**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**February 9, 2010**
**Date of Report (Date of earliest event reported)**

# DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

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

| | |
|---|---|
| **15660 North Dallas Parkway, Suite 850**<br>**Dallas, TX** | **75248** |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

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

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

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

**Item 2.02 Results of Operations and Financial Condition.**

On February 9, 2010, Diodes Incorporated issued a press release announcing its fourth quarter and fiscal 2009 results. A copy of the press release is attached as Exhibit 99.1.

On February 9, 2010, Diodes Incorporated hosted a conference call to discuss its fourth quarter and fiscal 2009 results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on February 9, 2010, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, 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, Diodes Incorporated (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.

## SIGNATURES

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

Dated: February 12, 2010

DIODES INCORPORATED

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

**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| 99.1 | Press release dated February 9, 2010 |
| 99.2 | Conference call script dated February 9, 2010 |
| 99.3 | Question and answer transcript dated February 9, 2010 |

**Diodes Incorporated Reports Fourth Quarter and Fiscal 2009 Financial Results**

*Revenue Increases 50% and Gross Profit Increases 83% Over Prior Year Quarter*

**Dallas, Texas – February 9, 2010 –** Diodes Incorporated (Nasdaq: DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, today reported financial results for the fourth quarter and fiscal year ended December 31, 2009.

**Year 2009 Highlights:**

- Revenue increased to a record $434.4 million from $432.8 million in 2008, which included 7 months of the Zetex acquisition;
- Revenue for the second half of 2009 of $252.4 million was 14 percent higher compared to $221.2 million in the second half of 2008, both of which include Zetex;
- Gross profit was $121.2 million, or 27.9 percent of revenue;
- GAAP net income was $7.5 million, or $0.17 per diluted share;
- Non-GAAP adjusted net income was $24.1 million, or $0.55 per diluted share;
- Excluding $7.0 million of share-based compensation expense, both GAAP and non-GAAP adjusted net income would have increased by $0.16 per diluted share;
- Achieved $65.5 million cash flow from operations, $138.5 million net cash flow and $43.1 million free cash flow;
- Generated $66.9 million of EBITDA; and
- Repurchased approximately $48 million principal amount of Convertible Senior Notes, reducing outstanding balance to approximately $135 million par value.

**Fourth Quarter Highlights:**

- Revenue was $130.3 million, an increase of 50 percent over the $87.1 million in the fourth quarter of 2008 and an increase of 7 percent over the $122.1 million in the third quarter of 2009;
- Gross profit was $41.8 million, an increase of 83 percent over the $22.9 million in the fourth quarter of 2008 and an increase of 11 percent over the $37.6 million in the third quarter of 2009;
- Gross margin was 32.1 percent, a 580 basis point increase over the 26.3 percent in the fourth quarter of 2008 and a 130 basis point increase over the 30.8 percent reported in the third quarter of 2009;
- GAAP net income was $14.2 million, or $0.32 per diluted share, compared to fourth quarter of 2008 net income of $8.7 million, or $0.21 per diluted share, and third quarter of 2009 net income of $7.0 million, or $0.16 per diluted share;
- Non-GAAP adjusted net income was $16.3 million, or $0.36 per diluted share, compared to adjusted net income of $4.7 million, or $0.11 per diluted share, in the fourth quarter of 2008 and adjusted net income of $9.0 million, or $0.21 per diluted share in the third quarter of 2009;
- Excluding $2.2 million of share-based compensation expense, both GAAP and non-GAAP adjusted net income would have increased by $0.05 per diluted share;
- Achieved $21.5 million cash flow from operations, $115.9 million net cash flow and $12.0 million free cash flow; and
- EBITDA was $25.3 million, a 35 percent improvement over the $18.7 million in the fourth quarter of 2008 and 18 percent over the $21.4 million for the third quarter of 2009.

Commenting on the results, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, stated, “I am very pleased with our results and accomplishments throughout 2009. At this time last year, our industry and economy experienced one of the most challenging periods in over a decade. In response, Diodes implemented decisive measures that properly positioned the Company for its recent return to a profitable growth model, resulting in revenue increasing 50 percent and gross profit increasing 83 percent over the prior year quarter. Additionally, our achievement of record revenue in 2009 demonstrates the flexibility of our business model and successful execution on our new product initiatives, enabling us to increase market share while capitalizing on the continued improvements in the global economy. I believe we have emerged from this downturn as a stronger company with enhanced scale, broadened product offerings, a high level of design wins and expanded growth opportunities as we enter 2010.”

For the fiscal year 2009, revenue increased to a record $434.4 million, compared to $432.8 million in fiscal 2008, which included 7 months of the Zetex acquisition. Gross profit was $121.2 million, or 27.9 percent of revenue, compared to $132.5 million, or 30.6 percent of revenue, in the prior year. GAAP net income was $7.5 million, or $0.17 per diluted share, compared to $28.2 million, or $0.66 per diluted share, in 2008.

Non-GAAP adjusted net income for 2009 was $24.1 million, or $0.55 per diluted share, which excluded, net of tax, $10.6 million non-cash tax expense related to repatriation of foreign earnings, $5.1 million of non-cash interest expense related to the amortization of debt discount on the Convertible Senior Notes, $3.4 million of non-cash acquisition related intangible asset amortization costs, a $1.3 million loss on forgiveness of debt, a $0.7 million loss on the extinguishment of debt and $0.5 million of restructuring charges, compared to adjusted net income of $42.2 million, or $0.99 per diluted share, in the prior year. 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):*

| | Twelve Months Ended December 31, 2009 |
|---|---|
| **GAAP net income** | **$ 7,513** |
| **GAAP diluted earnings per share** | **$ 0.17** |
| **Adjustments to reconcile net income to adjusted net income:** | |
| **Taxes on repatriation of foreign earnings** | **10,631** |
| **Amortization of debt discount** | **5,064** |
| **Amortization of acquisition related intangible assets** | **3,357** |
| **Forgiveness of debt** | **(1,257)** |
| **Other** | **(1,236)** |
| **Non-GAAP adjusted net income** | **$ 24,072** |
| **Non-GAAP adjusted diluted earnings per share** | **$ 0.55** |

See tables below for further details of the reconciliation.

Included in fiscal 2009 GAAP and non-GAAP adjusted net income was approximately $7.0 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 $0.16 per diluted share.

Revenue for the fourth quarter of 2009 was $130.3 million, an increase of 50 percent over the $87.1 million in the same period last year and an increase of approximately 7 percent over the $122.1 million in the third quarter of 2009. The sequential increase in revenue was driven primarily by an increase in market share due to continued strength in Asia for the Company’s products utilized in end-equipment such as LCD and LED televisions, LCD panels, set-top boxes, mobile handsets and notebooks, combined with general market improvements in North America and Europe.

Gross profit for the fourth quarter of 2009 was $41.8 million, or 32.1 percent of revenue, compared to $22.9 million, or 26.3 percent, in the fourth quarter of 2008 and $37.6 million, or 30.8 percent of revenue, in the third quarter of 2009. The sequential increase in gross margin was attributable to continued improvements in utilization at the Company's wafer fabrication facilities.

Fourth quarter of 2009 GAAP net income was $14.2 million, or $0.32 per diluted share, compared to net income of $8.7 million, or $0.21 per diluted share, in the fourth quarter of 2008 and net income of $7.0 million, or $0.16 per diluted share, in the third quarter of 2009.

Non-GAAP adjusted net income was $16.3 million, or $0.36 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, $0.9 million of non-cash acquisition related intangible asset amortization costs, and nominal amounts for forgiveness of debt and loss on extinguishment of debt, compared to adjusted net income of $4.7 million, or $0.11 per diluted share, in the fourth quarter of 2008 and adjusted net income of $9.0 million, or $0.21 per diluted share, in the third quarter of 2009. 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):*

| | Three Months Ended December 31, 2009 |
|---|---|
| **GAAP net income** | **$ 14,212** |
| **GAAP diluted earnings per share** | **$ 0.32** |
| **Adjustments to reconcile net income to adjusted net income:** | |
| **Amortization of debt discount** | **1,117** |
| **Amortization of acquisition related intangible assets** | **853** |
| **Other** | **73** |
| **Non-GAAP adjusted net income** | **$ 16,255** |
| **Non-GAAP adjusted diluted earnings per share** | **$ 0.36** |

See tables below for further details of the reconciliation.

Included in the fourth quarter of 2009 GAAP and non-GAAP adjusted net income was approximately $2.2 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.

EBITDA, which represents earnings before net interest expense, income tax provision, depreciation and amortization, for the fourth quarter of 2009 was $25.3 million, compared to $18.7 million for the fourth quarter of 2008 and $21.4 million for the third quarter of 2009. For a reconciliation of GAAP net income to EBITDA, see table below.

As of December 31, 2009, Diodes had approximately $539 million in cash and short-term investments, consisting of approximately $242 million in cash and $297 million in short-term investments of par value auction rate securities, which can be put back to UBS AG at par on June 30, 2010 under the previously disclosed settlement (net of the related current liability "no net cost" loan of $297 million). In addition, the Company had $125 million in long-term debt primarily related to its Convertible Senior Notes.

For the year ended December 31, 2009, net cash provided by operating activities was $65.5 million; net cash provided by investing activities was $1.9 million; net cash provided by financing activities was $67.9 million; and free cash flow was $43.1 million.

**Business Outlook**

Dr. Lu concluded, “We expect continued growth momentum in the first half of 2010 and remain positive on our outlook due to design win traction and new product introductions. Despite the first quarter being a typically seasonally slower period for our markets, we are seeing strong customer demand in the consumer and communications markets, in particular for our products utilized in panels for LCD and LED televisions as well as smartphones and set-top boxes. Further, we are also beginning to see market stabilization in North America and Europe. As such, we expect revenue for the first quarter of 2010 to range between $131 million and $137 million, up 0.5 to 5.1 percent sequentially. This forecast represents our fourth consecutive quarter of revenue growth and is within reach of our peak quarterly revenue achieved in the third quarter of 2008. This growth corresponds to an increase of approximately 70 percent from the low point in the first quarter of 2009. Additionally, due to a favorable pricing environment and continued improvement in utilization at our wafer fabrication facilities, we expect gross margin to range between 32 percent and 33 percent in the first quarter of 2010. Operating expenses are anticipated to decrease slightly from fourth quarter levels on a percent of revenue basis. In terms of capital expenditures, we continue to authorize expenditures at our model rate of between 10 percent and 12 percent of revenue in order to expand our packaging capacity in line with demand. We expect our income tax rate for the first quarter and full year 2010 to range between 10 and 17 percent.”

**Conference Call**

Diodes will host a conference call on Tuesday, February 9, 2010 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its fourth quarter and fiscal 2009 financial results. Investors and analysts may join the conference call by dialing 1-866-713-8562 and providing the confirmation code 23806255. International callers may join the teleconference by dialing 1-617-597-5310. A telephone replay of the call will be made available approximately two hours after the call and will remain available until February 11, 2010 at midnight Central Time. The replay number is 1-888-286-8010 with a pass code of 52309828. 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 and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. Diodes’ products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, amplifiers and comparators, Hall-effect sensors and temperature sensors, power management devices including LED drivers, DC-DC switching regulators, linear voltage regulators and voltage references, along with special function devices including USB power switch, load switch, voltage supervisor and motor controllers. The Company’s corporate headquarters and logistics office are located in Dallas, Texas. A sales, marketing and engineering office is located in Westlake Village, California. Design centers are located in Dallas; San Jose, California; Taipei, Taiwan; Manchester, England and Neuhaus, Germany. The Company’s wafer fabrication facilities are located in Kansas City, Missouri and Manchester; with two manufacturing facilities located in Shanghai, China, another in Neuhaus, and a joint venture facility located in Chengdu, China. Additional engineering, sales, warehouse and logistics offices are located in Taipei; Hong Kong; Manchester and Munich, Germany, with support offices located throughout the world. For further information, including SEC filings, visit the Company’s website at **http://www.diodes.com**.

*Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: I believe we have emerged from this downturn as a stronger company with enhanced scale, broadened product offerings, a high level of design wins and expanded growth opportunities as we enter 2010; we expect continued growth momentum in the first half of 2010 and remain positive on our outlook due* *to design win traction and new product introductions; despite the first quarter being a typically seasonally slower period for our markets, we are seeing strong customer demand in the consumer and communications markets, in particular for our products utilized in panels for LCD and LED televisions as well as smartphones and set-top boxes; we are beginning to see market stabilization in North America and Europe; we expect revenue for the first quarter of 2010 to range between $131 million and $137 million, up 0.5 to 5.1 percent sequentially; this forecast represents our fourth consecutive quarter of revenue growth and is within reach of our peak quarterly revenue achieved in third quarter of 2008; this growth corresponds to an increase of approximately 70 percent from the low point in the first quarter of 2009; due to a favorable pricing environment and continued improvement in utilization at our wafer fabrication facilities, we expect gross margin to range between 32 percent and 33 percent in the first quarter of 2010; operating expenses are anticipated to decrease slightly from fourth quarter levels on a percent of revenue basis; in terms of capital expenditures, we continue to authorize expenditures at our model rate of between 10 percent and 12 percent of revenue in order to expand our packaging capacity in line with demand; and we expect our income tax rate for the first quarter and full year 2010 to range between 10 and 17 percent. Potential risks and uncertainties include, but are not limited to, such factors as: the UBS settlement may not provide us with the liquidity intended; we may not realize or maintain the anticipated cost savings or increase loadings in our manufacturing facilities; our future guidance may be incorrect; the global economic weakness may be more severe or last longer than we currently anticipated; and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.*

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

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**DIODES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED CONDENSED STATEMENTS OF INCOME**
*(Unaudited)*
*(In thousands, except per share data)*

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2008 (As Adjusted) | **2009** | 2008 (As Adjusted) | **2009** |
| **NET SALES** | $ 87,141 | **$ 130,287** | $ 432,785 | **$ 434,357** |
| **COST OF GOODS SOLD** | 64,265 | **88,518** | 300,257 | **313,150** |
| Gross profit | 22,876 | **41,769** | 132,528 | **121,207** |
| **OPERATING EXPENSES** | | | | |
| Selling, general and administrative | 15,939 | **20,021** | 68,373 | **70,396** |
| Research and development | 6,263 | **6,813** | 21,882 | **23,757** |
| Amortization of acquisition related intangible assets | 1,431 | **1,185** | 3,706 | **4,665** |
| Purchased in-process research and development | — | **—** | 7,865 | **—** |
| Restructuring | 4,089 | **—** | 4,089 | **(440)** |
| Total operating expenses | 27,722 | **28,019** | 105,915 | **98,378** |
| Income (loss) from operations | (4,846) | **13,750** | 26,613 | **22,829** |
| **OTHER INCOME (EXPENSES)** | | | | |
| Interest income | 2,165 | **964** | 11,991 | **4,871** |
| Interest expense | (2,003) | **(1,762)** | (9,044) | **(7,471)** |
| Amortization of debt discount | (2,617) | **(1,831)** | (10,690) | **(8,302)** |
| Other | 11,894 | **297** | 9,501 | **(777)** |
| Total other income (expenses) | 9,439 | **(2,332)** | 1,758 | **(11,679)** |
| Income before income taxes and noncontrolling interest | 4,593 | **11,418** | 28,371 | **11,150** |
| **INCOME TAX PROVISION (BENEFIT)** | (4,416) | **(3,622)** | (2,158) | **1,302** |
| **NET INCOME** | 9,009 | **15,040** | 30,529 | **9,848** |
| Less: NET INCOME attributable to noncontrolling interest | (352) | **(828)** | (2,290) | **(2,335)** |
| **NET INCOME attributable to common stockholders** | $ 8,657 | **$ 14,212** | $ 28,239 | **$ 7,513** |
| **EARNINGS PER SHARE attributable to common stockholders** | | | | |
| Basic | $ 0.21 | **$ 0.33** | $ 0.69 | **$ 0.18** |
| Diluted | $ 0.21 | **$ 0.32** | $ 0.66 | **$ 0.17** |
| Number of shares used in computation | | | | |
| Basic | 41,078 | **43,652** | 40,709 | **42,237** |
| Diluted | 41,817 | **45,053** | 42,638 | **43,449** |

Note:

(1) The three and twelve months ended December 31, 2008 amounts were adjusted for the retrospective application of a change in accounting principle.

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

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

For the three months ended December 31, 2009:

| | Operating Expenses | Other Income (Expense) | Income Tax Provision | Net Income |
|---|---|---|---|---|
| **GAAP** | | | | **$ 14,212** |
| **Earnings per share (GAAP)** | | | | |
| Diluted | | | | **$ 0.32** |
| **Adjustments to reconcile net income to adjusted net income:** | | | | |
| **Amortization of acquisition related intangible assets** | 1,185 | — | (332) | **853** |
| **Loss on extinguishment of debt** | — | 28 | (11) | **17** |
| **Forgiveness of debt** | — | 64 | (8) | **56** |
| **Amortization of debt discount** | — | 1,831 | (714) | **1,117** |
| **Adjusted (Non-GAAP)** | | | | **$ 16,255** |
| Diluted shares used in computing earnings per share | | | | **45,053** |
| **Adjusted earnings per share (Non-GAAP)** | | | | |
| Diluted | | | | **$ 0.36** |

Note: Included in GAAP and non-GAAP adjusted net income was approximately $2.2 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 $0.05 per share.

For the three months ended December 31, 2008:

| | Operating Expenses | Other Income (Expense) | Income Tax Provision | Net Income |
|---|---|---|---|---|
| **GAAP** | | | | **$ 8,657** |
| **Earnings per share (GAAP)** | | | | |
| Diluted | | | | **$ 0.21** |
| **Adjustments to reconcile net income to adjusted net income:** | | | | |
| **Amortization of acquisition related intangible assets** | 1,431 | — | (401) | **1,030** |
| **Restructuring** | 4,089 | — | (1,063) | **3,026** |
| **Gain on extinguishment of debt** | — | (15,697) | 6,122 | **(9,575)** |
| **Amortization of debt discount** | — | 2,617 | (1,021) | **1,596** |
| **Adjusted (Non-GAAP)** | | | | **$ 4,734** |
| Diluted shares used in computing earnings per share | | | | **41,817** |
| **Adjusted earnings per share (Non-GAAP)** | | | | |
| Diluted | | | | **$ 0.11** |

Note: Included in GAAP and non-GAAP adjusted net income was approximately $1.6 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 TO ADJUSTED NET INCOME — Con't**
*(in thousands, except per share data)*
*(unaudited)*

For the twelve months ended December 31, 2009:

| | Operating Expenses | Other Income (Expense) | Income Tax Provision | Net Income |
|---|---|---|---|---|
| **GAAP** | | | | **$ 7,513** |
| **Earnings per share (GAAP)** | | | | |
| Diluted | | | | **$ 0.17** |
| **Adjustments to reconcile net income to adjusted net income:** | | | | |
| **Amortization of acquisition related intangible assets** | 4,665 | — | (1,308) | **3,357** |
| **Restructuring** | (440) | — | (86) | **(526)** |
| **Gain on extinguishment of debt** | — | (1,164) | 454 | **(710)** |
| **Forgiveness of debt** | — | (1,437) | 180 | **(1,257)** |
| **Amortization of debt discount** | — | 8,302 | (3,238) | **5,064** |
| **Taxes on repatriation of foreign earnings** | — | — | 10,631 | **10,631** |
| **Adjusted (Non-GAAP)** | | | | **$ 24,072** |
| Diluted shares used in computing earnings per share | | | | **43,449** |
| **Adjusted earnings per share (Non-GAAP)** | | | | |
| Diluted | | | | **$ 0.55** |

Note: Included in GAAP and non-GAAP adjusted net income was approximately $7.0 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 $0.16 per share.

For the twelve months ended December 31, 2008:

| | Cost of Goods Sold | Operating Expenses | Other Income (Expense) | Income Tax Provision | Net Income |
|---|---|---|---|---|---|
| **GAAP** | | | | | **$ 28,239** |
| **Earnings per share (GAAP)** | | | | | |
| Diluted | | | | | **$ 0.66** |
| **Adjustments to reconcile net income to adjusted net income:** | | | | | |
| **Amortization of acquisition related intangible assets** | — | 3,706 | — | (1,038) | **2,668** |
| **Inventory valuations and deprecation adjustments** | 5,388 | — | — | (2,873) | **2,515** |
| **In-process research and development** | — | 7,865 | — | — | **7,865** |
| **Restructuring** | — | 4,089 | — | (1,063) | **3,026** |
| **Gain on extinguishment of debt** | — | — | (15,697) | 6,122 | **(9,575)** |
| **Currency hedge on purchase price** | — | — | 1,540 | (570) | **970** |
| **Amortization of debt discount** | — | — | 10,690 | (4,169) | **6,521** |
| **Adjusted (Non-GAAP)** | | | | | **$ 42,229** |
| Diluted shares used in computing earnings per share | | | | | **42,638** |
| **Adjusted earnings per share (Non-GAAP)** | | | | | |

| | |
|---|---|
| Diluted | **$ 0.99** |

Note: Included in GAAP and non-GAAP adjusted net income was approximately $6.4 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 $0.15 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, restructuring costs, gain (loss) on extinguishment of debt, amortization of debt discount, inventory valuations and depreciation adjustments, in-process research and development ("IPR&D") expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price, as discussed below. Excluding restructuring costs, gain (loss) on extinguishment of debt, inventory valuations and depreciation adjustments, IPR&D expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price 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.

**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 (loss) on extinguishment of debt –** The Company excluded the gains and losses from extinguishment of debt from the repurchase of its 2.25% Convertible Senior Notes ("Notes"). These gains and losses were excluded from management's assessment of the Company's core operating performance. The Company believes the exclusion of the gains and losses on extinguishment of debt provides investors an enhanced view of gains and losses the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such gains or losses.

**Amortization of debt discount –** The Company excluded the amortization of debt discount on its 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.

**Inventory valuations and depreciation adjustments** – The Company excluded the inventory valuation and depreciation adjustments. Under GAAP, the Company adjusted the inventory acquired from Zetex to account for the reasonable profit allowance for the selling effort on finished goods inventory and the reasonable profit allowance for the completing and selling effort on the work-in-process inventory. The Company believes the exclusion of this non-cash adjustment provides investors useful information facilitating an understanding of our gross profit and margins as this impact reduces our gross profit and margins to percentages lower than the Company has historically achieved and expect to achieve in the future. The exclusion of the depreciation expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, the Company excluded the deprecation expense as there is significant variability and unpredictability across companies with respect to this expense.

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

**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 gains.

**Taxes on repatriation of earnings** – The Company excluded the non-cash income tax expense related to the repatriation of 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 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.

**Currency hedge on purchase price** – The Company incurred a one-time, non-cash currency hedge loss related to the Zetex acquisition in the second quarter of 2008. This currency hedge loss is excluded from management's assessment of our operating performance for 2008. The Company believes the exclusion of the currency hedge loss provides investors an enhanced view of the one-time adjustment the Company may incur from time to time and facilitates comparisons with the results of other periods that may not reflect such charges.

**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, restructuring costs, gain (loss) on extinguishment of debt, amortization of debt discount, inventory valuations and depreciation adjustments, IPR&D expense, forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price, as described above. Excluding restructuring costs, gain (loss) on extinguishment of debt, inventory valuations and depreciation adjustments, IPR&D expense,forgiveness of debt, taxes on repatriation of earnings and currency hedge on purchase price 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.

**Free Cash Flow (FCF)** of $43.1 million is a non-GAAP financial measure, which is calculated by taking cash flow from operations less capital expenditures ($65.5 million – $22.4 million). FCF represents the cash and cash equivalents that we are able to generate after taking into account investments required to maintain or expand property, plant and equipment. FCF is important because it allows us to pursue opportunities to develop new products, make acquisitions and reduce debt.

**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):*

| | Three Months Ended December 31, | |
|---|---|---|
| | 2008 | **2009** |
| Net income (GAAP) | $ 8,657 | **$ 14,212** |
| Plus: | | |
| Interest expense (income), net (1) | 2,455 | **2,629** |
| Income tax provision (benefit) | (4,416) | **(3,622)** |
| Depreciation and amortization | 11,979 | **12,091** |
| **EBITDA (Non-GAAP)** | $ 18,675 | **$ 25,310** |

| | Twelve Months Ended December 31, | |
|---|---|---|
| | 2008 | **2009** |
| Net income (GAAP) | $ 28,239 | **$ 7,513** |
| Plus: | | |
| Interest expense, net (2) | 7,743 | **10,902** |
| Income tax provision (benefit) | (2,158) | **1,302** |
| Depreciation and amortization | 49,512 | **47,170** |
| **EBITDA (Non-GAAP)** | $ 83,336 | **$ 66,887** |

(1) Includes $2.6 million and $1.8 million for the three months ended December 31, 2008 and 2009, respectively, of amortization of debt discount.

(2) Includes $10.7 million and $8.3 million for the twelve months ended December 31, 2008 and 2009, respectively, of amortization of debt discount.

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

**ASSETS**
*(in thousands)*
*(unaudited)*

| | December 31, 2008 *(As Adjusted)* | **December 31, 2009** |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 103,496 | **$ 241,953** |
| Short-term investment securities | — | **296,600** |
| Accounts receivable, net | 74,574 | **102,989** |
| Inventories | 99,118 | **89,652** |
| Deferred income taxes, current | 4,028 | **7,834** |
| Prepaid expenses and other | 15,578 | **11,591** |
| **Total current assets** | 296,794 | **750,619** |
| **LONG-TERM INVESTMENT SECURITIES** | 320,625 | **—** |
| **PROPERTY, PLANT AND EQUIPMENT,** net | 174,667 | **162,988** |
| **OTHER ASSETS** | | |
| Goodwill | 56,791 | **68,075** |
| Intangible assets, net | 35,928 | **34,892** |
| Other | 5,907 | **5,324** |
| **Total assets** | $ 890,712 | **$ 1,021,898** |

Note: The December 31, 2008 amounts were adjusted for the retrospective application of a change in accounting principle.

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

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

| | December 31, 2008 *(As Adjusted)* | **December 31, 2009** |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Lines of credit and short-term debt | $ 6,098 | **$ 299,414** |
| Accounts payable | 47,561 | **62,448** |
| Accrued liabilities | 31,195 | **31,151** |
| Income tax payable | 659 | **2,641** |
| Current portion of long-term debt | 1,339 | **373** |
| Current portion of capital lease obligations | 377 | **283** |
| **Total current liabilities** | 87,229 | **396,310** |
| **LONG-TERM DEBT, net of current portion** | | |
| Convertible senior notes | 155,451 | **121,333** |
| Long-term borrowings | 217,146 | **3,464** |
| **CAPITAL LEASE OBLIGATIONS, net of current portion** | 1,854 | **1,669** |
| **DEFERRED INCOME TAXES, non-current** | 6,485 | **7,743** |
| **OTHER LONG-TERM LIABILITIES** | 22,935 | **40,455** |
| **Total liabilities** | 491,100 | **570,974** |
| **COMMITMENTS AND CONTINGENCIES** | — | **—** |
| **EQUITY** | | |
| **Diodes Incorporated stockholders' equity** | | |
| Preferred stock — par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding | — | **—** |
| Common stock — par value $0.66 2/3 per share; 70,000,000 shares authorized; 41,378,816 and 43,729,304 issued and outstanding at December 31, 2008 and December 31, 2009,respectively | 27,586 | **29,153** |
| Additional paid-in capital | 170,351 | **211,618** |
| Retained earnings | 240,661 | **248,174** |
| Accumulated other comprehensive loss | (48,439) | **(48,311)** |
| **Total Diodes Incorporated stockholders' equity** | 390,159 | **440,634** |
| **Noncontrolling interest** | 9,453 | **10,290** |
| **Total equity** | 399,612 | **450,924** |
| **Total liabilities and equity** | $ 890,712 | **$ 1,021,898** |

Note: The December 31, 2008 amounts were adjusted for the retrospective application of a change in accounting principle.

**Exhibit 99.2**

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

**Operator:**

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

As a reminder, this conference call is being recorded today, Tuesday, February 9, 2010. I would now like to turn the call to Leanne Sievers of Shelton Group, the investor relations agency for Diodes Incorporated. Leanne, please go ahead.

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

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

With us today are Diodes' President and CEO, Dr.Keh-Shew Lu, who is joining us from Taiwan; 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, February 9, 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 earnings release is a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details.

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

And now I will turn the call over 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.

I am pleased to once again report another solid quarter of profitable growth for Diodes. Our fourth quarter was highlighted by a 50 percent increase in revenue over the prior year period and an 80 percent increase in gross profit. Revenue for the quarter increased primarily due to market share gains at new and existing customers combined with continued strength in Asia and further improvements in North America and Europe. Our revenue results are evidence of our market share gains and design win momentum, as our revenue this quarter was 97 percent of the $134 million record revenue we achieved in the third quarter of 2008.

Gross margin improved to 32.1 percent as our packaging facilities continued operating at full capacity and utilization improved at our wafer fabs in Kansas City and the U.K. We expect additional upside in gross margin in the coming quarters due to further improvements in utilization at our wafer fabs combined with our new product initiatives.

For the year, revenue reached a record of $434.4 million, which is a significant accomplishment during one of the most challenging periods that our industry and the economy has experienced in quite some time. Other noteworthy accomplishments in 2009 included:

1. We implemented cost reduction initiatives in response to the economic environment that improved our profitability while growing revenue, resulting in our 19th consecutive year of profitability. GAAP net income was $7.5 million, or seventeen cents per share, and non-GAAP adjusted net income was $24.1 million, or fifty-five cents per share.

2. We achieved positive cash flow from operations every quarter during the downturn as a result of our efforts to reduce debt, inventory levels and authorizations on capital expenditures. For the year, cash flow from operations amounted to $65.5 million, net cash flow was $138.5 million and free cash flow was $43.1 million. The significant improvement in our cash position enables further expansion opportunities for the Company in the future.

3. We consistently improved our factory utilization at our packaging facilities and wafer fabs throughout the year increasing gross margin to 32.1 percent in the fourth quarter from the low of 18.6 percent in the first quarter of 2009.

4. We also continued to invest in new product development and achieved a high level of design wins that contributed to increased market share and strong revenue growth in the last three quarters of the year, and we expect to continue that momentum into 2010.

5. And lastly, we continued to strengthen our balance sheet and repurchased approximately $48 million of our Convertible Senior Notes, reducing the notes outstanding to $135 million par value.

As a result of these achievements, the Company has returned to our “profitable growth” model, and I believe we have emerged from the downturn as a stronger company with expanded growth opportunities as we enter 2010. We expect continued growth momentum in the first half of the year and remain positive on our outlook due to design win traction and new product introductions. Despite the first quarter being a typically seasonally slower period for our markets, we are seeing strong customer demand in the consumer and communications markets, in particular for our products utilized in panels for LCD and LED televisions as well as smartphones and set-top boxes. We are also beginning to see market stabilization in North America and Europe. As a result, the first quarter of 2010 will represent our fourth consecutive quarter of growth, corresponding to a year-over-year increase of approximately 70 percent.

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

*Rick White, CFO*

Thanks, Dr. Lu, and good afternoon everyone.

As Dr. Lu mentioned, **Revenue** for 2009 was a record $434.4 million, an increase over the $432.8 million in 2008. For the fourth quarter, revenue was $130.3 million, an increase of 50 percent over the $87.1 million in the same period last year and an increase of 7 percent over the $122.1 million in the third quarter of 2009.

**Gross profit** for the fourth quarter of 2009 was $41.8 million, or 32.1 percent of revenue, compared to $22.9 million, or 26.3 percent, in the fourth quarter of 2008 and $37.6 million, or 30.8 percent of revenue, in the third quarter of 2009. The 130 basis point sequential increase in gross margin was primarily attributable to continued improvements in utilization at our wafer fabrication facilities as well as the stable pricing environment. During the quarter, our packaging capacity continued to be fully utilized with output from our China facilities at 5.2 billion units, up over 5 percent from the third quarter. Our wafer fab utilization continues to increase at both facilities, which we expect to further benefit gross margin in the first quarter of 2010.

Total **operating expenses** amounted to $28.0 million, or 21.5 percent of revenue, in line with the 21.6 percent last quarter.

Looking specifically at **Selling, General and Administrative** expenses for the fourth quarter, SG&A was approximately $20.0 million, or 15.4 percent of revenue, compared to $19.1 million, or 15.6 percent of revenue, last quarter.

**Investment in Research and Development** for the fourth quarter was $6.8 million, or 5.2 percent of revenue, which was comparable on a percent of revenue basis to the $6.3 million, or 5.1 percent of revenue, in the third quarter.

**Total other expenses** amounted to $2.3 million for the fourth quarter.

Looking first 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 $1.8 million primarily related to our Convertible Senior Notes and our loan for the acquisition of Zetex.

During the fourth quarter of 2009, we recorded a pre-tax, non-cash amortization of debt discount of approximately $1.8 million. As stated previously, effective January 1, 2009, U.S. GAAP requires us to separately account for a liability and equity component of our Convertible Senior Notes. For the full year of 2009, this additional pre-tax amortization of debt discount expense amounted to approximately $8.3 million.

Turning to **income taxes**, our income tax benefit was approximately $3.6 million, which was basically in line with our previous guidance.

Fourth quarter **GAAP net income** was $14.2 million, or $0.32 per diluted share, as compared to net income of $7.0 million, or $0.16 diluted per share, last quarter. The fully diluted share count used to compute GAAP earnings per share for the fourth quarter was 45.1 million.

**Non-GAAP adjusted net income** was $16.3 million, or $0.36 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, $900,000 of non-cash acquisition related intangible asset amortization costs, and nominal amounts for forgiveness of debt and loss on extinguishment of debt. This compares to adjusted net income of $9.1 million, or $0.21 per diluted share, in the third quarter of 2009. 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 fourth quarter GAAP and non-GAAP adjusted net income was approximately $2.2 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 share.

**Cash flow** for the fourth quarter amounted to $21.5 million from operations, $115.9 million net cash flow and $12.0 million free cash flow. For the year, cash flow from operations was $65.5 million, net cash flow is $138.5 million and free cash flow was $43.1 million.

Turning to the **balance sheet**, at the end of the fourth quarter, we had $539 million in cash and short-term investments, consisting of approximately $242 million in cash and $297 million in short-term investments of par value auction rate securities. The auction rate securities, which have been fully borrowed against resulting in a related current liability “no net cost” loan of $297 million can be put back to UBS AG at par on June 30, 2010 under the previously disclosed settlement. Our working capital at quarter-end was approximately $354 million and long-term debt, including the Convertible Senior Notes, which are redeemable in October 2011, was approximately $125 million carrying value.

Now turning to **Inventory**, at the end of the fourth quarter, inventory was approximately $90 million, which was an increase of approximately $7 million over the third quarter due mainly to an increase in raw materials and WIP which was in line with the revenue increase. Finished goods, at $32.3 million, was down 30 percent from year ago levels. Inventory days were 88, same as the third quarter of 2009.

**Accounts receivable** was approximately $103 million and A/R days were 71.

**Capital expenditures** were approximately $10.1 million during the fourth quarter, or 8 percent of revenue, and $25.9 million for the full year 2009. We continue to authorize CapEx at our model rate of between 10 and 12 percent of revenue to grow our packaging capacity in line with demand. However lead times on equipment are extending, causing a delay in the booking of expenditures relative to the respective authorizations.

**Depreciation** and amortization expense for the fourth quarter was $12.1 million, and $47.2 million for the full year 2009.

**Turning to our Outlook...**

As previously discussed, we expect a stronger first quarter than our typical seasonality and estimate revenue to range between $131 million and $137 million, up one half of one percent to five percent sequentially. Additionally, with a favorable pricing environment and continued improvements in utilization at our wafer fabrication facilities, we expect first quarter gross margin to range between 32 percent and 33 percent. First quarter operating expenses are anticipated to decrease slightly from fourth quarter levels on a percent of revenue basis. In terms of capital expenditures, as I just mentioned, we continue to authorize at our model rate of between 10 percent and 12 percent of revenue. We also expect our income tax rate for the first quarter and full year 2010 to range between 10 and 17 percent.

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

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

Thank you, Rick, and good afternoon.

As Dr. Lu mentioned, we achieved another solid quarter of growth due to continued market share gains and design win momentum. Overall our markets are solid, driven by continued strength in Asia as well as steady improvements in North America and Europe. These positive trends across all regions of our business are setting the stage for a strong first half for Diodes going into 2010.

In particular, we continued to achieve significant gains in MOSFETs, SBR® devices and bi-polar transistors, as well as increases in analog new product revenue from LED drivers, Hall sensors and USB power switches. Diodes' MOSFET portfolio had record bookings during December and lead times are lengthening. This bodes well for continued growth in this product line throughout 2010. We also achieved strong momentum on SBR® products in Asia with significant demand and volume growth, as well as continued upside in all areas from LCD/LED televisions to laptop power supplies. There is also growing interest for these products in Europe and North America. The competitive advantage of SBR® over conventional diode technology is evident in the increasing number of design wins. Additionally, our Zetex mid- and high-performance bi-polar transistors also achieved strong growth in the quarter primarily due to the ramping of designs in smartphones, as well as increased momentum in the distribution channels. The increased opportunities in VoIP, LED drivers and various phone applications for these products provide a strong foundation for continued growth in 2010.

In terms of our end market breakout, computing represented 31 percent of revenue, consumer 32 percent, industrial 18 percent, communications 16 percent, and automotive 3 percent.

**Asia** represented 77 percent of total revenue growing 5 percent over the third quarter led by continued strength in LCD and LED TVs as well as panels, set-top boxes and low noise block down (LNB) converter products. We did see a slight decline in notebooks during the quarter, yet performance was still better than the typical seasonality. Distributor POP grew as a result of an aggressive effort by our Chinese distributors to rebuild strategic inventory in support of the Chinese New Year. Distributor inventory increased to approximately 2 months. This level is less than the normal year-end distributor inventory level in Asia and less than the fourth quarter of 2008, which was 2.8 months.

Design activity in Asia remained strong in the fourth quarter and included 16 different wins for our USB switches, power IC's and LED lighting designs. In total, we had 75 wins at 62 customers during the quarter.

As I have mentioned last quarter, we are pleased with our continued progress and account development in the China market. Increasing our market share in China is a key strategic initiative for Diodes, as we consider the China market a major growth driver.

In **North America**, fourth quarter sales represented 13 percent of total revenue and increased 20 percent over the third quarter. OEM sales were driven by strength in set-top boxes as well as initial signs of improvement in our industrial account base. Distributor POS and POP grew in the quarter, while inventory was up 2 percent but still remained at all-time lows. Our backlog was strong once again, positioning us for further growth in North America for the first quarter. Overall, the near- to mid-term outlook from both OEMs and distributors is positive.

Design activity in North America also remained strong and the momentum continued with 62 total design wins, highlighted by 9 analog wins, 1 Hall sensor, 2 LED drivers, 3 SBRs® and 20 MOSFETs.

Sales in **Europe** accounted for 10 percent of total revenue in the quarter and increased approximately 17 percent from the third quarter. The growth demonstrates further signs of a recovery in the region following the solid sequential growth achieved last quarter. OEM sales grew double-digits for a second consecutive quarter with sales to automotive customers up 6 percent sequentially. Direct sales to consumer accounts gained 7 percent, and sales to industrial customers grew for the first time in 2009 with a strong rebound of 49 percent quarter-over-quarter. Distributor POS exceeded distributor POP and was up 16 percent over the third quarter. Inventory remained flat and distributor outlook is positive. We begin 2010 with a very strong customer backlog and expect further improvements in the first quarter.

Now turning to **new products** — new product revenue was $16.2 million in the fourth quarter, representing 12.5 percent of total revenue compared to 16.5 percent of sales last quarter. The decrease in new product revenue was primarily due to the aging-out of some MOSFETs, ASMCC and TVS products as well as quarterly end equipment mix.

During the fourth quarter, we released 54 new products, consisting of 20 analog products across 5 device families including 3 LED drivers, 8 USB switches and 7 Hall sensors; and 34 discrete, consisting of 8 bi-polar devices, 9 SBR® devices and 17 MOSFETs for notebooks, PCs, voice-over-IP and mobile phone applications.

We continue to see new product revenue increase from our USB power switch family with further penetration in notebooks and set-top boxes. The quarter-over-quarter growth rate was almost 50 percent for this product line. This trend is expected to continue in 2010 as more new products are released to the market that offer higher current, lower Rdson and added discharge features. The RESET devices are gaining popularity in applications where particular power rails are monitored for better system power management. More development in the RESET family is underway to further expand our device portfolio in 2010. For Hall Sensors, new products represented over 60 percent of our revenue in this product line by the Asian notebook and cell phone markets. Similarly, new LED products represented 77 percent of total family revenue, and we anticipate the percentage of new LED driver revenue to continue to increase.

In terms of global design wins, in-process design activity remained high with wins at 146 accounts globally: 75 wins at 60 customers in Asia, 62 wins at 32 customers in North America, and 76 wins at 54 accounts in Europe. Design wins and in-process design activity were broad-based in both product and end equipment.

Design activity was the highest for our core products in target end equipment at key accounts, which we believe will drive additional revenue growth in 2010. We continue to see the strongest momentum on the analog side in USB switch, LED drivers and LDO's as well as with MOSFETs, bi-polar transistors, and SBR® on the discrete side.

In summary, our continued strong performance and revenue growth is evidence of our successful execution on new product initiatives and market share gains. The expanded customer base that we obtained through our acquisition of Zetex has provided Diodes a larger sales footprint and broadened our global presence. We continue to maintain our investment in technology innovation to enhance our design activity and further capitalize on the product synergies and cross-selling opportunities, which I believe have just begun to be exploited. As Dr. Lu mentioned, we expect the first quarter to be stronger than normal seasonal patterns as a result of increased customer demand for our products that are utilized in panels for LCD/LED TVs, smartphones and set-top boxes. We are very encouraged by the positive trends that we are seeing for our business and believe that Diodes is well positioned for increased growth opportunities in the first half of the year.

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). John Vinh, Collins Stewart.

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

Congratulations on the quarter, guys. First question on the guidance. The guidance obviously above seasonal, but slightly below some of the guidance that some of your peers have given. Is your guidance still a capacity constraint? Can you talk a little bit about that?

**Keh-Shew Lu *Diodes Incorporated. — President and CEO***

John, let's look at how do we go through. We grew 33%, then 18%, then 7% quarter over quarter through our last year. And if you look at our guidance, you know, despite the seasonally Q1 typically is the lowest quarter of the year, we have a very good possibility we're going to set the new revenue record for our Company.

Therefore, the reason is we have grew very strongly quarter over quarter the last three quarters. Now Q1 is the fourth consecutive quarter continuing growth. So I think we actually recover much faster and earlier than our peers.

So when you focus on the Asian market and you focus on consumer, computer and communication type of markets, I think we have been growing faster and recovering faster than our peers.

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

Okay, so just to clarify, it doesn't sound like capacity is going to be an issue for you in Q1.

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

Well, it's still. But we continue to invest. If you remember our last—quarter conference call, I always say we return into the profitable growth mode, and therefore, since September we have been start to put in investment in our capacity expansion.

And therefore, yes, we still continue constrained by our packaging — I'm more talking about packaging output. We're still really constrained by that, but we have increased our capacity, too.

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

Then turning to inventory, you talked about some of the disty inventories increased slightly in Q4. What do you anticipate that the distys are going to do with inventories in Q1? Are they going to going to be able to continue to build a little bit of inventory in Q1? And then, the follow—on to that is what does that imply for kind of your seasonality of the rest of the year? If they are building inventory in Q1, does that kind of imply that maybe Q2 might be a little bit less than seasonal?

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

In our business, typically 4Q — the distributors build up some inventory, and it's because everybody gets — every year, everybody gets ready for the Chinese New Year in Q1.

So, it's typical if you up some inventory when, in fact, this year, or 2009, the inventory build is actually less than in the past. And typically in Q1, they will continue build up some because typically start from second quarter and go to third quarter, our capacity will be start to tighten up, and they have less possibility to get the parts from us, and therefore typically they always build up more inventory in Q1, so it would not be surprise to us if they increase, but so far we do not forecast in our forecast there will be increase, but typically there may be.

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

Okay. Do you anticipate, though, they'll continue to build inventory into Q2? Or do you think they'll get to kind of a level of inventory where they are comfortable with after Q1?

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

They would love to build up additional inventory. But depend on our growth, our own growth, and depend on our output of our manufacturing facility, they may not able to build additional inventory.

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

And then just last question from me, can you maybe just give some color on the end markets in terms of your expectations for Q1? Do you expect at all your end markets will be tracking to above seasonal on Q1? Are there any that are going to be at or slightly below seasonal Q1?

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

Well, if you are compared with seasonable, then we see now all the markets, okay? Even computer, typically Q1 is slower from seasonality point of view. But we see some slowdown, but it's still higher than seasons.

And so, if you consider just for seniority, actually in our opinion it's all the end markets we participate are growing.

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**Operator**

Shawn Harrison, Longbow Research.

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

First question, looking at capacity utilization within the fabs. I think last quarter it was mentioned that you were targeting about 75% utilization in Zetex, about 85% at FabTech. I'm wondering where those ended 2009.

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

I think, Rick, you have the number, right?

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

Yes, that's about where we ended up. In FabTech, we were middle 80s, and in Zetex, we were right below middle 70s.

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

Okay. And given those capacity utilization rates, is it safe to say that the majority of the CapEx spending in 2010 will be then focused more on the packaging side and not in trying to increase efficiency at the fabs?

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

You are right.

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

And then beyond that, as we look to 2010, Rick, maybe you could talk about this, do you think you'll be free cash flow positive for the year, and maybe just how we should think about that cash being deployed in terms of more convertible debt being repurchased or some other uses?

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

I think we, of course, don't make statements for the full year, but we do expect positive cash flow. I would say that convertible notes are, if you look at the discounts versus the par value, I don't think that you're going to see us purchase too many convertible notes back.

And we have plenty of opportunities in the assembly test area for CapEx, so I think Keh—Shew is going to concentrate on capacity expansion and other M&A opportunities that come along.

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

Then two brief questions to wind up for me. With your comment on good pricing right now, does that mean you're are getting any price increases in the market or does that just mean generally flattish pricing?

And then, second, there was a news release I believe out last week saying a company called Dialog Semiconductor acquired some power management technology from you. If you could just elaborate for me on exactly what that was?

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

From the pricing point of view, we typically don't like to go to our customers to raise the price. So I should say the price is stabilized, and then, what we can do typically is adjust to the product mix, and that product mix will be — enable us to increase the average selling price. And what is your second question?

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

There was a news article that came across the wire that — it looked like Diodes had sold some power management technology to a European semiconductor firm last week. I was just — maybe if you could elaborate on exactly what that was.

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

This — we through the acquisition of the Zetex, it has a technology developed, and actually Zetex acquired that technology through some acquisition several years ago.

And that technology is really a good technology. It's just not really aligned with our products developing direction or our product strategy. It's a growing technology. And Dialog, they are neat, and therefore, we make the deal between two companies.

It's not a big acquisition. But the key thing is the technology is great, and there's good for them. But for us, it's just not aligned with our product strategy or product direction.

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

Thank you very much and congratulations on the good results.

**Operator**

Brian Piccioni, BMO Capital Markets.

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

Thanks for taking my question. Just to get back on the issue of seasonality, obviously given the acquisition of Zetex and the economic environment and the recovery from the economic environment, how would we — just filtering through all that, how would we try to paint the picture for what normal seasonality would be when business stabilizes, understanding that there's likely to be growth on top of that?

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

Well, if you look back to history, typically Q1 is a 5% to 10% negative drop from Q4 of previous year. That is typical, and with the Zetex acquisition, it enabled us to get into more markets, especially — and enabled us to sell those Zetex products into the Asian market, including our own customers, our Asian customers.

And therefore, it enabled us to start to get to the record setting in the quarter instead of negative growth quarters. So, I'm very pleased with the acquisition and provides us an opportunity to setting the record, revenue, in Q1.

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

I'm sure you don't want to give us an outlook for Q2 and Q3, but normally speaking, would we expect Q2 to be a higher quarter than Q1 or a lower quarter than Q1? Because, again, now that you've brought the two businesses — you've no sooner brought the two businesses together than we ran into the economic problems and recovering them from, so we don't see a clear pattern from the historical quarterly seasonality. So, what would the quarter—to—quarter seasonality probably look like when things stabilize?

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

Second quarter is very difficult to predict. Especially if you look at typically Q1 go down and then Q2 come back, and Q2 typically is even to Q4 previous year or Q3 previous—year numbers.

But this year, because Q1 didn't go down, therefore it's very difficult to see is Q2 going to be continued growth or not. And that's one thing is — I touch on it. Everybody here — I am in Taiwan. Everybody here try to understand it's actually — look at the March month because after Chinese New Year, if the March month is very hot, then you will see the momentum continue through Q2.

But if you — if the March month starts to slow down, then Q2 will be probably flat. But, we don't know. And everybody is looking at third month. March month.

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

In the press release and in the spoken comments, there was — you were referring to continued momentum in the first half. Presumably that was just a statement of visibility, not so much that you saw something bad happening in the second half. Is that correct?

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

You are right. We just say we don’t know the second half, but with Q1 we can feel — the first half. You know, stronger than normal quarter years — that’s all we’re talking about.

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

I just figured I’d ask. And then, finally, you mentioned new—product directions and that sort of thing. Is there anything you can share with us, you know, markets that you hope to open up, new—product verticals, or anything like that? Are you — would you rather it be a surprise to your competitors?

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

I would prefer some surprise.

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**Operator**

Ramesh Misra, Brigantine Advisors.

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

Dr. Lu, in regards to your CapEx level of 10% to 12%, how much capacity expansion would that support on your facilities — back—end facilities in China?

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

Majority of our capital expenditure, I think like we’ve mentioned previously, would be all focused on packaging — back—end capacity. And with 10% to 12%, and we intend to be close to 12% than close to 10%, and we might spend, because it depends on first quarter, third quarter situations, we might spend earlier in the second quarter for fourth—quarter growth. Okay (multiple speakers)

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

How much increase in capacity would that result in, approximately?

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

Ramesh, if I can step in for a second, I think it’s really hard to say because there is a different mix of packages, and some packages generate more units and revenues, so I think it’s really hard to classify it in just units. Because for our analog product lines, we have some more sophisticated packaging that we don’t get as many units but we get more revenue value.

So, the key picture is we’re positioning all of our key packages for growth and evaluating it monthly to make sure that we don’t stymie any product lines or any of our new product lines with insufficient capacity.

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

Okay, Mark, so you’d probably guess my follow—up question. If it’s difficult to gauge on a unit basis, is it easier to gauge on a dollar basis?

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

Yes, it goes the same way. I think you understand our typical growth patterns and objectives. And I think there should be nothing to say that we're not trying to drive ourselves those directions.

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

Got it. In regards to the LED drivers that you've been talking about, are these predominantly for the handset market or are they also for laptops? Does it even include TVs?

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

Dr. Lu, do you want me to take that?

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

Yes, go ahead.

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

Most of our LED drivers' legacy from the Zetex side has been more about in driving higher—powered LEDs. Now, some of our recent product announcements have been looking at — and last — couple of quarters ago, we announced something for small—diameter displays and so forth. So I think you'll see our product direction moving more into the display world rather than flashlights and outdoor lighting and so forth.

But I'd say the predominant amount of our revenue now is coming from the present historical Zetex product line, with the direction moving towards the display market.

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

And then, in regards to Q1 ordering patterns, and I guess, Dr. Lu, since you are in Taiwan, you might be able to comment on this, any difference in regards to order patterns out of Asia surrounding the lunar new year? Or is it pretty in line with historical trends in Asia?

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

Actually, in January, even until today, a lot of customers want us to ship ahead because this year Chinese New Year is little bit late. You know, it's — Chinese New Year start from February 14, which is second half of the February. Okay, so this year, Chinese New Year is later than normal, and we can see a lot of pull —in for January — and even until today because they are prepared for gear back up at Chinese New Year shutdown.

And that's why it's very difficult to see, and as I earlier mentioned, I will know more after Chinese New Year and look at the March ordering pattern, and that will tell me how strong the second quarter will be.

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

Just a very quick follow—up on that, Dr. Lu. So the strength in your guidance for Q1, is that driven predominantly by strength out of Asia or is it 50/50 Asia versus North America and Europe?

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

I think in our speech, we already said actually Europe and U.S. is not just stabilized. They are — we see some recovery. So, yes, if you look at them both, U.S., Europe, and Asia, all the region is growing.

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

And one quick final one. In terms of M&A activity, are there any product area holes that you see that you would like to fill or any particular direction that you see transitioning Diodes towards through M&A?

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

Well, we are looking at different opportunity, and like I previously said, I will prefer some surprise if we get into the new areas.

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

Congratulations, guys. Take care.

**Operator**

Steve Smigie, Raymond James & Associates.

**Steve Smigie** — ***Raymond James & Associates — Analyst***

Congratulations on the good quarter and guide. I was hoping you could talk a little bit about option expense. I'm not sure if you guys gave a breakout by R&D versus SG&A versus COGS? If you could give that, if that's not in the press release somewhere and I missed it.

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

Yes, it's not in the press release. We didn't give a breakout of that. I don't have that right in front of me.

**Steve Smigie** — ***Raymond James & Associates — Analyst***

Maybe we can talk later. I guess, could you give some sense what you're thinking that expense might be in Q1?

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

It's probably going to be about the same as it was in the fourth quarter.

**Steve Smigie** — ***Raymond James & Associates — Analyst***

Okay, and then a trade utilization, it seems like you still have pretty low utilization in your fabs. So would it be reasonable to expect that, since things are tight, that you would see both a mix improvement plus some continued pickup in cost coverage, or — I think it's higher utilization is a better way to say it, that would drive higher gross margin throughout the balance of the year, potentially?

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

You're talking about the back end or you're talking about front end?

**Steve Smigie** — ***Raymond James & Associates — Analyst***

More the front end. It seems like the front end's still got some utilization to recover.

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

Yes. Front end if you — this separates from FabTech and Oldham fab. FabTech — we tried to grow our sales. In the past, almost 50% of that capacity was foundry for other customers, and we have been growing ourselves to utilize that fab, and unfortunately it's our customers who, use foundry from us, they are not really fully recovered yet. That's why it caused our utilization not fully loaded.

But we will continue to grow our areas. So we still have the room to grow in our FabTech.

In Zetex, if you remember in the history, we shut down the four—inch line and now we try to grow the six—inch line, and we actually authorized some capital equipment for each — during the downturn last year, and then we tried to balance lines then. So we actually authorized another gear of the equipment late part of last year and tried to balance the line.

So we still have some more room, and actually the capacity was still growing some in the — until the second quarter. So that piece of equipment — on some piece of equipment to balance the line will be installed, will be delivered during Q1, and then to start production, start from 2Q, so it starts from 2Q. We still had even more capacity available.

**Steve Smigie — *Raymond James & Associates — Analyst***

Then, something you had talked a little bit about, how you are thinking about guidance here in terms of how are terms in this quarter in terms of your guidance versus what you did in Q4? Typically, you guys are pretty conservative in terms of how you guide, and you guys beat the last couple of quarters coming at the high end of your range. Is it fair to say that you behave in your typical manner or are you more aggressive in the guidance this quarter?

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

Well, Steve, you know me, right? I'm a little conservative and I prefer we — if we want to be surprised, we would prefer a positive surprise instead than a negative surprise.

**Operator**

Christopher Longiaru, Sidoti & Company.

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

Congratulations on the quarter and the guidance. I guess my question has to do with the fact that a lot of my peers are concerned about inventory levels going forward, and I wanted to know if there is anything that you've seen in your sales channels or in the inventory channels that would lead you to believe that there is an inventory problem or that there is double ordering going on? What's your take on that? And — well, I'll leave that one and I'll continue.

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

I really don't concern the inventory level because, like in our speech, we typicallyare at a much higher inventory level than our December inventory.

If you remember 2008, we actually get 2.8 months, and this quarter — in December this year, we only get two months. So I'm not really concerned about inventory level our distributor had because this is our business always. Our distributors build up some inventory in Q4 and then build up some more in end of Q1, and then start to decrease the inventory in Q2, Q3, and then come back to build up again.

So, we are not concerned. From double order point of view, it may be of some but not in our business because our lead time is very short and so, therefore, there's no reason they keep us double orders. So, I'm not concerned Diodes business has double order, either.

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

Great. The other question I had was just on the gross margin line, you've still got a little bit more utilization to fill, and I know you're going to spend money on the packaging side of that to get that rate up. What do you think your gross margin can go to at full utilization at this point?

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

Well, our goal is always try to get to 35%. That's our — 35% GPM. That's our business model, but I'll always let investors know, we focus more on the GPM dollar instead of GPM percent.

And if you see our announcement, most important is gross profit increased 83% over prior—year quarter. So this is more important, is profit — gross profit instead of gross margin as a percent. Our — my direction for the Company is grow as fast as we can, such that your gross profit dollars will be continuing to grow at a much, much rapid rate.

And so, our business model is 35%, but I'm not — if I get a growth opportunity, I prefer growth instead of get the percent higher.

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

Got you. Thank you, guys.

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**Operator**

Your last question comes from the line of Stephen Chin, UBS.

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**Stephen Chin — *UBS — Analyst***

Thank you for squeezing me in here. Congratulations on the solid results and outlook.

I had a few questions here. Dr. Lu, first thing on — in terms of the Shanghai back—end packaging facility, is that facility going through the normal Chinese New Year holiday shutdowns like you normally would? And if it is, I was curious as to how you're able to meet the additional unit growth for Q1 along with the longer lead times that you mentioned earlier.

Is that all — has that all largely been fulfilled during the January month and also first part of February, or is there additional unit growth that you expect there in March to fulfill the overall demand for Q1 that you are guiding for?

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

Okay, number one, we do not really plan for the Chinese New Year shutdown. February, we're working on 26.5 days. 26.5, and we only shut down for one day, for the Chinese New Year day, and then prep half day for maintenance. During that 1.5 days, for the maintenance, for the gear everything up, so we fill our capacity based on 26.5 days in February.

And what we do, we actually hire more people — storage more people in — from December and January. So, to do two things. One is try to build up more units; at the same time, prepare for people don't return from Chinese New Year.

And actually, we do some more actions. We pay for the people needed to stay over the Chinese New Year and give them bonus if they stay, and if they — for the whole Chinese New Year holidays, if they — nobody take any vacation, they even get even more bonus.

So we take a lot of actions to prevent any Chinese New Year slowdowns. And, at the same time, you're right, some capital equipment will come in and — which are authorized in the October/November time frame that were installed and can give us more capacity in the March month.

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**Stephen Chin — *UBS — Analyst***

And I guess, since you're on Asia, is this approach to meeting some of the upside in demand in Q1, is this something that is common from — or somewhat more common this quarter at some of your customers and potentially even your peers, from what you can see and hear out there?

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

I do stay here, talk to a lot of customers and a lot of peers, and everybody — right now, everybody is asking for more shipments, and everybody is very bullish. But, again, very caution, and I think the picture won't be clear until Chinese New Year, until March.

And if March continues the strength like what we see, then we will know what will be happening in the second quarter. And I prepare — I'm very careful. That's why I'm personally here and make sure because we are — if we see a sign, then who will authorize more capital equipment? Because even until today, we're still hand to mouth, and I reduced capital money just ahead of the need, and I just need to understand in person what will be happening, and especially if second quarter is weak, I'm not worried because then we will use it up in third quarter.

But if the second quarter is very strong, then I need to prepare for the third—quarter growth and even fourth—quarter growth. Then I need to authorize more capital equipment. I just don't want to lose the opportunity of the growth by not invest enough.

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**Stephen Chin — *UBS — Analyst***

Thanks for all that color. And a couple of quick questions for Mark on the product side. Mark, you mentioned earlier in terms of your Asia distributors, they're building some strategic inventory. Are there certain products within the Diodes product portfolio that they are building a little bit of inventory in or is it maybe perhaps the end markets like (multiple speakers)

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

No, I think it's pretty broad—based and I think that our distributor inventory is pretty customer—specific, so they've drained it down and they're trying to be — put it back in shape for — to go forward with their customer base.

But I think that we've also been able to position more of our USB switch product, as well as more of our MOSFET product, in positioning for some new design wins that we expect to ramp in the coming quarters.

So, both inventory has been specific for customers on a broad—based level, as well as some positioning due to design wins for ramp—ups in post—Chinese New Year and early second — third — early — end of first—quarter, beginning of second—quarter ramps.

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**Stephen Chin — *UBS — Analyst***

And lastly, as it's related to set—top box products and also I guess TVs, products that take your USB switches, is it purely share gains or are those new customer, that win that is helping to drive the growth, and are there also underlying upgrade cycles or new product cycles that may be happening at some of your existing customers that's helping to drive that growth? Can you help qualify, I guess, how that's (multiple speakers)

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

Yes, I would say it's a little bit of all. Clearly, as we grow, everything we grow in USB switches and market—share gains since we are a newcomer a year ago, and if you saw — and when we talked about our revenue growth doubling in a quarter, so clearly we are taking share and we're making significant progress in that area.

But we're in our second and third generations of some notebooks or set—top box with new products. So I would say that there is passing on to new units and new products in new units, as well as just overall gains.

**Stephen Chin — *UBS — Analyst***

Thanks again and congrats again on the good results.

**Operator**

I would now like to turn the call back over to Dr. Keh—Shew Lu for closing remarks. Please proceed.

**Keh—Shew Lu — *Diodes Incorporated — President and CEO***

Well, thank you for your participation. 2009 is sure a tough year for us. But with our strong recovery effort, we actually grew to 33%, 18%, 7% quarter over quarter, and positioned Diodes at a possible record—setting — record revenue setting quarter in this quarter.

And I think we are very pleased with the results of 2009 and looking forward a good and a strong 2010. So thank you very much for participate and, Operator, you may now disconnect.

**Operator**

Ladies and gentlemen, that concludes today's presentation. Thank you for your participation. You may now disconnect and have a great day.