

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 13, 2008
Date of Report (Date of earliest event reported)

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

Delaware 1-5740 95-2039518
(State or other (Commission File Number) (I.R.S. Employer
jurisdiction of incorporation) Identification No.)

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

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

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

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 13, 2008, Diodes Incorporated issued a press release announcing fourth quarter 2007 results. A copy of the press release is attached as Exhibit 99.1.

On February 13, 2008, Diodes Incorporated hosted a conference call to discuss its fourth quarter 2007 results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on February 13, 2008, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, Rick White, Senior Vice President of Finance, and Mark King, Senior Vice President of Sales and Marketing, made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 - Press release dated February 13, 2008
Exhibit 99.2 - Conference call script dated February 13, 2008
Exhibit 99.3 - Question and answer transcript dated February 13, 2008

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 14, 2008

DIODES INCORPORATED

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

EXHIBIT INDEX

Exhibit
Number

Description

99.1	Press release dated February 13, 2008
99.2	Conference call script dated February 13, 2008
99.3	Question and answer transcript dated February 13, 2008

FOR IMMEDIATE RELEASE

Diodes Incorporated Reports Record Fourth Quarter and Fiscal 2007
Financial Results

Annual Revenue Increased 17 percent to a Record \$401 Million
Fourth Quarter Gross Margin Increased 110 Basis Points

DALLAS, TEXAS - February 13, 2008 -- Diodes Incorporated (NASDAQ:DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, today reported financial results for the fourth quarter and fiscal year ended December 31, 2007.

Fiscal 2007 Highlights:

- o Revenue increased 17 percent to a record \$401.2 million
- o Adjusted net income increased 22 percent to \$64.9 million
- o Adjusted EPS increased 20 percent to \$1.50 per share
- o Generated \$91 million in cash flow from operations

Fourth Quarter Highlights:

- o Revenue increased 13.9 percent over the prior year period to a record \$107.6 million
- o Gross profit margin increased 110 basis points sequentially to 33.5 percent
- o Adjusted net income increased 18 percent to a record \$18.6 million, or \$0.43 per share, up from \$15.8 million, or \$0.37 per share, in the fourth quarter of 2006

For the fiscal year 2007, revenue increased 16.9 percent to a record \$401.2 million, compared to \$343.3 million for fiscal 2006. Gross profit increased 14.5 percent to \$130.4 million, or 32.5 percent of revenue, compared to \$113.9 million, or 33.2 percent, last year. Net income increased 23.9 percent to \$59.7 million, or \$1.41 per diluted share, compared to \$48.1 million, or \$1.16 per share, in 2006. Adjusted net income, which excludes \$4.3 million of net share-based compensation and \$1.0 million in net restructuring charges in 2007, increased 21.5 percent to \$64.9 million, or \$1.50 per diluted share, compared to \$53.4 million in 2006.

Revenue for the fourth quarter of 2007 increased 13.9 percent to \$107.6 million, compared to \$94.4 million reported in the fourth quarter of 2006. Sequentially, revenue were 2.2 percent higher due to a 1.2 percent increase in units sold and a more favorable product mix.

Gross profit for the fourth quarter of 2007 increased 14.2 percent to \$36.0 million, or 33.5 percent of revenue, as compared to \$31.5 million, or 33.4 percent of revenue, in the prior year quarter and 32.4 percent in the third quarter of 2007.

Commenting on the results, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said, "We are pleased to once again report record results for both the quarter and the year. Most notably in the quarter, we achieved strong gross margin improvements as a result of the benefits associated with internalizing our analog manufacturing as well as a shift in product mix towards our new, higher margin products. We also continued to make significant progress with our new product road map and overall design activity remained strong, in particular with our Hall sensors for cell phones and notebook computers. Additionally, Asia sales volume further expanded in the quarter with solid demand in the consumer and computer markets."

Dr. Lu further commented, "These quarterly results conclude another outstanding year for Diodes with record revenue and profit for 2007. Our 17 percent top-line growth once again outpaced the semiconductor market, which grew approximately 3.2 percent for the year. Our consistent performance is a direct result of our history of execution in broadening our market focus, aggressively introducing new products and gaining share in our high growth markets. Overall, our strategic initiative to become a broad-based supplier is widely accepted by our customers and continues to drive increased market share in the discrete and analog space. Our business and financial successes further validate our ability to deliver profitable growth, which has consistently outperformed the industry. We also continue to realize incremental operational efficiencies that will contribute to improved results and margins over time, as evidenced by our fourth quarter."

Fourth quarter net income was \$18.3 million, or \$0.43 per diluted share, compared to \$14.7 million, or \$0.35 per share, in the fourth quarter of 2006 and \$16.1 million, or \$0.38 per share, in the prior quarter.

Adjusted net income for the fourth quarter of 2007, which excludes \$1.3 million of SFAS 123R stock option expense and a \$0.7 million credit due to lower actual restructuring charges, was a record \$18.6 million, or \$0.43 per diluted share, an increase of 18.1 percent compared to the \$15.8 million, or \$0.37 per share, reported in the prior year quarter and an increase of 8.9 percent compared to the \$17.1 million, or \$0.40 per share, reported in the third quarter of 2007.

As of December 31, 2007, Diodes had approximately \$380 million in total cash and short-term investments, \$452 million in working capital, \$237 million in long-term debt (including the convertible note) and unused and available credit facilities of \$59 million.

Business Outlook

"As we look to the first quarter of 2008, we expect revenue to be in the range of \$95 million to \$101 million with gross margin comparable to the fourth quarter," stated Dr. Lu. "Our estimated first quarter revenue reflects seasonality combined with the impact of the overall weakening economy, in particular on key targeted end-equipment in the consumer and computing markets, as well as our foundry and subcontracting business, which is showing greater weakness than our core revenue drivers. Over the longer-term, we believe that Diodes' history of execution in significantly outperforming the industry, combined with our focus on customer-centric innovation and efficient manufacturing, will return us to our historical growth rates and will continue to deliver positive results for our shareholders. Additionally, we remain focused on evaluating synergistic, accretive acquisition targets in the coming quarter and beyond to further drive increased value and profitable growth for Diodes."

Conference Call

Diodes will host a conference call on Wednesday, February 13, 2008 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time) to discuss its fourth quarter and fiscal 2007 financial 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 <http://www.diodes.com>. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 60 days.

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD), an S&P SmallCap 600 Index company, is a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. Diodes' products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, power management devices including DC-DC switching and linear voltage regulators, amplifiers and comparators, and Hall-effect sensors. The Company has its corporate offices in Dallas, Texas, with a sales, marketing, engineering and logistics office in Southern California; design centers in Dallas, San Jose and Taipei; a wafer fabrication facility in Missouri; two manufacturing facilities in Shanghai; a fabless 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 acquisition of APD Semiconductor, a privately held U.S.-based fabless semiconductor company, Diodes acquired proprietary SBR(R) technology. Diodes, Inc.'s product focus is on high-growth end-user equipment markets such as TV/Satellite set-top boxes, portable DVD players, datacom devices, ADSL modems, power supplies, medical devices, wireless notebooks, flat panel displays, digital cameras, mobile handsets, DC to DC conversion, wireless 802.11 LAN access points, brushless DC motor fans, and automotive applications. For further information, including SEC filings, visit the Company's website at <http://www.diodes.com>.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: we will continue to focus on gross margin improvements by internalizing our analog manufacturing and shifting product mix towards our new and higher margin products; we continue to make significant progress with our new product road map; our overall design activity continues to be strong, particularly with our Hall sensors for cell phones and notebook computers; Asia continues to expand sales volume; we continue to broadening our market focus, aggressively introducing new products and gaining share in our high growth markets; our customers continue to accept our strategic initiative to become a broad-based supplier and such strategic initiative continues to drive increased market share in the discrete and analog space; our ability to deliver profitable growth continues to consistently outperform the industry; we continue to realize incremental operational efficiencies to improve earnings results and gross margin; we expect our first quarter gross margin to be comparable to the fourth quarter 2007's gross margin; we expect our estimated first quarter revenue reflects seasonality combined with the impact of the overall weakening economy, in particular on key targeted end-equipment in the consumer and computing markets, as well as our foundry and subcontracting business; we will return to our historical growth rates and will continue to deliver positive results for our shareholders based on our execution in significantly outperforming the industry and our focus on customer-centric innovation and efficient manufacturing; we continue to focus on evaluating synergistic and accretive acquisition targets to further increase Company's value and its profitable growth. Potential risks and uncertainties include, but are not limited to, such factors as the Company's business strategy, the introduction and market reception to new product announcements, fluctuations in product demand and supply, the continue introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, successful integration of acquired companies and/or assets, the Company's ability to successfully make additional acquisitions, risks of 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.

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.

Company Contact:

Carl Wertz
Chief Financial Officer
Diodes, Inc.
(805) 446-4800
carl_wertz@diodes.com

Investor Contact:

Leanne Sievers
EVP, IR
Shelton Group
(949) 224-3874
lsievers@sheltongroup.com

CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOW

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

	Three Months Ended December 31, 2007,		Twelve months ended December 31, 2007,	
	2006	2007	2006	2007
Net sales	\$ 94,432	\$ 107,591	\$ 343,308	\$ 401,159
Cost of goods sold	62,883	71,567	229,416	270,780
Gross profit	31,549	36,024	113,892	130,379
Selling, general and administrative expenses	13,063	14,778	47,945	55,461
Research and development expenses	2,332	3,860	8,317	13,515
Restructuring costs and fixed asset impairment	-	(767)	152	1,003
Total operating expenses	15,395	17,871	56,414	69,979
Income from operations	16,154	18,153	57,478	60,400
Other income (expense)				
Interest income	3,891	5,085	6,699	18,117
Interest expense	(1,218)	(1,704)	(1,582)	(6,831)
Other	225	(155)	(1,474)	(225)
	2,898	3,226	3,643	11,061
Income before income taxes and minority interest	19,052	21,379	61,121	71,461
Income tax provision	(3,911)	(2,306)	(11,689)	(9,428)
Income before minority interest	15,141	19,073	49,432	62,033
Minority interest in joint venture earnings	(466)	(775)	(1,289)	(2,376)
Net income	\$ 14,675	\$ 18,298	\$ 48,143	\$ 59,657
Earnings per share				
Basic*	\$ 0.38	\$ 0.46	\$ 1.25	\$ 1.51
Diluted*	\$ 0.35	\$ 0.43	\$ 1.16	\$ 1.41
Number of shares used in computation				
Basic*	38,925	40,113	38,443	39,601
Diluted *	41,829	42,702	41,502	42,331

* Adjusted for the effect of a 3-for-2 stock split in July 2007.

	Three Months Ended December 31, 2007,		Twelve months ended December 31, 2007,	
	2006	2007	2006	2007
Net income	\$ 14,675	\$ 18,298	\$ 48,143	\$ 59,657
Adjustments to reconcile net income to adjusted net income:				
Stock option expense included in cost of goods sold:	70	54	469	273
Stock option expense included in selling and general administrative expenses:	1,283	1,144	5,394	4,824
Stock option expense included in research and development expenses:	164	108	603	463
Total stock option expense	1,517	1,306	6,466	5,560
Restructuring costs	-	(709)	-	1,061
Other adjustments	-	-	-	55
Income tax benefit related to stock option expense, restructuring costs and other adjustments	406	251	1,170	1,384
Adjusted net income	\$ 15,786	\$ 18,644	\$ 53,439	\$ 64,949
Diluted shares used in computing earnings per share	41,829	42,702	41,502	42,331
Incremental shares considered to be outstanding:*	801	790	949	836
Adjusted diluted shares used in computing Adjusted earnings per share	42,630	43,492	42,451	43,167
Adjusted earnings per share				
Basic*	\$ 0.41	\$ 0.46	\$ 1.39	\$ 1.64
Diluted*	\$ 0.37	\$ 0.43	\$ 1.26	\$ 1.50

* Adjusted for the effect of a 3-for-2 stock split in July 2007.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS
(in thousands, except share data)

	December 31, 2006	December 31, 2007
	-----	-----
CURRENT ASSETS		(unaudited)
Cash and cash equivalents	\$ 48,888	\$ 56,179
Short-term investments	291,008	323,472
	-----	-----
Total cash and short-term investments	339,896	379,651
Accounts receivable		
Customers	72,175	84,638
Related parties	6,147	5,405
	-----	-----
	78,322	90,043
Less: Allowance for doubtful receivables	(617)	(465)
	-----	-----
	77,705	89,578
Inventories	48,202	53,031
Deferred income taxes, current	4,650	5,174
Prepaid expenses and other current assets	8,393	10,576
	-----	-----
Total current assets	478,846	538,010
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	95,469	123,407
DEFERRED INCOME TAXES, non current	5,428	3,241
OTHER ASSETS		
Intangible assets	10,669	9,643
Goodwill	25,030	25,135
Other	6,697	6,929
	-----	-----
TOTAL ASSETS	\$ 622,139	\$ 706,365
	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

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

	December 31, 2006 -----	December 31, 2007 ----- (unaudited)
CURRENT LIABILITIES		
Accounts payable		
Trade	40,030	42,010
Related parties	12,120	13,135
Accrued liabilities	24,966	27,841
Income tax payable	3,433	1,732
Long-term debt, current portion	2,802	1,345
Capital lease obligations, current portion	141	145
	-----	-----
Total current liabilities	83,492	86,208
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	230,000
Others	7,115	5,815
CAPITAL LEASE OBLIGATIONS, net of current portion		
	1,477	1,331
OTHER LONG-TERM LIABILITIES		
	1,101	6,249
MINORITY INTEREST IN JOINT VENTURE		
	4,787	7,164
	-----	-----
Total liabilities	327,972	336,767
STOCKHOLDERS' EQUITY		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value \$0.66 2/3 per share; 70,000,000 shares authorized; 38,941,901 and 40,172,491 shares issued and outstanding at December 31, 2006 and December 31, 2007, respectively (1)	17,308	26,782
Additional paid-in capital	113,449	121,412
Retained earnings	162,802	220,504
Accumulated other comprehensive gain	608	900
	-----	-----
Total stockholders' equity	294,167	369,598
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$622,139	\$706,365
	=====	=====

(1) Adjusted for the effect of a 3-for-2 stock split in July 2007

VERSION #1G

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

Operator:

Good morning and welcome to Diodes Incorporated's fourth quarter and fiscal 2007 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of today's conference call, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference call, please press the star followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Wednesday February 13, 2008. I would now like to turn the call to Shelton Group, the investor relations agency for Diodes Incorporated. Leanne, please go ahead.

Introduction: Leanne Sievers, EVP of Shelton Group Good morning and welcome to Diodes' fourth quarter and fiscal 2007 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm. With us today are Diodes' President and CEO, Dr. Keh-Shew Lu; Chief Financial Officer, Carl Wertz; Senior Vice President of Sales and Marketing, Mark King; and Senior Vice President of Finance, Richard White.

Before I turn the call over to Dr. Lu, I would like to remind our listeners that management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions. Therefore, the Company claims the protection of the safe harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities & Exchange Commission. In addition, any projections as to the Company's future performance represent management's estimates as of today, February 13, 2008. Diodes assumes no obligation to update these projections in the future as market conditions may or may not change. For those of you unable to listen to the entire call at this time, a recording will be available via webcast for 60 days at the investor relations section of Diodes' website at www.diodes.com. And now it's my pleasure to turn the call over to Diodes' President and CEO, Dr. Keh-Shew Lu.

Dr. Keh-Shew Lu, President and CEO of Diodes Thank you, Leanne. Welcome everyone, and thank you for joining us today.

We are pleased to again report record financial results for the quarter and the year. Our fourth quarter was highlighted by a sequential increase in gross margin by 110 basis points and an increase in revenue of 14 percent over the same period in 2006. Adjusted net income during the quarter was also a record during the quarter growing to \$18.6 million, or 43 cents per share, representing a 9 percent sequential increase.

These quarterly results conclude another year of outstanding performance for Diodes, and further demonstrate our consistent track record of execution as well as strong growth and profitability. 2007 financial highlights were:

1. Revenues increased 17 percent to a record of \$401 million
2. This 17 percent top-line growth again far exceeded the semiconductor market growth of 3.2 percent, according to WSTS figures.
3. Gross profit increased 14.5 percent to \$130 million
4. And adjusted net income increased 22 percent to \$65 million, or \$1.50 per share

In terms of business highlights, we achieved several key milestones during the year:

1. We successfully consolidated analog manufacturing to our China facility for improved operational efficiencies;
2. We significantly expanded capacity and improved utilization at both our manufacturing facilities, resulting in over 15 billion units produced in 2007.
3. and we invested to increase our fab capacity to reach 60,000 wafers per month, with the planned expansion of a 6-inch SBR(R) line;
4. We accelerated the pace of new product introductions through an expanded research and development platform;
5. We increased market share through cross-selling synergies between our analog and discrete segments;
6. We integrated the APD acquisition resulting in the release of our successful SBR(R) product line; and
7. Diodes grew revenue in the Europe market by 50 percent in 2007.

Diodes' performance is a result of our ability to combine customer-focused innovation in the discrete and analog markets with state-of-the-art cost-efficient packaging. Our execution of this model has consistently delivered solid results for Diodes, our customers, and our shareholders over the long-term.

And based on our historical performance, we believe 2008 will be another year of solid growth and profitability for Diodes that will once again substantially exceed the performance of the industry.

As many of you know, the first quarter will be more challenging due to the overall weakening of the economy, and in particular, its potential effect on the consumer and computing market segments. Regarding profitability improvements, our business continues to benefit from operational and manufacturing efficiencies as we realize the full benefits from our manufacturing consolidation efforts in the coming quarters.

Most importantly, Diodes has delivered record top- and bottom-line results in the past 12 out of the last 16 quarters. We have successfully managed through challenging business environments in the past, and our proven track record of execution combined with our broadened product focus, aggressive new product introductions, and gains in our target markets will continue to deliver profitable results for shareholders.

Finally, I want to provide a brief update regarding our acquisition strategy, which is a key focus area. Over the past several months, we have continued to evaluate acquisition targets that we believe are synergistic to our business by offering complementary technologies, expanded market positions, and/or manufacturing capacity and efficiencies. Additionally, the acquisition must be accretive within 12 months. To date, we have made significant progress in our evaluation process, while remaining very selective in order to achieve the maximum value for Diodes and our shareholders. Additionally, over the past year we have taken the right steps internally to improve operational efficiencies and secure the adequate engineering staff to support our future expansion. We believe these efforts will help expedite the successful integration of a future acquisition into our organization, and we will provide updates to our shareholders as they become available.

With that, I'm going to turn the call over to Carl to discuss our financial results in more detail.

Carl Wertz, CFO

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, Diodes again achieved record financial results in the fourth quarter and for the fiscal year 2007.

Revenues for the fourth quarter were a record \$107.6 million, an increase of 13.9 percent from the fourth quarter of 2006 and up 2.2 percent on a sequential basis. New product sales accounted for 40 percent of revenue as compared to 33.5 percent just one year ago.

Gross profit for the fourth quarter was \$36 million, or 33.5 percent, a 110 basis point sequential increase in margin. Gross margin was up primarily as a result of improved product mix and the realization of the benefits associated with internalizing our analog manufacturing.

Selling, General & Administrative expenses for the quarter were \$14.8 million, or 13.7 percent of revenue, compared to 13.9 percent last quarter. Included in fourth quarter SG&A was \$1.1 million in non-cash, FAS123R, share-based compensation. In the earnings release we have included a table to reconcile the impact of share-based compensation expense to our reported results. For the full year of 2007, SG&A was within our expected range at 13.8 percent of revenues, compared to 14.0 percent for 2006.

Research and Development investment in the quarter was \$3.9 million, or 3.6 percent of revenue. As expected, R&D investment as a percentage of revenue has increased throughout the year as our R&D and new product activities continued to increase in both the U.S. and Asia. For the full year of 2007, R&D was 3.4 percent of revenues. Looking at the first quarter and 2008, we will continue to enhance our R&D capabilities in order to support our broader market focus and new product introductions. Our business model going forward will be 3.5 percent of revenue, plus or minus a half percent.

During the fourth quarter, we had a one-time credit in Restructuring Charges in the amount of \$700,000. As you may recall, we had originally taken a restructuring charge of \$1.8 million in the second quarter of 2007 as part of the consolidation in moving our Taiwan analog operations into our China manufacturing facilities. Upon completion of the integration, we were able to keep more of the equipment and ship it to our China facilities at much lower cost and fees than originally estimated.

Our effective income tax rate in the fourth quarter was 10.8 percent, resulting in an effective tax rate for the year of 13.2 percent. We have made good progress with our tax planning initiatives, and we expect our effective tax rate to be in the mid-teens for the full year of 2008.

Adjusted net income, which excludes \$1.3 million in FAS123R, non-cash stock option expense and the \$700,000 restructuring credit, increased 18.1 percent over the prior year period to a record \$18.6 million, or \$0.43 per share, up from \$15.8 million, or \$0.37 per share, in the fourth quarter of 2006, and \$0.40 per share in the third quarter of 2007.

Cash flow from operations for the quarter was \$38.2 million, a 54 percent Q over Q increase, and \$90.6 million for the year, a 26 percent increase.

Turning to the balance sheet, at the end of the year we had \$380 million in total cash and short-term investments, \$452 million in working capital, and \$237 million in long-term term debt including the convertible bond.

Inventories ended the fourth quarter at \$53.2 million. Inventory turns at year-end were 5.2 comparable to the same period last year.

Accounts receivable days were 75 days in the fourth quarter compared to 77 days in the prior quarter.

Capital expenditures for the current quarter were \$11.3 million, and for the full year, Cap-Ex was \$54.2 million. This represents 13.5 percent of revenue, as we invested for our growth by capitalizing on opportunities to gain market share and included the addition of a 6-inch SBR(R) line at Diodes-FabTech, as well as the expansion of analog capacity in China. Excluding the SBR(R) line, Cap-Ex was 12.2% of revenue.

For 2008, we expect Cap-Ex to be in our model range of approximately 12 percent of revenue and we will continue to monitor this plan throughout the year.

Depreciation expense for the fourth quarter and for 2007 was \$7.4 million and \$26.2 million, respectively.

Turning to our Outlook...

We currently expect revenue for the first quarter of 2008 to be in the range of \$95 to \$101 million. In terms of gross profit, we believe that our gross profit margin will be comparable to the fourth quarter. Our estimated first quarter performance reflects seasonality combined with the impact of the overall weakening economy, in particular on key targeted end-equipment in the consumer and computing markets, as well as our foundry and subcontracting business, which is showing greater weakness than our core revenue drivers. Over the longer-term, we believe that Diodes' history of execution in significantly outperforming the industry, combined with our focus on customer-centric innovation and efficient manufacturing, will return us to our historical growth rates and will continue to deliver positive results for our shareholders

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

Mark King, Senior VP of Sales and Marketing

Thank you, Carl, and good morning.

Let me begin with our segment breakout for the fourth quarter: computing represented 37 percent of revenue; consumer 34 percent; communications 17 percent; industrial 10 percent; and automotive 2 percent.

During the fourth quarter, we continued to make notable progress with our new product road map in discrete, analog and Hall sensor devices. We released 80 products from 15 different product families, including 10 analog devices, 2 Hall devices, 8 MOSFETs, and 12 SBR(R) devices.

As Carl mentioned, new products grew to 40 percent of revenue, which was achieved with a corresponding increase in margins. Our new product revenue was driven by our DFN product line, our low threshold MOSFET line, and also increases in our SBR(R) product line. Also during the quarter, we recorded initial new product revenue from our recently announced Medium Power Bi-Polar Transistor line on the discrete side, and we received our first orders from a tier-one handset manufacturer for our omnipolar Hall sensor devices.

The release of our Medium Power transistors serves as an example of our effort to expand our product offerings beyond small-signal devices and to further position Diodes as a complete analog and discrete solution provider. During the quarter we also announced the expansion of our standard linear product line to better serve the needs of our diversified customer base as a broad-based supplier. This initiative is a continuation of our strategy to focus our expansion on commodity analog products and leverage the synergy between our high-volume packaging and our standard linear technology.

As I mentioned last quarter, we continue to make progress towards focusing our analog line more towards mobility and portability, which included the introduction of our first high efficiency charge-pump, white LED driver for small size LCD displays. Adding to this, we also announced the release of our first Ultra-Low Dropout regulators, which represent the first in a family of new power management devices that we will be releasing to target the portable and battery-powered electronic device segments. Further, we announced the release of a single channel smart load switch for use in notebooks, PCs, Bluetooth sets, smart phones and GPS devices.

Each of these product introductions furthers our progress towards penetrating the mobile and portable markets, while also complementing our Hall sensor and discrete product solutions. We are very excited about the opportunities in this segment and anticipate a meaningful contribution to revenues in the second half of 2008.

In terms of overall design activity, it was another strong quarter with multiple design wins at 65 accounts globally. Global design wins and in-process design activity is centered around new products including:

- o Hall sensors for cell phones and notebooks - where we had 5 significant wins including 1 Asian cell phone manufacturer and 2 notebook platforms. As I mentioned earlier, we secured a design win with a tier-one cell phone manufacturer for 3 of their current programs with initial orders booked during the quarter;
- o SBRs for end-equipment ranging from cell phones to welding equipment;
- o Medium power bipolar transistors for mother boards, cable modems and set-top boxes;
- o Switching regulators and LDOs for set-top boxes and LCD TVs, as well as several industrial applications in North America and Europe; and
- o DFN platforms for digital audio players and mobile phones

In terms of geographic breakout, Asia sales volume increased approximately 8 percent over the third quarter and represented 79 percent of total revenues. OEM sales were strong with solid demand in the consumer and computer market for LCD TV and panels, as well as digital audio players, set-top boxes and notebook computers. Additionally, we saw strong demand in DC fan and increasing demand for our SBR(R) products for the power supply and adapter markets.

Design activity in Asia was strong across all product lines, including key wins in SBR(R), Hall sensors, switching regulators and LDOs.

Now turning to North America, sales decreased 2 percent sequentially on generally soft demand, and represented 17 percent of total revenues. The cable and satellite set-top box business remained consistent, but there continues to be movement of manufacturing to Asia. We did experience an uptick in our industrial accounts in the quarter, but it was not enough to offset the movement to Asia. Coming off a strong third quarter, wafer sales decreased 23 percent in the fourth quarter. Although trade wafers were down, our internal utilization continued to increase.

In total, we achieved 76 design wins in North America during the quarter, with 7 of these for analog, 65 for discrete, and 4 in SBR(R). We continue to make progress with our SBR(R) lines with industrial and communications accounts, and also have design momentum in our PowerDItm linear regulator and omnipolar hall lines. Distributor point of sales was down 2 percent sequentially, and inventory levels increased slightly.

Finally, sales in Europe accounted for 4 percent of revenue, and decreased 12 percent over the third quarter due to weak distributor point of purchase. OEM sales were flat with distributor point of sales increasing 1 percent in the quarter due to stable demand from consumer and automotive customers.

Our design win momentum in Europe continued to expand in the fourth quarter with 19 wins at 17 accounts: including 4 Hall sensor, 3 SBR(R) and 4 analog design wins. Additionally, we won expanded contracts with 3 customers during the quarter.

Looking at Europe for the full year, sales increased 50 percent over 2006 and distributors point-of-sale grew 83 percent. We have an established platform for future growth and continue to believe the European market will be a strong contributor to our results going forward.

In summary, we believe Diodes is taking all the right steps towards becoming a complete analog and discrete solution provider -- focusing on the right markets at the right time. We are dedicated to product innovation and believe our pipeline of new products will further drive expanded market share. Additionally, we have made notable progress with focusing our analog business on mobility and portability, which we expect to provide increased upside in the latter part of this year.

With that, we will open the call for questions.

Operator

(OPERATOR INSTRUCTIONS). Harsh Kumar, Morgan Keegan.

Harsh Kumar - Morgan Keegan - Analyst

I want to congratulate you guys. Despite a tough economy, I think your business model is pretty solid and you're managing the business well. Congratulations on that. I just want to ask a couple of quick questions. You talked about general environment and that things are worse clearly in the U.S. Could you give us some more color? Is there any one area that is a little bit worse than the other within consumer or computing? Possibly also maybe talk a little bit about geography, high-end versus low. Anything you could help us would be helpful.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Thank you for the comment. And I will get Mark to answer you those marketing questions.

Mark King - Diodes Inc. - SVP Sales and Marketing

I would say we have a traditional seasonality in the Asian market in computer and consumer. I would say the downturn is a little bit more severe this year and maybe just a little more unsure if people are being more cautious.

In North America I think we see generally a soft market, a very conservative distributor network and so forth being very cautious about where the demand is going. But overall we see the POS trend is relatively flat. It is more concerned with -- people are more concerned with inventory reduction and making sure that they have a lot of flexibility in that area.

Harsh Kumar - Morgan Keegan - Analyst

Got it. So you're saying the end follow through is sort of pretty decent still?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think it is reasonable. I don't think there's any significant fall off. I think it is more in that POP area and so forth. But I think we have a little bit more exaggerated seasonality due to the economic climate and a lot of uncertainty and people being risk evasive.

Harsh Kumar - Morgan Keegan - Analyst

Then just as a follow-up to that, are you seeing any signs of return, possibly second quarter is better for you guys? Is there any encouragement that you're seeing from the end markets about the length of the downturn, or however you want to look at the soft spots?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think in North America and Europe it is very hard to say which way it will go. We would expect some uptick in the Asian market in the computer and the consumer market, but that is still relatively uncertain based on macroeconomic conditions.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

From the Diodes point of view, we have a great amount of new product, new design wins. We're ramping up the new models, which typically started in the second quarter. So we were affected by the [make-wholes], but at the same time the new product design wins [when viewed] in the last several quarters will help us.

Harsh Kumar - Morgan Keegan - Analyst

I appreciate the color. Last question for me. Margins of 33.5 are pretty good. Is there any room from here on out as the year goes on and supposedly things get better, can the margin ramp up or is this the high we should be thinking about?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

This is very difficult. We continue to do our best to improve our efficiency and our profitability. But unfortunately a lot of times the product mix will change that effort. Therefore, for us it is very difficult to predict in the future. But we continue putting effort on manufacturing efficiency, improving [EO], and reduce the cost. That is continuing. It just a lot of time was affected by the ASP and the product mix.

Operator

Shawn Harrison, Longbow Research.

Shawn Harrison - Longbow Research - Analyst

First question just has to deal with the weakness in the foundry and the subcontracting business. If you could just remind me what percentage of sales those two pieces represent.

Carl Wertz - Diodes Inc. - CFO

We have never really published that percentage.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

We never break it out, but our wafer fab in Kansas City produce the wafers for ourselves at the same time we do foundry business for other people. Through the years our objective is gradually move -- reduce that foundry business to internal usage. So actually in just the fourth quarter, as Mark was talking about, it went down. While we have some growth in the first quarter, actually that foundry business it went down 23%. First quarter it went down significantly. We're not again -- but our objective is always try to, at the end, yield that capacity for ourselves.

Shawn Harrison - Longbow Research - Analyst

Maybe just on the foundry business or the subcontracting business and the margin profile, is that -- is it lower than the corporate average, in line with the corporate average? I am just trying to get an idea of gross margins holding steady here in the first quarter in light of a greater than expected revenue fall off, or is maybe something else at work, such as an increasing contribution from the new product sales?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

We did what we needed to know because these numbers, because this is custom business and we are just doing the packaging for some of our customers. We really do not disclosure the gross margin.

Shawn Harrison - Longbow Research - Analyst

Then just as a follow-up, new products were 40% of sales this quarter. Was it 32% last quarter? Is that the correct number?

Mark King - Diodes Inc. - SVP Sales and Marketing

I believe right in there. I think it was 34. And I don't that figure right now.

Carl Wertz - Diodes Inc. - CFO

33.5% a year ago.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

33.5 a year ago.

Shawn Harrison - Longbow Research - Analyst

Should we expect that number to increase further here in the March quarter and then into 2008, or kind of hold steady around this 40% range?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think you'll start to see it drop some, because some of the product is starting to age in groups. We don't see any margin -- we don't see any negative affected, but we have a long lifecycles on our products and sometimes a long digestive period to get them into the line. I think you might actually see that new product revenue percentage decrease, but no major effect on the overall margin percentage and other things. These are long-lasting products. Some of them are just trying to mature at that time -- into big numbers at the time that they're going to expire are basically classification.

Shawn Harrison - Longbow Research - Analyst

Then two quick follow-ups.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Clearly it is the classification only. For our standard product the gross margin decrease is not very significant from new product versus the old product. Just the way we decided three years from the time we release production we think that two years we call new product. After three years we call old product.

Shawn Harrison - Longbow Research - Analyst

Two quick follow-ups. ASP trends, have you seen any abnormal pricing pressure here in the first quarter? And then also just how much, since we are into the second week of February, how much backlog coverage do you have of the quarter? Is essentially the quarter covered right now in terms of what you're seeing in the backlog?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think there is obviously in softer periods we are going to have more than normal ASP pressure. I think we're seeing more ASP pressure probably in North America right now than we have see in Asia, but it will be more than the normal rate.

Regarding backlog, it is very turns oriented environment. And actually it was a turns oriented environment in the fourth quarter also. So as people got more -- as people get more and more concerned about the economy, they're less willing to give long -- establish a long-term position. It is a very -- this is a marketplace what everyone needs to be very aggressive and very attentive to capturing every order.

Shawn Harrison - Longbow Research - Analyst

What are leadtimes right now in just a general range sense for you?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think it is very product dependent, but we're very capable -- we still maintain high utilization rates, but we're very capable of adjusting those utilization rates to capture business.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

We always -- I think I mentioned to several investors before, the way we view our business, we view the die inventory during the finished wafers in front of packaging. And best it can reduce the leadtimes, because most leadtimes is coming from the wafer process instead of packaging.

Fortunately, our wafer cost is much lower relative to other company's products. Therefore, we are able to [fill in] the wafer inventory, called die bank in front assembly to significantly reduce our leadtime. That is reason we have very detailed (inaudible) because we can turn the product very quickly, especially with our very big manufacturing packaging capacity.

I mentioned to several investors before, it is easy for us to the turn the product in a very short period of time to meet our customers' demand. Therefore, typically customers don't give us very long leadtime orders. When they need it, they call us, we ship it.

Operator

Kevin Rottinghaus, Cleveland Research.

Kevin Rottinghaus - Cleveland Research - Analyst

On utilization is there any net change quarter over quarter or are you keeping it relatively flat?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Relatively flat.

Kevin Rottinghaus - Cleveland Research - Analyst

What are your plans for internal inventory? Do you plan to build in the first half of the year then?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Yes. That is the way we do when the business slow down we keep our fab loaded by building the wafer for the wafer bank. And when the uptick come in, we are in position to support a customer right away. That is always our biggest model. If you go back to history, 1Q typically we will be building up the wafer bank.

Kevin Rottinghaus - Cleveland Research - Analyst

Maybe for Mark. Weakness that you mentioned from the macro-environment, are you seeing actually any order cuts or changes to forecasts, or is it just short visibility, increased customer caution? Are you actually seeing any changes in changes to forecasts?

Mark King - Diodes Inc. - SVP Sales and Marketing

Not really. We may have seen these forecasts coming, but I don't think we're seeing -- there's not like a dramatic cancellation hitting our fax machine all day long.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

No.

Mark King - Diodes Inc. - SVP Sales and Marketing

I think you're saying again the pipeline orders from distributors being cut back. You might be seeing shorter windows on pipeline orders and so forth. But I don't think we're seeing any dramatic cutbacks. I think people are more cautious on their order in rather than what they have already got in place.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

It is just the same when you're talking about the very short leadtime, typically people won't give you double order. We won't have double order problem, therefore we don't see the cancellation problem. That is one advantage of very short leadtime.

Kevin Rottinghaus - Cleveland Research - Analyst

Mark, I think you made a comment on channel inventories. Maybe you could give us any more color you have there.

Mark King - Diodes Inc. - SVP Sales and Marketing

I think actually the channel inventory is pretty clean. I did mention that it upticked slightly in North America in Q4. But I think it is negligible. I think Europe is very solid, and I think our Asia position -- our Asia -- our inventory always goes up at the end of Q4, because it goes down so dramatically in Q3. Because that is -- the mid part -- the last two months of Q3 and the first two months of -- or the first month of Q4 are the hottest periods, so we squeeze everybody's inventory down. It was natural for it to rise in Q4.

Kevin Rottinghaus - Cleveland Research - Analyst

On the handset market, it sounds like -- you said you have initial orders into one customer and design wins at another. Are you getting orders across all three platforms at this point or is there just one? And when do you expect the orders to start to come in for your new Asian customer there?

Mark King - Diodes Inc. - SVP Sales and Marketing

I think we're seeing some of the initial orders on some of these platforms. These are the newer -- some of these programs were on the newer platform so they haven't ramped to full production. And we're a new supplier, so we expect in the early stages to have minor shares. But it has been our history that we take minor shares and advance those into full shares over a period of time.

I really can't give a revenue flow on these yet. But these are very nice position wins for us, for our long-term development. The orders initially have been quite small, but we expect significant rollout as we approach the third and fourth quarter.

Kevin Rottinghaus - Cleveland Research - Analyst

Last question on OpEx. Could you give us some direction on how we should expect OpEx for first quarter? And then he had a 3.5% for R&D. Is that on a quarterly basis or is that on an annual basis? How should we expect it to go for 1Q and then total OpEx for full year?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Actually -- It is 3.5 for -- our 4Q is the 3.6%, and so 3.5 is the average. Our 3Q is 3.4. But if you look at it, it is not really a significant increase from a percentage point of view. Now with 1Q for our R&D expense either will be spread or very slightly down. But because the revenue increase the percent will be increased. But from the total amount point of view it will be either flat or slightly down.

Kevin Rottinghaus - Cleveland Research - Analyst

Then how about SG&A?

Carl Wertz - Diodes Inc. - CFO

SG&A should be fairly consistent with the fourth quarter. We put some pretty good controls in place.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Our SG&A had been controlled quite steady. So it is somewhere like fourth quarter is 13.7%. You can see through the whole year it is quite steady. Then again we don't see a major increase. We will probably stay the same thing. Keep (inaudible), except some sales increase typically in the 1Q, you have some operations like Taiwan and China. Their sales increase. U.S. is in the summer. You would really. other than that, you won't see any increase.

Mark King - Diodes Inc. - SVP Sales and Marketing

No, there is no significant change. We will probably be in the 13.7 and maybe 14% range due to the lower revenues in the first quarter.

Operator

Steve Smigie, Raymond James.

Steve Smigie - Raymond James - Analyst

The numbers you're quoting on the SG&A and R&D, is that including or excluding the option expense effects?

Carl Wertz - Diodes Inc. - CFO

That is including.

Steve Smigie - Raymond James - Analyst

You have a couple of large customers. If any one of those had somewhat mediocre performance in 2008 would you guys still be able to grow pretty healthfully despite that? I was just curious about the impact of significant customers on you in '08.

Mark King - Diodes Inc. - SVP Sales and Marketing

I think we should be able to continue to grow.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Yes. You know, our growth is -- a lot of them is due to the new product, new design wins, new customer. Yes, some are the old customer who continue to grow, but a lot of our growth is going to be coming from new design wins. Not just like the cell phone, Tier 1 cell phone, those will start ramping up in 2008, and that will be new revenue for us. And this is just one of examples, so the new design wins is what is helping us.

Carl Wertz - Diodes Inc. - CFO

Also, we don't have a heavy concentration of any one customer. We don't have any customer greater than 10% of revenues too, so we're pretty diversified.

Steve Smigie - Raymond James - Analyst

As I look at second quarter, I know you're not getting guidance for it, but can you give any sense at this point if there is any reason why you wouldn't have a seasonal recovery going into Q2? Is it unreasonable to think you would grow sequentially in Q2 relative to Q1, particularly given the lower Q1 numbers?

Mark King - Diodes Inc. - SVP Sales and Marketing

My answer to that would be that I think it would be bold to make too many estimates based on what is going on around us. But that we do expect normal seasonality shifts going into the second quarter. There's nothing that has told us that that would not happen yet.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Nothing tell us that won't happen yet. That is really the best way to answer.

Steve Smigie - Raymond James - Analyst

Similarly on gross margin, looking out to Q2 I see your revenues dropped here, so I have to imagine there might be some utilization impact, unless you're running more product at lower margin. But as we go into Q2 it would seem that gross margin might also move up sequentially as well. Would that be the right way to think about that?

Carl Wertz - Diodes Inc. - CFO

I think we really don't do quarter by quarter, and we don't really go out beyond the next quarter. But for the whole year we have a lot of opportunities. We have brought a lot of internalization of the analog in-house. We're doing more internalization of our wafer internally being packaged in China. We're looking for all efficiency betterment. If the market holds solid then we should continue to outperform the market.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

The key thing really is ASP. If the market holds, but the problem is typically started to have the new model -- new model year for another consumer market, and they always like to negotiate the price. And you just need to make sure your cost reduction effort can exceed the ASP drop. Then you're okay. Or the product mix give you gross margin improvement. But at this moment since there are so many factors going on, and you know we are very conservative, but we really don't want to tell you anything -- say one way or the other.

Carl Wertz - Diodes Inc. - CFO

We've got a pretty good, solid track record in utilization of our expansion. We have given you some guidance for the year. We will continue to monitor that. We will try and do our best to keep utilization rates as high as we can. So like Dr. Lu said, if the market holds good, it is all based on pricing, our cost reduction should stay ahead or are equal to the curve in ASP. All indications are we should be able to squeeze a little bit by the end of the year.

Steve Smigie - Raymond James - Analyst

The last question is just sometimes when things slow down a little bit, you guys will either be a little bit more proactive about going in and getting some extra business. Maybe you just take in a better environment, but have you done any of that? Is any of that in Q1 guidance, or is that something that you might do throughout the quarter that might maybe help revenue a little bit?

Carl Wertz - Diodes Inc. - CFO

We take all strategies into consideration. We constantly are managing the requirements of our revenue versus our utilization and our customer opportunity.

Mark King - Diodes Inc. - SVP Sales and Marketing

Remember, we're focused on gross profit dollar improvement. And if we have to sacrifice a little margin percent we will do that if they're getting new additional gross profit.

Operator

Chris Chaney, Stanford Group.

Chris Chaney - Stanford Group - Analyst

Nice quarter guys for Q4. I have a couple of questions here. First, on -- could you remind as on how you define new products? Are devices introduced in the past year or two?

Mark King - Diodes Inc. - SVP Sales and Marketing

Three years from release.

Chris Chaney - Stanford Group - Analyst

When I look at your R&D, or your R&D budget for 2008 versus 2007, basically what portion of R&D do you allocate to the development of new products, one-third, two-thirds, any idea there?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Actually if you go to look at it, the R&D has three portions. One is R&D for wafer. Then it is R&D for packaging. And then R&D for product, and that product is separated into discrete and analog. Obviously, for analog it take a [little bit] bigger R&D money from design point of view than discrete. The majority of R&D money is in the product. Now because I think I mentioned that to some investors before, to do the R&D for the packaging it will not take that much money, because it was done in China, and so the cost is fairly easy to control. Now we don't really spend a lot of money for process because that is not where our daily competition is, therefore most R&D money will be in product design, in the product area.

Chris Chaney - Stanford Group - Analyst

I understand. Now in the utilization I had a question about utilization between your -- both in the fab and in the packaging facility. What would your utilization be in those two? I am just curious?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Again, our fab capacity typically is somewhere around 80 something.

Mark King - Diodes Inc. - SVP Sales and Marketing

We are in the high 80s percent in the fab and --.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

And the packaging typically we keep very, very full. I think we mentioned that before. We are very careful to add in the capacity in the packaging, because the money -- I mean the installation you don't need to put a big chunk. You can put a small line by line and therefore you can increase that capacity whenever you see you need. Since we continue to grow, if you continue to grow then whatever you put in, you're going to be fully utilized. Then we predict how much we needed for next quarter, then we decide -- the leadtime for put in the line typically is not that lot either, and therefore we want get into that capacity issue for the packaging.

Chris Chaney - Stanford Group - Analyst

Now you produced about 15 billion units in 2007. So that is about what 1.25 billion per month. I think earlier in the year you said that your goal by year-end would be around 1.2 billion. So you seem to have actually slightly exceeded that. I'm wondering do you have a goal for mid or maybe year-end '08 in terms of units per month run-rate? And how will not be affected if you do an acquisition? Can you effectively or quickly put on new capacity in that packaging facility to take advantage of that?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Number one, all our assumptions is -- we don't put into the capacity assumption for acquisitions. Because until we really nail on to the one we really nail down, we stop. Now after we announce the acquisition then the capital -- the leadtime to extend that capacity won't be that long. We had enough time to react. And so typically you don't need to worry about it until -- we don't really need to worry about the capacity to support our M&A targets until we get agreement and make announcement. Then you give me two, three months or three, four months to install the capacity, and depending on what kind of capacity is needed to support it.

Chris Chaney - Stanford Group - Analyst

Execution has been grade so far, so thanks so much. That is all I have. Thanks.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

You are asking about end of year. Our target is somewhere around 1.7 billion units.

Chris Chaney - Stanford Group - Analyst

1.7 billion. Wow. Okay.

Mark King - Diodes Inc. - SVP Sales and Marketing

That's the run-rate at the end of the year.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Yes, that is end of the year. So the total year won't be that, but the end of the year is 1.7 billion units. Yes. Remember, I kept telling everybody the value of our Company and the value proposition of our Company is the packaging. And the reason we are able to gain the market share is we have a very, very big capacity and very, very easy flexible, can turn around to support a customer. And we don't put the customer on [other] location because we have enough capacity to support everybody's needs.

Carl Wertz - Diodes Inc. - CFO

We did mention that we expect to have about a 12% of CapEx of revenue. And that is pretty much in line with what we did in '07 as well. We tried to show you where we will be.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Now if we get acquisition, you know it would a different story. Because then we need to look at addition need and then put additional money in there.

Operator

Ramesh Misra, Collins Stewart.

Ramesh Misra - Collins Stewart - Analyst

My first question was in regards to the acquisitions. Can you give us an indication of what size of acquisitions are you looking for? Are you looking for multiple small acquisitions or maybe just one larger acquisition?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

I don't know how you define large or small, but I think somewhere I tell everybody I'm looking at somewhere about revenue-wise \$100 million to \$400 million. It is \$300 million maybe. We don't look for bigger than our revenue. But we really don't want to look at \$20 million, \$30 million. That is too small. So if you want to look at it, it was somewhere around say \$100 million to \$300 million.

Carl Wertz - Diodes Inc. - CFO

Definitely sizable.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

It is sizable. That is what we're looking for.

Ramesh Misra - Collins Stewart - Analyst

Got it. When you acquired Anachip, Dr. Lu, that was -- you were able to get away with, I think, one time sales of probably even less than 1 times sales. I mean just looking at the analog portion of it.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

You still remember that number. That's good.

Ramesh Misra - Collins Stewart - Analyst

Are evaluations in the market out there today comparable to where they were at that point, or do you think you might have to pay a little premium for that?

Carl Wertz - Diodes Inc. - CFO

That was a good deal for Diodes. I'm not sure valuations are reflecting less of one times revenue. So there would definitely be a little bit of a premium paid.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

It depends on the company. The reason we, in Anachip, we are able to do that is don't forget that company, the past 12 months before we negotiated they actually lose money. Now after we take over we put a lot of effort, turn around the company, and making the profit. But before we take over the past 12 months of that company is actually negative.

Carl Wertz - Diodes Inc. - CFO

We brought a lot of synergies to that company that they couldn't have gotten on their own.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

So now depending on the company we buy, if that company is making profit then I don't think you can put that investment there [than] revenue to buy it. You need to probably pay higher. It depends on the company. If they're making more growth, they're making profit, more profit, (inaudible).

Carl Wertz - Diodes Inc. - CFO

The key, again as Dr. Lu's statement, whatever we do it must be accretive to earnings within 12 months.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Yes, it needs to be that. So that requirement makes me a little bit tough to find the right target. Because we do have acquisition criteria. I think I mentioned -- I shared with you on those before. Those criteria makes our acquisition tough, but we want to make sure it is really the best, best benefit for our shareholders. We will not -- you can rest easy. I'm not going to spend the money just for the acquisition. Just because we have money, so we want to acquisition. Let's spend it. I watch it to make sure it is accretive within 12 months.

Ramesh Misra - Collins Stewart - Analyst

In terms of your China facilities, specifically the one in Shanghai, if I remember correctly what about -- are you running out of physical space over there? Do you --?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

You're right. But our landlord is going to build the next building next to our building, and even put a bridge between these two buildings. So you have a good memory.

Carl Wertz - Diodes Inc. - CFO

That is all part of our CapEx too. As we need more space, we will go out and lease more building. And while we are ordering equipment they're building the building.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Remember when I say -- I said we added one line after the floor is full, then we go to next floor. And unfortunately we already used the last floor. So now our landlord is already in agreement. We already have an agreement with them. She is going to construct the next building, just next to one we have in Shanghai -- the one. And actually going to be much bigger. Right now I think we're talking about four or five floors and two extra sides. And then we're going to even build some bridge between these two buildings, so people can walk between the buildings without going off the floor.

Carl Wertz - Diodes Inc. - CFO

For the decade we have been expanding over there, additional buildings, additional equipment has not been an issue. (multiple speakers).

Ramesh Misra - Collins Stewart - Analyst

Carl, in regards to the tax rate, I know that there is some plans under way to actually start raising taxes in China. But I think you have some benefits of tax holidays. Are there are any concerns about being able to maintain the current tax rates for the foreseeable future?

Carl Wertz - Diodes Inc. - CFO

I think we indicated that we expect the 2008 tax rate to be in the mid teens, which is a little bit higher than our current 2007 tax rate. And I think our actual tax rate in the fourth quarter is like 10.2 or 10.8%. I may have said 11 when I was talking earlier. But overall we did put a little cushion in there that we do feel that there is some potential for greater taxes in China. That is a given. They are restructuring. We probably won't see the same type of tax holidays and benefits we have had in the past. However, we are doing tax planning initiatives worldwide, so we will do our best to keep that number as low as we can possibly do.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

(multiple speakers) in 2008.

Ramesh Misra - Collins Stewart - Analyst

I'm sorry. Say that again, Dr. Lu.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

I said in 2008 our tax holidays is not expiring.

Carl Wertz - Diodes Inc. - CFO

It is grandfathered in as far as we know.

Ramesh Misra - Collins Stewart - Analyst

In regards to tax rate in Europe, I presume that would be -- that is significantly higher than what you have out in China, or maybe even in --?

Carl Wertz - Diodes Inc. - CFO

Europe is definitely greater than Asia, the China tax rate in particular. I think you just need to take a look at the mid teen range, and you have known us for years, and that is always the most difficult one to forecast for us.

Ramesh Misra - Collins Stewart - Analyst

My final question was in regards to some of these integrated devices -- Mark, this may be for you. You talked in the past about potentially introducing integrated, almost system and package kind of devices which include both analog and discrete devices on the same package. Can you give us an idea of what you current thoughts are as to when that starts happening, and what is a gross margin profile over there and --?

Mark King - Diodes Inc. - SVP Sales and Marketing

We do that regularly on the discrete side by mixing multiple technologies into certain packs to create circuits. We have actually had recently had some opportunities to work in that with mixing up amps with discretely and various things. I think it is just -- the idea is just starting to mature at the customer. And we are seeing more an opportunity. We have integrated the units so now the discrete side is working closer with the analog side to work on these issues. I think that we will seek some more and more opportunities on that going forward as the year goes forward and as the time goes on.

They're very selective. You're basically looking for high-volume repeatable circuits. And convincing people in those areas to isolate themselves down to one vendor it sometimes takes a longer period. But we see a lot of opportunity in that area.

Operator

Christopher Longiaru, Sidoti & Co.

Christopher Longiaru - Sidoti & Co. - Analyst

Congratulations on the quarter. When I wanted to just get some color on here is it seems like despite the guidance for the first quarter, sales are coming down. Your gross margins are staying the same. What that leads me to believe is that your analog business is becoming more than of an ingrained part of your business. Even though it is new business, it seems like as far as product mix, whether your sales go up or down, that is staying relatively consistent as a percentage of sales. Is that correct?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Since we don't separate, I don't know. We don't separate.

Carl Wertz - Diodes Inc. - CFO

That is very logical. Our focus is on analog. We are saying comparable margins. We have improved our mix. We're putting more design and R&D into analog end products.

Mark King - Diodes Inc. - SVP Sales and Marketing

It could be a balance between the wafers being down and certain things being up too. It is a very complex -- our margin profile is very complex. So we have to work through it. And I would say that there is also good improvements in some of the discrete areas too. Some of the newer SBRs, small profile SBR devices are also adding to our margin profile. Obviously when we introduce a new product we're focusing on changing the margin profile of our product line. I think there's a lot of contributors to the consistent change.

Christopher Longiaru - Sidoti & Co. - Analyst

What would be the difference between your average -- just talk about new product here -- between your average analog and average discrete component with respect to your gross margins? What is the difference in the sense of just basis points of gross margin?

Mark King - Diodes Inc. - SVP Sales and Marketing

I don't think we really want to isolate that. But your assumption can be that the analog gross margin will always be higher than the discrete margin. The problem with the discrete margin it might fall faster. In certain cases in small die stuff our margins on discrete could be much higher than a new product in analog. It depends on the ASPs. It depends on the package. It depends on the market. It depends on a lot of different things. I don't think -- really I think I would be misleading to try to -- I could mislead you by trying to profile that for you.

Christopher Longiaru - Sidoti & Co. - Analyst

The only thing that really hasn't been asked was do give a share count, Carl?

Carl Wertz - Diodes Inc. - CFO

Share is -- one second, we will do you the exact number. About 42.7 on a GAAP basis.

Operator

Due to time we only have time for one question. Kevin Cassidy, Thomas Weisel Partners.

Kevin Cassidy - Thomas Weisel Partners - Analyst

Speaking of your acquisitions, are there any technologies in particular that you see as a hole in your product lineup that you might be considering?

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

No, remember I have mentioned that in our acquisition we are really looking for synergy. So as long as there is synergy, that is what I consider. And I'm not really particularly looking for one technology spot on the pie. We look at a company typically half discrete, half analog, because that is our productline. And using -- that their product using our packaging capability. Those are very important because our value is in the packaging. So their product -- for majority of their product need to be able to utilize our packaging capability. And then helping the channel, helping the sales, those are the synergies. We take synergy into consideration, and then try to make sure it is accretive within a year. That is our acquisition strategy.

Kevin Cassidy - Thomas Weisel Partners - Analyst

I guess I can ask another question. You had mentioned strength in power supplies and adapters in Asia. Were those mostly due to your new products or was it just the strong market for the power supplies and adapters?

Mark King - Diodes Inc. - SVP Sales and Marketing

Definitely because of our new product. And this is a new segment for us. Really if you look at our segments we have always been relatively weak in the industrial area. The SBR product line really focuses -- it is a power product. We should see expansion over the coming years in our industrial product range based on our focus into our SBR product line. I can't -- our share or our numbers in those markets grew. I can't profess to what those markets -- we have a very small share in those products because these are newer products for us, or a newer focus for us. And so this is our expansion, and new revenue in those markets for us.

Operator

At this time I'm showing we have no further questions. I would now like to turn the call over to management for closing remark.

Dr. Keh-Shew Lu - Diodes Inc. - President, CEO

Thank you everybody for participating in this conference call. We had a great 2007. And we believe 2008 is going to be another great year for us. We are committed and we want to focus on our execution and get another outstanding year in 2008 for us.

And you know our target always 2X, more than 2X of market growth, and that is our challenge. We always accomplish that goal, the past several years. And we will continue using that as our target. And we believe we can [get] there. And thank you everybody to join the call.

Carl Wertz - Diodes Inc. - CFO

We look forward to the same conference 90 days from now. Take care.

Operator

Ladies and gentlemen, thank you for your patience. You may now disconnect.