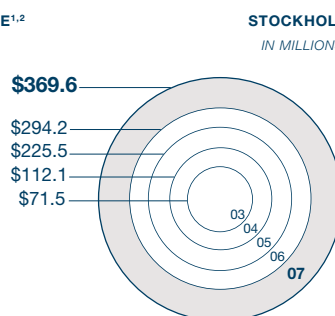
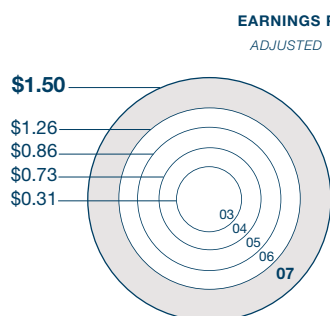
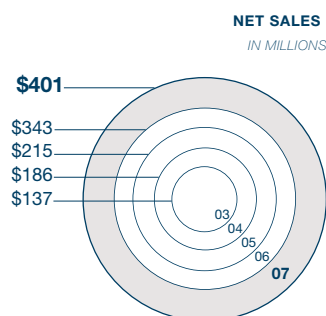


**Diodes Incorporated | Annual Report 2007**

# FINANCIAL CHARTS



## FINANCIAL HIGHLIGHTS

	2003	2004	2005	2006	2007
<i>(in thousands, except per share data)</i>					
Net sales	\$136,905	\$185,703	\$214,765	\$343,308	<b>\$401,159</b>
Gross profit	36,528	60,735	74,377	113,892	<b>130,379</b>
Selling, general and administrative expenses	19,586	23,503	30,285	47,945	<b>55,461</b>
Research and development expenses	2,049	3,422	3,713	8,317	<b>13,515</b>
Other expenses	1,037	14	(102)	152	<b>1,003</b>
Total operating expenses	22,672	26,939	33,896	56,414	<b>69,979</b>
Income from operations	13,856	33,796	40,481	57,478	<b>60,400</b>
Interest income, net	(860)	(637)	221	4,855	<b>11,286</b>
Other income (expense)	(5)	(418)	406	(1,212)	<b>(225)</b>
Income before taxes and minority interest	12,991	32,741	41,108	61,121	<b>71,461</b>
Income tax provision	2,460	6,514	6,685	11,689	<b>9,428</b>
Minority interest	(436)	(676)	(1,094)	(1,289)	<b>(2,376)</b>
Net income - GAAP	10,095	25,551	33,329	48,143	<b>59,657</b>
Net income - Adjusted <sup>1</sup>	10,095	25,551	33,329	53,439	<b>64,949</b>
Earnings per share, diluted <sup>2</sup> :					
GAAP	\$ 0.31	\$ 0.73	\$ 0.86	\$ 1.16	<b>\$ 1.41</b>
Adjusted <sup>1</sup>	\$ 0.31	\$ 0.73	\$ 0.86	\$ 1.26	<b>\$ 1.50</b>
Number of shares, diluted <sup>2</sup> :					
GAAP	32,414	34,811	38,842	41,502	<b>42,331</b>
Adjusted <sup>1</sup>	32,414	34,811	38,842	42,451	<b>43,167</b>
Total assets	\$123,795	\$167,801	\$289,515	\$622,139	<b>\$706,365</b>
Working capital	27,154	49,571	146,651	395,354	<b>451,801</b>
Long-term debt, net of current portion	6,750	7,833	4,865	237,115	<b>235,815</b>
Stockholders' equity	71,450	112,148	225,474	294,167	<b>369,598</b>
Return on assets	8.8%	17.5%	14.6%	10.6%	<b>9.0%</b>
Return on equity	15.6%	27.8%	9.7%	18.5%	<b>18.0%</b>

(1) 2006 adjusted net income excluded \$5.3 million, or \$0.10 per diluted share, of non-cash, net of tax effect stock option compensation expense as per SFAS No. 123R.

2007 adjusted net income excluded \$4.3 million, or \$0.07 per diluted share, of non-cash, net of tax effect stock option compensation expense as per SFAS No. 123R.

(2) Adjusted for the effect of 3-for-2 stock splits in November 2003, December 2005, and July 2007

# GLOBAL PRESENCE



## DIVERSE END-MARKETS

Digital Audio Players  
Set-Top Boxes  
Digital Cameras  
Mobile Handsets  
LCD TVs  
Game Consoles  
Portable GPS

CONSUMER  
ELECTRONICS  
36%

Notebooks  
Flat-Panel Monitors  
Motherboards, PDAs  
Multi-Function Printers  
Servers  
Network Interface Cards  
Hard Disk Drives

COMPUTER  
37%

Gateways, Routers  
Switches, Hubs  
Fiber Optics, DSL,  
Cable and Standard  
Modems, Networking  
Wireless, Ethernet,  
Power/Phone Lines

COMMUNICATIONS  
15%

Lighting  
Power Supplies  
DC-DC Conversion  
Security Systems  
Motor Control DC Fans

INDUSTRIAL  
10%

Comfort Controls  
Audio/Video Players  
GPS  
Navigation  
Satellite Radios

AUTOMOTIVE  
2%

## CORPORATE GOVERNANCE HIGHLIGHTS

Investor confidence in public companies is essential to the functioning of the global economy. To enlist and sustain investor confidence in Diodes Incorporated, we provide public access to information about our corporate governance policies in an Investor section of our website at [www.diodes.com](http://www.diodes.com). These policies provide a framework for the proper governance of our Company, consistent with government requirements and in the best interests of you, our Shareholders.

### KEY INFORMATION ABOUT OUR CORPORATE GOVERNANCE POLICIES AND COMMITMENTS:

- Majority of Board members and Board committee members are independent;
- Board adopted Code of Business Conduct;
- Board adopted Corporate Governance Guidelines;
- Board committee charters clearly establish respective roles and responsibilities;
- Board adopted a Code of Ethics for the Chief Executive Officer and all members of our finance department, including the principal financial/accounting officer;
- Board and each Board Committee are required to conduct a self-evaluation of their performance at least annually that is supervised and reviewed by the Governance and Stockholder Relations Committee to determine whether Board and each Board Committee are functioning effectively;
- Audit Committee established policies for auditor independence;
- Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and approves such transactions;
- Audit Committee members meet regularly with internal and external auditors, without the presence of the Company's management;
- Audit Committee and Company are committed to full compliance with the Foreign Corrupt Practices Act and the anti-bribery laws of the People's Republic of China;
- Internal Audit Manager reports directly to Audit Committee;
- Moss Adams, LLP, the Company's independent registered public accountant firm, reports directly to the Audit Committee, and any non-audit services performed do not interfere with their independence;

Through internal audit control functions, the Company monitors compliance with its global financial policies and practices over critical areas, including: internal controls, financial accounting and reporting, fiduciary accountability, and safeguarding of the Company's corporate assets;

A whistle-blower hotline has been established as a confidential means for employees to address issues to the Audit Committee regarding the Company's accounting, internal accounting controls and auditing practices;

Compensation Committee makes recommendations to the Board regarding compensation, benefits and incentive arrangements for officers;

Governance and Stockholder Relations Committee recommends director nominees to be selected by the Board;

Non-management directors each must hold stock with a value of at least two times the annual Board and Committee retainers combined. A newly elected director will have five years to reach the target ownership level;

Management directors each must hold the lesser of four times the director's salary or 125,000 Company shares;

Executive sessions, or meetings of independent directors without management present, are held regularly.

Our culture demands integrity and an unyielding commitment to strong internal practices and policies. We thank you for the confidence you have placed in us.

**RIGHT**— AT DIODES, IT'S NOT ONLY THE DIRECTION WE'RE GOING, IT'S HOW WE'RE  GETTING THERE. RIGHT IS OUR PIONEERING NEW PRODUCT STREAM, APPLICATION-SPECIFIC  PRODUCTS WITHIN THE BROAD DISCRETE AND ANALOG SEMICONDUCTOR MARKETS  THAT ARE EMPOWERING TODAY'S NEWEST TECHNOLOGIES. RIGHT IS OUR GLOBAL SALES CHANNEL, A WORLDWIDE  NETWORK OF DISTRIBUTORS AND SALES PROFESSIONALS THAT ARE SUPPORTED BY WORLD-CLASS ENGINEERS THE WORLD  OVER. RIGHT IS OUR INNOVATIVE MARKETING STRATEGY, PROVEN FORMULAS FOR GROWTH THAT HAVE EARNED DIODES THE DISTINCTION OF BEING NAMED AMONG "AMERICA'S 25 FASTEST-GROWING TECH COMPANIES" AND AMONG "AMERICA'S 200 BEST SMALL COMPANIES" BY FORBES, INC. BUT MOST OF ALL, AT DIODES, WE'RE RIGHT WITH OUR INVESTORS, GENERATING RECORD  REVENUES OF \$401 MILLION  AND RECORD NET INCOME OF \$60 MILLION IN FISCAL 2007. AND THAT'S RIGHT WHERE WE WANT TO BE—WITH THE RIGHT PRODUCTS, AT THE RIGHT TIME, IN THE RIGHT PLACE. **RIGHT.**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Raymond Soong <sup>2c, 3c</sup>

Chairman of the Board,  
*Diodes Incorporated*  
Chairman of the Board,  
*Lite-On Technology Corporation*  
*Director since 1993*

### C.H. Chen

Vice Chairman,  
*Diodes Incorporated*  
Vice Chairman,  
*Lite-On Semiconductor Corporation*  
*Director since 2000*

### Michael R. Giordano <sup>1CF</sup>

Senior Vice President,  
*UBS Incorporated*  
*Director since 1990*

### Dr. Keh-Shew Lu

President & Chief Executive Officer,  
*Diodes Incorporated*  
Retired, Senior Vice President,  
*Texas Instruments, Inc.*  
*Director since 2001*

### L.P. Hsu <sup>1,2</sup>

Chairman,  
*Philips Taiwan Quality Foundation*  
*Director since 2007*

### Dr. Shing Mao <sup>2,3</sup>

Retired, Chairman of the Board,  
*Lite-On Incorporated*  
*Director since 1990*

### John M. Stich <sup>1,3</sup>

Honorary Consul General  
of Japan at Dallas  
Retired, Chief Marketing Officer,  
*Texas Instruments, Inc. – Japan*  
*Director since 2000*

## EXECUTIVE OFFICERS

### Dr. Keh-Shew Lu

President &  
Chief Executive Officer  
*Employee since 2005*

### Joseph Liu

Senior Vice President,  
Operations  
*Employee since 1990*

### Mark A. King

Senior Vice President,  
Sales & Marketing  
*Employee since 1991*

### Carl C. Wertz

Chief Financial Officer,  
Secretary & Treasurer  
*Employee since 1993*

### Richard D. White

Senior Vice President, Finance  
*Employee since 2006*

### Steven Ho

Asia President  
*Employee since 1991*

### Francis Tang

Vice President, Product Development  
*Employee since 2006*

### Edmund Tang

Vice President, Corporate Administration  
*Employee since 2006*

## Shareholder Information

Diodes Incorporated common stock is listed and traded on the Nasdaq Global Select Market (NasdaqGS: DIOD).

No cash dividends have been declared or paid. The Company currently intends to retain any earnings for use in its businesses.

### Form 10-K

A copy of the Company's Form 10-K and other publicly filed reports, as filed with the U.S. Securities and Exchange Commission are available at [www.diodes.com](http://www.diodes.com) or [www.sec.gov](http://www.sec.gov) or upon request of:

### Investor Relations

Shelton Group  
19800 MacArthur Blvd., Suite 300  
Irvine, CA 92612  
Contact: Leanne Sievers  
T: 949-224-3874 F: 949-224-3872  
Email: [lsievers@sheltongroup.com](mailto:lsievers@sheltongroup.com)  
or [Diodes-fin@diodes.com](mailto:Diodes-fin@diodes.com)

## DIOD

Calendar Quarter	Closing Sales Price of Common Stock		
		High	Low
Fourth Quarter 2007	\$	34.71	\$ 27.40
Third Quarter 2007		32.84	26.31
Second Quarter 2007		27.85	23.06
First Quarter 2007		26.94	21.89
Fourth Quarter 2006	\$	30.23	\$ 23.65
Third Quarter 2006		30.66	21.71
Second Quarter 2006		29.08	21.69
First Quarter 2006		27.67	21.64

### Independent Registered Public Accounting Firm

Moss Adams, LLP  
11766 Wilshire Blvd., Suite 900  
Los Angeles, CA 90025

### Transfer Agent & Registrar

Continental Stock Transfer & Trust Company  
17 Battery Place, 8th Floor  
New York, NY 10004

### General Counsel

Sheppard, Mullin, Richter & Hampton  
333 S. Hope Street, 42nd Floor  
Los Angeles, CA 90071-1448

### Financial Information Online

World Wide Web users can access Company information on the Diodes, Inc. Investor page at [www.diodes.com](http://www.diodes.com)



1 – Audit Committee Member  
2 – Compensation Committee Member  
3 – Governance & Stockholder Relations Committee Member

C – Committee Chair  
F – Financial Expert

# DEAR SHAREHOLDERS

I am pleased to report that 2007 was another successful year for Diodes Incorporated.

## 2007 IN REVIEW

2007 was another tremendous year during which we continued to execute our plans and initiatives both financially and operationally. Our history of success led to a number of significant financial achievements in 2007 that include:

- Record annual revenue of \$401.2 million, representing an increase of 17% from \$343.3 million in 2006
- Record gross profit of \$130.4 million, representing an increase of 15% from \$113.9 million in 2006
- Record adjusted net income of \$64.9 million, or \$1.50 per share, representing an increase of 22% from \$53.4 million, or \$1.26 per share, in 2006
- Record net income of \$59.7 million, representing an increase of 24% from \$48.1 million in 2006
- Record cash flow from operations of \$91 million, compared to \$72.1 million in 2006
- A strong balance sheet with \$380 million in cash and short-term investments up from \$340 million at the end of 2006
- And, shareholder equity of \$369.6 million grew 26% compared to \$294.2 million at the end of 2006

With these accomplishments, we have continued to significantly outperform the industry and drive increased value for our shareholders. Contributing to these record results and laying the foundation for our future growth were a number of business and operational accomplishments throughout the year, which include:

## *THE RIGHT PRODUCTS AT THE RIGHT TIME*

Diodes continued to expand our product offerings with the goal of establishing the Company as a broad-based supplier within the discrete and analog semiconductor markets. Over the course of the year, we invested in research and development, resulting in the introduction of new products across multiple product families. We believe that a key to our success is that we offer the right products at the right time.

Notably, during the year we successfully integrated APD Semiconductor into our operations and began to leverage the technology we acquired, resulting in the introduction of our SBR<sup>®</sup> (Super Barrier Rectifier) line. Over 200 new products were launched in 2007 with more than 50 of these based on our SBR<sup>®</sup> technology. We expect continued growth from this product family throughout 2008 and beyond.

We also continued to make progress in our efforts to focus our analog business on mobility and portability in order to capitalize on these large and growing markets. Specifically, design activity for our Hall sensors in cell phones and notebooks continued to increase throughout the year, and we are very excited about opportunities in this segment.

Indicative of our success in developing and marketing a wide variety of new products and solutions, our sales of new products grew in each quarter throughout the year, reaching approximately 40 percent of revenue in the fourth quarter of 2007, up from approximately 33 percent at the end of 2006.

## *THE RIGHT BUSINESS STRATEGY*

Our ability to manufacture our products in a cost effective and efficient manner is central to our business strategy of delivering consistent profitable growth. During the year, we successfully consolidated our analog manufacturing operations into our China facilities, resulting in greater efficiencies and reduced costs. As a result, we further increased capacity and produced 15.4 billion units in 2007, a significant increase from the 11.8 billion units produced in 2006. We invested to increase the capacity at our wafer fabrication facility to 60,000 wafers per month, including the planned expansion of a six-inch line to support our SBR<sup>®</sup> product family. We believe that our continued focus on manufacturing quality and efficiency serves as a key differentiator for the Company and will contribute to further opportunities for margin expansion during the coming year.

**THE RIGHT STRATEGY FOR SUCCESS AND PROFITABLE GROWTH**

Year 2007 represented our sixth consecutive year of revenue growth, and our fourth quarter performance continued our run of record revenues and profits in 12 out of the last 16 quarters. Our expectation is to continue that trend in 2008.

We remain confident that the Company's long-term history of execution and successful track record of management through multiple industry cycles will continue to produce profitable results for our shareholders.

In 2008, we will continue to execute our strategies for profitable growth that have proven successful for the Company in the past. We will further expand our market share of the high-volume, high-growth markets we serve through new product introductions and increased design win activities. We will also leverage our large existing customer base to further drive sales of new products. Additionally, we plan to grow our portfolio of standard function, application specific products by using innovative, cost effective packaging technology. In summary, we believe we are executing the right strategies to further drive the Company's continued success and profitable growth.

Also, as part of our growth strategy for the coming year, we are evaluating acquisition opportunities that we believe will be synergistic to our business by offering complementary technologies, expanded market channels and/or additional manufacturing capacity and efficiencies. As we have stated previously, acquisition targets must be accretive to earnings within 12 months in order to maximize value to our Company and our shareholders. Based on our successful experience integrating the APD and Anachip acquisitions, we have taken the right steps internally to improve operational efficiencies and ensure our ability to expedite the integration of any future acquisition. We expect to make further progress in this area and look forward to reporting developments to you.

**IN CLOSING**

I would like to thank our shareholders and customers for their continued confidence and support, as well as our employees for their hard work and dedication to our continued success. We believe we are in the right market at the right time with the right products, and we look forward to reporting continued success in 2008 and beyond.

Sincerely,



Dr. Keh-Shew Lu  
President and Chief Executive Officer



The Right Products at The Right Time – New Product Expansion

The Right Business Strategy – Greater Manufacturing Efficiencies

The Right Strategy for Success and Profitable Growth – Market Share Expansion into High-Volume High-Growth Markets

POWER MANAGEMENT ICs – HALL EFFECT SENSORS – DISCRETE SEMICONDUCTORS  
DIGITAL AUDIO BOARD LOGIC BOARD OVERHEAD PROJECTOR COFFEE MAKERS TRANSMISSION CONTROL  
AIRPLANE BACK BOX FAN TIMER MARINE ALTERNATORS AC TELEPHONE HANDSET GAS HEATER BALLASTS 3.3V SMPS OUTPUT OLED POWER DEVICE SPEED CONTROL MODULE  
PC SMPS PC SMPS MODERN CARD PC SMPS  
SMART PHONES PDAS RAZOR-THIN MOBILE PHONES  
INTERFACE PLAYERS SMART PHONES PDAS RAZOR-THIN MOBILE PHONES  
MEDICAL FETAL MONITOR DISK DRIVES PORTABLE PHONE SATELLITE CAR RADIO VIDEO PROJECTOR SMPS ALTERNATOR

# RIGHT ON IT

**DIODES**  
INCORPORATED







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T: 805-446-4800

**Asia Sales**

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Hsinchu, Taiwan  
Shanghai, China  
Shenzhen, China  
Kowloon, Hong Kong  
Gyeonggi-do, Korea

**European Sales**

France  
Germany  
United Kingdom

**Manufacturing  
Facilities**

Shanghai, China (2)  
Kansas City, Missouri



Diodes Incorporated  
Registered to  
ISO 9001-2000  
File Number A5109

**www.diodes.com**  
NasdaqGS: DIOD