2000

QUALITY PARTS
Discrete Semiconductors

MAKE
Successful Solutions

Diodes Incorporated 2000 Annual Report

FINANCIAL HIGHLIGHTS

(in thousands except per share data)

	1999	2000	change
Net sales	$ 79,251	**$118,462**	+49.5%
Gross profit	20,948	**37,427**	+78.7%
Selling, general and administrative expenses	13,670	**18,955**	+38.7%
Income from operations	7,278	**18,472**	+153.8%
Interest expense, net	292	**940**	+221.9%
Other income	182	**501**	+175.3%
Income before taxes and minority interest	7,168	**18,033**	+151.6%
Provision for income taxes	(1,380)	**(2,496)**	+80.9%
Minority interest in joint venture earnings	(219)	**(642)**	193.2%
Net income	5,569	**14,895**	+167.5%
Earnings per share:			
Basic	$ 0.73	**$ 1.85**	+153.4%
Diluted	$ 0.68	**$ 1.62**	+138.2%
Number of shares used in computation:			
Basic	7,625	**8,071**	+5.8%
Diluted	8,204	**9,222**	+12.4%

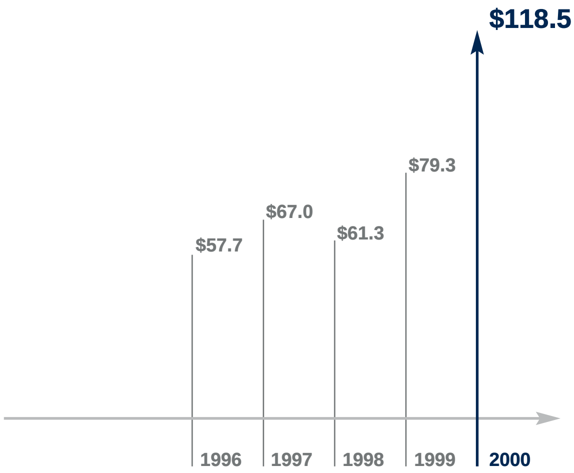
	1999	2000	change
Total assets	$ 62,407	**$ 112,950**	+80.9%
Working capital	15,903	**17,291**	+8.7%
Long-term debt	6,984	**30,857**	+341.8%
Stockholders' equity	34,973	**51,253**	+46.6%

Diodes Incorporated (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete semiconductor products, serving the communications, computer, electronics and automotive markets. The Company operates two Far East subsidiaries, Diodes-China (QS-9000, ISO 9000 & ISO-14001 certified) in Shanghai and Diodes-Taiwan (ISO-9000 certified) in Taipei. Diodes-China's manufacturing focus is on surface-mount devices destined for wireless devices, notebook computers, pagers, PCMCIA cards and modems, among others. Diodes-Taiwan is our Asia-Pacific sales, logistics and distribution center. The Company's newly acquired 5” wafer foundry, FabTech (QS-9000 certified) located in Missouri, specializes in Schottky products. The Company's ISO-9000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California.

Visit the Company's website at www.diodes.com.

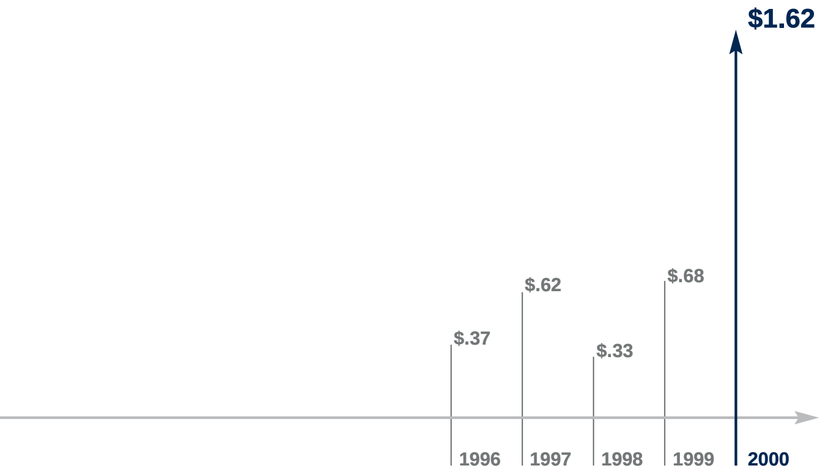
Outlook

To become a vertically integrated manufacturer and supplier of discrete semiconductors at the forefront of next-generation discrete technology, focused on providing solutions for emerging electronics products.



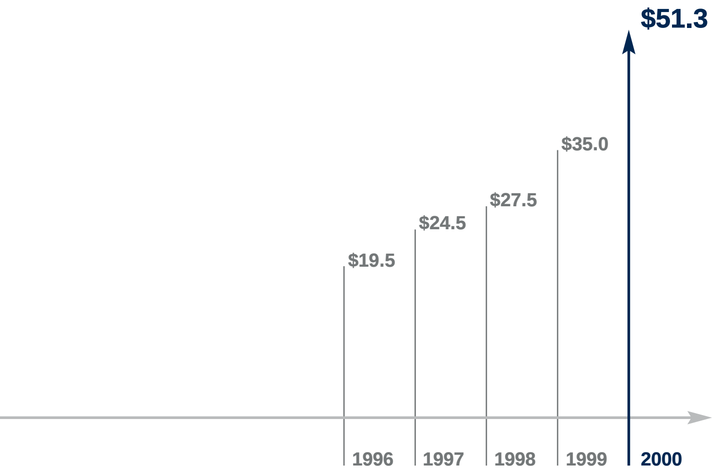
Net Sales have increased an average of 19.7% (CAGR) since 1996.

(in millions)



Earnings Per Share set records by increasing 138.2% over last year.

(diluted, adjusted for a three-for-two stock split in July 2000)



Stockholders' Equity reached new highs, increasing 46.6% from last year.

(in millions)

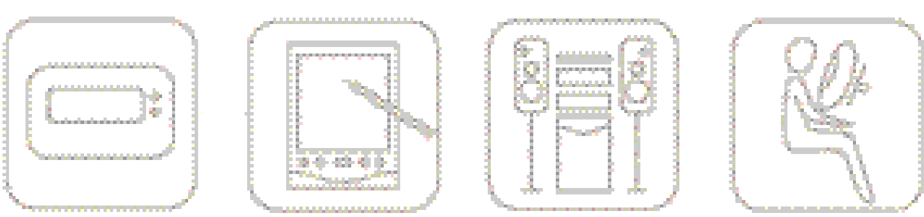
to our shareholders

The year 2000 was another year of record performance for Diodes Incorporated. Not only did we achieve record financial results, but we also made significant strides toward securing the foundation for our Company's future success in the marketplace. At Diodes, Inc., we are committed to meeting the needs and exceeding the expectations of our customer base, achieving consistent manufacturing excellence and deploying our resources to generate the greatest value for the owners of this company, our shareholders. We would like to take this opportunity to share some of the year's highlights with you.

In 2000, revenues increased 50% to $118.5 million, as compared to $79.3 million in 1999. Net income increased by 168% to $14.9 million, or $1.62 per share, as compared to $5.6 million, or $0.68 per share last year. The fourth quarter of 2000 was our 43rd consecutively profitable quarter, an outstanding record in the semiconductor industry. Just as important, our Return on Equity (ROE) was 29.1% and Return on Assets (ROA) was 13.2%. Both of these ratios, which measure the effectiveness with which the Company deployed its resources to earn returns for our shareholders, are near the top range for our industry.

One key to our record of profitability and product quality has been our investment of nearly $40 million in the expansion of our manufacturing facilities in Mainland China. We are justifiably proud of the industry certifications awarded our Diodes-China facilities for quality and environmental standards. In 2000, Diodes-China produced close to 2 billion units and is expected to achieve capacity of over 3 billion units by the end of this year. Contrast this with 21 million units produced in 1996 and you can see just how far we have progressed. Building up more manufacturing capacity than we sell allows us to rapidly respond to the demands of the marketplace and adjust our product mix accordingly. This in turn positively impacts our all-important gross margins, which have increased from 25.1% in 1998 to 31.6% for 2000.

The acquisition of FabTech in December of 2000 will allow Diodes, Inc. to become a vertically integrated semiconductor supplier, the logical next step in building our company. By covering the full range of marketing, manufacturing and product development, we are now able to position Diodes, Inc. as a total solution provider in the discrete semiconductor industry. FabTech's wafer foundry will provide us with



communication • computer • electronic • automotive

KEY MARKETS

the manufacturing base to establish a world-class Research and Development team charged with the task of developing innovative, higher-margin semiconductor products. This drive into proprietary new product lines is a multi-year initiative that will make a significant contribution toward establishing Diodes, Inc. at the forefront of next-generation discrete technology.

In June of last year, we were pleased to announce that our stock would commence trading on the NASDAQ stock market. NASDAQ offers us an opportunity to align Diodes, Inc. with some of the world's most innovative technology companies. In listing on NASDAQ, and in instituting the three-for-two stock split that accompanied the move, we demonstrated our continuing commitment to enhancing value and liquidity for you, our shareholders.

We are also gratified that Diodes, Inc. was lauded by influential voices within the business community. We are honored that Forbes Magazine named us as one of the "200 Best Small Companies in the U.S." for 2000 in their annual list. We view this as further validation of our long-term goals of generating shareholder value through the consistent application of innovation, flexibility and a singular dedication to satisfying the needs of our customers.

Regarding year 2001, industry analysts remain sharply divided as to prospects for growth in the discrete semiconductor industry. Like many companies in the technology sector, Diodes, Inc. experienced a challenging 4th quarter in 2000 and an uncertain economic climate as we head into 2001. Whatever rate our industry grows next year, our goal will be to surpass it. History is on our side. In both up and down markets, this Company has been able to outgrow the discrete industry and win additional market share.

Growth in the discrete industry has historically been driven by demand from the PC sector, but with computing and access to digital information moving beyond the traditional confines of the desktop, we are beginning to participate in a whole new growth sector in communications, wireless devices and Internet infrastructure. Major new markets are opening up in areas such as broadband technology, the wireless Internet, entertainment on demand, smart appliances and increasingly sophisticated automotive electronics. All of the devices being developed for these sectors, from set-top boxes to DSL modems, from wireless PDAs to Internet appliances, will require discrete semiconductors to function and in each of these categories, Diodes, Inc. has secured recent design wins with leading manufacturers, such as

"...we are committed to meeting the needs and exceeding the expectations of our customer base..."

Motorola, Nortel, Sony, and Microsoft. Indeed we believe that our innovative focus on advanced surface mount technology with sub-miniature packages and customized arrays allied to our competitive cost structures leaves us ideally placed to capitalize on and expand our share in these markets.

In an industry that increasingly places a premium on fast turnaround and exceptional product reliability, we are proud of our achievement in establishing the reputation of Diodes, Inc. as a service-driven, highly flexible organization, committed to attaining and maintaining the highest levels of engineering and manufacturing expertise. It is these qualities that strengthen Company confidence in our continued ability to meet the evolving needs of a rapidly expanding customer base.

Our strategic objectives for 2001, designed to position Diodes, Inc. to capture these emerging opportunities, include:

Integration of FabTech's Schottky wafer product lines into our tier-one sales and marketing organization. Leveraging our in-depth understanding of customer needs with FabTech's existing technology and engineering staff to build an R&D organization dedicated to developing next-generation discrete technologies.

Expansion of our sales and marketing organization in Taiwan to increase our presence in the growing Asian markets, while establishing our initial sales presence in Europe.

Completing the implementation of a company-wide Oracle Enterprise Resource Planning (ERP) system that will allow us to integrate key business processes across the globe, contributing to improved financial controls, greater business efficiencies and manufacturing flexibility.

Continuing to invest in the manufacturing excellence that has underlay our success over the past several years.

Diodes, Inc. is a company that has proven itself time and again in both favorable and adverse market conditions. The key to our success lies in our commitment first and foremost to the total satisfaction of our customers. However, the competitive nature of the semiconductor industry requires us to maintain our exacting standards and continue to foster a culture of excellence within our organization. In our drive to become a world-class company, we are constantly striving to improve the efficiency of our operations, the innovation of our design and engineering, and the consistency of our customer service. If we continue to deliver quality products, quality service and quality management, we will ensure that we can maintain and build on our enviable record of robust growth and consistent profitability.

Raymond Soong
Chairman of the Board

C.H. Chen
President and Chief Executive Officer

We would like to thank all those who continue to contribute to Diodes, Inc.'s success:

To our shareholders for the confidence and commitment you have demonstrated during a sometimes volatile year.

To our customers for continued patronage and for driving us to provide yet higher levels of service and product innovation.

To our distributors, employees, and suppliers, for continued dedication and hard work.

We are optimistic about what the future holds for Diodes, Inc. and we look forward to the growth opportunities ahead as together we move forward to achieve our goals and objectives into Year 2001.

Sincerely

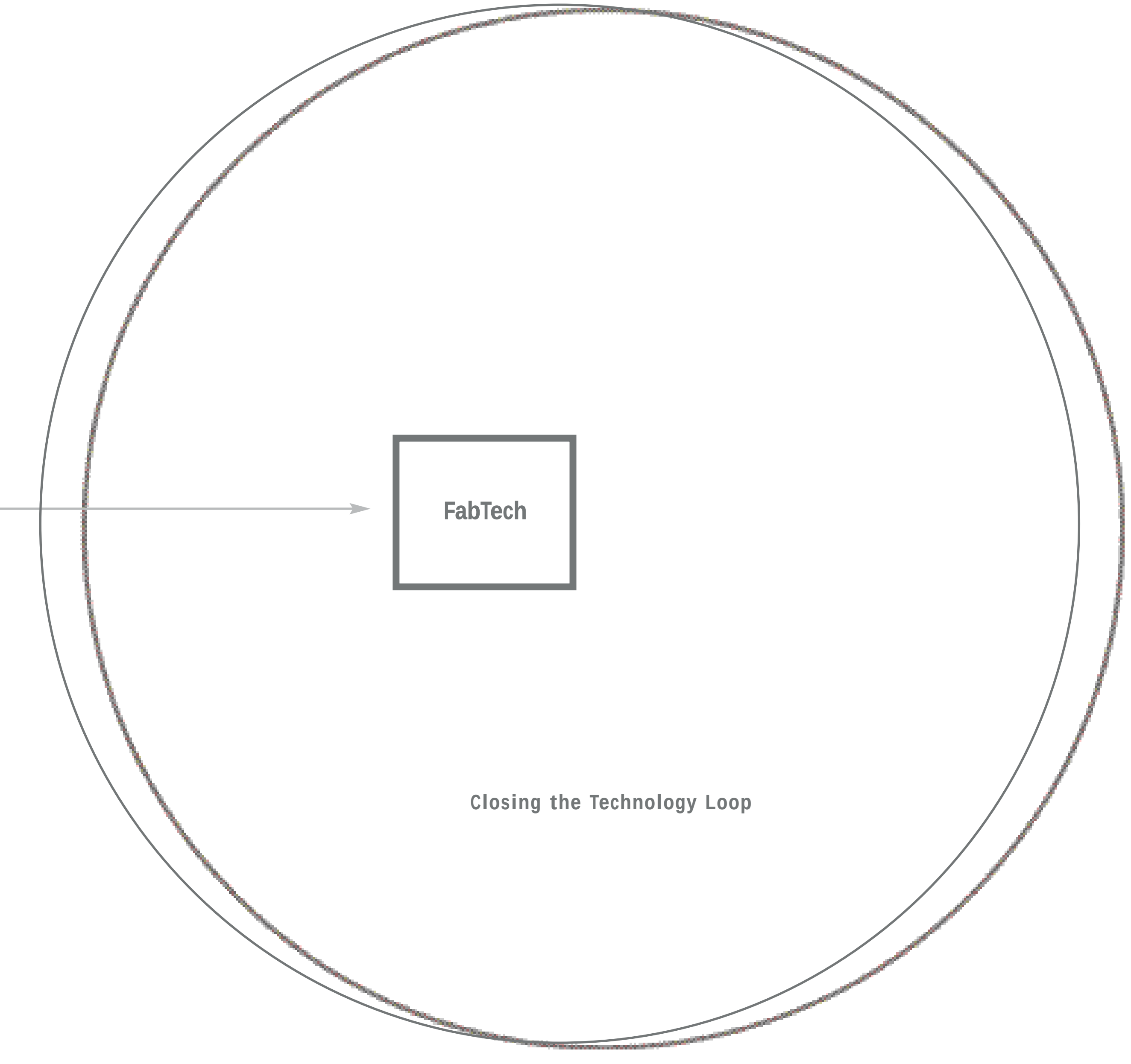
Raymond Soong
Chairman of the Board

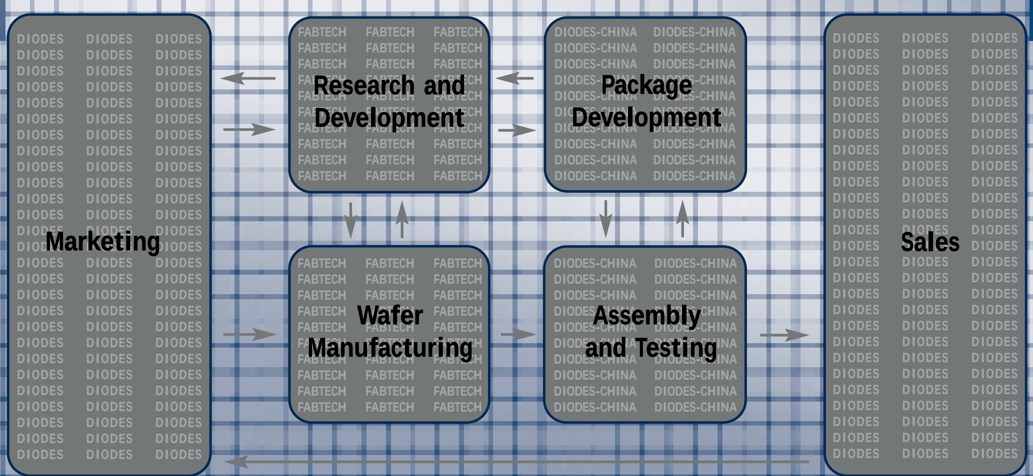
C.H. Chen
President and Chief Executive Officer

Fact:

Quick delivery of quality parts at competitive prices is what our customers have come to expect. Now, through innovative product design and reliable manufacturing, we can produce the total customer solutions the market demands.

The FabTech acquisition closes our technology loop. With its experienced engineering team, intellectual property, and broad range of technologies well-suited to our target markets, the 5-inch wafer foundry gives Diodes, Inc. the wafer fabrication capacity needed to control the full range of discrete device development and manufacturing. We can now innovate not only in packaging, but also in device development to offer our customers a more complete solution.


FabTech
Closing the Technology Loop

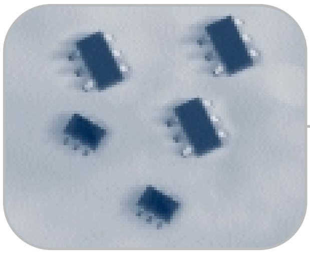


Closing the Technology Loop

The addition of FabTech positions Diodes, Inc.
to become a vertically integrated
discrete semiconductor manufacturer and supplier
at the forefront of
next-generation discrete technology.

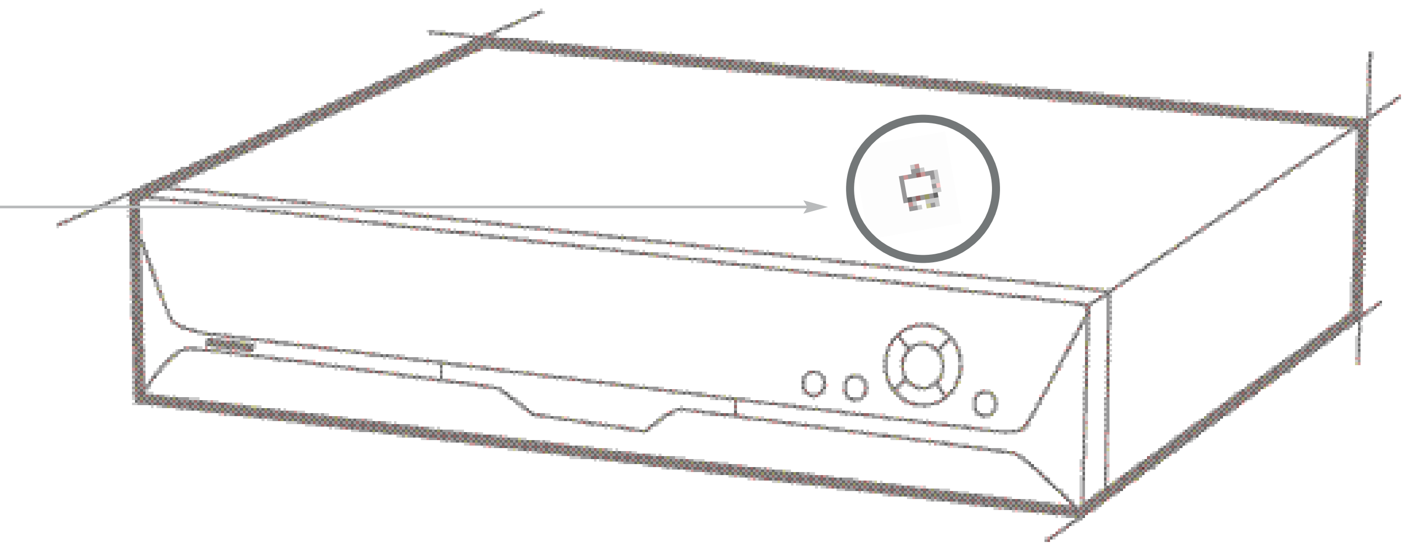
Fact:

In a world enhanced by more and more computer electronics, we see remarkable growth opportunities for the deployment of discrete semiconductors, the essential components for success.



In an industry that places a premium on fast turnaround and exceptional product reliability, we are proud of our commitment to engineering and manufacturing excellence. As a result, a range of high-quality diode and transistor arrays in sub-miniature surface-mount packages, primarily for the new generation of smaller, more powerful products are being manufactured at our QS-9000 and ISO-9002 certified world class manufacturing facility, Diodes-China.

You'll Find Our Products Everywhere



You'll Find Our Products Everywhere

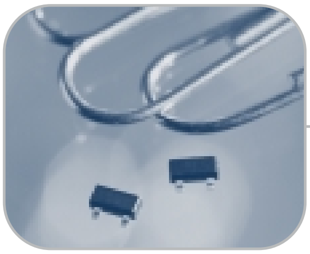
Our discrete semiconductors are integral to the performance and assembly of such popular consumer electronics products as the DIRECTV Receiver with TiVo® TV personalization and convenience services shown on the Sony SAT-T60 Digital Satellite Receiver/Recorder.

TiVo—TV Your Way™

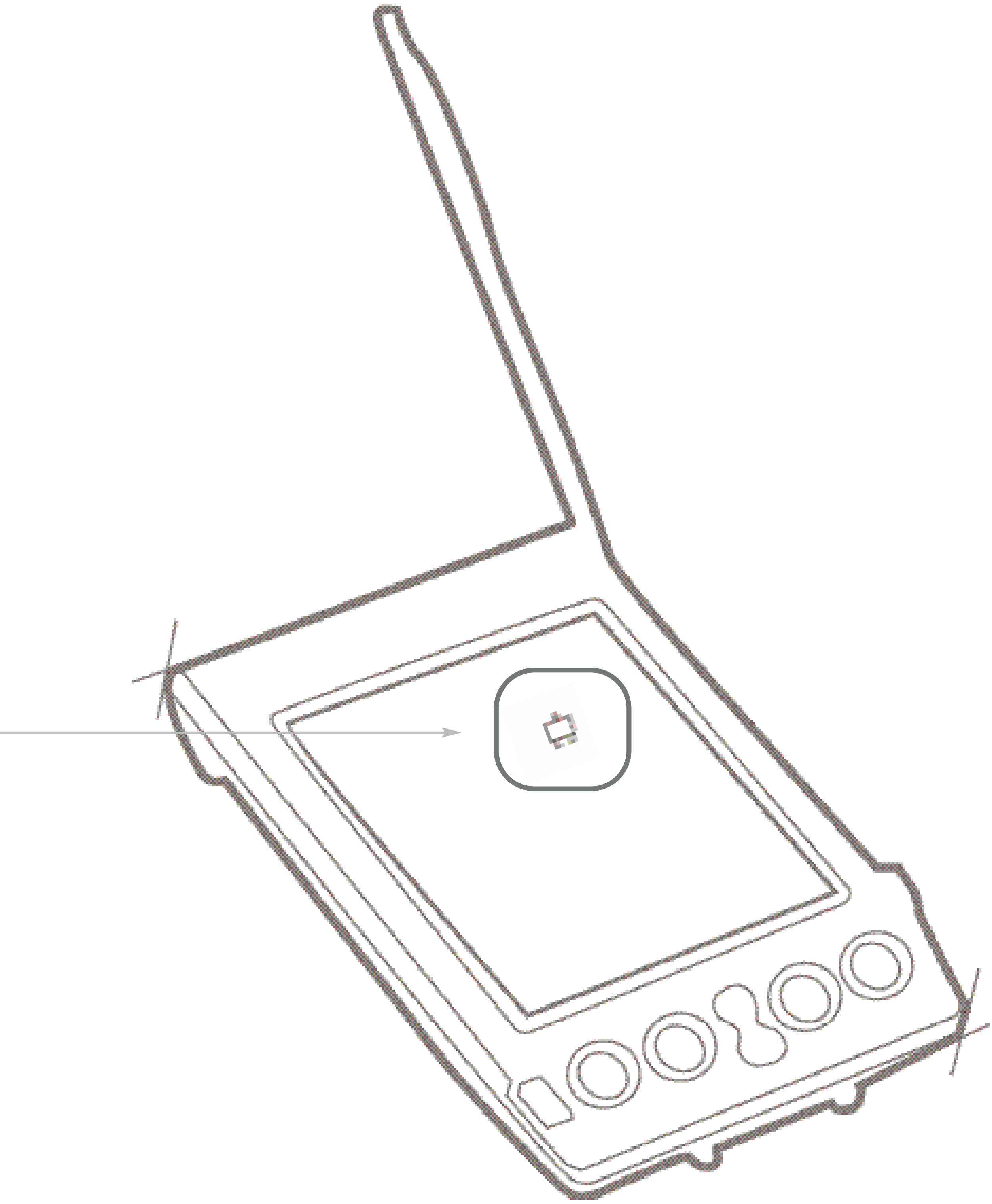
Sony SAT-T60, Courtesy of Sony Electronics Inc.

Fact:

Increasingly, products are hitting the market to meet our demand for quick and easy access to global information. Power in small sizes for speed, efficiency and portability is critical, and miniaturization in discrete components is key.



Today's communications and computer electronics are becoming richer with features, yet smaller in size. All require discrete semiconductors to perform. As space and power constraints become more critical, Diodes, Inc. has the flexibility, agility, and willingness to respond to our customers' needs. We believe that our innovative focus on advanced surface mount technology with sub-miniature packages and customized arrays can support our customers' advancing technologies.



Essential Ingredients for Success

Essential Ingredients for Success

Valued as building blocks of the electronics
and communications industries,
our components are used in everything from routers, modems,
Internet appliances and laptops to the
Palm™ VIIx Handheld.

About Diodes Incorporated

DISCRETE SEMICONDUCTORS are our focus business.

PRODUCTS are marketed under the Diodes Incorporated brand and include: Schottky diodes and rectifiers, Switching diodes, Zener diodes, Transient Voltage Suppressors (TVSs), Standard, Fast, Ultra-fast and Super-fast recovery rectifiers, Bridge rectifiers, Small signal transistors and MOSFETs, and high-density diode and transistor arrays in ultra-miniature surface mount packages.

MANUFACTURING FACILITIES, located in China and U.S.A. are ISO-9000 & QS-9000 certified to ensure products of the highest quality at competitive prices.

INDUSTRIES SERVED include communications, computing, consumer, industrial, and automotive electronics.

DIRECT SALES & MARKETING are accomplished through an ISO-9000 certified corporate office in Southern California, five regional U.S. sales offices, and a sales office in Taiwan.

DISTRIBUTION is further enhanced through an extensive network of manufacturers' representatives and major distributors.

STRATEGIC ALLIANCE for manufacture and distribution with The Lite-On Group.

A PUBLIC COMPANY dedicated to providing our customers with reliable availability of high-quality products at competitive prices.

FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion of the Company's financial condition and results of operations should be read together with the consolidated financial statements and the notes to consolidated financial statements included elsewhere in this Form 10-K. Except for the historical information contained herein, the matters addressed in this Item 7 constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed below under the heading "Cautionary Statement for Purposes of the "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995" and elsewhere in this Report on Form 10-K, that could cause actual results to differ materially from those anticipated by the Company's management. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Annual Report on Form 10-K are made pursuant to the Act.

General

Diodes Incorporated (the "Company") is a manufacturer and distributor of high-quality discrete semiconductor devices to leading manufacturers in the communications, computer, electronics, and automotive industries, and to distributors of electronic components. The Company's products include small signal transistors and MOSFETs, transient voltage suppressors (TVSs), zeners, diodes, rectifiers and bridges, as well as silicon wafers used in manufacturing these products.

Sales

The Company's products are sold primarily in North America and the Far East, both directly to end users and through electronic component distributors. In 2000, approximately 54% and 46% of the Company's products were sold in North America and the Far East, respectively, compared to 56% and 44% in 1999, respectively. See Note 11 of "Notes to Consolidated Financial Statements" for a description of the Company's adoption of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The increase in the percentage of sales in the Far East is expected to continue as the Company believes there is greater potential to increase market share in that region due to the expanding base of electronic product manufacturers.

Beginning in 1998, the Company increased the amount of product shipped to larger distributors. Although these sales were significant in terms of total sales dollars and gross margin dollars, they generally were under agreements that resulted in lower gross profit margins for the Company when compared to sales to smaller distributors and OEM customers. As the consolidation of electronic component distributors continues, the Company anticipates that a greater portion of its distributor sales will be to the larger distributors, and thus may result in lower gross profit margins for this sales channel.

In 1999, Diodes-Taiwan began purchasing silicon wafers, a new product line, from FabTech for resale to customers in the Far East. Silicon wafer sales were $9,837,000 and $4,005,000 in 2000 and 1999, respectively. The gross margin percentage on sales of silicon wafers is currently far below that of the Company's standard product line. Initially a complementary service for some customers rather than a focused product line, silicon wafers will now be a focused product line supplied by FabTech to its current customer base, as well as to Diodes-China for use in its manufacturing process.

Reporting Segments

For financial reporting purposes, the Company is deemed to engage in two industry segments: North America and the Far East. Both segments focus on discrete semiconductor devices. The North American segment includes the corporate offices in California (Diodes-North America) as well as FabTech, Inc. ("FabTech" or "Diodes-FabTech"), the newly acquired 5-inch wafer foundry located in Missouri. Diodes-North America procures and distributes products primarily throughout North America and provides management, warehousing, engineering and logistics support. Diodes-FabTech manufactures silicon wafers for use by Diodes-China as well as for sale to its customer base. The Far East segment includes the operations of Diodes-Taiwan and Diodes-China. Diodes-China manufactures product for, and distributes product to, both the North American and Taiwan segments, as well as to trade customers. Diodes-Taiwan procures product from, and distributes product primarily to, customers in Taiwan, Korea, Singapore, and Hong Kong.

Diodes-Taiwan

Until October 2000, Diodes-Taiwan also manufactured product for sale to Diodes-North America and to trade customers. The Company moved its Taiwan manufacturing to China because the Taiwan manufactured products were lower technology products, fairly labor intensive, and the cost savings of moving the manufacturing to the Company's qualified minority partner in Diodes-China were attractive and necessary to meet market demand. In connection with the manufacturing move, the Company sold approximately $150,000 of equipment to the minority partner of Diodes-China. Diodes-Taiwan continues as the Company's Asia-Pacific sales, logistics and distribution center. Diodes-China participates in final testing, inspection and packaging of these products, formerly manufactured by Diodes-Taiwan. Diodes-Taiwan also procures some product for the Company's North American operations.

Vishay/LPSC

In July 1997, Vishay Intertechnology, Inc. ("Vishay") and the Lite-On Group, a Taiwanese consortium, formed a joint venture — Vishay/Lite-On Power Semiconductor Pte., Ltd. ("Vishay/LPSC") — to acquire Lite-On Power Semiconductor Corp. ("LPSC"), the Company's largest shareholder and a member of The Lite-On Group of the Republic of China. The Lite-On Group, with worldwide sales of approximately $4.5 billion, is a leading manufacturer of power semiconductors, computer peripherals, and communication products. The Vishay/LPSC joint venture included the worldwide discrete power semiconductor business of LPSC and the Asian passive component business of Vishay. Vishay held a 65% controlling interest in the joint venture, and The Lite-On Group held the other 35%. In March 2000, Vishay agreed to sell their 65% interest in Vishay/LPSC back to The Lite-On Group. In December 2000, LPSC merged with Dyna Image Corporation of Taipei, Taiwan, the world's largest Contact Image Sensors ("CIS") manufacturer. CIS are primarily used in fax machines, scanners, and copy machines. C.H. Chen, the Company's President and CEO, remains Vice Chairman of the combined company now called Lite-On Semiconductor Corporation ("LSC").

MANAGEMENT'S DISCUSSION & ANALYSIS

Manufacturing and Vendors

The Company's Far East subsidiary, Diodes-China, manufactures product for sale primarily to North America and Asia. Diodes-China's manufacturing focuses on SOT-23 and SOD-123 products, as well as sub-miniature packages such as SOT-363, SOT-563, and SC-75. These surface-mount devices ("SMD") are much smaller in size and are used primarily in the computer and communication industries, destined for cellular phones, notebook computers, pagers, PCMCIA cards and modems, as well as in garage door transmitters, among others. Diodes-China's state-of-the-art facilities have been designed to develop even smaller, higher-density products as electronic industry trends to portable and hand-held devices continue. Diodes-China purchases silicon wafers from FabTech, however, the majority are currently purchased from other wafer vendors.

Since 1997, the Company's manufacturing focus has primarily been in the development and expansion of Diodes-China. To date, the Company and its minority partner have increased property, plant and equipment at the facility to approximately $40 million. The equipment expansion allows for the manufacture of additional SOT-23 packaged components as well as other surface-mount packaging, including the smaller SOD packages.

The Company will continue its strategic plan of locating alternate sources of its products and raw materials, including those provided by its major suppliers. Alternate sources include, but are not limited to, Diodes-China and other sourcing agreements in place, as well as those in negotiation. The Company anticipates that the effect of the loss of any one of its major suppliers will not have a material adverse effect on the Company's operations, provided that alternate sources remain available. The Company continually evaluates alternative sources of its products to assure its ability to deliver high-quality, cost-effective products.

FabTech

Acquired on December 1, 2000, FabTech's wafer foundry is located in Lee's Summit, Missouri. FabTech manufactures primarily 5-inch silicon wafers which are the building blocks for semiconductors. FabTech has full foundry capabilities including processes such as silicon epitaxy, silicon oxidation, photolithography and etching, ion implantation and diffusion, low pressure and plasma enhanced chemical vapor deposition, sputtered and evaporated metal deposition, wafer backgrinding, and wafer probe and ink.

The FabTech purchase price consisted of approximately $6 million in cash and an earnout of up to $30 million if FabTech meets specified earnings targets over a four-year period. In addition, FabTech is obligated to repay an aggregate of approximately $19 million, consisting of (i) approximately $13.6 million payable, together with interest at LIBOR plus 1%, to LSC through March 31, 2002, (ii) approximately $2.6 million payable, together with interest at LIBOR plus 1.1%, to the Company through February 28, 2001 and (iii) approximately $3.0 million payable to a financial institution, which amount was repaid on December 4, 2000 with the proceeds of a capital contribution by the Company. The acquisition was financed internally and through bank credit facilities.

FabTech purchases polished silicon wafers, and then by using the various technologies listed above, in conjunction with many chemicals and gases, fabricates several layers on the wafers, including epitaxial silicon, ion implants, dielectrics, and metals, with various patterns. Depending upon these layers and the die size (which is determined during the photolithography process and completed at the customer's packaging site where the wafer is sawed into square or rectangular die), different types of wafers with various currents, voltages, and switching speeds are produced.

Recent Results

Beginning in the second half of 1999, and continuing through the first three quarters of 2000, industry demand exceeded industry capacity. The Company's gross profit margins reached a peak of 34.4% in the third quarter of 2000. In addition, OEM customers and distributors increased their inventory levels. As semiconductor manufacturers, including the Company, increased capacity, the U.S. economy slowed causing a sharp decline in sales in the fourth quarter of 2000. Although gross profit margins for year 2000 were 31.6%, the gross profit in the fourth quarter of 2000 decreased to 28.3%. The excess capacity, coupled with the decreased demand and higher inventory levels, has continued into 2001 and the Company expects further deterioration of its gross profit margins until such a time as demand increases and the Company utilizes more of its available capacity.

The discrete semiconductor industry has been subject to severe pricing pressures, causing the Company's gross profit margins to decline from 28.3% in 1995 to 25.1% in 1998. Although manufacturing costs have been falling, excess manufacturing capacity and over-inventory has caused selling prices to fall to a greater extent than manufacturing cost. To compete in this highly competitive industry, in recent years, the Company has committed substantial resources to the development and implementation of two areas of operation: (i) sales and marketing, and (ii) manufacturing. Emphasizing the Company's focus on customer service, additional personnel and programs have been added. In order to meet customers' needs at the design stage of end-product development, the Company has employed additional applications engineers. These applications engineers work directly with customers to assist them in "designing in" the correct products to produce optimum results. Regional sales managers, working closely with manufacturers' representative firms and distributors, have also been added in the U.S. and the Far East to help satisfy customers' requirements. In addition, the Company has continued to develop relationships with major distributors who inventory and sell the Company's products.

Beginning late in the fourth quarter of 2000, the Company and the semiconductor industry as a whole experienced a sharp inventory correction primarily in two key markets, communications and computers. This downturn has continued into the first quarter of 2001. Although the Company's market share has remained stable, market conditions for its core product lines have not improved, while demand for silicon wafers, the fundamental raw materials used in manufacturing discrete semiconductors, has deteriorated further.

MANAGEMENT'S DISCUSSION & ANALYSIS

The negative impact to earnings is largely attributable to reduced capacity utilization of the Company's manufacturing assets and changes in product mix, both of which have had a negative impact on gross margins. Due to market conditions, capacity utilization at Diodes' FabTech subsidiary has decreased 45% as compared to the previous year, while Diodes-China's utilization has decreased 15%.

The risks of becoming a fully integrated manufacturer are amplified in an industry-wide slowdown because of the fixed costs associated with manufacturing facilities. The Company has responded to this cyclical downturn by implementing programs to cut operating costs, including reducing its worldwide workforce by 26%, primarily at the FabTech and Diodes-China manufacturing facilities. The Company will continue to actively adjust its cost structure as dictated by market conditions.

Although no clear short-term change in market conditions exist, long term, the Company believes that it will continue to generate value for shareholders and customers, not just from its expanded Diodes-China manufacturing and FabTech's foundry assets, but also by the addition of a true technology component to the Company. Although market conditions changed just as the new initiative started, the Company will continue to pursue its goal of becoming a total solution provider. This is a multi-year initiative that will increase the Company's ability to serve its customers' needs, while establishing the Company at the forefront of the next generation of discrete technologies.

The Company's overall effective tax rate decreased to 13.8% in 2000 from 19.3% in 1999. The decrease in the Company's effective tax rate is due primarily to Diodes-China's increased net income at a preferential tax rate of 0%. From 2001 through 2003, the tax rate at Diodes-China should be 13.5% (one-half of the normal tax rate of 27%). The Company, however, has received indications from the local taxing authority in Shanghai that the 0% tax holiday may be extended beyond 2000, but currently, no assurances can be made regarding the preferential tax treatment extension. In addition, it is currently not known whether the taxing authority for the central government of the People's Republic of China ("PRC") will participate in this extended tax holiday arrangement. Based upon expected tax rates in the U.S., Taiwan and China, and the expected profitability of each of the Company's four business segments during the balance of the year, it is anticipated that for 2001 the provision for income taxes should be in the range of 10% to 20% of pre-tax income.

In accordance with tax treaty arrangements, the Company receives full credit against its U.S. Federal tax liability for corporate taxes paid in Taiwan and China. The repatriation of funds from Taiwan and China to the Company may be subject to state income taxes. In the years ending December 31, 1999 and 2000, Diodes-Taiwan distributed dividends of approximately $1.5 million and $2.6 million, respectively, which is included in Federal and state taxable income. Deferred taxes have been provided for all remaining undistributed earnings. As of December 31, 2000, accumulated and undistributed earnings of Diodes-China is approximately $17 million. The Company has not recorded deferred Federal or state tax liabilities (estimated to be $6.8 million) on these earnings since the Company considers its investment in Diodes-China to be permanent, and has no plans, intentions or obligation to distribute any part or all of that amount from China to the United States.

Results of Operations

The following table sets forth, for the periods indicated, the percentage that certain items in the statement of income bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	Percent of Net Sales Year Ended December 31,					Percentage Dollar Increase (Decrease) Year Ended December 31,			
	1996	1997	1998	1999	**2000**	'96 to '97	97 to '98	'98 to '99	**'99 to '00**
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	**100.0 %**	16.1 %	(8.5) %	29.2 %	**49.5 %**
Cost of goods sold	(73.9)	(72.1)	(74.9)	(73.6)	**(68.4)**	13.2	(4.9)	26.9	**39.0**
Gross profit	26.1	27.9	25.1	26.4	**31.6**	24.2	(17.8)	36.0	**78.7**
Operating expenses	(18.0)	(16.6)	(18.0)	(17.2)	**(16.0)**	7.2	(1.1)	24.1	**38.7**
Income from operations	8.1	11.3	7.2	9.2	**15.6**	61.9	(42.2)	65.9	**153.8**
Interest expense, net	(0.6)	(0.1)	(0.5)	(0.4)	**(0.8)**	(82.3)	353.2	3.9	**221.9**
Other income	0.1	0.4	0.2	0.2	**0.4**	279.7	(61.7)	95.7	**175.3**
Income before taxes and minority interest	7.6	11.6	6.8	9.0	**15.2**	76.6	(46.0)	70.7	**151.6**
Income taxes	2.9	3.9	2.4	1.7	**2.1**	57.3	(42.6)	(8.7)	**80.9**
Minority interest	0.4	(0.1)	0.0	(0.3)	**(0.5)**	(106.3)	(6.7)	(1,464.3)	**(193.2)**
Net income	5.1	7.6	4.4	7.0	**12.6**	72.8	(47.8)	108.3	**167.5**

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion explains in greater detail the consolidated financial condition of the Company. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein.

2000 Compared to 1999

Net sales for 2000 increased approximately $39,211,000 to $118,462,000 from $79,251,000 for 1999. The 49.5% increase was due primarily to (i) a 41.7% increase in units sold, as a result of an increased demand for the Company's products, primarily in the Far East and (ii) sales of silicon wafers totaling $9,837,000, versus $4,005,000 in 1999. Diodes-China's trade sales in 2000 were $6,610,000, compared to $3,389,000 in the same period last year. A 6.3% increase in the Company's average selling price, primarily in the Far East, also contributed to increased sales. Due to an industry-wide slowdown that began late in the fourth quarter, the Company anticipates pricing pressures will increase significantly in 2001.

Gross profit for 2000 increased 78.7% to $37,427,000 from $20,948,000 for 1999. Of the $16,479,000 increase, $10,365,000 was due to the 49.5% increase in net sales while $6,113,000 was due to the increase in gross margin percentage from 26.4% in 1999 to 31.6% in 2000. Manufacturing profit at Diodes-China at higher gross profit margins was the primary contributor to the increase, partially offset by an increase in the sale of wafers at a generally lower margin than then Company's other products, as well as increased sales to larger distributors. Although gross profit margins strengthened in 2000, pricing pressures continue to exist on many of the Company's product lines and gross profit margin is expected to decrease in 2001. Average selling prices in 2000 increased approximately 6.3%. As the trend of consolidation among electronic component distributors continues, the Company anticipates that a greater portion of its distributor sales will be to larger distributors, usually under agreements resulting in lower than historical gross profit margins.

For 2000, selling, general and administrative expenses ("SG&A") increased $5,285,000 to $18,955,000 from $13,670,000 for 1999. The 38.7% increase in SG&A was due primarily to increases in management expenses at Diodes-China, higher Company-wide marketing and advertising expenses, increased sales commissions at Diodes-Taiwan, and additional sales and engineering personnel. SG&A as a percentage of sales decreased to 16.0% from 17.2% in the comparable period last year, primarily due to the 49.5% increase in net sales.

Net interest expense for 2000 increased $940,000, due primarily to an increased use of the Company's credit facility to support the expansion of Diodes-China versus the same period last year. The Company's interest expense is primarily the result of the term loan by which the Company is financing (i) the investment in Diodes-China's manufacturing facility and (ii) the acquisition of FabTech. Interest income is primarily the interest charged to FabTech for the first 11 months of 2000, under the Company's formal loan agreement, as well as earnings on its cash balances.

Other income for 2000 increased approximately $319,000 compared to the same period last year, due primarily to currency exchange gains at the Company's subsidiaries in Taiwan and China.

The Company's overall effective tax rate decreased to 13.8% in 2000 from 19.3% in 1999. The decrease in the Company's effective tax rate is due primarily to Diodes-China's increased net income at a preferential tax rate of 0%. From 2001 through 2003, the tax rate at Diodes-China should be 13.5% (one-half of the normal tax rate of 27%). The Company, however, has received indications from the local taxing authority in Shanghai that the 0% tax holiday may be extended beyond 2000, but currently, no assurances can be made regarding the preferential tax treatment extension. In addition, it is currently not known whether the taxing authority for the central government of the People's Republic of China ("PRC") will participate in this extended tax holiday arrangement. Based upon expected tax rates in the U.S., Taiwan and China, and the expected profitability of each of the Company's four business segments during the balance of the year, it is anticipated that for 2001 the provision for income taxes should be in the range of 10% to 20% of pre-tax income.

For the years ended December 31, 1999 and 2000, Diodes-Taiwan distributed dividends of approximately $1.5 million and $2.6 million, respectively, which is included in Federal and state taxable income for the respective years. Deferred taxes have been provided for all remaining undistributed earnings in excess of statutory permanent capital requirements of Diodes-Taiwan. As of December 31, 2000, accumulated and undistributed earnings of Diodes-China is approximately $17 million. The Company has not recorded deferred Federal or state tax liabilities (estimated to be $6.8 million) on these earnings since the Company considers its investment in Diodes-China to be permanent, and has no plans, intentions or obligation to distribute any part or all of that amount from China to the United States.

In 2000, Diodes-China contributed to the Company's profitability and, therefore, the $642,000 minority interest in joint venture represents the minority investor's 5% share of the joint venture's profit. The increase in the joint venture earnings for 2000 is primarily the result of increased sales. The joint venture investment is eliminated in consolidation of the Company's financial statements and the activities of Diodes-China are included therein. As of December 31, 2000, the Company had a 95% controlling interest in the joint venture.

The Company generated net income of $14,895,000 (or $1.85 basic earnings per share, $1.62 diluted earnings per share) in 2000, as compared to $5,569,000 (or $0.73 basic earnings per share, $0.68 diluted earnings per share) for 1999. This $9,326,000 or 167.5% increase is due primarily to the 49.5% sales increase at gross profit margins of 31.6% compared to gross profit margins of 26.4% in 1999.

1999 Compared to 1998

Net sales for 1999 increased approximately $17,923,000 to $79,251,000 from $61,328,000 for 1998. The 29.2% increase was due primarily to (i) a 36.0% increase in units sold, as a result of an increased demand for the Company's products, primarily in the Far East and (ii) $4,005,000 sales of

MANAGEMENT'S DISCUSSION & ANALYSIS

silicon wafers, a new product line. Diodes-China's trade sales in 1999 were $3,389,000, compared to $280,000 in the same period last year. The increase in units sold was partly offset by a 7.1% decrease in the Company's average selling price, primarily in the Far East. In the fourth quarter of 1999, average selling prices rose 3.6% and 5.0%, compared to the fourth quarter 1998 and the third quarter 1999, respectively. The Company anticipates pricing pressures could continue, though the severity may slowly diminish.

In 1999, Diodes-Taiwan began purchasing silicon wafers, a new product line, from FabTech for resale to customers in the Far East. The gross margin percentage on sales of silicon wafers, though still profitable, is far below that of the Company's standard product line. Silicon wafer sales are a complementary service for some customers, rather than a focused product line.

Gross profit for 1999 increased $5,546,000 to $20,948,000 from $15,402,000 for 1998. The 36.0% increase was due primarily to the 29.2% increase in net sales. Manufacturing profit at Diodes-China at higher gross profit margins contributed to an increase in gross margin percentage to 26.4% for 1999 compared to 25.1% for 1998. Although gross profit margins strengthened in the third and fourth quarters of 1999, pricing pressures continue to exist on many of the Company's product lines, and there can be no guarantee that margins will continue to improve. Average selling prices in 1999 decreased approximately 7.1%, which represents decreases in average selling prices in the Far East and North America of approximately 18.3% and 7.9%, respectively, compared to 1998. In addition, as the trend of consolidation among electronic component distributors continues, the Company anticipates that a greater portion of its distributor sales will be to larger distributors, usually under agreements resulting in lower than historical gross profit margins.

For 1999, selling, general and administrative expenses ("SG&A") increased $2,654,000 to $13,670,000 from $11,016,000 for 1998. The 24.1% increase in SG&A was due primarily to increases in management expenses at Diodes-China, higher Company-wide marketing and advertising expenses, increased sales commissions at Diodes-Taiwan, and additional sales and engineering personnel. SG&A as a percentage of sales decreased to 17.2% from 18.0% in the comparable period last year, primarily due to the 29.2% increase in net sales.

Net interest expense for 1999 increased $11,000, due primarily to an increased use of the Company's credit facility to support the expansion of Diodes-China versus the same period last year. The Company's interest expense is primarily the result of the term loan by which the Company is financing (i) the investment in Diodes-China's manufacturing facility and (ii) the $2.6 million receivable, including accrued interest, advanced to FabTech. Interest income is primarily the interest charged to FabTech, a related party, under the Company's formal loan agreement, as well as earnings on its cash balances.

Other income for 1999 increased approximately $89,000 compared to the same period last year, due primarily to currency exchange gains at the Company's subsidiaries in Taiwan and China.

The Company's overall effective federal, state, and foreign tax rate decreased to 19.3% in 1999 from 36.0% in 1998. This decrease is due primarily to Diodes-China's increase in net income at a tax rate of 0%. Through December 31, 1997, the Company had undistributed earnings at Diodes-Taiwan for which no deferred income tax liability had been recorded since, at that time, management considered this investment to be permanent, and no plans or intentions existed to distribute the capital of its Taiwan subsidiary. Changes in Taiwan income tax policies in 1998 caused management to reconsider its investment strategies in the fourth quarter of 1998 for current and future earnings at Diodes-Taiwan. While a portion of its investment will remain in Taiwan, a distribution of approximately $4.5 million will be made by Diodes-Taiwan to the Company. Approximately $1.5 million was distributed in 1999, and the remaining is scheduled to be distributed in 2000. The decision was made, in part, because the changes in Taiwan income tax policies made it less favorable to accumulate earnings at Diodes-Taiwan and, in part, to allow the Company to redirect its financial resources from Diodes-Taiwan to its expansion of Diodes-China.

In 1999, Diodes-China contributed to the Company's profitability and, therefore, the $219,000 minority interest in joint venture represents the minority investor's 5% share of the joint venture's profit. The increase in the joint venture earnings for 1999 is primarily the result of increased sales. The joint venture investment is eliminated in consolidation of the Company's financial statements and the activities of Diodes-China are included therein. As of December 31, 1999, the Company had a 95% controlling interest in the joint venture.

The Company generated net income of $5,569,000 (or $0.73 basic earnings per share, $0.68 diluted earnings per share), as compared to $2,673,000 (or $0.35 basic earnings per share, $0.33 diluted earnings per share) for 1998. This $2,896,000 or 108.3% increase is due primarily to the 29.2% sales increase at gross profit margins of 26.4% compared to gross profit margins of 25.1% in 1998.

Financial Condition

Liquidity and Capital Resources

Cash provided by operating activities in 2000 was $10.2 million compared to $8.0 million in 1999 and $5.5 million in 1998. The primary sources of cash flows from operating activities in 2000 were net income of $14.9 million and depreciation of $5.0 million. The primary sources of cash flows from operating activities in 1999 were net income of $5.6 million and an increase in accounts payable of $5.3 million. The primary use of cash flows from operating activities in 2000 was an increase in inventories of $9.3 million and an increase in accounts receivable of $2.2 million. The primary use of cash flows from operating activities in 1999 was an increase in accounts receivable of $5.4 million and an increase in inventories of $2.8 million. The primary sources of cash flows from operating activities in 1998 were net income of $2.7 million and a decrease in accounts receivable of $1.8 million. The primary use of cash flows from operating activities in 1998 was a decrease in accounts payable of $1.3 million.

MANAGEMENT'S DISCUSSION & ANALYSIS

Since December 31, 1999, accounts receivable from customers has increased 31.8% due to a slowing trend in payments from major distributors, as well as from the 49.5% increase in sales. The Company does not expect this trend to result in additional bad debt expense. The Company continues to closely monitor its credit policies, while at times providing more flexible terms, primarily to its Far East customers, when necessary. The ratio of the Company's current assets to current liabilities on December 31, 2000 was 1.4 to 1, compared to a ratio of 1.7 to 1 and 2.6 to 1 as of December 31, 1999 and 1998, respectively.

Cash used by investing activities was $21.4 million in 2000, compared to $9.3 million in 1999 and $9.8 million in 1998. The primary investment in all three years was for additional manufacturing equipment and expansion at the Diodes-China manufacturing facility.

On December 1, 2000, the Company purchased all the outstanding capital stock of FabTech Incorporated, a 5-inch wafer foundry located in Lee's Summit, Missouri from Lite-On Semiconductor Corporation ("LSC"), the Company's largest shareholder. The purchase price consisted of approximately $6 million in cash and an earnout of up to $30 million if FabTech meets specified earnings targets over a four-year period. In addition, FabTech is obligated to repay an aggregate of approximately $19 million, consisting of (i) approximately $13.6 million payable, together with interest at LIBOR plus 1%, to LSC through March 31, 2002, (ii) approximately $2.6 million payable, together with interest at LIBOR plus 1.1%, to the Company through February 28, 2001 and (iii) approximately $3.0 million payable to a financial institution, which amount was repaid on December 4, 2000 with the proceeds of a capital contribution by the Company. The acquisition was financed internally and through bank credit facilities.

Cash provided by financing activities was $12.1 million in 2000, compared to $2.4 million in 1999 and $4.3 million in 1998. Diodes has a $26.6 million credit agreement with a major bank providing a working capital line of credit up to $9 million, term commitment notes up to $10 million for plant expansion and financing the acquisition of FabTech, and $7.6 million for Diodes-China operations. Interest on outstanding borrowings under the credit agreement is payable monthly at LIBOR plus a negotiated margin. Fixed borrowings require fixed principal plus interest payments for sixty months thereafter. The agreement has certain covenants and restrictions, which, among other matters, requires the maintenance of certain financial ratios and operating results, as defined in the agreement. The Company was in compliance with the covenants as of December 31, 2000.

The working capital line of credit expires July 1, 2002. During 2000, average and maximum borrowings outstanding on the line of credit were $3,645,000 and $6,691,000, respectively. The weighted average interest rate on outstanding borrowings was 8.9% for the year ended December 31, 2000.

In addition, Diodes-China operates with two unsecured working capital credit facilities. One credit facility provides for advances of up to $3 million with interest at 7.0% per annum. The second credit facility provides for advances of RMB$9.3 million ($1,002,000 as of December 31, 2000) with interest of 5.6% to 6.7% per annum. As of December 31, 2000 the balance on these notes was $4,003,000.

The Company has used its credit facility primarily to fund the expansion at Diodes-China and for the FabTech acquisition, as well as to support its operations. The Company believes that the continued availability of this credit facility, together with internally generated funds, will be sufficient to meet the Company's current foreseeable operating cash requirements.

Total working capital increased approximately 8.7% to $17.3 million as of December 31, 2000, from $15.9 million as of December 31, 1999. The Company believes that such working capital position will be sufficient for foreseeable growth opportunities. The Company's debt to equity ratio increased to 1.20 at December 31, 2000, from 0.78 at December 31, 1999. It is anticipated that this ratio may increase as the Company continues to use its credit facilities to fund additional inventory sourcing opportunities.

As of December 31, 2000, the Company has no material plans or commitments for capital expenditures other than in connection with the expansion at Diodes-China and the Company's implementation of an Oracle Enterprise Resource Planning software package, planned for late 2001. However, to ensure that the Company can secure reliable and cost effective inventory sourcing to support and better position itself for growth, the Company is continuously evaluating additional internal manufacturing expansion, as well as additional outside sources of products. The Company believes its financial position will provide sufficient funds should an appropriate investment opportunity arise and thereby, assist the Company in improving customer satisfaction and in maintaining or increasing market share.

Inflation did not have a material effect on net sales or net income in fiscal years 1998, 1999 or 2000. A significant increase in inflation would affect future performance.

MANAGEMENT'S DISCUSSION & ANALYSIS

Since December 31, 1999, accounts receivable from customers has increased 31.8% due to a slowing trend in payments from major distributors, as well as from the 49.5% increase in sales. The Company does not expect this trend to result in additional bad debt expense. The Company continues to closely monitor its credit policies, while at times providing more flexible terms, primarily to its Far East customers, when necessary. The ratio of the Company's current assets to current liabilities on December 31, 2000 was 1.4 to 1, compared to a ratio of 1.7 to 1 and 2.6 to 1 as of December 31, 1999 and 1998, respectively.

Cash used by investing activities was $21.4 million in 2000, compared to $9.3 million in 1999 and $9.8 million in 1998. The primary investment in all three years was for additional manufacturing equipment and expansion at the Diodes-China manufacturing facility.

On December 1, 2000, the Company purchased all the outstanding capital stock of FabTech Incorporated, a 5-inch wafer foundry located in Lee's Summit, Missouri from Lite-On Semiconductor Corporation ("LSC"), the Company's largest shareholder. The purchase price consisted of approximately $6 million in cash and an earnout of up to $30 million if FabTech meets specified earnings targets over a four-year period. In addition, FabTech is obligated to repay an aggregate of approximately $19 million, consisting of (i) approximately $13.6 million payable, together with interest at LIBOR plus 1%, to LSC through March 31, 2002, (ii) approximately $2.6 million payable, together with interest at LIBOR plus 1.1%, to the Company through February 28, 2001 and (iii) approximately $3.0 million payable to a financial institution, which amount was repaid on December 4, 2000 with the proceeds of a capital contribution by the Company. The acquisition was financed internally and through bank credit facilities.

Cash provided by financing activities was $12.1 million in 2000, compared to $2.4 million in 1999 and $4.3 million in 1998. Diodes has a $26.6 million credit agreement with a major bank providing a working capital line of credit up to $9 million, term commitment notes up to $10 million for plant expansion and financing the acquisition of FabTech, and $7.6 million for Diodes-China operations. Interest on outstanding borrowings under the credit agreement is payable monthly at LIBOR plus a negotiated margin. Fixed borrowings require fixed principal plus interest payments for sixty months thereafter. The agreement has certain covenants and restrictions, which, among other matters, requires the maintenance of certain financial ratios and operating results, as defined in the agreement. The Company was in compliance with the covenants as of December 31, 2000.

The working capital line of credit expires July 1, 2002. During 2000, average and maximum borrowings outstanding on the line of credit were $3,645,000 and $6,691,000, respectively. The weighted average interest rate on outstanding borrowings was 8.9% for the year ended December 31, 2000.

In addition, Diodes-China operates with two unsecured working capital credit facilities. One credit facility provides for advances of up to $3 million with interest at 7.0% per annum. The second credit facility provides for advances of RMB$9.3 million ($1,002,000 as of December 31, 2000) with interest of 5.6% to 6.7% per annum. As of December 31, 2000 the balance on these notes was $4,003,000.

The Company has used its credit facility primarily to fund the expansion at Diodes-China and for the FabTech acquisition, as well as to support its operations. The Company believes that the continued availability of this credit facility, together with internally generated funds, will be sufficient to meet the Company's current foreseeable operating cash requirements.

Total working capital increased approximately 8.7% to $17.3 million as of December 31, 2000, from $15.9 million as of December 31, 1999. The Company believes that such working capital position will be sufficient for foreseeable growth opportunities. The Company's debt to equity ratio increased to 1.20 at December 31, 2000, from 0.78 at December 31, 1999. It is anticipated that this ratio may increase as the Company continues to use its credit facilities to fund additional inventory sourcing opportunities.

As of December 31, 2000, the Company has no material plans or commitments for capital expenditures other than in connection with the expansion at Diodes-China and the Company's implementation of an Oracle Enterprise Resource Planning software package, planned for late 2001. However, to ensure that the Company can secure reliable and cost effective inventory sourcing to support and better position itself for growth, the Company is continuously evaluating additional internal manufacturing expansion, as well as additional outside sources of products. The Company believes its financial position will provide sufficient funds should an appropriate investment opportunity arise and thereby, assist the Company in improving customer satisfaction and in maintaining or increasing market share.

Inflation did not have a material effect on net sales or net income in fiscal years 1998, 1999 or 2000. A significant increase in inflation would affect future performance.

CONSOLIDATED BALANCE SHEETS

December 31, (in thousands, except per share data)	1999	2000
ASSETS		
CURRENT ASSETS		
Cash	$ 3,557	**$ 4,476**
Accounts receivable		
Customers	14,962	**19,723**
Related parties	90	**615**
Other	300	**26**
	15,352	**20,364**
Allowance for doubtful accounts	297	**311**
	15,055	**20,053**
Inventories	16,575	**31,788**
Deferred income taxes, current	1,700	**4,387**
Prepaid expenses and other	762	**686**
Total current assets	37,649	**61,390**
PROPERTY, PLANT AND EQUIPMENT, net	20,909	**45,129**
ADVANCES TO RELATED PARTY VENDOR	2,561	**-**
DEFERRED INCOME TAXES, non-current	146	**616**
OTHER ASSETS		
Goodwill, net	969	**5,318**
Miscellaneous	173	**497**
Total assets	$ 62,407	**$112,950**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	$ 3,237	**$ 7,750**
Accounts payable		
Trade	7,716	**10,710**
Related parties	1,821	**1,008**
Accrued liabilities	5,782	**8,401**
Income taxes payable	878	**1,370**
Current portion of long-term debt		
Related party	-	**11,049**
Other	2,312	**3,811**
Total current liabilities	21,746	**44,099**
DEFERRED COMPENSATION	57	**-**
LONG-TERM DEBT, net of current portion		
Related party	-	**2,500**
Other	4,672	**13,497**
MINORITY INTEREST IN JOINT VENTURE	959	**1,601**
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value $1 per share; 1,000,000 shares authorized; no shares issued and outstanding	-	**-**
Common stock - par value $.66 2/3 per share; 30,000,000 shares authorized; 9,008,282 shares in 1999 and 9,201,704 shares in 2000 issued and outstanding	6,006	**6,134**
Additional paid-in capital	5,886	**7,143**
Retained earnings	24,863	**39,758**
	36,755	**53,035**
Less: Treasury stock - 1,075,672 shares of common stock, at cost	1,782	**1,782**
	34,973	**51,253**
Total liabilities and stockholders' equity	$ 62,407	**$112,950**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME

Years Ended December 31, (in thousands, except per share data)	1998	1999	2000
NET SALES	$ 61,328	$ 79,251	**$118,462**
COST OF GOODS SOLD	45,926	58,303	**81,035**
Gross profit	15,402	20,948	**37,427**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11,016	13,670	**18,955**
Income from operations	4,386	7,278	**18,472**
OTHER INCOME (EXPENSES)			
Interest income	304	316	**392**
Interest expense	(585)	(608)	**(1,332)**
Other	93	182	**501**
Income before income taxes and minority interest	4,198	7,168	**18,033**
INCOME TAX PROVISION	(1,511)	(1,380)	**(2,496)**
Income before minority interest	2,687	5,788	**15,537**
MINORITY INTEREST IN JOINT VENTURE	(14)	(219)	**(642)**
NET INCOME	$ 2,673	$ 5,569	**$ 14,895**
EARNINGS PER SHARE			
Basic	$ 0.35	$ 0.73	**$ 1.85**
Diluted	$ 0.33	$ 0.68	**$ 1.62**
Number of shares used in computation			
Basic	7,544	7,625	**8,071**
Diluted	8,056	8,204	**9,222**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years Ended December 31, 1998, 1999, and 2000	Common stock Shares	Common stock Shares in Treasury	Common stock Amount	Additional paid-in capital	Retained earnings	Common stock in treasury
BALANCE, December 31, 1997	8,551,529	1,075,672	$ 5,701,000	$ 3,811,000	$ 16,621,000	$ 1,782,000
Exercise of stock options including $78,000 income tax benefit	95,000	-	63,000	292,000	-	-
Net income for the year ended December 31, 1998	-	-	-	-	2,673,000	-
BALANCE, December 31, 1998	8,646,529	1,075,672	5,764,000	4,103,000	19,294,000	1,782,000
Exercise of stock options including $961,000 income tax benefit	361,753	-	242,000	1,783,000	-	-
Net income for the year ended December 31, 1999	-	-	-	-	5,569,000	-
BALANCE, December 31, 1999	9,008,282	1,075,672	6,006,000	5,886,000	24,863,000	1,782,000
Exercise of stock options including $1,048,000 income tax benefit	193,422	-	128,000	1,257,000	-	-
Net income for the year ended December 31, 2000	-	-	-	-	14,895,000	-
BALANCE, December 31, 2000	9,201,704	1,075,672	$ 6,134,000	$ 7,143,000	$ 39,758,000	$ 1,782,000

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years Ended December 31, (in thousands)	1998	1999	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,673	$ 5,569	**$ 14,895**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,168	2,787	**5,003**
Minority interest earnings	14	219	**642**
Loss on disposal of property, plant and equipment	53	45	**13**
Interest income accrued on advances to vendor	(203)	(195)	**-**
Changes in operating assets and liabilities			
Accounts receivable	1,779	(5,437)	**(2,161)**
Inventories	(252)	(2,798)	**(9,277)**
Prepaid expenses and other	278	(240)	**38**
Deferred income taxes	519	(1,269)	**(1,195)**
Accounts payable	(1,315)	5,333	**445**
Accrued liabilities	1,480	2,361	**267**
Income taxes payable	(665)	1,670	**1,538**
Net cash provided by operating activities	5,529	8,045	**10,208**
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related party vendor	-	658	**-**
Investment in subsidiary, net of cash acquired	-	-	**(4,709)**
Purchases of property, plant and equipment	(9,793)	(9,942)	**(16,968)**
Proceeds from sales of property, plant and equipment	27	1	**288**
Net cash used by investing activities	(9,766)	(9,283)	**(21,389)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances (repayments) on line of credit, net	(188)	2,425	**1,496**
Net proceeds from the issuance of common stock	256	983	**337**
Proceeds from long-term debt	10,388	1,000	**12,801**
Repayments of long-term debt	(6,534)	(2,124)	**(2,534)**
Minority interest of joint venture investment	405	96	**-**
Net cash provided by financing activities	4,327	2,380	**12,100**
INCREASE IN CASH	90	1,142	**919**
CASH, beginning of year	2,325	2,415	**3,557**
CASH, end of year	$ 2,415	$ 3,557	**$ 4,476**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 584	$ 602	**$ 1,243**
Income taxes	$ 1,658	$ 1,171	**$ 2,151**
Non-Cash Activities:			
Tax benefit related to stock options credited to paid-in capital	$ 78	$ 961	**$ 1,048**
Assets acquired in purchase of FabTech:			
Cash			**$ 441**
Accounts receivable			**2,837**
Inventory			**5,936**
Prepaid expenses and other			**286**
Deferred tax asset			**1,962**
Plant and equipment			**12,510**
			$ 23,972
Liabilities assumed in purchase of FabTech:			
Line of credit			**$ 3,017**
Accounts payable			**1,736**
Accrued liabilities			**2,352**
Income tax payable			**2**
Long-term debt			**13,549**
			$ 20,656

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations - Diodes Incorporated and its subsidiaries manufacture and distribute discrete semiconductor devices to manufacturers in the communications, computing, electronics and automotive industries. The Company's products include small signal transistors and MOSFETs, transient voltage suppressers (TVSs), zeners, Schottkys, diodes, rectifiers and bridges. The products are sold primarily throughout North America and Asia.

Principles of consolidation - The consolidated financial statements include the accounts of the parent company, Diodes Incorporated (Diodes), its wholly-owned subsidiaries; Diodes Taiwan Corporation, Ltd. (Diodes-Taiwan) and FabTech, Inc. (FabTech or Diodes-FabTech); and its majority (95%) owned subsidiary, Shanghai KaiHong Electronics Co., Ltd. (Diodes-China). Diodes acquired FabTech on December 1, 2000. See Note 15 for a summary of the acquisition and proforma financial information.

All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition - Revenue is recognized when the product is shipped to both end users and electronic component distributors. The Company reduces revenue in the period of sale for estimates of product returns and other allowances.

Product warranty - The Company generally warrants its products for a period of one year from the date of sale. Warranty expense historically has not been significant.

Inventories - Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method.

Property, plant and equipment - Property, plant and equipment are depreciated using straight-line and accelerated methods over the estimated useful lives, which range from 20 to 55 years for buildings and 1 to 10 years for machinery and equipment. Leasehold improvements are amortized using the straight-line method over 1 to 5 years.

Goodwill - The excess of the cost of purchased companies over the fair value of the net assets at the dates of acquisition comprises goodwill. Goodwill is amortized using the straight-line method over 20 to 25 years. Amortization expense for the year ended December 31, 2000 was $62,000, and for each of the years ended December 31, 1998 and 1999 was $44,000. As of December 31, 1999 and 2000, accumulated amortization is $176,000 and $194,000, respectively.

Income taxes - Income taxes are accounted for using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of the Company's assets and liabilities. Income taxes are further explained in Note 7.

Concentration of credit risk - Financial instruments which potentially subject the Company to concentrations of credit risk include trade accounts receivable. Credit risk is limited by the dispersion of the Company's customers over various geographic areas, operating primarily in the electronics manufacturing and distribution industries. The Company performs on-going credit evaluations of its customers and generally requires no collateral from its customers. Historically, credit losses have not been significant.

The Company maintains cash balances at major financial institutions in the United States, Taiwan, and China. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation up to $100,000. Accounts at each institution in Taiwan are insured by the Central Deposit Insurance Company up to NT$1,000,000 (approximately US$30,000 as of December 31, 2000).

Foreign operations - Through its subsidiaries, the Company maintains operations in Taiwan and China for which the functional currency is the U.S. dollar. Assets and liabilities of its foreign operations which are denominated in currency other than the U.S. dollar are not hedged and therefore are subject to fluctuations in the currency exchange rate between the U.S. dollar and foreign currencies (primarily NT dollar and Renminbi Yuan). Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Included in net income are foreign currency exchange gains (losses) of approximately $111,000, ($3,000) and $266,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

Earnings per share - Earnings per share are based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury. Earnings per share is computed using the "treasury stock method" under Financial Accounting Standards Board Statement No. 128.

Options exercisable for 502,000 shares of common stock have been excluded from the computation of diluted earnings per share because their effect is currently anti-dilutive.

Stock split - On July 14, 2000, the Company effected a three-for-two stock split for shareholders of record as of June 28, 2000 in the form of a 50% stock dividend. All share and per share amounts in the accompanying financial statements and footnotes reflect the effect of this stock split.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-based compensation - As permitted by SFAS 123, Accounting for Stock-Based Compensation, the Company continues to apply APB Opinion No. 25 (APB 25) and related interpretations in accounting for its stock option plans. Under SFAS 123, a fair value method is used to determine compensation cost for stock options or similar equity instruments. Compensation is measured at the grant date and is recognized over the service or vesting period. Under APB 25, compensation cost is the excess, if any, of the quoted market price of the stock at the measurement date over the amount that must be paid to acquire the stock. The new standard requires disclosure of the pro forma effect on income as if the Company had adopted SFAS 123 (see Note 8).

Recently issued accounting pronouncements and proposed accounting changes – During 2000, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standard No. 140 ("Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement 125"), No. 139 ("Rescission of FASB Statement No. 53 Financial Reporting by Producers and Distributors of Motion Picture Films and amendments to FASB Statements No. 63, 89, and 121") and No. 138 ("Accounting for Derivative Instruments and Hedging Activities—an amendment of Financial Accounting Standard Statement No. 133") which are effective for years after 2000. Management believes these pronouncements will not have a material effect on the Company's financial statements or disclosures.

A recently issued Proposed Statement of Financial Accounting Standards pertaining to "Business Combinations and Intangible Assets – Accounting for Goodwill" is currently in exposure draft form. Among other matters, statement proposes to eliminate amortization of goodwill, but subject goodwill to a periodic impairment test. It is unknown at this time what accounting changes, if any, will be included in the final statement on this issue, which is expected to be released in 2001.

Reclassifications - Certain 1999 and 1998 amounts as well as unaudited quarterly financial data presented in the accompanying financial statements have been reclassified to conform with 2000 financial statement presentation.

NOTE 2 INVENTORIES

(in thousands)	1999	2000
Finished goods	$ 10,176	**$ 18,603**
Work-in-progress	886	**2,683**
Raw materials	5,513	**10,502**
	$ 16,575	**$ 31,788**

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

(in thousands)	1999	2000
Buildings	$ 1,539	**$ 2,002**
Leasehold improvements	3,026	**5,901**
Construction in-progress	-	**465**
Machinery and equipment	21,737	**46,934**
	26,302	**55,302**
Less accumulated depreciation and amortization	(5,716)	**(10,496)**
	20,586	**44,806**
Land	323	**323**
	$ 20,909	**$ 45,129**

NOTE 4 BANK CREDIT AGREEMENT AND LONG-TERM DEBT

Bank credit agreement - Diodes has a $26.6 million credit agreement with a major bank providing a working capital line of credit up to $9 million, term commitment notes up to $10 million for plant expansion and financing the acquisition of FabTech, and $7.6 million for Diodes-China operations. Interest on outstanding borrowings under the complete credit agreement is payable monthly at LIBOR plus a negotiated margin. Fixed borrowings require fixed principal plus interest payments for sixty months thereafter. The agreement has certain covenants and restrictions which, among other matters, requires the maintenance of certain financial ratios and operating results, as defined in the agreement. The Company was in compliance with the covenants as of December 31, 2000.

The working capital line of credit expires July 1, 2002. During 2000, average and maximum borrowings outstanding on the line of credit were $3,645,000 and $6,691,000, respectively. The weighted average interest rate on outstanding borrowings was 8.9% for the year ended December 31, 2000.

Diodes-China operates with two unsecured working capital credit facilities. One credit facility provides for advances of up to $3 million with interest at 7.0% per annum. The second credit facility provides for advances of RMB $9.3 million ($1,002,000 as of December 31, 2000) with interest of 5.6% to 6.7% per annum. As of December 31, 2000 the balance on these notes is $4,003,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 BANK CREDIT AGREEMENT AND LONG-TERM DEBT (Continued)

Long-term debt - Long-term debt as of December 31 is comprised of the following:

(in thousands)	1999	2000
Loan payable to bank secured by buildings and land, monthly principal payments of NT$84 (approximately $3 U.S.) plus interest at 7% per annum through November 2003	$ 116	**$ 79**
Note payable to a customer for advances made to the Company. Amount to be repaid quarterly by price concessions, with any remaining balance due by February 2003, unsecured and interest-free.	-	**2,458**
Note payable to LPSC, a major stockholder of the Company (Note 10), due in an initial installment of $3,549 plus interest on March 31, 2001 and in equal quarterly installments of $2,500 plus interest thereafter through March 31, 2002. The note bears interest at LIBOR plus 1% and is subordinated to the interest of the Company's primary lender, unsecured.	-	**13,549**
Loans payable to bank secured by substantially all assets, due in aggregate monthly principal payments of $518 plus interest at LIBOR plus 1.5% through February 2005	6,868	**14,771**
	6,984	**30,857**
Current portion	2,312	**14,860**
	$ 4,672	**$ 15,997**

The aggregate maturities of long-term debt for future years ending December 31 are:

(in thousands)	
2001	$ 14,860
2002	9,504
2003	4,765
2004	1,405
2005	323
	$ 30,857

NOTE 5 ACCRUED LIABILITIES

(in thousands)	1999	2000
Employee compensation and payroll taxes	$ 1,552	**$ 3,937**
Sales commissions	553	**1,001**
Refunds to product distributors	347	**491**
Other	1,824	**2,045**
Equipment purchases	1,506	**927**
	$ 5,782	**$ 8,401**

NOTE 6 VALUATION OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, working capital line of credit, and long term debt. The Company does not hold or issue derivative financial instruments and estimates the carrying amounts of all financial instruments described above with the exception of interest-free debt, to approximate fair value based upon current market conditions, maturity dates, and other factors. The fair value of interest-free debt of $2,458,000 as of December 31, 2000 is approximately $2,025,000.

NOTE 7 INCOME TAXES

The components of the income tax provisions are as follows:

(in thousands)	1998	1999	2000
Current tax provision (benefit)			
Federal	$ (82)	$ 804	**$ 1,376**
Foreign	1,089	1,845	**2,314**
State	(15)	-	**1**
	992	2,649	**3,691**
Deferred tax provision (benefit)	519	(1,269)	**(1,195)**
	$ 1,511	$ 1,380	**$ 2,496**

A reconciliation between the effective tax rate and the statutory tax rates for the years ended December 31, 1998, 1999 and 2000 are as follows:

	1998		1999		2000	
(in thousands)	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings
Federal tax	$ 1,422	34.0	$ 2,363	34.0	**$ 6,131**	**34.0**
State franchise tax, net of federal benefit	242	5.8	403	5.8	**1,046**	**5.8**
Foreign income taxed at lower rates	(145)	(3.5)	(1,416)	(20.4)	**(4,572)**	**(25.4)**
Other	(8)	(0.2)	30	0.4	**(109)**	**(0.6)**
Income tax provision	$ 1,511	36.1	$ 1,380	19.8	**$ 2,496**	**13.8**

In accordance with the current taxation policies of the Peoples Republic of China (PRC), Diodes-China was granted a tax holiday for the years ended December 31, 1999 through 2003. Earnings were subject to 0% tax rates in 1999 and 2000, and earnings in 2001 through 2003 will be taxed at 13.5% (one half the normal rate of the combined local and central government tax rate of 27%), and at normal rates thereafter. The Company has received indications from the local taxing authority in Shanghai that the tax holiday may be extended beyond 2003. It is not known whether the taxing authority for the central government of the PRC will participate in this extended tax holiday arrangement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 INCOME TAXES (Continued)

Earnings of Diodes-Taiwan are currently subject to a tax rate of 35%, which is comparable to the U.S. Federal tax rate for C corporations.

In accordance with tax treaty arrangements, the Company receives full credit against its U.S. Federal tax liability for corporate taxes paid in Taiwan and China. The repatriation of funds from Taiwan and China to the Company may be subject to state income taxes. In the years ending December 31, 1999 and 2000, Diodes-Taiwan distributed dividends of approximately $1.5 million and $2.6 million, respectively, which is included in Federal and state taxable income. Deferred taxes have been provided for all remaining undistributed earnings. As of December 31, 2000, accumulated and undistributed earnings of Diodes-China is approximately $17 million. The Company has not recorded deferred Federal or state tax liabilities (estimated to be $6.8 million) on these earnings since the Company considers its investment in Diodes-China to be permanent, and has no plans, intentions or obligation to distribute any part or all of that amount from China to the United States.

At December 31, 1999 and 2000, the Company's deferred tax assets and liabilities are comprised of the following items:

(in thousands)	1999	**2000**
Deferred tax assets, current		
Inventory cost	$ 1,008	**$ 1,653**
Accrued expenses and accounts receivable	325	**1,039**
Net operating loss carryforwards and other	367	**1,695**
	$ 1,700	**$ 4,387**
Deferred tax assets, non-current		
Plant, equipment and intangible assets	$ 146	**$ (3,128)**
Net operating loss carryforwards and other	-	**3,744**
	$ 146	**$ 616**

NOTE 8 STOCK OPTION PLANS

The Company has stock option plans for directors, officers, and employees, which provide for non-qualified and incentive stock options. The Board of Directors determines the option price (not to be less than fair market value for the incentive options) at the date of grant. The options generally expire ten years from the date of grant and are exercisable over the period stated in each option.

Approximately 226,000 shares were available for future grants under the plans as of December 31, 2000.

	Outstanding Options		
		Exercise Price Per Share	
(in thousands)	Number	Range	Weighted Average
Balance, December 31, 1997	1,487	$ .58-7.00	3.42
Granted	600	3.33-6.67	5.01
Exercised	(95)	1.25-4.00	2.70
Canceled	(70)	4.00	4.00
Balance, December 31, 1998	1,922	.58-7.50	3.94
Granted	176	4.50-8.50	5.01
Exercised	(362)	.58-4.00	2.72
Canceled	(74)	3.33-6.67	4.79
Balance, December 31, 1999	1,662	1.25-8.50	4.28
Granted	512	14.88-23.92	22.16
Exercised	(194)	1.25-5.00	3.43
Canceled	(34)	5.00-23.92	10.30
Balance, December 31, 2000	1,946	$1.25-$23.92	$ 8.95

The Company also has an incentive bonus plan which reserves shares of stock for issuance to key employees. As of December 31, 2000, 186,000 shares remain available for issuance under this plan. No shares were issued under this incentive bonus plan for years ended December 31, 1998 through 2000.

Had compensation cost for the Company's 1998, 1999, and 2000 options granted been determined consistent with SFAS 123, the Company's net income and diluted earnings per share would approximate the pro forma amounts below:

(in thousands)		As Reported	Pro Forma
1998	Net income	$ 2,673	$ 1,813
	Diluted earnings per share	.33	.23
1999	Net income	$ 5,569	$ 5,040
	Diluted earnings per share	.68	.61
2000	Net income	**$ 14,895**	**$ 11,797**
	Diluted earnings per share	**1.62**	**1.28**

NOTE 9 MAJOR SUPPLIERS

The Company purchases a significant amount of its inventory from two suppliers, one of which is a related party (Note 10). During 1998, 1999, and 2000, purchases from these suppliers amounted to approximately 43%, 28%, and 23%, respectively, of total inventory purchases including 27%, 19%, and 16%, respectively, from the related party. There is a limited number of suppliers for these materials.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 RELATED PARTY TRANSACTIONS

Lite-On Power Semiconductor Corporation - In July 1997, Vishay Intertechnology, Inc. ("Vishay") and the Lite-On Group, a Taiwanese consortium, formed a joint venture - Vishay/Lite-On Power Semiconductor Pte., LTD. ("Vishay/LPSC") - to acquire Lite-On Power Semiconductor Corp. ("LPSC"), a 38% shareholder of the Company and a member of the Lite-On Group of the Republic of China. Vishay is one of the largest U.S. and European manufacturers of passive electronic components and a major producer of discrete semiconductors and power integrated circuits. The Lite-On Group is a leading manufacturer of power semiconductors, computer peripherals, and communication products.

In March 2000, Vishay agreed to sell its 65% interest in the Vishay/LPSC joint venture to the Lite-On Group, the 35% owner. Because of this transaction, the Lite-On Group, through LPSC, its wholly-owned subsidiary, indirectly owns approximately 38% of the Company's common stock. The Company considers its relationship with LPSC to be mutually beneficial and the Company and LPSC will continue its strategic alliance as it has since 1991. The Company's subsidiaries buy product from and sell product to LPSC. Net sales to and purchases from LPSC were as follows for years ended December 31:

(in thousands)	1998	1999	**2000**
Net sales	$ 905	$ 1,064	**$ 633**
Gross profit on sales	180	200	**120**
Purchases	13,320	10,844	**12,898**

As a result of the acquisition of FabTech from LPSC (See Note 15), the Company is indebted to LPSC in the amount of $13,549,000 as of December 31, 2000. Terms of the debt are indicated in Note 4. Interest expense accrued for the year ended December 31, 2000 on this debt was $87,000. FabTech has entered into a volume purchase agreement with LPSC pursuant to which LPSC is obligated to purchase from FabTech, and FabTech is obligated to manufacture and sell to LPSC, minimum and maximum purchase quantities of wafers through December 2003. Minimum monthly quantities range from 16,000 wafers in the first year to 30,000 wafers in the final year of the agreement.

Other related parties- For the years ended December 31, 1999 and 2000, Diodes-China purchased approximately $1,810,000 and $1,970,000, respectively, of its inventory purchases from companies owned by its 5% minority shareholder.

Accounts receivable from and accounts payable to related parties were as follows as of December 31:

(in thousands)	1999	**2000**
Accounts receivable		
LPSC	$ 90	**$ 490**
Other	-	**125**
	$ 90	**$ 615**
Accounts payable		
LPSC	$ 1,680	**$ 712**
Other	141	**296**
	$ 1,821	**$ 1,008**

NOTE 11 SEGMENT INFORMATION

Information about the Company's operations in the United States and Asia are presented herein. Items transferred among the Company and its subsidiaries are transferred at prices to recover costs plus an appropriate mark up for profit. Inter-company revenues, profits and assets have been eliminated to arrive at the consolidated amounts.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief decision-making group consists of the President and Chief Executive Officer, Chief Financial Officer and Vice President of Far East Operations. The operating segments are managed separately because each operating segment represents a strategic business unit whose function and purpose differs from the other segments.

The Company's reportable operating segments include the domestic operations (Diodes and FabTech) located in the United States and the Asian operations (Diodes-Taiwan located in Taipei, Taiwan; and Diodes-China located in Shanghai, China). Diodes Incorporated markets discrete semiconductor devices to manufacturers and distributors in North America. FabTech manufactures and distributes 5-inch silicon wafers for use in the Company's internal manufacturing processes at Diodes-China, as well as to trade customers. Diodes-Taiwan markets and sells discrete semiconductor devices throughout Asia and to Diodes Incorporated. Diodes-China manufactures discrete semiconductor devices for sale to Diodes Incorporated, Diodes-Taiwan and third-party customers in Asia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on stand-alone operating segment income. Revenues are attributed to geographic areas based on the location of the market producing the revenues.

(in thousands)	Asia	U.S.A.	Consolidated Segments
2000			
Total sales	**$104,815**	**$ 67,127**	**$171,942**
Intersegment sales	**(50,781)**	**(2,699)**	**(53,480)**
Net sales	**$ 54,034**	**$ 64,428**	**$118,462**
Depreciation and amortization	**$ 4,405**	**$ 598**	**$ 5,003**
Operating income	**18,699**	**(227)**	**18,472**
Assets	**61,149**	**51,801**	**112,950**
Capital expenditures	**16,177**	**791**	**16,968**
1999			
Total sales	$ 58,932	$ 47,688	$ 106,620
Intersegment sales	(23,903)	(3,466)	(27,369)
Net sales	$ 35,029	$ 44,222	$ 79,251
Depreciation and amortization	$ 2,448	$ 339	$ 2,787
Operating income	8,783	(1,505)	7,278
Assets	35,824	26,583	62,407
Capital expenditures	9,438	504	9,942
1998			
Total sales	$ 31,869	$ 45,600	$ 77,469
Intersegment sales	(13,916)	(2,225)	(16,141)
Net sales	$ 17,953	$ 43,375	$ 61,328
Depreciation and amortization	$ 849	$ 319	$ 1,168
Operating income	3,647	739	4,386
Assets	24,195	21,194	45,389
Capital expenditures	9,658	135	9,793

NOTE 12 COMMITMENTS and CONTINGENCIES

Operating leases - The Company leases its offices, manufacturing plants and warehouses under operating lease agreements expiring through December 2010. The Company may, at its option, extend the lease for a five-year term upon termination. Rent expense amounted to approximately $269,000, $327,000, and $503,000, for the years ended December 31, 1998, 1999 and 2000, respectively.

Future minimum lease payments under non-cancelable operating leases for years ending December 31 are:

(in thousands)	
2001	$ 2,325
2002	2,343
2003	2,369
2004	2,402
2005	1,770
Thereafter	5,905
	$ 17,114

Other matter - The Company has received a claim from one of its former U.S. landlords regarding potential groundwater contamination at a site in which the Company engaged in manufacturing from 1967 to 1973. The landlord has alleged that the Company may have some responsibility for cleanup costs. Investigations into the landlord's allegations are ongoing and in the early stages. The Company does not anticipate that the ultimate outcome of this matter will have a material adverse effect on its financial condition.

NOTE 13 EMPLOYEE BENEFIT PLANS

The parent company maintains a 401(k) profit sharing plan (the Plan) for the benefit of qualified employees at the parent company's location. Employees who participate may elect to make salary deferral contributions to the Plan up to 15% of the employees' eligible payroll. The parent company makes a contribution of $1 for every $2 contributed by the participant up to 6% of the participant's eligible payroll. In addition, the parent company may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan. For the years ended December 31, 1998, 1999, and 2000, the parent company's total contribution to the Plan was approximately $161,000, $204,000, and $307,000, respectively.

FabTech maintains a 401(k) profit sharing plan (the FabTech Plan) for the benefit of qualified employees. Employees may contribute up to 20% of their eligible compensation, subject to annual Internal Revenue Code maximum limitations. FabTech may make discretionary contributions up to 40% of the first 5% of each employee's annual contributions. FabTech's matching contributions for the month of December 2000 was approximately $6,000.

NOTE 14 MANAGEMENT INCENTIVE AGREEMENTS

The Company has entered into several management incentive agreements with various members of FabTech's management. The agreements provide members of management guaranteed annual

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 MANAGEMENT INCENTIVE AGREEMENTS (Continued)

compensation as well as contingent compensation based on the annual profitability of FabTech and subject to a maximum annual amount. Guaranteed and contingent compensation is applicable only to individuals participating in management as of the last day of each fiscal year. Future minimum payments provided for by the management incentive agreements for the years ended December 31, are:

(in thousands)	Guaranteed	Maximum Contingent	Total
2001	$ 375	$ 125	$ 500
2002	375	437	812
2003	375	750	1,125
2004	375	938	1,313
	$ 1,500	$ 2,250	$ 3,750

NOTE 15 BUSINESS ACQUISITION

On December 1, 2000, Diodes purchased all of the outstanding capital stock of FabTech from LPSC (a 38% shareholder of Diodes, Inc.) FabTech operates a 5-inch silicon wafer foundry in Lee's Summit, Missouri.

The acquisition was accounted for using the purchase method of accounting, whereby the assets and liabilities acquired were recorded at their estimated fair values. The terms of the stock purchase required an initial cash payment of approximately $5,150,000, including acquisition costs. In addition, the agreement provides for a potential earnout of up to $30 million based upon FabTech attaining certain earnings targets over the four year period immediately following the purchase. As a condition to the purchase agreement, certain officers and management of FabTech will receive a total of $2,475,000. Of this amount, $975,000 was accrued by FabTech as incentive compensation for services rendered prior to the acquisition. The remaining $1,500,000 will be accrued ratably over four years following the acquisition, subject to continued employment with the Company (see Note 14). The amount of cash paid to the seller at closing was reduced by $975,000, and any portion of the $1,500,000 contingent liability paid by the Company in the future will be reimbursed by the seller.

The excess of the purchase price over the fair value of assets acquired (goodwill) amounted to approximately $4,410,000, which is being amortized on the straight-line method over 20 years.

The results of operations of FabTech are included in the consolidated financial statements from the date of acquisition. The following represents the unaudited pro forma results of operations as if FabTech had been acquired at the beginning of 1999 and 2000.

(in thousands, except for share data) Year Ended December 31,	1999	2000
Net sales	$ 95,829	**$138,821**
Net income	4,487	**14,211**
Earnings per share		
Basic	$ 0.59	**$ 1.76**
Diluted	0.55	**1.54**

The pro forma results do not represent the Company's actual operating results had the acquisition been made at the beginning of 1999 or 2000, or the results which may be expected in the future.

NOTE 16 SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

(in thousands, except for share data)	Quarter Ended March 31	June 30	Sept. 30	Dec. 31
Fiscal 2000				
Net sales	**$ 27,437**	**$ 32,600**	**$ 32,332**	**$ 26,093**
Gross profit	**8,437**	**10,489**	**11,121**	**7,380**
Net income	**3,140**	**4,320**	**4,650**	**2,785**
Earnings per share				
Basic	**$ 0.39**	**$ 0.54**	**$ 0.57**	**$ 0.34**
Diluted	**0.34**	**0.46**	**0.50**	**0.31**

(in thousands, except for share data)	Quarter Ended March 31	June 30	Sept. 30	Dec. 31
Fiscal 1999				
Net sales	$ 16,032	$ 18,229	$ 21,750	$ 23,240
Gross profit	3,910	4,429	5,888	6,721
Net income	690	825	1,684	2,370
Earnings per share				
Basic	$ 0.09	$ 0.11	$ 0.22	$ 0.30
Diluted	0.09	0.10	0.21	0.27

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS AND STOCKHOLDERS
DIODES INCORPORATED AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Diodes Incorporated and Subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diodes Incorporated and Subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and cash flows for each of the years in the three year period ended December 31, 2000, in conformity with generally accepted accounting principles.

Moss Adams, LLP

Moss Adams LLP

Los Angeles, California
January 30, 2001

DISTRIBUTION NETWORK

Through innovative marketing strategies and advanced and sophisticated logistics, we work with world-class distributors to assist our customers in advancing their technologies.

ALL AMERICAN a leader in distribution technology

ARROW ELECTRONICS, INC.

AVNET

Digi-Key

FUTURE ELECTRONICS

JACO

KENT ELECTRONICS

Reptron

DIRECTORS

RAYMOND SOONG
Chairman of the Board, Diodes, Inc.
Chairman of the Board, The Lite-On Group

C.H. CHEN [3C]
President and Chief Executive Officer, Diodes, Inc.
Vice Chairman, Lite-On Semiconductor Corporation

MICHAEL R. GIORDANO [1C,2C,3]
Senior Vice President, PaineWebber, Inc.

DAVID LIN
Chief Executive Officer, The Lite-On Group

M.K. LU [3]
President, Lite-On Semiconductor Corporation

DR. SHING MAO [2,3]
Retired Chairman of the Board, Lite-On Incorporated

DR. LEONARD M. SILVERMAN [1,2,3]
Dean of Engineering, USC

JOHN M. STICH [1,3]
President & Chief Executive Officer, The Asian Network

EXECUTIVE OFFICERS

C.H. CHEN
President and Chief Executive Officer

JOSEPH LIU
Vice President, Far East Operations

MARK A. KING
Vice President, Sales and Marketing

CARL WERTZ
Chief Financial Officer, Treasurer and Secretary

1 - Member, Executive Committee
2 - Member, Compensation and Stock Options Committee
3 - Member, Audit Committee
C - Committee Chairman

SHAREHOLDER INFORMATION

Diodes Incorporated common stock is listed and traded on the Nasdaq National Market (Nasdaq: 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, as filed with the Securities and Exchange Commission, is available upon request to:
Investor Relations
Coffin Communications Group
15300 Ventura Blvd., Suite 303
Sherman Oaks, California 91403-5866
tel: 818.789.0100 fax: 818.789.1152
email: crocker.coulson@coffincg.com
diodes-fin@diodes.com

2000

	High	Low
1st Quarter	$ 25.58	$ 11.67
2nd Quarter	33.00	17.00
3rd Quarter	28.33	15.00
4th Quarter	17.75	8.56

1999

	High	Low
1st Quarter	$ 4.58	$ 2.83
2nd Quarter	5.96	2.71
3rd Quarter	6.42	3.83
4th Quarter	14.33	4.00

On July 14, 2000 the Company effected a 50% dividend in the form of a three-for-two stock split.

INDEPENDENT ACCOUNTANTS
Moss Adams LLP
Los Angeles, California

TRANSFER AGENT AND REGISTRAR
Continental Stock Transfer and Trust Company
New York, New York

LEGAL COUNCIL
Sheppard, Mullin, Richter & Hampton
Los Angeles, California

FINANCIAL INFORMATION ONLINE
World Wide Web users can access Company information on the DIODES Inc Investor page, located at www.diodes.com

Designed: McNulty & Co., Thousand Oaks, California

DIODES INCORPORATED — Corporate Offices
3050 East Hillcrest Drive
Westlake Village, CA 91362-3154
tel: 805.446.4800
fax: 805.446-4850

DIODES — CHINA
Shanghai KaiHong Electronic Co., Ltd.,
No. 1 Chenchun Road, Xingqiao Town Songjiang,
Shanghai, P.R.C. 201612

DIODES — TAIWAN
Diodes Incorporated Taiwan Company, Ltd.
2nd Fl, 501-15 Chung–Cheng Road
Hsin–Tien, Taipei, Taiwan, R.O.C.

FABTECH — A Diodes, Inc. company
777 N.W. Blue Parkway
Lee's Summit, MO 64086

WWW.DIODES.COM