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

August 2, 2006
Date of Report (Date of earliest event reported)

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

Delaware	**1-5740**	**95-2039518**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

3050 East Hillcrest Drive	
Westlake Village, California	**91362**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

On August 2, 2006, Diodes Incorporated issued a press release announcing second quarter 2006 earnings. A copy of the press release is attached as Exhibit 99.1.

On August 2, 2006, Diodes Incorporated hosted a conference call to discuss its second quarter 2006 results. A copy of the transcript is attached as Exhibit 99.2.

During the conference call on August 2, 2006, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, as well as Carl C. Wertz, Chief Financial Officer, and Mark King, Sr. Vice President of Sales and Marketing made additional comments during a question and answer session. A copy of the transcript is attached as Exhibit 99.3.

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

Item 9.01 **Financial Statements and Exhibits.**

(c) Exhibits

Exhibit 99.1 - Press Release dated August 2, 2006
Exhibit 99.2 - Conference call transcript dated August 2, 2006
Exhibit 99.3 - Question and answer transcript dated August 2, 2006

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: August 2, 2006

DIODES INCORPORATED

By: /s/ Carl C. Wertz

CARL C. WERTZ
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated August 2, 2006
99.2	Conference call transcript dated August 2, 2006
99.3	Question and answer transcript dated August 2, 2006

DIODES INCORPORATED

FOR IMMEDIATE RELEASE

Diodes Incorporated Reports Record Second Quarter Results

- ***Record revenues of $82.7 million, up 63%***
- ***Record pro forma earnings of $12.9 million, up 68%***

Westlake Village, California, August 2, 2006 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high-quality discrete and analog semiconductors, today reported record financial results for the second quarter ending June 30, 2006.

Second Quarter Highlights:

- Revenues increased 63% YOY and 12.4% sequentially to a record $82.7 million.
- Gross profit increased 57% YOY and 13% sequentially to $27.4 million.
- Pro forma net income increased 68% YOY to a record $12.9 million, or $0.45 per share, up from $7.7 million, or $0.32 per share, in the second quarter of 2005, versus $0.38 in the first quarter of 2006.
- Net income increased 22% sequentially to $11.4 million, or $0.41 per share, up from $9.3 million or $0.34 per share, in the first quarter of 2006.
- Cash flow from operations increased 80% YOY to $18 million.

Revenues for the second quarter of 2006 increased 63.5% year-over-year, and 12.4% sequentially, to a record $82.7 million. Pro forma net income increased 68% year-over-year to a record $12.9 million, or $0.45 per share, up from $7.7 million, or $0.32 per share, in the second quarter of 2005, versus $0.38 in the first quarter of 2006. Pro forma results are included because under FAS 123(R), the Company began expensing stock options in the first quarter of 2006, and therefore, equivalent share-based compensation expense was not reflected in the 2005 periods. Pro forma net income and earnings per share exclude approximately $1.5 million in non-cash, net share-based compensation expense (see table for a reconciliation of the impact of pro forma net income to GAAP net income). Net income increased 22.3% sequentially to $11.4 million, or $0.41 per share, compared to $9.3 million, or $0.34 per share, in the first quarter of 2006.

For the first six months of 2006, revenues increased 58% to $156.3 million, compared to $99.2 million in the same period last year. Net income for the first half of 2006 was $20.7 million, or $0.74. Pro forma net income for the first half of 2006, which excludes $2.9 million of share-based compensation, increased 58% to $23.6 million, compared to $14.9 million in the same period in 2005. Pro forma earnings per share grew to $0.82 for the first six months of 2006, compared to $0.62, for the same period last year.

Commenting on the quarter, Dr. Keh-Shew Lu, President and CEO of Diodes Incorporated, said: “During the second quarter, Diodes’ revenues and net income achieved new record highs, as we continued our long-term trend of significant year-over-year growth. Innovative new products like our new PowerDI™323 platform are helping to drive customer demand and improve our margins. We are also very pleased with customer acceptance of our standard analog products, and expect to see continued margin expansion as we internalize a higher percentage of these products.”

End-Markets

"Our strong second quarter top-line growth was driven by better than expected sales in the computer segment and customer uptake of our analog product line. We are extremely pleased at the positive customer reception to our broader product line following the acquisition of Anachip, resulting in attractive cross selling opportunities and new product development initiatives combining analog and discrete circuits. Our discrete market share rose to an all time high during the quarter, driven by a broad range of end equipment categories, including LCD monitors, wireless LAN and battery chargers. For the second quarter of 2006, computer and consumer electronics made up 36% and 35% of total sales, respectively, with telecom contributing a healthy 14%," commented Mark King, Sr. Vice President of Sales and Marketing.

"Asia contributed 70% of our second quarter revenues, with the help of better than expected sales in the computer segment and robust growth in our analog product line. At 26% of total revenues, North American sales exceeded expectations, with distributor point of sale achieving record highs. Sales in Europe contributed 4% of total sales, reflecting a sales increase of 138% from the second quarter of 2005," said Mr. King. "We experienced gains in all regions during the second quarter for our discrete products, and in Asia, we reached an all-time high in market share."

Design Wins and New Products

Design activity remained very strong in the second quarter. On the discrete side, the Company saw robust interest in its PowerDI, Array (standard and customer specific) and sub-miniature platforms.

"In regards to our analog products, demand for our switchers and LDO's was robust. We received several wins on over fifty accounts in the second quarter, from a broad list of end equipment. Notable discrete wins included those for our recently announced PowerDI™323 Schottky device on the most recent digital audio platform and for our PowerDI™5 in multiple notebook platforms. On the analog side, notable wins included those for switchers in multiple LCD TV and settop box designs, portable and combo DVD players, as well as wireless LANs," Mr. King commented.

As mentioned above, Diodes recently launched the PowerDI™323 product platform, with the release of new Schottky Rectifiers and Zener products. This platform features increased miniaturization and energy efficiency and is among the smallest power packages ever introduced to the power rectifier market. Applications include portable media and entertainment devices, mobile phones, and digital cameras and camcorders. Diodes, Inc. plans to expand this package platform to include TVS devices and additional Schottky products by the end of 2006.

Sales of new products reached a record 24.9% of total sales, compared to 15.7% a year ago, and 23.3% last quarter, which represented growth including the contribution of the Anachip acquisition. New product revenue was driven by products in our small outline, QFN, and PD platforms, as well as our analog product lines. Diodes released 63 products covering 19 product families in the second quarter.

Additional Financial Highlights

Gross profit for the second quarter of 2006 increased 57% to $27.4 million, or 33.2% of revenue, compared to the same period last year. This increase in gross profit was due to improved product mix, increased sales volume, and efficient utilization of the Company's manufacturing capacity, as it progresses in moving production of analog products to its highly productive packaging facility.

For the quarter, SG&A expenses were $11.7 million or 14.2% of revenue, versus $7.2 million, or 14.2% of revenue, in the comparable quarter last year. Included in second quarter SG&A expenses were $1.4 million in non-cash, share-based compensation. For comparable purposes, excluding the share-based compensation, SG&A for the second quarter of 2006 would have been 12.4% of sales (see table for a reconciliation of the impact of share-based compensation expense to reported results).

Investment in research and development grew to $2.1 million, or 2.5% of revenue, compared to $850,000, or 1.7% of sales, in the second quarter of 2005.

Capital expenditures for the current quarter were $17 million and $27 million year to date. In the second quarter the Company purchased an office building in Taipei, Taiwan to accommodate and consolidate its operations relating to the tremendous growth of its Asia operations, including its newly acquired analog division. Excluding this non-production related $6 million building purchase, year-to-date capital expenditures were at approximately 13% of revenue, slightly ahead of its 10-12% full-year estimate. Depreciation expense for the quarter was $4.9 million and $9.6 million year to date.

At June 30, 2006, Diodes had $100 million in total cash and short-term investments, $140.9 million in working capital, $4.0 million in long-term debt and unused and available credit facilities of $45 million. For the first six months of 2006, shareholder equity increased 13.2% to $255 million.

Business Outlook

"Coming off our 5th consecutive record revenue performance, including our 12% sequential growth this quarter, and with a book-to-bill ratio above one, we currently expect to see sequential revenue growth in the 4-7% range, with comparable gross margins, for the third quarter of 2006. Over time, as we continue to introduce innovative new discrete and analog products and internalize packaging of our analog products, we expect to see gradual expansion in our gross margins," stated Dr. Lu. "We are very encouraged by the strong interest in our new value-added products and excited about the opportunities to continue to expand our growth horizons through customer-driven innovation.

Conference Call

Diodes Incorporated will hold its second quarter conference call for all interested persons at 8:00 a.m. Pacific Time (11 a.m. Eastern Time) on August 2, 2006 to discuss its results. This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at ***www.diodes.com****. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 60 days.*

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete and analog semiconductor products, primarily to the communications, computing, industrial, consumer electronics and automotive markets. The Company's corporate sales, marketing, engineering and logistics headquarters is located in Southern California, with two manufacturing facilities in Shanghai, China, a wafer fabrication plant in Kansas City, Missouri, engineering, sales, warehouse and logistics offices in Taipei, Taiwan and Hong Kong, and sales and support offices throughout the world. Diodes, Inc. recently acquired Anachip Corporation, a fabless analog IC company in Hsinchu Science Park, Taiwan.

Diodes, Inc.'s product focus is on subminiature surface-mount discrete devices, analog power management ICs and Hall-effect sensors all of which are widely used in end-user equipment such as TV/Satellite set top boxes, portable DVD players, datacom devices, ADSL modems, power supplies, medical devices, wireless notebooks, flat panel displays, digital cameras, 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. Potential risks and uncertainties include, but are not limited to, such factors as fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, risks of foreign operations, availability of tax credits, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Source: *Diodes Incorporated*
CONTACT: Carl Wertz, Chief Financial Officer, Diodes Incorporated (805) 446-4800
e-mail: carl_wertz@diodes.com
or
Crocker Coulson, President, CCG Investor Relations,
(310) 231-8600, Ext. 103, e-mail: crocker.coulson@ccgir.com

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.

CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	**2006**	2005	**2006**
Net sales	$ 50,598,000	**$ 82,712,000**	$ 99,198,000	**$ 156,301,000**
Cost of goods sold (1)	33,101,000	**55,279,000**	65,105,000	**104,654,000**
Gross profit	17,497,000	**27,433,000**	34,093,000	**51,647,000**
Selling and general administrative expenses (2)	7,196,000	**11,716,000**	13,888,000	**23,000,000**
Research and development expenses (3)	850,000	**2,077,000**	1,750,000	**4,043,000**
Loss (gain) on disposal of fixed assets	-	**-**	(105,000)	**120,000**
Total operating expenses	8,046,000	**13,793,000**	15,533,000	**27,163,000**
Income from operations	9,451,000	**13,640,000**	18,560,000	**24,484,000**
Other income (expense)				
Interest income	39,000	**1,004,000**	43,000	**1,738,000**
Interest expense	(118,000)	**(133,000)**	(277,000)	**(273,000)**
Other	12,000	**12,000**	(21,000)	**(195,000)**
	(67,000)	**883,000**	(255,000)	**1,270,000**
Income before income taxes and minority interest	9,384,000	**14,523,000**	18,305,000	**25,754,000**
Income tax provision (4)	(1,461,000)	**(2,885,000)**	(2,903,000)	**(4,575,000)**
Income before minority interest	7,923,000	**11,638,000**	15,402,000	**21,179,000**
Minority interest in joint veture earnings	(258,000)	**(253,000)**	(497,000)	**(482,000)**
Net income	$ 7,665,000	**$ 11,385,000**	$ 14,905,000	**$ 20,697,000**
Earnings per share				
Basic	$ 0.35	**$ 0.45**	$ 0.69	**$ 0.81**
Diluted	$ 0.32	**$ 0.41**	$ 0.62	**$ 0.74**
Number of shares used in computation				
Basic	21,628,229	**25,521,144**	21,478,374	**25,434,880**
Diluted (5)	24,314,477	**27,994,117**	24,107,135	**27,861,940**

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

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

Pro forma net income and earnings per share reconciliation	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2005	**2006**	2005	**2006**
GAAP net income	$ 7,665,000	**$ 11,385,000**	$ 14,905,000	**$ 20,697,000**
Pro forma adjustments:				
Share-based conpensation expense included in cost of goods sold:	-	**133,000**	-	**266,000**
Share-based conpensation expense included in selling and general administrative expenses:	-	**1,441,000**	-	**2,757,000**
Share-based conpensation expense included in research and development expenses:	-	**146,000**	-	**293,000**
Total share-based compensation expense	-	**1,720,000**	-	**3,316,000**
Income tax benefit related to share-based compensation	-	**202,000**	-	**407,000**
Pro forma net income	$ 7,665,000	**$ 12,903,000**	$ 14,905,000	**$ 23,606,000**
Diluted shares used in computing Pro forma earnings per share	24,314,477	**27,994,117**	24,107,135	**27,861,940**
Incremental shares considered to be outstanding:	-	**768,919**	-	**790,187**
Adjusted diluted shares used in computing Pro forma earnings per share	24,314,477	**28,763,036**	24,107,135	**28,652,127**
Pro forma earnings per share				
Basic	$ 0.35	**$ 0.51**	$ 0.69	**$ 0.93**
Diluted	$ 0.32	**$ 0.45**	$ 0.62	**$ 0.82**

1) For the quarter and six months ended June 30, 2006, includes $133,000 and $266,000 of share-based compensation expense, respectively.

2) For the quarter and six months ended June 30, 2006, includes $1,441,000 and $2,757,000 of share-based compensation expense, respectively.

3) For the quarter and six months ended June 30, 2006, includes $146,000 and $293,000 of share-based compensation expense, respectively.

4) For the quarter and six months ended June 30, 2006, includes $228,000 and $433,000 of income tax benefit related to share-based compensation expense, respectively.

5) For the quarter and six months ended June 30, 2006, 804,745 and 821,528 fewer shares are considered to be outstanding under FAS123R, respectively.

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:

	Three Months Ended June 30,	
(in thousands)	**2005**	**2006**
Net Income	$ 7,665	$ 11,385
Plus:		
Interest expense, net	79	871
Income tax provision	1,461	2,885
Depreciation and amortization	3,903	4,935
EBITDA	**$ 13,108**	**$ 20,076**

	Six Months Ended June 30,	
(in thousands)	**2005**	**2006**
Net Income	$ 14,905	$ 20,697
Plus:		
Interest expense, net	234	1,465
Income tax provision	2,894	4,575
Depreciation and amortization	7,813	9,608
EBITDA	**$ 25,846**	**$ 36,345**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(Unadited)

ASSETS

	December 31, 2005	June 30, 2006 (unaudited)
CURRENT ASSETS		
Cash and equivalents	$ 73,288,000	**$ 48,915,000**
Short-term investments	40,348,000	**51,417,000**
Total cash and short-term investments	113,636,000	**100,332,000**
Accounts receivable		
Customers	48,348,000	**57,885,000**
Related parties	6,804,000	**5,590,000**
	55,152,000	**63,475,000**
Less: Allowance for doubtful receivables	(534,000)	**(670,000)**
	54,618,000	**62,805,000**
Inventories	24,611,000	**43,241,000**
Deferred income taxes, current	2,541,000	**3,432,000**
Prepaid expenses and other current assets	5,326,000	**6,216,000**
Total current assets	200,732,000	**216,026,000**
PROPERTY, PLANT AND EQUIPMENT, at cost, net		
of accumulated depreciation and amortization	68,930,000	**88,988,000**
DEFERRED INCOME TAXES, non current	8,466,000	**7,540,000**
OTHER ASSETS		
Equity investment	5,872,000	-
Goodwill	5,090,000	**24,564,000**
Other	425,000	**2,829,000**
TOTAL ASSETS	$ 289,515,000	**$ 339,947,000**

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2005	June 30, 2006 (unaudited)
CURRENT LIABILITIES		
Line of credit	$ 3,000,000	**$ 4,861,000**
Accounts payable		
Trade	18,619,000	**32,656,000**
Related parties	7,921,000	**11,610,000**
Accrued liabilities	19,782,000	**24,000,000**
Current portion of long-term debt		
Related party	-	-
Other	4,621,000	**1,870,000**
Current portion of capital lease obligations	138,000	**139,000**
Total current liabilities	54,081,000	**75,136,000**
LONG-TERM DEBT, net of current portion		
Related party	-	-
Other	4,865,000	**4,043,000**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,618,000	**1,538,000**
MINORITY INTEREST IN JOINT VENTURE	3,477,000	**3,989,000**
STOCKHOLDERS' EQUITY		
Common stock - par value $0.66 2/3 per share; 30,000,000 shares authorized; 25,258,119 and 25,541,588 shares issued at December 31, 2005 and June 30, 2006, respectively	16,839,000	**17,059,000**
Additional paid-in capital	94,664,000	**103,078,000**
Retained earnings	114,659,000	**135,356,000**
Less:	226,162,000	**255,493,000**
Accumulated other comprehensive gain (loss)	(688,000)	**(252,000)**
Total stockholders' equity	225,474,000	**255,241,000**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 289,515,000	**$ 339,947,000**

###

Introduction : Carl Wertz, CFO of Diodes, Inc. Good morning and welcome to Diodes' second quarter 2006 earnings conference call.

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

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

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

In addition, any projections as to the Company's future performance represent management's estimates as of **today August 2, 2006.** Diodes assumes no obligation to update these projections in the future as market conditions change.

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

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

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

Thank you, Carl.

Welcome everyone, and thank you for joining us today.

I am very proud to be able to report another quarter of outstanding performance in the second quarter of 2006. Diodes achieved record sales and results as we continued to outperform the discrete semiconductor segment and the overall semiconductor industry. It has been only a little over a year since we announced our strategy to move into adjacent market segments, but already in the second quarter our standard linear products made a substantial contribution to the growth of Diodes revenues and profits.

Here are Q2 earnings highlights:

- Ø Revenues increased 63% year-over-year and 12.4% sequentially to a record $82.7 million.
- Ø Gross profit increased 57% year-over-year and 13% sequentially.
- Ø GAAP net income increased 22% sequentially to $11.4 million, or $0.41 per share.
- Ø Pro forma net income increased 68% year-over-year to a record $12.9 million, or $0.45 per share.

These outstanding numbers are the result of strong demand for our next generation discrete products and excellent customer acceptance of our standard linear products. The strategy of moving into adjacent markets is clearly paying dividends. Following the acquisition of Anachip, we are seeing excellent growth synergies across our combined customer base. And we expect to harvest margin improvements as we internalize more of Anachip's products to our world-class packaging facilities in the quarters ahead.

We are on track to complete the Anachip brand conversion by the end of Q3.

We made the following solid progress in executing our business strategy of innovation and profitable growth;

We accomplished this by:
First, we maintained our focus on R&D for next-generation technologies. For example, in Q2, we launched the PowerDI™323 product platform, one of the smallest power packages ever launched in the power rectifier market. In addition, to lead our growing R&D team, we promoted Francis Tang to Vice President of Product Development.

Second, we launched 63 products from 19 product families in the second quarter as we continued to capitalize on our strengths in next-generation, multi-chip devices. We also earned multiple design wins, which Mark will discuss in detail.

Third, we remained financially disciplined by controlling operating costs, maximizing cash through effective working capital management, and deploying capital in the best interest of our shareholders.

Finally, to strengthen our financial team, we appointed Richard White as Senior Vice President of Finance, a newly created executive position.

Rick brings with him 30 years of senior financial experience, including 25 years at Texas Instruments, where he served as Vice President of Finance and Production Planning. Rick and I previously worked together at TI's world-wide MOS Memory business, so I know that he brings the capabilities to round out our very strong finance department working with our CFO Carl Wertz. As Diodes grows to become a more sizable global company, we will benefit from Rick’s experience in Mergers & Acquisitions, financial and production planning, and treasury management.

Our balance sheet continued to be very strong in Q2. As of June 30, 2006, Diodes had $100 million in total cash and short-term investments, $141 million in working capital, and $4 million in long term debt. Our strong balance sheet will enable us to continue with our growth strategy, both through organic growth and through acquisitions.

We continue to see a range of opportunities that fit within our strategic product focus and leverage our strengths in manufacturing and distribution. While we are maintaining our strong pricing discipline, we believe we have a number of attractive candidates. We believe we already have one of the strongest and most cohesive management teams in our industry, and I expect to continue to strengthen that team to be able to effectively manage our future growth.

Recognition by leading business publications affirmed our strategy and execution. For the second consecutive year, Diodes was selected for BusinessWeek's "2006 List of 100 Hot Growth Companies," as well as for Business 2.0 Magazine's "100 Fastest Growing Tech Companies."

Thus, we head into the third quarter with solid financials and strong management that will enable Diodes to continue its strategy of innovation and profitable growth and pursue strategic acquisitions. With that, I'm going to turn it over to Carl to discuss the financials in more detail.

Q2 2006 Financials: Carl Wertz

Thanks, Dr. Lu, and good morning everyone.

As Dr. Lu mentioned, Diodes again achieved record financial results in the second quarter of 2006.

As Diodes continued its expansion into the analog market and built its leadership position in the discrete semiconductor industry, second quarter revenues increased considerably on both a sequential and year-over-year basis, setting new records for Diodes.

- **Revenues** for the second quarter were $82.7 million, an increase of 63.5% from the second quarter of 2005. On a sequential basis our revenues grew 12.4%. New product sales advanced to a record 24.9% of revenue, compared to 23.3% in the previous quarter.

- **Gross profit** for the second quarter increased 57% to $27.4 million, compared to the same period last year. This increase in gross profit was due to improved product mix, increased sales volume, and efficient utilization of the Company's manufacturing capacity, as it progresses in moving production of analog products to its highly productive packaging facility. Gross margin increased sequentially from 32.9% to 33.2% in the current quarter.

- **Selling, General & Administrative** expenses for the quarter were $11.7 million and 14.2% of revenue, versus $7.2 million and also 14.2% of revenue, in the comparable quarter last year. Included in second quarter SG&A expenses were $1.4 million in non-cash, share-based compensation as per FAS123R. For comparable purposes, excluding the share-based compensation, SG&A for the second quarter of 2006 would have improved to 12.4% of sales. In the press release we have included a table to reconcile the impact of share-based compensation expense to reported results.

- **Research and development** was $2.1 million, or 2.5% of revenue, compared to $850,000, or 1.7% of revenue, in the second quarter of 2005. We continue to put the resources in place to drive new product development across discrete and analog devices to bolster our new product pipeline and build on our existing platforms.

- **Operating income** increased 26% sequentially to $13.6 million, or 16.5% of sales, compared to $10.8 million, or 14.7% of sales, for the first quarter of 2006.

- **Depreciation** was $4.9 million for the quarter and $9.6 million year-to-date.

- **EBITDA** for the quarter was $20 million, an increase of 53%, from the same period last year.

- Our effective **income tax** rate in the second quarter was 19.9%, compared to 15.0% for the previous quarter, and 15.6% for the same period last year. Our higher effective tax rate was the result of greater income in the U.S. at higher tax rates, and accrued dividend related taxes in Taiwan. Going forward, we anticipate our tax rate to be in the mid-to-upper teens.

- **Pro forma net income**, which excludes $1.5 million net stock option expense, for the second quarter increased 68% year-over-year to $12.9 million, or $0.45 per share, compared to $7.7 million, or $0.32 per share, last year. Our pro forma EPS of $0.45 is a 19% sequential increase over our $0.38 last quarter.

GAAP net income increased 22% sequentially to $11.4 million, or $0.41 per share, up from $9.3 million, or $0.34, in the first quarter this year.

- Cash flow from operations for the quarter was $18 million, an 80% increase compared to $10 million for the same period last year.

- Turning to the **balance sheet**, we had $100 million in total cash and short-term investments and $141 million in working capital, and only $4 million in long-term term debt. Our total debt balance is $10.8 million, down from $11.3 million last quarter and $12.5 at the end of 2005.

- Our total debt to equity ratio is 33% for the current quarter, while our total debt to assets is 25%.

- **Inventories** were $43 million, with inventory turns at 5.5 times.

- **Accounts receivable days** were 68 days in the second quarter compared to 74 days in the prior quarter. We still experience tremendous pressure to extend terms, especially in Asia, and now in Europe.

- **Capital expenditures** for the current quarter were $17 million and $27 million year to date. To accommodate and consolidate our operations relating to the tremendous growth in Asia as well as our newly acquired analog division, in the second quarter, we purchased an office building in Taipei, Taiwan. Excluding this non-production related $6 million building purchase, year-to-date capital expenditures were approximately 13% of revenue, slightly ahead of our 10-12% full-year estimate.

As to our Outlook…

Heading into the third quarter of 2006, we see continued strong demand for our discrete and analog products, as we aggressively proceed with innovative new products and strengthen our leadership position in the market.

Coming off our 5^{th} consecutive record revenue performance, including our 12% sequential growth this quarter, and based on our book-to-bill ratio above one, we currently expect to see sequential revenue growth in the 4-7% range in Q3. And we expect gross margin percentage for the third quarter to be comparable with Q2.

Over time, as we continue to introduce innovative new discrete and analog products, and internalize packaging of our analog products, we expect to see gradual expansion in our gross margins.

Therefore, we feel confident that 2006 will continue to be another year of exceptional growth for Diodes as we continue to focus on innovation and profitable growth, while fully leveraging the synergies created by the Anachip acquisition.

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

Markets and Growth Strategies - Mark King

Thanks, Carl and good morning everyone.

In the second quarter, Diodes marketing and sales activity included record sales, multiple design wins, an aggressive new product launch schedule, and strong new product revenues generated by both internal development and the Anachip acquisition. We are on track to complete the Anachip brand conversion by the end of Q3, and continue to internalize the analog packaging. Favorable customer and distributor response to the Anachip acquisition and analog strategy paved the way for our entry into the standard linear business, which has exceeded our positive expectations so far.

We made great progress during Q2 in executing our new product road map, including new products in the discrete, analog and power management categories. Sales of new products reached a record 24.9% of total sales.

During the quarter, we launched 63 products from 19 product families. Our recent launch of the new PowerDI™323 product platform builds on the innovative success of our popular PowerDI™5 and PowerDI™123 product lines. The PowerDI™ 323 platform is among the smallest power packages ever introduced in the power rectifier market and provides best-in-class power performance. Our PowerDI™323 Schottky Rectifiers are designed to improve efficiency and enable miniaturization of the DC/DC converters in small portable electronics, such as mobile phones, digital audio players and digital cameras. In addition, we extended the PowerDI™323 platform to the Zener market with the PD-3Z series.

Geographic Breakout

Geographically, market share for Diodes' **discrete** products reached all time highs in the second quarter, driven by gains in all regions. Asia remained the largest contributor, accounting for 70% of Q2 sales. Sales to manufacturers of LCD monitors and televisions, wireless LANs and battery chargers led the way. Pricing of commodity products was relatively unchanged and commodity lead-times stabilized. We expect this to continue through Q3. Design activity remained brisk on all product lines.

During the quarter, we experienced better than expected sales in the computer segment, and strong growth in our analog product line. We have seen positive cross-selling synergies as Dr. Lu mentioned.

Even though Anachip had relationships with many key Asian accounts prior to the acquisition, the product line has captured additional market share since becoming affiliated with Diodes, Inc.

North America
North America contributed 26% of total revenues, with sales exceeding expectations once again, and distributor point of sales achieving record highs. Set-top-box demand was low in Q2 due to new model product delays, but is expected to ramp up in Q3. With the help of increased lead-times and competitor shortages, broad based distributor sales were solid.

Given the intensified design activity and new qualifications to “second source” long lead-time parts, sales for accounts designed in North America and built in Asia remained strong. Array designs continued to be more widely adopted in North America, with custom arrays gaining traction at accounts requiring very small form factors. There was heavy interest in our performance packages, such as the PowerDI™123, PowerDI™323 and DFN.

Distributor inventory rose from two-year lows in Q2, due to strong customer demand, and it has remained in line with sales.

For the second consecutive quarter, wafer sales decreased as we continue converting more wafers for internal purposes. However, our wafer average selling price was up over 4% sequentially. ASP for discrete components was down slightly this quarter.

Europe
In Europe revenues reached a new record sales level, up 38% sequentially and 138% from last year. This region contributed 4% of sales. Point of sales revenue was up approximately 33% over the first quarter, while OEM sales increased approximately 12%. Our sales growth was driven mainly by the new distributors we added last year, but we were also pleased with significant sales increases from our longer term channel partner.

During the quarter we started shipments of our first new hall sensor design wins, both directly and through our distributors. We saw significant interest in both our Hall and Analog product families. Going forward, we will continue to build our distribution momentum, as we work toward increasing our market share in Europe over the next several quarters.

Moving to Market Segments…

For the second quarter, our segment breakout was: 36% computer and peripherals, 35% consumer, 14% telecom, 13% industrial, and 2% automotive.

Now I'll go into Design Wins

Design activity remained strong in the quarter. On the discrete side, we saw significant interest in our PowerDI, array (both standard and customer specific), and sub-miniature platforms. On the analog side, we saw similar interest in our switchers and LDOs. We had multiples design wins at over 50 accounts world-wide, from a broad list of end equipments**.**

Most notable wins include:

- a design win on our recently announce PowerDI™323 Schottky device on the most recent Digital audio platform.

- PowerDI™5 wins in multiple notebook platforms, 2 DC to DC converters, DC fan and a battery pack.

-PowerDI™123 wins DC/ DC converter, Hand held PC, and networking edge switch.

- Array wins in Portable POS Terminal, Mobile handset, DC to DC converters, ADSL, battery pack, and graphics card.

Notable wins on the Analog side include:

- Switcher wins in multiple LCD-TV and Set-top-box designs, Portable and Combo DVD, as well as wireless LAN.

- DC to DC converter wins in Set-top-box, ADSL and power adapter.

- Low Drop out regulator wins in ADSL and Cable modem, server, LCD-TV and Module.

And finally:

- Hall Effect IC wins in DC fan, Automotive, and 3 different DC motor applications.

The bottom line is that we now have more products to sell our customers. Our discrete product lines complement the power management product lines at Anachip, and the result is synergistic growth that should persist well into the future.

In Summary…
We are very pleased with our record second quarter results. Overall, Diodes made excellent progress in implementing its strategy of innovation and profitable growth, as evidenced by record financial results, multiple design wins, best-in-class product launches, and recognition by top business publications. We are confident of continued success going into Q3.

Orders were strong with a book to bill ratio above one. In the discrete segment, we believe that we are well positioned with innovative products that satisfy the increasing demand for portability and miniaturization, from the computing and consumer electronics markets.

The acquisition of Anachip continues to pay off with contributions to profitability and product offerings, thus underlining its ideal fit with our existing product portfolio, manufacturing strengths, and customer base. We see dynamic growth and innovation for Diodes going into the third quarter and beyond, that will continue to add to shareholder value.

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

8/2/06 2Q06 Earnings Call - QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. Your first audio question comes from the line of Steven Smigie with Raymond James.

<Q - Steven Smigie>: Great, thank you and congratulations on another great quarter.

<A>: Thank you.

<Q - Steven Smigie>: The first question is just related to the SG&A and R&D, it seems that you guys did a great job of keeping those costs under control. I was hoping you could just on a, say next quarter basis give us what that might look like sequentially in terms of percentage of revenue and then if you could give me a little bit of guidance going forward, after that - I mean you had originally indicated maybe R&D might get up to 3% of revenue. It is just a question if you guys are growing revenue so fast here that the R&D spending can't keep up?

<A - Keh-Shew Lu>: Steve thank you for your comments. This is Dr. Lu, calling from Taiwan and it's midnight right now. Okay. I think, our business model is very clear. We try to get our SG&A and R&D together for pro forma basis about 15 to 16% from pro forma basis excluding stock option. And this quarter, as in you already said, you know our R&D is about 2.5% and our SG&A excluding stock option is about 12.4 percent, really it's about 15 percent. That's within our business model and, with continued strength of our R&D but we will not taking our R&D high, people thinking about Analog company go to 10 percent. I think we can tell everybody our business model R&D will be 2.5 to 3 percent. And so, we are still going in that direction, control our cost and combined R&D and SG&A to maintain about a standard total of 15% of revenues.

<Q - Steven Smigie>: Okay, I was hoping you could comment a little bit more on gross margin. You said, you expect to comparable in Q3, is that comparable in terms of its growth or just in terms of percentage of revenue.

<A - Keh-Shew Lu>: I think all we are taking about percent.

<A>: Yeah, percentage Steve.

<A - Keh-Shew Lu>: Percent.

<Q - Steven Smigie>: And the last question is, if you could just comment a little bit of any progress you might have made in handsets, I didn't hear too many design win announcements when Mark went through, but just curious of any progress there? Thank you.

<A - Mark King>: Yeah, I think I can - you know, our revenue is pretty consistent with where it's been in the previous quarters. We are getting more active in the handsets but there hasn't been any significant changes over the last two quarters. But it does continue to be an opportunity to drive growth in the future.

<Q - Steven Smigie>: Okay, great. Thanks again.

Operator: Your next question comes from the line of Ramesh Misra with C.E. Unterberg.

<Q - Ramesh Misra>: Good morning everyone and congratulations on the solid report.

<A>: Thank you.

<Q - Ramesh Misra>: My first question was related to inventory, I think you did allude that you are increasing it but in the quarter it was up fairly significantly. So, my question was if you could go into the reasons for that and also where do you see inventory going in the subsequent quarters?

<A - Carl Wertz>: Yeah, Ramesh this is Carl. Inventory went up a little bit as we added some raw materials in our manufacturing facilities.

<Q - Ramesh Misra>: Okay.

<A - Carl Wertz>: We also did a little bit more build in end product in Asia and if Dr. Lu want to add a little bit that will fine too.

<A - Keh-Shew Lu>: I think, you know, we try to - when we try to move our product from our subcontractor to internalize, you always need to start to give us some inventory, okay, some raw material. So, just some contribution we try to qualify our internal capability or quantify the energy product of our internal capability or internal packaging. And so that is just normal and then down the road when we finish this kind of internalization then you would back to normal.

<Q - Ramesh Misra>: I see. And can you talk about how much - as a percentage of sales did Analog account for in the quarter?

<A - Keh-Shew Lu>: You know, we don't separate our revenue between analog and the discrete. There are reasons behind it. The reason is, you know, we are gained through the multi-chip packaging and the synergy and when you gain through the SMC strategy you're going to put the analog chip dye, analog die together with the discrete die then it's very difficult to separate, is it analog business or discrete business? It's going to the hybrid business. And, you know, we try to encourage our people to increase the sale on both sides, we don't really want to emphasize one from the other one. That's why we intentionally do not want to separate. Another reason is because some of the product is very difficult to place as discrete or as analog. For example, our Hall-sensor business, you can classify as a discrete, but you can classify as the analog, because later on our strategy would be, you know, there is some kind of digital function or some kind of analog function together with the Hall-sensor function to make it a total solution. And so, difficult, we try to prevent, or try not to separate between analog and discrete.

<Q - Ramesh Misra>: Okay, and then finally in terms of - this question is probably for you Mark - all these multiple design wins that you've received, were they relatively broad based or were there particular areas that stood out in terms of a design activity?

<A - Mark King>: You know, it's pretty broad based. The one thing about our product line is the variety - so, I try to give a highlight of different types . The one thing that is clear, is that there is a great deal of overlap in our success on our new products with our standard discrete products. But really, you know, we are very active in the broad base customer business and broad based end markets. So, we're seeing a lot of activity everywhere.

<Q - Ramesh Misra>: Okay, and then just one last one. Do you have products out there already, which are these hybrid kind of part stuff to look. So basically, you know single chip module including both discrete and analog product and what would the timeline of the sales ramp on those be?

<A - Mark King>: I can probably answer that for you. We don't have any of these end products out yet, and we've only been dealing with from initial stage on a customer specific basis. And we've have a lot of interest and we've done some work with specific customers in that area but we haven't completed anything or introduced a product yet.

<A - Keh-Shew Lu>: Ramesh, in some of our investor conferences you know, I am talking about step by step approach to this adjacent technology. I think, I mentioned we're going to start with a chip set kind of concept, right, bring in our discrete component together with our analog device. And then present it to our customer as kind of chip set concept. After we build the confidence with our customer, then we will bring in a more tightened solution of the ASMCC solution. And during the last 6 months after we acquired Anachip, we spend a lot of effort to upgrade that analog design because we want to make sure those analog designs are put into or available to our customers. So, we spend a lot of time to characterize those products and upgrade them to make sure they meet our Diodes requirements because we want to scale together with our Diodes chip - Diode product to the customers. So, therefore we are busy on that area and that's why Mark talked about, you know, a brand conversion. And that brand conversion is trying to make sure, when we come out Diodes brand on those products it is a good as our Diodes discrete product.

<Q - Ramesh Misra>: Okay, all right. Thanks very much and congratulations again.

<A - Keh-Shew Lu>: Thank you.

Operator: Your next question comes from the line of Christopher Longiaru with Sidoti.

<Q -Christopher Longiaru>: Hi guys, congratulations.

<A>: Thank you Chris.

<A>: Thank you Chris.

<Q - Christopher Longiaru>: My first question is a simple one, Carl this one is for you. The tax rate seem to increase a little bit this quarter.

<A - Carl Wertz>: Right.

<Q - Christopher Longiaru>: By that 20 percent. What was the reason for that or ?

<A - Carl Wertz>: Chris we mentioned that the U.S market was pretty strong. We had better than expected profits in North America.

<Q - Christopher Longiaru>: Okay.

<A - Carl Wertz>: And those profits have substantial greater overall tax rates than Asia and other parts.

<Q - Christopher Longiaru>: Got you.

<A - Carl Wertz>: And also we are still developing our dividend strategy and we have accrued some taxes on dividend related items in Taiwan.

<Q - Christopher Longiaru>: So, going forward we can expect it to trend a little bit downward from the 20% I think it was this quarter?

<A - Carl Wertz>: We always try to mention somewhere in between the 15 and 20% range. It's just the last couple of quarters we were able to keep at the 15 and 16 so, yeah

<Q - Christopher Longiaru>: Okay.

<A - Carl Wertz>: We are in the high teens.

<A - Keh-Shew Lu>: Yeah, high teens is what we look at forward.

<Q - Christopher Longiaru>: Got it. Okay, thanks and just another one. Now, with respect to acquisitions, now that Richard has joined the team, he is probably going to be more of a focus on that I would imagine. Is there any specific area that you are looking at, you know, and adjacent market that you are focusing on or a geographical location that you might be interested in?

<A - Keh-Shew Lu>: You know, our target actually, we are quite open minded, okay. But we do have some principle when we look at our condition. #1, you need to be have adaptive synergy. If we buy the company from let's say Asia, then we want to make sure we are able to get those products to sell to US and Europe market. We need to make sure those products can be adopted by the major, you know, global customers.

<Q - Christopher Longiaru>: Right.

<A - Keh-Shew Lu>: If we are buying the company, say in Europe then you need to be able to help manufacturing costs particularly in the European market and spend time, you know, as we meed to have the manufacturing synergy which means we should be able to bring the value, bring their costs down. And if we buy the company in US, we will be able to insure the ability to bring us the technology, the new market and new end equipment. So, #1 we are looking for a company who can help us in both discrete or analog. If they can bring both to us it's even better. Second, they need to have very good synergy with our customers, you know, customer synergy or manufacturers synergy or both. That is what we are looking for.

<Q - Christopher Longiaru>: Great. Well thanks, that's all I have, thank you guys very much. Congratulations again.

<A - Keh-Shew Lu>: Thank you.

<A>: Thank you. Operator: Your next question comes from the line of Shawn Harrison with Longbow Research.

<Q - Shawn Harrison>: Hi good morning. This is [indiscernible] calling for Shawn. My first question is regarding your sales trend, could you refresh us what was your typical seasonal growth trend pattern for the third quarter?

<A - Keh-Shew Lu>: Mark, you want to answer this?

<A - Mark King>: Sure, but I need to look at some numbers because in our industry nothing is ever typical. Last year our sequential growth from second quarter to third quarter was roughly 7 percent, okay and roughly in the prior year - what is that, let me see - it was roughly 5 percent. So, generally the third quarter is a growth quarter, some years more than others depending on the performance of the second quarter. But, you know seasonality's have a tendency to move in our business to some degree, but the third quarter should be in line with what our estimate for growth was this quarter.

<A - Keh-Shew Lu>: Yeah, but I do need to remind you, if typically, historically it's a growth quarter but when we come out from five consecutive growth quarter or new record quarter, for us a 12 percent, a 12.4% sequential growth. We need to do a lot of effort try to get to the - you know to the 4 to 7% but we need to give that guidance. But it's a challenge, but we are willing to accept that challenge.

<Q - Shawn Harrison>: I see. Dr. Lu, could you give a more color regarding the main driver or the primary drivers behind your 4 to 7% sequential sales growth forecast?

<A - Keh-Shew Lu>: Well, I think we actually see both growth in our analog acquisition - our analog acquisition and our discrete business. I think we see, had there been more, you know, from percentage wise, analog is a little more than discrete but we see both grow quite a bit. And especially for this quarter, you know, when we grew 12 percent, a lot of them (sales) I'm sure is contribution from our analog acquisition.

<Q - Shawn Harrison>: Right, okay. Your new product sales went up like 160 basis point for the quarter; you know reaching a 25% of total sales. Could you break out a little bit how much contribution from analog products, how much from discrete?

<A - Keh-Shew Lu>: Well, you know, since our definition or industrial definition for the new product really is defined as the new product announced in the past three year…

<Q - Shawn Harrison>: Okay.

<A - Keh-Shew Lu>: The Anachip is quite a brand new company. They have a lot of new product with, you know, with they released during the past three years.

<Q - Shawn Harrison>: Okay.

<A - Keh-Shew Lu>: Therefore, most Anachip product is considered by definition, it's the new product.

<Q - Shawn Harrison>: Okay.

<A - Keh-Shew Lu>: And therefore, when Anachip grow much faster, it give us the benefit of the new product growth.

<Q - Shawn Harrison>: Okay, I guess my third question is regarding inventory levels at your distribution. Could you give us a little bit color, you know, on the inventory levels at your distributor, is there any inventory build up or do you guys have any concerns there?

<Mark King>: Yeah, I don't think we have any concerns. Actually, we've been communicating for several quarters how actually low distributor inventories levels were. We were actually running at - I, don't know, at least two year lows over the last several quarters and actually our inventory was quite clean and possibly too low. So, we did have some inventory build in this quarter but we feel it's in line with the record POS sales we've seen. So, we continue to watch it very closely but we think we are in a healthy position.

<Q - Shawn Harrison>: Okay, I see. I guess my final question is regarding capacity utilization. What's your overall capacity utilization for analog and discrete products?

<A - Keh-Shew Lu>: I don't separate analog or discrete in our fab and our assembly. Because our analog chip - Anachip does not produce and the wafers are not produced by our fab. We just buy from foundry. And the packaging we are on a way to bring into in our inside but the majority of it is sill outsourced. So, I probably won't address that in detail at this time. I think from Mark's speech what he said, for you know we do reduce our wafer sales and convert more capacity to supply our internal usage. I think during several of investment conferences, we are talking about our strategy is very simple. We build capacity with foundry business, then when we need it, we will move out some of our foundry business and convert it for internal usage. And we are successful doing that. Again our capacity utilization in our fab is above 90 percent. And that is increased from, you know, 85% last year to about 90% or they've been north of 90 percent. On the assembly side, like I mentioned in the past, we increase the capacity when we see the need. We always try to maintain about 95% utilization and use standard product as a squeeze point and then when we see, we need more capacity we deploy the capital acquire the equipment. And we try to maintain our capital expenditure between 10 to 12% of revenues to support our growth. We are successfully doing that in the past several years and we continue doing that way. And so, our assembly side is still maintained above 95 percent. So, you can say we fully utilize.

<Q - Shawn Harrison>: Right. Then going forward, do you guys have any plans to add capacity at your assembly?

<A - Keh-Shew Lu>: Yeah, we continue. We are going to continue adding the capacity. That's what our capital expenditure. Remember we took in about 10 to 12% and right now the first six months I think Carl mentioned we I did slightly more than 12 percent, we are 13 percent, okay, because our growth. You know, when we see a 12% growth, we spend a little more to deal with the capacity and therefore we are a little ahead of our typical expansion curve. But, we continue every quarter when we see the need we continue adding the capacity. It's nice, you know, and as I mentioned to several investors it's nice to have, you know, the capacity in the same rate cost we only take a very short time to add capacity. Second, you know, you can add a chunk by chunk instead of each time, you know, not like a fab. Each time you spend a lot of money to add capacity. For assembly, you don't do that. You just add small chunk by chunk. You are adding one production line at a time. You add another floor utilization and then if you fill all the floors then you add another building. So, you can add in chunk by chunk by adding small amount of money each time.

<Q - Shawn Harrison>: Okay. Thank you so much. Congratulations on a great quarter.

<A - Dr. Keh-Shew Lu>: Thank you.

Operator: Next question comes from the line of Bob Duetetner [ph] with Elm Ridge Capital.

<Q>: Yes. Thanks for taking the call. A couple of questions. First, on accounts receivable, the sequential increase was substantially less than the increase in sales. Just wondering Carl are you doing any factoring of receivables? Do you have kind of the same terms from your non-affiliated customers as you do from the related parties on AR? And, I think you mentioned in your earlier comments that you saw some pressure to extend AR terms, but in fact the DSO has been very well controlled. Maybe you can just sort of reconcile those two statements? And, then, I have got a few other questions.

<A - Carl Wertz>: Bob, nice analysis. We did a pretty good job in reducing our AR, but we are constantly under pressure from our customers in Asia and Europe to allow them to have longer terms. That has been one of our primary goals of our sales people that continue to provide quality products and service and not give away the AR. Yet we do lose a little bit. But, we are constantly fighting it. Dr. Lu has driven us to focus on our inventory AR and AP and…

<A - Dr. Keh-Shew Lu>: I think we can say, we did a good job by, you know, resist the pressure. That's been amazing, we have been at pressure, we see a lot of pressure.

<A - Carl Wertz>: And, we do - all of our related party AR and AP are market driven, they are very consistent with the market in general. So, there is no out of balance conditions in that area as well.

<Q>: Okay. And, no factoring then?

<A>: No. No, we don't do factoring.

<Q>: Okay. Another question is, can you give us - in the 10-Q, you give us units and ASPs for discrete and wafer and you touched on that a little bit in your comments. Can you give us those figures now?

<A>: Give us a couple of seconds.

<Q>: Sure.

<A>: The discrete ASP if I recall was just slightly negative, about 1 to 2 percent. Okay? Overall ASP - I am sorry, down while units were substantially up. Okay? They were a little bit north of our 12.5% sequential growth.

<Q>: Okay. So, maybe like 14, 15?

<A>: Yeah. Pretty close.

<Q>: Okay. And, then, on wafer?

<A>: The wafer ASP is actually as Dr. Lu said we are running that factory pretty full-out and they were actually up about 3 to 5 percent.

<A - Dr. Keh-Shew Lu>: Yeah. But - the vein [ph] in you from the wafer sale.

<A>: Right. [indiscernible].

<A>: Yeah.

<Q>: So, units must have been down then, the unit for units?

<A - Dr. Keh-Shew Lu>: Yeah. The output because we convert.

<A>: We are using more internally [indiscernible].

<A - Dr. Keh-Shew Lu>: Internally.

<A>: Assembly. **<A - Dr. Keh-Shew Lu>:** Yeah.

<Q>: Okay. You said for purposes of…

<A - Dr. Keh-Shew Lu>: You know, our - if we keep the same debt, you know, our growth will be even more. But, we can use that site in converting to internal usage reduce the [indiscernible] from wafer sale.

<Q>: Right. Sure. No. I understand what you are doing. Just for purposes of modeling now - I mean, your units - your wafer units were down probably then at that point 15 percent?

<A>: No. The wafer units were actually up.

<A>: The trade revenues are down because we are moving those units over into the assembly house. We are using more and more internally.

<Q>: Okay.

<A>: So, the actual revenue flow was less. But, the units were up because many of those units were used in our assembly sites- in our products that were classified in discrete product revenue rather than wafer revenue.

<Q>: Okay. I understand. Couple of other quick questions. And, the product breakdown, I got 36% computer, 14% telecom, 2% automotive, I missed the other one.

<A>: I think 13% industrial. You know, let me find it, it's in here.

<A>: Thanks.

<A>: Yeah. It was 36% computer and peripherals, 35% consumer, 14% telecom, 13% industrial, 2%automotive.

<Q>: Okay. And, then, you had also mentioned that there were some competitor shortages in the quarter. Could you go into that in a little bit more detail?

<A>: Yeah. I mean, you know, what we have seen is, for the last two quarters, there are some transitors shortages in some of the commodity products and some of the - certain packages like SOT-23 and so forth. So, we always use that. You know, the strategy of the broad line competitors is to outsource their packaging. So, their reaction to increased demand, it's generally not very quick. So, we find those as opportunities to gain market share and get design wins that a customer would typically not go back in and source a product that they had multiple sources on. So, we - you know, we see that - you know, we continue to see more and more the trend that less investment from the broad line semiconductors and the packages that we plan. So, quarter-in and quarter-out, we see more and more transitional shortage in certain packages.

<Q>: Are you still seeing those conditions now?

<A>: It seems to have eased slightly. But, I think we will continue to see them through the third quarter. And, frankly, I think every time the market ramps a little bit, we bump up against the capacity window on certain packages. Broad line semiconductors might put higher value products into these packages which open up to us the discretes. It's support in product areas where other people are less interested.

<Q>: If - for whatever reason you saw some weakness on the analog side, do you anticipate that some of these competitors that have shifted capacity over to analog would shift it back to discretes where the market clearly has some strength or have they made these shifts permanent?

<A>: Frankly, right now, I think - I would say that the analog growth is higher than the discrete growth in general. But, you know, this is a trend that we go through - we have been going through our whole existence. Yes, the broad liners go in and out of marketplaces. But, the more this happens, and it has been happening more and more, the less interested is the customer, isn't accepting them back. So, yes, we always will see - if markets crash - I mean, if markets soften, you will definitely see some from ASP pressure and you will see other things. But, we don't expect to see a big change. As the units go up - I mean, you know, the units continue to rise. So, there will be continual - as long as there is lack of investment from their side, there will be continued issues in this area.

<Q>: Okay. And, a last question, then I will hop off. This one is for you Dr. Lu, and you may or may not be able to speak to it. But, Lite-On Semi continues to own about 23% of the company. From your talks with them, are they interested in retaining that type of position in the company or should we look at some point for them to further reduce their investment as the Diodes' valuation has risen?

<A - Dr. Keh-Shew Lu>: It's a great investment for them. And, you know, last time I talked to them for them to sell some share when we do the secondary offering and, they agreed to do that. Since then, I talked to them again, they do not want to reduce any of them. It's a great investment. I think - in the other hand - you know, we did a good job on the bottom-line. Therefore, they do not have any intention to sell any their shares.

<Q>: Okay. Thank you for your answer. I appreciate it.

<A - Dr. Keh-Shew Lu>: Sure.

Operator: The next question comes from the line of Gary Mobley with A. G. Edwards.

<Q>: Hey, guys. It's actually Bob Betts [ph] for Gary.

<A>: Hi, Bob [ph].

<Q>: How are you doing?

<A>: Very good.

<Q>: On the Anachip side of the business, I know you commented a little bit and you don't want to give too much specifics. But, can you kind of qualitatively give some indication of how it did in the quarter? So, you said positive growth and I think I have inferred from your comments that the growth was sequentially higher than the discrete businesses. Is that accurate?

<A - Dr. Keh-Shew Lu>: Yes. The total is 12.4% sequentially and I can tell you the Anachip growth is a little higher than discrete growth, not much higher but it's higher.

<A>: Okay. So, maybe like mid-teens'ish, 15 percent?

<A - Mark King>: That's a good estimate.

<A - Dr. Keh-Shew Lu>: Somewhere.

<A - Mr. Carl Wertz>: Well, I think as Dr. Lu and Mark had mentioned - this is Carl, you know, we are gaining the synergies and I think lot of our customers are seeing that Diodes now owns Anachip, they are a lot more comfortable in placing those orders. I think that's allowing our sales people to work together with our customers and now take more share there.

<Q>: Okay. Excellent. And, just a quick one. I hope I am not making you repeat something you talked about earlier. On the income interest line, that bumped up, you know, a fair amount this quarter. Just wondering if you could give some quick color on where that comes from and is that sustainable going forward?

<A>: It's - we mention we have the $100 million of cash and short-term investments.

<Q>: Okay.

<A>: And, that's driving a substantial number of that income. We also had an improvement in foreign currency transactions this quarter. So, you know, last quarter, we had about $700,000 interest income. This quarter, we had just a tad over a $1 million interest and about a $200,000-, $250,000 improvement in currency effects.

<Q>: Okay. So, going forward, around a $1 million mark is better for modeling probably?

<A>: Yes.

<Q>: Okay.

<A - Dr. Keh-Shew Lu>: And we had the acquisition.

<Q>: Got you.

<**A - Dr. Keh-Shew Lu**>**:** You know, the purpose of secondary offering is for [indiscernible]. So…

<**Q**>**:** Okay. So should I not bother putting it in the model for Q3 and you will be used up?

<**A - Dr. Keh-Shew Lu**>**:** [indiscernible]. No.

<**Q**>**:** Oh! Come on, you can't blame me for taking that shot. And, then, last, just a clarification. On the CapEx, you said year-to-date is 27 million. I have in our model and [indiscernible].

<**A - Dr. Keh-Shew Lu**>**:** Wait, wait, wait. Year-to-date?

<**Q**>**:** I thought you said for the first six months it was 27 million.

<**A**>**:** All right. Yeah.

<**Q**>**:** I have a 11.8 million for Q1, am I off, which will make it closer to 29.

<**A - Dr. Keh-Shew Lu**>**:** Do you - excluding the 6 million, we had 6 million for buying the building.

<**Q**>**:** Okay.

<**A - Dr. Keh-Shew Lu**>**:** That - I don't know how. You need to get those math. I know one thing this when we say the number we say we have 13% of our revenue and excluding the $6 million for the building which is not production-related.

<**Q**>**:** Okay.

<**A - Dr. Keh-Shew Lu**>**:** Okay.

<**Q**>**:** Okay. Maybe that's where it is, I will go back and check.

<**A - Dr. Keh-Shew Lu**>**:** Yeah.

<**Q**>**:** All right. That's all I have got guys. Thanks.

<**A**>**:** Thank you.

<**A**>**:** Thank you.

Operator: The next question comes from the line of Alex Gauna with UBS.

<**Q**>**:** Yes. Thank you. This is Stevenson [ph] calling on behalf of Alex. First question I had is, relates to your analog products. Can you give us some more color on what the current ASP environment is like for the analog product, especially the power measurement ICs? And, moving forward, do you expect competition from some of your competitors in that space?

<**A**>**:** Probably, it's a little bit more competitive than we are seeing in the discrete. The discrete is a little stable. In the raw commodity area in the analog products, we are seeing a little bit more pressure, but not significant pressure. And, you know, we - you know, they are a little higher ASPs there in discrete. So, we see more room - slightly more room for continual decrease, but we don't expect anything dramatic.

<**Q**>**:** And, once you guys, do you have the majority or all of the analog products converted over to your internal capacity from a packaging and back-end testing point of view, is that sort of a onetime benefit to margins or are you able to continually extract more cost savings from the back-end?

<A - Dr. Keh-Shew Lu>: I should say we do not really move the majority into our facilities yet. Now, our first six months is try to upgrade a product, qualify the product and gradually move into our own facility. And, so, you know, till today, we do not have majority of product moving yet. That is a future synergy.

<Q>: Okay. And, remember - can you please remind what was the timeframe for I guess, you know, maybe hitting 50% or more of conversion?

<A - Dr. Keh-Shew Lu>: What's the question again?

<Q>: Yeah. What was the I guess the approximate timeframe for converting let's say half of the analog products to your internal resources?

<A - Dr. Keh-Shew Lu>: Well, it depended on the time because we adding capacity, but our priority is to support our new business. That's number one priority. Then, when we have excess capacity, we will see because all the product today can support by our separate sub contractors. And, so the equipment we are adding capacity is for new business - new design win especially all the energy product when they do the brand conversion and then start to qualify by our facility those new business going to be a priority to support from our own facility. And, so, if we - you know, if we have the room to move in, we will. But, that moving will be based on availability of capacity.

<Q>: Okay. Understand. And, my last question is regarding your book-to-bill. So, understand that it's still about 1 this quarter. But, compared to last quarter, looking at your direct versus disty customers, can you give us a sense as which - what's the best view, you know, potentially more strength entering this quarter and how you expect that to address this quarter into next?

<A - Dr. Keh-Shew Lu>: Mark, you want to take this?

<A - Mark King>: Yeah. You know, I don't have the exact figures in front of me. But, I think they are pretty much parity to last quarter's, maybe OEM is slightly stronger this quarter than disti. But, Idon't think there is any significant differences.

<Q>: Okay. Fine.

<A - Dr. Keh-Shew Lu>: Yeah.

<Q>: No. I mean, [indiscernible] yeah.

<A - Dr. Keh-Shew Lu>: You know, Mark, will you answer that and worry about I say okay the same stuff, 12 percent, we said 4 to 7 percent.

<Q>: Okay.

<A>: And, remember, it's not the same on an equivalent base. I mean, you know, we are up. So, there is a different thing, you know? But - I mean, in relative terms to the book-to-bill and who is booking and I think it's in relative parity.

<Q>: Okay. Thank you. And, I guess a related question to that is, is computing expected to still be the big driver for the current quarter or you see more of a shift back to consumer electronics-type products?

<A - Dr. Keh-Shew Lu>: Well, I think we should see same for the third quarter which is generally a computer segment and a consumer quarter. So, I would expect to see flows coming from both of those segments. You know, the computer segment, anybody says anywhere from 8 to 10% should be up in notebook and motherboard. But, then, there is some questions about the release of Microsoft programs, some other different thing. We see some softening slightly in the LCD monitor and TV marketplace. So, there - but, we should see some increase in maybe digital audio players and some of the more consumer base things in this quarter. So, I think between the two of them, those should be where the drivers are.

<Q>: Okay. Great. Thank you, and again congratulations on a great quarter.

<A>: Thank you.

<A - Dr. Keh-Shew Lu>: Thank you.

Operator: At this time, I do show there are no more audio questions in queue. Do you have any closing remarks, sir?

Company Representative: Do we have any closing remarks?

Dr. Keh-Shew Lu, : Well, actually, number one, thank you for participate the conference call. I think we had a very strong second quarter. I believe our strategy is working. And, I believe our Anachip acquisition is successful. Move forward, I think we are going to continue our growth and will continue to put in more effort in the customer support, in the capacity expansion and continue our effort of M&A. So again, thank you for joining the conference call.
Company Representative Thank you.