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

November 6, 2008
Date of Report (Date of earliest event reported)

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

Delaware	**002-25577**	**95-2039518**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

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

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 6, 2008, Diodes Incorporated issued a press release announcing third quarter 2008 results. A copy of the press release is attached as Exhibit 99.1.

On November 6, 2008, Diodes Incorporated hosted a conference call to discuss its third quarter 2008 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 November 6, 2008, 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, 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. In the press release, we have provided definitions of the non-GAAP financial measures, together with an explanation of why management uses these measures and why management believes that these non-GAAP financial measures are useful to investors. In addition, in our press release we have provided tables to reconcile the non-GAAP financial measures utilized to GAAP financial measures.

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: November 7, 2008

DIODES INCORPORATED

By: /s/ Carl C. Wertz
CARL C. WERTZ
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated November 6, 2008
99.2	Conference call script dated November 6, 2008
99.3	Question and answer transcript dated November 6, 2008

Diodes Incorporated Reports Third Quarter 2008 Financial Results

Achieves Record Quarterly Revenue of $134.0 Million

Dallas, Texas — November 6, 2008 —— 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 third quarter ended September 30, 2008. In the third quarter, Diodes made the required preliminary estimate of the purchase accounting impact of the Zetex acquisition in its GAAP financials. The impact of the purchase accounting is identified for comparison purposes.

Financial and Business Highlights:

- **Revenue increased 27 percent to a record $134.0 million, including a full quarter of Zetex results;**
- **GAAP EPS of ($0.07), including $14.8 million, or $0.34 per share in non-cash purchase price accounting charges related to the Zetex acquisition;**
- **Adjusted Non-GAAP EPS, excluding purchase price adjustments and SFAS 123R stock option expense, of $0.29;**
- **Cash generated from operations of $13.5 million.**

Revenue for the third quarter of 2008 increased 27.3 percent to a record $134.0 million as compared to $105.3 million reported in the third quarter of 2007 and increased 15.5 percent when compared to $116.0 million reported in the second quarter of 2008, which included one month of Zetex results.

Gross profit for the third quarter of 2008, which included $5.4 million of non-cash purchase price adjustments related to the Zetex acquisition, was $38.1 million, or 28.4 percent of revenue. Excluding the non-cash purchase price adjustments, gross margin was 32.5 percent as compared to 34.1 percent in second quarter of 2008 with the decrease primarily due to lower capacity utilization in manufacturing operations as a result of market conditions and a reduction of finished goods inventory.

Commenting on the quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said, “The third quarter represented our first full quarter of operations with Zetex, and our integration efforts remain on track and have been progressing well throughout the quarter. Due to current and future expectations for the overall economy, we have identified a number of expense reduction opportunities to optimize our cost structure across the organization. These initiatives include accelerating our plan to integrate the Zetex products into our manufacturing facilities, reducing manufacturing process and raw material costs as well as realigning our product development and wafer fabrication organizations, including a shut-down of our 4-inch fab line in Oldham, headcount reductions at our wafer fab in Kansas City and a hiring freeze at all other locations.”

Third quarter GAAP net loss was $2.9 million, or ($0.07) per share, which included $14.8 million in net purchase price adjustments, consisting of a one-time non-cash $5.2 million inventory charge, a $0.2 million non-cash depreciation expense, a $7.9 million one-time non-cash write-off of acquired in-process research and development charges and $1.6 million in amortization of acquisition related intangible assets. Excluding the acquisition charges, adjusted non-GAAP net income was $11.9 million, or $0.27 per share.

Adjusted net income computed on a non-GAAP basis for the third quarter of 2008, which excluded approximately $600,000 of SFAS 123R net stock option expenses and the acquisition charges, was $12.5 million, or $0.29 per diluted share. Beginning in the fourth quarter of 2008, Diodes intends to change its reporting policy regarding SFAS 123R net stock option expenses, which will be included in adjusted net income in future quarters.

As of September 30, 2008, Diodes had approximately $82.7 million in total cash, $285 million in long-term investments (representing $320 million of auction rate securities at par value), $201 million in working capital and $400 million in long-term debt (including the convertible notes).

Business Outlook

Dr. Lu concluded, “For the fourth quarter of 2008, we expect market uncertainty to continue with an ongoing decrease in global demand, in particular for the consumer and computer markets, and estimate revenue to decline sequentially between 12 and 20 percent. We expect GAAP earnings per share to range between $0.07 and $0.13, which includes approximately $0.03 of purchase price accounting adjustments. Non-GAAP earnings per share is expected to range between $0.10 and $0.16, which includes SFAS 123R stock option expenses. Overall, we continue to execute on the strategy that has proven successful for Diodes over the years. We are confident that our acquisition of Zetex will continue to add significant value to our business as we further capitalize on the cross-selling opportunities and diversification benefits that the acquisition offers our Company. Although the economy creates a more challenging environment for all businesses, we remain focused on our growth strategy. We will continue to invest in research and development to drive organic growth and believe that over the long-term Diodes is in a better position for growth than ever before. Our design activity has never been higher, which we believe positions the Company for accelerated growth as the economy improves.”

Conference Call

Diodes will host a conference call on Thursday, November 6, 2008 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time) to discuss its third quarter 2008 financial results. Investors and analysts may join the conference call by dialing 1-866-825-3354 and providing the confirmation code 59792441. International callers may join the teleconference by dialing 1-617-213-8063. A telephone replay of the call will be available approximately two hours after the call and will be available until November 10, 2008 at midnight Pacific Time. The replay number is 1-888-286-8010 with a pass code of 76477632. 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: our integration efforts with Zetex remain on track; our future expectations for the overall economy; number of expense reduction opportunities the Companies identified to optimize our cost structure, including, but not limited to, accelerating the Company's plan to integrate the Zetex products into the Company's manufacturing facilities, reducing manufacturing process and raw material costs, realigning the Company's product development and wafer fabrication organizations, shutting down the Company's 4-inch fab line in Oldham, reducing headcounts at the Company's wafer fab in Kansas City, hiring freeze at all other locations; the Company's intention to change its reporting policy regarding SFAS 123R net stock option expenses to include it in adjusted net income in future quarters; the Company's expectation of market uncertainty to continue with an ongoing decrease in global demand, in particular for the consumer and computer markets; the Company's estimation of a revenue decline sequentially between 12 and 20 percent; the Company's expectation that GAAP earnings per share to range between $0.07 and $0.13, including approximately $0.03 of purchase price accounting adjustments; the Company's expectation that the non-GAAP earnings per share to range between $0.10 and $0.16, including SFAS 123R stock option expenses; the Company's expectation to continue successfully execute its business strategy; the Company's expectation that its Zetex acquisition will continue to add significant value to the Company's business and will further capitalize on the cross-selling opportunities and diversification benefits to the Company; the Company to remain focused on its growth strategy; the Company's continued efforts to invest in research and development to drive organic growth; the Company's continued belief of a better position for growth of the Company in the long-term; the Company's expectation to continue to have high design activities that will accelerate growth of the Company in an improved economic environment. Potential risks and uncertainties include, but are not limited to, such factors as the Company's business strategy, the introduction and market reception to new product announcements, fluctuations in product demand and supply, current global economic weakness, recession and financial uncertainty, the exclusion of the operations of Zetex from the Company's 2008 internal control over financial reporting, the process of integrating Zetex into the Company's internal control over financial reporting, known and unknown risks associated with the Company's Zetex acquisition, the continue introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, successful integration of acquired companies and/or assets, the Company's ability to successfully make additional acquisitions, risks of domestic and foreign operations, the valuation of the Company's define benefit plans, fluctuations in the United Kingdom's equity markets and bond markets that increase the volatility in the asset value of the Company's define benefit plans, uncertainties in the ARS market, Company's limited liquidity from its ARS portfolio to fund the Company's operations and acquisitions, potential losses in the Company's ARS portfolio, UBS calling the Company's outstanding margin loan, fluctuations in the foreign currency exchange rates, availability of tax credits, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

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 September 30,		Nine months ended September 30,	
	2007	**2008**	2007	**2008**
NET SALES	$ 105,264	**$ 134,047**	$ 293,567	**$ 345,645**
COST OF GOODS SOLD	71,112	**95,929**	199,214	**235,993**
Gross profit	34,152	**38,118**	94,353	**109,652**
OPERATING EXPENSES				
Selling, general and administrative expenses	14,607	**20,914**	40,682	**52,655**
Research and development expenses	3,554	**7,360**	9,654	**16,090**
Amortization of acquisition related intangible assets	—	**1,583**	—	**1,583**
In-process Research and Development	—	**7,865**	—	**7,865**
Restructuring charge	—	**—**	1,771	**-**
Total operating expenses	18,161	**37,722**	52,107	**78,193**
Income from operations	15,991	**396**	42,246	**31,459**
OTHER INCOME (EXPENSES)				
Interest income	4,712	**1,824**	13,031	**9,826**
Interest expense	(1,706)	**(3,291)**	(5,127)	**(7,274)**
Other	(13)	**(897)**	(69)	**(2,394)**
Total other income (expenses)	2,993	**(2,364)**	7,835	**158**
Income (loss) before income taxes and minority interest	18,984	**(1,968)**	50,081	**31,617**
INCOME TAX PROVISION	(2,243)	**(319)**	(7,122)	**(5,315)**
Income (loss) before minority interest	16,741	**(2,287)**	42,959	**26,302**
Minority interest in earnings of joint ventures	(640)	**(659)**	(1,601)	**(1,938)**
NET INCOME (LOSS)	$ 16,101	**$ (2,946)**	$ 41,358	**$ 24,364**
EARNINGS (LOSS) PER SHARE				
Basic	$ 0.40	**$ (0.07)**	$ 1.05	**$ 0.60**
Diluted	$ 0.38	**$ (0.07)**	$ 0.98	**$ 0.57**
Number of shares used in computation				
Basic	39,845	**40,889**	39,430	**40,585**
Diluted	42,445	**40,889**	42,099	**42,746**

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

	Three months ended September 30, 2007	Three months ended September 30, 2008	Nine months ended September 30, 2007	Nine months ended September 30, 2008
Net income (loss) (Per-GAAP)	$ 16,101	**$ (2,946)**	$ 41,358	**$ 24,364**
Adjustments to reconcile net income (loss) to adjusted net income:				
Stock option expense included in cost of goods sold:	59	**7**	219	**112**
Stock option expense included in selling and general administrative expenses:	1,173	**764**	3,680	**2,915**
Stock option expense included in research and development expenses:	112	**69**	355	**280**
Total stock option expense	1,344	**840**	4,254	**3,307**
Inventory valuations and depreciation adjustments (1)	—	**5,388**	—	**5,388**
Amortization of acquisition related intangible assets (2)	—	**1,583**	—	**1,583**
In-process Research and Development	—	**7,865**	—	**7,865**
Restructuring costs	—	**—**	1,770	-
Other adjustments	—	**—**	95	**1,540**
Income tax benefit related to stock option expense, restructuring costs and other adjustments	322	**271**	1,150	**1,445**
Adjusted net income (Non-GAAP)	$ 17,123	**$ 12,459**	$ 46,327	**$ 42,602**
Diluted shares used in computing earnings per share	42,445	**42,927**	42,099	**42,746**
Incremental shares considered to be outstanding:	832	**448**	1,056	**536**
Adjusted diluted shares used in computing Adjusted earnings per share	43,277	**43,375**	43,155	**43,282**
Adjusted earnings per share (Non-GAAP)				
Basic	$ 0.43	**$ 0.30**	$ 1.17	**$ 1.05**
Diluted	$ 0.40	**$ 0.29**	$ 1.07	**$ 0.98**

(1) Includes a $5.2 million adjustment made to the inventory acquired from Zetex under purchase accounting methods from its non-GAAP results, and $0.2 million non-cash depreciation expenses related to Zetex acquisition.

(2) The third quarter charge related to four months of amortization expense, and therefore, we estimate this charge to be approximately $1.2 million a quarter for fiscal year 2009 based on preliminary projections.

ADJUSTED NET INCOME

This measure consists of generally accepted accounting principles, or GAAP, net income, which is then adjusted solely for the purpose of adjusting for restructuring costs, stock option expense, purchase accounting impact on earnings and other adjustments, as discussed below. Excluding the restructuring costs, in-process research and development ("IPR&D") expense, inventory valuations impact on gross profit and margins, stock option expense and other adjustments provides investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations. Excluding the amortization of acquisition-related intangible assets and depreciation impact on gross profit and margins allows for comparison of our current and historic operating performance. We exclude the above items to evaluate our operating performance, to develop budgets, to determine incentive compensation awards and to manage cash expenditures. Presentation of the above non-GAAP measures allows investors to review the Company's results of operations from the same view point as our management and Board of Directors. We have historically provided similar non-GAAP financial measures to provide investors an enhanced understanding of our operations, facilitate investors' analyses and comparisons of our current and past results of operations and provide insight into the prospects of our future performance. We also believe that the non-GAAP measures are useful to investors because they provide additional information that research analysts use to evaluate semiconductor companies. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. We recommend a review of net income on both a non-GAAP basis and GAAP basis be performed to get a comprehensive view of our results. We provide a reconciliation of adjusted net income to GAAP net income below.

Detail of non-GAAP adjustments:

Restructuring Costs — The Company has recorded various restructuring charges to reduce our cost structure to enhance operating effectiveness and improve profitability. These restructuring activities impacted different functional areas of our operations in different locations and were undertaken to meet specific business objectives in light of the facts and circumstances at the time of each restructuring event. These charges include costs related to the consolidation of our analog wafer probe and final test operations from Hsinchu, Taiwan to our manufacturing facilities in Shanghai, China which primarily consisted of termination and severance costs and impairment of fixed assets. These restructuring charges are excluded from management's assessment of our operating performance. We believe that the exclusion of the non-recurring restructuring charges provides investors an enhanced view of the cost structure of our operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

Purchase Accounting Impact on Earnings:

- **Amortization of acquisition-related intangible assets —** The Company has excluded the amortization of Zetex acquisition-related intangible assets including developed technologies, customer relationships and trade name from its non-GAAP results. The fair value of the acquisition-related intangible assets, which was allocated to the assets through purchase accounting, is amortized using straight-line methods which approximate the proportion of future cash flows estimated to be generated each period over the estimated useful lives of the applicable assets. We believe that the exclusion of the amortization expense of acquisition-related assets is appropriate as a significant portion of the purchase price for the acquisition was allocated to the intangible assets that have short lives and exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, we exclude the amortization expense as there is significant variability and unpredictability across companies with respect to this expense.

- **IPR&D expense** - The Company has excluded the non-recurring IPR&D expense, which is non-cash and related to the acquisition of Zetex, from its non-GAAP results. Under GAAP, the Company immediately expensed all the acquired IPR&D as it had not yet reached technological feasibility and had no alternative further use as of the date of acquisition. This adjustment to R&D expense is not recurring in nature and as such we believe that the exclusion of this adjustment provides investors useful information facilitating an understanding of earnings as this impact reduces our earnings to amounts lower than we have historically achieved and expect to achieve in the future.

- **Inventory valuations and depreciation adjustments** - The Company has excluded the $5.4 million inventory valuation and depreciation adjustments. Under GAAP, the Company adjusted the inventory acquired from Zetex to account for the reasonable profit allowance for the selling effort on finished goods inventory and the reasonable profit allowance for the completing and selling effort on the work—in-process inventory. This non-cash adjustment to inventory is not recurring in nature and as such we believe that the exclusion of this adjustment provides investors useful information facilitating an understanding of our gross profit and margins as this impact reduces our gross profit and margins to percentages lower than we have historically achieved and expect to achieve in the future. The exclusion of the depreciation expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, we exclude the deprecation expense as there is significant variability and unpredictability across companies with respect to this expense.

Other Adjustments — The Company incurred a one-time non-cash currency hedge loss related to the Zetex acquisition in the second quarter of 2008. This currency hedge loss is excluded from management's assessment of our operating performance for the first nine months of 2008. We believe that the exclusion of the non-recurring currency hedge loss provides investors an enhanced view of the one-time other adjustments that the Company may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such charges.

Stock Option Expense — Historically, the Company excluded the non-cash stock option expense adjustments as it provided investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations. Upon further review of its non-GAAP adjustments, the Company has concluded it will no longer adjust for stock option expense as it is recurring in nature starting in the fourth quarter of 2008.

ADJUSTED EARNINGS PER SHARE

This non-GAAP financial measure is the portion of the Company's GAAP net income assigned to each share of stock, excluding restructuring costs, stock option expense, purchase accounting impact on earnings and other adjustments, as described above. Excluding the restructuring costs, IPR&D expense, inventory valuations impact on gross profit and margins, stock option expense and other adjustments provides investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations, as described in further detail above. Excluding the amortization of acquisition-related intangible assets and depreciation impact on gross profit and margins allows for comparison of our current and historic operating performance, as described in further detail above. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. We recommend a review of diluted EPS on both a non-GAAP basis and GAAP basis be performed to get a comprehensive view of our results. Information on how these share calculations are made is included in the table above.

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 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 generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not consider certain cash requirements such as a tax and debt service payments.

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

	Three Months Ended September 30,	
	2007	**2008**
Net Income (loss) (Per-GAAP)	$ 16,101	**$ (2,946)**
Plus:		
Interest expense (income), net	(3,005)	**1,467**
Income tax provision	2,243	**319**
Depreciation and amortization	7,080	**20,602**
EBITDA (Non-GAAP)	$ 22,419	**$ 19,442**

	Nine Months Ended September 30,	
	2007	**2008**
Net Income (Per-GAAP)	$ 41,359	**$ 24,364**
Plus:		
Interest expense (income), net	(7,905)	**(2,552)**
Income tax provision	7,122	**5,315**
Depreciation and amortization	19,476	**37,533**
EBITDA (Non-GAAP)	$ 60,052	**$ 64,660**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(in thousands, except share data)

	December 31, 2007	September 30, 2008 (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	$ 56,179	**$ 82,679**
Short-term investments	323,472	—
Total cash and short-term investments	379,651	**82,679**
Accounts receivable, net	89,578	**110,310**
Inventories	53,031	**99,094**
Deferred income taxes, current	5,173	**7,060**
Prepaid expenses and other	10,576	**13,681**
Total current assets	538,009	**312,824**
LONG TERM INVESTMENT, available-for-sale securities	—	**284,818**
PROPERTY, PLANT AND EQUIPMENT, net	123,407	**183,203**
DEFERRED INCOME TAXES, non-current	3,241	**24,811**
OTHER ASSETS		
Goodwill	25,135	**51,559**
Intangible assets	9,643	**43,813**
Other	6,930	**7,435**
TOTAL ASSETS	$ 706,365	**$ 908,463**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

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

	December 31, 2007	September 30, 2008 (unaudited)
CURRENT LIABILITIES		
Line of credit	$ —	**$ 18,217**
Accounts payable	55,145	**51,493**
Accrued liabilities	27,841	**35,200**
Income tax payable	1,732	**4,936**
Current portion of long-term debt	1,345	**1,347**
Current portion of capital lease obligations	145	**432**
Total current liabilities	86,208	**111,625**
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	**230,000**
Long-term borrowings	5,815	**169,723**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,331	**2,132**
OTHER LONG-TERM LIABILITIES	6,249	**16,774**
Total liabilities	329,603	**530,254**
MINORITY INTEREST IN JOINT VENTURES	7,164	**9,102**
COMMITMENTS AND CONTINGENCIES		
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; 40,172,491 and 41,042,237 issued and outstanding at December 31, 2007 and September 30, 2008, respectively	26,782	**27,361**
Additional paid-in capital	121,412	**131,331**
Retained earnings	220,504	**244,868**
Accumulated other comprehensive income (loss)	900	**(34,453)**
Total stockholders' equity	369,598	**369,107**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 706,365	**$ 908,463**

Diodes, Inc. Third Quarter 2008 Financial Results Script
Thursday, November 06, 2008 @ 10:00am CST / 8:00am PST

FINAL

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

Operator:

Good morning and welcome to Diodes Incorporated's third quarter 2008 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 November 6, 2008. I would now like to turn the call to 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' third quarter 2008 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, November 6, 2008.** 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 teleconference, management will discuss certain measures and information in GAAP and non-GAAP terms. A reconciliation of GAAP to non-GAAP results is provided in the financial tables following the text of the press release.

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 who is joining us from Taiwan. Dr. Lu, please go ahead.

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

Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

In June, we closed the Zetex acquisition. The results released today include our preliminary purchase accounting for that acquisition.

I am pleased to report another quarter of record revenue in which we achieved $134 million in total sales, representing growth of 27 percent over the prior year and 15.5 percent sequentially.

Additionally, our GAAP earnings per share was a loss of $0.07 cents, and when excluding the $0.34 cents per share in non-cash purchase price accounting adjustments related to the acquisition of Zetex and $0.02 cents per share of stock option expense, our adjusted non-GAAP earnings per share in the third quarter was $0.29 cents.

The integration of Zetex remains on track and has been progressing well throughout the quarter. We continue to capitalize on the cross-selling opportunities, and as a result, in-process design activity is the highest it has ever been for the Company.

However, as everyone knows, the current macroeconomic environment has made it very challenging for most businesses. We expect market uncertainty to continue with a decrease in global demand, in particular in the consumer and computer markets in Asia, as well as general market softness in the United States and Europe.

As a result of current and future expectations for the overall economy, we have identified a number of opportunities to optimize our cost structure across the organization. As part of these efforts, we have been conducting a comprehensive review of our manufacturing operations to further identify additional expense reductions. These initiatives include:

- A shut down of Zetex’s 4-inch wafer Fab line in Oldham by the end of this year, and the consolidation of wafer output to the 6 inch line in Oldham and the 5 and 6 inch lines at Diodes-FabTech.
- A reduction in our U.K. fab headcount by approximately 10 percent by the end of November.
- An immediate reduction in headcount at FabTech in Kansas City of approximately 25 percent.
- Additionally, we will be porting the Zetex products into our packaging facilities in Shanghai faster than originally planned in order to reduce

our dependence on subcontractors. We believe the majority of this conversion will be completed by the end of the first quarter of 2009.

- Also as part of our manufacturing strategy, we will be closely evaluating our raw material costs in order to reduce our gold consumption while protecting and maintaining product performance.
- Next, we have taken immediate action to reduce Cap-Ex authorizations to the minimum, from our previous model of 10 to 12 percent, with a current plan of less than 5 percent of revenues until such time that the market recovers and additional manufacturing capacity is needed. Currently, our China facilities are 80 to 85 percent loaded, which will allow for faster porting of Zetex products in conjunction with reduced Cap-Ex.
- Lastly, we have implemented a hiring freeze, except for critical positions, and initiated a forced vacation for employees during the fourth quarter as well as the first quarter of 2009. From an overall expense perspective, we will continue to carefully manage costs in order to protect cash.

Looking forward, we expect the weakness and uncertainty in the economy to continue into the coming quarters, and therefore we want to take the necessary steps to manage through these difficult times. From an overall business perspective, we remain focused on executing the strategy that has proven successful for Diodes over the years.

We are confident that our acquisition of Zetex will continue to add significant value to our business as we further capitalize on the cross-selling opportunities and diversification benefits that the transaction offers our Company.

We continue to focus on design wins in order to add new revenue sources in the future.

Although the current economy creates a more challenging environment for businesses, I believe that over the long-term Diodes is in a better position for growth than ever before, and we are taking all the right steps to better position our Company for growth when the economy improves.

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

Carl Wertz, CFO

Thanks, Dr. Lu, and good morning everyone.

As a reminder, our third quarter financials include a full quarter of results from our acquisition of Zetex, compared to only one month of Zetex results in the second quarter, and reflect our preliminary purchase price accounting adjustments

Revenue for the third quarter was $134 million, representing an increase of 15.5 percent sequentially and 27.3 percent over the prior year period. The third quarter revenue set another all-time record for the Company.

Gross profit for the third quarter of 2008, which included a $5.2 million one-time, non-cash inventory purchase price adjustment related to the Zetex acquisition, was $38.1 million, or 28.4 percent of revenue.

Excluding the purchase price adjustments, adjusted gross margin was 32.5 percent as compared to 34.1 percent last quarter and 32.4 in the prior year period. The margin is primarily due to lower capacity utilization at our manufacturing operations as a result of market conditions as well as an effort to reduce finished goods inventory.

Selling, General & Administrative expenses for the quarter were approximately $21 million, or 15.6 percent of revenue, which was comparable to the second quarter on a percent of revenue basis and slightly above our expected range of 15 to 15.5 percent due to the lower revenue. Absolute dollar increases were primarily due to the addition of Zetex's operations.

Included in third-quarter SG&A was $800,000 of non-cash, **FAS123R**, share-based compensation. Looking forward and as Dr. Lu mentioned, we remain focused on managing costs in order to keep expenses aligned with our revenue.

Research and Development investments in the quarter were $7.4 million, or 5.5 percent of revenue — within our expected range.

Under U.S. GAAP, acquired intangibles must be re-valued and amortized over their useful life and acquired in-process R&D must be expensed immediately. Therefore, **Amortization of acquisition-related intangibles and Purchased in-process research and development** for this quarter were $1.6 and $7.9 million, respectively. The $7.9 million is a one-time charge. Both of these expenses are non-cash purchase price adjustments relating to the Zetex acquisition.

Other expense amounted to approximately $2.4 million for the quarter, consisting of $1.8 million of interest income primarily related to our auction rate securities offset by $3 million of interest expense, related to our convertible bonds, and our loan for Zetex. In addition, we had foreign currency losses of $1 million related to existing hedges on the pre-acquisition Zetex books, primarily related to the strengthening of the U.S. dollar versus the British Pound.

For taxes, excluding purchase price accounting adjustments, our effective **income tax** rate in the third quarter was approximately 15 percent, which was within our guidance range and is an approximation for the fourth quarter.

Net loss on a GAAP basis was $2.9 million, or $0.07 per share. When reporting a net loss, EPS is calculated using basic shares of 41 million. For the fourth quarter, we expect the GAAP EPS to be reported using a fully-diluted share-count of approximately 43 million shares.

The $2.9 million GAAP loss included $14.8 million or $0.34 in net purchase price charges.

The purchase price charges consisted of the one-time $5.2 million non-cash inventory write-off to cost of goods sold, a one-time $7.9 million, non-cash write-off of acquired in-process research and development.

Also included in the GAAP loss was $200,000 for acquisition-related fixed asset depreciation expense booked to cost of goods sold and $1.6 million in amortization of acquisition related intangible assets. Going forward, we expect the quarterly purchase price charges to be approximately $150,000 to cost of goods sold, and $1.2 million for acquired intangible assets.

Excluding the acquisition charges, adjusted net income was $11.9 million, or $0.27 per share.

Net income adjusted for the purchase price accounting and excluding $600,000 in after-tax non-cash, stock option expense, was $12.5 million, or $0.29 per share.

One important note, as we mentioned in our earnings release, Diodes intends to change its reporting policy regarding FAS123R stock option expense.

Beginning in the fourth quarter, we will *include* the expense in our non-GAAP results. It is also important to remind everyone that current analysts' consensus *excludes* this figure from our pro-forma results, and therefore may not provide an accurate comparison in future quarters.

Cash flow from operations for the quarter was $13.5 million, and $36.7 million year-to-date.

Turning to the **balance sheet**, at quarter-end, we had $82.7 million in cash, and $285 million in long-term investments, which represents the $320 million par value auction rate securities. I will speak about our auction rate securities position in a moment.

Our working capital at quarter-end was $201 million. Long-term term debt, including the convertible bond and the loan related to the Zetex acquisition, was $400 million.

In terms of our Auction Rate Securities, as we announced earlier this week, we have entered into a settlement with UBS. The major terms of the agreement are as follows:

- First, at our option, UBS will repurchase our $320 million ARS portfolio at 100% of par value beginning June 30, 2010.
- Second, we will be permitted to borrow up to 75 percent of the market value of our ARS portfolio. Currently, we have borrowed $165 million from UBS, and this agreement will currently provide an additional $48 million available to the Company.
- Thirdly, UBS will provide a “no net cost” loan to Diodes, where our borrowing rate will equal the interest rate earned on our ARS portfolio.
- In addition, UBS will refund to Diodes approximately $800,000, which is the difference between the interest we have paid on the $165 million acquisition loan and interest rate earned on our ARS portfolio.

This settlement is a significant development towards the resolution of the ARS situation. It provides Diodes with additional liquidity and access to this cash without creating additional costs to the Company.

Inventory at quarter-end was $99 million, which was a $2.6 million decrease from the second quarter, with inventory days at 94.

Accounts receivable was $110 million. A/R days improved from 77 days to 75 days this quarter.

Capital expenditures were $13.4 million for the quarter, primarily due to non-cancelable equipment purchase orders.

We will continue to closely manage our capital investments as a result of the current economic environment.

As Dr. Lu mentioned, CapEx will continue to remain significantly below our 10 to 12 percent model at an amount necessary to meet market and capacity demands.

Year-to-date, CapEx was $39 million or 11 percent of revenue.

Depreciation expense for the third quarter was $11 million and $27 million year-to-date.

Turning to our Outlook...

As we look to the fourth quarter of 2008, we expect market uncertainty to cause revenue to decline sequentially between 12 and 20 percent. We expect GAAP earnings per share to range between $0.07 and $0.13, which includes approximately $0.03 of purchase price accounting adjustments. As such, Non-GAAP earnings per share is expected to range between $0.10 and

$0.16, which ***includes*** approximately $0.02 of stock option expenses as I mentioned earlier.

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 mentioned, the integration of Zetex has been progressing well, in particular from a sales perspective, which includes all reps and distributors in North America and Europe. The new organization is trained and moving forward to further capitalize on the customer traction and cross-selling opportunities. In Asia, the integration of the direct sales organization is complete, and we expect the consolidation of the distributor network to be finalized in the first quarter of 2009.

Let me begin the discussion with the segment breakout of the consolidated businesses: computing represented 31 percent of revenue; consumer 29 percent; industrial 21; communications 15 percent; and automotive 4 percent. The addition of Zetex's business has contributed to increased diversification in our market segments, which we believe will provide added benefits to the Company over the long-term.

Now turning to new products...

New product revenue was 23 percent of sales during the quarter. Zetex has traditionally focused on products that tend to operate with longer design cycles, but also longer life cycles, which has resulted in a traditionaly lower percentage of new product sales than Diodes. We believe this is an area of synergy as we expect to provide greater exposure and more rapid expansion in these new product initiatives.

During the third quarter, we released 54 new products, including 15 analog, 14 MOSFETs, 11 SBR® devices, and 6 bi-polar transistors. The bi-polar transistors were customer specific in the areas of power supply, adapters, and voice over IP. These transistors are good examples of how we have begun to use Zetex's industry-leading bi-polar technology in Diodes' competitive and expanded range of packaging.

In terms of product introductions, we announced a family of 12 new USB power switches that protect USB ports, while providing a cost effective and small form-fit package in a wide range of consumer and computing applications. As many of you know, the USB port has become the de-facto method of connection between many products and is increasingly used as a convenient way to charge or power these devices. We are very excited about this new family of products and customer interest is high. We have already sampled these products with 5 of our major customers within notebooks and set-top box.

Also in the quarter, we expanded our Zetex LED driver series with the introduction of 3 new miniature LED drivers offering improved accuracy and thermal performance. These new products bring a smaller footprint and energy savings to lighting applications and are designed for a broad range of automotive, architectural and industrial lighting applications. With an output current accuracy better than one percent, these LED drivers provide highly accurate current matching at working voltages up to 60 volts and will support up to 15 LEDs. We have sampled with 3 customers and have generated significant additional interest from new and existing customers in the quarter. The introduction of these products extends our position as a market leader in the high brightness LED driver space.

In regards to geographic breakout, **Asia** represented 71.5 percent of total revenues. We continued to achieve growth in Asia during the quarter, but it was less than what we normally experience at this time of the year. Data communications, mobile phones, notebooks and DC fans drove modest revenue growth, whereas panels and LCD-TVs showed a sharp drop in demand. Design activity for the territory was at its strongest level with 155 wins at 70 customers in the quarter that included 45 analog, 10 Hall and 100 discrete, including 35 MOSFETs and 20 SBR® products. 24 of the wins in the quarter were for Zetex products. Design activity was centered on notebooks, LCD-TV and panel, mobile phone and power supply. Distributor point of purchase was down in the quarter due to lower than expected point of sales and expectations for the fourth quarter. Distributor inventory decreased in the quarter.

Now turning to **North America**, sales represented 16 percent of total revenue. We saw pressure in our industrial accounts due to the slowdown in the housing market. Gains in set-top boxes were offset by a continued movement of manufacturing to Asia. Distributor point of purchase was up slightly, while inventory remained flat. Business moving into the fourth quarter remains soft, and the distribution channel is cautious about the market and continues to reduce inventory in response.

In total, we achieved 95 design wins in North America during the quarter at 34 customers: 12 of these for analog, 78 discrete, and 5 in SBR®.

In terms of wafer sales, we were off 5 percent in the third quarter.

Sales in **Europe** accounted for 12.5 percent of revenues. Overall the revenue was down in the region due to greater than normal seasonal slowdowns in the industrial and automotive markets. Distributor point of purchase decreased in the quarter as they continued to reduce inventory due to concerns in the overall global economy. Therefore distributor inventory decreased 5 percent in the quarter.

Our design-win momentum in Europe continued to expand in the third quarter with 58 wins at 31 accounts: including 37 discrete, 19 analog and 2 Hall sensor design wins.

In terms of global design wins, it was an exceptional quarter with wins at 135 accounts globally. In-process design activity is at an all time high. We see this as evidence of our expanded sales and FAE organization, as well as the synergies of the combined lines. With the addition of our Zetex product portfolio, we have a significant number of products and the interest from the customer base is high. Activity for the quarter featured our recently released USB switch where we have specific interest at our key set-top box and notebook customers.

Design wins and in process design activity was also highlighted by:

- SBR® with key wins in a broad range of applications including voice-over-IP, power supply and display module
- LED lighting products with multiple auto application, white goods and emergency lighting
- Current Monitors in automotive, DC to DC converter and a money control applications
- And MOSFET momentum continued with 40 socket wins in the quarter

In summary, for the fourth quarter and near term, we expect market weakness to continue. But, as the economy improves, we believe we are in a better position to grow our business than ever before. We have a high level of new products with strong interest from key accounts, as well as a broad portfolio of products that provide increased opportunities for cross-selling and customer expansion. Additionally, our recent design activity is at its highest level in the history of the Company with wins at more than 135 accounts globally. Our expanded distribution channels as well as global sales and field-applications team have further strengthened our organization. With the progress we have made to-date integrating Zetex's business, we see a strong indication of the success and value that the combined business can achieve over the long-term. Diodes' strategy for growth has consistently proven successful over the years, and we remain focused on execution, while carefully managing costs and benefiting from operational and manufacturing efficiencies where available.

With that, we will open the call for questions.

Q&A Session

Upon Completion of the Q&A...

Dr. Lu:

Thank you for your participation today; we appreciate your time and consideration. Operator, we may now disconnect.

QUESTION AND ANSWER

Operator

Thank you. (OPERATOR INSTRUCTIONS)

Gentlemen, your first question will come from the line of John Vinh with Collins Stewart. Please proceed.

John Vinh — *Collins Stewart — Analyst*

Hi, good morning. The first question is on OpEx. You guys talked about a number of cost cutting initiatives going forward but also stated that you will continue to invest in R&D in this difficult environment. Can you maybe comment about the timing of some of these cost saving initiatives and the net impacts on OpEx going forward? How should we be thinking about OpEx going forward at this point?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

From OpEx's point of view, we must focus on the manufacturing because we still want to maintain investment in R&D and so therefore we are cutting SG&A and manufacturing and like I mentioned, we are shutting down 4-inch line which will help us to improve the GPM, and we reduced about 10% of the set cost in Oldham and then we are reduced about 25% of the workforce in Kansas City, Fabtech, and all those will reduce SG&A at the same time improve the GPM. But probably not all of them are going to be reflected in the fourth quarter because like I mentioned, Oldham won't be done until the end of the year and Fabtech probably done today and therefore probably only reflect half the quarter. So I think that's what we think and we will get the full benefit starting from 1Q next year.

John Vinh — *Collins Stewart — Analyst*

So should we be thinking about OpEx over the next couple quarters being flat to slightly down then, including G&A and R&D?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

I'm sorry, you said — it would be, yes, it will be — fourth quarter will be slightly down and then 1Q next year will be fully impact the benefit, or fully they will get the benefit.

John Vinh — *Collins Stewart — Analyst*

Right, okay, next question I had is can you give us a little bit of color on the relative performance and outlook on the Zetex business relative to the core Diodes business? Was the Zetex business also impacted quite similarly relative to the core business?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Yes, we both get impacted because Zetex is 50% or little bit more than 50% is still in consumer, in Asia markets which get impacted and then in Europe, they're very strong in Europe, and Europe is actually going down quite much too especially their automotive business went down significantly so Zetex get impacted just as well as our core business and therefore in the first quarter we forecast12-20% down . It's actually both businesses get impacted.

John Vinh — *Collins Stewart — Analyst*

And then final question is on turns business, can you maybe talk about the turns business in the current quarter in terms of what you're seeing? We're starting to hear that that turns in general is starting to get impacted quite heavily across the industry.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

I would probably send that question to Mark King.

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

I think that's one of the overall concerns. We see a lot of — going into the first part of October, the turns were remaining relatively stable although down from traditional levels but towards the end of October we saw more impact on the overall turns and the key to us is also, you know we operate on point of purchase rather than point of sale so the impact of the distributors cutting back inventory has an effect on our overall turns ratio and pretty much they've clamped down. Everybody is pretty much managing their inventory down to any level that they can get it to so that put a lot of pressure on the overall number.

John Vinh — *Collins Stewart — Analyst*

Great, okay, thank you very much.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Thank you.

Operator

And gentlemen, your next question will come from the line of Steve Smigie with Raymond James. Please proceed.

Steve Smigie — *Raymond James — Analyst*

Great, thank you. Mark, I was hoping you could talk a little bit about maybe the difference in book to bill that you're seeing or the difference in the turns you're seeing in distributor versus OEM — you guys usually don't quantify but if you could give some sense, is it a pretty big difference with the distributors ordering a lot less (inaudible)?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Yes, I think that predominately our impact in last quarter was based on distributor point of purchase. We did have some product shifts in to outside but I think OEM was pretty consistent in Q3 and I think it's showing consistently but at lower rates in Q4. Again, the OEM business is generally pretty forecasted and really isn't turns based where the opposite is true on the distributor side. Clearly the POP trend is worse than the POS trend. Okay, so we're seeing — basically it's not whether it's your product or — it's any product that they're trying to hold out so I think yes, the biggest impact is on the POP side from a turns perspective.

Steve Smigie — *Raymond James — Analyst*

Okay, could you guys talk a little bit about what gross margin might look like in Q4 percentage-wise?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

It probably will be starting low due to the loading of the SKE and the loading of the Fabtech and since we are taking the cost reduction effort at the middle of the quarter. Therefore we probably won't get the full benefit of that cost reduction in the first quarter.

Steve Smigie — *Raymond James — Analyst*

Okay, and then I was wondering if you could talk about who the top customers are of Diodes is now that you've merged the two companies, top five customers or so?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

I don't know if we really lay out exactly who are customers are. I think that there was — I think that our top customers remain about the same. We have a couple of customers that we pretty much dominated but we get some solid new revenue like say, a Samsung or so forth and in the automotive industry, Diodes has a small position in a customer, say like Hella, where Zetex had a much bigger position. I would say that their business was less concentrated in large accounts at high levels so I don't think our top customer base really changed. Our numbers with Arrow improved significantly from a distributor side by picking up their numbers and our numbers at Future Electronics from a distributor standpoint became much larger, adding the two numbers together — if that helps.

Steve Smigie — *Raymond James — Analyst*

Okay, and if I could squeeze in one more, what will interest expense look like Q4 going into 2009 with the change in the UBS situation here? Thanks.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

From the ARS end, when we borrowed the money against our ARS from UBS, since the agreement, they are going to give us the same cost to our ARS income. Therefore, that portion will be a washout and they're going to refund us $800K of the excess charge from June when we borrowed money to the time when we sign the contract agreement and so they are going to refund us those costs and so I think from the interest point of view, I don't have that in front of me because I'm calling from Taiwan — Rick, you may have that number?

Rick White — *Diodes, Inc. — VP, Finance*

Yes, this is Rick White. Basically the way it works is that, as Keh-Shew said, the interest on the ARS is going to offset the interest expense so basically you can take the $320 million of ARS portfolio and subtract the 165 and that will give you the interest income that we'll have going forward and then we'll have the interest expense, most of the interest expense we'll have will be on the convertible notes, similar to what we've had in the past.

Steve Smigie — *Raymond James — Analyst*

Okay, thank you.

Operator

Thank you and your next question will come from the line of Shawn Harrison with Longbow Research. Please proceed.

Shawn Harrison — *Longbow Research — Analyst*

Hi, it's Shawn Harrison of Longbow. Just a follow up to that last question — what is the interest rate you're earning right now on the combined cash and option rate securities balance?

Rick White — *Diodes, Inc. — VP, Finance*

In the third quarter it was a little bit lower because of the impact of the maximum rate that we could earn on the ARS. Going forward in the fourth quarter, we think that's going to be around 2.5%.

Shawn Harrison — *Longbow Research — Analyst*

Okay, so second question —

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

— probably washout with our convertible bonds, it's at 2.25%.

Shawn Harrison — *Longbow Research — Analyst*

Yes, it looks like that. Getting back to the restructuring, I guess these cost cutting actions as restructuring question, if the dollar sales amount in the March quarter were to stay stable with the December quarter, what would be the total dollar amount of savings that is potentially out there, both on a cost of goods sold basis as well as an operating expense basis from this list of initiatives that you've enacted?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

I didn't separate the GPM portion from the SG&A. I just combine them together. For Oldham, it probably will give us about $300K per quarter savings.

Shawn Harrison — *Longbow Research — Analyst*

Okay.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

And in Fabtech, it probably will give us about $200K per quarter savings so you're looking at probably somewhere around $500K to $600K per quarter savings in 1Q.

Shawn Harrison — *Longbow Research — Analyst*

From solely the headcount reductions?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Yes, now we do have the mandatory vacation in fourth quarter and 1Q and in the fourth quarter, Oldham probably won't have all the savings reflect in the fourth quarter.

Shawn Harrison — *Longbow Research — Analyst*

Okay, and unless I missed this, the savings from the 4-inch shutdown in Oldham? Is that included in that number or is that on top of that, say five to six—

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

That's included in that number. Now you might save some electricity by setting down 4-inch line. The people, the operator will move from 4-inch line to one in 6-inch line but some of the direct and indirect people will be cut off but, so the people is already in the number I'm talking about. Then operation, yes, when you cross that operation, you might save some air conditioning, some utilities, okay? We are putting up the capacity with 6-inch so basically we invest the money in Zetex for their 6-inch line. I don't remember I mention that last quarter we do authorize, put in some Cap money over there for them to enlarge their 6-inch line so they can move the products from 4-inch to 6-inch line to fully realize the 6-inch line space and they shut down the 4-inch line.

Shawn Harrison — *Longbow Research — Analyst*

Okay, and then just a follow up on kind of the demand side, a two part question. A), this quarter if you look at that, the revenue decline, how much of that is pricing dynamics weakening out there versus what you're seeing in terms of volume and then secondarily, as we look ahead to the March quarter, I know visibility is extremely opaque right now but typically the March quarter is the weaker quarter for you both on pricing mix and volume. With the revenue pullback here in the December quarter, maybe what would be the expectation in terms of seasonality in the March quarter?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

If you look at, even look at the third quarter, our ASP didn't really go down, actually the mix is the one effect but not ASP. If you look at first quarter, ASP may have some effect but the problem is not really the go down is not really because ASP, it is because the usage. That's the reason. If you look at, we said our SKE is 80% to 85% loaded so it's number of units actually deduced so the problem is not really coming from ASP. It's coming some but not majority. The majority of the problem is our end customers just don't build that many equipments. For example, LCD TV, they're talking about 30% cut, motherboard, they're talking about 20% cut. Those — it's number of units produced by our customers is significant go down.

Shawn Harrison — *Longbow Research — Analyst*

Okay.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

And then you're talking about 1Q — if the 4Q went down, we don't have the visibility but I look at, we may not have cynical anymore, okay? And with our design win and with our Zetex cross selling, we're hoping we're going to grow. Even the market is afraid or not growing — we are going to count in market share and introduce new product, get into the new customer, get new designs, new design wins to help us to grow, effectively grow next year.

Shawn Harrison — *Longbow Research — Analyst*

Okay, and then a quick clarification before I hop off, how much is distribution now as a total percentage of sales with Zetex integrated?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Distribution is about 45% of our overall number.

Shawn Harrison — *Longbow Research — Analyst*

Okay, thank you very much.

Operator

Thank you and your next question will come from the line of Vijay Rakesh with Think Equity. Please proceed.

Vijay Rakesh — *Think Equity — Analyst*

Hi guys. Just looking at your guidance here, I guess October is very soft for everybody. Just wondering how November is looking. We're just a week into it but can you give us some color on how November is tracking returns and orders?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

I would say that November, there hasn't been a significant change from October. Again, I think it's running at the second half of November rates which is pretty much showing very soft signs and limited turns business.

Vijay Rakesh — *Think Equity — Analyst*

Got it. Okay and I know you mentioned motherboard kind of down 20% is what you're seeing, LCD down 30%, just wondering how inventory is. I mean, demand has fallen off. People are cutting orders but how is inventory in the channels?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

To be honest with you, our inventory in the channel we think is clean. I mentioned that I think in Europe we were down over 5% last quarter. Asian inventories were down. U.S. inventories were relatively flat but at a very healthy level so to be honest, I think our inventories are actually going to get lower than they need to be and so the turns business should eventually come. I think our inventories are in very good position.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

That's why we think that 1Q may not have that cynical syndrome anymore if everybody cut down so bad, they need to buy sometimes.

(cross talk)

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Because POS has held up better than POP.

Vijay Rakesh — *Think Equity — Analyst*

Got it, okay. I know you said POS is better than POP but any indication of what — obviously there still seems to be some caution from the end market, meaning the POS guys so is that an indication of what is causing that?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

There is definitely a slowdown in overall industrial accounts and so forth but I think that the POP might be slight overreaction to the POS change. In Asia, the end equipments are quite dramatic in notebook and motherboard and — I don't think they're so dramatic in North America and Europe although Europe, the one area of pretty solid weakness is automotive. We have more exposure there now to the Zetex side and it seems that the automotive market is suffering quite badly and we've seen the most cutbacks in that area.

Vijay Rakesh — *Think Equity — Analyst*

Last question, with shutting down the two, or cutting back on these two fabs in the UK and in Kansas City, let's say you get through most of the cuts through Q4 here, how much of capacity production does that amount to from the, let's say from the Q2 levels?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

When you say how much capacity —?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Production.

Vijay Rakesh — *Think Equity — Analyst*

Capacity production, yes, between the 4-inch fab and the UK fab where you're —

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

UK is probably not really that much of capacity reduced because like I say, I authorize the 6-inch Cap money about in June timeframe so they are building up the 6-inch to replace 4-inch and so what the reason we are able to cut those people is now you have one fab instead of two fabs. You don't need two, 4-inch and 6-inch but at the end, after review of the 6-inch, that 6-inch capacity should be enough. At the same time we move the 4-inch capacity loading. Some of them we move to Fabtech so if you remember in my speech, we are not just moving that 4-inch line to 6-inch in Oldham. We actually moved some to Fabtech too so after all this is done I think we make our equipment capacity is still there except for the main capacity so when the market turns we can hire the Operator and the capacity will come back.

Vijay Rakesh — *Think Equity — Analyst*

I understand that. What I'm trying to figure out is obviously your gross margins are a function of your fab loading or the absorption costs so I'm just trying to figure out how much of capacity is being aligned so when do we see margins start to turn? Is it —?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

As I mentioned, our Kansas City — well, our SKE is about 80% to 85% loaded and our Kansas City currently, after all these cuts, we are probably somewhere, drop from 80% to probably 60%. If you looked at, in the past, I mentioned our fab always about 80% to 85% loaded and our SKE typically is almost 95% to 100% loaded and now the SKE dropped to about 80% to 85% and Kansas City dropped to about 60%, somewhere around that number.

Vijay Rakesh — *Think Equity — Analyst*

Right, okay.

Carl Wertz — *Diodes, Inc. — CFO, Secretary, Treasurer*

The key is to cut the variable costs as quickly as we can and then watch our capital expenditures and we're doing that very closely.

Vijay Rakesh — *Think Equity — Analyst*

Thanks a lot.

Operator

(OPERATOR INSTRUCTIONS)

Your next question comes from the line of Kevin Rottinghaus with Cleveland Research. Please proceed.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Thanks, can you hear me okay?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Yes. Hi Kevin, how are you?

Kevin Rottinghaus — *Cleveland Research — Analyst*

Good, how are you? How much of the Zetex is in-house now and just to clarify, I think you said you'd have it done by the end of 1Q. Is that right?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

We start to move their subcon, probably start from end of November when we start to move because it takes time to do the qualification, to do the PCN, to notify customers so we will start to ramp probably the end of November and hope to have the majority moved in by the end of the first quarter. That is about, probably talking about — it's not all of them were been done by subcon. Zetex does have their own manufacturing side in Chengdu, in China and their packaging side in east Germany, Neuhaus, and those we won't move and then we only moved one we currently subcon and probably somewhere about by probably 80% of subcon we probably would move into internal around, in 1Q of next year.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

It takes time to do the qualification and then after that we need to wait customers to approve it and then we need to digest all the inventory so it takes time but our hope is to start from the end of 1Q, the majority of them will move inside.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, so to kind of follow up on the last question, the margin benefits from that would really kind of be more of a second half type opportunity?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Yes, you could say that.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, and as far as CapEx, the 13 or so million that you spent this quarter, with you ratcheting it down, is it safe to assume that you've done the CapEx necessary to move those products in-house or is there going to be a ramp up in 1Q?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

No, the $13 million we spent this quarter, like I said, some of them is for Oldham 6-inch line and some of them we put in Febtech to ramp up 6-inch line for the 4-inch once transferred for Oldham. Those I don't want to cut it because I think those are good strategies, are long term. You don't want to — it takes a long time to transfer the wafer fab — transfer the packaging is much easier. Transfer the wafer fab takes a long time and the right strategy is really to shut down the 4-inch and move from 4-inch to 6-inch and therefore I spent the money that quarter in Oldham for

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6-inch line and I spent some capital for 6-inch line for the bipolar junction, which we want to transfer from Oldham to Febtech. Now we do spend some in the SKE. Those will be online now because that typical spending is about three or four months later, will be online.

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

But Kevin, we do have everything we need to bring all the subcontract business into SKE without additional CapEx in Q1.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

That's right, that's right, that's right. The money we spent in the third quarter is to prepare for those.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, on the pricing side, you talk about ASP still kind of hanging in there. Why do you think that is? Why do you think it hasn't gotten more price aggressive and have you seen any competitors kind of come back in to this market at this point or —?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Mark, do you want to take care of this?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Yes, I think that obviously we live in an environment that price competitiveness is a normal part of our lives so we experience quite a bit of ASP pressure quarter in and quarter out. I think the difference from previous times is there hasn't been so much excess capacity built up over the period so I think that people are a lot more careful with their price going forward. Obviously we'll have more and more price pressure if this is an extended downturn but we're looking at it. It's just important for us to focus on our mix and our new products and so forth and we should be able to maintain our ASP. Overall, the Zetex product line will increase our ASPs over time because they run at a higher ASP level than we do but I think we should see relatively normal price erosion.

Kevin Rottinghaus — *Cleveland Research — Analyst*

You're talking for 4Q and —?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

Yes, 4Q should be pretty consistent with 3Q and then the overall market conditions will drive how much pressure we have. Obviously if there is a, if everything stays flat I think we should see relative normality going into Q, into next year.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, and then last one for me, Mark, I thought in your opening dialog you said inventory went up in Asia?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

No, distribution inventory went down in Asia.

Kevin Rottinghaus — *Cleveland Research — Analyst*

In Asia.

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

And will go down again in this quarter.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, any idea how much? I mean, you said in Europe I think it went down 5%. Any idea how much it went down in Asia and how much you think it goes down this quarter?

Mark King — *Diodes, Inc. — SVP, Sales, Marketing*

I don't have that in front of me but I can get that for you.

Kevin Rottinghaus — *Cleveland Research — Analyst*

Okay, thank you very much.

Operator

And gentlemen, your next question will come from the line of Christopher Longiaru with Sidoti. Please proceed.

Christopher Longiaru — *Sidoti & Co. — Analyst*

Hi gentlemen.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Hi Christopher.

Christopher Longiaru — *Sidoti & Co. — Analyst*

My first question — most of my questions have been answered. One thing — this is more for Carl and Rick. Basically, I'm looking at the convertible bond rule changing in 2009 and I wanted to know what kind of an impact that should have on you guys. I mean, as long as we're talking about moving our interest expectations, I was wondering if you had any guidance on that?

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Rick?

Rick White — *Diodes, Inc. — VP, Finance*

Yes, okay so we're going to put in the 10Q that we think the APB 14 impact is going to be $2.8 million for next year, about $700,000 a quarter which is about a penny, a penny and a half, something like that.

Christopher Longiaru — *Sidoti & Co. — Analyst*

Okay, alright so essentially without the $700K, you're looking at interest expense being flat because of the arrangement that you made but then there should be about $700K outflow per quarter?

Rick White — *Diodes, Inc. — VP, Finance*

Yes, the numbers I gave you previously did not have any APB 14.

Christopher Longiaru — *Sidoti & Co. — Analyst*

Got it.

Rick White — *Diodes, Inc. — VP, Finance*

And it's going to be 700 divided by 43 million shares, 44 million shares so it's somewhere between —

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Almost $0.02.

Rick White — *Diodes, Inc. — VP, Finance*

Yes, a penny and a half to 2 cents

Christopher Longiaru — *Sidoti & Co. — Analyst*

Alright, that's all I have for now. Thanks guys.

Operator

And at this time that concludes the question and answer session. I would now like to turn the conference back over to Dr. Keh-Shew Lu for the closing comments.

Keh-Shew Lu — *Diodes, Inc. — President and CEO*

Thank you for your participation today. I know fourth quarter is going to be a tough quarter for us but I think future point of view, we believe it is going to be very strong for us and we appreciate your time and consideration. Operator, you may now disconnect it.

Operator

Thank you sir. Ladies and gentlemen, this now concludes today's presentation. You may now disconnect. Have a wonderful day.