

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

FORM 8-K

CURRENT REPORT

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

February 6, 2007  
Date of Report (Date of earliest event reported)

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

Delaware (State or other jurisdiction of incorporation)	1-5740 (Commission File Number)	95-2039518 (I.R.S. Employer Identification Number)
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3050 East Hillcrest Drive  
Westlake Village, California 91362  
(Address of principal executive offices) (Zip Code)

(805) 446-4800  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On February 6, 2007, Diodes Incorporated issued a press release announcing fourth quarter 2006 earnings. A copy of the press release is attached as Exhibit 99.1.

On February 6, 2007, Diodes Incorporated hosted a conference call to discuss its fourth quarter 2006 results. A copy of the transcript is attached as Exhibit 99.2.

During the conference call on February 6, 2007, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, Rick White, Sr. Vice President of Finance, and Mark King, Sr. Vice President of Sales and Marketing made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

The information in this Form 8-K and the Exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1984, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

- Exhibit 99.1 - Press Release dated February 6, 2007
- Exhibit 99.2 - Conference call transcript dated February 6, 2007
- Exhibit 99.3 - Question and answer transcript dated February 6, 2007

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 6, 2007

DIODES INCORPORATED

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

EXHIBIT INDEX

Exhibit  
Number

Description

99.1	Press Release dated February 6, 2007
99.2	Conference call transcript dated February 6, 2007
99.3	Question and answer transcript dated February 6, 2007

Diodes Incorporated Reports Record Fourth Quarter and Full Year 2006 Results

- o Annual revenues up 60% to a record \$343.3 million
- o 4Q EPS increases 18% sequentially to \$0.53 versus \$0.45 in 3Q

Westlake Village, California, February 6, 2007 - Diodes Incorporated (NasdaqGS: DIOD), a leading manufacturer and supplier of high-quality discrete and analog semiconductors, today reported record financial results for the fourth quarter ending December 31, 2006.

Year 2006 Record Performance:

- >> Revenues increase 60% to \$343.3 million
- >> Pro forma net income increased 60% to \$53.4 million
- >> EPS rises to \$1.74 (\$1.89 pro forma)
- >> Generates \$70 million in cash flow from operations

Fourth Quarter Highlights:

- >> Revenues increased 54% YOY to a record \$94.4 million
- >> Gross profit increased 47% YOY to \$31.5 million or 33.4%
- >> Pro forma net income increased 57% YOY to a record \$15.8 million, or \$0.56 per fully diluted share, up from \$10.0 million, or \$0.36 per share
- >> Net income increased 15% sequentially to a record \$14.7 million, or \$0.53 per fully diluted share, up from \$12.8 million, or \$0.45 per share in the third quarter of 2006
- >> Cash flow from operations increased 78% YOY to \$23.5 million

For the full fiscal year 2006, revenues increased 59.9% to \$343.3 million, compared to \$214.8 million for fiscal 2005. Pro forma net income for the year, which excludes \$5.3 million of net share-based compensation, increased 60.3% to \$53.4 million, compared to \$33.3 million in 2005. Pro forma fully diluted earnings per share grew to \$1.89 for 2006, compared to \$1.29, for 2005.

Revenues for the fourth quarter of 2006 increased 53.9% year-over-year and 2% sequentially to a record \$94.4 million. Pro forma net income increased 57.2% year-over-year to a record \$15.8 million, or \$0.56 per fully diluted share, up from \$10.0 million, or \$0.36 per share, in the fourth quarter of 2005, and \$0.49 in the third quarter of 2006. Pro forma results are included because under FAS 123(R), in the first quarter of 2006, the Company began expensing stock options, and therefore, equivalent share-based compensation expense was not reflected in the 2005 periods. Pro forma net income and earnings per share exclude approximately \$1.1 million in non-cash, net share-based compensation expense (see table for a reconciliation of the impact of pro forma net income to GAAP net income). Net income on a GAAP basis increased 14.9% sequentially to \$14.7 million, or \$0.53 per fully diluted share, compared to \$12.8 million, or \$0.45 per share, in the third quarter of 2006.

Commenting on the quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said: "During the fourth quarter and for the full fiscal year 2006 Diodes delivered an outstanding performance as we continued to outpace the overall market and take market share in the discrete and the analog space. Overall we feel our record performance for the quarter and the year reflects our customers' acceptance of our broader product line and reaffirms our confidence in the soundness of our current strategic direction. Looking forward to 2007, we expect to continue to build on our strengths as we benefit from synergies between our discrete and adjacent analog segments and continue to focus on customer centric innovation and efficient manufacturing to deliver profitable growth."

In the fourth quarter the Company issued \$230 million in aggregate principal convertible senior notes due on October 1, 2026. The notes pay interest semiannually at a rate of 2.25% per annum and are convertible, at the Company's option, into cash and/or shares of common stock. The Company intends to use the net proceeds from this offering for working capital and other general corporate purposes, including acquisitions.

End-Markets

"In the fourth quarter we saw strong demand from the computer and consumer electronics segments with increased demand in the telecom segment. We continue to see good acceptance from our customers for our extended analog and discrete product lines and remain excited about the attractive cross selling and product development opportunities going into 2007. In the fourth quarter we outperformed the overall market and took share in a broad range of end equipment categories, including digital audio players, set-top boxes, LCD monitors and notebook computers. During the quarter, computers and consumer electronics made up 37% and 36% of total sales respectively, with telecom contributing 15%," commented Mark King, Sr. Vice President of Sales and Marketing.

"Asia grew 5% sequentially and contributed 75% of our fourth quarter sales, supported by the consumer and computer segments. We have integrated the recently acquired APD product line into our sales channels and expect to see significant

opportunities in the Asia power management market. North America and Europe were down sequentially due to seasonal downturn in some key OEM accounts and distributor point-of-purchase. Sales in Europe contributed 2.7% for the quarter and 3.3% for the year as sales into this important market more than doubled from last year as we continued to make progress with new design wins, contracts and initial orders, including our first omnipolar hall sensor products in an industrial application," said Mr. King.

#### Design Wins and New Products

"Design activity was again strong in the fourth quarter with multiple wins at over 60 accounts. We experienced good traction on commodity analog design wins in North America and Europe including LDO and switching regulators in motherboards, set-top boxes and game consoles and in Asia for LCD panels, printers and GPS systems," Mr. King commented. "On the discrete side we continued to see strong interest on our DFN leadless packages, PowerDI and array platforms for digital audio devices, mobile handsets, power converters and DSL modems."

During the quarter the Company made substantial progress on the integration of the APD SBR(R) patented wafer technology acquisition with approximately 75% of the product line qualified and converted to the Diodes, Inc. brand. In addition, subsequent to the end of the quarter, Diodes introduced the SBR(R) PowerDITM123 product family; a technological breakthrough achieved in a first of several planned SBR(R) product introductions representing performance unobtainable with traditional Schottky technology. Based on the positive feedback from customers, management expects design activity on this product line to be strong in the coming quarters.

Sales of new products reached a record 33.4% of total sales, compared to 15.6% a year ago, and 29.7% last quarter, and this growth includes the contribution of our analog line. New product revenue was driven by products in sub-miniature array, QFN, PowerDITM, and Schottky platforms on the discrete side, as well as the analog product lines.

#### Additional Financial Highlights

Gross profit for the fourth quarter of 2006 increased 47.4% compared to the same period last year to \$31.5 million, or 33.4% of revenue. This increase in gross profit was helped by improved product mix and increased sales volume. For the fiscal year 2006, gross profit was up 53.1% to \$113.9 million, with gross margin coming in at 33.2%.

For the quarter, SG&A expenses were \$13.1 million or 13.8% of revenue (\$11.8 million or 12.5% without \$1.3 million in non-cash, share-based FAS123(R) compensation), versus \$8.8 million, or 14.4% of revenue, in the fourth quarter last year (see table for a reconciliation of the impact of share-based compensation expense to reported results). For the year, SG&A expenses were \$47.9 million, or 14.0% of revenues (\$42.6 million or 12.4% without \$5.4 million in non-cash, share-based FAS123(R) compensation), compared to 14.1% for 2005.

Investment in research and development grew to \$2.3 million, or 2.5% of revenue, compared to \$1.0 million, or 1.7% of sales, in the fourth quarter of 2005. For the year, investment in research and development increased 124% to \$8.3 million from \$3.7 million.

Capital expenditures for the quarter were \$12.7 million and \$45.1 million the year. For 2006, excluding the \$6 million Taiwan building purchase, capital expenditures were at approximately 11.4% of revenue, in-line with our 10-12% full-year guidance. Depreciation expense for the quarter was \$7.0 million and \$21.1 million for the year.

At December 31, 2006, Diodes had approximately \$340 million in total cash and short-term investments, \$396 million in working capital, \$237 million in long-term debt, and unused and available credit facilities of \$50.9 million. For the fiscal year 2006, shareholder equity increased 30.4% to \$294 million. In addition, for the fourth quarter and year, cash flow generated from operating activities was \$23.5 million and \$70.0 million, representing increases of 77.8% and 38.5%, respectively, over the comparable periods last year.

#### Business Outlook

"Coming off our 7th consecutive quarter of record revenue, albeit at a more modest 2% sequential growth, and with a book-to-bill ratio below par, we currently expect to see first quarter 2007 revenue in the \$90 to \$94 million range, with comparable gross margins. Moving forward we will continue to leverage our core competencies in manufacturing excellence and customer centric innovation to expand our market share in the discrete and standard analog markets targeting growth above the overall market, and as we internalize packaging of our analog products, and continue to introduce new products, we expect to see gradual expansion in our gross margins," stated Dr. Lu. "As we enter 2007 we remain excited with the opportunities ahead, and we are confident our successful track record of execution and our current strategic position will allow us to continue to outpace the overall industry."

## Conference Call

Diodes Incorporated will hold a conference call on Tuesday, February 6th, 2007 at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to discuss its fourth quarter and full year 2006 results. This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at [www.diodes.com](http://www.diodes.com). To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 60 days.

## About Diodes Incorporated

Diodes Incorporated (NasdaqGS: DIOD), an S&P SmallCap 600 Index company, is a leading manufacturer and supplier of high-quality discrete and analog semiconductor products, primarily to the communications, computing, industrial, consumer electronics and automotive markets. The Company has its Corporate sales, marketing, engineering and logistics headquarters in Southern California; Design Centers in Dallas and San Jose; wafer fabrication plant in Missouri; two manufacturing plants in Shanghai; fabless analog IC plant in Hsinchu Science Park, Taiwan; engineering, sales, warehouse and logistics offices in Taipei and Hong Kong, and sales and support offices throughout the world. With its recent asset acquisition of APD Semiconductor, a privately held U.S.-based fabless discrete semiconductor company, Diodes acquired proprietary SBR(R) technology.

Diodes' product focus is on subminiature surface-mount discrete devices, analog power management ICs and Hall-effect sensors all of which are widely used in end-user equipment such as TV/Satellite set top boxes, portable DVD players, datacom devices, ADSL modems, power supplies, medical devices, wireless notebooks, flat panel displays, digital cameras, digital audio players, mobile handsets, DC to DC conversion, Wireless 802.11 LAN access points, brushless DC motor fans, and automotive applications. For further information, please visit our website at [www.diodes.com](http://www.diodes.com).

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, such factors as the integration of ADP within Diodes existing operations, the Company's ability to successfully make additional acquisitions, fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, successful integration of acquired companies and/or assets, risks of foreign operations, availability of tax credits, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Source: Diodes Incorporated

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or

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e-mail: crocker.coulson@ccgir.com

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

CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS



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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
Net sales	\$ 61,367,000	\$ 94,432,000	\$ 214,765,000	\$ 343,308,000
Cost of goods sold (1)	39,960,000	62,883,000	140,388,000	229,416,000
Gross profit	21,407,000	31,549,000	74,377,000	113,892,000
Selling and general administrative expenses (2)	8,816,000	13,063,000	30,285,000	47,945,000
Research and development expenses (3)	1,025,000	2,332,000	3,713,000	8,317,000
Loss (gain) on disposal of fixed assets	3,000	--	(102,000)	152,000
Total operating expenses	9,844,000	15,395,000	33,896,000	56,414,000
Income from operations	11,563,000	16,154,000	40,481,000	57,478,000
Other income (expense)				
Interest income	752,000	3,891,000	819,000	6,699,000
Interest expense	(132,000)	(1,218,000)	(598,000)	(1,582,000)
Other	199,000	225,000	406,000	(1,474,000)
	819,000	2,898,000	627,000	3,643,000
Income before income taxes and minority interest	12,382,000	19,052,000	41,108,000	61,121,000
Income tax provision (4)	(2,049,000)	(3,911,000)	(6,685,000)	(11,689,000)
Income before minority interest	10,333,000	15,141,000	34,423,000	49,432,000
Minority interest in joint venture earnings	(292,000)	(466,000)	(1,094,000)	(1,289,000)
Net income	\$ 10,041,000	\$ 14,675,000	\$ 33,329,000	\$ 48,143,000
Earnings per share				
Basic	\$ 0.40	\$ 0.57	\$ 1.44	\$ 1.88
Diluted	\$ 0.36	\$ 0.53	\$ 1.29	\$ 1.74
Number of shares used in computation				
Basic	25,169,874	25,949,677	23,168,180	25,628,419
Diluted (5)	28,024,223	27,886,235	25,894,384	27,667,755

DIODES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED RECONCILIATION OF NET INCOME TO PRO FORMA NET INCOME  
(Unaudited)

Pro forma consolidated statements of income are presented because we use it as an additional measure of our operating performance. Pro forma net income and pro forma net income per share should not be considered as alternatives to net income, earnings per share or other measures of consolidated operations and cash flow data prepared in accordance with accounting principles generally accepted in the United States of America, as indicators of our operating performance, or as alternatives to cash flow as a measure of liquidity. Pro forma consolidated statements of income are intended to present our operating results, excluding items described below, for the periods presented.

Pro forma net income and earnings per share reconciliation	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
GAAP net income	\$10,041,000	\$14,675,000	\$33,329,000	\$48,143,000
Pro forma adjustments:				
Stock option expense included in cost of goods sold:	--	70,000	--	469,000
Stock option expense included in selling and general administrative expenses:	--	1,283,000	--	5,394,000
Stock option expense included in research and development expenses:	--	164,000	--	603,000
Total stock option expense	--	1,517,000	--	6,466,000
Income tax benefit related to stock option expense	--	406,000	--	1,170,000
Pro forma net income	\$10,041,000	\$15,786,000	\$33,329,000	\$53,439,000
Diluted shares used in computing Pro forma earnings per share	28,024,223	27,886,235	25,894,384	27,667,755
Incremental shares considered to be outstanding:	--	533,951	--	632,670
Adjusted diluted shares used in computing Pro forma earnings per share	28,024,223	28,420,186	25,894,384	28,300,425
Pro forma earnings per share				
Basic	\$ 0.40	\$ 0.61	\$ 1.44	\$ 2.09
Diluted	\$ 0.36	\$ 0.56	\$ 1.29	\$ 1.89

- 1) For the quarter and twelve months ended December 31, 2006, includes \$70,000 and \$469,000 of stock option expense, respectively.
- 2) For the quarter and twelve months ended December 31, 2006, includes \$1,283,000 and \$5,394,000 of stock option expense, respectively.
- 3) For the quarter and twelve months ended December 31, 2006, includes \$164,000 and \$603,000 of stock option expense, respectively.
- 4) For the quarter and twelve months ended December 31, 2006, includes \$406,000 and \$1,170,000 of income tax benefit related to stock option expense, respectively.
- 5) For the quarter and twelve months ended December 31, 2006, 533,951 and 632,670 incremental shares are considered to be outstanding under FAS123R, respectively.

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

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our business. However, EBITDA is not a recognized measurement under generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not consider certain cash requirements such as a tax and debt service payments.

The following table provides a reconciliation of Net Income to EBITDA:

	Three Months Ended December 31,	
	2005	2006
Net Income	10,041,000	14,675,000
Plus:		
Interest expense, net	(620,000)	(2,673,000)
Income tax provision	2,049,000	3,911,000
Depreciation and amortization	4,341,000	7,012,000
EBITDA	15,811,000	22,925,000

	Twelve Months Ended December 31,	
	2005	2006
Net Income	33,329,000	48,143,000
Plus:		
Interest expense, net	(221,000)	(5,117,000)
Income tax provision	6,685,000	11,689,000
Depreciation and amortization	16,228,000	21,065,000
EBITDA	56,021,000	75,780,000

DIODES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	December 31, 2005	December 31, 2006
	-----	-----
CURRENT ASSETS		(unaudited)
Cash and cash equivalents	\$ 73,288,000	\$ 48,888,000
Short-term investments	40,348,000	291,008,000
	-----	-----
Total cash and short-term investments	113,636,000	339,896,000
Accounts receivable		
Customers	48,348,000	72,175,000
Related parties	6,804,000	6,147,000
	-----	-----
Less: Allowance for doubtful receivables	55,152,000 (534,000)	78,322,000 (617,000)
	-----	-----
	54,618,000	77,705,000
Inventories	24,611,000	48,702,000
Deferred income taxes, current	2,541,000	4,426,000
Prepaid expenses and other current assets	5,326,000	8,393,000
	-----	-----
Total current assets	200,732,000	479,122,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	68,930,000	95,469,000
DEFERRED INCOME TAXES, non current	8,466,000	5,823,000
OTHER ASSETS		
Equity investment	5,872,000	--
Intangible assets	9,169,000	
Goodwill	5,090,000	24,635,000
Other	425,000	6,697,000
	-----	-----
TOTAL ASSETS	\$ 289,515,000 =====	\$ 620,915,000 =====

DIODES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2005	December 31, 2006
	-----	----- (unaudited)
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 3,000,000	\$ --
Accounts payable		
Trade	18,619,000	40,029,000
Related parties	7,921,000	12,120,000
Accrued liabilities	18,312,000	24,967,000
Income tax payable	1,470,000	3,433,000
Long-term debt, current portion	4,621,000	2,802,000
Capital lease obligations, current portion	138,000	141,000
	-----	-----
Total current liabilities	54,081,000	83,492,000
<b>LONG-TERM DEBT, net of current portion</b>		
2.25% convertible senior notes due 2026	--	230,000,000
Other	4,865,000	7,115,000
<b>CAPITAL LEASE OBLIGATIONS, net of current portion</b>	1,618,000	1,477,000
<b>OTHER LONG-TERM LIABILITIES</b>	--	101,000
<b>MINORITY INTEREST IN JOINT VENTURE</b>	3,477,000	4,787,000
	-----	-----
Total liabilities	64,041,000	326,972,000
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value \$0.66 2/3 per share; 70,000,000 shares authorized; 25,258,119 and 25,961,267 shares issued at December 31, 2005 and December 31, 2006, respectively	16,839,000	17,308,000
Additional paid-in capital	94,664,000	113,225,000
Retained earnings	114,659,000	162,802,000
Accumulated other comprehensive gain (loss)	(688,000)	608,000
	-----	-----
Total stockholders' equity	225,474,000	293,943,000
	-----	-----
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	289,515,000	620,915,000
	=====	=====

Diodes Fourth Quarter 2006 Conference Call Participants:

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

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Introduction: Crocker Coulson, CCG

Good afternoon and welcome to Diodes' fourth quarter 2006 earnings conference call.

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

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

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

In addition, any projections as to the Company's future performance represent management's estimates as of today February 6, 2007. Diodes assumes no obligation to update these projections in the future as market conditions change.

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

And now it's my pleasure to turn the call over Diodes' CEO, Dr. Keh-Shew Lu.

Dr. Keh-Shew Lu, CEO of Diodes

Thank you, Crocker.

Welcome everyone, and thank you for joining us today.

We are pleased to report a solid fourth quarter to complete another year of outstanding performance for Diodes. During 2006 we:

1. strengthened our market position in the discrete semiconductor market,
2. successfully entered the analog semiconductor segment,
3. launched a record number of new innovative products,
4. expanded our global reach,
5. and delivered solid results for our shareholders.

Year 2006 highlights include the following record results:

- >> Revenues increasing 60% to \$343 million
- >> Gross profit increasing 53% to \$114 million
- >> GAAP net income increasing 44% to \$48 million, or \$1.74 per share
- >> And pro forma net income increasing 60% to \$53.4 million, or \$1.89 per share

Despite a more difficult operating environment in the fourth quarter 2006, Diodes delivered solid results to finish another year of strong growth and profitability. We continued to outperform the overall market and to take share in the discrete and the analog space. Our performance reflects our customers' acceptance of our expanded product line and reaffirms our confidence in Diodes' strategic direction.



In 2006, Diodes' achieved profitable growth through customer-focused innovation in the discrete and standard analog markets --delivering greater value to both our customers and to our shareholders;

We have broadened our product focus to include standard analog devices adjacent to our discrete business. We completed important acquisitions that extend and strengthen our market position and our technology capabilities. The Anachip acquisition was successfully integrated during 2006 and has produced results that exceeded our initial expectations. The APD integration is almost complete and has already yielded results in the form of the SBR(R) PowerDITM123 product launch. This is the first of many planned SBR(R) product introductions, offering breakthrough performance not attainable with traditional Schottky technology.

We strengthened our focus on R&D for next-generation technologies. We released a number of new innovative products during the past year designed to meet the growing demand for higher efficiencies and smaller form factor in the fast growing end markets. Our new design centers in San Jose, Dallas, Taipei, and Shanghai provide Diodes an innovation engine to power future product launches and new technologies in the discrete, analog and mixed signal arenas.

And finally, we strengthened our balance sheet with the issuance of \$230 million convertible notes. This positions Diodes to seek additional corporate growth opportunities to accelerate our profitable growth. As of December 31, 2006, Diodes had \$340 million in cash and short-term investments and \$396 million in working capital.

We are actively evaluating acquisition candidates within our targeted market segments that fit our criteria.

Looking forward to 2007, we expect to continue to build on our strengths as we benefit from synergies between our discrete and adjacent analog segments and continue to focus on customer centric innovation and efficient manufacturing to deliver profitable growth. With that, I'm going to turn the call over to Carl to discuss our financial results in more detail.

Thanks, Dr. Lu, and good afternoon everyone.

As Dr. Lu mentioned, Diodes again achieved record financial results in the fourth quarter and for the fiscal year 2006.

Despite a more challenging market environment in the fourth quarter, revenue and profits increased considerably on a year-over-year basis, setting new records for Diodes, Inc.

- o Revenues for the fourth quarter were \$94.4 million, an increase of 53.9% from the fourth quarter of 2005. On a sequential basis our revenues grew 2%, the midpoint of our guidance range. New product sales advanced to a record 33.5% of revenue, compared to 29.7% just one quarter ago.
- o Gross profit for the fourth quarter increased 47.4% to \$31.5 million, compared to the same period last year. This increase in gross profit was due to improved product mix and increased sales volume.

Gross margin was up 20 basis points sequentially at 33.4%, as compared to 33.2% last quarter. Over the course of 2007 we see opportunities for margin expansion as we transition production from the currently outsourced packaging to our state-of-the art facilities, and as we continue to introduce new products.

- o Selling, General & Administrative expenses for the quarter were \$13.1 million or 13.8% of revenue. Included in fourth quarter SG&A expenses were \$1.3 million in non-cash, share-based compensation as per FAS123R. For comparable purposes, excluding the share-based compensation, SG&A for the fourth quarter of 2006 would have improved further to 12.5% of sales. In the earnings release we have included a table to reconcile the impact of share-based compensation expense to our reported results.
- o Research and development investment in the quarter was \$2.3 million, or 2.5% of revenue, compared to \$1 million or 1.7% of revenue, in the fourth quarter of 2005. We continue to enhance our research and development capabilities to support our broader market focus and profitable growth objectives.

- o Depreciation was \$7 million for the quarter and \$21.1 million for the year.
- o EBITDA for the quarter was \$22.9 million, and \$75.8 million for the year.
- o Our effective income tax rate in the fourth quarter was 20.5%, compared to 19.7% for the previous quarter, and 16.6% for the same period last year. Going forward, we anticipate our consolidated tax rate to be to be approximately 20%.
- o Pro forma net income, for the fourth quarter, which excludes \$1.1 million net stock option expense, increased 57.2% year-over-year to \$15.8 million, or \$0.56 per diluted share, compared to \$10.0 million, or \$0.36 per share in the comparable period in 2005.
- o GAAP net income increased 14.9% sequentially to \$14.7 million, or \$0.53 per share, up from \$12.8 million, or \$0.45, in the third quarter of 2006.
- o Cash flow from operations for the quarter was \$23.5 million, a 77.8% increase compared to \$13.2 million for the same period last year. Cash generated from operations for the year increased 38.5% to \$70 million.

- o Turning to the balance sheet, as of year-end we had \$340 million in total cash and short-term investments and \$396 million in working capital, and \$237 million in long-term term debt including the convert.
- o During the quarter we issued \$230 million in convertible senior notes due on October 1, 2026. The notes will pay interest semiannually at a rate of 2.25% per year. The notes are convertible at \$58.50 per share and are redeemable into cash and/or shares, at the Company's option. At current market interest rates, we expect this transaction to be accretive to earnings per share.
- o Our total debt to equity ratio was 1.1 for the fourth quarter, while our total debt to assets was 53%.
- o Inventories ended the fourth quarter at \$48.7 million, with inventory days at 70 compared to 67 days the previous quarter.
- o Accounts receivable days were 74 days in the fourth quarter compared to 73 days in the prior quarter. We continue to experience some pressure to extend terms, especially in Asia and Europe.

- o Capital expenditures for the current quarter were \$12.7 million and \$45.1 million for the year. For 2006, excluding the \$6 million Taiwan building purchase, capital expenditures were at 11.4% of revenue, in-line with our 10 to 12% full-year guidance.

Turning over to our Outlook...

Coming off our 7th consecutive quarter of record revenue, albeit at a more modest 2% sequential growth, and with a book-to-bill ratio at below par, we currently expect to see first quarter 2007 revenue in the \$90 to \$94 million range, with comparable gross margins.

In summary, despite near term industry headwinds, we remain confident that Diodes focus on the discrete and standard analog product segments position us well to continue to grow our share with both new and existing customers during 2007, as we fully leverage the synergies created by the Anachip and APD acquisitions.

With that said, I'm now going to turn the discussion over to Mark King, our Sr. VP of Sales and Marketing. Mark will discuss our new products, market opportunities, and give you a view on the direction of the general marketplace.

Markets and Growth Strategies - Mark King

Thanks, Carl and good afternoon.

We are very pleased with our execution in the fourth quarter and for the full year 2006. In Q4, Diodes again achieved record sales, had strong design wins, and launched a number of innovative new products targeting high-volume, end-market applications. We are very pleased with the contributions that Anachip and APD have made to the business - reflecting the rapid integration at a product, design and customer level. Our expanded product offering, broader customer base and deeper relationships have resulted in cross-selling opportunities that continue to exceed expectations.

During Q4 we made significant progress along our new product road map in the discrete, analog and power management categories. Sales of new products reached a record 33.5% of total sales, driven by products in our subminiature array, QFN, PowerDI, and schottky platforms on the discrete side, and our analog product lines in general and the new devices brought in from APD.



We launched 12 products from 10 product families in the quarter. Earlier in the quarter, we launched the AH180, a Micro-Power Omnipolar Hall-Effect Sensor family that fills the growing demand for lower-power, and higher sensitivity for portable contact-less applications. More recently we launched our next generation, high-current, high-voltage PWM Buck Converter and the SBR(R) PowerDITM123 product family.

This product launch uses the Super Barrier Rectifier technology, we call SBR(R) in a product family packaged in Diodes' proprietary high performance PowerDITM123 package. This product offers industry-leading, Ultra-Low VF combined with class-leading, high-temperature thermal stability, robust ESD ratings, and much higher reverse avalanche capability compared to traditional Schottky technology. Diodes is currently releasing six SBR(R)'s that meet strong customers needs in power supply, automotive, and various other portable applications.

During the quarter, we integrated the APD sales channel into Diodes, and qualified and converted 75% of the product line to Diodes brand. We expect to have this line fully converted to our brand and internal manufacturing by the end of Q1, for small outline packages, and mid-Q3 for power packages. Customer interest for both standard and customized devices has been exceptionally strong. Many of our customers had been positive on the APD technology, but hesitated to design-in because of concerns about the size and stability of the vendor - so we expect a fast ramp now that they are part of Diodes, Inc.

## Geographic Breakout

Market share for Diodes' products reached all-time highs in the fourth quarter.

Asia grew 5% sequentially and contributed 75% of our fourth quarter sales; supported by sales in the consumer and computer segments. Sales were strong across all market segments, with emphasis on digital audio player, notebook computer, motherboard and LCD TV and monitor, and wireless LAN. Units were up 4% quarter over quarter, while ASP was down 2%.

## North America

North America was down 5% sequentially due to seasonal downturn in some key accounts and distributor point-of-purchase. North American sales represented 22% of the total for the quarter.

However, design activity in the quarter was high with 97 new parts designed into 33 customers. Our DFN, PowerDI and linear regulator lines were of high interest. There was also strong interest from the power engineering community in our newly acquired SBR(R) technology.

Distributor point of sale and inventories were down in line with the decline in sales.

Wafer sales were down 13% sequentially in the quarter, and ASPs were down 6.4%. ASPs for discrete components were down slightly in Q4 compared to the prior quarter.

#### Europe

The European market was soft in Q4, down 14% sequentially due to weak distributor point-of-purchase as they worked to reduce inventory for year-end. However, distributor point-of-sale was up 3% sequentially, and year over year overall Europe sales were up 60% quarterly, reflecting our expanded reach in the region, accounting for 2.7% of sales in the quarter.

Overall in 2006 we made great progress in this market, doubling our revenue in a generally flat market. Our momentum in Europe continues with design wins, initial orders and expanded contracts at more than 10 accounts in the quarter, including 6 new analog design wins, and our first product orders on our new omnipolar hall effect in an industrial application.

Moving to Market Segments...

For the fourth quarter, our segment breakout was: 37% consumer, 36% computer and peripherals, 15% telecom, 12% industrial, and 2% automotive.

Now I'll go into Design Wins...

Design activity was again strong in the quarter, and we had multiple design wins at over 60 accounts. Traction on standard analog design wins is steadily ramping up in North America and Europe with LDO and switching regulator wins in motherboards, set-top boxes, games consoles and network devices. In Asia activity is strong as well with wins in LCD display, printer and portable GPS systems. We also have had strong design activity globally on our recently announced omnipolar hall sensors series.

On the discrete side, we continue to see robust interest in our DFN leadless packages, PowerDI and Array platforms with wins in Digital audio, Mobile handset, portable GPS, DC/DC converter, and DSL modems to name a few. The synergy between the analog and discrete product lines continues to present opportunities at the customer level.

I expect the Design activity on our newly acquired Super Barrier Rectifier product line to be very strong in the coming quarters. We see significant opportunities on the present product line but we will also be working with customers to outline and develop application or customer specific requirements that can be exploited with this technology.

In Summary...

We are very pleased with our performance in the fourth quarter and for the year. While the industry environment has become more challenging in recent months, we feel confident that Diodes is well positioned to continue to expand our share of the market, realize cost and cross-selling synergies from our Anachip and APD acquisitions, and accelerate the pace of product innovation through our expanded global research and development platform.

As we enter 2007, we will continue to leverage our core competencies around manufacturing excellence and customer centric innovation to expand our position with our customers on the next generation of end-devices. We feel confident we are in the right segments and have the right product focus to drive organic growth above the overall market. In addition, we are evaluating acquisition opportunities to accelerate that growth, by expanding our addressable markets, enhancing our product breadth, and expanding our customer base and geographic footprint.

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

Questions and Answers

Operator [1]

(OPERATOR INSTRUCTIONS) Ramesh Misra. C.E. Unterberg Towbin.

Ramesh Misra, C.E. Unterberg Towbin - Analyst [2]

Good afternoon. My first question was in terms of a breakdown of your revenues in terms of the analog contribution to total sales.

Keh-Shew Lu, Diodes Inc. - President and CEO [3]

Thank you for calling in. We don't separate our revenue between the discrete and the analog. What I can tell you is our growth, the 2006 growth in analog is much faster than the growth in the discrete.

Ramesh Misra, C.E. Unterberg Towbin - Analyst [4]

Okay. Can you then qualitatively talk about the new product that you have designed integrating the analog components and discrete devices on to a single package? When do you see them contributing meaningfully to your revenues?

Keh-Shew Lu, Diodes Inc. - President and CEO [5]

I think we -- if I say to you if you remember I keep mentioning, our first step is No. 1 when the analog fallout energy products into our facilities. Then the second step is give the customer the confidence on our product, our analog product alone. Then the third step will be integrate packaging integration to put the analog and the discrete together.

So we actually right now just in the first and second stage, we start to post to our customer a possibility of putting them together. But we do not have any revenue come out from the integration (indiscernible) technology in the same packaging yet.

Ramesh Misra, C.E. Unterberg Towbin - Analyst [6]

I see. So when do you expect to hit that third stage?

Keh-Shew Lu, Diodes Inc. - President and CEO [7]

I think this year should be a good time. We started working with our customer who started using our analog product and started to build the confidence. Then we would [work] with them for the new design and then for them to rent it out. So it takes time but we are working with different customers now to bring that proposal to them, but it depends on when do they accept it and when did they willing to take a risk and rent it out. It really depends. I cannot control.

But I think that this year we should see some revenue come in from multipackaging type of technology.

Ramesh Misra, C.E. Unterberg Towbin - Analyst [8]

Can you talk to us about factor utilization levels last quarter both (indiscernible) and also Kansas City?

Keh-Shew Lu, Diodes Inc. - President and CEO [9]

I'm sorry.

Carl Wertz, Diodes Inc. - Chief Financial Officer [10]

Utilization rates.

Keh-Shew Lu, Diodes Inc. - President and CEO [11]

Oh. Utilization rate? I think in the Kansas City (indiscernible) we still (indiscernible) about 85% noted which is typically in the wafer fab. You know we consider this okay. And in our Shanghai facility packaging, we are still above

95% so we don't see any significant difference from (indiscernible) point of view in both fab and both packages.

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Ramesh Misra, C.E. Unterberg Towbin - Analyst [12]  
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So one final question. Do you feel that you were capacity-constrained in any way in Q4? And that's it. Thanks very much.

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Keh-Shew Lu, Diodes Inc. - President and CEO [13]  
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No. Well, we -- I think if you remember what I keep talking about we continue [adding] the packaging capacity into our fab, into our assembly site. We typically -- this is more to show 10 to 12%. Our revenue, we will put into our capital dollar and this year -- what? 2006, okay. This account building we've opened in Taiwan we are about 11.4%, right? (inaudible). So it is still within our model and we just each time [grade] you put in capacity we are not crazy to adding a lot of capacity to create entity capacity.

But at the same time we would not allow this capital to limit us from the growth. Therefore we kind of somewhere above 95% and that's above the level we continue running it. So I don't feel we have (indiscernible) strength and would (indiscernible) from the growth.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [14]  
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If I may add to that a little bit. Dr. Lu mentioned we were running at 95 or better in the utilization with that 11.5% of CapEx. What that didn't allow us to do was to integrate all of the subcontracted packaging into our facilities. So if your question was are we constrained from that point, yes, we were in 2006. But that may be an opportunity for us in '07.

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Operator [15]  
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Steve Smigie with Raymond James.

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Steve Smigie, Raymond James - Analyst [16]  
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I guess sort of following up on that last question to the point of the gross margin expansion that you mentioned for 2007. When -- which quarter do you think we might start to see that and can you give some sense of what magnitude you might expect to see gross margin expansion?

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Keh-Shew Lu, Diodes Inc. - President and CEO [17]  
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We gradually move in our (indiscernible) APD our product which produces (indiscernible) at end of last year we are less than 50% moved in. And we at end we probably only moved up to about 75 to 80% of our products because the rest (indiscernible) 20% or 25%. We will not move in due to we have no capability or the [volume] is so small it is not worth the efforts.

So we believe by probably third quarter of this year we should be finished those move-ins.



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Steve Smigie, Raymond James - Analyst [18]  
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Could you talk a little bit about what the operating expenses R&D and SG&A might look like in Q1? Sorry if I missed that but I was just curious if maybe a dollar and a percentage of revenue?

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Keh-Shew Lu, Diodes Inc. - President and CEO [19]  
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I may not (indiscernible) Q1 but I think I gave you our basic model. Our basic model, still R&D is somewhere between 2 to 3% and we hit we -- fourth quarter we get 2.5%. That is now within our basic model. You now, 2 to 3% of R&D. And from SG&A point of view, if you discuss the sheer base costs -- you know the start-up costs then we target at 12.5% for SG&A: and you can add in about 1.5% into it for compensate for the stock option expense.

And therefore that is our biggest model. And we control our expense according to that [nine] that [bit of] model and I think we are (indiscernible) that point. You know in fourth quarter we are somewhere there too.

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Steve Smigie, Raymond James - Analyst [20]  
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Could you give us a little bit of an update on the M&A pipeline? I know you said you are actively pursuing that. Any sort of near-term targets or any color that you feel comfortable giving on that?

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Keh-Shew Lu, Diodes Inc. - President and CEO [21]  
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Obviously you know that I am looking at different opportunities, but we are not going crazy to give away a high -- much higher price, to (indiscernible). And so we talked to several different companies but I don't have anyone yet agree with me to give me the price (indiscernible) I am talking about.

So it's difficult even now (indiscernible) market with slow down and other company, their stock price going down but every body believe their stock their company value is much higher than the stock market cap. So even the stock market stock going down. People still know we need to absorb there, expect to vary and that is why I have difficulty to tell you I nailed down to one or two, a couple of them.

But I do every -- I do continue looking for different opportunities and talk to different opportunities. But we don't want to be just buying some companies just because we have the money or because we want to buy. I am very careful to [subject] the company who meet our strategies. You know I think I mentioned several times about the requirement.

You need to be -- have market synergy, have the product synergy, (indiscernible) the value to our product portfolio. Adding value to the technology to our market portfolio. And most important you need to be accretive in 12 months, within 12 months.

I keep saying that and I'm still insistent of that. So it needs to be accretive within 12 months.

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Operator [22]  
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Christopher Longiaru, Sidoti & Co.

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Christopher Longiaru, Sidoti & Co. - Analyst [23]  
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I just had a question. First of all, the inventory situation next quarter, with respect to your clients, talking to your clients and your customers. Do you see anything -- what's your anticipation of higher inventory levels right now and how do you (indiscernible) 2007 with respect to your business?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [24]  
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I will answer a little bit of that and then Mark and Dr. Lu can add to it. We realize that the last quarter we lost a couple of days' inventory. We are very focused on inventory. We have managed inventory over the years. We stated last year that we felt that our inventory was well-positioned for our revenue growth.

We believe we are still there. We have some opportunities there to take care of some of the inventory and we are definitely focused on it. Mark can add a little bit maybe from the sales aspect of it.

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [25]  
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From a customer standpoint I don't really think it is inventory in that there was a little bit of an inventory overage in the channel in Q4. I think some of that has been settled in North America and Europe. I don't think the customer base is -- we see a great over inventory. I think we just may see a slightly softer demand in Q1 compared to Q4, in some of the end equipment but I don't think it is an inventory-based issue.

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Christopher Longiaru, Sidoti & Co. - Analyst [26]  
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And also with the APD acquisition, you said this would probably add around \$8 to \$10 million in revenue in 2007. Is that going to be more back end loaded or would you say it is more evenly spread throughout the year?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [27]  
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We still have some work to do on getting that product in in there, but I think it would be more back end loaded but it should be very achievable.

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Christopher Longiaru, Sidoti & Co. - Analyst [28]  
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That's all I have. Thanks.

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Operator [29]  
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Harsh Kumar with Morgan Keegan.

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Harsh Kumar, Morgan Keegan - Analyst [30]  
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Good afternoon. A couple of questions. A couple of people before can you quantify what kind of gross margin expansion you can see as you bring AnaChip in over the course of the year?

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Keh-Shew Lu, Diodes Inc. - President and CEO [31]  
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Are you talking about gross margin expansion (MULTIPLE SPEAKERS)

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Carl Wertz, Diodes Inc. - Chief Financial Officer [32]  
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Expansion throughout the year as we bring in AnaChip.

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Keh-Shew Lu, Diodes Inc. - President and CEO [33]  
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Afterwards see a gradually improvement. And like I've been mentioned we paid more attention to the gross margin dollar (indiscernible) instead of gross margin percent improvement. So if you ask me I would tell you our gross margin dollar would be improved. You know quite (indiscernible) or quite good but from a gross margin percent it really depend on how fast we bring the product -- see, if in this year the market is very good then we must use in that capacity for the new business instead of bringing in the produce from AP -- from the [subaccount to ourselves].

And depend on the product, if the product is doing very well and the subcontroller the gross margin may not be as good as the product come out from our own site. But I don't mind either way as long as our revenue continues to increase. That's really more important.

So I didn't concentrate onto people look at our gross margin dollar instead of gross margin percent. And that dollar is really what I am looking for and then that number grows as fast as we can and that number flows through to the real bottom line, which is (indiscernible).

So if the market not grow as fast as expected then the gross margin percent might increase because we'll be aggressively put in to ourselves but if market is really good then all use in that capacity for new business.

And the key is then in my mind to increase the gross margin percent is really coming from the new product. We have very aggressively pushed out the new product and new technology and those really, it's more important for me to increase the product mix or two, changing that product mix to increase growth margin percent. We are able to maintain in the last several quarters, we are able to maintain our gross margin percent the same or similar, even our ASP going down is because #1, our cost reduction effort but another one is our product mix.

And as I mentioned our analog sales much faster than discrete and our analog has a lower gross margin and by which we are able to maintain the same growth gross margin percent to tell you we actually improve our gross margin percent if you do the apples to apples comparison. But it is just because the lower gross margin of analog fallout grow much faster than the higher growth margin of discrete. It affects us the improvement of the number you know, [show outside] but the majority of gross margin dollar.

If you look at it this year 2006 versus 2005 we grow 60% right. Carl?  
(inaudible) Yes, 60%. So this is what is important is growth margin dollar increase 60% in year-over-year than we just pure look at growth dollar gross margin percent.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [34]  
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(Actually the dollar is like 47%. 47% year-over-year a dollar (MULTIPLE SPEAKERS)).

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Operator [35]  
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Gary Mobley with A. G. Edwards.

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Gary Mobley, A.G. Edwards - Analyst [36]  
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Could you share with us how bookings have trended thus far in the first five weeks of the quarter?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [37]  
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I'm sorry, Gary.

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Gary Mobley, A.G. Edwards - Analyst [38]  
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Could you share with us how bookings have trended those are in the first five weeks of the quarter?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [39]  
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In the -- they've trended up in the first five weeks in the quarter. For Q4 they were slightly below par and in the first five weeks they are above par.

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Gary Mobley, A.G. Edwards - Analyst [40]  
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And Mark, looking into your crystal ball how should we think about the progression of bookings throughout the year given what is normally a seasonally strong second half of the fiscal year?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [41]  
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I can't give you what I expect a book to build trend to be, but we still feel very strongly on the long-term outlook for this year. It is quite strong.

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Gary Mobley, A.G. Edwards - Analyst [42]  
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Okay (MULTIPLE SPEAKERS)

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Keh-Shew Lu, Diodes Inc. - President and CEO [43]  
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We believe, (indiscernible) 1Q seasonally for our business especially if you look at the majority of business, almost 75% of our business is consumer and computer. And consumer and computer business typically in 1Q seasonally, you are going to see some slowdown. But we don't see maybe somebody see a very bad or something but we don't really see that. We still think we are going to continue getting market share in 1Q and you can see some seasonally effect but it's not typical. It is not our best.

And we believe after that second quarter will come back to the growth period and then this year we still look at this year as quite good year for us.

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Gary Mobley, A.G. Edwards - Analyst [44]  
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And to follow up if I may. Do you think you have run out all the sales synergies from the AnaChip acquisition and looking on to '07 would you expect the analog products to again grow at a faster rate than the discretetes?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [45]  
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No. I think we still have a significant growth synergized achievement to go on the AnaChip side. Really the product on the analog side is just hitting the North American and European channels. We've had some design wins on our Asian base designs and so forth and some of our key customers, but getting the product prepared and logoed and changing all the stuff for the channels takes a long time. They have a pretty broad product line.

So we are just starting to enter the channel now. So we have great opportunities in North America and Europe on the analog product line.

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Keh-Shew Lu, Diodes Inc. - President and CEO [46]  
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And even the Asia, you know last year we spent a lot -- we grow much faster but some -- most of them coming from the existing customer they have, but you know the power in the second half of last year we started getting to the new customers we have. And those it takes time to ramp it up.

So this year I believe will be another good year for us for order new design, new wins with our customers and the Europe, U.S. Don't go give us a quite good good engine. I mean it's a good growth engine to grow.

APD is another one. We just get it in the last year and we are going to start deport it into our site. Like I say, 1Q we should be almost done well -- majority for the small outline ones.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [47]  
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Yes. We were able to move that one much quicker but again all of those were Asian-based designs. So that's all new fresh opportunity in North America that hasn't seen it and the reception has been quite good.

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Keh-Shew Lu, Diodes Inc. - President and CEO [48]  
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And then the third thing is, we start to put in the new design we sold and improved the design we sold in AnaChip operations. And at the same time we are aiding the new analog design we saw in start up in San Jose and those, you are going to start to see a lot of new products coming out and now aiding the growth of the analog for this year.

So I think in our condition going to be continued (indiscernible) could have good results this year.

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Operator [49]  
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Shawn Harrison with Longbow Research.

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Shawn Harrison, Longbow Research - Analyst [50]  
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I just had a question on following up on 1Q's seasonality. I think you mentioend it was going to be down a little bit or typically is down a little bit. Could you comment on how many days you are going to lose to the Chinese New Year this year versus previous years?

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Keh-Shew Lu, Diodes Inc. - President and CEO [51]  
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From the Chinese New Year or from the market. Typically, it is about the same. You probably one or two day difference but it won't be that much. Typically it is a whole week for us. Both weekends from the front and on the back.

So I don't think really that much of -- . If our customers going to start shut it down in those. But for us we probably won't have that much effect because we typically working through the Chinese New Year. We won't have done much of excess capacity to be able to shut down 10 days. We by history we always operate our facility all the time instead of shutting down.

But our customers do start to see some shutdown or some stop production, but I don't see any particularly different this year versus the past.

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Shawn Harrison, Longbow Research - Analyst [52]  
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All right. Could you speak a little bit about a percentage of sales to distribution? I think you are at 30% of sales to distribution for AnaChip? Any changes there?

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Keh-Shew Lu, Diodes Inc. - President and CEO [53]  
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No it's [deferred], okay -- .

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Carl Wertz, Diodes Inc. - Chief Financial Officer [54]  
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Actually we were generally running about 65, 35 prior to AnaChip but AnaChip was heavily distribution based. I think now and there's been some chips in there. I think we are running -- I don't have the exact figures in front of me (MULTIPLE SPEAKERS) but I think it's more like 52 OEM, 48 maybe right in those plus or minus a couple of percentage points. I will make sure that on the next quarter that I have that in the conference call. I apologize for that.

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Shawn Harrison, Longbow Research - Analyst [55]  
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No. No problem. Thank you much. And just a housekeeping question -- interest rate on the cash balance I think it's around 4.5%. Is that correct?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [56]  
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Yes. It may be a little bit north of 4.5. Somewhere closer to 5 in the last quarter.

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Shawn Harrison, Longbow Research - Analyst [57]  
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Appreciate it. Thank you.

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Operator [58]  
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Michael Davies with Next Generation.



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Michael Davies, Next Generation - Analyst [59]  
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Thank you. I was just wanting to get maybe just a little bit of clarification on the AnaChip and APD acquisition. As I understand, that as we move more into providing the integrated solutions, particularly with ADP maybe providing you with some unique skills and high voltage, we are earmarking much more higher gross margin products. Do you see this being in more in the design side? Does it still lend itself to -- you know, the packaging capabilities?

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Keh-Shew Lu, Diodes Inc. - President and CEO [60]  
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Well actually. It's both. First I need to correct it's APD instead of ADP. APD. Okay, the Company we purchased is APD and, yes, it's both. They give us the process for the wafer technology which can handle high power or if you wanted the same performance, a small (indiscernible). So if you -- even [nice] on that technology is scalable. So if you want to use it nice size you get a better performance and if you said a performance (indiscernible) then I can [shook] the die to make it cheaper. It is very easy to scale.

That is that technology provides us. Then what we do is since you are capable to scalable to the same performance as (indiscernible) then we can pick those products to put in our innovative, our most (indiscernible) of the miniature die packages and win the market. So we are doing that too.

So we tried to take advantage from both sides. But at the beginning we -- at the beginning what we do is we try to shake the die or try to take that product just straight to go to our packaging.

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Michael Davies, Next Generation - Analyst [61]  
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What I was trying to get to is, does it lend itself to the same high volume production that you are used to now as we move into more of the specialized products? Wouldn't they be lower volume products and does the same capabilities transfer over?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [62]  
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No, actually, I think that it lends itself very well to high volumes, because the scalable technology really for high-volume applications allows us to design a part exactly as the customer needs. What this really is is a really high-efficiency technology. And as we target certain specs for certain applications -- and that is why I kind of said that we were really focused on customers' specific requirements. They've really gone out -- their product line is really very standard as we received it. And what we want to do is now develop a very specific product line around an application.

So really what I am telling my people is to go to the fields and sell the technology and ask the customers how they would like us to tailor it for their application, rather than go out there and try to sell them parts. Thin as they tail it around our applications then they become our customers for a very long period of time.

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Keh-Shew Lu, Diodes Inc. - President and CEO [63]  
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And don't forget if in the wafer it might be customized but when you go to the packaging it's actually in the package. Therefore for their production for that [kind of] assembly production point of view the high volume production. So the tailor design is actually in the wafer fab, which we don't mind.

But when you go to the manufacturing side, it is high-volume, miniaturized package and technology which -- that's where we are good at it.

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Michael Davies, Next Generation - Analyst [64]  
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Thank you.

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Operator [65]  
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Alex Gauna with UBS.

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Alex Gauna, UBS - Analyst [66]  
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Sorry to return to this topic but I was wondering if you could touch on where are AnaChip or analog -- however you want to define it -- gross margins relative to the corporate average right now? And if I heard you correctly, you said 50% has moved internal and if you could give maybe some description on what sort of savings have been achieved in terms of maybe the average gross margins for that product area over the course of the second half?

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Keh-Shew Lu, Diodes Inc. - President and CEO [67]  
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Let me put this -- it's supposed to be the inner chip will be able to if we 100% move in and if we can get to the same performance from your point of view, it will be able -- we will be able to get to the same gross margin or even higher compared with our discrete.

And our problem is, we -- our [assembly] sites do not have that experience of doing analog testing. Packaging, yes, with our packaging we have a couple of new package like S0-8 which is new package for us but that's (indiscernible) month. (indiscernible) package no problem but we are deal with testing. We have no problem detects discrete because we are allowed experiments but start to do the testing which was (indiscernible) and then we gradually moved in and when the people is really busy and try to fulfill our growth in last year we kind of a little bit of slowdown of year improvement of the (indiscernible) those kind of things.

So I at the [meeting] our -- today our AnaChip type of product our gross margin will not be as good as the discrete. But it takes time. It takes time to get our test coordination down [E0] down and it's a learning curve.

Do you understand what I'm saying?

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Alex Gauna, UBS - Analyst [68]  
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I do.

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Keh-Shew Lu, Diodes Inc. - President and CEO [69]  
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Yes and for discrete we ordered down we order production for eight, nine years. We have no problem to get it. Assembly yield high. Tested yield high but for analog we just try to teach our assembly site people how to test analog product. And the test coordination, the argument about who is right, who is wrong.

It takes a while for them to (indiscernible). So I needed that -- our gross margin growth was not as good as I expected but actually we predict that. So every quarter we say we are above comfortable on our gross margin, which we did that every quarter and the fourth quarter we actually improved 200 points. What?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [70]  
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20 basis points.

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Keh-Shew Lu, Diodes Inc. - President and CEO [71]  
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20 basis points.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [72]  
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Also we were pretty full out in discrete production to keep up with the new revenue demands. So we have some opportunity in '07 for where our margins will (inaudible).

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Keh-Shew Lu, Diodes Inc. - President and CEO [73]  
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What I'm saying is we have opportunity in '07 to improve that number. By going down the lending curve and by more product, additional product into our site.

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Operator [74]  
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Dennis Reed with Cleveland Research.

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Dennis Reed, Cleveland Research - Analyst [75]  
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Thank you very much. First question. In regards to the competitive dynamics in the standard analog and discrete market, could you provide any color into some of the competitors who have been taking utilization rates down and if they are re-engaging that market?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [76]  
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You know we don't see a great deal of people changing. I think deep down there's still -- on the low end devices, there's still not a big overage of capacity. So and I don't think anybody is particularly panicked about the environment that we are in right now so I don't think that we are seeing people change their strategy dramatically.

May see a little bit more pressure on the commodity analog side because the ASPs are all higher and the progression away from discretely is much greater than the commodity analog (MULTIPLE SPEAKERS) the beginning of the cycle on the commodity analog rather than the end of the cycle on discrete. So I don't see a significant change in the environment.

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Keh-Shew Lu, Diodes Inc. - President and CEO [77]  
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Especially we don't see a big competition from those major semiconductor providers. Now we do see some like AnaChip type of company from here and there try to (indiscernible) analog have a little bit better gross margin than discrete. So people started thinking jump into it but you know that's exactly AnaChip (indiscernible) problem they try to do (indiscernible) pay profit to the wafer, pay profit to the packaging house and cannot really get the right ASP for the product.

So we see that kind of competition actually is the all AnaChip type of company. We call them AnaChip Jr. But I don't really see a major competition coming from the major semiconductor company.

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Dennis Reed, Cleveland Research - Analyst [78]  
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Could you provide any color on the overall pricing environment throughout the fourth quarter and has it changed at all as we've entered the first quarter?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [79]  
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You know last year was pretty stable going into the fourth quarter. I mean, we had some minor decreases and it was a little bit more aggressive in the fourth quarter. But again I think it was only down 2% in Asia on the average ASP. And I think it is probably slightly more aggressive because of -- if you just look at the semiconductor guidance out there. So there are people looking for orders but again we don't see any significant change. Okay?

I mean there's no drastic change but, yes, we live in very competitive environments all the time.

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Operator [80]  
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Chris Chaney with Stanford Group.

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Chris Chaney, Stanford Group - Analyst [81]  
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Thanks for taking my question and first of all, nice year. I mean good performance for the year, I think, financially. I wanted to follow up with the pricing question just a moment ago. It sounds like general comment then for Q1 '07 would be that ASP pressure looks like it is going to be sort of normal maybe in the 3 to 5% range; maybe a little bit more aggressive than Q4, but still not out of the ordinary?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [82]  
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Right.

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Keh-Shew Lu, Diodes Inc. - President and CEO [83]  
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You are correct.

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Chris Chaney, Stanford Group - Analyst [84]  
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Okay. Great. And then, I had a question here about a -- I guess a multipart question about the wafer fab. I haven't heard much or any discussion about that yet. What percent of the output of the wafer fab do you use internally? And how is that split between analog products and the discrete products? And finally as that percentage changes, not the split but the percentage of using it internally, how will that be affecting your gross margin?

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Keh-Shew Lu, Diodes Inc. - President and CEO [85]  
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From the discrete -- from discrete point of view we, right now, 30% is outside -- is buying from outside and -- .

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Carl Wertz, Diodes Inc. - Chief Financial Officer [86]  
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No. 30% of our fabs' capacity is used internally.

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Chris Chaney, Stanford Group - Analyst [87]  
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Internally. Yes. Okay.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [88]  
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And all of that is discrete. We do no analog assembly (MULTIPLE SPEAKERS)

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Keh-Shew Lu, Diodes Inc. - President and CEO [89]  
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That's right. From analog point of view we buy product we buy today from LSE and for the CMOS point of view we are looking at, we are getting from other areas. So that won't change. We do not intend to gain through the [variable] wafer fab because that's (indiscernible). I think I can tell everybody the variable for our commodity analog and our discrete is in the packaging not in the wafer. And therefore wafer is just to help us to support our demands and we don't need to run into trouble when we are at capacity issue.

But from the gross margin and from a profit point of view we concentrate on in packaging because that is where the value is.

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Chris Chaney, Stanford Group - Analyst [90]  
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I see so as -- if you were to, for instance, go to 35% of your output being used internally, that wouldn't really affect your margins much at all?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [91]  
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Theoretically the more we use. it should increase our margins.

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Chris Chaney, Stanford Group - Analyst [92]  
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That makes sense. Right.

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Keh-Shew Lu, Diodes Inc. - President and CEO [93]  
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Yes, it's a little bit, but as long as that much because I say the value is not, you know even you can say 10% from wafer but that is only a small percent of the cost. So it won't affect the growth margin that much.

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Chris Chaney, Stanford Group - Analyst [94]  
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Thank you. Okay. All right. Just looking for another lever on margins here but it doesn't sound like it's not much of one.

Finally on the CapEx split between wafer fab and packaging for 2007, what would be the general split of that?

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Keh-Shew Lu, Diodes Inc. - President and CEO [95]  
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Majority. A large majority goes to packaging. We only a small percent goes to our wafer fab just (MULTIPLE SPEAKERS)

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Carl Wertz, Diodes Inc. - Chief Financial Officer [96]  
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Maintenance.

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Keh-Shew Lu, Diodes Inc. - President and CEO [97]  
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Maintenance. Where run in some spare parts sometimes. You have some machine you might need to upgrade we go to buy the used machine but a majority of our money really goes to assembly.

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Chris Chaney, Stanford Group - Analyst [98]  
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Excellent. Thanks for answering my questions. I appreciate it.

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Operator [99]  
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Harsh Kumar with Morgan Keegan.

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Harsh Kumar, Morgan Keegan - Analyst [100]  
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Dr. Keh-Shew, just quickly as your consumer and computing markets start to grow into the second quarter which is the June quarter, and you have heard a lot from the other companies kind of in your space and also other larger companies calling for probably something close to a snapback or a strong recovery in Q2. Would it be fair to say that you would see something similar the way it's looking like from your eyes?

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Keh-Shew Lu, Diodes Inc. - President and CEO [101]  
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I think so.

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Harsh Kumar, Morgan Keegan - Analyst [102]  
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Great. That's it. Thank you.

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Operator [103]  
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Alex Gauna with UBS.

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Alex Gauna, UBS - Analyst [104]  
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Mark, I was wondering. You mentioned a number of new product areas and families that have been introduced here in the past year. Is there any way you can touch on maybe quantifying the amount of new business you feel like you've put in the pipeline '07. Or is it even a longer horizon for that?



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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [105]  
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I can't quantify it but I feel pretty good about that our platforms are going to launch. Some faster than others. We feel very comfortable with this recent haul, sensor-release (MULTIPLE SPEAKERS).

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Keh-Shew Lu, Diodes Inc. - President and CEO [106]  
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H-180, we see a design win everywhere. Now how quick they get rented up it would be dependent on the customer. But I see the report on the design win actually H-180 from Europe, from U.S. and from Asia. It's very very good product.

Second thing is this new (indiscernible) of APD product. Not just announced it so you probably say it is too early to talking about design win yet but we were so surprised when every time you go to talk to the customer about this product, everybody is jumping on it. So demand for the sample is so high so I just thinking we have a (indiscernible) good great product coming out we are very happy with. Both APD acquisition and AnaChip acquisition.

You know 180 H-180, the whole [sense] is coming from AnaChip and this APD Super Barrier Schottky. This is coming from APD acquisition so both knew those acquisitions give us some (technical difficulties) for new product.

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Alex Gauna, UBS - Analyst [107]  
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Within that shining star category the Hall sensors would you say that you have already secured a lot of '07 business or do we still have to wait through some of the design cycles of the early year, say, 3-GSM? Those types of trade shows or does the outlook look pretty good at this point?

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Keh-Shew Lu, Diodes Inc. - President and CEO [108]  
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I think I let Mark give you those answers.

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [109]  
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I think that some of those design wins or active design temps have not been secured in some of the things because it takes a little bit longer. But some of our customers were making progress -- quite good progress. I think the notebook industry is doing quite well and we expect that with our product mix in notebook that we should be able to dominate some of those areas.

Some of our competitive base have left a lot of opportunity for us in the Hall-sensor area. So I think in certain segments, it will take us longer but we feel pretty comfortable that we have the right product and we have a good product and we have an interesting customer.

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Alex Gauna, UBS - Analyst [110]  
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Good. Thank you.

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Operator [111]  
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Kevin Rottinghaus with Cleveland Research.

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Kevin Rottinghaus, Cleveland Research - Analyst [112]  
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Thank you. The Communication segment jumped pretty significantly here. It looks like just based on percentage of revenues, is there any rate through there into cellphones? I mean is that starting to pick up for you at all?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [113]  
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Actually we put cellphones into consumer segment and probably that's basically being driven by wireless LAN. The AnaChip's switching regulators are very well-positioned in some of the key chip reference designs for wireless LAN.

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Kevin Rottinghaus, Cleveland Research - Analyst [114]  
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On last quarter there was significant acquisition (indiscernible) in your natural rectifier. Have you seen any changes competitively there? How are they acting out in the marketplace? Any impact that you have seen as far as opportunities for you to grab customers or any changes there?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [115]  
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I really don't think that that -- when we looked, when that was available we looked at it. We did say a lot of overlap in our product lane for our segment (technical difficulty). That's really kind of high-powered module and some module based (MULTIPLE SPEAKERS) business. It really just isn't -- I don't think we'll see a lot of impact on our product line. I think that it might have dabbled in areas where we were but not as a key player.

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Kevin Rottinghaus, Cleveland Research - Analyst [116]  
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Then just a clarification question maybe for Carl. Did I hear right? The 50% of AnaChip is in-house or is that kind of the target for 2007?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [117]  
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I think we would have to get an exact figure. I don't think we have that exact figure.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [118]  
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We have attracted exactly. We know we didn't execute as much as we wanted last year and it's somewhere in that range but it's plus or minus probably 10%.

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Keh-Shew Lu, Diodes Inc. - President and CEO [119]  
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No. It's less than 50%.

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Kevin Rottinghaus, Cleveland Research - Analyst [120]  
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It's less than 50?

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Keh-Shew Lu, Diodes Inc. - President and CEO [121]  
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Less than 50% of their callout was produced internally. Yes I know (MULTIPLE SPEAKERS) in the fourth quarter yes, it's less than 50%, okay? But I can say we plan to only bring in up to about 75%. 75, 80%. Somewhere around that because that's the less than 20, 25% was product we don't produce or the volume is so small it's not worth effort to bring in.

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Kevin Rottinghaus, Cleveland Research - Analyst [122]  
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Okay, and then apples to apples you know outsourced versus internal. I mean 25 or 30% gross margin up to 40% gross margin and outsourced 30 in-house 40. Are those the right kind of numbers or is it something different from that?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [123]  
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Those are reasonable. That's maybe a little on the high-end (MULTIPLE SPEAKERS)  
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Keh-Shew Lu, Diodes Inc. - President and CEO [124]  
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That is high-end.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [125]  
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But we did state that the analog once we are doing in-house should be at our 34, 35% range.

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Kevin Rottinghaus, Cleveland Research - Analyst [126]  
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The analog will be in the 34, 35 in-house?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [127]  
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Yes. It should work its way up with that, depending on the application.

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Kevin Rottinghaus, Cleveland Research - Analyst [128]  
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One last one on the acquisitions. I mean, is it still a criteria for you that it be accretive in 12 months?

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Keh-Shew Lu, Diodes Inc. - President and CEO [129]  
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That is one of the key criteria we put it to ourselves and needs to be accretive within 12 months.

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Kevin Rottinghaus, Cleveland Research - Analyst [130]  
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Thank you.

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Operator [131]  
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Chris Chaney with Stanford Group.

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Chris Chaney, Stanford Group - Analyst [132]  
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Thank you. This is a quick one. Your largest customer last quarter, I think, was around 10% of sales or so. Can you tell me or tell us how that has changed this quarter?

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Carl Wertz, Diodes Inc. - Chief Financial Officer [133]  
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I don't think we have had any 10% customers now. I think our largest customer would be [Light On] where we are selling them wafers and we turn around and buy back the high-powered end products. And then probably the largest customer in the past which was close to 10%, because of our analog expansion and growth, now would take that down into the high single digits.

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Chris Chaney, Stanford Group - Analyst [134]  
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That's what I was referring to.

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Keh-Shew Lu, Diodes Inc. - President and CEO [135]  
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We in the past when we had discrete we do have a single customer at the 10% range but AnaChip -- with AnaChip acquisition they did not buy any products from AnaChip and because AnaChip acquisition our -- that just customer is no longer at the 10%.

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Chris Chaney, Stanford Group - Analyst [136]  
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I see and just a follow-up then. that 8 to 10% customer -- 8 or 9% customer that I'm referring to does that maybe you know who that is. But are they going to be buying products from the AnaChip acquisition too or just currently discrete?

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [137]  
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It is possible over the road with our new development and some of the products that we recently released that they could be buying that. But there's not only -- there is not one customer there anymore. There's multiple customers in that over five. You have some pretty -- we have a pretty diverse range there.

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Keh-Shew Lu, Diodes Inc. - President and CEO [138]  
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But like I mentioned, we are very careful to introduce our energy product to the key major customer we have in the, on the discrete. Because we do not want any potential problem causing that. So we take time to get those units qualified by our assembly, make sure the product really meets our discrete customer's expectation and then after that we start to introduce them, those analog products. So it takes time and we are not -- we don't want to rush in to get the benefit right away and then cause a major problem for our customers.

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Carl Wertz, Diodes Inc. - Chief Financial Officer [139]  
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Right as well as AnaChip's product originally was more higher powered so where we -- some of those customers live in the portable area. Some of the new products we have in development are more designed towards our traditional customer in the portable area. They gave us a little more rounding in our Communication segments which is more plug in the wall and so forth. So I think that they are more apt to use some of our newer products than our past products.

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Chris Chaney, Stanford Group - Analyst [140]  
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Thank you.

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Operator [141]  
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At this time there are no further questions. Are there any further remarks?

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Keh-Shew Lu, Diodes Inc. - President and CEO [142]  
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No, I just wanted to make sure we continue gaining the market share and our goal still we want to grow 2X faster than the market grows. We still on track with that. We still working toward that and yes, we might -- we have a season slowing but I think we are on track to our long-term goal growth packet. Thank you.

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Mark King, Diodes Inc. - Senior VP of Sales and Marketing [143]  
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Thanks everybody. Look forward to coming back to you next quarter.

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Keh-Shew Lu, Diodes Inc. - President and CEO [144]  
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Bye-bye.

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Operator [145]  
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This concludes today's Diodes Inc. fourth quarter and 2006 fiscal earnings conference call. You may now disconnect.