

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

---

**FORM 8-K**

---

**CURRENT REPORT**

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

**November 8, 2012  
Date of Report (Date of earliest event reported)**

---

**DIODES INCORPORATED**

(Exact name of registrant as specified in its charter)

---

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

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

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

**4949 Hedgcoxe Road, Suite 200  
Plano, Texas**  
(Address of principal executive offices)

**75024**  
(Zip Code)

**(972) 987-3900**  
(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 November 8, 2012, Diodes Incorporated (the “Company”) issued a press release announcing its third quarter 2012 financial results. A copy of the press release is attached as Exhibit 99.1.

On November 8, 2012, the Company hosted a conference call to discuss its third quarter 2012 financial results. A recording of the conference call has been posted on its website at [www.diodes.com](http://www.diodes.com). A copy of the script is attached as Exhibit 99.2.

During the conference call on November 8, 2012, Dr. Keh-Shew Lu, President and Chief Executive Officer of the Company, as well as Richard D. White, Chief Financial Officer, Mark King, Senior Vice President of Sales and Marketing and Laura Mehrl, Director of Investor Relations, made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

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

**Item 7.01 Regulation FD Disclosure.**

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

**Item 9.01 Financial Statements and Exhibits.****(d) Exhibits.**

See exhibit index.

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

---

**SIGNATURES**

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

Dated: November 13, 2012

DIODES INCORPORATED

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

---

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press release dated November 8, 2012
99.2	Conference call script dated November 8, 2012
99.3	Question and answer transcript dated November 8, 2012



## Diodes Incorporated Reports Third Quarter 2012 Financial Results

*Revenue Increases 5% Sequentially; Achieves Third Consecutive Quarter of Growth*

**Plano, Texas – November 8, 2012** – Diodes Incorporated (Nasdaq: DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete, logic and analog semiconductor markets, today reported its financial results for the third quarter ended September 30, 2012.

### Third Quarter Highlights

- Revenue was \$166.6 million, an increase of 4.6 percent from the \$159.2 million in the second quarter 2012, and an increase of 3.7 percent from the \$160.6 million in the third quarter 2011;
- Gross profit was \$43.6 million, compared to \$41.0 million in the second quarter 2012 and \$45.2 million in the third quarter 2011;
- Gross profit margin was 26.2 percent, compared to 25.8 percent in the second quarter 2012, and 28.1 percent in the third quarter 2011;
- GAAP net income was \$8.6 million, or \$0.18 per diluted share, compared to second quarter 2012 of \$6.7 million, or \$0.14 per diluted share, and third quarter 2011 of \$10.0 million, or \$0.21 per diluted share;
- Non-GAAP adjusted net income was \$9.5 million, or \$0.20 per diluted share, compared to second quarter 2012 of \$6.4 million, or \$0.14 per diluted share, and third quarter 2011 of \$12.1 million, or \$0.26 per diluted share;
- Excluding \$2.3 million of share-based compensation expense, both GAAP and non-GAAP adjusted net income would have increased by \$0.05 per diluted share; and
- Achieved \$17.6 million cash flow from operations, break-even net cash flow, and a negative (\$1.0) million of free cash flow due mainly to \$18.6 million in capital expenditures, which included approximately \$3.0 million of capital expenditures associated with the Chengdu assembly test facility construction.

Commenting on the results, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, stated, “Despite the slowdown in the general market, we were able to achieve five percent sequential growth and meet our expectations due to past design wins and new product initiatives that drove further market share gains. This quarter represents our third consecutive quarter of growth as we continued to increase sales for our products used in smartphones and tablets, while also benefiting from a rebound in LED TVs and a strong quarter in automotive.

“Gross margin improved moderately in the quarter but remained under pressure primarily due to the effects of the generally weak global economy. Although we are gaining market share for our more advanced packages as supported by the capital investments we made in the second and third quarters, we are still underloaded on our standard packages. The unstable demand environment also caused pricing to weaken in the quarter and product mix to be less favorable than we had anticipated. However, our cost reductions and manufacturing efficiency improvements were able to largely offset these factors and contributed to margins improving slightly over the prior quarter. As I have stated in the past, improvements in the demand and pricing environment are key factors in our ability to transition available capacity to higher margin products at a more rapid pace, which has been restrained by the slower recovery.

“Looking forward, the global environment continues to create uncertainty, especially as it relates to the timing of production ramps for many of our customers. Therefore, we remain cautious on our expectations and focused on further expanding our content at key customers, gaining market share and accelerating our design win momentum on new and existing products.”

### Third Quarter 2012

Revenue for the third quarter 2012 was \$166.6 million, an increase of 4.6 percent over the \$159.2 million in the second quarter 2012, and an increase of 3.7 percent from the \$160.6 million in the third quarter 2011. Revenue was up sequentially primarily due to strength in Asia and market share gains.

Gross profit for the third quarter 2012 was \$43.6 million, or 26.2 percent of revenue, compared to \$41.0 million, or 25.8 percent of revenue, in the second quarter 2012, and \$45.2 million, or 28.1 percent, in the third quarter 2011. Gross profit margin improved marginally over the prior quarter due to the benefit of new product initiatives and manufacturing efficiencies, largely offset by product mix and a soft pricing environment.

Third quarter 2012 GAAP net income was \$8.6 million, or \$0.18 per diluted share, compared to GAAP net income of \$6.7 million, or \$0.14 per diluted share, in the second quarter 2012, and GAAP net income of \$10.0 million, or \$0.21 per diluted share, in the third quarter 2011.

Non-GAAP adjusted net income for the third quarter 2012 was \$9.5 million, or \$0.20 per diluted share, which excluded, net of tax, \$0.9 million of non-cash acquisition related intangible asset amortization costs, compared to non-GAAP adjusted net income of \$6.4 million, or \$0.14 per diluted share, in the second quarter 2012 and \$12.1 million, or \$0.26 per diluted share, in the third quarter 2011. The following is a summary reconciliation of GAAP net income to non-GAAP adjusted net income and per share data, net of tax (*in thousands, except per share data*):

	Three Months Ended September 30, 2012
<b>GAAP net income</b>	<b>\$ 8,553</b>
<b>GAAP diluted earnings per share</b>	<b>\$ 0.18</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>	
<b>Amortization of acquisition related intangible assets</b>	<b>902</b>
<b>Non-GAAP adjusted net income</b>	<b>\$ 9,455</b>
<b>Non-GAAP adjusted diluted earnings per share</b>	<b>\$ 0.20</b>

(See the reconciliation of net income to adjusted net income tables near the end of the release for further details)

Included in third quarter 2012 GAAP and non-GAAP adjusted net income was approximately \$2.3 million, net of tax, non-cash share-based compensation expense. Excluding share-based compensation expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per share.

EBITDA, which represents earnings before net interest expense, income tax, depreciation and amortization, for the third quarter 2012 was \$24.8 million, compared to \$23.2 million for the second quarter 2012 and \$29.2 million for the third quarter 2011. For a reconciliation of GAAP net income to EBITDA (non-GAAP), see the table near the end of the release for further details.

As of September 30, 2012, Diodes had approximately \$168 million in cash and cash equivalents, and working capital was approximately \$385 million.

#### **Business Outlook**

Dr. Lu concluded, "We are pleased to have closed the acquisition of Power Analog Microelectronics (PAM) on October 29, 2012. For the fourth quarter of 2012, we are expecting a seasonally down quarter with revenue ranging between \$160 million and \$167 million, including \$3.5 million of revenue contribution from PAM and Eris Technology Corporation (Eris), or down 4 percent to flat sequentially. Gross margin is expected to be 25 percent, plus or minus 2 percent. Operating expenses are expected to be 23.5 percent of revenue, plus or minus 1 percent. The anticipated increase in operating expenses over the third quarter is due to the inclusion of PAM and a full quarter of Eris. We expect our income tax rate to range between 7 and 13 percent, and shares used to calculate GAAP EPS for the fourth quarter are anticipated to be approximately 47.0 million."

#### **Conference Call**

Diodes will host a conference call on Thursday, November 8, 2012 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its third quarter financial results. Investors and analysts may join the conference call by dialing 1-866-700-6979 and providing the confirmation code 83637055. International callers may join the teleconference by dialing 1-617-213-8836 and enter the same confirmation code at the prompt. A telephone replay of the call will be made available approximately two hours after the call and will remain available until Tuesday, November 13, 2012 at midnight Central Time. The replay number is 1-888-286-8010 with a pass code of 50713673. International callers should dial 1-617-801-6888 and enter the same pass code at the prompt. Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investors section of Diodes' website at <http://www.diodes.com>. To listen to the live call, please go to the Investors section of Diodes' website and click on the conference call link at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 60 days.

---

## About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD), a Standard and Poor's SmallCap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete, logic and analog semiconductor markets. Diodes serves the consumer electronics, computing, communications, industrial, and automotive markets. Diodes' products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, single gate logic, amplifiers and comparators, Hall-effect and temperature sensors; power management devices, including LED drivers, DC-DC switching and linear voltage regulators, and voltage references along with special function devices, such as USB power switches, load switches, voltage supervisors, and motor controllers. The Company's corporate headquarters, logistics center, and Americas' sales office are located in Plano, Texas. Design, marketing, and engineering centers are located in Plano; San Jose, California; Taipei, Taiwan; Manchester, England; and Neuhaus, Germany. The Company's wafer fabrication facilities are located in Kansas City, Missouri and Manchester, with two manufacturing facilities located in Shanghai, China, another in Neuhaus, and two joint venture facilities located in Chengdu, China. Additional engineering, sales, warehouse, and logistics offices are located in Fort Worth, Texas; Taipei; Hong Kong; Manchester; and Munich, Germany, with support offices located throughout the world. For further information, including SEC filings, visit the Company's website at <http://www.diodes.com>.

*Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: although we are gaining market share for our more advanced packages as supported by the capital investments we made in the second and third quarters, we are still underloaded on our standard packages; looking forward, the global environment continues to create uncertainty, especially as it relates to the timing of production ramps for many of our customers; therefore, we remain cautious on our expectations and focused on further expanding our content at key customers, gaining market share and accelerating our design win momentum on new and existing products; we are pleased to have closed the acquisition of Power Analog Microelectronics (PAM) on October 29, 2012; for the fourth quarter of 2012, we are expecting a seasonally down quarter with revenue ranging between \$160 million and \$167 million, including \$3.5 million of revenue contribution from PAM and Eris Technology Corporation (Eris), or down 4 percent to flat sequentially; gross margin is expected to be 25 percent, plus or minus 2 percent; operating expenses are expected to be 23.5 percent of revenue, plus or minus 1 percent; the anticipated increase in operating expenses over the third quarter is due to the inclusion of PAM and a full quarter of Eris; and we expect our income tax rate to range between 7 and 13 percent, and shares used to calculate GAAP EPS for the fourth quarter are anticipated to be approximately 47.0 million. Potential risks and uncertainties include, but are not limited to, such factors as: we may not be able to maintain our current growth strategy or continue to maintain our current performance, costs and loadings in our manufacturing facilities; risks of domestic and foreign operations, including excessive operation costs, labor shortages, higher tax rates and our joint venture prospects; unfavorable currency exchange rates; our future guidance may be incorrect; the global economic weakness may be more severe or last longer than we currently anticipated; and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.*

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

###

### Company Contact:

Diodes Incorporated  
Laura Mehrl  
Director of Investor Relations  
P: 972-987-3959  
E: [laura\\_mehrl@diodes.com](mailto:laura_mehrl@diodes.com)

### Investor Relations Contact:

Shelton Group  
Leanne Sievers  
EVP, Investor Relations  
P: 949-224-3874  
E: [lsievers@sheltongroup.com](mailto:lsievers@sheltongroup.com)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>NET SALES</b>	\$166,617	\$160,577	\$470,519	\$491,938
<b>COST OF GOODS SOLD</b>	123,012	115,383	352,180	333,736
Gross profit	43,605	45,194	118,339	158,202
<b>OPERATING EXPENSES</b>				
Selling, general and administrative	25,796	23,404	72,702	67,389
Research and development	9,084	7,304	24,466	20,355
Amortization of acquisition related intangible assets	1,203	1,120	3,401	3,408
Gain on sale of assets	—	—	(3,556)	—
Total operating expenses	36,083	31,828	97,013	91,152
Income from operations	7,522	13,366	21,326	67,050
<b>OTHER INCOME (EXPENSES)</b>				
Interest income	234	316	584	849
Interest expense	(212)	(1,053)	(569)	(3,023)
Amortization of debt discount	—	(2,021)	—	(6,032)
Other	1,901	458	2,846	762
Total other income (expenses)	1,923	(2,300)	2,861	(7,444)
Income before income taxes and noncontrolling interest	9,445	11,066	24,187	59,606
<b>INCOME TAX PROVISION</b>	509	359	1,983	9,912
<b>NET INCOME</b>	8,936	10,707	22,204	49,694
Less: NET INCOME attributable to noncontrolling interest	(383)	(750)	(2,127)	(2,072)
<b>NET INCOME attributable to common stockholders</b>	<u>\$ 8,553</u>	<u>\$ 9,957</u>	<u>\$ 20,077</u>	<u>\$ 47,622</u>
<b>EARNINGS PER SHARE attributable to common stockholders</b>				
Basic	<u>\$ 0.19</u>	<u>\$ 0.22</u>	<u>\$ 0.44</u>	<u>\$ 1.05</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.21</u>	<u>\$ 0.43</u>	<u>\$ 1.02</u>
Number of shares used in computation				
Basic	<u>45,997</u>	<u>45,603</u>	<u>45,702</u>	<u>45,252</u>
Diluted	<u>46,995</u>	<u>47,093</u>	<u>46,901</u>	<u>46,875</u>

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



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

For the three months ended September 30, 2012:

	<u>Operating Expenses</u>	<u>Other Income (Expense)</u>	<u>Income Tax Provision</u>	<u>Net Income</u>
<b>Per-GAAP</b>				<b>\$ 8,553</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 0.18</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	1,203	—	(301)	<b>902</b>
<b>Adjusted (Non-GAAP)</b>				<b>\$ 9,455</b>
Diluted shares used in computing earnings per share				<b>46,995</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.20</b>

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$2.3 million, net of tax, non-cash share-based compensation expense. Excluding share based compensation expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per share.

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

For the three months ended September 30, 2011:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
<b>Per-GAAP</b>				<b>\$ 9,957</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 0.21</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	1,120	—	(314)	806
<b>Amortization of debt discount</b>	—	2,021	(707)	1,314
<b>Adjusted (Non-GAAP)</b>				<b>\$ 12,077</b>
Diluted shares used in computing earnings per share				<b>47,093</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.26</b>

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$2.4 million, net of tax, non-cash share-based compensation expense and \$1.3 million loss, net of tax, in fair value associated with the investment in Eris. Excluding share based compensation expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per share and excluding loss in fair value, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.03 per share.

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

For the nine months ended September 30, 2012:

	<u>Operating Expenses</u>	<u>Other Income (Expense)</u>	<u>Income Tax Provision</u>	<u>Net Income</u>
<b>Per-GAAP</b>				<b>\$ 20,077</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 0.43</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	2,198	—	(549)	1,649
<b>Gain on sale of assets</b>	(3,452)	—	735	<b>(2,717)</b>
<b>Adjusted (Non-GAAP)</b>				<b>\$ 19,009</b>
Diluted shares used in computing earnings per share				<b>46,901</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 0.41</b>

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$6.9 million, net of tax, non-cash share-based compensation expense. Excluding this expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.15 per share.

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

For the nine months ended September 30, 2011:

	<u>Operating Expenses</u>	<u>Other Income (Expense)</u>	<u>Income Tax Provision</u>	<u>Net Income</u>
<b>Per-GAAP</b>				<b>\$ 47,622</b>
<b>Earnings per share (Per-GAAP)</b>				
Diluted				<b>\$ 1.02</b>
<b>Adjustments to reconcile net income to adjusted net income:</b>				
<b>Amortization of acquisition related intangible assets</b>	3,408	—	(954)	2,454
<b>Amortization of debt discount</b>	—	6,032	(2,111)	3,921
<b>Adjusted (Non-GAAP)</b>				<b>\$ 53,997</b>
Diluted shares used in computing earnings per share				<b>46,875</b>
<b>Adjusted earnings per share (Non-GAAP)</b>				
Diluted				<b>\$ 1.15</b>

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$6.6 million, net of tax, non-cash share-based compensation expense and \$1.3 million loss, net of tax, in fair value associated with the investment in Eris. Excluding share based compensation expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.15 per share and excluding loss in fair value, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.03 per share.

---

## **ADJUSTED NET INCOME (Non-GAAP)**

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

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

**Gain on sale of assets** – The Company excluded the gain recorded for the sale of certain assets. During the first quarter 2012, the Company sold an intangible asset located in Europe and this gain was excluded from management’s assessment of the Company’s core operating performance as this long-lived asset was a non-core intellectual asset. During the second quarter 2012, the Company sold a building located in Taiwan and this gain was excluded from management’s assessment of the Company’s core operating performance. The Company believes the exclusion of the gain on sale of these assets provides investors an enhanced view of gains the Company may incur from time to time and facilitates comparisons with results of other periods that may not reflect such gains.

**Amortization of debt discount** – The Company excluded the amortization of debt discount on its 2.25% Convertible Senior Notes (“Notes”). This amortization was excluded from management’s assessment of the Company’s core operating performance. Although the amortization of debt discount was recurring in nature, the expected life of the Notes was five years as that was the earliest date in which the Notes could be put back to the Company at par value. The amortization period ended October 1, 2011, therefore the Company no longer records amortization of debt discount.

## **ADJUSTED EARNINGS PER SHARE (Non-GAAP)**

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

## **CASH FLOW ITEMS**

### **Free cash flow (FCF) (Non-GAAP)**

FCF for third quarter 2012 is a non-GAAP financial measure, which is calculated by taking cash flow from operations less capital expenditures. For third quarter 2012, the amount was a negative (\$1.0) million (\$17.6 million less (-) \$18.6 million). FCF represents the cash and cash equivalents that we are able to generate after taking into account cash outlays required to maintain or expand property, plant and equipment. FCF is important because it allows us to pursue opportunities to develop new products, make acquisitions and reduce debt.

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

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties, such as financial institutions in extending credit, in evaluating companies in our industry and provides further clarity on our profitability. In addition, management uses EBITDA, along with other GAAP measures, in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing, operating in different income tax jurisdictions, and accounting effects of capital spending, including the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization expense. EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. For example, our EBITDA takes into account all net interest expense, income tax provision, depreciation and amortization without taking into account any attributable to noncontrolling interest. Furthermore, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

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

	Three Months Ended	
	September 30,	
	2012	2011
Net income (per-GAAP)	\$ 8,553	\$ 9,957
Plus:		
Interest expense, net (1)	(22)	2,758
Income tax provision	509	359
Depreciation and amortization	15,758	16,088
<b>EBITDA (Non-GAAP)</b>	<b>\$ 24,798</b>	<b>\$ 29,162</b>

  

	Nine Months Ended	
	September 30,	
	2012	2011
Net income (per-GAAP)	\$ 20,077	\$ 47,622
Plus:		
Interest expense, net (2)	(15)	8,206
Income tax provision	1,983	9,912
Depreciation and amortization	47,121	45,049
<b>EBITDA (Non-GAAP)</b>	<b>\$69,166</b>	<b>\$110,789</b>

- (1) Includes \$0.0 and \$2.0 million for the three months ended September 30, 2012 and 2011, respectively, of amortization of debt discount.  
(2) Includes \$0.0 million and \$6.0 million for the nine months ended September 30, 2012 and 2011, respectively, of amortization of debt discount.

---

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

**ASSETS**  
*(in thousands)*

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<i>(unaudited)</i>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$168,266	\$129,510
Accounts receivable, net	157,001	132,408
Inventories	158,116	140,337
Deferred income taxes, current	6,217	5,450
Prepaid expenses and other	28,910	19,093
<b>Total current assets</b>	<u>518,510</u>	<u>426,798</u>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	246,578	225,393
<b>DEFERRED INCOME TAXES, non current</b>	26,863	26,863
<b>OTHER ASSETS</b>		
Goodwill	77,738	67,818
Intangible assets, net	40,078	24,197
Other	13,400	21,995
<b>Total assets</b>	<u>\$ 923,167</u>	<u>\$ 793,064</u>

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

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

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<i>(unaudited)</i>	
<b>CURRENT LIABILITIES</b>		
Lines of credit	\$ 7,101	\$ 8,000
Accounts payable	87,120	66,063
Accrued liabilities	39,116	30,793
Income tax payable	—	4,855
<b>Total current liabilities</b>	<u>133,337</u>	<u>109,711</u>
<b>LONG-TERM DEBT, net of current portion</b>	43,059	2,857
<b>CAPITAL LEASE OBLIGATIONS, net of current portion</b>	861	1,082
<b>OTHER LONG-TERM LIABILITIES</b>	35,347	30,699
<b>Total liabilities</b>	<u>212,604</u>	<u>144,349</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
<b>Diodes Incorporated stockholders' equity</b>		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock - par value \$0.66 2/3 per share; 70,000,000 shares authorized; 45,998,878 and 45,432,252 issued and outstanding at September 30, 2012 and December 31, 2011, respectively	30,667	30,423
Additional paid-in capital	275,198	263,455
Retained earnings	395,721	375,644
Accumulated other comprehensive loss	(34,072)	(35,762)
<b>Total Diodes Incorporated stockholders' equity</b>	<u>667,514</u>	<u>633,760</u>
<b>Noncontrolling interest</b>	43,049	14,955
<b>Total equity</b>	<u>710,563</u>	<u>648,715</u>
<b>Total liabilities and equity</b>	<u>\$ 923,167</u>	<u>\$ 793,064</u>



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

**Operator:**

Good afternoon and welcome to Diodes Incorporated's third quarter 2012 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 key followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Thursday, November 8, 2012. I would now like to turn the call to Leanne Sievers of Shelton Group Investor Relations. Leanne, please go ahead.

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

Good afternoon and welcome to Diodes' third quarter 2012 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

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

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

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

In addition, any projections as to the Company's future performance represent management's estimates as of **today, November 8, 2012**. Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms. Included in the Company's press release are definitions and reconciliations of GAAP net income to non-GAAP adjusted net income, GAAP net income to EBITDA and free cash flow, which provide additional details. Also, throughout the Company's press release and management's statements during this conference call, we refer to "net income attributable to common stockholders" as "GAAP net income."

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

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

---

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

Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

I am pleased to report our third consecutive quarter of growth in which revenue grew five percent sequentially despite the slowdown in the general market. Our new product initiatives and past design win efforts drove further market share gains as we continued to increase sales of our products used in smartphones and tablets.

Gross margin improved slightly in the quarter but remained under pressure primarily due to the effects of the weak global economy. Although we are gaining market share for our more advanced packages as supported by the capital investments we made in the second and third quarters, we are still underloaded on our standard packages. The unstable demand environment also caused pricing to weaken in the quarter and product mix to be less favorable than we had anticipated. However, our cost reductions and manufacturing efficiency improvements were able to largely offset these factors. As I have stated in the past, improvements in the demand and pricing environment are key factors in our ability to transition available capacity to higher margin products at a more rapid pace, which has been restrained by the slower economic recovery.

As of September 1st, Diodes acquired over 50% of the outstanding shares of Eris Technology Corporation (Eris). Through this relationship, we look to leverage Eris' assembly and test equipment automation capabilities, which should help reduce the impact of the China labor cost increases in the future.

And then more recently, on October 29 we were pleased to close our acquisition of Power Analog Microelectronics (PAM). The company's product portfolio includes Class D audio amplifiers, DC-DC converters and LED backlighting drivers. Our rationale for acquiring PAM was for its advanced analog product portfolio, strong technical team and strong customer relationships, including those that allow Diodes entry into Japan. Even with a narrow technology and product portfolio, they have been able to secure a couple large multi-national customers as well as targeted regional ones. The current revenue contribution for Diodes is not material, but we believe there are significant long-term growth opportunities as we leverage Diodes' infrastructure and technology, as well as our sales channels and customer relationships. This is a perfect example of our efforts to use acquisitions as an effective way to expand our SAM.

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

**Rick White, CFO**

Thanks, Dr. Lu, and good afternoon everyone.

**Revenue** for the third quarter 2012 was \$166.6 million, an increase of 4.6 percent over the \$159.2 million in the second quarter 2012, and an increase of 3.7 percent from the \$160.6 million in the third quarter 2011. Revenue was up sequentially primarily due to strength in Asia and market share gains.

**Gross profit** was \$43.6 million, or 26.2 percent of revenue, in the third quarter 2012 compared to \$41.0 million, or 25.8 percent of revenue, in the second quarter 2012, and \$45.2 million, or 28.1 percent, in the third quarter 2011. As Dr. Lu mentioned, gross profit margin improved marginally over the prior quarter due to the benefit of new product initiatives and manufacturing efficiencies, largely offset by product mix and a soft pricing environment.

---

Total **operating expenses** for the third quarter were \$36.1 million, or 21.7 percent of revenue. This compares to \$34.1 million, or 21.4 percent, last quarter, which excludes a \$1.4 million gain on the sale of assets, and \$31.8 million, or 19.8 percent of revenue, in the third quarter 2011.

Looking specifically at **Selling, General and Administrative** expenses for the third quarter, SG&A was approximately \$25.8 million, or 15.5 percent of revenue, compared to \$24.8 million, or 15.5 percent of revenue, in the second quarter 2012 and \$23.4 million, or 14.6 percent of revenue, in the year-ago quarter.

**Investment in Research and Development** for the third quarter was approximately \$9.1 million, or 5.5 percent of revenue, compared to \$8.2 million, or 5.2 percent of revenue, in the second quarter 2012, and \$7.3 million, or 4.5 percent of revenue in the third quarter 2011. We continue to increase our investment in R&D to further advance our new product initiatives.

**Total Other Income** amounted to approximately \$1.9 million for the third quarter primarily due to a gain on the Eris stock in the amount of \$2.3 million, which was partially offset by foreign exchange losses. On August 31, Diodes acquired over 50% of the outstanding shares of Eris. Prior to acquiring controlling interest, we had accounted for the investment under the fair value method of accounting, but as of September 1<sup>st</sup>, we have begun consolidating their financial results.

**Income Before Income Taxes and Noncontrolling Interest** in the third quarter 2012 amounted to \$9.4 million, compared to income of \$8.6 million in the second quarter 2012, and \$11.1 million in the third quarter 2011.

Turning to **income taxes**, our effective income tax rate in the third quarter was 5.4 percent, which includes the benefit of a return to provision adjustment of approximately \$500,000, and was below our guidance of 7 to 13 percent.

**GAAP net income** for the third quarter was \$8.6 million, or \$0.18 per diluted share, compared to GAAP net income of \$6.7 million, or \$0.14 per diluted share, in the second quarter 2012, and GAAP net income of \$10.0 million, or \$0.21 per diluted share, in the same quarter last year. The share count used to compute GAAP diluted EPS for the third quarter was 47.0 million shares.

Third quarter **Non-GAAP adjusted net income** was \$9.5 million, or \$0.20 per diluted share, which excluded, net of tax, approximately \$900,000 of non-cash acquisition related intangible asset amortization costs. We have included in our earnings release a reconciliation of GAAP net income to non-GAAP adjusted net income, which provides additional details. Included in third quarter GAAP and non-GAAP adjusted net income was approximately \$2.3 million, net of tax, of non-cash share-based compensation expense. Excluding share-based compensation expense, both GAAP and non-GAAP adjusted diluted EPS would have increased by an additional \$0.05 per diluted share.

---

**Cash flow from operations for the third quarter** was \$17.6 million.

**Net cash flow** was break-even for the quarter; and

**Free cash flow** was a negative (\$1.0) million due mainly to \$18.6 million in capital expenditures during the quarter. Without the capital expenditures in Chengdu, free cash flow would have improved by approximately \$3.0 million.

Turning to the **balance sheet**, at the end of the third quarter we had approximately \$168 million in cash and cash equivalents. Working capital was approximately \$385 million.

**Inventory** was approximately \$158 million, a \$20 million increase from the approximately \$138 million in the second quarter 2012. Inventory days were 111 in the third quarter, compared to 105 days last quarter. Inventory in the quarter reflects an \$8.2 million increase in raw materials and work-in process combined, and a \$12.1 million increase in finished goods. Finished goods inventory increased due to building ahead of product because of the China National Holiday during the first week of October and the inclusion of \$3.0 million of Eris inventory.

At the end of the quarter, **Accounts receivable** was approximately \$157 million and A/R days were 85, compared to 83 last quarter.

**Capital expenditures** in the third quarter totaled \$17.9 million and \$48.9 million for the nine months of 2012. CapEx in the third quarter included \$3.2 million for the Chengdu building construction. Excluding this amount, CapEx was 8.8 percent compared to 8.7 percent of revenue last quarter. For the full year, we expect CapEx to be at or below the low end of our 10 to 12 percent of revenue model, excluding the Chengdu building expenditures.

**Depreciation and amortization expense** for the third quarter was \$15.8 million.

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

For the fourth quarter of 2012, we are expecting a seasonally down quarter with revenue ranging from \$160 million and \$167 million, including \$3.5 million of revenue contribution from PAM and Eris Technology Corporation, or down 4 percent to flat sequentially. Gross margin is expected to be 25 percent, plus or minus 2 percent. Operating expenses are expected to be 23.5 percent of revenue, plus or minus 1 percent. The anticipated increase in operating expenses over the third quarter is due to the inclusion of PAM and a full quarter of Eris. We expect our income tax rate to range between 7 and 13 percent, and shares used to calculate GAAP EPS for the fourth quarter are anticipated to be approximately 47.0 million.

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

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

Thank you, Rick, and good afternoon.

As Dr. Lu and Rick mentioned, revenue was up sequentially driven by strength in Asia and continued market share gains. Growth was led by advances in the consumer segment primarily due to continued increases from smartphones and tablets as well as a rebound in

---

sales for LED TVs. Despite the industry reported weakness in the PC segment, we actually saw a sequential increase in computing, specifically in notebooks at certain customers as a result of our new products and share gains. Another bright spot in the quarter was the automotive market in Europe, even though the region as a whole was down in the quarter due to continued economic uncertainty. North America also declined sequentially due to weakness in the industrial segment.

Globally POS sales were up 5 percent over the second quarter, and OEM sales were up 4 percent. Distributor inventory continued to decrease and was down 4 percent and inventory remained in line and under three months.

Turning to **Global Sales**, Asia represented 79 percent of revenue, North America 11 percent and Europe 10 percent.

Our end market breakout consisted of consumer representing 33 percent of revenue, computing 28 percent, industrial 19, communications 16, and automotive 4 percent.

Our achievement of revenue growth in the quarter was primarily driven by **new products** as we continued to gain market share and increase content at our customers. We extended our positive momentum for our SBR® and MOSFET products, specifically in solutions for portables, portable power and lighting. We also achieved another quarterly revenue record for our CMOS LDOs as well as strong revenue and design momentum for our power management, standard linear and logic products.

In the third quarter, our **discrete** product introductions totaled 25 new products across 15 product families.

We continued to validate our position as a leading supplier of broad-based discrete components for high-growth, high-volume applications. During the quarter, we built upon our new Chip Scale Package technology platform that we announced last quarter. In addition to our MOSFET CSP devices, Diodes has now released our first SBR® and Schotky devices in this important new packaging technology, once again demonstrating leading power density and space-saving performance.

These first CSP Schotky and SBR® devices are an important development for Diodes as it demonstrates the technology's application to a wider range of product families and further underscores Diodes' commitment to the creation of a broad range of sub-miniature devices to support our customers in the mobile communications and portable markets. We expect to ship very significant volumes of these CSP devices to key customers in the fourth quarter.

Other notable launches for our MOSFETs included applications for LED TV backlighting, fan motor control, power supplies, computing, and the emerging wireless charger markets. All of these devices represent a diverse range of thermal and space-efficient packaging that is designed to meet the stringent demands of these applications.

In terms of design wins for our discrete products, Diodes secured some important wins in the quarter specifically in the computing, telecommunications, power supply and portables markets. The broad base of these design wins across many application areas will be a key foundation to Diodes' growth in the coming quarters.

Turning to **analog** new product introductions, we released 61 new analog products across 4 product families. New product highlights include the release of a new family of 2.5A high-side power switches that further expand our very successful portfolio of devices optimized for USB and other hot-swap applications. These devices provide a complete protection solution for portable and high-performance consumer applications. In addition, we achieved continued design win momentum and market share gains with our expanded USB power switch portfolio. Also during the quarter, we secured major wins in the computing segment for both desktop and notebook applications, multiple wins in the consumer space for set-top boxes, and the communications segment for network gateway.

---

We also continued to expand our LED driver family during the quarter and released 5 new drivers, including a 60V linear LED driver, a wide dimming range driver, and a high-efficiency buck LED driver. Our newly released adjustable linear driver, the AL5812, has an extremely wide operating voltage range and offers world-class accuracy for driving long LED strings in signage and linear fluorescent T8 applications. We saw major LED driver design wins in both T8 and dimmable MR16 retro-fit applications.

As I mentioned earlier, our CMOS LDO product line achieved another quarter of record revenue and generated continued design win momentum with significant wins for DVD players and PC motherboards. In addition, market acceptance of our synchronous high-voltage DC-DC converters continued with wins in LED TV and set-top boxes. Notable sensor wins included notebooks in the computing space, e-metering in the industrial space, and personal care appliances in the consumer space.

We also continued the aggressive expansion of our **Standard Logic** product portfolio during the quarter with the introduction of a family of 42 new ultra-low power, single-gate logic devices. This family offers the most popular single-gate logic functions in an advanced ultra-low power CMOS process and are pin-compatible with industry standard parts. In addition to offering standard packaging, we also released these devices in the industry-leading DFN1010 and DFN1410 packages for valuable space savings in portable consumer electronics, such as cell phones, e-readers and tablets. As a result of our focus and commitment to Standard Logic, our customer base now exceeds 500 customers including Tier 1, EMS and mass market customers.

In summary, although the global environment continues to create uncertainty, we remain focused on further expanding our content at key customers and gaining market share. In addition to our strong design win momentum for the portable segment, in particular smartphones and tablets, we continue to leverage our innovative packaging expertise to further reinforce our leadership in power density and space-saving devices. We are also encouraged by the large volume of design opportunities we have secured for our logic products to date, which will be a key driver of growth for Diodes in the coming quarters. And finally, we believe our recent acquisition of PAM will further expand our analog SAM for additional revenue opportunities in the future.

With that, I'll open the floor to questions - Operator?

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

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

DIODES 3Q 2012 EARNINGS CALL  
QUESTIONS AND ANSWERS

---

**Operator**

Thank you.

(Operator Instructions)

Your first question comes from the line of Steve Smigie from Raymond James. Please proceed.

---

**Steven Smigie - Raymond James & Associates - Analyst**

Great. Thanks a lot, congratulations on a good quarter on a tough environment, particularly on the computing where everybody else seems to have been hit pretty hard. Was hoping you could talk a little bit about how you see this next few quarters playing out. Obviously, things are soft here. I guess a number of your comparables indicated that there's some amount of inventory workdown setting up a possible Q1 recovery, not necessarily from demand, but even just from inventory level. Would you have any color on how you see the next couple quarters playing out? Thanks.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, Steve, thank you for the comment. We really don't know what will be happen in the 1Q, because for us it's too far away, okay? But for the fourth quarter, we know the general market is tough, okay? And, unfortunately, due to our past design win and past market share gain activity, we still project later than it appears of the growth. People typical look at somewhere quite low, but we only be looking for flat to minus 4%.

---

**Steven Smigie - Raymond James & Associates - Analyst**

Right. Thanks. Can you talk about your mobility business a little bit more? You've been investing there in awesome design wins on the call today. What percentage of revenue is that now, and is there a certain goal or target you're hoping or at least working towards for the coming year?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

Steve, we don't really — we really haven't broken it out by mobility. We lump our mobility and those things in our consumer section and frankly, we probably just haven't gotten to that level of granularity in where we are. But clearly, that's a focus. It's always been one of our smaller segments within our consumer base, and we see a lot of opportunity in some of the sub-miniature and some of our CSP devices and some of our logic devices to really expand our revenue in those areas. So, it is a key focus for us, but I can't define it for you at this point.

---

**Steven Smigie - Raymond James & Associates - Analyst**

Okay. Last question was just on R&D. What sort of number are you targeting as a percentage of revenue at this point? You're obviously adding more analog products. Does that continue to go up? Do you continue to increase investment to achieve more growth in that area, or is it just sort of keep on the similar rates, as you've been doing in some recent quarters? Thanks.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, our R&D model is 5% of the revenue, and it's just because, if you cut the PG or tape out in a couple more products, that costs would go up. And so it's very difficult to get exactly because the tape out, typically you tape out one quarter but you don't take up the other quarter, that make a big difference, okay? But our model is still at the 5% of our revenue and we feel tried to maintain in that kind of level.

---

**Steven Smigie - Raymond James & Associates - Analyst**

Great. Thanks very much.

---

**Operator**

Your next question comes from the line of Gary Mobley from Benchmark. Please proceed.

---

**Gary Mobley - The Benchmark Company - Analyst**

Hi, guys.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Hi, Gary.

---

**Gary Mobley - The Benchmark Company - Analyst**

You guys in the past have generated gross margins in the mid- to upper 30% range, and on a revenue base, not much different than what you just generated, closer to \$180 million. And so I guess most people fear, including myself, with industry capacity clearly ratcheting down in the third and even more in the fourth quarter, and you as a Company investing aggressively in your Chengdu facility, I'd like to get a handle on what your capacity addition plans are. And should we think now of Diodes as being the Company growing twice the market growth rate, maybe growing more than that? And then as well, is the new normal for gross margin mid-20% gross margin to perhaps the upper 20% range?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay. Let me answer several questions one by one. Number one, Chengdu facility. I think we actually slow down the Chengdu expansion. We finish the building and — but try to facilitate and the capital equipment is all on hold, okay? So, we are not really, other than the building we need to — we finish it up. We are not really spent too much money now of putting the facility and MERFEI in there, and equipment-wise, other than product line, we do not order any equipment yet. So, we are waiting for the power come in and then after that, we probably may power next year if the market turn. If market don't turn, then we'll play by ear, but this moment we are not really putting any capital equipment or MERFEI into Chengdu facility.

Second, let's talk about Shanghai facility. We continue put it in the capital the area of our new package, which we don't have the capacity for it. And fortunately, we have a very good design win on our CSP, our DN1060, a lot of those very tiny small package which is gaining the momentum, but that's the area we do not have enough capacity and so we put in the capital equipment for that area. And if you look at the Standard package area like SOT-23, SOT-323 or even some of the QFN, those area since the market's really slow, our revenue from that area is not really growing, okay? That real growing is really coming from very — the new and advanced package and of therefore, we really — our GPM was hurt because that standard packaging is not fully utilized. It's underloaded. But if the market turns, if the market turns, then that area should be started loaded, utilization will going up. Then your GPM going back up.

Our other point, I think I kept the point out in the past, is the gold wire. This quarter, gold went up again, okay? Even when we — our output for the gold went down, not this quarter, I mean third quarter, okay? Our output for gold went down. Our couple conversion going up, but unfortunately, the gold price actually went up in the third quarter, and that cause us the GPM not really recover as fast as we can. So, there's a stable area that we're talking ASP and we're talking about utilization, we talking about gold. Gold, though, is the one hurting us, but I believe is when the market start to turn, when we convert more or our customer allow us to convert when they start to convert into the next design or next new product of or next equipment or convert into the copper wire next year, our GPM will be start to improve significantly again.

---

**Gary Mobley - The Benchmark Company - Analyst**

Okay. Well, appreciate the detail there. Last question for me, I'm actually out of pocket. My flight just landed, so I apologize, I haven't had a chance to review the press release in great detail. But could you break out the organic growth comparisons for the third quarter, without contributions from acquisitions as well?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, I think we already said it, the revenue coming from Eris and coming from PAM is not materialized, okay?

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

In the third quarter, PAM was not included at all and we had one month of Eris, so it's basically immaterial.



---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes.

---

**Gary Mobley - The Benchmark Company - Analyst**

All right, great. Thanks, you guys.

---

**Operator**

Your next question comes from the line of Christopher Longiaru from Sidoti & Company. Please proceed.

---

**Christopher Longiaru - Sidoti & Company - Analyst**

Hey, guys, congratulations on the performance in a tough environment.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Thank you.

---

**Christopher Longiaru - Sidoti & Company - Analyst**

My question has to do more with, you talked about just global economic weakness kind of pressuring price a little more. Can you talk about that in relative terms to what you typically see this time of year? And if you have any kind of visibility going forward on that, that would be great.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay. Let's talking about third quarter. Typically, in semiconductor cycles, third quarter supposed to be a very good quarters, okay? And unfortunately this year, the third quarter really didn't grow as fast as in the past, okay? So, that creates a price pressure. And then you go to fourth quarter. Typically, is flat to 5% down, but this quarter you only see the announcement is quite visible. Fortunately, at Diodes we predict the zero to 5% down — zero to 4%, okay? So, we are better than our peer and then better than in general, but the market is really soft.

---

**Christopher Longiaru - Sidoti & Company - Analyst**

What's a general annual ASP decline for you versus what you're seeing now? Can you comment on that at all?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

In typically, I have been talking about that several times in the past. If you assume mix independent is about 2% a quarter going down. That's typical.

---

**Christopher Longiaru - Sidoti & Company - Analyst**

Okay.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay? And like last year or beginning of last year and late part of 2010, the market is so good, the price is actually not changed that much, okay? Now this time, we actually, we are better than typical, but it is still more than what I expected, because I thought third quarter should be good.

---

**Christopher Longiaru - Sidoti & Company - Analyst**

Because of the inventory levels still being fairly healthy. Would that be correct?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, our customer you're talking about?

---

**Christopher Longiaru - Sidoti & Company - Analyst**

Yes.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, you can say that, but it just - the price pressure is still very high. Typically, when the market is soft, our customers know how to squeeze, okay?

---

**Christopher Longiaru - Sidoti & Company - Analyst**

All right. That's all very for now. Thank you, guys.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Thank you.

---

**Operator**

Your next question comes from the line of Vernon Essi from Needham. Please proceed.

---

**Vernon Essi - Needham & Company - Analyst**

Thank you very much, and nice guidance in this environment. I was wondering, and I want to congratulate you also on the purchase of power analog. And Dr. Lu, I was wondering if you could expand upon that and give us an understanding of your revenue footprint in Japan? In your filings, there's really no presence at all and obviously, I would assume that's going to get you some multi-national experience or exposure over in Japan. Can you give us an understanding of how that might play out for you in terms of your relationships in that region and what you're serving right now?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay. Typically, Diodes in history, we really don't have any revenue from Japan. We kind of - because Japan typically does discrete - you have a lot of Japanese company occupy that, and it's difficult for us to get into Japan. So, we focus our effort in US, Europe and Asia, and you can see when we break it out, we hardly say anything in Japan because we basically not in Japan, okay? But I think the way I feel is everything is changing. I think Japan company start to feel lot of pressure. They really need to start to procure their component from outside. If they try to buy from Japan company, they probably start to going to get pressure on their end equipment. And we see that as opportunity for us start to develop the revenue on the business inside Japan. And PAM provide this opportunity because with a small product portfolio, they are able to get some business from Japan and they have couple of very good disty. We can utilize it, okay? So, we try to take the opportunity to participate into the Japan market.

---

**Vernon Essi - Needham & Company - Analyst**

And if you were to give us understanding, have you already started those conversations as a result of this acquisition? And do you see progress already occurring, or is this more of a 2013 effort?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Well, I'll let Mark King answer this question.

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

We already have our Asian — the leadership of our Asian team in Japan this week as working with those distributors to start setting up preparing for to us go. One of the key things about it is just it forced us to have an investment in Japan. So, now that we have two people there, we can sit down and do it. Sometimes getting started and deciding to hire those people in Japan is a first big step. So, we have some people there, people within our Company are familiar with those people, so that gives us some advantages. We have already established distributor bases in some of the — some of the distributors that we had already been looking at in the past, so I think it all worked out pretty well for us.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Mark already tell you there are two people from PAM in Japan, and one of them working for me before (laughter). So, I think this is good opportunity for us. We know him well and we know his capability, and this is a good opportunity for us to start to develop Japan market.

---

**Vernon Essi - Needham & Company - Analyst**

You seem to know everybody, Dr. Lu.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

(Laughter) He working for me when I was in my previous company.

---

**Vernon Essi - Needham & Company - Analyst**

Okay. Just moving on, my last question here on the automotive front you had a really nice growth sequentially. And it looks like that might actually be a record quarter for you, and you said you had strength in Europe. Was there any specific product that was more successful or any specific reason for that, that strength?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

I don't think it was a record, but it bumped against our 4% high. And, what we see in some of our designs in the higher end cars are doing pretty well. Actually, the lower end cars where we're not as present have been pretty soft in Europe. So, we just — it was kind of a broad based product area that we saw some — broad base where we participate, we saw some strong numbers the last quarter.

---

**Vernon Essi - Needham & Company - Analyst**

Okay. And just for the record, on a dollar basis, I think it's a record, but I —

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

It's a really small — okay, on a dollar basis, yes, right. The record on the dollar basis.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes, you're right.

---

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

The percentage of our segment thing, we've been just here once before.

---

**Vernon Essi - Needham & Company - Analyst**

Right, right. Okay, thank you.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes.

---

**Operator**

Your next question comes from the line of Stephen Chin from UBS. Please proceed.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Hi, Steve.

---

**Stephen Chin - UBS - Analyst**

Hi, Dr. Lu. Thanks for taking my questions. A couple items I wanted to go through. Firstly, on the top line, just in terms of the new products that you were talking about like the chip-scaled package products and other new innovative products, what does the demand look like for those products going into early 2013? Because you mentioned that there might be good mobile customer exposure there and just wondering if there's a good steady flow of new products ramping into next year.

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

I would say that as the market demand goes, we're having a strong quarter this quarter. We'll see where the demand is in the first quarter. They are predominantly consumer oriented, so again, the demand window is relatively short. All in all, from a design win perspective and a positioning perspective, we think those products are doing quite well for us.

---

**Stephen Chin - UBS - Analyst**

Okay. That's helpful. And then in terms of operating expenses, can we get a little more color in terms of how the guidance for - or how that breaks out between the R&D and the SG&A side?

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

The guidance?

---

**Stephen Chin - UBS - Analyst**

Right. For OpEx in terms of 23.5% plus or minus 1 percent. How does that break out between R&D and SG&A? Is it, a little more heavy on the SG&A side in terms of the headcount?

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

Well, our model is to have about 5% R&D, and if you look at our third quarter, we were at 5.5%. It's probably in that same range in the fourth quarter, maybe a little bit higher, and then we have the amortization of intangibles, that's about \$1 million, \$1.5 million. You can look at the history on that one. And then the rest will be SG&A.

---

**Stephen Chin - UBS - Analyst**

Okay, got it. That's helpful.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes. But in the fourth quarter, I think we get the Eris and PAM —

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

Both are in there, right

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Both is — their cost is more than our model, okay? So, we just need to work the number down because they're a very small company, and so their R&D and SG&A is much higher than our model.

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

Right. And that's one of the reasons in the fourth quarter the R&D and the SG&A is going up higher than our model and higher than the third quarter.

---

**Stephen Chin - UBS - Analyst**

All right.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

And give us the time when we working that number down and when the revenue growing — start to grow back up again, then we will go back to our model.

---

**Stephen Chin - UBS - Analyst**

Just the last question or two here on the capacity side, and it's related to those two acquisitions. In terms of utilization rates in Q3, just directionally, was it flat or did it come down some more for your internal capacity excluding Eris in the quarter?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes. Like I say, utilization, if you just pure look at utilization number, you will say utilization is up. But if you look at the separation between the advanced new package versus standard package, then the standard package is actually either flat or slightly down. Because our gaining the momentum is all in the high end in advanced package. So, this is what I'm talking about. If you pure look at utilization, might be okay. We still put in the capital in second quarter, in third quarter, and we are not putting any more because I think we have enough capacity even to support the newer package, but standard package is still under pressure.

---

**Stephen Chin - UBS - Analyst**

And just one follow-up on this. When you look at the number of dollars that you spent on the acquisitions (technical difficulties) Eris, how does that break look from a capital acquisition standpoint? The effective capacity that you have access to now, how does that compare to your historic spending on these (technical difficulties) amount of back end capacity? I understand that some of the capacity require periods more specialty packaging and high voltage-type parts. I know that's not a complete apples to apples comparison here.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay, number one, on Eris — their capacity, we don't count their excess capacity, okay? And we just consolidate their P&L, so their capacity, we don't care.

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

With a minority interest, right?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes. And so the number one, and number two, their capacity is not the same as our — we invest in Eris, an area we don't have the capacity. We don't have the product okay? We are not buying Eris because buying the capacity. Eris is in the — Eris capacity is in other package which we subcon, okay. And they are one of our subcon partner originally. The really, the benefit of Eris is this. They are very good at taking the — at using the capital equipment and put on automation to reduce the people's cost. And, we talking about liability before. China labor cost going up 10% to 15% a year, and I don't see the end in the near future. Therefore, we need to figure out a way to helping us to reduce the growth of the people cost, and one of the way is automation. And Eris provides me that kind of technology. Now, not right now, but in the future, we should be able to take that technology and help our expansion in Chengdu and therefore, we should be able to reduce our, you know, our people's cost in the future. But this is more important. Invest in Eris is more their technology, it's not their capacity.

---

**Stephen Chin - UBS - Analyst**

Got it, okay. That's very helpful. Thank you so much, Dr. Lu.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay.

---

**Operator**

Your next question comes from the line of Ramesh Misra from National Securities. Please proceed.

---

**Ramesh Misra - National Securities - Analyst**

Good afternoon, gentlemen. In regards to your logic products, it's been a few years since you got into the space. Can you provide a sense of when logic could potentially become a 5% to 10% portion of your revenue? Is it in 2013, 2014, or even further out?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

I don't think we can give that in exact detail like that, but I believe —

---

**Ramesh Misra - National Securities - Analyst**

I'm asking only for a broad brush, Mark, nothing specific. It's — the purpose of the question is to gauge your progress over there rather than getting a specific number.

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

I think that it's — logic has a long term footprint from some major vendors, and my discussion in my thing about the customer count has been quite good. It's showing that we think we're making pretty good progress, and where our footprint is pretty good in our key customer base, okay? And now the mass market part's going to take us a little bit longer. So, I think we mentioned that we're starting to get — the revenue is starting to get more significant and we're starting to get more and more momentum. We're pretty comfortable where we're going. Maybe taking a little bit longer than we expected because of the market situations that we've been involved in. Okay?

---

The next tight period will be a big, big launch for us. We've created a footprint that will be our big launching pad for growth for logic. We're well positioned with packaging. We're building a product line. We're just getting our product line up to things. We've got some very advanced products now in our sub-miniature DFN package and so forth. So, we're very, very well positioned.

I think what we need is one of those — we always kind of talked a good 3% to 5% growth over a consistent six quarters for our business, and all of a sudden that stuff tightens up because packaging is the base of all logic, okay, and that's where our strength is. We're kind of continuing to fight through it to key customer, and we expect that the market will help us become a key player in a very, very short period of time down the road. I hope that helps.

---

**Dr. Keh-Shew Lu - *Diodes Inc - President and CEO***

If you look at the logic business, only few customer, few of vendor put in the effort in this area. And so the key thing is when the shortage come, we'll be in the good position to gain the market share, okay? When in today's market it's difficult because people do not have a need to change it and unless you drop the price, which is not what we want to do, to drop the price to gain the market share. But when the shortage come, this the time for us to gain the momentum, to gain the market share. And we prepare for that so we continue introduce the new product, put in the logic product in the new package such as that when the time come, we are ready to ramp.

---

**Ramesh Misra - *National Securities - Analyst***

Okay, that's helpful, Dr. Lu. I think in general, your strategy has been to focus on synergistic gains. Can you say that your entry into the logic space has actually been helping your other discretes and your other small signal analogs?

---

**Mark King - *Diodes Inc - SVP, Sales and Marketing***

Again, it all goes back to the strategy of having more SAM to serve our strong customer base, okay, within the package mix and in the technology range that we play in. So yes, I think it's — frankly, I think the others is going to help logic, but in the long run, logic is going to help everything else, okay? I can't say that logic is driving anything else, but it's definitely giving us more to offer and giving us more talk points with our customer base.

---

**Ramesh Misra - *National Securities - Analyst***

Got it. In regards to Chengdu, as you said that today, when do you think Chengdu becomes any significant contributor to manufacturing? Is it 2014, 2015 or even further out?

---

**Dr. Keh-Shew Lu - *Diodes Inc - President and CEO***

Well, obviously, it would not be 2013. I don't know it would be 2014 or not. It really depend on how the market — today I cannot even see what will be the market, it would be a booming market next year or not. I'm waiting for it. Get the building ready and then whenever the market turn, we are ready, okay?

It take about nine month to one year to get the building ready. It take another nine months to one year to get power ready. I'm working on that, but then from the time I need it to put the MERFEI in, to put the equipment qualify, it take six months. I make those long time items ready, and then whenever market start to turn, we can start putting the capacity. And at that time, we don't need to put a big one. See, power and building, you just need to make a big one, but when you start to doing, facilitate, moving in the capital equipment, you can do a small chunk by small chunk.

---

**Ramesh Misra - *National Securities - Analyst***

Got it, okay. And then in regards to inventory, do you expect in Q4 your inventories will come down, or do you think it will be mostly flat?

---

**Dr. Keh-Shew Lu - *Diodes Inc - President and CEO***

Well, the reason the third quarter inventory go up is really because we are facing October 1 to — it's up nine days of the national holidays. This very long national holiday, okay, because it just, right, had the two weekend in the front, two weekend on the back. It's nine days. And so we need to put some inventory in our hub because it's not a custom to shut down, our customer will be in trouble. Third quarter inventory is really due to prepare the long holiday in, right, after October 1, okay? Then the first quarter (multiple speakers) what? No. Because you know the Chinese new year.

---

Every year the Chinese new year we're going to lose people and the holidays, a lot of people won't come back on time. So, every year we are fighting the same thing, right? And building this right before the Chinese new year people just go home and then after Chinese new year not — everybody won't come back. They take time to come back, and therefore, we do need to build ahead in December to prepare for the Chinese new year. And so this is what we are doing. I'm hoping and I would expect probably flat if it go up or go down, won't be too much. My plan is probably flat 3Q, because the same Chinese holidays, I do need to prepare for it.

---

**Ramesh Misra - National Securities - Analyst**

Got it, okay. All right. Thank you very much.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Thank you.

---

**Operator**

Your next question comes from the line of Tristan Gerra from Baird. Please proceed.

---

**Tristan Gerra - Robert W. Baird & Company, Inc. - Analyst**

Hi. Good afternoon. Last year in December, I think that across the industry there was some weakness relative to expectation in terms of the Chinese new year related demand. So, that was not a big — the later part of December. Any visibility? What is your guidance implying in terms of Chinese new year demand or build?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay. The difference last year and this year is: last year Chinese new year is in late part in January, so it affect all December. This year, the Chinese new year is late part February, so our December probably won't get affected other than, like I say, I prepare the inventory, okay? So, we — really the 4Q did not plan in any affect due to the Chinese new year.

---

**Tristan Gerra - Robert W. Baird & Company, Inc. - Analyst**

Okay, okay, great. And did you mention what the total sell-in versus sell-through was in Q3? And what is your expectation in Q4, just looking at how there is basically some adjustment of inventories in the channel?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

Yes. What I did talk about was the POS was 4% and the inventory was down 4%. I think we expect the channel to drive the inventory down again in Q4, but probably not significantly because frankly, our channel inventory is quite clean.

---

**Tristan Gerra - Robert W. Baird & Company, Inc. - Analyst**

Great. Very useful. Thank you.

---

**Operator**

Your next question comes from the line of Shawn Harrison from Longbow Research. Please proceed.

---

**Shawn Harrison - Longbow Research - Analyst**

Hi. Can you hear me?



---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes, Shawn.

---

**Shawn Harrison - Longbow Research - Analyst**

Hi, Rick, just a question for you before I have some bigger picture questions for you, Dr. Lu. The \$1.9 million in other income, I'm sorry if I missed it, what was that in the third quarter and how should we project that going forward? And then also, just the full quarter CapEx expectation?

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

Yes. The \$1.9 million was — the gain was due basically to the fact that we had a gain on the Eris stock. And so that's not going to happen in the future because we changed the accounting from fair value accounting to consolidation as of September 1. So, take that gain out.

---

**Shawn Harrison - Longbow Research - Analyst**

Okay. And then the CapEx?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

CapEx in the 4Q will be very small because like I said, we put in the capacity, CapEx, in second quarter and third quarter for this growth in the new package, new design win. And we project now fourth quarter revenue to go zero to minus 4%. Therefore, at mid point in the minus 2, so we really do not intend to put any new capacity in there. Other than the maintenance, those you typically need spend some money for maintenance and those. We're going to be very small on CapEx expenditures.

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

If you looked at the CapEx this year, we've said that — in the third quarter, for instance, it was 8.8%. So, it's been below our 10% to 12% model basically all year long, and we're projecting that in the fourth quarter it will be the same or even lower than the 8.8%, right.

---

**Shawn Harrison - Longbow Research - Analyst**

Okay. And then I guess a bigger picture question, Dr. Lu. It was alluded to a little bit this earlier in the Q&A, but some of your competitors that sell into the PC market either highlighted abnormal, anecdotally negative pricing during the quarter. Some maybe have even walked away from a lot of the business in that market. How would you characterize the computing market, both in terms of the competitive dynamic, the attractiveness, maybe the share opportunities if people are — if competitors are walking away, given what looks to be maybe a negative growth market here for at least maybe the next few quarters?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Yes, now people are talking about computer market, but ultrabook, ultrabook is not bad, okay? Maybe not as good as originally expected, but ultrabook is not doing bad. So, if you adding ultrabook and the notebook together, yes, it's still slow going down. But we take opportunity to gain the market share. And if you look at this and what Mark is talking about our market share, our percentage revenue actually of computing isn't from 27% of our total revenue in second quarter to 28% of our total revenue in third quarter. And you know our revenue is growing, so you get from that, you can see our computing revenue is actually growing.

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

Right. If you look at past quarters, our computing was up in the 32 — into the 30 range. So, we've already shed some of the low end business on that part and what we're covering some of the other stuff, yes. I think that we're changing a little bit what we're selling in there, and some of our MOSFETs content is entering there. And so we have a little bit of better content in that than we had before and some of the commodity discrete.

---

**Shawn Harrison - Longbow Research - Analyst**

That's very helpful. And I guess just as a follow-up, Mark, point of sale at distribution, have you seen any change through October in terms of that rate, whether it's steady, better, worse?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

I think it's relatively steady through October. Obviously, this quarter is going to be a tight quarter for this. I think that really — I think the POS will lag a little bit, and the POP will lag with it in certain areas. I think certain areas it's going to be a little bit more stable. So, I'm not sure. I do want to correct something I did say in Tristan's. Our global POS was up 5%, not 4%. I read the wrong number, I apologize.

---

**Shawn Harrison - Longbow Research - Analyst**

Okay. And with that, you expect the gap between the POP and the POS to probably narrow as we come into the new year?

---

**Mark King - Diodes Inc - SVP, Sales and Marketing**

Right.

---

**Shawn Harrison - Longbow Research - Analyst**

Based upon — okay. Very helpful. Thanks so much.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Thank you.

---

**Operator**

Your next question comes from the line of Vijay Rakesh from Sterne, Agee. Please proceed.

---

**Vijay Rakesh - Sterne, Agee & Leach, Inc. - Analyst**

Hi, guys, just only if you can give — break off the revenue by segment? I think I missed it.

---

**Rick White - Diodes Inc - CFO, Secretary and Treasurer**

Revenue by segment, Mark.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Okay. By segment, computing is at 28%, consumer is 33%, Automotive is 4%, industrial is 19%.

---

**Leanne Sievers - Diodes Inc - Shelton Group - IR**

Communication —

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Oh, communication 16%

---

**Vijay Rakesh - Sterne, Agee & Leach, Inc. - Analyst**

Oh, good. And same question was, just wondering if you would give some more color on the gross margin back to 25%. OpEx I know you mentioned it going up, but longer-term, it should come back to your models. What is the long-term OpEx (technical difficulties) if you could give color on both. Thanks.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

When the general markets start to turn and the demand start to going up for our standard package. See, currently the demand for our new advanced package is very strong, but for other standard package, it's just like a global economic. It's very weak, okay? Therefore, our demand on our standard package really is not — is very — utilization it's low, okay? And we're hoping when the market turn, our standard package will start to grow. Demand will start to grow again, then utilization go up. Then our GPM will be start to increase.

---

**Vijay Rakesh - Sterne, Agee & Leach, Inc. - Analyst**

Is the GPM in the product mix or utilization of — I know you said demand on the standard packaging was weak. So, is that, what, a product mix issue now?

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Actually, all of those. Number one, couple wire conversion, number two, mix. Because it's underloaded, so we move to the low end of the mix, and number three, we are not fully utilized, so utilization. And then number four, ASP on the standard product have a pressure, too. So, I have been talking about GPM as an also four factor, and that four factor still there.

---

**Vijay Rakesh - Sterne, Agee & Leach, Inc. - Analyst**

Got it. Okay, thanks.

---

**Operator**

That concludes today's Q&A portion of the conference. I would now like to turn the conference over to Dr. Lu for any closing remarks.

---

**Dr. Keh-Shew Lu - Diodes Inc - President and CEO**

Thank you for your participation today. Operator, you may now disconnect.

---

**Operator**

Ladies and gentlemen, thank you for your participation. Please have great day.