
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

May 8, 2008
Date of Report (Date of earliest event reported)

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

002-25577
(Commission File Number)

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

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

75248
(Zip Code)

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

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

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

On May 8, 2008, Diodes Incorporated issued a press release announcing first quarter 2008 results. A copy of the press release is attached as Exhibit 99.1.

On May 8, 2008, Diodes Incorporated hosted a conference call to discuss its first quarter 2008 results. A recording of the conference call has been posted on its website at www.diodes.com. A copy of the script is attached as Exhibit 99.2.

During the conference call on May 8, 2008, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, Rick White, Senior Vice President of Finance, and Mark King, Senior Vice President of Sales and Marketing, made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 – Press release dated May 8, 2008

Exhibit 99.2 – Conference call script dated May 8, 2008

Exhibit 99.3 – Question and answer transcript dated May 8, 2008

SIGNATURES

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

Dated: May 12, 2008

DIODES INCORPORATED

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

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press release dated May 8, 2008 |
| 99.2 | Conference call script dated May 8, 2008 |
| 99.3 | Question and answer transcript dated May 8, 2008 |



**Diodes Incorporated Reports First Quarter 2008
Financial Results**

Revenue and Gross Margin Improve Year-Over-Year

DALLAS, TEXAS – May 8, 2008 — Diodes Incorporated (NASDAQ:DIOD), a leading global manufacturer and supplier of high-quality application specific standard products within the broad discrete and analog semiconductor markets, today reported financial results for the first quarter ended March 31, 2008.

Financial and Business Highlights:

- Revenue increased 3.9 percent over the prior year period to \$95.6 million.
- Gross margin increased 130 basis points over prior year period and was comparable to the fourth quarter of 2007 at 33.4 percent.
- Adjusted net income increased 6.7 percent to \$15.1 million, or \$0.35 per share, up from \$14.2 million, or \$0.33 per share, in the first quarter of 2007.
- Recently announced the proposed acquisition of Zetex plc, which is expected to result in revenue, operating and cost synergies.

Revenue for the first quarter of 2008 increased 3.9 percent to \$95.6 million, compared to \$92.0 million reported in the first quarter of 2007. As previously expected, revenue declined 11.2 percent sequentially due to the overall weakening of the global economy combined with seasonality, as well as the Company's foundry and subcontracting business, which showed greater weakness than its core revenue drivers.

Gross profit for the first quarter of 2008 increased 8.1 percent to \$31.9 million, or 33.4 percent of revenue, compared to \$29.5 million, or 32.1 percent of revenue, in the prior year quarter and 33.5 percent in the fourth quarter of 2007.

Commenting on the quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said, "We continued to make significant progress during the quarter towards our strategic growth objectives. From a financial perspective, our first quarter results were sequentially impacted by the economic slowdown as well as weakness in our foundry and subcontracting business. However, we continued to demonstrate the success of our business model, which is built around the achievement of profitable growth. Our gross margin remained consistent compared to the fourth quarter due to our operational and manufacturing efficiencies."

Dr. Lu further commented, "Most notable, our quarter was highlighted by the announcement of our proposed acquisition of Zetex plc, a U.K. publicly traded semiconductor company, which we believe will further enhance Diodes' global leadership for discrete and analog solutions. This acquisition will strengthen and broaden our product offerings, including entry with components into the fast growing LED lighting as well as the automotive market, expand our geographical footprint through increased exposure within the European market, and provide enhanced scale

through a larger revenue base as well as manufacturing and packaging synergies and capacity efficiencies. We believe that Zetex fits perfectly into the profitable growth strategy we have consistently communicated to investors and further complements the strength and growth of our business. We look forward to reporting additional details regarding the future integration of Zetex into our business upon the pending close in June.”

First quarter net income was \$14.2 million, or \$0.33 per diluted share, compared to \$13.0 million, or \$0.31 per share, in the first quarter of 2007 and \$18.3 million, or \$0.43 per share, in the fourth quarter of 2007.

Adjusted net income for the first quarter of 2008, which excluded \$0.9 million of SFAS 123R net stock option expenses, was \$15.1 million, or \$0.35 per diluted share, an increase of 6.7 percent compared to the \$14.2 million, or \$0.33 per share, reported in the prior year quarter and \$18.6 million, or \$0.43 per share, reported in the fourth quarter of 2007.

As of March 31, 2008, Diodes had approximately \$61.2 million in total cash, \$302.6 million in long-term investments, \$144.5 million in working capital, \$237 million in long-term debt (including the convertible note) and unused and available credit facilities of \$59 million.

Business Outlook

“As we look to the second quarter of 2008, we expect an increase in revenue to between \$100 million and \$106 million. In addition, we expect gross margin to be down slightly due a stronger China currency affecting our manufacturing costs, but gross profit will increase 4 to 9 percent sequentially,” stated Dr. Lu. “We are beginning to see signs of improvement in the consumer as well as in the computer market segments, primarily within notebooks. The Zetex acquisition is progressing according to our original schedule to close in early June, and its impact is not included in our second quarter guidance.”

Conference Call

Diodes will host a conference call on Thursday, May 8, 2008 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time) to discuss its first quarter 2008 financial results. Investors and analysts may join the conference call by dialing 888-713-4213 and providing the confirmation code 54974371. International callers may join the teleconference by dialing 617-213-4865. A telephone replay of the call will be available approximately two hours after the call and will be available until May 12, 2008 at midnight Pacific Time. The replay number is 888-286-8010 with a pass code of 37811030. International callers should dial 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 Investor section of Diodes’ website at <http://www.diodes.com>. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes’ website for approximately 60 days.

About Diodes Incorporated

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

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements regarding our expectation that: we expect the proposed acquisition of Zetex plc will result in revenue, operating and cost synergies and further enhance Diodes' leadership for discrete and analog solutions; we expect the acquisition will strengthen and broaden Diodes' product offerings, including entry with components into the fast growing LED lighting and automotive markets, expand Diodes' geographical footprint through increased exposure with in the European market, and provide enhanced scale through a larger revenue base as well as manufacturing and packaging synergies and capacity efficiencies; We believe the acquisition will fit perfectly into Diodes' profitable growth strategy and will complement the strength and growth of Diodes' business; we expect for the second quarter of 2008 the revenue and the gross profit to increase and the gross margin to be down slightly; we see signs of improvement in the consumer and in the computer market segments, primarily within notebooks; we believe Zetex acquisition is progressing according to our original schedule to close in early June. Potential risks and uncertainties include, but are not limited to, such factors as the Company's business strategy, the introduction and market reception to new product announcements, fluctuations in product demand and supply, prospects for the global economy; the continue introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, successful integration of acquired companies and/or assets, the Company's ability to successfully make additional acquisitions, risks of domestic and foreign operations, uncertainties in the Auction Rate Securities market; currency exchange rates; availability of tax credits, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

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

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CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOW

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

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2007 | 2008 |
| NET SALES | \$ 92,020 | \$ 95,580 |
| COST OF GOODS SOLD | 62,496 | 63,664 |
| Gross profit | 29,524 | 31,916 |
| OPERATING EXPENSES | | |
| Selling, general and administrative | 12,679 | 14,659 |
| Research and development | 2,944 | 3,736 |
| Gain on disposal of fixed assets | — | (45) |
| Total operating expenses | 15,623 | 18,350 |
| Income from operations | 13,901 | 13,566 |
| OTHER INCOME (EXPENSES) | | |
| Interest income | 4,035 | 5,448 |
| Interest expense | (1,725) | (1,698) |
| Other | (129) | (294) |
| Total other income | 2,181 | 3,456 |
| Income before income taxes and minority interest | 16,082 | 17,022 |
| INCOME TAX PROVISION | (2,658) | (2,215) |
| Income before minority interest | 13,424 | 14,807 |
| Minority interest in earnings of joint ventures | (415) | (604) |
| NET INCOME | \$ 13,009 | \$ 14,203 |
| EARNINGS PER SHARE | | |
| Basic | \$ 0.33 | \$ 0.35 |
| Diluted | \$ 0.31 | \$ 0.33 |
| Number of shares used in computation | | |
| Basic | 39,041 | 40,245 |
| Diluted | 41,776 | 42,534 |

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

| | Three months ended | |
|---|--------------------|------------------|
| | March 31, | |
| | 2007 | 2008 |
| Net income | <u>\$ 13,009</u> | <u>\$ 14,203</u> |
| Adjustments to reconcile net income to adjusted net income: | | |
| Stock option expense included in cost of goods sold: | 82 | 53 |
| Stock option expense included in selling and general administrative expenses: | 1,303 | 1,079 |
| Stock option expense included in research and development expenses: | 124 | 101 |
| Total stock option expense | 1,509 | 1,233 |
| Restructuring costs | — | — |
| Other adjustments | — | — |
| Income tax benefit related to stock option expense, restructuring costs and other adjustments | 333 | 300 |
| Adjusted net income | <u>\$ 14,185</u> | <u>\$ 15,136</u> |
| Diluted shares used in computing earnings per share | 41,776 | 42,534 |
| Incremental shares considered to be outstanding: | 950 | 546 |
| Adjusted diluted shares used in computing Adjusted earnings per share | <u>42,725</u> | <u>43,079</u> |
| Adjusted earnings per share | | |
| Basic | \$ 0.36 | \$ 0.38 |
| Diluted | <u>\$ 0.33</u> | <u>\$ 0.35</u> |

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME TO EBITDA

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

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

| | Three Months Ended | |
|--------------------------------|---------------------------|------------------|
| | March 31, | |
| | <u>2007</u> | <u>2008</u> |
| Net Income | \$ 13,009 | \$ 14,203 |
| Plus: | | |
| Interest expense (income), net | (2,310) | (3,750) |
| Income tax provision | 2,658 | 2,215 |
| Depreciation and amortization | 5,972 | 7,656 |
| EBITDA | <u>\$ 19,329</u> | <u>\$ 20,324</u> |

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(in thousands, except share data)

| | <u>December 31,</u> 2007 | <u>March 31,</u> 2008 <i>(unaudited)</i> |
|---|-----------------------------|--|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 56,179 | \$ 61,243 |
| Short-term investments | 323,472 | — |
| Total cash and short-term investments | 379,651 | 61,243 |
| Accounts receivable | | |
| Trade customers | 84,638 | 83,478 |
| Related parties | 5,405 | 4,528 |
| | 90,043 | 88,006 |
| Allowance for doubtful accounts | (465) | (549) |
| Accounts receivable, net of allowances | 89,578 | 87,457 |
| Inventories | 53,031 | 62,162 |
| Deferred income taxes, current | 5,173 | 5,968 |
| Prepaid expenses and other | 10,576 | 12,740 |
| Total current assets | <u>538,009</u> | <u>229,570</u> |
| LONG-TERM INVESTMENT , available-for-sale securities | — | 302,627 |
| PROPERTY, PLANT AND EQUIPMENT , net | 123,407 | 129,834 |
| DEFERRED INCOME TAXES , non-current | 3,241 | 9,819 |
| OTHER ASSETS | | |
| Intangible assets, net | 9,643 | 9,569 |
| Goodwill | 25,135 | 26,474 |
| Other | 6,930 | 7,550 |
| Total assets | <u>\$ 706,365</u> | <u>\$ 715,443</u> |

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

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

| | <u>December 31,</u> 2007 | <u>March 31,</u> 2008 <i>(unaudited)</i> |
|---|-----------------------------|--|
| CURRENT LIABILITIES | | |
| Line of credit | \$ — | \$ 2,434 |
| Accounts payable | | |
| Trade | 42,010 | 39,032 |
| Related parties | 13,135 | 12,701 |
| Accrued liabilities | 27,841 | 26,017 |
| Income tax payable | 1,732 | 3,346 |
| Current portion of long-term debt | 1,345 | 1,363 |
| Current portion of capital lease obligations | 145 | 146 |
| Total current liabilities | <u>86,208</u> | <u>85,039</u> |
| LONG-TERM DEBT , net of current portion 2.25% convertible senior notes due 2026 | 230,000 | 230,000 |
| Other | 5,815 | 5,753 |
| CAPITAL LEASE OBLIGATIONS , net of current portion | 1,331 | 1,278 |
| OTHER LONG-TERM LIABILITIES | 6,249 | 7,156 |
| Total liabilities | <u>329,603</u> | <u>329,226</u> |
| MINORITY INTEREST IN JOINT VENTURES | 7,164 | 7,772 |
| CONTINGENCIES AND COMMITMENTS | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock — par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding | — | — |
| Common stock — par value \$0.66 2/3 per share; 70,000,000 shares authorized; 40,172,491 and 40,322,547 issued and outstanding at December 31, 2007 and March 31, 2008, respectively | 26,782 | 26,882 |
| Additional paid-in capital | 121,412 | 124,391 |
| Retained earnings | 220,504 | 234,706 |
| Accumulated other comprehensive gain (loss) | 900 | (7,534) |
| Total stockholders' equity | <u>369,598</u> | <u>378,445</u> |
| Total liabilities and stockholders' equity | <u>\$ 706,365</u> | <u>\$ 715,443</u> |

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

Operator:

Good morning and welcome to Diodes Incorporated's first quarter 2008 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of today's conference call, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference call, please press the star followed by the zero on your touchtone phone.

As a reminder, this conference call is being recorded today, Thursday May 8, 2008. I would now like to turn the call to Shelton Group, the investor relations agency for Diodes Incorporated. Leanne, please go ahead.

Introduction: Leanne Sievers, EVP of Shelton Group

Good morning and welcome to Diodes' first quarter 2008 earnings conference call. I'm Leanne Sievers, executive vice president of Shelton Group, Diodes' investor relations firm.

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

Before I turn the call over to Dr. Lu, I would like to remind our listeners that management's prepared remarks contain forward-looking statements, which

are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions.

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

In addition, any projections as to the Company's future performance represent management's estimates as of **today, May 8, 2008**. Diodes assumes no obligation to update these projections in the future as market conditions may or may not change.

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

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

Dr. Keh-Shew Lu, President and CEO of Diodes

Thank you, Leanne.

Welcome everyone, and thank you for joining us today.

We continued to make significant progress during the quarter towards our strategic growth objectives. In terms of our financial results, revenue for the quarter was impacted by seasonality combined with the overall weakening of the global economy, as well as our foundry and subcontracting business showing greater weakness than our core revenue drivers. As expected, gross margin remained comparable to the prior quarter, yet increased 130 basis points over the prior year period as our business continues to benefit from operational and manufacturing efficiencies.

As many of you know, our first quarter was highlighted by the April 4th announcement of our proposed acquisition of Zetex. Since we discussed this transaction extensively on that conference call, and our presentation is saved on our website, I will only provide a summary of the key highlights.

When looking at the strengths and expertise of each company, Diodes has cost-effective packaging capabilities, and large capacity in our manufacturing facilities in China, as well as strong sales and marketing presence in Asia and our focus on the consumer, computing and communications markets.

Zetex, on the other hand, has:

- a strong proprietary wafer process and packaging technology,
 - a solid application and design team,
 - a strong presence in Europe,
-

as well as a focus on the industrial, communications and automotive markets.

When combined with Diodes, there are many synergies that exist, including:

- a broadened product portfolio to support a world-class customer base,
- a wealth of manufacturing and operational synergies,
- an increased geographic footprint, and
- an expanded market segment diversification.

From a financial perspective, the combined 2007 Diodes and Zetex financials would have resulted in revenues of approximately \$528 million, gross profit of \$170 million and EBITDA of \$75 million, with solid gross margins and operating margins for both companies. We believe this combination will provide a strong base for further growth and improvements as we begin the integration towards being accretive to earnings within 12 months.

As we mentioned on our conference call, our evaluation process took almost two years to find the right company that would complement the strength and growth of our business. We believe that Zetex meets all of our acquisition criteria. The transaction is expected to close next month.

Until the transaction is approved and closed, we are unable to discuss any further details regarding our plans for integration as it relates to the business, the cost savings or any specific financial benefits. We plan to provide more extensive details to our shareholders in the coming quarters.

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

Carl Wertz, CFO

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, the first quarter, as anticipated, proved to be a challenging revenue quarter for Diodes on a sequential basis, but increased across all metrics on a year-over-year basis.

Revenue for the first quarter was \$95.6 million, an increase of 4 percent from the first quarter of 2007.

Sequentially, and as expected and previously announced, revenue was down 11 percent from 4Q.

New product sales accounted for 30 percent of revenue as compared to 40 percent in the previous quarter. The decrease in new product sales in the first quarter was due to our high volume QFN products being aged out of the 3-year new product category, even though sales of these products remain strong.

Gross profit for the first quarter of 2008 was \$31.9 million, or 33.4 percent — comparable to 33.5 percent in the prior quarter. Gross margin improved 130 basis points from the year-ago quarter.

Sequentially, gross margin remained stable despite the decline in sequential revenue, due to improved product mix, and operating efficiencies.

Selling, General & Administrative expenses for the quarter were \$14.7 million, or 15.3 percent of revenue. SG&A expenses were comparable to last quarter, but higher as a percentage of sales due to the lower revenue base. Included in first-quarter SG&A was \$1.1 million in non-cash, FAS123R, share-based compensation. In the earnings release we have included a table to reconcile the impact of share-based compensation expense to our reported results.

Research and Development investment in the quarter was \$3.7 million, about the same as last quarter, and 3.9 percent of revenue, again due to the lower revenue base.

Looking at the second quarter and the remainder of 2008, we will continue to enhance our R&D capabilities in order to support our broader market focus and new product introductions, while maintaining R&D at between 3 and 4 percent of revenue.

Other income of \$3.5 million in the quarter includes approximately \$5.4 million of interest income, partially offset by interest expense of \$1.7 million, primarily related to our convertible bonds outstanding.

First quarter interest income has been impacted by the turmoil in the credit markets, and in particular with the Auction Rate Securities. Since mid-February, all of our ARS portfolio auctions have failed and may continue to fail in the future. With the decline in the overall market interest rates as well as our failed ARS auctions we are providing additional 2Q interest income guidance.

We now expect to earn approximately 2.5% interest on the ARS's, as compared to approximately 6.5% in the first quarter of 2008. This lower overall interest rate will result in an approximately \$2 million after tax reduction in net income for 2Q08.

Our effective **income tax** rate in the first quarter was 13.0 percent, with our expectations for the full year of 2008 to be between 13 and 15 percent. Our tax rate takes into consideration income from our operations in lower tax jurisdictions as well as preferential tax treatment in Asia.

Adjusted net income, which excludes \$1.2 million in non-cash, stock option expense, increased 6.7 percent over the prior year period to \$15.1 million, or \$0.35 per share, up from \$14.2 million, or \$0.33 per share, in the first quarter of 2007.

Cash flow from operations for the quarter was \$10 million, compared to \$6.5 million in the first quarter of 2007.

Turning to the **balance sheet**, as of March 31, we had \$320 million invested in student loan auction rate securities, which we have generally invested in as part of our cash management program. The objective of our cash management program was to invest our cash at the highest interest rates possible using triple-A rated securities with short-term maturities. In addition, we staggered the maturity dates so that at any one time we would have ample access to cash for corporate purposes, including acquisition financing. We invested in the securities within our objectives as a cash-equivalent without the foresight of the unprecedented events of the liquidity market.

As you know, the recent uncertainties in the credit markets have prevented us and other investors from liquidating our holdings in recent auctions.

At quarter-end, our portfolio of auction rate securities was valued using a market-to-model valuation methodology, resulting in a discount to the total portfolio of 5.6 percent, or an \$18 million pre-tax unrealized loss.

This discount is accounted for as impairment.

We review impairments in accordance with SFAS No. 115, as well as related guidance issued by the FASB and SEC in order to determine the classification of the impairment as “temporary” or “other-than-temporary”.

In evaluating the impairment of Diodes ARS portfolio, we classified such impairment as temporary, and recorded the unrealized loss of \$12 million, after of tax, in other comprehensive loss on the balance sheet.

In addition, because the securities are currently not liquid, in the first quarter balance sheet, we reclassified the securities from a current asset to a non-current, long-term investment.

We consider the liquidity issue to be temporary and currently intend to hold these securities until a recovery of the auction process.

We continue to monitor the auction rate market and will evaluate the securities at each quarter-end to determine the valuation allowance required.

Our Form 10-Q, which will be filed on May 12th, will have the extensive footnote disclosure required related to the auction rate securities.

As a result of this reclassification, cash and short-term investments at the end of the first quarter were \$61 million in total, with \$144 million in working capital. Long-term term debt including the convertible bond was \$237 million.

Inventories increased during the first quarter to \$62.2 million or 88 days primarily due to the lower revenue, as well as an increase in raw materials and finished goods for future loading and shipments.

Accounts receivable days were 82 days in the first quarter compared to 75 days in the prior quarter as some customers slowed payments, but we do not currently believe there is a material decrease in the collectibility of the A/R.

Capital expenditures for the current quarter were \$13.3 million, which represents 13.9 percent of revenue, and is slightly above our expected range of 10 and 12 percent for the full year. The capital was primarily focused on the expansion of our packaging capacity in China.

Depreciation expense for the first quarter was \$7.4 million.

Turning to our Outlook...

As we look to the second quarter of 2008, we expect revenue to increase to \$100 to \$106 million. In addition, we expect gross margin to be down slightly due a stronger China currency affecting our manufacturing costs, but gross profit will increase 4 to 9 percent sequentially.

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

Mark King, Senior VP of Sales and Marketing

Thank you, Carl, and good morning.

Let me begin with our segment breakout for the first quarter: computing represented 36 percent of revenue; consumer also 36 percent; communications 16 percent; industrial 10 percent; and automotive 2 percent.

During the first quarter, we released 51 new products, including 1 analog device, 2 Hall devices, 10 MOSFETs, and 14 SBR[®] devices.

As Carl mentioned, new products accounted for 30 percent of revenue due to some seasonality in products targeted at the computing and consumer segments, as well as the aging out of several of our high volume QFN products, which remain high growth products for Diodes.

Our new product revenue was driven by our continued expansion of our MOSFET product offerings, as well as the increasing demand for our medium bipolar transistors. With the pending completion of our acquisition of Zetex, we will be able to build upon our growing strength in bipolar transistors, since this is an area where Zetex is very strong with a solid market presence.

Additionally, during the quarter we introduced the industry's smallest one Amp SBR[®] rectifier in a DFN package. This new product is designed to enable further miniaturization and low power consumption resulting in extended battery life, which are key requirements of today's portable electronics.

Also during the quarter, we expanded our standard linear product line with a 1.5 Amp very low dropout linear regulator for processors and ASIC-based applications targeted at network equipment, notebook computers, and servers.

In terms of overall design activity, it was another strong quarter with broad-based design wins across multiple regions at 80 accounts globally. Design wins and in-process design activity were highlighted by:

Hall sensor wins

— with 4 different notebook platforms, Smart phone and Mobile handsets, E-bike, DC fan and mini motors, Bluetooth headsets and 2 automotive applications.

— We also continue to see a slow but steady ramp on previously announced Mobile handset wins, which we expect to continue ramping throughout the year.

SBR: wins with DC-DC converters, LCD TV, Motor control, Switch mode power supply, cable telephony modem and home appliances.

PowerDI: wins in fieldbus, multiple designs in notebooks, DC-DC converters, telecom power supply and automotive GPS.

Medium power Bi- polar transistors in notebook: motherboard and DSL modem.

Switching regulators and LDO's: in LCD-TV, metering, mass storage, 2 set-top box platforms, in-car DVD, as well as our first win with our new

AP7173 in a major server platform, in which we worked directly with this customer to develop the device.

In regards to geographic breakout, Asia sales decreased approximately 13 percent versus the fourth quarter, and represented 77 percent of total revenues. The sequential decline during the quarter was attributed to the seasonal slowdown in the computer and consumer industry, specifically in notebook and digital audio players, which was further compounded by a sharp drop in OEM subcontracting packaging demand.

Asia design activity in core end-equipment remained strong across all product lines with 70 wins at 40 accounts, including 15 analog, 10 SBR and 7 Hall sensor wins.

Now turning to North America, sales were down 13 percent over the prior quarter and represented 17 percent of total sales. Although direct sales were up due to strength in set-top boxes and increases in the industrial market, seasonal decreases in other areas of the consumer segment offset these gains. Distributor point of purchase was down 17 percent and distributor inventory was down 14 percent, as distributors took a very conservative stance on the current economic environment. Distributor point of sales was up 4 percent sequentially.

In total, we achieved 72 design wins in North America during the quarter at

27 customers: 13 of these for analog, 54 discrete, and 5 in SBR®. Wafer sales were off 25 percent in the first quarter.

As Dr. Lu mentioned previously, our wafer sales and sub-contracting business were significant contributing factors to our first quarter revenue decrease.

Sales in Europe increased 36 percent over the fourth quarter 2007 and 34 percent over the first quarter in 2007, and accounted for 6 percent of revenues. The strength in Europe was driven primarily by a 46 percent increase in distributor point of purchase after a seasonally weak prior quarter. OEM sales were also up 20 percent due to strong sales at top consumer and automotive customers. Distributor point of sales increased 13 percent in the quarter driven by our new analog switching regulator business ramping at several key consumer customers.

Our design-win momentum in Europe continued to expand in the first quarter with 21 wins at 15 accounts: including 6 Hall sensor, 3 SBR and 5 analog design wins. Specifically, our high power SBR product line received strong interest from the European customer base, and we believe these products have the potential to become a major contributor for our future growth in the region.

We are very pleased with the strong performance in Europe, especially when considering our announced acquisition of Zetex, which will only further increase our penetration and success in the European market.

In summary, we believe Diodes is taking all the right steps towards becoming a global leading provider of complete analog and discrete solutions. We continue to execute on our growth objectives by leveraging our highly efficient manufacturing and packaging capabilities and capacity, broadening our product portfolio, increasing our geographic footprint and diversifying our market segments.

Our proposed acquisition of Zetex will significantly enhance our future growth prospects by providing complementary strengths and cross-selling synergies within a greatly expanded customer base. In addition, our investments in R&D and dedication to product innovation have created a strong pipeline of design wins that will contribute to revenue momentum in the coming quarters. Also, our analog business continues to expand as we remain focused on mobility and portability, which we expect will provide increased upside in the latter part of this year.

With that, we will open the call for questions.

Q&A Session

Upon Completion of the Q&A...

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) Harsh Kumar, Morgan Keegan.

Harsh Kumar - Morgan, Keegan — Analyst

Congratulations on a very good June guidance in what is a tough economy. Just a couple of quick questions. Gross margin impact, when you said slightly, Carl, are you saying — could you be more specific, 20 basis points, 30 basis points or less or more than that?

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

Yes, I think that is a good estimation, Harsh.

Harsh Kumar - Morgan, Keegan — Analyst

Okay.

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

You know, we have been focused our growth and our operation on the gross profit increase instead of gross margin. And what we tried to do is driving the revenue growth as much as possible and such that at the bottom line you keep your better gross profit. So I always focused on gross profit, and we show a great increase sequentially on the gross profit.

Harsh Kumar - Morgan, Keegan — Analyst

Right. There is not a lot you can do about the currency situation anyway. And then I might have missed something, but Carl, did you say interest income will go down to \$2 million, or by \$2 million?

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

We will have a net impact of net income of \$2 million.

Harsh Kumar - Morgan, Keegan — Analyst

Okay, so it will go down by \$2 million, it sounds like.

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

Right.

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

Yes, correct.

Harsh Kumar - Morgan, Keegan — Analyst

And would you, if you are assuming that, Carl, would you expect — are you expecting that the auctions will start pretty soon for the auction rate securities?

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

Well, we don't know.

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

We classify them as temporary, and we don't know what the market holds out there.

Harsh Kumar - Morgan, Keegan — Analyst

Okay, and the last question for me and I will jump back in the queue, could you talk about, Mark, could you talk about the telecom and the industrial marketplace if those are holding in pretty steady? It sounds like consumer is doing all right for you, but what about the other two markets?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

Yes, I think that they are relatively steady. Obviously in the first quarter it was the consumer and the computer that was down more than I think than industrial has a tendency to be better in Q1. So I think that they are holding up pretty well.

Harsh Kumar - Morgan, Keegan — Analyst

Thanks, guys. I will get back in queue. Thank you.

Operator

Ramesh Misra, Collins Stewart.

Ramesh Misra - Collins Stewart — Analyst

Good morning, gentlemen. My first question was in regards to pricing trends in the quarter and how do you see it spanning out in the first few weeks this quarter?

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

Well, we always are going to see ASP decrease every quarter and all the time. 1Q is really normal, a normal drop. We don't see any significant drop. But with our cost reduction — and you remember I said the reason we are able to hold in, we are able to hold in our gross margin, about the same as the fourth quarter and even we get a pressure from the exchange rate of the China money, Renminbi, but because our low profit or low gross margin of subcontract business especially foundry business is able to, for us to keep the percent, gross margin percent the same.

Go to the second quarter, the China money exchange continues getting worse to our perspective, is continued getting worse. Now we are seeing that exchange rate down sometimes below RMB 7 to \$1 US dollar. And we will continue to do our cost reduction and continue improving our product mix to cover the ASP drop. And but that is that renminbi effect, it will reflect some in the second quarter. That is why we see our gross margin will be slightly down. But while we are able to improve our gross profit is by continue to increase our revenue so that the number of units

shipped are going to be even more than that the forecast because ASP will go down. But the units going significantly up, and that is why our revenue we forecast \$100 million to \$106 million.

Ramesh Misra - Collins Stewart — Analyst

Okay. Dr. Lu, in terms of the foundry business, are you anticipating a rebound in Q2 or do you think that happens further down the year?

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

Well, even the (inaudible) sum, okay, we'll still. Remember the purpose of our wafer fab is not really to support the foundry business; the purpose is to support ourselves. We use it whenever we have excess capacity, then we will support the foundry business. And therefore, move farther to the future. If our business continues to increase, if we are able to continue loading our factory, especially our wafer fab in Kansas City, then we just sell excess capacity to the foundry business.

Ramesh Misra - Collins Stewart — Analyst

Okay. In regards to your comments about beginning to see improving signs in the consumer and PC market, is this related to new design wins, new market areas, new customers? The reason I ask that is that in general the consumer market, and even the PC market tends to remain soft even through the summer months, so I wanted to get a sense of —

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

If you remember every quarter Mark King always talking about how many design wins, how many new products we announced, and so you're going to expect to see we are going to be growing faster than the market grows. And you remember our objective always, we want to grow two times faster than our market growth. And so you can interpret that is what we are doing. We are doing quite good on the new products and new design wins.

Mark King - Diodes, Inc. — SVP, Sales, Marketing

We see in a couple of our key end equipments in Asia, though, were quite soft in Q1, and they are recovering and starting to ramp back to what was more expected yearly rate. For example, like notebook.

Ramesh Misra - Collins Stewart — Analyst

Okay.

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

But still, second quarter is not that strong. It is still not that strong.

Mark King - Diodes, Inc. — SVP, Sales, Marketing

But it is an improvement from Q1.

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

Yes, if you look at second quarter and first quarter, yes the market especially consumer and computer is especially in the notebook area, they improved from the first quarter. But you are right, we forecast we're going to improve better than the market improves.

Ramesh Misra - Collins Stewart — Analyst

Okay, it's good to see Mark earning his keep.

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

You want to make his money worth it to pay him, right.

Ramesh Misra - Collins Stewart — Analyst

Thanks very much.

Operator

Steve Smigie, Raymond James.

Steve Smigie - Raymond James — Analyst

Congratulations also on the nice revenue guidance there. I was just curious, in terms of Zetex acquisition, when is the voting actually take place by the investors?

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

Actually everything that project has been progressed per the schedule. Right now the shareholder voting, of Zetex shareholder voting is scheduled for May 12th, which is next week.

Steve Smigie - Raymond James — Analyst

Okay.

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

And if it is approved by their shareholders, then we expect to close according to our current project, our current plan is somewhere at end of first week of June.

Steve Smigie - Raymond James — Analyst

Okay, and I know in the past you've indicated that you can get a pretty substantial increase in gross margin by moving products in house and maybe 800 to 1000 basis points better sometimes than your competition by taking packaging from outsource to in-house. Is there any reason why you wouldn't be able to do that with the discrete products at Zetex?

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

Number one, we won't say we cannot. I don't see any reason we cannot, but we still need to be careful. Remember, our Anachip acquisition. If we said we move everything to ourselves, you wouldn't see the support from our subcontractor partner, going to be so scare and then drop the support. And so our Anachip acquisition, we always do is we said, we would keep the current run rate but any additional growth we would move inside. And that's why it took us, if you remember, it took us until September, until end of third quarter last year, which almost took one and three quarter to move in most of the staff into our own factory.

And we did not want to — because save the cost moving to ourselves and because it caused our customer some trouble. It took time to qualify the product. It took time to get our customer to approve the conversion. Even we know our SKE capability and our quality is good, but we still need a customer approval before we can move. And since they are focused in industrial and automotive, that approval process is longer than the consumer product, consumer customers. And so we would gradually move in, but we will not just make a big wave, big move. But for any new customer new design wins, after we qualify SKE, we would get the product from SKE to support any new customer, new design wins. But existing customer, we will take time.

Steve Smigie - Raymond James — Analyst

Okay, thank you. That's very helpful. On the currency impact on gross margin, as I look forward I am certainly not a currency expert, but my understanding is that maybe over time the Chinese currency will become less tied to US currencies and so it has been somewhat undervalued as it is. So do you anticipate that continuing to be a problem in future quarters? And if so, is there any way to hedge that out?

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

Well, I, from long-term point of view, if they gradually change it won't cause us much problem because we are covered typically cover this exchange rate by product mix, by new design, by new product by the cost reduction is only affect us is when we see a big drop in a very short period of time. And you remember since they were tied to the US and then they just at the late part last year to probably now, they make exchange rate start to free up and they start to see a significant change. And, Rick, you look at it 1Q to 2Q on average, exchange rate is what, 7%?

Richard White — Diodes, Inc. — Senior Vice President, Finance

Yes, about 7% or 8%.

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

About 7%, 8% just one quarter change. And that is why we cannot react to that kind of change because most our manufacturing is in China. And that causes us the problem. But if they change it gradually it should not affect us because we identify enough cost reduction effort and product mix effort. It is typically able to protect us from that kind of problem.

Steve Smigie - Raymond James — Analyst

Okay, thanks. On the interest income, I think that some of those auction rate securities had a feature that if the auction process stopped it would tick up the interest rate, which is I guess where you are seeing 7% type interest rate. What caused it to go back down to the 2.5%?

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

The auction security rate, what happened is when the auction failed, they go to a higher interest rate by the contract. But then after that, then they go back by the contract again, go back to so-called contract rate. And that is just whenever the first time when they failed, which all our ARS start to fail in February 13 and we typically invest in like 28 days. So when you start to see that security — we have how many, 60 — 67 different contracts. So when they start to — and remember we stated in different time periods. So we try to make it as liquid as possible. So when they start to fail they always go to very high interest rate. But then the second time when they failed again, then they will reset it into a much lower rate.

And so we get those goodies during the February and March time frame, and that is why if you remember our first quarter earnings, our interest income is actually higher than fourth quarter interest income because of where they fail and give us those goodies. Now after they reset to the lower rate we are going to start to see our interest income going to be much lower. So I think we give a guidance is, it will affect us the bottom line, the income after tax, about \$2 million.

Steve Smigie - Raymond James — Analyst

Okay, great. Thanks a lot. I will jump back in the queue.

Operator

Shawn Harrison, Longbow Research.

Shawn Harrison - Longbow Research — Analyst

Getting back to the wafer business, I know you have been transferring some of the production of six inch capacity. I was hoping you could update us on where we are at that right now and what that brings monthly unit capacity to at FabTech site.

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

We buy equipment and start to set it up today. We do not have any six inch output yet. Our SBR need is we plan to use that six inch for our new SBR business, but currently we are able to support it by the five inch. So we will concentrate to get on the five inch, because if you remember our supporting, our foundry business went down so now we have capacity to use this for ourselves. So we (technical difficulty) today. We bought equipment. We do the development. And under the development but we do not any production output from the six inch equipment yet.

Shawn Harrison - Longbow Research — Analyst

Okay, so you will I guess as you see maybe demand begin to build in the back half of the year you could bring some of that on, if you can't fill it with the five inch? Okay. Secondly, maybe taking a different view of the end market, if we could maybe look at it on a year-over-year basis for next quarter and into the back half of the year, maybe which end market should we see the strongest year-over-year type of growth trends?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I think it will be in our present business, I think you will see our growth rates continue to be maybe we will see some expansion in our growth due to our SBR products in the industrial market. But again, we are pretty tied. Our core business is pretty tied to the consumer and computer market, so I think you will continue to see our growth in that area. Now as we later integrate the Zetex acquisition I think you will see more emphasis and more Diodes like growth in the industrial and automotive markets. And a little bit more overlap in the communications market. But I really can't speak for that because I am just really — I don't have a picture of that yet.

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

We cannot.

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I think our business will pretty much continue to track the way it is tracking from a growth perspective.

Shawn Harrison - Longbow Research — Analyst

Okay, maybe just focusing the question back to the consumer electronics business, it looked like kind of the basic math that it was flat on a year-over-year basis. Should we expect that to get kind of back to a more mid single digit type of year-over-year growth number going forward or should it kind of stay in the low single digit to potentially flat type of number?

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

Well, you are talking about the general market growth. You are talking about Diodes market growth?

Shawn Harrison - Longbow Research — Analyst

The Diodes market growth within consumer electronics, based upon my math it looked like it was essentially flattish on a year-over-year basis during the March quarter. Just maybe just some better insight into where that number should be going forward.

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

Number one, we do not really give the forecast other than the current — well, the second quarter. And like I mentioned, second quarter, other than the market recovery, general market recovery from first quarter, we do have announced new product and design win. And for example, our hall sensor, we've been talking about we are going to get into the cell phone, and we started getting one customer to more customers, one platform to more platforms. So you can see we have a lot of good design win effort on the new product. So you don't limit us on just the general market growth. That is why we give \$100 million to \$106 million revenue for second quarter, which is much higher growth.

Shawn Harrison - Longbow Research — Analyst

Then just maybe a follow-up for Carl here, the SG&A line, I know you've talked about it before maybe holding relatively firm on a dollar basis throughout the year. If you could just provide an update on your thoughts on SG&A.

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

For SG&A we do not see a significant — that's our business model anyway — we get our revenue growth as much as possible and keep the — such that they can fall through the gross profit line and get R&D maybe the keep the rate or a little bit slightly below, somewhere around that. And that is why we say our R&D is 3% to 4% of revenue, and we will continue keeping that. And then our SG&A doesn't grow as fast as our revenue growth. So as a percent our SG&A will continue going down, and that way it will help us on our bottom line.

Shawn Harrison - Longbow Research — Analyst

Okay.

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

Now interest rate, I cannot forecast. We don't know. But that is really beyond our control, so I'm more focused on profit from operations. And I think our profit from operations will be able to continue to improve because the growth of our revenue.

Shawn Harrison - Longbow Research — Analyst

That's helpful. Thank you.

Operator

Christopher Longiaru, Sidoti & Co.

Christopher Longiaru - Sidoti & Co. — Analyst

Congratulations on the guidance. My first question is you talked about consumer and computer being weak in the first quarter and coming back a little bit. Can you tell me how that progressed? Does that kind of just progress over the course of the quarter, or did it just start to happen at the beginning of this quarter? What does that kind of look like?

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

Well, this quarter we're already one month past, so we already see that slightly up. Then you start working on the booking on the second month. You can see it gradually recover.

Christopher Longiaru - *Sidoti & Co.* — *Analyst*

So was more at the beginning of this quarter than at the end of last quarter?

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

Yes, correct.

Christopher Longiaru - *Sidoti & Co.* — *Analyst*

I think I missed this number, but last time I think you did about 40% in the fourth quarter with respect to new products and analog sales. You have a number — did you give a number for this quarter?

Mark King - *Diodes, Inc.* — *SVP, Sales, Marketing*

30%.

Christopher Longiaru - *Sidoti & Co.* — *Analyst*

30%.

Mark King - *Diodes, Inc.* — *SVP, Sales, Marketing*

Yes, we had some — obviously a lot of our new products are in the newest consumer products and so forth. So it was off a little bit, but we also had a significant chunk of our QFN productline matured. Although it is growing and the margins are holding steady it is not any longer a new product.

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

And one key thing is this. When we do you know the analog is actually coming from Anachip acquisition, so when we took over Anachip acquisition, a lot of, Anachip is not that old company so a lot of the revenue coming from the Anachip product, and now we already have a two-year so a lot of that— (multiple speakers).

Christopher Longiaru - *Sidoti & Co.* — *Analyst*

You included all that in Anachip, all the Anachip revenues included as new?

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

Majority of Anachip was as the new product but now some of the Anachip product will be already aged out three years.

Mark King - Diodes, Inc. — SVP, Sales, Marketing

Yes, we took all the standard stuff out, but a lot of the newer products were brand-new because they were really only a three-year old company, and most of their revenue was coming from stuff that was designed in that year when they really started to grow. So yes, it is also starting to mature.

Christopher Longiaru - Sidoti & Co. — Analyst

But the analog stuff in general has higher margins anyway, so that should help, right?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

Right.

Christopher Longiaru - Sidoti & Co. — Analyst

Okay, the last question is inventories grew a little bit in the quarter. I just wanted to get an idea of where that was and what you expect going forward.

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

Well, there were several reasons that caused the inventory to grow. Number one, we always when our fab capacity a little bit stock, we try to build some ready for the upturns. And number two, we need to build inventory, and you can — \$100 million to \$106 million growth — you have a lot of units. The unit growth will be much higher.

Christopher Longiaru - Sidoti & Co. — Analyst

Got it.

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

And therefore you need to build up the inventory for that. And number three is building material, that since we're talking about a lot of let's say gold, we use a gold wire and you know gold is going up.

Christopher Longiaru - Sidoti & Co. — Analyst

Right, okay.

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

And a lot of stuff is going up, and we need to use the same inventory, the same quantity of the inventory then inventory data will go up. So there are so many reasons caused the inventory up, but I am not really concerned because don't forget is the lower revenue based on the lower revenue. If when the revenues start to go up your inventory days will go down.

Christopher Longiaru - Sidoti & Co. — Analyst

Okay.

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

At least the average inventory days will go down.

Christopher Longiaru - Sidoti & Co. — Analyst

Okay, and the last thing was I think missed this, I am sure you said it, Carl, but did you give that tax rate for next quarter and a share count?

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

The tax rate?

Christopher Longiaru - Sidoti & Co. — Analyst

Yes.

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

In the guidance we indicated for the full year we expect to be in the 13% to 15% range.

Christopher Longiaru - Sidoti & Co. — Analyst

Okay, and —.

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

The share count we did not, but it is in the 43 million range.

Christopher Longiaru - Sidoti & Co. — Analyst

Okay, that's all I've got. Thanks, guys.

Operator

Harsh Kumar, Morgan Keegan.

Harsh Kumar - Morgan, Keegan — Analyst

A couple more questions. It is pretty intuitive, but talked to Dr. Lu because Zetex is not in consumer and computing, can we assume that once you acquire them that the March seasonality will be somewhat — you will be better off for March seasonality because of that acquisition next time around?

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

Definitely. That is the reason, one of the reasons we said we want to do it. It gives us a (inaudible) seasonality effect. But it will reduce some but won't be completely get rid of it. That is because their revenue base still not as big compared with Diodes. So we are going to get effects, but the effectiveness will be reduced because of seasonality. That is why we really want to spend more — by this acquisition we can get in more on the European market, automotive market and industrial market. And all those will help us to deduce the similarities.

Harsh Kumar - Morgan, Keegan — Analyst

That's fair, and then maybe a question for Mark. Mark, is there a big learning curve for your sales force for Zetex's products?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

No, really they are just on a higher end of the product range we sell. Basically they fit into the same portfolios that we are already selling. We might have to teach them a little discipline on price because they are dealing with more proprietary products rather than some more commodity products. So I think that we are going to have to teach them a little bit more patience than we generally show in the marketplace. But I think in reality the overlap is quite good. As well as the Zetex people are quite familiar with our product and I think a lot of them, Zetex used to sell all this product several years back. And I think one of their weaknesses was the ability to offer enough to the customer.

Harsh Kumar - Morgan, Keegan — Analyst

Okay, and then last question.

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

(multiple speakers)

Harsh Kumar - Morgan, Keegan — Analyst

How much would you say you are booked for this guidance as of now?

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

For this guidance the one we give to you is 100% Diodes only.

Harsh Kumar - Morgan, Keegan — Analyst

Right, but how much (multiple speakers)

Mark King - Diodes, Inc. — SVP, Sales, Marketing

Our backlog is traditional — going into the quarter was traditional what it always is — I think right around 50%.

Harsh Kumar - Morgan, Keegan — Analyst

Got it. Okay, fair enough. Thank you, guys.

Operator

Steven Smigie, Raymond James.

Steve Smigie - Raymond James — Analyst

Just to draw on an earlier question a little bit more specifically, for 2Q SG&A, would I expect that to be up a few hundred thousand dollars sequentially?

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

That is a reasonable estimate, Steve.

Steve Smigie - Raymond James — Analyst

Okay, and maybe a couple hundred thousand dollars sequentially on the R&D side?

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

Probably so.

Steve Smigie - Raymond James — Analyst

How can I think about gross margins for the back half? I know you only got for one quarter, but you've got potential currency impact, but you've also got a higher mix of analog coming in. So is it more likely that it is sort of flattish in the back half or could we even — you are continuing — you've moved most of the Anachip stuff in-house. But are there more efficiencies you can get there so maybe just leaving a little bit of expansion in gross margin in the back half percent wise? I know the dollar wise is more important, but I am just for modeling purposes just trying to understand what could happen there.

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

I think the best way just comparable because we typically get first the exchange rate won't be changing that much. It will probably continue to get worse, but won't be like what we see in the first quarter recently. I think it will start to slow down that change. Number two, in our cost reduction our new product, in analog like you say, you should be offset the ASP reduction, and if the market is really good up you can get ASP firm then you can better gross margin. But if the market is still weak, then ASP pressure will get worse. Then — at this moment without knowing what will be happening in the second half, that most way just say comparable, you know flat or comparable.

Steve Smigie - Raymond James — Analyst

Any customers over 10% other than distributors?

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

I don't think we have — I don't know, do we have any one now more than 10%? Other than —

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I haven't looked.

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

We don't know.

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I don't think so.

Carl Wertz - Diodes, Inc. — CFO, Secretary, Treasurer

Actually our distributors aren't greater than 10% individually either.

Steve Smigie - Raymond James — Analyst

And then some pretty exciting design wins on the mobile handset side. Do those — will that follow fall into the consumer category, or you going to classify it as under communications? And how long is it until that is 1%, 2% of revenue?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I don't know how long it is until it is 1% of revenue, but it is definitely consumer.

Steve Smigie - Raymond James — Analyst

Definitely consumer.

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

Yes, we classify that in the consumer category.

Steve Smigie - Raymond James — Analyst

Yes, it is (inaudible) 1%, 2% question, but could you at least give a little color on what customer reaction has been to your products on the handset side? You released some new products. What could that look like?

Mark King - Diodes, Inc. — SVP, Sales, Marketing

I think it has been very positive. Predominately our lead into the handset has been on the hall sensor side. And we think everybody that uses the hall sensor is very interested in our product. And now that we've got some solid design wins and some production behind some of our new products, more people are becoming interested fast.

Steve Smigie - Raymond James — Analyst

Okay, okay, great. Congratulations again. Thanks a lot.

Operator

(OPERATOR INSTRUCTIONS) I show no further questions in the queue. I would like to turn the call over for any closing remarks.

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

Okay, thank you for everybody. And I would like to make one additional comment before we conclude. We will be holding our this year's annual meeting, annual meeting for the stockholders on May 29th at 10 AM Central time at the Marriott Clarion Hotel in Dallas. So I am looking forward to seeing you all there. And thank you for your participation today. We appreciate your time and consideration. As we enter into the second quarter, you know I am very excited about the improvement of the market and especially the expansion of our performance, our revenue growth. I am very excited about it, and so I will see you, I will talk to you three months from now. Thank you.

Operator

THIS CONCLUDES THE PRESENTATION, AND YOU MAY ALL NOW DISCONNECT. GOOD DAY.