do you expect to maintain that at those locations at this time?

[A - Keh-Shew Lu]: No, we could not have any claim at this movement to put in a path. And, youknow, one thing, I think you remember there is when on the row - ratio wise talking about, in mymind, you know, silicon is not really where the value is. And, so my first priority actually try to, you know, see how soon we can roll over those into how many question site, those was really moreimportant and give me a better synergy.

[Q - Ramesh Misra]: Okay.

[A - Keh-Shew Lu]: And, you know, we refer, you know, I have to mention, you know, you are talking about couple of thousand that, you know, 6" inch wafers those in my mind, you know, I think is not priority wise, it's not critical for me. Therefore I probably was intend to, you know, this server have many questions in website at this moment.

[Q - Ramesh Misra]: Okay. Now, In terms of your capacity at, you know, Shanghai facility that seems to be running pretty full. How do you see capacity ramping up over there in terms of being able to accommodate Anachip? I suppose, right now, Anachip has also been using an external back-end, some other back-end facility, right?

[A - Keh-Shew Lu]: You are right, you are correct. Right now they all outsourced, you know, they know low internal packaging capability, therefore they are outsourcing their packaging. And, but you know, come together our last quarter 4Q, you know, every quarter, we are putting capital recommend in our channel fair, much on our packaging facility. Therefore, you know, we will not back capacity, we will meet our integrations.

[Q - Ramesh Misra]: Thank you.

[A - Keh-Shew Lu]: We will continue putting, you know, our CapEx into China to support this ramp up, you know, this consolidations.

[Q - Ramesh Misra]: I see...

[A - Keh-Shew Lu]: And, you look at that, you know, even last year, we continue putting the money so we will continue do the DCF [ph].

[Q - Ramesh Misra]: Great.

[A]: May sell it - you know, many of these packages that Anachip uses in their product line, we already have. And, then in the fourth quarter of last year, we have mentioned that we were adding too, because either we bought them or didn't buy we need to those two packages. So, we added SLIC and stock 223 [ph] in the fourth quarter into our line. So, we are well....

[A - Keh-Shew Lu]: We put in the development.

[A]: Yeah, in development.

[A - Keh-Shew Lu]: The development is a SL-8 [ph] okay, which is the linear type of packaging, 18SL [ph] package. So, in last December - last year fourth quarter, we quick off that development, okay. And, we would try to qualify, you know, probably first half, not probably, which we try to quantify, if one key - first perhaps on DCA.

[Q - Ramesh Misra]: Okay.

[A - Keh-Shew Lu]: And, then we are able to support in Anachips integration.

[Q - Ramesh Misra]: Okay. So, Dr. Lu is it safe to assume that most of the backbend packaging of Anachip will get transferred over to FKE [ph] well in the next two quarters or so?

[A - Keh-Shew Lu]: No.

[Q - Ramesh Misra]: No.

[A]: You know, as we are going to do our best to integrate into our China packaging facility.

[Q - Ramesh Misra]: Okay.

[A]: But again, you know, we are going to be very focused on where the most cost saving is going to be and if there are certain lines that we want to move over, that's where we will put the capital expenditures and we will move it over.

[Q - Ramesh Misra]: Okay.

[A]: And, currently we have no issues on, you know, getting that contract right now, but the goal is to bring the manufacturing profit about, just like we have done with our expansion in China to beginwith.

[Q - Ramesh Misra]: Great, Okay. And then one last question, sorry go ahead.

[A - Keh-Shew Lu]: Not all the packages in a chip used, we had the capability.

[A]: But, majority of it's...

[A]: Our intent is to bring over to China.

[A - Keh-Shew Lu]: That's right.

[A]: But, we don't if it's going to be third, fourth or which quarter is coming and ultimately end of the year.

[A - Keh-Shew Lu]: We will take a time.

[Q - Ramesh Misra]: Okay, got it. And then, just one final very quick question, your R&D increase in Q1, is that mostly because of Anachip or is that also a part of the original plan within the rest about?

[A - Keh-Shew Lu]: It's majority is leading, I can say its coming for energy.

[Q - Ramesh Misra]: I see, okay, all right. Thanks very much and congratulations on that greatguidance.

[A - Keh-Shew Lu]: Thank you.

[Q - Ramesh Misra]: Okay.

Operator: Your next question comes from Gary Mobley with A.G. Edwards.

[Q - Gary Mobley]: Hi guys.

[A]: Hi Gary.

[A]: Hi.

[Q - Gary Mobley]: How should we think about the growth rate of Anachip versus the it linear analog market you are looking back and then looking forward as well?

[A]: I think Gary you can ask to give us a couple more quarters to analyze that.

[Q - Gary Mobley]: Okay, which you may you may know what it was, you know, looking back in time, was it at par to the overall market?

[A]: The last half of 2005 was pretty strong for them.

[A]: Yeah, well, you know, don't - if you got exact Anachip history, you know, Anachip has not really preformed very well in the past. And they just gradually improved their performance last year. So, like Carl said, second half when I see it, they were pretty good.

[Q - Gary Mobley]: Sure. And...

[A]: You know pretty good performance. And if we bid it, you know, that's the reason we want to buy it, we bid it, we kept another barrier [ph] to it, okay. Their problem is, there was all hornet [ph] in China market, in Taiwan, in Asia market, and we did it with our, you know, global customer base and with our capability up and supportive. We should be able to help them to grow their revenue [indiscernible]. So, I am more looking, you know, back to - you know looking at in the future, I am not worried too much about in the past, because we all know their problem and we all know those problem, it's like our you know, our advantage to solve that problem, and that's the reason we purchased this company.

[Q - Gary Mobley]: Sure. Now, would it be foolish to simply extrapolate out about $11 million in potential quarterly per quarter contribution from Anachip out for the full year?

[A]: I am sorry, what's the question?

[Q - Gary Mobley]: Now, your - inside Anachip guidance, roughly $11 million for the quarter and would it be foolish just to simply extrapolate that out for the balance of the year?

[A]: Hopefully, we continue to get some sequentially growth out of it. But, more important, even it stays relatively constant, we want to get some more of that manufacturing margin.

[A]: So, we talk manufacturers margin Dollars. And, Gary you have known us for long time, you know, that we go after the most aggressive revenue we can give and we've outperformed the discretes 2X. But, I have a feeling Dr. Lu is not going to let us sit down just let us to one times excellent.

[Q - Gary Mobley]: So, I am going to tell you, you know, #1 we are not looking at gross margin percent. But, from gross data point of view, our expense may continue to contribute due to two, one could be the gross from the revenue and one could be our growth from the synergies. So, I would not take it as that important that same you know, 8 to 10% and then just stay there, no way. But, we will continue, try the investor gross margin dollar increase.

[Q - Gary Mobley]: Okay. And Mark, the pricing resilience that you guys have seen in the past few months, how sustainable do you think that is? And, when would you expect it to turn downward - hit the normal, you know, 5 to 6% annual rate?

[A - Mark King]: Well, I kind of have a philosophy on it. We believe that quite honestly that there has been an under-investment in packaging for some time now. And, every time we see just a little bit of growth in the marketplace, we hit the ceiling on the packaging. So, I am not sure how long it can be sustained. But, we are seeing - at the end of the year, we did see some people running into some difficulties supporting their customer base in these areas. And, I think if you look at the CapEx expenditures for these type of devices and packages throughout the world, I think you will see that, you know, it could go on for some period of time. People are very careful about investing in these areas. So, if you can look at our growth in units, you can see that - I think we have not corrected our strategy so far. So, I expect it to continue.

[Q - Gary Mobley]: Okay. And, Carl, last question for you. What would you expect you GAAP tax rate to be for the first quarter and for the balance of the year?

[A - Carl Wertz]: That's always a tough one to forecast. You know, it's fluctuating between the 17 to 16 to 15 range, up and down. I think we are modeling it somewhere in the 16% range, is probably a safe estimate.

[Q - Gary Mobley]: But, with FAS 123(R) in there, it should go up, right?

[A - Carl Wertz]: It will go up some, yes. And, quite frankly, we are in the process of having that model done by an outside consulting firm. So, we are not exactly sure what the tax effect will be on that.

[Q - Gary Mobley]: Okay. But, figure the Pro-Forma rate around the high-teen percent?

[A - Carl Wertz]: Yeah. I would figure, you know, 16 to 18% range.

[Q - Gary Mobley]: Okay. Very good. Thank you, guys.

Operator: Your next question comes from Steve Smigie with Raymond James.

[Q - Steven Smigie]: Great. Thank you. Congratulations on a very nice quarter.

[A]: Thank you.

[A]: Thank you.

[Q - Steven Smigie]: My first question is, how far are you in the integration process and how long do you get everything integrated? I guess sort of a follow-on to that is, do you do another acquisition in 2006 or does it take you a while to digest the existing one?

[A]: Okay. Number one, you know, how far - what integration? You know me. I don't have much patience. The integration for sales and marketing is already done.

[Q - Steven Smigie]: Okay.

[A]: Okay? After we announce it or after we close it, in the next couple of days, we order sales and marketing people integrate with our sales marketing people before the Chinese New Year. Okay? And, then, you know, for - we are start working on the packages. This will, you know, Joe said this already in a chip before the Chinese New Year, probably two day after the closing to look at their packaging requirement and see what we can do. Okay? And markets always start talking to their guys, try to see how to we pick those product to sell in our global market our customer base. So, integration has already started. Now, when they are going to complete? It will depend on, you know, if you are depend on packaging, it take a while. Okay? If you are talking about, you know, announced new product, yeah, again, we are on the way to announce the new product. And so, I don't know what do you want to build if you want to complete, but I can tell you, you want to see those senior - we already said, we are going to see those synergy, majority seniority contribution, before end of the year we should see most of the synergy.

[Q - Steven Smigie]: Okay.

[A]: But, it is a complicated, it's no and no and this is not, you know, they are all one kind of things that our business is continued improvement, very difficult to say when it will be completed, but it's always starting.

[Q - Steven Smigie]: As you say, Jayor [ph] has been very busy.

[A]: You know me. Okay, and what's your next question?

[Q - Steven Smigie]: How quickly can you get through another acquisition, is that sort of how you are thinking? I am just trying to push you, it just seems, you know, as you pointed out, you are not willing to rest, so is there another one coming or...?

[A]: Well, let me put these, where I see we want to careful, because our resource is more in the power resource, because to get it acquired and then to integrate and to get it stabilized, it take a time. Okay. So, you know, depend on how big next deal is. I probably will agree to make a big deal at the first quarter, I mean, first half this year, the first half this year if I would do it, it will be smaller one.....

[Q - Steven Smigie]: Right.

[A]: Now, any major one probably, you know, probably second half or may be 2007, depend on opportunity, we are not. We don't want to rush into make a big deal. You know, I continually open my eyes, open my mind, looking that deeper opportunity and then whenever you get the right deal, raw opportunity, meet with our strategy, meet with our synergy requirement, meet with our criteria, then we are not hesitate to take an action.

[Q - Steven Smigie]: Okay, great. Question on option expense, the guidance that you gave, I assume that's the pro forma guidance and then the option expense guidance you gave would take earnings down separate from that?

[A]: Correct.

[A]: All right.

[Q - Steven Smigie]: That's going to be...

[A]: Well, it's going to be, you know, FASB earnings come first quarter, but that will be - for the first time in Diode's history a pro forma of statement that will show you the breakout between what there was before and after.

[Q - Steven Smigie]: Okay. Okay, and last question is just, in terms of - going back with acquisition, in terms of the synergies, obviously that the gross margins and the revenue synergies that you talked about, I think you already talked a little bit about what's happening in R&D but is there something else to happens with SG&A there, I mean there are certainly redundant capacities, you know, other stuff to come out yet, how does that work?

[A]: Steve, there is definitely going to be some SG&A synergies there too

[Q - Steven Smigie]: Okay.

[A]: As we mentioned, there are same sales, we are merging the sales teams together with same customer base, but we are not looking to necessarily cut people as we grow, we are going to lead more people anyway.

[Q - Steven Smigie]: Okay.

[A]: Let me - I'll let Mark or Dr....

[A - Mark King]: Let me answer this one, you know, we buy the company not just to put [indiscernible] we are buying that company because they have a design and community product, I mean they have a team, an engineer team. So, from that point of view we are not going to help sales anybody, right. Those - you know, we may need to be upgrade the people's capability, but we are not going to cut that those R&D.

[Q - Steven Smigie]: Okay.

[A - Mark King]: From their aspect let's enough. Now, sales and marketing - market care, I tell you on that, because we are a consultant.

[A]: In all reality in the expensive markets we did not have a significant amount of overlaps, we were able to consolidate that easily. In the Asian market place we've been trying to expand our sales force dramatically, so we are going to look at it that we just have more opportunities to call on more customers. So in the acquisition we gained sales and applications very small group in Korea, we've been trying to put that in place for years. Okay, so we just think we're going to able to spread our wings a little bit more and move in, actually now in the sales area, between sales and application in China now we have 60 people on the street.

[A]: Yeah.

[A]: So we should be able to really be able to broaden the accounts of that we can call on. And we think that that's a better approach rather than cutting people, we just need to grow sales more.

[A]: And, in there, we might to need to get a bigger space. Actually in the channel you know, we are looking for - if we were to consolidate altogether into the same buildings. So, we may need to come on, you know, get a bigger space. So, anyway we are on the expansion mode so, we are not really going to look and just they are the people scale [indiscernible] that's not our strategy anyway.

[Q - Steven Smigie]: Okay. Great, thank you very much.

[A]: Okay. But that's the percent, you know, it will be improved because when revenue start growing, you know, as a percent it will be improved.

[Q - Steven Smigie]: Okay.

[A]: Okay.

[A]: Next.

Operator: Your next question comes from Andrew Root with OTA Access [ph].

[Q - Andrew Root]: Thank you. Just a couple of quick questions, do you have a CapEx and depreciation - do you have CapEx, depreciation estimates for 2006?

[A]: Well, I can give you some CapEx guidance what we try to do since, you know, we are continuing expanding our assembly capability and capacity in China. Okay, and to support the Anachip and, you know, come out more new capacity for the [indiscernible] type of product, you know, we are still holding our CapEx expenditure somewhere around 10% to 12% of our revenue. Now, where it is depend on the market. For example, if second half of this year were to start a market it's not as good as what we are looking at then we sure will cut it back. But, we spend it when we see the capacity. You know, I think in the road show I talked to everybody, I say for assembly capacity is very easy and very short lead time to put in press. You know, all you really need to do is go one more floor and then buy some equipment, you know, in a couple months. You should be able to get the capacity you needed. So, therefore, we can easily adjust our CapEx expenditure, okay, according to the market requirement. Right now, we try to do with somewhere around 10 to 12% of our revenues.

[Q - Andrew Root]: [indiscernible] is running around 6% revenue right now?

[A]: No, no. We are running about 6.5, depreciation?

[Q - Andrew Root]: Depreciation?

[A]: I don't know, let me see. About 7 percent

[Q - Andrew Root]: Yeah. Is that is a good number to use for next year or is it more of a fixed number?

[A]: I am sorry what was the question?

[Q - Andrew Root]: What's the depreciation forecast for `06?

[A]: Well, we had 16 - little over 16 for the whole year. So, probably somewhere between 18 and 18.5 I would estimate. It is hard to tell. I do not have all the numbers in front of me being over in London but it will sum that will become fully depreciated during that year or two, so I am not sure exactly what the amount is?

[Q - Andrew Root]: Yes, it's not precise, that is fine.

[A]: Okay.

[Q - Andrew Root]: The second question is, I know you mentioned that seasonally, you know, you said growth would be down, but by looking at the last 10 years, you only ever had one March quarter where you were down 1% and the average increase was actually 5.4 percent. So, the flat guidance and the street was actually modeling up three for organic, I am just wondering the flat guidance seems to be, you know, few points softer than what I was guessing, is it conservatism or can you give little more color on that?

[A]: Yeah, I think we just had a pretty exceptional second half of the year.

[Q - Andrew Root]: Okay.

[A]: And we are coming off of 6 out of 8 record quarters, okay. And so, you know, we are up - you know, I mean if you look at the industry and you look at what people have said, you know, we are anywhere between 2 to 3 x, our first quarter is projected over what their growth is over their first quarter of last year. So, I think, we might just be a little bit ahead of our self. So, you know, we want a - we, you know, I think we just need to be careful and conservative on guiding up.

[Q - Andrew Root]: Now that makes complete sense. I appreciate it.

[A]: Okay.

[Q - Andrew Root]: Thank you.

[A]: Thank you.

Operator: At this time there are no further questions.

Company Representative

Okay. Thank you very much. That will be the conclusion of today's conference call. Thank you.

Company Representative

Thank you.

Company Representative

Thanks everybody. Talk to you next quarter. Operator: You may now disconnect.