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**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**

**August 5, 2010  
Date of Report (Date of earliest event reported)**

**DIODES INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other  
jurisdiction of  
incorporation)

**002-25577**  
(Commission File Number)

**95-2039518**  
(I.R.S. Employer  
Identification No.)

**15660 Dallas Parkway, Suite 850  
Dallas, Texas**  
(Address of principal executive offices)

**75248**  
(Zip Code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On August 5, 2010, Diodes Incorporated (the “Company”) issued a press release announcing its second quarter 2010 financial results. A copy of the press release is attached as Exhibit 99.1.

On August 5, 2010, the Company hosted a conference call to discuss its second quarter 2010 financial results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on August 5, 2010, Dr. Keh-Shew Lu, President and Chief Executive Officer of the Company, as well as Richard D. White, Chief Financial Officer, Mark King, Senior Vice President of Sales and Marketing and Carl C. Wertz, Vice President of Finance and Investor Relations made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

In the press release and earnings conference call, the Company utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We also believe these non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Our management uses these non-GAAP measures for the same purpose. We believe that our investors should have access to, and that we are obligated to provide, the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. See Exhibit 99.1, for a description of the non-GAAP measures used.

**Item 7.01 Regulation FD Disclosure.**

The press release in Exhibit 99.1 also provides an update on the Company’s business outlook.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

See exhibit index.

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

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**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: August 10, 2010

DIODES INCORPORATED

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

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## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press release dated August 5, 2010
99.2	Conference call script dated August 5, 2010
99.3	Question and answer transcript dated August 5, 2010



### Diodes Incorporated Reports Second Quarter 2010 Financial Results

*Achieves Record Quarterly Revenue of \$149.2 Million, Record Gross Profit of \$53.5 Million and Record Gross Margin of 35.8%*

**Dallas, Texas – August 5, 2010** – Diodes Incorporated (Nasdaq: DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete, logic and analog semiconductor markets, today reported financial results for the second quarter ended June 30, 2010.

#### Second Quarter Highlights:

- Revenue was a record \$149.2 million, an increase of 43.6 percent over the \$103.9 million in the second quarter of 2009 and a sequential increase of 9.1 percent over the \$136.8 million in the first quarter of 2010;
- Gross profit was a record \$53.5 million, an increase of 95.3 percent over the \$27.4 million in the second quarter of 2009 and a sequential increase of 11.9 percent over the \$47.8 million in the first quarter of 2010;
- Gross margin was a record 35.8 percent, compared to 26.3 percent in the second quarter of 2009 and 34.9 percent in the first quarter of 2010;
- Income before income taxes and noncontrolling interest was \$20.6 million, compared to income of \$2.8 million in the second quarter of 2009 and income of \$19.0 million in the first quarter of 2010;
- GAAP net income was \$16.6 million, or \$0.37 per diluted share, compared to second quarter of 2009 net loss of \$3.0 million, or (\$0.07) per share, and first quarter of 2010 net income of \$15.0 million, or \$0.33 per diluted share;
- Non-GAAP adjusted net income was \$18.7 million, or \$0.41 per diluted share, compared to adjusted net income of \$2.5 million, or \$0.06 per diluted share, in the second quarter of 2009 and adjusted net income of \$15.7 million, or \$0.35 per diluted share, in the first quarter of 2010;
- Excluding \$2.1 million of share-based compensation expense, both GAAP and non-GAAP adjusted net income would have increased by \$0.05 per diluted share; and
- On June 30, 2010, our auction rate securities (“ARS”) were put back to UBS AG in connection with the previously disclosed settlement agreement, in which our ARS were liquidated for cash and the proceeds were used to pay off the “no net cost” loan.

Revenue for the second quarter of 2010 was a record \$149.2 million, an increase of 43.6 percent over the \$103.9 million in the second quarter of 2009 and a sequential increase of 9.1 percent over the \$136.8 million in the first quarter of 2010. Revenue increased in the quarter due to strong demand for products across all of the Company’s worldwide markets with further growth in North America and Asia. The Company also experienced sustained improvement in Europe and reported record revenue in the region for the second consecutive quarter despite the continued weakness in the exchange rate.

Gross profit for the second quarter of 2010 was a record \$53.5 million, an increase of 95.3 percent over the \$27.4 million in the second quarter of 2009 and a sequential increase of 11.9 percent over the \$47.8 million in the first quarter of 2010. Gross margin in the second quarter was a record 35.8 percent, compared to 26.3 percent in the second quarter of 2009 and 34.9 percent in the first quarter of 2010. Gross margin improved in the quarter as a result of better than expected utilization at the wafer fabs, record output at the Company's packaging facilities and a favorable mix of higher margin new products.

Commenting on the quarter, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, stated, "Diodes once again achieved record results in revenue, gross profit and gross margin, reflecting the continued execution on our profitable growth strategy. Our focus on design wins, new product development and the cross-selling from our Zetex acquisition continues to produce material growth for our business. Additionally, our achievement of record gross profit and record gross margin is a direct result of the operational efficiencies at our manufacturing and packaging facilities combined with continued success on our new product initiatives. We were also pleased to have reached a final resolution in regard to our ARS, which we put back to UBS AG for cash and used the proceeds to fully repay the related "no net cost" loan, both of which are no longer on our balance sheet. As I have stated previously, Diodes has emerged from the downturn as a stronger company with expanded growth opportunities, and I believe our achievement of record results for the third consecutive quarter is proof of our success."

Second quarter of 2010 GAAP net income was \$16.6 million, or \$0.37 per diluted share, compared to second quarter of 2009 net loss of \$3.0 million, or (\$0.07) per share, and first quarter of 2010 net income of \$15.0 million, or \$0.33 per diluted share.

Non-GAAP adjusted net income was \$18.7 million, or \$0.41 per diluted share, which excluded, net of tax, \$1.1 million of non-cash interest expense related to the amortization of debt discount on the convertible senior notes and \$0.8 million of non-cash acquisition related intangible asset amortization costs. The following is a summary reconciliation of GAAP net income to non-GAAP adjusted net income and per share data, net of tax ( *in thousands, except per share data*):

	<b>Three Months Ended June 30, 2010</b>
<b>GAAP net income</b>	<b>\$ 16,647</b>
<b>GAAP diluted earnings per share</b>	<b>\$ 0.37</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>	
<b>Amortization of debt discount</b>	<b>1,143</b>
<b>Amortization of acquisition related intangible assets</b>	<b>776</b>
<b>Other</b>	<b>89</b>
<b>Non-GAAP adjusted net income</b>	<b>\$ 18,655</b>
<b>Non-GAAP adjusted diluted earnings per share</b>	<b>\$ 0.41</b>

See tables below for further details of the reconciliation.

Included in the second quarter of 2010 GAAP and non-GAAP adjusted net income was approximately \$2.1 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per diluted share.

As of June 30, 2010, Diodes had approximately \$246 million in cash and cash equivalents. Under the previously disclosed settlement with UBS AG regarding our ARS, effective June 30, 2010 the Company put back all of the ARS securities to UBS and paid off the associated "no net cost" loan, both of which are no longer on Diodes' balance sheet. At quarter end, the Company had \$128 million in long-term debt primarily related to its Convertible Senior Notes.

#### **Business Outlook**

Dr. Lu concluded, "Due to our aggressive design win and new product introduction efforts, the demand for Diodes' products continues to be strong. Building on our record second quarter results, we expect to post our sixth consecutive quarter of sequential revenue growth in the third quarter with revenue anticipated to range between \$158 million and \$164 million, or an increase of 6 to 10 percent sequentially. Gross profit is expected to increase at a rate comparable to our revenue growth, which would also represent another record. Operating expenses are anticipated to decrease slightly from second quarter levels on a percent of revenue basis. We expect our income tax rate for the third quarter to range between 15 and 20 percent as profitability in higher tax jurisdictions continues to improve. For the third quarter, we expect shares used to calculate GAAP EPS to be approximately 46.0 million."

#### **Conference Call**

Diodes will host a conference call on Thursday, August 5, 2010 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its second quarter 2010 financial results. Investors and analysts may join the conference call by dialing 1-866-272-9941 and providing the confirmation code 67752179. International callers may join the teleconference by dialing 1-617-213-8895. A telephone replay of the conference call will be available approximately two hours after the conference call and will be available until August 9, 2010 at



midnight Central Time. The replay dial-in number is 1-888-286-8010, and the pass code is 68776987. International callers should dial 1-617-801-6888 and enter the same pass code at the prompt. Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investors section of Diodes' website at <http://www.diodes.com>. To listen to the live call, please go to the Investors section of Diodes' website and click on the conference call link at least fifteen minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 60 days.

#### **About Diodes Incorporated**

Diodes Incorporated (Nasdaq: DIOD), a Standard and Poor's SmallCap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete, logic, and analog semiconductor markets. Diodes serves the consumer electronics, computing, communications, industrial, and automotive markets. Diodes' products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, single gate logic, amplifiers and comparators, Hall-effect and temperature sensors; power management devices, including LED drivers, DC-DC switching and linear voltage regulators, and voltage references along with special function devices, such as USB power switches, load switches, voltage supervisors, and motor controllers. The Company's corporate headquarters, logistics center, and Americas' sales office are located in Dallas, Texas. Design, marketing, and engineering 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: building on our record second quarter results, we expect to post our sixth consecutive quarter of sequential revenue growth in the third quarter with revenue anticipated to range between \$158 million and \$164 million, or an increase of 6 to 10 percent sequentially; gross profit is expected to increase at a rate comparable to our revenue growth, which would also represent another record; operating expenses are anticipated to decrease slightly from second quarter levels on a percent of revenue basis; we expect our income tax rate for the third quarter to range between 15 and 20 percent as profitability in higher tax jurisdictions continues to improve; and for the third quarter, we expect shares used to calculate GAAP EPS to be approximately 46.0 million. Potential risks and uncertainties include, but are not limited to, such factors as: we may not be able to maintain our current growth strategy or continue to maintain our current performance and loadings in our manufacturing facilities; risks of domestic and foreign operations; unfavorable currency exchange rates; our future guidance may be incorrect; the global economic weakness may be more severe or last longer than we currently anticipated; and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.*

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>NET SALES</b>	\$ 149,153	\$ 103,898	\$ 286,000	\$ 181,948
<b>COST OF GOODS SOLD</b>	<u>95,686</u>	<u>76,528</u>	<u>184,750</u>	<u>140,085</u>
Gross profit	53,467	27,370	101,250	41,863
<b>OPERATING EXPENSES</b>				
Selling, general and administrative	21,422	15,240	42,841	31,296
Research and development	6,815	5,385	13,191	10,660
Amortization of acquisition related intangible assets	1,078	1,118	2,206	2,209
Impairment of long-lived assets	144	—	144	—
Restructuring	—	(248)	—	(149)
Total operating expenses	<u>29,459</u>	<u>21,495</u>	<u>58,382</u>	<u>44,016</u>
Income (loss) from operations	24,008	5,875	42,868	(2,153)
<b>OTHER INCOME (EXPENSES)</b>				
Interest income	996	1,345	2,308	3,102
Interest expense	(1,396)	(1,877)	(3,378)	(3,925)
Amortization of debt discount	(1,873)	(2,281)	(3,707)	(4,490)
Other	(1,150)	(275)	1,498	(12)
Total other expenses	<u>(3,423)</u>	<u>(3,088)</u>	<u>(3,279)</u>	<u>(5,325)</u>
Income (loss) before income taxes and noncontrolling interest	20,585	2,787	39,589	(7,478)
<b>INCOME TAX PROVISION</b>	<u>3,035</u>	<u>5,156</u>	<u>6,359</u>	<u>5,553</u>
<b>NET INCOME (LOSS)</b>	17,550	(2,369)	33,230	(13,031)
Less: NET INCOME attributable to noncontrolling interest	<u>(903)</u>	<u>(584)</u>	<u>(1,625)</u>	<u>(688)</u>
<b>NET INCOME (LOSS) attributable to common stockholders</b>	<u>\$ 16,647</u>	<u>\$ (2,953)</u>	<u>\$ 31,605</u>	<u>\$ (13,719)</u>
<b>EARNINGS (LOSS) PER SHARE attributable to common stockholders</b>				
Basic	<u>\$ 0.38</u>	<u>\$ (0.07)</u>	<u>\$ 0.72</u>	<u>\$ (0.33)</u>
Diluted	<u>\$ 0.37</u>	<u>\$ (0.07)</u>	<u>\$ 0.70</u>	<u>\$ (0.33)</u>
Number of shares used in computation				
Basic	<u>43,975</u>	<u>41,587</u>	<u>43,871</u>	<u>41,368</u>
Diluted	<u>45,510</u>	<u>41,587</u>	<u>45,358</u>	<u>41,368</u>

Note: Throughout this release, we refer to “net income (loss) attributable to common stockholders” as “net income (loss).”

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

For the three months ended June 30, 2010:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
<b>Per-GAAP</b>				<b>\$ 16,647</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 0.37</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	1,078	—	(302)	776
<b>Impairment of long-lived assets</b>	—	144	(55)	89
<b>Amortization of debt discount</b>	—	1,873	(730)	<b>1,143</b>
<b>Adjusted (Non-GAAP)</b>				<b>\$ 18,655</b>
Diluted shares used in computing earnings per share				<b>45,510</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.41</b>

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

For the three months ended June 30, 2009:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income (Loss)
<b>Per-GAAP</b>				<b>\$ (2,953)</b>
<b>Loss per share (Per-GAAP)</b>				
Diluted				<b>\$ (0.07)</b>
<b>Adjustments to reconcile net loss to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	1,118	—	(315)	803
<b>Restructuring</b>	(248)	—	(145)	(393)
<b>Loss on extinguishment of debt</b>	—	137	(53)	84
<b>Forgiveness of debt</b>	—	(1,501)	188	(1,313)
<b>Taxes on repatriation of earnings</b>	—	—	4,915	4,915
<b>Amortization of debt discount</b>	—	2,281	(890)	<b>1,391</b>
<b>Adjusted (Non-GAAP)</b>				<b>\$ 2,534</b>
Diluted shares used in computing earnings per share				<b>42,792</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.06</b>

Note: Included in GAAP and non-GAAP adjusted net loss was approximately \$1.5 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.04 per share.



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

For the six months ended June 30, 2010:

	<u>Operating Expenses</u>	<u>Other Income (Expense)</u>	<u>Income Tax Provision</u>	<u>Net Income</u>
<b>Per-GAAP</b>				<b>\$ 31,605</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 0.70</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	2,206	—	(618)	1,588
<b>Gain on sale of assets</b>	—	(1,837)	661	(1,176)
<b>Impairment of long-lived assets</b>	—	144	(55)	89
<b>Amortization of debt discount</b>	—	3,707	(1,446)	2,261
<b>Adjusted (Non-GAAP)</b>				<b>\$ 34,367</b>
Diluted shares used in computing earnings per share				<b>45,358</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.76</b>

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$4.2 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted earnings per share (“EPS”) would have increased by an additional \$0.09 per share.

For the six months ended June 30, 2009:

	<u>Operating Expenses</u>	<u>Other Income (Expense)</u>	<u>Income Tax Provision</u>	<u>Net Loss</u>
<b>Per-GAAP</b>				<b>\$ (13,719)</b>
<b>Loss per share (Per-GAAP)</b>				
Diluted				<b>\$ (0.33)</b>
<b>Adjustments to reconcile net loss to adjusted net loss:</b>				
<b>Amortization of acquisition related intangible assets</b>	2,209	—	(619)	1,590
<b>Restructuring</b>	(149)	—	(196)	(345)
<b>Gain on extinguishment of debt</b>	—	(1,353)	528	(825)
<b>Forgiveness of debt</b>	—	(1,501)	188	(1,313)
<b>Taxes on repatriation of earnings</b>	—	—	10,631	10,631
<b>Amortization of debt discount</b>	—	4,490	(1,751)	2,739
<b>Adjusted (Non-GAAP)</b>				<b>\$ (1,242)</b>
Diluted shares used in computing earnings per share				<b>41,368</b>
<b>Adjusted loss per share (Non-GAAP)</b>				

Diluted

\$ (0.03)

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$3.0 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted earnings per share ("EPS") would have increased by an additional \$0.07 per share.

## **ADJUSTED NET INCOME**

This measure consists of generally accepted accounting principles (“GAAP”) net income, which is then adjusted solely for the purpose of adjusting for amortization of acquisition related intangible assets, amortization of debt discount, impairment of long-lived assets, gain on sale of assets, restructuring costs, gain on extinguishment of debt, forgiveness of debt, and taxes on repatriation of foreign earnings, as discussed below. Excluding impairment of long-lived assets, gain on sale of assets, restructuring costs, gain on extinguishment of debt, forgiveness of debt, and taxes on repatriation of foreign earnings provides investors with a better depiction of the Company’s operating results and provides a more informed baseline for modeling future earnings expectations. Excluding the amortization of acquisition related intangible assets and amortization of debt discount allows for comparison of the Company’s current and historic operating performance. The Company excludes the above listed items to evaluate the Company’s operating performance, to develop budgets, to determine incentive compensation awards and to manage cash expenditures. Presentation of the above non-GAAP measures allows investors to review the Company’s results of operations from the same viewpoint as the Company’s management and Board of Directors. The Company has historically provided similar non-GAAP financial measures to provide investors an enhanced understanding of its operations, facilitate investors’ analyses and comparisons of its current and past results of operations and provide insight into the prospects of its future performance. The Company also believes the non-GAAP measures are useful to investors because they provide additional information that research analysts use to evaluate semiconductor companies. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. The Company recommends a review of net income on both a GAAP basis and non-GAAP basis be performed to get a comprehensive view of the Company’s results. The Company provides a reconciliation of GAAP net income to non-GAAP adjusted net income.

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

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

**Amortization of debt discount** — The Company excluded the amortization of debt discount on its 2.25% Convertible Senior Notes (“Notes”). This amortization was excluded from management’s assessment of the Company’s core operating performance. Although the amortization of debt discount is recurring in nature, the expected life of the Notes is five years as that is the earliest date in which the Notes can be put back to the Company at par value. As such, the amortization period ends October 1, 2011, at which time the Company will no longer be recording an amortization of debt discount. In addition, the Company has repurchased some of its Notes, which can make the principal amount outstanding and related amortization vary from period to period, and as such the Company believes the exclusion of the amortization facilitates comparisons with the results of other periods that may reflect different principal amounts outstanding and related amortization.

**Impairment of long-lived assets** — The Company excluded the impairment of long-lived assets. During the second quarter of 2010, the Company impaired certain assets, which was excluded from management’s assessment of the Company’s core operating performance. The Company believes the exclusion of the impairment of long-lived assets provides investors an enhanced view of a gain the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such impairments.

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

**Restructuring costs** — The Company recorded various restructuring charges to reduce its cost structure in order to enhance operating effectiveness and improve profitability. These restructuring activities impacted various functional areas of the Company’s operations in several locations and were undertaken to meet specific business objectives in light of the facts and circumstances at the time of each restructuring event. These restructuring charges are excluded from management’s assessment of the Company’s operating performance. The Company believes the exclusion of the restructuring charges provides investors an enhanced view of the cost structure of the Company’s operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

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

**Forgiveness of debt** — The Company excluded the forgiveness of debt related to one of its Asia subsidiaries in the second quarter of 2009. This forgiveness of debt is excluded from management’s assessment of our operating performance. The Company believes the exclusion of the forgiveness of debt provides investors an enhanced view of the adjustment the Company may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such charges.

**Taxes on repatriation of foreign earnings** — The Company excluded the non-cash income tax expense related to the repatriation of foreign earnings. During the first quarter of 2009, the Company repatriated approximately \$28.5 million of accumulated earnings from one of its Chinese subsidiaries, resulting in additional non-cash federal and state income tax expense. The Company intends to permanently reinvest overseas all of its remaining earnings from its foreign subsidiaries. The Company believes the exclusion of the non-cash income tax expense related to the repatriation of foreign earnings provides investors an enhanced view of a one-time occurrence and facilitates comparisons with results of other periods that do not reflect such a non-cash income tax expense.

## **ADJUSTED EARNINGS PER SHARE**

This non-GAAP financial measure is the portion of the Company's GAAP net income assigned to each share of stock, excluding amortization of acquisition related intangible assets, amortization of debt discount, impairment of long-lived assets, gain on sale of assets, restructuring costs, gain on extinguishment of debt, forgiveness of debt and taxes on repatriation of foreign earnings, as described above. Excluding impairment of long-lived assets, gain on sale of assets, restructuring costs, gain on extinguishment of debt, forgiveness of debt and taxes on repatriation of foreign earnings provides investors with a better depiction of the Company's operating results and provides a more informed baseline for modeling future earnings expectations, as described in further detail above. Excluding the amortization of acquisition related intangible assets and amortization of debt discount allows for comparison of the Company's current and historic operating performance, as described in further detail above. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from measures used by other companies. The Company recommends a review of diluted earnings per share on both a GAAP basis and non-GAAP basis be performed to obtain a comprehensive view of the Company's results. Information on how these share calculations are made is included in the reconciliation table provided.

**DIODES INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED RECONCILIATION OF NET INCOME TO EBITDA**

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties, such as financial institutions in extending credit, in evaluating companies in our industry and provides further clarity on our profitability. In addition, management uses EBITDA, along with other GAAP measures, in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing, operating in different income tax jurisdictions, and accounting effects of capital spending, including the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization expense. EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

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

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<u>2010</u>	<u>2009</u>
Net income (loss) (per-GAAP)	\$ 16,647	\$ (2,953)
Plus:		
Interest expense (income), net (1)	2,273	2,813
Income tax provision	3,035	5,156
Depreciation and amortization	<u>12,601</u>	<u>11,632</u>
<b>EBITDA (Non-GAAP)</b>	<b><u>\$34,556</u></b>	<b><u>\$16,648</u></b>
	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<u>2010</u>	<u>2009</u>
Net income (loss) (per-GAAP)	\$ 31,605	\$(13,719)
Plus:		
Interest expense (income), net (2)	4,777	5,313
Income tax provision	6,359	5,553
Depreciation and amortization	<u>24,670</u>	<u>22,987</u>
<b>EBITDA (Non-GAAP)</b>	<b><u>\$ 67,411</u></b>	<b><u>\$ 20,134</u></b>

(1) Includes \$1.9 million and \$2.3 million for the three months ended June 30, 2010 and 2009, respectively, of amortization of debt discount.

(2) Includes \$3.7 million and \$4.5 million for the six months ended June 30, 2010 and 2009, respectively, of amortization of debt discount.



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

**ASSETS**  
*(in thousands)*

	<b>June 30,</b> <b>2010</b>	<b>December 31,</b> <b>2009</b>
	<i>(unaudited)</i>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 245,640	\$ 241,953
Short-term investment securities	—	296,600
Accounts receivable, net	117,302	99,074
Inventories	101,768	89,652
Deferred income taxes, current	9,325	7,834
Prepaid expenses and other	13,124	11,591
<b>Total current assets</b>	<u>487,159</u>	<u>746,704</u>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	184,243	162,988
<b>OTHER ASSETS</b>		
Goodwill	65,185	68,075
Intangible assets, net	30,729	34,892
Other	5,375	5,324
<b>Total assets</b>	<u>\$772,691</u>	<u>\$1,017,983</u>

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

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

	<u>June 30,</u> 2010 <i>(unaudited)</i>	<u>December 31,</u> 2009
<b>CURRENT LIABILITIES</b>		
Lines of credit and short-term debt	\$ 1,555	\$ 299,414
Accounts payable	67,720	62,448
Accrued liabilities	41,053	27,236
Income tax payable	3,059	2,641
Current portion of long-term debt	373	373
Current portion of capital lease obligations	281	283
<b>Total current liabilities</b>	<u>114,041</u>	<u>392,395</u>
<b>LONG-TERM DEBT, net of current portion</b>		
Convertible senior notes	124,312	121,333
Long-term borrowings	3,266	3,464
<b>CAPITAL LEASE OBLIGATIONS, net of current portion</b>		
	1,477	1,669
<b>DEFERRED INCOME TAXES, non-current</b>		
	8,596	7,743
<b>OTHER LONG-TERM LIABILITIES</b>		
	44,610	40,455
<b>Total liabilities</b>	<u>296,302</u>	<u>567,059</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
<b>Diodes Incorporated stockholders' equity</b>		
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; 44,263,625 and 43,729,304 issued and outstanding at June 30, 2010 and December 31, 2009, respectively	29,509	29,153
Additional paid-in capital	220,353	211,618
Retained earnings	279,779	248,174
Accumulated other comprehensive loss	(65,094)	(48,311)
<b>Total Diodes Incorporated stockholders' equity</b>	<u>464,547</u>	<u>440,634</u>
<b>Noncontrolling interest</b>	<u>11,842</u>	<u>10,290</u>
<b>Total equity</b>	476,389	450,924
<b>Total liabilities and equity</b>	<u>\$772,691</u>	<u>\$1,017,983</u>

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

**Operator:**

Good afternoon and welcome to Diodes Incorporated's second quarter 2010 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of today's conference call, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference call, please press the star followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Thursday, August 5, 2010. I would now like to turn the call to Leanne Sievers of Shelton Group Investor Relations for Diodes Incorporated. Leanne, please go ahead.

**Introduction:** Leanne Sievers, EVP of Shelton Group

Good afternoon and welcome to Diodes' second quarter 2010 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

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

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

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

In addition, any projections as to the Company's future performance represent management's estimates as of **today, August 5, 2010**. Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms. Included in the Company's press release is a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details. Also, throughout the Company's press release and management's statements during this conference call, we refer to "net income (loss) attributable to common stockholders" as "GAAP net income."

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

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

**Dr. Keh-Shew Lu, President and CEO**

Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

Diodes once again achieved record results in revenue, gross profit and gross margin with strong growth in all regions, including continued growth in North America and Asia. We also experienced sustained improvement in Europe, where we reported the second consecutive quarter of record revenue for the region despite continued weakness in the exchange rate. Our focus on design wins, new product development and the cross-selling from our Zetex acquisition continues to produce material results for our business. Additionally, our achievement of record gross profit and record gross margin is a direct result of the operational efficiencies at our manufacturing facilities combined with continued success on our new product initiatives. During the quarter we realized better than expected utilization at the wafer fabs and generated record output at our packaging facilities.

Also during the quarter, we announced our entry into the standard logic market, which is a natural fit for Diodes' strategic focus on high-volume standard products. Furthermore, there are strong packaging synergies with our existing analog and discrete product lines that enable us to leverage our world class, cost-effective assembly facility. These logic products are suitable for use in a variety of communication, computing, consumer and networking equipment and expand our SAM by over 15 percent. The expansion into this market provides new revenue opportunities for Diodes, and we expect that it will be an additional strong growth driver in the coming years.

As we look to the third quarter, we expect to report our sixth consecutive quarter of sequential revenue growth and to produce record results once again for the Company. As I have stated in the past, Diodes has emerged from the downturn a stronger company with expanded growth opportunities, and I believe our achievement of consecutive record results is proof of our success.

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

**Rick White, CFO**

Thanks, Dr. Lu, and good afternoon everyone.

As Dr. Lu mentioned, **Revenue** for the second quarter was a record \$149 million, an increase of 44 percent over the \$104 million in the second quarter of 2009 and a sequential increase of 9 percent over the \$137 million in the first quarter of 2010.

**Gross profit** for the second quarter of 2010 was a record \$53.5 million, or 35.8 percent of revenue, compared to \$27.4 million, or 26.3 percent of revenue, in the second quarter of 2009 and \$47.8 million, or 34.9 percent of revenue, in the first quarter of 2010. The sequential increase in gross margin was primarily attributable to better than expected utilization at the wafer fabs, record output at the Company's packaging facilities and a favorable mix of higher margin, new products. In addition to our wafer fabs being fully loaded, our operational performance is at very high levels. During the quarter, our packaging capacity output from our China facilities increased 9 percent sequentially to 5.6 billion units. We expect output capacity to increase between 6 to 10 percent in the third quarter.

Total **operating expenses** were \$29.5 million, or 19.8 percent of revenue, down from 21.1 percent of revenue last quarter.

Looking specifically at **Selling, General and Administrative** expenses for the second quarter, SG&A was approximately \$21.4 million, flat to last quarter, but an improvement to 14.4 percent of revenue compared to 15.7 percent last quarter.

**Investment in Research and Development** for the second quarter was \$6.8 million, or 4.6 percent of revenue, which was effectively in line on a percent of revenue basis with the \$6.4 million, or 4.7 percent of revenue, in the first quarter.

**Total other expense** amounted to \$3.4 million for the second quarter.

Looking at interest income and expense, we had approximately \$1.0 million of interest income, primarily related to our portfolio of Auction Rate Securities, and interest expense of \$1.4 million primarily related to our Convertible Senior Notes and our “no net cost” loan.

Under the previously disclosed settlement with UBS regarding our Auction Rate Securities, effective June 30<sup>th</sup> we put back all of the Auction Rate Securities to UBS at par and paid off the associated “no net cost” loan. For the remainder of 2010, we expect interest income and interest expense to be less than the first half of 2010 since we are no longer earning interest from the Auction Rate Securities and are no longer being charged interest on our “no net cost” loan.

During the second quarter of 2010, we recorded approximately \$1.9 million of non-cash, amortization of debt discount related to the U.S. GAAP requirement to separately account for a liability and equity component of our Convertible Senior Notes. Also included in Total Other Expense was \$1.3 million of foreign exchange losses, primarily related to our European operations.

Before reviewing the other financial highlights, let me first address several questions that have been raised about the impact of changes in rates of exchange on the Company’s financial results. As many international companies typically experience, movements in foreign exchange rates can be adverse or beneficial to Diodes’ results depending upon the movement of the currencies relative to our functional currency, the U.S. dollar.

When we prepare our guidance we make assumptions on the future rates of exchange. Our Income and Expense accounts denominated in foreign currencies are translated at the average actual exchange rate for the monthly period. Changes in these actual rates relative to our assumptions have the potential to impact our operating income as compared to our guidance. The magnitude of the impact is dependent upon the change in the rates, as well as the functional currency in which we maintain our subsidiary accounting records and the mix of U.S dollar-based income and expense versus the non-U.S. dollar based income and expenses.

In Europe, our functional currencies are the British Pound Sterling in the U.K. and the Euro in Germany. We have a mix of dollar, pound and Euro based income and expenses. The current mix is such that we have a natural hedge against our operating income. In effect, changes in the pound and Euro generally have a relatively immaterial impact on Diodes’ operating income.

In China, our situation is different from Europe since our functional currency is the U.S. dollar. Our revenue in China is primarily U.S. dollar based while our expenses are a mix of U.S. dollar based and non-U.S. dollar based, so changes in rates of exchange have the potential to impact our operating income. Should the Yuan strengthen versus the dollar the effect on Diodes gross margin will be minimal. All things equal, for each 1% that the Yuan strengthens, Diodes gross margin would be reduced by approximately 10 basis

points. We continue to focus on cost reduction efforts in our operations to minimize the impact on operating profit from changes in rates of exchange.

In addition to this impact on operating income, we are also subject to transaction effects, which are included in the Other income and expense line items on the income statement, and translation effects which are reported on our balance sheet in other comprehensive income or loss. More information on these effects will be included in our Quarterly Report on Form 10-Q filing for the period ended June 30, 2010

Now turning back to our financial overview for the second quarter, **Income Before Income Taxes and Noncontrolling Interest** amounted to \$20.6 million, compared to \$2.8 million in the second quarter of 2009 and \$19.0 million in the first quarter 2010.

Turning to **income taxes**, our effective income tax rate in the second quarter was approximately 14.7 percent, which was slightly below our guidance. Improved profitability in Europe has allowed us to take advantage of some Zetex tax credits from prior years. Under U.S. accounting rules, a portion of this tax benefit must be accelerated into the current quarter as a discrete item rather than being part of the overall effective tax rate for the year.

Second quarter **GAAP net income** was \$16.6 million, or \$0.37 per diluted share, compared to net loss of negative \$3.0 million, or a loss of negative \$0.07 per share, in the second quarter of 2009 and net income of \$15.0 million, or \$0.33 per share, in the first quarter of 2010. The share count used to compute GAAP diluted earnings per share for the second quarter was 45.5 million shares.

**Non-GAAP adjusted net income** was \$18.7 million, or \$0.41 per share, which excluded, net of tax, \$1.1 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes and \$800,000 of non-cash acquisition related intangible asset amortization costs. We have included in our earnings release a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details. Included in second quarter GAAP and non-GAAP adjusted net income was approximately \$2.1 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per diluted share.

**Cash flow from operations** for the second quarter was \$23.1 million and \$46.9 million for the first six months of 2010. Second quarter net cash flow and free cash flow were a negative \$2.1 million and negative \$1.5 million, respectively, primarily due to the CapEx associated with the continued capacity increase at our packaging facilities in China. Year-to-date our CapEx is 16.6 percent of revenue, which is above our model level of 12 percent.

Turning to the **balance sheet**, at the end of the second quarter, we had \$246 million in cash. As I stated earlier, our Auction Rate Securities have been converted to cash at 100% par and the proceeds used to completely pay down our "no net cost" loan. Our working capital at quarter-end was approximately \$373 million and long-term debt, including the Convertible Senior Notes, which are redeemable in October 2011, was approximately \$128 million.

At the end of the second quarter, inventory was approximately \$102 million. Inventory days were 92, compared to 93 days in the first quarter.

**Accounts receivable** was approximately \$117 million and A/R days were 67.

As mentioned previously, **Capital expenditures** were \$22.6 million during the second quarter, or 15.1 percent of revenue, compared to 18 percent of revenue in the first quarter. For the first six months of 2010, CapEx totaled \$47.3 million, or 16.6 percent of revenue

**Depreciation** and amortization expense for the second quarter was \$12.6 million.

### **Turning to our Outlook...**

As Dr. Lu discussed, we expect to post our sixth consecutive quarter of sequential revenue growth in the third quarter with revenue expected to range between \$158 million and \$164 million, or an increase of 6 to 10 percent sequentially. Gross profit is expected to increase at a rate comparable to our revenue growth, which would also represent another record quarter. Operating expenses are anticipated to decrease slightly from second quarter levels on a percent of revenue basis. We expect our income tax rate for the third quarter to range between 15 and 20 percent as we expect profitability in higher tax jurisdictions to continue to improve. For the third quarter, we expect shares used to calculate GAAP EPS to be approximately 46.0 million.

With that said, I will now turn the call over to Mark King

### **Mark King, Senior VP of Sales and Marketing**

Thank you, Rick, and good afternoon.

As Dr. Lu mentioned, our record second quarter revenue was a result of strong demand across all geographic regions as both our Diodes and Zetex-branded products continue to reach record levels. Global POS was up 17 percent with solid growth in all regions, and inventory at distributors remained relatively flat. During the quarter, we launched 111 new products across our analog and discrete product families, including a major expansion of our USB switch line, which continues to gain market share in the TV and notebook space. We also achieved strong momentum for our high performance bi-polar transistors as well as our SBR® products in Asia. Design activity was also at record levels with about 350 design wins across all market segments.

In terms of specific end market breakout, consumer represented 33 percent of revenue, computing 27 percent, industrial 20 percent, communications 17 percent, and automotive 3 percent.

**Asia** represented 74 percent of total revenue. Sales increased 10 percent sequentially led by strength in consumer portables, smartphones, DC fans and notebook power supply. We continued to ramp new design wins for LCD/LED TV, panels and notebooks, which collectively helped contribute to the growth in the quarter. Distributor POS grew 13 percent and distributor POP grew 4 percent. Distributor inventory for the period was down 2 percent and remained under 2 months. We expect this level of inventory to decrease further in the coming months due to strong demand and tight supply.

Design activity in Asia once again remained strong with 114 wins at 76 customers, highlighted by 14 USB switches, 11 RESET ICs, 27 power MOSFETs, 19 SBR®, 11 Hall sensors and 11 LED drivers.

In **North America**, second quarter sales represented 15 percent of total revenue and product sales increased 13 percent over the first quarter. OEM sales were driven by continued improvements in our industrial and communications customer base. Distributor POS grew 22 percent, outpacing POP which grew 8 percent. Distributor inventory remains healthy and positioned to support further POS growth. Our backlog going into Q3 was strong once again, positioning us for further growth in North America as the outlook for both OEMs and distributors remains very positive.

Design activity in North America was strong with 111 total design wins, highlighted by 22 MOSFETs, 12 analog, 10 bipolars, 6 SBRs<sup>®</sup>, and 1 key Hall sensor win.

To support internal growing demand, we continued to reduce foundry wafer sales, which decreased 24 percent quarter-over-quarter.

Sales in **Europe** accounted for 11 percent of total revenue in the quarter and increased 6 percent over the first quarter, representing the fourth consecutive quarter of revenue growth. In fact, when excluding the impact of exchange rates, growth in the region would have been 13 percent. OEM sales grew 10 percent sequentially across all market segments with sales to industrial accounts up 19 percent and sales to consumer accounts gained 10 percent. Distributor POS was up 4 percent and outpaced distributor POP. Inventory decreased slightly in the quarter. We entered the third quarter with a stronger customer backlog than we had going into the second quarter and expect further growth against the usual seasonal pattern for Europe.

Design activity in Europe was also strong with 121 wins at 63 accounts.

Now turning to **new products** - During the second quarter on the discrete side, we released 47 new products. New product revenue from bi-polar transistors grew 86 percent over the prior quarter due to the ramping of several high volume design wins secured in the fourth quarter of 2009 for the consumer and communications markets. Our bipolar portfolio was enhanced by the release of our ZXGD3103 synchronous controller using a combination of transistors each specifically developed to enable the high performance in the latest designs of set top boxes and TVs. Also in the quarter, we achieved strong momentum on SBR products with new product revenue growing 25 percent.

On the analog side, we continue to see new product revenue increase and market share gains from our USB power switch family, where revenue grew by 57 percent sequentially. This growth trend is expected to continue for the rest of 2010 and will be accelerated by additional business for our newly released products. Additionally, the RESET devices continued to gain traction driven by market share gains in flat panel TV. New devices in this family are expanding our SAM into major tier-one OEMs, which we expect to yield significantly higher volume in the second half of the year. Also during the second quarter, Diodes' recently released AP5100, high efficiency DC-DC converter, received its first design wins and production orders with shipments commencing in May. We are currently sampling our first high frequency synchronous DC-DC converter, which we expect to release in the third quarter.

Most notable in the quarter, we released our first family of single-gate logic products and secured our first design wins. As Dr. Lu mentioned earlier, Diodes is able to utilize our own world-class, cost-effective, high-volume assembly facility that's well suited for manufacturing low pin-count SOT25 and SOT353 packages. We are pleased to be able to leverage this capability to provide users with an alternative source of cost effective, high performance logic devices. The introduction of our first single-gate product families supports both portable battery operated and traditional 5V applications. We are very excited about the future growth opportunities of this product line, especially with the customer and packaging synergies that exist with our analog and discrete lines.

In terms of global design wins, in-process design activity remained strong both in quantity and quality. We continue to be successful designing our new products into target applications with new and existing customers. Strong momentum continues on the discrete side highlighted by key wins for our MOSFETs in notebooks, smartphones and game consoles, which are all key growth applications for this product. Our SBR<sup>®</sup> efficiency characteristics are driving expanded interest and design success in power supply of all types, solar



power, LCD/LED TV as well as broad-based industrial applications. We have also secured recent wins on our bi-polar transistor line that are benefiting from the move to LED backlighting in TV's. On the Analog side, the most active areas were USB switch with key wins in notebook, LED TV and set-top box as well as LED drivers in very broad-based applications. In Hall sensors, we had key wins in smartphones, DC fans and notebooks.

In summary, our continued execution on new product initiatives and consistent high level of design wins are expected to drive further growth for the Company going forward. Additionally, the introduction of our logic products will be a material contributor to our future results as we leverage our cost effective packaging and customer synergies with our existing product lines. We entered the third quarter with strong backlog and positive momentum and remain focused on driving additional growth opportunities and operational efficiencies to further execute on our profitable growth strategy.

With that, I'll open the call for questions — Operator?

**Upon Completion of the Q&A...**

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

**QUESTION AND ANSWER****Operator**

(OPERATOR INSTRUCTIONS ) I HAVE THE FIRST QUESTION COMING FROM THE LINE OF GARY MOBLEY WITH BENCHMARK COMPANY. PLEASE PROCEED.

**Gary Mobley — Benchmark Capital — Analyst**

Hi, guys. Mark, I was hoping that you could start out by clarifying a point for me. On a global basis your point of sales were greater than your point of purchases. At least on the distributor level. If so, could you give us some numbers to support that?

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

I had trouble hearing you at the end.

**Gary Mobley — Benchmark Capital — Analyst**

I was just hoping that you could give us some actual numbers on global point of sale versus point of purchase.

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

Yes. I think that — I don't have the exact number for global point of purchase, but I said in the speech it was 17% POS was up, and I think global POP was only up about 4% or 5%

**Gary Mobley — Benchmark Capital — Analyst**

Okay. And was your utilization rate in the quarter in fact 100% and what are you looking at in terms of production lead times and how did it change in the second quarter versus the first quarter?

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

Yes, Gary. Our capacity on the assembly is always full now and has been full for several quarters, you know that. And we have continued putting the capacity to support that. And if you really remember what I said, we focused another 6% to 10% of more output due to the capital we have been putting in for the third quarter. So we continued investing money since last — third quarter last September. We have been continuing putting the CapEx and increase our capacity. We have been full all the time.

**Gary Mobley — Benchmark Capital — Analyst**

In terms of production lead times, were there any notable changes in the second quarter versus the first quarter?

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

For us, no change, because we are able to put the wafer ahead of the assembly. So all the limitation, or most of the limitation was due to the capacity, packaging capacity. Therefore, the lead time is really, packaging cycle times, which is two, three weeks. That's all we have. So the lead time, we know how much capacity we have. So if we cannot take the order, we don't take the order. We don't just take it and put a long lead time.

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

Gary, we had a tendency to stretch out some of our lower end commodity products during the quarter and focus on the stuff that was a little bit more profitable for us.

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

SINGLE SOURCE PRODUCT AND THE CUSTOMER SPECIFIC TYPE OF PRODUCT. WE GIVE THEM A HIGHER PRIORITY. AND FOR THE STANDARD ANALOG PRODUCT, THEY HAVE LOW PRIORITY.

**Gary Mobley — *Benchmark Capital* — *Analyst***

OKAY. THANKS, GUYS.

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

THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF BRIAN PICIONI WITH BMO CAPITAL MARKETS. PLEASE PROCEED.

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

YES. AND CONGRATULATIONS ON GREAT RESULTS AND A GOOD OUTLOOK. YOU HAD GREAT RESULTS.

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

THANK YOU, BRIAN.

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

I THOUGHT YOU HAD GREAT RESULTS. ONE OF THE THINGS THAT STANDS OUT TO ME IS THAT YOUR AUTOMOTIVE BUSINESS, WHICH I KNOW ISN'T A LARGE BUSINESS FOR YOU CURRENTLY, SEEMS TO BE FAIRLY FLAT. WE'RE SEEING A LOT OF OTHER COMPANIES, OF COURSE, AS THE AUTO INDUSTRY HAS BOUNCED BACK FROM THE DEPTHS OF THE RECESSION, LOT OF OTHER COMPANIES ARE SEEING PRETTY STRONG GROWTH THERE. IS THIS A TIMING ISSUE IN YOUR CASE OR ARE YOU STILL WORKING TOWARDS DESIGN WINS THERE?

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

YES. I THINK THAT OUR OTHER END EQUIPMENTS HAVE A TENDENCY TO DRIVE US A LITTLE FASTER. SO I THINK IT'S STAYING AT 3% BASED ON THE GROWTH THAT WE'VE SEEN IN THE OTHER AREAS. I THINK IT'S ACTUALLY PERFORMING PRETTY WELL. I THINK WE'RE DOING OKAY THERE. IT'S NOT AS CLOSE A FOCUS AS WE WOULD HOPEFULLY HAVE IT TO BE SOMETIME IN THE FUTURE. BUT I THINK WE'RE DOING OKAY THERE.

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

OKAY. NOW YOU HAD MENTIONED LOGIC, OF COURSE, YOU'VE BEEN RELEASING A FAIR NUMBER OF PRODUCTS. I WOULD IMAGINE THAT THE SIZE OF THE ADDRESSABLE MARKET IS FAIRLY DEPENDENT ON THE NUMBER OF PRODUCTS THAT YOU PRODUCE. BUT AT WHAT POINT — WHAT'S THE TURN AROUND TIME FROM PRODUCT INTRODUCTION ON LOGIC TO VOLUME SALES?

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

I THINK IT'S — I THINK THAT'S A GOOD QUESTION. WE JUST ENTERED IT PRETTY RECENTLY, SO IT'S HARD TO SAY. FRANKLY, WITH AVAILABLE CAPACITY, DESIGN WIN TIME ON THIS PRODUCT IS VERY QUICK. BUT WE'RE TAKING OUR TIME AND BEING CAREFUL AND MAKING SURE THAT WE POSITION OURSELVES CORRECTLY BECAUSE WE ARE STILL IN TIGHT SUPPLY ON SOME OF THE KEY PACKAGES FOR THAT. SO WE DON'T WANT TO OVER COMMIT ON A NEW PRODUCT LINE. BUT I THINK WE HAVE A GREAT OPPORTUNITY THERE, LONG-TERM TO POSITION IT AND GROW IT IN OUR PRESENT CUSTOMER BASE AND OUR PRESENT DISTRIBUTOR CHANNEL. WE JUST WANT TO MAKE SURE THAT WE'RE TOTALLY POSITIONED TO SUPPORT THE CUSTOMER WHEN WE RAMP IT UP

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

BRIAN, THIS KIND OF PRODUCT, THE LEAD TIME IS NOT AN ISSUE. THIS IS STANDARD ANALOG PRODUCT. SO WHOEVER USING IT, AS LONG AS THEY HAVE CONFIDENCE IN OUR PRODUCT THEY JUST REPLACE IT. IT'S PIN TO PIN COMPATIBLE. WE HAVE ANOTHER CATEGORY OF THIS LOGIC PRODUCT, WHICH IS AT A HIGHER PERFORMANCE TO SUPPORT THE BATTERY OPERATION, THREE VOLT INSTEAD OF FIVE VOLT. THOSE REALLY HAVE HIGHER PERFORMANCE, BETTER PRODUCT NOW BECAUSE THAT LEAD TIME COULD BE A LITTLE BIT LONGER BECAUSE IT'S NO LONGER EXISTING APPLICATIONS. BUT FOR EXISTING APPLICATIONS, IT'S VERY EASY TO REPLACE USING OUR PRODUCT. SO THE LEAD TIME — OR DESIGN WIN LEAD TIME SHOULD NOT BE AN ISSUE.

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

OKAY. SUPER. I'D JUST LIKE TO ASK ONE MORE QUESTION THEN GIVE UP THE LINE TO SOMEBODY ELSE. ARE YOU DOING ANY WORK WITH RESPECT TO COPPER BOND? BECAUSE IT WOULD SEEM THAT THAT WILL BE AN OPPORTUNITY FOR COST REDUCTION? THANKS.

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

WELL, WHEN YOU SEE OUR GROSS MARGIN CONTINUING TO IMPROVE. ONE OF THE KEY REASONS I WOULD CONTRIBUTE (SIC) TO OUR COPPER BOND. WE HAVE BEEN DOING IT PROBABLY LONGER THAN ONE YEAR NOW. WE ACTUALLY — I THINK IT'S ALMOST TWO YEARS. THIS IS THE KEY COST REDUCTION DRIVE FOR US SO, YES. WE ARE DOING IT.

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

EXCELLENT. THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF JOE WITTINE WITH LONGBOW RESEARCH.

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

Hi, JOE.

**Operator**

JOE, YOUR LINE IS OPEN. YOUR NEXT QUESTION COMES FROM THE LINE OF RAMESH MISRA WITH BRIGANTINE ADVISORS.

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

THAT'S RAMESH AT BRIGANTINE ADVISORS. GOOD AFTERNOON, GENTLEMEN. LET ME ASK THE PREVIOUS QUESTION A SLIGHTLY DIFFERENT WAY. MARK, WHEN DO YOU EXPECT MATERIAL REVENUES IN THE LOGIC BUSINESS? IS IT MORE OF MID 2011 KIND OF A PHENOMENON OR DO YOU THINK YOU COULD SEE SOME IN EARLY 2011?

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

I'D SAY WE CAN START TO SEE SOME REASONABLE REVENUE IN THE LATE FIRST QUARTER OF 2011 RAMPING INTO THE SECOND AND THIRD QUARTER OF NEXT YEAR. I FEEL PRETTY COMFORTABLE ABOUT THAT. HOPEFULLY — HE'S EXPECTING ME TO DO IT SOONER.

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

THAT'S RIGHT. I WILL BE VERY DISAPPOINTED IF HE DOESN'T DO THAT, BUT I THINK IN HIS SPEECH HE OUGHT TO TELL YOU WE ALREADY HAVE A DESIGN WIN, SO WE ALREADY HAVE A SINGLE CU — A DESIGN WIN ON THIS PRODUCT LINE. WE ARE VERY EXCITED ABOUT THIS PRODUCT LINE.

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

WE'RE VERY GOOD AT THIS TYPE OF PRODUCT. I THINK THIS CAN BE ONE OF OUR STRENGTHS.

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

OKAY. AND IN THE PAST, YOU KIND OF INNOVATED IN THE AREAS THAT YOU GO IN BY KIND OF COMING UP WITH SPECIALIZED PACKAGES AND COMBINING IT WITH DISCRETE COMPONENTS. IS THAT SOMETHING THAT YOU WILL DO HERE IN LOGIC AS WELL. OR ARE YOUR INITIAL LOGIC PRODUCTS GOING TO BE PRETTY MUCH ME-TOO REPLACEMENTS FOR — AND COMMODITY STANDARD LOGIC PARTS?

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

I THINK RIGHT IN THE FIRST STAGES WE HAVE PLENTY OF OPPORTUNITY JUST COMING OUT WITH THE ME-TOO AND PIN PER PIN. WE DO SEE SOME OPPORTUNITY FOR SOME FURTHER MINIATURIZATION THAT COULD OFFER SOME NICE OPPORTUNITIES LONG TERM. BUT WE NEED TO GET OURSELVES ESTABLISHED. I THINK IT'S JUST EASIER TO FOCUS ON OUR CONTINUED — AND WE HAVE A LOT OF WAVES OF PRODUCT COMING OUT. AND IF WE CAN JUST FOCUS ON GETTING THE PRODUCTS THAT WE HAVE OUT INTO THE CUSTOMER BASE AND GETTING THEM THE FEEL FOR US AS A LOGIC SUPPLIER, THEN WE'LL LOOK AT WHAT WE CAN DO TO INNOVATE AND HELP THE CUSTOMER IN THEIR NEXT GENERATION DESIGNS LIKE WE'VE DONE ON DISCRETE AND SOME OF THE ANALOG COMPONENTS.

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

OKAY, GREAT. RICK, CAN YOU REMIND US OF THE TERMS OF THIS CONVERTIBLE DEBT THAT GETS REDEEMABLE LATE IN 2011? WHAT'S THE CONVERTIBLE PRICE, SO ON, SO FORTH?

**Rick White — Diodes Incorporated — CFO, Secretary, Treasurer**

WE HAVE \$135 MILLION OUTSTANDING. AND THE RATE IS 2.5%

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

OCTOBER, 2011?

**Rick White — Diodes Incorporated — CFO, Secretary, Treasurer**

YES, OCTOBER, 2011, AS I MENTIONED. THEY'RE PUTTABLE BACK TO US AT THAT POINT IN TIME.

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

WHAT'S THE CONVERSION PRICE?

**Rick White — Diodes Incorporated — CFO, Secretary, Treasurer**

\$39.

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

OKAY. OKAY. THANKS VERY MUCH. THAT'S IT FOR ME.

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

THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF CHRISTOPHER LONGIARU WITH SIDOTI & COMPANY. PLEASE PROCEED.

**Christopher Longiaru — Sidoti & Company, LLC — Analyst**

Hi GUYS, CONGRATULATIONS ON THE GUIDANCE.

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

THANK YOU.

**Christopher Longiaru — Sidoti & Company, LLC — Analyst**

MY QUESTION IS ABOUT GROSS MARGIN. HOW MUCH IS UTILIZATION AND HOW MUCH IS JUST A PRODUCT MIX? AS YOU SAID YOU SHIFTED OUT SOME OF THE LOWER MARGIN STUFF.

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

I DON'T KNOW HOW TO SEPARATE THAT. BUT GREAT CONTRIBUTIONS BY BOTH. ESPECIALLY THE BACKEND HAD BEEN FULL FOR A LONG TIME. So it's NOT — FROM THE PERCENTAGE POINT OF VIEW IT'S NOT REALLY COMING FROM THE BACKEND. BUT THE WAFER FAB, WE STARTED WITH VERY LOW LOADING, FROM Q12009 AND CONTINUE UP, UP. AND YOU CAN SEE. Now we are — we are now almost there. OKAY? WE STILL HAVE SLIGHTLY ROOM FOR INCREASED OUTPUT. BUT WE ARE ALMOST THERE. OKAY? AND THAT'S COMING FROM THE BACK END — FROM THE WAFER FAB. OKAY? So if compared relative to 1Q, THEN PROBABLY I WOULD SAY IT'S CONTRIBUTED BY THE WAFER FAB, BUT PRODUCT MIX IS ANOTHER KEY IMPROVEMENT, OKAY? WE TAKE THIS OPPORTUNITY WE CONSTRAIN OUR LOW END STANDARD PRODUCT AND THE FOCUS ON — MORE ON THE HIGH VALUE ADDED PRODUCT.

**Christopher Longiaru — Sidoti & Company, LLC — Analyst**

DID YOU JUST SHIFT OUT THAT PRODUCTION? DOES THAT MEAN THAT, IF YOU'RE PUSHING THAT OUT, THAT THE MARGINS ARE GOING TO COME BACK DOWN A LITTLE BIT IN 2011 WHEN THAT PRODUCT MIX GETS MORE NORMALIZED AND YOU'VE GOT MORE PRODUCTION CAPACITY?

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

WELL IT DEPENDS. IT DEPENDS. IF WE CONTINUE TO GROW, AND WHEN WE HAVE MORE CAPACITY AHEAD OF THAT, AND THAT COULD BE. THEN ANOTHER ONE I NEED TO MENTION IS THE PRODUCT MIX IS REALLY REGIONAL TOO. IF YOU LOOK AT IT, WE TYPICALLY IN US AND EUROPE HAVE HIGHER GPM THAN ASIA PRODUCTS. AND WHEN YOU GET A CAPACITY SITUATION, YOU CONSTRAIN, AND WE LET THE US AND EUROPE GROW AS MUCH AS THEY CAN. So when ASIA STARTS TO GO BACK TO THE GROWTH MORE, YOU ARE GOING TO SEE WE HAVE THE TOP LINE WILL HAVE MUCH HIGHER GROWTH RATE. THEN OUR GROSS MARGIN COULD BE CONSTRAINED. OKAY. OR PERCENT.

**Christopher Longiaru — Sidoti & Company, LLC — Analyst**

OKAY.

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

WE JUST PLAY WITH THOSE NUMBERS. THE OBJECTIVES, GET THE MAXIMUM GPM DOLLAR, GROSS PROFIT. YOU REMEMBER HAVING SAID THAT, MY FOCUS IS NOT THE GPM PERCENT. MY FOCUS IS THE GPM DOLLAR. So we play with whatever we can to get maximum GPM DOLLAR. GROSS PROFIT.

**Christopher Longiaru — Sidoti & Company, LLC — Analyst**

OKAY. THANK YOU. THAT'S ALL I HAVE FOR NOW.

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

THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF STEVEN CHEN WITH UBS. PLEASE PROCEED.

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

Hi STEVEN.

**Steven Chen — UBS Investment Research — Analyst**

THANKS FOR TAKING MY QUESTIONS. CAN YOU HEAR ME OKAY?

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

YES.

**Steven Chen — UBS Investment Research — Analyst**

FIRST QUESTION IS ON CAPEX. JUST GIVEN THAT IF YOUR CAPEX TO DATE IS RUNNING AROUND 16.5%. THAT'S ABOVE YOUR ORIGINAL GUIDANCE FOR THIS YEAR OF I THINK 12% TO 14%. WHAT IS THE — DO YOU EXPECT THAT RATE TO CONTINUE, THE 16% RATE TO CONTINUE FOR MUCH OF THE REST OF THE YEAR AND ALSO IS THAT MORE EQUIPMENT THAT YOU'RE BUYING? IS THERE HIGHER COSTS THAT YOU'RE FACING FOR CERTAIN PIECES OF BACKEND EQUIPMENT? AND IS THERE ANY ADDITIONAL OR INCREMENTAL FRONTEND EQUIPMENT THAT YOU NEED TO PURCHASE AS WELL GIVEN THAT YOU'RE CLOSE TO FULLY UTILIZED ON THE WAFER SIDE?

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

WELL, STEVEN, THE CAPACITY — THE CAPITAL AUTHORIZATIONS STARTED WITH SEPTEMBER LAST YEAR. WE STARTED AGGRESSIVELY APPROVED THE CAPITAL. BUT THEN THE CAPEX DIDN'T REALLY HIT US UNTIL THE LATER PART OF THE YEAR AND THEN FIRST HALF OF THIS YEAR. SO IF YOU LOOK AT Q1, OUR PERCENTAGE WAS EVEN HIGHER, I REMEMBER SOMETHING LIKE 18%, OKAY? AND THEN YOU'RE GOING TO GET THE SLOWDOWN TO THE...BUT THIS YEAR, I DON'T THINK WE WILL BE ABLE TO GO BACK TO 10% TO 12% MODEL BECAUSE WE UNDERSTAND LAST YEAR. IF WE WANT TO CONTINUE SUPPORT OUR GROWTH, HISTORICAL GROWTH, WE DO NEED TO SPEND A LITTLE BIT MORE THIS YEAR. SO I EXPECT, IF YOU LOOK AT OUR THIRD QUARTER, WE SAY OUR CAPACITY WILL INCREASE 6% TO 10%, AND WE'LL HAVE ANOTHER GROWTH IN FOURTH QUARTER, AND I EXPECT THIS YEAR WE ARE PROBABLY SOMEWHERE AROUND 13% TO 14%, OUR CAPACITY EXPENDITURE. UNLESS THERE IS A ONE TIME DEAL HAPPENING. BUT IF IT'S JUST NORMAL MANUFACTURING CAPACITY I WAS THINKING SOMEWHERE AROUND 13% OR 14%. SLIGHTLY HIGHER THAN OUR MODEL OF 10% TO 12%. BUT JUST LAST YEAR, WE UNDERSPENT, UNDEREXPENSED.

**Steven Chen — UBS Investment Research — Analyst**

OKAY. I GUESS JUST TO CLARIFY ON THE FRONT-END WAFER CAPACITY, THAT'S THE THING THAT YOU EXPECT TO EXPAND LATER THIS YEAR?

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

I JUST NEED TO BE CAREFUL. YOU REMEMBER ON THE WAFER FAB WE DO HAVE SOME FOUNDRY BUSINESS. AND THOSE ARE LOW GPM. AND IF NEEDED WE WILL GRADUALLY REDUCE OUR FOUNDRY BUSINESS AND THAT WILL AGAIN IMPROVE OUR GPM PERCENT AND SUPPORT OUR SALES. SO, WE MIGHT, BUT AT THIS MOMENT, I DON'T HAVE THOSE IN MY PLAN BECAUSE IN OFAB WE STILL HAVE SOME ROOM TO IMPROVE IN THIRD QUARTER, FOURTH QUARTER. IN FABTECH WE CAN REDUCE SOME OF THE SUBCON WAFERS.

**Steven Chen — UBS Investment Research — Analyst**

GREAT. THANKS. AND THE NEXT QUESTION IS EITHER FOR YOU, DR. LU, OR ELSE IT'S FOR MARK. JUST LOOKING AT ALL OF THE DESIGN WINS AND THE DIVERSITY OF PRODUCT WIN TYPES THAT WERE MENTIONED, CAN YOU GIVE SOME MORE COLOR ON WHETHER OR NOT THESE ARE RELATIVELY MORE PROPRIETARY PRODUCTS OR IF THEY'RE RELATIVELY MORE KIND OF STANDARD CATALOG AND COMMODITY TYPE PRODUCTS THAT ARE MORE SEASONAL FROM A DEMAND PERSPECTIVE OR IF THEY ARE MORE PROPRIETARY, IS THERE SOME AMOUNT OF STICKINESS THAT WE MIGHT SEE FOR THESE WINS GOING FORWARD BEYOND THE UPCOMING HOLIDAY SELLING PERIOD?

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

OH, YES. I DON'T THINK THAT THIS IS ALL — THERE'S A LOT OF ACTIVITY OUT THERE THAT SOME OF IT'S SHORTAGE BASED SO YOU'LL SEE A LITTLE BIT, THE DESIGN WIN NUMBERS MAY BE A LITTLE HIGHER. I THINK THESE ARE ALL GOOD SOLID LONG TERM DESIGN WINS. REALLY PEOPLE DON'T SPEND ANY TIME ON SOMETHING THEY DON'T PLAN TO USE FOR A VERY LONG PERIOD OF TIME. SO I THINK THAT, I'LL ALWAYS SAY THEY ALL HAVE LEGS. OKAY? BUT I THINK WE HAVE SOME REALLY NICE OPPORTUNITIES TO USE THESE DESIGN WINS TO EXPAND OUR REVENUE NUMBER IN 2011 A GREAT DEAL. THAT'S WHAT WE'RE WORKING ON NOW. WE'RE WORKING ON 2011 AND HOW WE POSITION OURSELVES WITH THE CUSTOMERS IN THAT PERIOD. SO, I THINK IT WAS A VERY EXCEPTIONAL QUARTER IN THE DESIGN WIN AREA. AND WE WON SEVERAL VERY, VERY KEY WINS AT — ON KEY PROJECTS, AS WELL AS NEW CUSTOMERS. SO CLEARLY, IT SHOULD HELP MAKE MY LIFE A LITTLE EASIER NEXT YEAR.

**Steven Chen — UBS Investment Research — Analyst**

OKAY.

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

STEVEN, THE MORE PRODUCT PORTFOLIO, YOU'RE GOING TO GET MUCH EASIER ON THE DESIGN WIN. OKAY. BECAUSE YOU START TALKING TO A CUSTOMER WHO NEEDS TO PAY ATTENTION TO US. AND STEP INTO THE LOGIC, OUR ZETEX ACQUISITION, ALL THOSE GIVE US OPPORTUNITY FOR KEY DESIGN WINS TO GO TO THE KEY CUSTOMER.

**Steven Chen — UBS Investment Research — Analyst**

GREAT. JUST ONE LAST QUESTION. THIS ONE IS MORE FOR MARK. MARK, YOU MENTIONED A LOT OF STRENGTH ON THE USB SWITCH PRODUCT LINE. IS THAT ASSOCIATED WITH PC PRODUCTS OR IS THAT MORE CONSUMER ELECTRONICS PRODUCTS?

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

I WOULD SAY THAT THE TWO BIGGEST END EQUIPMENTS THAT HAVE SHOWN SUCCESS THERE IS IN LED AND LCD TV, AS WELL AS NOTEBOOK. OKAY? THAT GROWTH IS DRIVEN AND THE GROWTH IS BEING DRIVEN BY NEW DESIGN WINS EVERY QUARTER, EVERY MODEL.

**Steven Chen — UBS Investment Research — Analyst**

OKAY. AND THEN JUST RELATED TO THAT, IN TERMS OF UC POWER SWITCHES FOR THE PC SPACE OR NOTEBOOK SPACE. IS THERE ANY DIFFERENCE IN THE TYPE OF PRODUCT OR THE CONTENT FOR A USB 2.0 TYPE SWITCH VERSUS A USB 3.0 SWITCH?

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

TO BE HONEST WITH YOU I CAN'T ANSWER THAT QUESTION. WE DON'T REALLY SEE — I THINK EVERYTHING THAT WE'RE FOCUSED IN RIGHT NOW AND EVERYTHING THAT WE'RE WINNING DESIGN IS 2.0. TO SOME DEGREE, SOME OF THE 3.0 REQUIREMENTS ARE STILL A LITTLE BIT UNCLEAR AND UNCERTAIN. SO, WE TRY TO — UNFORTUNATELY, WE TRY TO FOCUS A LOT ON TODAY, OKAY? AND THIS QUARTER AND HOW WE MAKE THIS AND PROBABLY WE WON'T HAVE THE FIRST 3.0 PRODUCT.

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

DON'T FORGET, WE FOCUS (OVERLAPPING SPEAKERS.) STEVEN, WE FOCUS ON THE HIGH VOLUME, OKAY? SO IF THE MARKET IS NOT REALLY BIG, WE WOULD WAIT UNTIL THE VOLUME STARTS PICKING UP. THEN WE COME IN AND TAKE OVER THE MARKET. THAT'S WHY WE ARE GOOD AT IT.



**Steven Chen — UBS Investment Research — Analyst**

OKAY GREAT. THANKS FOR ALL THE COLOR AND NICE JOB IN THE QUARTER AND SOLID GUIDANCE

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

THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF HARSH KUMAR WITH MORGAN KEEGAN. PLEASE PROCEED.

**Harsh Kumar — Morgan Keegan & Company, Inc. — Analyst**

HEY, GUYS. FIRST OF ALL, CONGRATULATIONS. VERY GOOD QUARTER. VERY GOOD GUIDANCE. I HAVE SEVERAL QUESTIONS. LET ME START OFF WITH PERHAPS A LITTLE CONTROVERSIAL TONE. THERE WAS A COMPANY IN YOUR SPACE, SORT OF YOUR SPACE, THAT HAD AN EARNINGS A COUPLE DAYS AGO AND SAID THEY STARTED SEEING A SLOWDOWN IN EUROPE AND CHINA AND THEY SAW SOMEWHAT OF A PAUSE THERE. OBVIOUSLY THAT'S NOT HAPPENING TO YOU LOOKING AT YOUR NUMBERS AND YOUR GUIDANCE. I'M CURIOUS IF YOU EVER SAW A PAUSE IN THE MONTH OF JULY OR WAS IT STEADY EDDIE BUSINESS? MAYBE MARK, YOU CAN HANDLE THAT ONE?

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

WELL, WE ANNOUNCED IT TODAY, SO OBVIOUSLY JULY IS ALREADY OVER FOR US. YOU CAN LOOK AT OUR GUIDANCE. WE ARE CONFIDENT ON 6% TO 10%. IF WE ARE NOT, WE WON'T MAKE THAT GUIDANCE.

**Harsh Kumar — Morgan Keegan & Company, Inc. — Analyst**

RIGHT. THAT'S KIND OF WHERE I'M COMING FROM. IT DOESN'T LOOK LIKE YOU'RE SEEING ANY PROBLEMS. OKAY. GOOD.

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

IT'S NOT THE MARKET. DON'T FORGET, I MAKE IT SAY DUE TO OUR DESIGN WIN EFFORT AND DUE TO OUR NEW PRODUCT AND OUR PAST DESIGN WIN EFFORTS, OUR AGGRESSIVE NEW PRODUCTS, WE ARE CONTINUING — WE ARE GOING TO CONTINUE TO GROW. BUT I'M NOT SAYING GENERAL MARKET. I WON'T SAY SOMEBODY IS RIGHT, SOMEBODY IS WRONG. I'M JUST SAYING WE ARE ABLE TO — WE ARE ABLE TO DO 6% TO 10% GROWTH IN THIRD QUARTER.

**Harsh Kumar — Morgan Keegan & Company, Inc. — Analyst**

NO, NO. VERY GOOD. VERY GOOD. DR. LU, CAN I ASK YOU IF YOU HAVE STARTED TO SEE THE CHRISTMAS BUILD ALREADY OR IS IT GOING TO COME SOMEWHERE AT THE END OF AUGUST?

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

NOT YET. NOT YET. IT START TO GET READY, OKAY? BUT IT'S NOT YET.

**Harsh Kumar — Morgan Keegan & Company, Inc. — Analyst**

OKAY. GOT IT. AND THEN I'M OBVIOUSLY VERY EXCITED ABOUT YOUR ENTRY INTO THE SINGLE GATE LOGIC BUT I DON'T UNDERSTAND THE APPLICATIONS AS WELL. CAN YOU MAYBE JUST EXPLAIN TO ME ROUGHLY WHAT KIND OF APPLICATIONS THIS WILL LEAD TO?

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

IT'S REALLY ALL THE APPLICATIONS. IT'S ALL THE SAME END EQUIPMENT. IT'S THE SAME TVs, THE SAME END EQUIPMENTS. IT'S THE SAME CUSTOMERS. OFTEN THE SAME BUYERS.

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

THIS IS STANDARD LOGIC. THE TYPE IS CALLED GLUE LOGIC. WHAT MEANS GLUE LOGIC IS, IF YOU HAVE SOME DESIGN MISTAKE, FOR EXAMPLE YOUR SIGNALS MISMATCH. YOU PUT THAT INVERTER THERE YOU MAKE THE SIGNAL CORRECT. IF YOU FORGET TO SUM TWO SIGNALS TOGETHER YOU PUT THAT IN THE GATE IN THERE, AND THE SIGNALS WILL CONNECT TOGETHER. IF YOU DO — ALL SIGNALS ALL GATE, THEN YOU PUT THE TWO SIGNAL — IT'S KIND OF, IF YOU HAVE SOME, YOU NEED SOME SIGNAL CHANGE, THEN YOU USE THOSE SINGLE GATE TO DO THAT. OKAY? THAT'S WHAT THEY CALL GLUES IN THE LOGIC. AND ALMOST ALL THE END EQUIPMENT, ESPECIALLY HANDHELD, NOTEBOOK, AND EVEN DESK TOP, ALMOST ALL THE END EQUIPMENT WE GO AFTER NEED THIS KIND OF PRODUCT.

**Harsh Kumar — *Morgan Keegan & Company, Inc.* — *Analyst***

OKAY. SO IT FITS IN PRETTY WELL, REALLY WELL.

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

OH, YES. IT IS A STANDARD LOGIC, SINGLE GATE LOGIC PRODUCT.

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

WE DON'T NEED TO FIND ANY NEW CUSTOMERS.

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

YES. WE DON'T NEED TO. IT WILL SELL THEMSELVES VERY EASILY. JUST OPEN UP THEIR DRAWING AND YOU'LL SEE A LOT OF LOGIC GATE, AND YOU JUST SAY WE REPLACE THOSE AND THOSE AND THOSE, BUY THIS. THAT'S ALL.

**Harsh Kumar — *Morgan Keegan & Company, Inc.* — *Analyst***

GOT IT. GOT IT. DID YOU HAVE TO LEAVE REVENUE BEHIND THIS TIME AROUND BECAUSE OF CAPACITY?

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

WELL, I DON'T KNOW HOW TO ANSWER THAT. WE ARE STILL VERY CAPACITY CONSTRAINED. WE STILL CONTINUE TO RAMP UP OUR CAPACITY. IF YOU LOOK AT IT, WE FORECAST 6% TO 10% MORE CAPACITY IN THIRD QUARTER VERSUS SECOND QUARTER.

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

I THINK YOU COULD SAY THAT WE LEFT SOME COMMODITY PRODUCTS BEHIND. BUT I DON'T THINK WE LEFT OUR POSITIVE MIX BEHIND.

**Harsh Kumar — *Morgan Keegan & Company, Inc.* — *Analyst***

I GOT YOU. OKAY. AND THEN LAST QUESTION FOR ME. I'M JUST LOOKING AT YOUR REVENUE MIX. OBVIOUSLY IT LOOKS LIKE CONSUMER EXPLODED UP PRETTY HIGH. AS YOU LOOK FORWARD INTO THE SECOND HALF OF THE YEAR, MARK OR DR. LU, DO YOU EXPECT A SIMILAR TREND WHERE CONSUMABLE WILL OUTPERFORM COMPUTING. OR MAYBE GIVE US ANY KIND OF COLOR AS YOU SEE YOUR BUSINESS PROGRESSING.

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

YOUR ANSWER IS YES, WE'RE GOING TO CONTINUE SEEING CONSUMER PERFORM WELL. AND WE KNOW THE NOTEBOOK ACTUALLY IS — THEY STILL GROW, BUT THEY ARE AT WHAT THEY'RE EXPECTED. OKAY? TV? WE SEE, THE CUSTOMER WE TARGET AT, THEY WILL GROW QUITE WELL.

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

AND YOU MIGHT SEE A LITTLE BIT — AGAIN, IT GOES BACK TO THAT, A LITTLE BIT ON THE COMMODITY LINE. THE MOTHERBOARD PORTION OF THE COMPUTER SEGMENT IS ALL COMMODITY PRODUCTS. SO WE HAVE A TENDENCY TO SHIFT OUT OF MOTHERBOARDS IN TIGHT SUPPLY PERIODS.

**Harsh Kumar — Morgan Keegan & Company, Inc. — Analyst**

NO, NO. THAT'S GREAT. GREAT, GREAT EXECUTION, GUIDANCE AND RESULTS. AND I'LL TALK TO YOU GUYS SOON. THANK YOU

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

THANK YOU.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF JOHN VINH WITH COLLINS STEWART. PLEASE PROCEED.

**John Vinh — Collins Stewart LLC — Analyst**

THANKS FOR TAKING MY QUESTION. AND CONGRATULATIONS ON THE STRONG RESULTS.

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

YES, THANK YOU, JOHN.

**John Vinh — Collins Stewart LLC — Analyst**

HEY, MARK, I DON'T KNOW IF I MISSED THIS, BUT CAN YOU QUANTIFY WHAT DISTRIBUTOR CHANNEL INVENTORY WAS IN ASIA THIS PAST QUARTER?

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

IT WAS DOWN AROUND 2% AND IT WAS JUST UNDER TWO MONTHS.

**John Vinh — Collins Stewart LLC — Analyst**

GREAT. THANK YOU. QUESTION FOR DR. LU. OBVIOUSLY YOU'VE TALKED ABOUT, I THINK YOU MENTIONED THAT YOU'RE PLANNING ON RELEASING ADDITIONAL CAPEX TO EXPAND CAPACITY IN Q4. BASED ON YOUR VISIBILITY TODAY, CAN YOU TALK ABOUT WHAT YOUR EXPECTATIONS FOR Q4 IS. IT SOUNDS LIKE YOU'RE EXPECTING THAT Q4 COULD BE SEASONALLY UP FOR YOU AT THIS POINT?

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

WELL, ACTUALLY, IF I RELEASE NOW, PROBABLY IT WON'T BE REALLY AVAILABLE IN Q4. Q4 CAPACITY IS GOING TO BE — IS ALREADY AUTHORIZED IN MAY AND JUNE BECAUSE OF THE LEAD TIME IS ABOUT FIVE MONTHS. SO IF I AUTHORIZE NOW, MOST LIKELY IS IN JANUARY. WON'T REALLY BE ABLE TO — WELL, COME IN SAY, DECEMBER. IT WON'T REALLY SUPPORT Q4 UPSIDE. OKAY? WE DON'T GIVE THE GUIDANCE OF Q4 YET, BUT SO FAR I DON'T HAVE A REASON TO BELIEVE IT WILL BE WORSE THAN A SIMILARITY. I THINK WE SHOULD BE SLIGHTLY BE SLIGHTLY BETTER THANSIMILARITIES .

**John Vinh — Collins Stewart LLC — Analyst**

OKAY. AND JUST TO CLARIFY, DOES THAT MEAN THAT YOUR CAPACITY IS RIGHT NOW GOING TO STAY FLAT IN Q4? (OVERLAPPING SPEAKERS.)

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

OH, NO, NO, I DIDN'T SAY THAT.

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

WE DECIDED EARLIER IN THE YEAR TO GET RELATIVELY AGGRESSIVE ON THE YEAR AND TAKE THE CHANCE THAT THIS IS GOING TO BE A REAL POSITIVE YEAR AND HAVE CAPACITY IN POSITION. SO BASICALLY WE BOOKED Q3 AND Q4 CAPACITY ALL AT THE SAME TIME, THAT WE WOULD NEED. WE FIGURE THAT OUR LONG TERM OUTLOOK FOR OUR BUSINESS IS VERY STRONG AND WE REALLY CAN'T LOOK AT IT ONE QUARTER IN THE QUARTER. WE IF SADDLE WITH A LITTLE EXTRA FOR TWO QUARTERS, THAT'S JUST A LITTLE BIT OF DEPRECIATION. BUT THE MISSED OPPORTUNITY COULD BE GREATER. WE'LL BE EXPANDING OUR CAPACITY IN THIS QUARTER TO MEET OUR QUARTERLY REVENUE GUIDANCE. AND THE REST OF THAT STUFF THAT WE'LL HAVE TO DO THIS YEAR WILL BE JUST KIND OF SOME CLEANING UP OR SOME ROUNDING OF OUR PACKAGES. BUT I THINK WE'RE WELL POSITIONED FOR THE BALANCE OF THE YEAR WITH CAPITAL AND A GOOD POSITION GOING INTO NEXT YEAR. I THINK WE'VE BEEN RELATIVELY AGGRESSIVE WITH OUR CAPITAL BY OUR NUMBER.

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

JOHN, AN EASIER WAY YOU CAN DO IS THROUGH YOUR OWN CALCULATION. BECAUSE WE CAN'T RELEASE HERE. BUT LIKE I MENTIONED, 16% IN THE FIRST HALF, OKAY? AND THEN 13% TO 14% FOR THE WHOLE YEAR. SO YOU CAN SEE THIRD QUARTER WOULD STILL COME IN AND WE WILL STILL SOME IN THE FOURTH QUARTER. SO YOU CAN ESTIMATE YOURSELF ABOUT HOW MUCH CAPACITY MORE ON FOURTH QUARTER BASED ON THE NUMBERS I GIVE TO YOU.

**John Vinh — *Collins Stewart LLC* — *Analyst***

GREAT. AND ONE JUST ADDITIONAL CLARIFICATION ON THE PC FRONT. YOU KIND OF TALKED ABOUT NOTEBOOKS. WHAT IS YOUR EXPOSURE OF NOTEBOOKS VERSUS NETBOOKS IN THE PC SPACE AND ALSO DESKTOPS AS WELL?

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

FOR US? WE DON'T REALLY SEPARATE BETWEEN NOTEBOOK AND NETBOOK.

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

FOR ABOUT ONE QUARTER THERE WAS A BIG SEPARATION. (OVERLAPPING SPEAKERS.) THEN THEY'VE KIND OF BLENDED AGAIN. IN OUR VIEW ANYWAY.

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

THAT'S RIGHT. YES. AND THE REASON IS, OUR PRODUCT GOES TO — LCD DRIVER. THERE'S NO DIFFERENCE BETWEEN THE NOTEBOOK AND THE NETBOOK. OKAY? AND FOR OUR USB AND WHATEVER — (OVERLAPPING SPEAKERS.)

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

THEY USE THE SAME —

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

THAT'S RIGHT. SO IT WOULD BE DIFFICULT — IT DOESN'T MAKE SENSE FOR US TO SEPARATE THE NETBOOK AND NOTEBOOK.

**John Vinh — *Collins Stewart LLC* — *Analyst***

GREAT. OKAY. THANK YOU VERY MUCH.

**Operator**

YOUR NEXT QUESTION COMES FROM THE LINE OF TRISTAN GERRA WITH ROBERT W. BAIRD. PLEASE PROCEED.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

Hi, this is Scott Hurlman, thanks for taking my questions and congratulations on a great quarter. My first question would be, can you give us utilization rates specifically at the Zetex fab? It sounds like you're getting pretty close up to full utilization on those fabs. And what do you view as full utilization on your front end fabs? Is that going to be in the 85% to 90% range or is it going to be higher?

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

Right now it's probably at about 90%. Second quarter is about 90%. And we are getting up higher in the third quarter. Then if we need it, we'll start to move some of the stuff to other foundry fabs. We do have that capability if our wafer fab is underloaded, we just load it ourselves. It is overloaded, then I can start to move some of the wafer out to somewhere else. Okay? And so we'll continue to keep the fab loaded. You're asking for OFAB so we'll continue and we'll keep OFAB loaded. OFAB started getting more capacity in third quarter. One bottleneck on equipment, I authorize instead of putting on the line in second quarter. In second quarter. So third quarter, they will have a notch up. And then after that, they will start to improve utilization in the fourth quarter. So, that's why I say, our OFAB is almost there. One more notch up in third quarter, then it's almost there.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

Okay

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

Fabtech, like I said, we are there, but we have the capability to underload some of foundry business.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

Okay. So, right now it's pretty full. Then you could just — you could fill it up in your own products if you have that need?

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

That's correct.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

Okay. And then I would be remiss if I didn't look at your backend capacity was up 9% last quarter. Your revenue was up 9% last quarter. Your guidance for this quarter is up 6% to 10% for both backend capacity as well as the revenue guidance. How much of the revenue growth is driven by back end versus front end?

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

I'm sorry. We don't —

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

All of it's driven by back end. Because we don't really have — theoretically we have no — we might have a mix in the quarter at different times, we might have a slight mix problem. But we really don't have a wafer shortage.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

Okay. But, I mean, should we expect your front end revenues to be going up that much as well when we're just kind of thinking about it, or is it that capacity that 6% to 10%, are you using all of that for your own front end production or is some of that all being used for —

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

WELL, IN THE SPEECH, I REMEMBER MARK, YOU SAID (OVERLAPPING SPEAKERS.)

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

OUR FOUNDRY BUSINESS DROPPED 24% LAST QUARTER.

**Scott Hurlman — *Robert W. Baird & Co.* — *Analyst***

OKAY

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

YES. SO OUR REVENUE ACTUALLY AFFECTED BY THAT. THAT REVENUE ACTUALLY IS GOING DOWN, BECAUSE THAT'S OUTSIDE. THAT'S THE SALE REVENUE.

**Scott Hurlman — *Robert W. Baird & Co.* — *Analyst***

OKAY. SO YOUR FRONT END IS USING UP MORE CAPACITY OF THE BACK END THAN THAT 6% TO 10% GROWTH

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

YES, CORRECT.

**Scott Hurlman — *Robert W. Baird & Co.* — *Analyst***

AND THEN ON THE STANDARD LOGIC BUSINESS, CAN YOU KIND OF TALK ABOUT THE GROSS MARGIN PROFILE OF THAT TYPE OF BUSINESS? IS THAT — I UNDERSTAND IT'S A BIG MARKET OPPORTUNITY. BUT IS THAT GOING TO BE KIND OF IN THE 15% TO 20% KIND OF GROSS MARGIN OR IS THAT GOING TO BE MORE WHERE YOU ARE NOW AND WHAT YOU'VE DONE IN YOUR ANALOG BUSINESS, TAKING YOUR TOTAL BUSINESS UP ABOVE 35%?

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

IT WORKS RIGHT IN OUR MODEL. YOU KNOW? IT'S — IT FITS IN PERFECTLY WITH OUR MODEL.

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

I THINK YOU REMEMBER ONE THING I DIDN'T MENTION ABOUT. WE HAVE VERY COST EFFECTIVE PACKAGING.

**Scott Hurlman — *Robert W. Baird & Co.* — *Analyst***

RIGHT.

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

NUMBER TWO, THE DIE COST IS LESS THAN PACKAGING COSTS. SO THIS IS GOING TO — IN LINE WITH OUR — STRATEGY, OUR PACKAGING INCENTIVE, OUR PACKAGING RELATED TYPE OF BUSINESS. NOT WAFER FAB. AND SO IF WE ARE ABLE TO DO OUR MODEL, WE BELIEVE WE ARE SUITABLE TO DO THIS. AND THIS IS JUST RIGHT AT OUR PRODUCT STRATEGY.

**Scott Hurlman — *Robert W. Baird & Co.* — *Analyst***

YES. SOUNDS LIKE IT'S RIGHT IN YOUR WHEELHOUSE. OKAY. AND THEN TWO QUICK QUESTIONS. CAN YOU TALK ABOUT WHAT LIKE FOR LIKE PRICING WAS IN Q2 AND MAYBE ANY EXPECTATIONS FOR Q3, AND THEN ALSO WHAT ARE YOUR LEAD TIMES DOING FOR YOUR PRODUCTS THAT YOU'RE PRODUCING TOTALLY, YOUR OWN INTERNAL PRODUCTS WHERE YOU'RE MAKING THE FRONT END AND THE BACK END?

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

I THINK ASPs WERE UP SLIGHTLY IN THE QUARTER.

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

BECAUSE OF MIX.

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

BECAUSE OF MIX. OKAY. AGAIN, WE SPENT MORE TIME SHIFTING OUR MIX, AND SHIFTING OUR PRODUCT THAN WE DID RAISING PRICE.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

OKAY.

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

SO I DON'T THINK — THE PRICE WASN'T AN IMPACT IN OUR REVENUE. IT WOULD BE MIX, IF ANYTHING. AND THE SECOND QUESTION WAS?

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

SO I WAS TRYING TO UNDERSTAND LEAD TIMES. YOU TALKED ABOUT BACK ENDS —

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

I'M KIND OF A BAD GUY ABOUT LEAD TIMES BECAUSE I DON'T REALLY BELIEVE IN LEAD TIMES. I BELIEVE LEAD TIMES ARE A DECISION. I WOULD SAY THAT OUR LEAD TIMES CAME IN SLIGHTLY, OKAY, ON PRODUCTS THAT WE REALLY ARE FOCUSED ON. AND WE ARE CONTINUING TO KEEP OUR LEAD TIMES OUT ON NON-FOCUSED PRODUCTS, BUT WE'RE PROBABLY DELIVERING THEM A LITTLE SHORTER NOW THAN WE WERE THREE MONTHS AGO.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

OKAY

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

AGAIN, WE WILL NOT LET THE LEAD TIME HURT OUR STRATEGIC PRODUCTS. SO WHATEVER STRATEGIC PRODUCT WE WANTED, WITH OUR CAPACITY, WE CAN ALWAYS SUPPORT IT AND THEN SQUEEZE ON THE STANDARD PRODUCT, NON STRATEGIC PRODUCT.

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

WE ADJUST VERY OFTEN.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

AND I GUESS ONE LAST QUICK ONE. WHAT ARE YOUR THOUGHTS RIGHT NOW ON INDUSTRY BACK END CAPACITY AND HOW TIGHT WE ARE ON THAT? SEEMS LIKE THAT'S BEEN LOOSENING UP SLIGHTLY ACROSS THE INDUSTRY IN Q3, EARLY Q3, LATE Q2. JUST WHAT ARE YOUR THOUGHTS ON THAT?

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

WELL, IF THE CAPACITY COULD BE A LITTLE BIT LOOSE, BUT IT'S NOT ALL THE PACKAGING. ALL THE PACKAGING TIME IS LOOSE. SOME OF THE STANDARD PRODUCT COULD BE BUT STILL, A LOT OF PACKAGING IN THE SHORTAGE, OKAY. BUT FOR US, THIS REALLY — EVERYBODY TALKING ABOUT THIS BUT FOR US.

THAT IS NOT REALLY WHAT WE FOCUS ON. WE FOCUS ON TECH OPPORTUNITY, CHANGING THE PRODUCT MIX. AND SHORTENING THE LEAD TIME FOR THE STRATEGIC PRODUCT AND GETTING THE LEAD TIME A BIT LONGER FOR THE STANDARD PRODUCT.

**Scott Hurlman — Robert W. Baird & Co. — Analyst**

OKAY. VERY HELPFUL. THANK YOU.

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

THANK YOU.

**Operator**

YOUR FINAL QUESTION COMES FROM THE LINE OF JOE WITTINE WITH LONGBOW RESEARCH.

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

HI, JOE.

**Joe Wittine — Longbow Research — Analyst**

CAN YOU HEAR ME OKAY?

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

YES.

**Joe Wittine — Longbow Research — Analyst**

SUPER. I'LL KEEP THIS QUICK SINCE I SLID IN AT THE END HERE. MARK, YOU MENTIONED WHEN YOU WERE SPEAKING ABOUT THE GEOGRAPHIC SEGMENTS, I GUESS, THAT INVENTORIES AND DISTRIBUTION IN ASIA, YOU ACTUALLY EXPECT THEM TO COME DOWN AHEAD. THAT'S KIND OF AGAINST THE BACK DROP OF SOME INVESTORS CONCERNED ABOUT INVENTORIES BUILDING IN THE SUPPLY CHAIN. SO I'M JUST HOPING IF YOU COULD EXPAND UPON THAT A LITTLE BIT MORE, IS IT A SEASONAL MOVE? IS IT A FUNDAMENTAL ISSUE WHERE SUPPLY IS JUST NOT ABLE TO CATCH UP TO DEMAND? AND THEN ALSO WHAT YOU EXPECT DISTRIBUTOR INVENTORIES IN THE WESTERN HEMISPHERE TO DO AS WELL FOR THE NEXT ONE TO TWO QUARTERS? THANKS.

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

I THINK PROBABLY THE DISTRIBUTOR INVENTORY IN THE WESTERN HEMISPHERE WILL PROBABLY GO UP A LITTLE BIT OVER THE NEXT TWO QUARTERS. BUT I THINK THAT THEY'LL GO UP TO CATCH UP TO A HIGHER POS RATE. OKAY? SO I THINK THEY'VE BEEN RUNNING BEHIND WHERE THEY'D COMFORTABLY LIKE TO BE. DISTRIBUTORS WENT THROUGH A PERIOD WHERE THEY DIDN'T WANT TO HAVE ANY PARTS. AND THEN THEY WENT INTO A PERIOD WHERE THEY WANTED TO DO THIS, AND DO THIS. I THINK THEY'RE GETTING BACK TO MORE TRADITIONAL MODELS. THEY KIND OF — SOME OF THE BIG GUYS WENT TO MODELS OF TURNS OF NINE TIMES. AND THEY USED TO OPERATE AT FOUR TIMES. I THINK THEY'LL KIND OF BALANCE OUT AT FIVE TO SIX TIMES. SO I THINK THAT IT WILL SETTLE IN AND PRODUCT WILL START TO CATCH UP A LITTLE BIT. BUT I THINK INVENTORIES ARE QUITE HEALTHY.

SO IN ASIA, OUR INVENTORY ALWAYS DROPS IN THE THIRD QUARTER. THEN IT SLOWLY BUT SURELY GROWS AND GROWS A LITTLE BIT IN THE FOURTH QUARTER, AND A LITTLE BIT MORE IN THE FIRST QUARTER. STARTS TO EVEN OUT AGAIN IN THE SECOND QUARTER THEN GOES DOWN AGAIN IN THE THIRD QUARTER. THAT'S KIND OF OUR PATTERN FOR YEARS AND YEARS ON. SO, YES, WE GENERALLY HAVE TROUBLE CATCHING UP COMPLETELY WITH THE DEMAND IN THE THIRD QUARTER. AND WE DRAIN IT A LITTLE BIT AND THEN IT COMES BACK A LITTLE BIT IN THE FOURTH QUARTER.

**Joe Wittine — Longbow Research — Analyst**

GOTCHA. THANKS FOR THAT. AND THEN JUST A REAL QUICK FOLLOW-UP. YOU GUYS WERE FIRST TO ADD, START TO ADD BACK SOME CAPACITY. IT SOUNDS LIKE YOUR COMMENTARY, YOU STILL THINK YOU'RE A LITTLE BIT AHEAD OF THE CURVE IN ADDING CAPACITY VERSUS YOUR PEERS. IS THAT A FAIR STATEMENT? WHAT ARE YOU SEEING AS FAR AS COMPETITORS ADDING BACK CAPACITY, I GUESS, AND ESPECIALLY IN SOME OF THE AREAS YOU COMPETE MORE HEAVILY LIKE MOSFETS? THANKS.



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

I STILL THINK THERE'S A TIGHTNESS IN PACKAGING. I THINK WE'VE BEEN AGGRESSIVE BECAUSE WE'RE PRETTY COMFORTABLE WITH OUR LONG-TERM STRATEGY AND PACKAGING IS A MAJOR PART OF OUR STRATEGY. SOME OF THESE GUYS HAVEN'T PRODUCED, HAVEN'T ADDED MUCH CAPACITY FOR SEVERAL YEARS. EVEN BEFORE THE DOWNTURN, EVERY TIME THERE WAS ANY LITTLE BUMP IN DEMAND, THERE WAS A SHORTAGE OF SOT23S AND OTHER THINGS. I THINK MAYBE IT WILL LEVEL OUT A LITTLE BIT AND CREATE A LITTLE BIT MORE ROOM IN THE INDUSTRY. BUT THE UNITS CONTINUE TO GROW ON THESE PACKAGES. SO I THINK THAT AGAIN, EITHER WE'RE GOING TO BE ABLE TO CAPITALIZE AND GET A LITTLE BIT MORE GROWTH IN THIRD AND FOURTH QUARTER BY USING THIS CAPACITY OR WE JUST WON'T HAVE TO INVEST A LITTLE BIT AS FAST AS NEXT YEAR. WE COULD USE A LITTLE ROOM.

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

BUT WHAT THE DIFFERENCE IS, WE DO THE PACKAGING OURSELVES, SO WE CAN BE AGGRESSIVE TO SUPPORT OUR FUTURE GROWTH. AND A LOT OF OUR COMPETITORS, THEY ACTUALLY DO THE SUBCON, AND THEY WILL NEED TO CONVINCING THEIR SUBACCOUNT PEOPLE TO INVEST FOR THEM. AND TYPICALLY, THAT WOULD BE DIFFICULT AT THE BEGINNING, SO WE ARE ABLE TO DO IT RIGHT AWAY BEFORE WE NEED TO SPEND ANOTHER TWO OR THREE QUARTER TO CONVINCING THEM. AND BY THE TIME THEY PUT IT UP, WE ALREADY STARTED, SAY HEY, WE CAN SLOW IT DOWN AND, YOU KNOW. SO IT'S DIFFICULT FOR THEM TO DO, TO BE AGGRESSIVE TO DO. BUT FOR US, SINCE WE CONTROL OURSELVES, WE DON'T MIND TO PUT THE MONEY EARLIER TO SUPPORT THE FUTURE GROWTH.

**Joe Wittine — *Longbow Research* — *Analyst***

APPRECIATE IT, GUYS. THANKS.

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

THANK YOU.

**Operator**

AT THIS TIME I'M SHOWING NO FURTHER QUESTIONS. I WOULD LIKE TO TURN THE CALL BACK OVER TO DR. LU FOR ANY CLOSING REMARKS.

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

WELL, THANK YOU FOR YOUR PARTICIPATION TODAY. OPERATOR, YOU MAY NOW DISCONNECT.

**Operator**

LADIES AND GENTLEMEN, THAT CONCLUDES TODAY'S CONFERENCE. THANK YOU FOR YOUR PARTICIPATION YOU MAY NOW DISCONNECT. HAVE A GREAT DAY.