

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 2000

or
 Transition Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934
For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 1-5740

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-2039518
(I.R.S. Employer
Identification Number)

3050 EAST HILLCREST DRIVE
WESTLAKE VILLAGE, CALIFORNIA
(Address of principal executive offices)

91362
(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

The number of shares of the registrant's Common Stock, \$0.66 2/3 par value, outstanding as of November 13, 2000 (after the effect of a 3-for-2 stock dividend payable on July 14, 2000) was 9,201,788, including 1,075,673 shares of treasury stock.

THIS REPORT INCLUDES A TOTAL OF 35 PAGES
THE EXHIBIT INDEX IS ON PAGE 24

INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors and Shareholders
Diodes Incorporated and Subsidiaries

We have reviewed the accompanying consolidated condensed balance sheet of Diodes Incorporated and subsidiaries as of September 30, 2000, and the related consolidated condensed statements of income and cash flows for the three and nine months ended September 30, 2000. These financial statements are the responsibility of the management of Diodes Incorporated and Subsidiaries.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Diodes Incorporated and subsidiaries as of December 31, 1999, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended not presented herein; and in our report dated January 28, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 1999, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Moss Adams LLP

Los Angeles, CA
October 17, 2000

PART I - FINANCIAL INFORMATION
ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	-----	-----
		(UNAUDITED)
CURRENT ASSETS		
Cash	\$ 3,557,000	\$ 2,967,000
Accounts receivable		
Customers	14,962,000	20,851,000
Related party	90,000	258,000
Other	300,000	241,000
	-----	-----
Less allowance for doubtful receivables	15,352,000	21,350,000
	297,000	317,000
	-----	-----
Inventories	15,055,000	21,033,000
Deferred income taxes, current	16,575,000	25,001,000
Prepaid expenses and other current assets	1,700,000	1,715,000
	762,000	775,000
	-----	-----
Total current assets	37,649,000	51,491,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net		
of accumulated depreciation and amortization	20,909,000	31,883,000
ADVANCES TO RELATED PARTY VENDOR	2,561,000	2,542,000
DEFERRED INCOME TAXES, non-current	146,000	146,000
OTHER ASSETS		
Goodwill, net	969,000	936,000
Other	173,000	348,000
	-----	-----
TOTAL ASSETS	\$62,407,000	\$87,346,000
	=====	=====

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	-----	-----
		(UNAUDITED)
CURRENT LIABILITIES		
Line of credit	\$ 3,237,000	\$ 8,099,000
Accounts payable		
Trade	7,716,000	9,382,000
Related party	1,821,000	2,894,000
Accrued liabilities	5,782,000	8,819,000
Income taxes payable	878,000	1,096,000
Current portion of long-term debt	2,312,000	2,912,000
	-----	-----
Total current liabilities	21,746,000	32,202,000
DEFERRED COMPENSATION	57,000	57,000
LONG-TERM DEBT, net of current portion	4,672,000	5,038,000
MINORITY INTEREST IN JOINT VENTURE	959,000	1,421,000
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value \$0.66 2/3 per share; 30,000,000 shares authorized; 9,008,282 and 9,187,786 shares issued and outstanding at December 31, 1999 and September 30, 2000, respectively	6,006,000	6,123,000
Additional paid-in capital	5,886,000	6,358,000
Retained earnings	24,863,000	36,929,000
	-----	-----
Less:	36,755,000	49,410,000
Treasury stock - 1,075,673 shares of common stock at cost	1,782,000	1,782,000
	-----	-----
Total stockholders' equity	34,973,000	47,628,000
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$62,407,000	\$87,346,000
	=====	=====

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	1999	2000
NET SALES	\$ 21,750,000	\$ 32,332,000	\$ 56,011,000	\$ 92,369,000
COST OF GOODS SOLD	15,862,000	21,211,000	41,784,000	62,322,000
Gross profit	5,888,000	11,121,000	14,227,000	30,047,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,636,000	5,050,000	10,132,000	14,862,000
Income from operations	2,252,000	6,071,000	4,095,000	15,185,000
OTHER INCOME (EXPENSE)				
Interest income	87,000	128,000	226,000	323,000
Interest expense	(141,000)	(332,000)	(444,000)	(920,000)
Other	50,000	135,000	89,000	181,000
	(4,000)	(69,000)	(129,000)	(416,000)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	2,248,000	6,002,000	3,966,000	14,769,000
PROVISION FOR INCOME TAXES	(510,000)	(1,170,000)	(647,000)	(2,197,000)
MINORITY INTEREST IN JOINT VENTURE EARNINGS	(54,000)	(182,000)	(120,000)	(462,000)
NET INCOME	\$ 1,684,000	\$ 4,650,000	\$ 3,199,000	\$ 12,110,000
EARNINGS PER SHARE				
Basic	\$ 0.22	\$ 0.57	\$ 0.42	\$ 1.50
Diluted	\$ 0.21	\$ 0.50	\$ 0.40	\$ 1.31
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	7,571,237	8,101,667	7,570,983	8,053,675
Diluted	8,115,677	9,260,765	7,945,616	9,259,095

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,199,000	\$ 12,110,000
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,949,000	3,336,000
Minority interest earnings	120,000	462,000
Interest income accrued on advances to vendor	(143,000)	(143,000)
Changes in operating assets:		
Accounts receivable	(4,736,000)	(5,978,000)
Inventories	(722,000)	(8,426,000)
Prepaid expenses and other assets	(385,000)	(170,000)
Changes in operating liabilities:		
Accounts payable	3,835,000	2,739,000
Accrued liabilities	986,000	3,037,000
Income taxes payable	(169,000)	218,000
Net cash provided by operating activities	3,934,000	7,185,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,387,000)	(14,310,000)
Minority interest of joint venture investment	96,000	--
Collections on note receivable	258,000	162,000
Net cash used by investing activities	(5,033,000)	(14,148,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit, net	927,000	4,862,000
Net proceeds from the issuance of capital stock	9,000	589,000
Proceeds from (repayments of) long-term obligations	(542,000)	966,000
Other	--	(44,000)
Net cash provided by financing activities	394,000	6,373,000
DECREASE IN CASH	(705,000)	(590,000)
CASH AT BEGINNING OF PERIOD	2,416,000	3,557,000
CASH AT END OF PERIOD	\$ 1,711,000	\$ 2,967,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 218,000	\$ 597,000
Income taxes	\$ 1,169,000	\$ 1,994,000

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

DIODES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-QS. The consolidated balance sheet, statement of operations and cash flows at and for the periods ended September 30, 2000, have been reviewed by the Company's independent auditors in accordance with the professional standards and procedures as set forth in Statement of Auditing Standards No. 71 ("SAS 71"). SAS 71 procedures for conducting a review of interim financial information generally are limited in inquiries and analytical procedures concerning significant accounting matters relating to the financial information to be reported. They do not include all information and footnotes necessary for a fair presentation of financial position and results of operations and cash flows in conformity with generally accepted accounting principles. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim period. Operating results for the nine months ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

The consolidated financial statements include the accounts of the Company and its wholly-owned foreign subsidiary, Diodes Taiwan Co., Ltd. ("Diodes-Taiwan"), and the accounts of Shanghai KaiHong Electronics Co., Ltd. ("Diodes-China") in which the Company has a 95% interest. All significant intercompany balances and transactions have been eliminated.

NOTE B - INCOME TAXES

The Company accounts for income taxes using an asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the tax effect of differences between the financial statement and tax basis of assets and liabilities. Accordingly, the Company has recorded a net deferred tax asset of \$1,861,000 resulting from temporary differences in bases of assets and liabilities. This deferred tax asset results primarily from inventory reserves and certain expense accruals, which are not currently deductible for income tax purposes.

The income tax expense as a percentage of pre-tax income differs from the statutory combined federal and state tax rates. The primary reason for this difference is that, in accordance with Chinese tax policy, earnings of Diodes-China are not subject to tax for the first two years upon commencement of cumulative profitable operations, which includes the 1999 and 2000 reporting periods. As indicated below, deferred income taxes have not been provided on earnings of Diodes-China.

As of September 30, 2000, accumulated and undistributed earnings of Diodes-China are approximately \$13.4 million. The Company has not recorded a deferred tax liability (estimated to be \$5.4 million) on these earnings since the Company considers this investment to be permanent, and has no plans, intentions or obligation to distribute all or part of that amount from China to the United States. The Company will consider the need to provide deferred taxes on future earnings of Diodes-China, as further investment strategies are determined.

NOTE C - ADVANCES TO RELATED PARTY VENDOR

Under a compensation-trade agreement the Company has advanced \$2.5 million in cash to a related party vendor, FabTech Incorporated ("FabTech"), a wholly owned subsidiary of Lite-On Power Semiconductor Corporation ("LPSC"), a principal shareholder of the Company. Interest accrues monthly at LIBOR plus 1.1%. Outstanding principal and accrued interest as of September 30, 2000 totaled \$2,542,000.

Amounts advanced, including interest, are payable through February 2001 when any outstanding balances become due on demand, and are secured by FabTech's accounts receivable. The compensation-trade agreement allows the Company to recover interest and principal due by deducting a fixed amount (\$10.00) per unit for products (silicon wafers) purchased from FabTech. FabTech may also repay its debt in cash. Through September 30, 2000, the Company had collected \$762,000 on the note, and expected this note to be collected, including interest, no later than February 2001, according to the terms of the agreement. Upon completion of the proposed acquisition of FabTech (See "Item 2 - General") announced in October 2000, the loan amount, including accrued interest, will be allocated to the acquisition purchase price.

NOTE D - STOCK SPLIT

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

NOTE E - SEGMENT INFORMATION

Information about the Company's operations in the United States, Taiwan, and China are presented below. 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, Vice President of Sales and Marketing, 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.

For financial reporting purposes, the Company is deemed to operate in three separate segments: North America, Taiwan, and China. All three segments focus on discrete semiconductor devices. The North American segment procures and distributes products primarily throughout North America and provides management, warehousing and engineering support to the other two segments. The Taiwan segment procures product from, and distributes product primarily to, companies in Taiwan, Korea, Singapore, and Hong Kong. This segment also procures product for, and distributes product to, the Company's North American operations. The China segment manufactures product for, and distributes product to, the North American and Taiwan segments, as well as Asia-Pacific customers.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the Company's annual report on Form 10-K. During the third-quarter of 2000, the Company allocated corporate overhead costs to each subsidiary. 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.

THREE MONTHS ENDED SEPTEMBER 30, 1999	Shanghai KaiHong Electronics (China)	Diodes-Taiwan Corporation, Ltd. (Taiwan)	Diodes Incorporated (United States)	Consolidated Segments
Total sales	\$ 2,945,000	\$ 13,136,000	\$ 12,972,000	\$ 29,053,000
Inter-segment sales	(2,124,000)	(4,306,000)	(873,000)	(7,303,000)
Net sales	\$ 821,000	\$ 8,830,000	\$ 12,099,000	\$ 21,750,000
Depreciation and amortization	\$ 611,000	\$ 47,000	\$ 65,000	\$ 723,000
Interest expense (income), net	\$ (34,000)	\$ 2,000	\$ 86,000	\$ 54,000
Income tax provision (benefit)	\$ --	\$ 494,000	\$ (16,000)	\$ 510,000
Net income (loss)	\$ 1,087,000	\$ 1,149,000	\$ (52,000)	\$ 1,684,000
Segment assets	\$ 18,107,000	\$ 15,778,000	\$ 19,965,000	\$ 53,850,000

THREE MONTHS ENDED SEPTEMBER 30, 2000	Shanghai KaiHong Electronics (China)	Diodes-Taiwan Corporation, Ltd. (Taiwan)	Diodes Incorporated (United States)	Consolidated Segments
Total sales	\$ 10,859,000	\$ 18,786,000	\$ 18,587,000	\$ 48,232,000
Inter-segment sales	(9,211,000)	(5,803,000)	(886,000)	(15,900,000)
Net sales	\$ 1,648,000	\$ 12,983,000	\$ 17,701,000	\$ 32,332,000
Depreciation and amortization	\$ 1,128,000	\$ 37,000	\$ 84,000	\$ 1,249,000
Interest expense (income), net	\$ 83,000	\$ 2,000	\$ 119,000	\$ 204,000
Income tax provision (benefit)	\$ --	\$ 469,000	\$ 701,000	\$ 1,170,000
Net income (loss)	\$ 3,447,000	\$ 1,053,000	\$ 150,000	\$ 4,650,000
Segment assets	\$ 39,711,000	\$ 22,891,000	\$ 24,744,000	\$ 87,346,000

NINE MONTHS ENDED SEPTEMBER 30, 1999	Shanghai KaiHong Electronics (China)	Diodes-Taiwan Corporation, Ltd. (Taiwan)	Diodes Incorporated (United States)	Consolidated Segments
Total sales	\$ 7,199,000	\$ 31,951,000	\$ 34,352,000	\$ 73,502,000
Inter-segment sales	(5,065,000)	(10,348,000)	(2,078,000)	(17,491,000)
Net sales	\$ 2,134,000	\$ 21,603,000	\$ 32,274,000	\$ 56,011,000
Depreciation and amortization	\$ 1,653,000	\$ 89,000	\$ 207,000	\$ 1,949,000
Interest expense (income), net	\$ (37,000)	\$ --	\$ 255,000	\$ 218,000
Income tax provision (benefit)	\$ --	\$ 1,081,000	\$ (435,000)	\$ 646,000
Net income (loss)	\$ 2,403,000	\$ 2,228,000	\$ (1,432,000)	\$ 3,199,000
Segment assets	\$ 18,107,000	\$ 15,778,000	\$ 19,965,000	\$ 53,850,000

NINE MONTHS ENDED SEPTEMBER 30, 2000	Shanghai KaiHong Electronics (China)	Diodes-Taiwan Corporation, Ltd. (Taiwan)	Diodes Incorporated (United States)	Consolidated Segments
Total sales	\$ 26,906,000	\$ 53,519,000	\$ 52,763,000	\$ 133,188,000
Inter-segment sales	(21,852,000)	(16,656,000)	(2,311,000)	(40,819,000)
Net sales	\$ 5,054,000	\$ 36,863,000	\$ 50,452,000	\$ 92,369,000
Depreciation and amortization	\$ 2,957,000	\$ 128,000	\$ 251,000	\$ 3,336,000
Interest expense (income), net	\$ 124,000	\$ (8,000)	\$ 481,000	\$ 597,000
Income tax provision (benefit)	\$ --	\$ 1,847,000	\$ 350,000	\$ 2,197,000
Net income (loss)	\$ 8,770,000	\$ 3,943,000	\$ (603,000)	\$ 12,110,000
Segment assets	\$ 39,711,000	\$ 22,891,000	\$ 24,744,000	\$ 87,346,000

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the matters addressed in this Item 2 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 "Factors That May Affect Future Results" and elsewhere in this Quarterly Report on Form 10-Q, 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 on this Quarterly Report on Form 10-Q 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 automotive, electronics, computing and telecommunications industries. The Company's products include small signal transistors and MOSFETs, transient voltage suppressors (TVSs), zeners, diodes, rectifiers and bridges.

The Company operates two Far East subsidiaries, Diodes-China (QS-9000 and ISO-14001 certified) in Shanghai and Diodes-Taiwan (ISO-9000 certified) in Taipei. Diodes-China's manufacturing focus is on surface-mount devices, such as SOT-23 and SOD-123, used in the communication and computer industries and destined for wireless devices, notebook computers, pagers, PCMCIA cards and modems, 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.

The Company's products are sold primarily in North America and Asia, both directly to original equipment manufacturers ("OEMs") (50% of total sales for the nine months ended September 30, 2000) and through electronic component distributors. For the nine months ended September 30, 2000, approximately 55% and 45% of the Company's products were sold in North America and the Far East, respectively. For the twelve months ended December 31, 1999, approximately 56% and 44% of the Company's products were sold in North America and the Far East, respectively, compared to 71% and 29% in 1998, respectively. 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.

In March 2000, Vishay Intertechnolgy, Inc. ("Vishay") agreed to sell its 65% interest in the Vishay/LPSC joint venture to the Lite-On Group (a Taiwanese consortium), the 35% owner. The Vishay/LPSC joint

venture was formed in July 1997. LPSC, the Company's largest shareholder, is a member of the Lite-On Group of Companies of the Republic of China. With worldwide sales of almost \$4.5 billion, the Lite-On Group of companies are leading manufacturers of power semiconductors, computer peripherals, and communication products. Because of this transaction, the Lite-On Group, through LPSC, 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 will continue to compete, as it always has, with Vishay's Telefunken division. Any overlap in comparable products is not expected to have any material impact on the financial results of the Company.

Products are currently sold under the Diodes, Inc. brand name. The Company has unified product lines under a single brand name in order to establish brand name unity and consistency of product, and to capitalize on brand name recognition, where possible. Although customers continue to recognize Diodes brand products and view the Company as a separate vendor from Vishay, at this time it is uncertain as to the effect that the Vishay/LPSC transaction will have on brand recognition or major distributors. However, management believes that with the Company's competitive pricing, internal manufacturing capabilities and capacity, customer/applications engineering, and strong customer service reputation, it has proven itself to be a valuable supplier, and as such the impact of the Vishay/LPSC transaction is not anticipated to have a material adverse impact on customer relations.

For financial reporting purposes, the Company is deemed to engage in three industry segments: North America, Taiwan, and China. All three segments focus on discrete semiconductor devices. The North American segment procures and distributes products primarily throughout North America and provides management, warehousing and engineering support. The Taiwan segment procures product from, and distributes product primarily to, companies in Taiwan, Korea, Singapore, and Hong Kong. This segment also procures product for, and distributes product to, the Company's North American operations. The China segment manufactures product for, and distributes product to, the North American and Taiwan segments, as well as to Asia-Pacific customers. See Note E 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.

RECENT EVENTS

In March 2000, the Company appointed C.H. Chen as President and Chief Executive Officer, replacing Michael Rosenberg who left the Company to pursue other interests. From 1969 to 1990, Mr. Chen held various positions at Texas Instruments, most recently as Vice President of Texas Instruments-Taiwan. In 1990, he left Texas Instruments to found Dyna Image Corp., a Lite-On Group company (now listed on the Taiwan OTC market) that has become the world's leading supplier of contact image sensors (CISs), which are key components in facsimile machines and scanners. Mr. Chen is currently the Vice Chairman and President of Dyna Image Corp.

In June 2000, the Company's common stock commenced trading on the Nasdaq Stock Market, National Market System, under the symbol "DIOD." In addition, the Company effected a three-for-two stock split in the form of a 50% stock dividend payable on July 14, 2000 to stockholders of record on June 28, 2000. Under the terms of this stock split, stockholders received a dividend in the form of one additional share for every two shares held on the record date. The dividend was paid in authorized but unissued shares of the common stock of the Company. The number of outstanding shares of stock after the split was increased from approximately 5.3 million to approximately 8.0 million shares, net of treasury shares held. The par value of the stock was not affected by the split and remains at \$0.66 2/3 per share.

Also in June 2000, the Company announced it had retained Coffin Communications Group to implement and manage its investor relations program. This announcement, combined with the switch to Nasdaq and the stock split, is part of the Company's on-going program to increase the Company's visibility and communication with stockholders, and to ultimately contribute to enhanced stockholder liquidity and value.

In October 2000, the Company moved its Taiwan manufacturing to China. 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 very 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. 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.

WAFER FOUNDRY ACQUISITION

In October 2000, the Company signed a letter of intent to acquire FabTech, Inc., a wafer foundry located in Lee's Summit, Missouri. FabTech will be acquired from LPSC for approximately \$25 million (in cash and debt assumed), with an additional cash earn-out for meeting specified earnings targets over a four-year period. The \$25 million purchase price consists of approximately \$6.5 million in cash and \$18.5 million in debt assumption. The transaction, subject to various closing conditions, is expected to be completed in early December 2000.

FabTech's 5-inch wafer foundry, specializing in Schottky products, includes a 16,000 sq. ft. clean room within a 70,000 sq. ft. manufacturing facility formerly owned by AT&T. FabTech currently has 210 employees and is expected to generate approximately \$20 million in revenues in year 2000. The acquisition will be bank financed and is expected to be accretive to Diodes' earnings in 2001.

The acquisition of FabTech is a key element in the Company's effort to become a vertically integrated manufacturer and supplier of discrete semiconductors. This strategy is designed to enable the Company to accelerate the development and introduction of new technology into its products. FabTech's wafer foundry provides the Company with the manufacturing base and R&D team to develop higher-margin, next-generation semiconductor products. Since 1996, the Company and FabTech have worked closely together within a vendee-vendor relationship.

FabTech currently has eight patents pending in technologies from ruggedized Schottky devices to thirty-five hundred volt Ultra-Fast devices. FabTech was founded in 1996 when LPSC acquired manufacturing equipment and technology formerly owned by AT&T. FabTech's engineering staff includes eight senior engineers, with over 190 collective years experience in the semiconductor industry.

The Company intends to 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, FabTech, and other sourcing agreements in place as well as those that may be in negotiations. 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.

INDUSTRY/COMPETITION

The discrete semiconductor industry has, for the last several years, been subject to severe pricing pressures, compounded by the Asian economic situation. Although manufacturing costs generally decreased during this period, excess manufacturing capacity and over-inventory caused selling prices to fall at a greater rate than manufacturing costs. Because of this competitive environment, gross profit margins declined from 28.3% in 1995 to 26.4% in 1999. Beginning in the second half of 1999, manufacturing profit from Diodes-China coupled with an apparent easing of pricing pressures contributed to a gross profit margin of 34.4% for the three months ended September 30, 2000 compared to 27.1% for the same period last year. There can be no assurance that these improved margins can be maintained or improved upon in the future.

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 developed relationships with major distributors who inventory and sell the Company's products.

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.

DIODES-CHINA MANUFACTURING

Since 1997, the Company's manufacturing focus has primarily been in the development and expansion of Diodes-China. To date, the Company and its 5% minority partner have increased property, plant and equipment at the facility to approximately \$36 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.

In April 2000, the Company announced an additional investment of \$9 million in Diodes-China that is expected to be in full production by the first quarter of 2001. These investments, when completed, will bring the total property, plant and equipment at the manufacturing facility to approximately \$40 million. As the industry requires manufacturing of smaller and more efficient products that meet the technical requirements of customers seeking to integrate multiple technologies within one package, the Company will continue to increase manufacturing capacity as worldwide demand warrants.

SILICON WAFERS

In 1999, Diodes-Taiwan began purchasing silicon wafers, a new product line, from FabTech for resale to customers in the Far East. Diodes-Taiwan also purchases wafers from LPSC, among others. Silicon wafer sales for the three and nine months ended September 30, 2000 were \$1.0 million and \$5.9 million compared to \$909,000 and \$2.3 million for the same periods in 1999, respectively. Wafer sales for the twelve months ended December 31, 1999 were \$4,005,000. The gross margin percentage on sales of silicon wafers, though still profitable, is below that of the Company's standard product lines. Silicon wafer sales are a complementary service for some customers, rather than a focused product line. As the operations of FabTech are integrated, the goal is to increase the use of FabTech wafers in the Company's products, and to increase the sales of silicon wafers to trade customers.

FOREIGN CURRENCY

Products from foreign suppliers are purchased primarily in United States dollars. To a limited extent, and from time to time, the Company contracts in foreign currencies (e.g., a portion of the equipment purchases for the Diodes-China expansion), and, accordingly, the results of its operations could be materially affected by fluctuations in currency exchange rates. Due to the limited number of contracts denominated in foreign currencies and the complexities of currency hedges, the Company has not engaged in hedging to date. If the volume of contracts written in foreign currencies increases, and the Company does not engage in currency hedging, a substantial increase in the relative value of such currencies could have a material adverse effect on the Company's results of operations. Management believes that the current contracts written in foreign currencies are not significant enough to justify the costs inherent in currency hedging.

TAXES

The Company's effective tax rate was 19.5% and 14.9% for the three and nine months ended September 30, 2000, respectively, compared to 22.7% and 16.3%, respectively, for the same periods last year. This compares to 19.3% and 36.0% for the twelve months ended December 31, 1999 and 1998, respectively. The decrease in the Company's effective tax rate is due primarily to the increase in Diodes-China's contribution to net income at a tax rate of 0% through year 2000. The Company is in the process of finalizing, with the Chinese government, the tax rate for year 2001, but it is anticipated that the rate will be zero. Based upon tax rates in the U.S. and Taiwan and the expected profitability of each of the Company's three business segments during the balance

of the year, it is anticipated that for the twelve months of 2000, the consolidated provision for income taxes will be in the range of 10-20% of pre-tax income.

YEAR 2000 ISSUES

The Company has conducted a comprehensive review of its computer systems to identify the systems that could be affected by the Year 2000 Issue ("Y2K"). The total cost of Y2K compliance was not considered a material expense, and to date, no significant operational problems for the Company's computer systems have occurred as a result of Y2K. However, if problems surface that have not yet been identified which will require substantial time and resources to remedy, they could have a material adverse effect on the Company's business.

OTHER MATTERS

The Company has received a claim from one of its former U.S. landlords regarding potential ground-water 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, which have not yet been determined. Investigations into the landlord's allegations are ongoing, however, the Company does not anticipate that this event will have a material effect on its financial results, as the Company has adequately reserved for such types of claims and the landlord has yet to establish any responsibility by the Company.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000

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 THREE MONTHS ENDED SEPTEMBER 30,		PERCENTAGE DOLLAR INCREASE (DECREASE)
	1999	2000	'99 TO '00
Net sales	100.0 %	100.0 %	48.7 %
Cost of goods sold	(72.9)	(65.6)	33.7
Gross profit	27.1	34.4	88.9
Selling, general & administrative expenses ("SG&A")	(16.7)	(15.6)	38.9
Income from operations	10.4	18.8	169.6
Interest expense, net	(0.3)	(0.6)	277.8
Other income	0.2	0.4	170.0
Income before taxes and minority	10.3	18.6	167.0
Income taxes	(2.3)	(3.6)	129.4
Minority interest	(0.3)	(0.6)	237.0
Net income	7.7	14.4	176.1

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company for the three months ended September 30, 2000 compared to the three months ended September 30, 1999. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

	1999 -----	2000 -----
NET SALES	\$ 21,750,000	\$32,332,000

Net sales increased approximately \$10.6 million, or 48.7%, for the three months ended September 30, 2000, compared to the same period last year, due primarily to a 47.0% increase in units sold as a result of an increased demand for the Company's products, primarily in the Far East. Diodes-China contributed trade sales of \$1.6 million, compared to \$821,000 in the same period last year. The Company's average selling price ("ASP") was flat compared to the same period last year, and decreased 7.5% from the second quarter of 2000. In 1999, Diodes-Taiwan began purchasing silicon wafers, a new product line, from FabTech, among others, for resale in the Far East. Sales of silicon wafers for the three months ended September 30, 2000 were \$1.0 million compared to \$1.2 million in the same period last year. Sales of silicon wafers were \$2.7 million in the second quarter of 2000. It is anticipated that significant sales of silicon wafers may not continue beyond the second half of 2000 as the Company evaluates other, more profitable complementary products. As the operations of FabTech are integrated, the goal is to increase the use of FabTech wafers in the Company's products, thus decreasing the sales of silicon wafers to trade customers.

	1999 -----	2000 -----
COST OF GOODS SOLD	\$15,862,000	\$21,211,000
GROSS PROFIT	\$ 5,888,000	\$11,121,000
GROSS PROFIT MARGIN PERCENTAGE	27.1%	34.4%

Gross profit rose approximately \$5.2 million, or 88.9%, for the three months ended September 30, 2000 compared to the same period last year. Of the \$5.2 million increase, approximately \$2.8 million was due to the 48.7% increase in sales, while \$2.4 million was due to the increase in gross margin percentage from 27.1% to 34.4%. Manufacturing profit at Diodes-China contributed to the increase in gross margin percentage. Although gross profit margins strengthened in the third quarter of 2000, pricing pressures continue to exist on many of the Company's product lines, and there can be no assurance that margins will continue to improve or be maintained.

	1999 -----	2000 -----
SG&A	\$ 3,636,000	\$5,050,000

SG&A for the three months ended September 30, 2000 increased approximately \$1.4 million, or 38.9%, compared to the same period last year, due primarily to increases in wage/benefits expenses due to additional sales and engineering personnel, higher marketing and advertising expenses, and increased sales commissions associated with increased sales. Also contributing to the SG&A increase were legal reserves associated with the environmental issue as well as costs associated with moving the manufacturing equipment from Diodes-Taiwan to China. SG&A as a percentage of sales decreased to 15.6% from 16.7% in the comparable period last year.

	1999 -----	2000 -----
INTEREST INCOME	\$ 87,000	\$128,000
INTEREST EXPENSE	\$141,000	\$332,000
NET INTEREST EXPENSE	\$ 54,000	\$204,000

Net interest expense for the three months ended September 30, 2000 increased \$150,000 versus the same period last year, due primarily to an increased use of the Company's credit facility (at higher interest rates) to support the expansion of Diodes-China. The Company's interest expense is primarily the result of the term loan by which the Company is financing (i) the investment in the Diodes-China manufacturing facility and (ii) the \$2.5 million, including accrued interest, advanced to FabTech. Interest income is primarily the interest charged to FabTech, under the Company's formal loan agreement, as well as earnings on its cash balances. Upon completion of the proposed acquisition of FabTech announced in October 2000, the loan amount, including accrued interest, will be deducted from the acquisition purchase price and the loan dissolved.

	1999 -----	2000 -----
OTHER INCOME	\$ 50,000	\$135,000

Other income for the three months ended September 30, 2000 increased approximately \$85,000 compared to the same period last year, due primarily to currency exchange fluctuation at the Company's subsidiaries in Taiwan and China.

	1999 -----	2000 -----
PROVISION FOR INCOME TAXES	\$ 510,000	\$1,170,000

The Company's overall effective federal, state, and foreign tax rate decreased to 19.5% for the three months ended September 30, 2000 from 22.7% in the comparable period last year. Diodes-China will continue to benefit from 0% tax for the remainder of year 2000. The Company is in the process of finalizing, with the Chinese government, the tax rate for year 2001, but it is anticipated that the rate will be zero. Based upon tax rates in the U.S. and Taiwan and the expected profitability of each of the Company's three business segments during the balance of the year, it is anticipated that for the twelve months of 2000, the consolidated provision for income taxes will be in the range of 10-20% of pre-tax income.

	1999 -----	2000 -----
MINORITY INTEREST IN JOINT VENTURE	\$ (54,000)	\$(182,000)

Minority interest in joint venture represents the minority investor's share of the Diodes-China joint venture's income for the period. The increase in the joint venture earnings for the three months ended September 30, 2000 is primarily the result of increased sales, both internally and to external customers. 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 September 30, 2000, the Company had a 95% controlling interest in the joint venture.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000

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 NINE MONTHS ENDED SEPTEMBER 30,		PERCENTAGE DOLLAR INCREASE (DECREASE)
	1999	2000	'99 TO '00
Net sales	100.0 %	100.0 %	64.9 %
Cost of goods sold	(74.6)	(67.5)	49.2
Gross profit	25.4	32.5	111.2
Selling, general & administrative expenses ("SG&A")	(18.1)	(16.1)	46.7
Income from operations	7.3	16.4	270.8
Interest expense, net	(0.4)	(0.6)	173.9
Other income	0.2	0.2	103.4
Income before taxes and minority	7.1	16.0	272.4
Income taxes	(1.2)	(2.4)	239.6
Minority interest	(0.2)	(0.5)	285.0
Net income	5.7	13.1	278.6

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company for the nine months ended September 30, 2000 compared to the nine months ended September 30, 1999. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

	1999	2000
NET SALES	\$ 56,011,000	\$92,369,000

Net sales increased approximately \$36.4 million, or 64.9%, for the nine months ended September 30, 2000 compared to the same period last year, due primarily to a 55.8% increase in units sold as a result of an increased demand for the Company's products, primarily in the Far East. Diodes-China contributed trade sales of \$5.1 million, compared to \$2.1 million in the same period last year. The Company's ASP increased 6.4% over the same period last year, primarily in the Far East. There can be no assurance that ASP's will continue to strengthen. In 1999, Diodes-Taiwan began purchasing silicon wafers, a new product line, from FabTech, among others, for resale in the Far East. Sales totaling \$5.9 million of silicon wafers compared to \$2.3 million in the same period last year also contributed to the increase in sales. As the operations of FabTech are integrated, the goal is to increase the use of FabTech wafers in the Company's products, and increase the sales of silicon wafers to trade customers.

	1999 -----	2000 -----
COST OF GOODS SOLD	\$41,784,000	\$62,322,000
GROSS PROFIT	\$14,227,000	\$30,047,000
GROSS PROFIT MARGIN PERCENTAGE	25.4%	32.5%

Gross profit rose approximately \$15.8 million, or 111.2%, for the nine months ended September 30, 2000 compared to the same period last year. Of the \$15.8 million increase, approximately \$9.2 million was due to the 64.9% increase in sales, while \$6.6 million was due to the increase in gross margin percentage from 25.4% to 32.5%. Manufacturing profit at Diodes-China contributed to the increase in gross margin percentage. Although gross profit margins strengthened in the third quarter of 2000, pricing pressures continue to exist on many of the Company's product lines, and there can be no assurance that margins will continue to improve or be maintained.

	1999 -----	2000 -----
SG&A	\$ 10,132,000	\$14,862,000

SG&A for the nine months ended September 30, 2000 increased approximately \$4.7 million, or 46.7%, compared to the same period last year, due in part to separation compensation paid to the former President and Chief Executive Officer in March 2000. Increases in wage/benefits expenses due to additional sales and engineering personnel, higher marketing and advertising expenses, and increased sales commissions contributed to the increase in SG&A, as well. Also contributing to the SG&A increase were legal reserves associated with the environmental issue as well as costs associated with moving the manufacturing equipment from Diodes-Taiwan to China. SG&A as a percentage of sales decreased to 16.1% from 18.1% in the comparable period last year.

	1999 -----	2000 -----
INTEREST INCOME	\$226,000	\$323,000
INTEREST EXPENSE	\$444,000	\$920,000
NET INTEREST EXPENSE	\$218,000	\$597,000

Net interest expense for the nine months ended September 30, 2000 increased approximately \$379,000 versus the same period last year, due primarily to an increased use of the Company's credit facility (at higher interest rates) to support the expansion of Diodes-China. The Company's interest expense is primarily the result of the term loan by which the Company is financing (i) the investment in the Diodes-China manufacturing facility and (ii) the \$2.5 million, including accrued interest, advanced to FabTech. Interest income is primarily the interest charged to FabTech, under the Company's formal loan agreement, as well as earnings on its cash balances. Upon completion of the proposed acquisition of FabTech announced in October 2000, the loan amount, including accrued interest, will be deducted from the acquisition purchase price and the loan dissolved.

	1999 -----	2000 -----
OTHER INCOME	\$ 89,000	\$181,000

Other income for the nine months ended September 30, 2000 increased approximately \$92,000 compared to the same period last year, due primarily to currency exchange fluctuation at the Company's subsidiaries in Taiwan and China.

	1999 -----	2000 -----
PROVISION FOR INCOME TAXES	\$ 647,000	\$2,197,000

The Company's overall effective federal, state, and foreign tax rate decreased to 14.9% for the nine months ended September 30, 2000 from 16.3% in the comparable period last year. Diodes-China will continue to benefit from 0% tax for the remainder of year 2000. The Company is in the process of finalizing, with the Chinese government, the tax rate for year 2001, but it is anticipated that the rate will be zero. Based upon tax rates

in the U.S. and Taiwan and the expected profitability of each of the Company's three business segments during the balance of the year, it is anticipated that for the twelve months of 2000, the consolidated provision for income taxes will be in the range of 10-20% of pre-tax income.

	1999 -----	2000 -----
MINORITY INTEREST IN JOINT VENTURE	\$ (120,000)	\$(462,000)

Minority interest in joint venture represents the minority investor's share of the Diodes-China joint venture's income for the period. The increase in the joint venture earnings for the nine months ended September 30, 2000 is primarily the result of increased sales, both internally and to external customers. 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 September 30, 2000, the Company had a 95% controlling interest in the joint venture.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the nine months ended September 30, 2000 was \$7.2 million compared to cash provided of \$3.9 million for the same period in 1999. The primary sources of cash flows from operating activities in 2000 were net income of \$12.1 million and depreciation of \$3.3 million. The primary use of cash flows from operating activities in 2000 was an increase in inventories of \$8.4 million and an increase in accounts receivable of \$6.0 million. The primary sources of cash flows from operating activities for the nine months ended September 30, 1999 were an increase in accounts payable of \$3.8 million and net income of \$3.2 million, while the primary use was a \$4.7 million increase in accounts receivable. Inventory turns at September 30, 2000 were 3.4 times compared to 3.5 times at December 31, 1999. Accounts receivable days at September 30, 2000 were 59 days compared to 56 days at December 31, 1999. The ratio of the Company's current assets to current liabilities on September 30, 2000 was 1.60 to 1, compared to a ratio of 1.73 on December 31, 1999.

Cash used by investing activities for the nine months ended September 30, 2000 was \$14.1 million, compared to \$5.0 million during the same period in 1999. The primary investment in both years was for additional manufacturing equipment at the Diodes-China manufacturing facility.

Cash provided by financing activities was \$6.4 million for the nine months ended September 30, 2000, compared to \$394,000 for the same period in 1999. The Company has a \$26.5 million credit facility with a major bank consisting of: a working capital line of credit up to \$9 million and term commitment notes providing up to \$17.5 million for plant expansion, advances to vendors, and letters of credit for Diodes-China. 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, require the maintenance of certain financial ratios and operating results, as defined in the agreement. The Company was in compliance as of September 30, 2000. The Company has extended its working capital line of credit through June 30, 2002, and has obtained an additional \$10 million in term commitment notes. As of September 30, 2000, approximately \$7.9 million is outstanding under the term note commitment, and the average interest rate on outstanding borrowings was approximately 7.3%.

The Company has used its credit facility primarily to fund the advances to Diodes-China and FabTech as well as to support its operations. At September 30, 2000, amounts due from FabTech, including accrued interest, are approximately \$2.5 million, and the entire amount is due February 2001. In connection with the proposed acquisition of FabTech (See "Item 2 - General"), announced in October 2000, upon closing, the loan amount, including accrued interest, will be deducted from the acquisition purchase price and the loan dissolved. The Company believes that the continued availability of this credit facility, together with internally generated funds, will be sufficient to meet the Company's currently foreseeable operating cash requirements.

In January 2000, the Company entered into an intercompany loan agreement with Diodes-China for up to \$6.0 million. In April 2000, Diodes-China borrowed \$3 million under the agreement. The interest rate charged by the Company was equal to the Company's borrowing rate. In September, Diodes-China repaid the loan in full.

Total working capital increased approximately 18.7% to \$18.9 million as of September 30, 2000 from \$15.9 million as of December 31, 1999. The Company believes that its working capital position will be sufficient for growth opportunities.

The Company's long-term debt to equity ratio decreased to 0.17 at September 30, 2000, from 0.20 at December 31, 1999. The Company's total debt to equity ratio increased to 0.83 at September 30, 2000, from 0.78 at December 31, 1999. It is anticipated that these ratios may increase as the Company continues to use its credit facilities to fund additional sourcing and manufacturing opportunities, including the proposed FabTech acquisition.

As of September 30, 2000, the Company has no material plans or commitments for capital expenditures other than in connection with the expansion at Diodes-China and the proposed FabTech acquisition. However, to ensure that the Company can secure reliable and cost effective sourcing to support and better position itself for growth, the Company is continuously evaluating additional 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.

FACTORS THAT MAY AFFECT FUTURE RESULTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q 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 and elsewhere in this Quarterly Report on Form 10-Q 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 on this Quarterly Report on Form 10-Q are made pursuant to the Act.

All forward-looking statements contained in this Quarterly Report on Form 10-Q are subject to, in addition to the other matters described in this Quarterly Report on Form 10-Q, a variety of significant risks and uncertainties. The following discussion highlights some of these risks and uncertainties. Further, from time to time, information provided by the Company or statements made by its employees may contain forward-looking information. There can be no assurance that actual results or business conditions will not differ materially from those set forth or suggested in such forward-looking statements as a result of various factors, including those discussed below.

There are many factors that could cause the events in such forward looking statements to not occur, including but not limited to:

- - general or specific economic conditions
- - fluctuations in product demand
- - introduction of new products
- - Company's ability to maintain customer relationships
- - technological advancements
- - impact of competitive products and pricing
- - change in growth in targeted markets
- - risks of foreign operations such as Diodes-China and Diodes-Taiwan

- - ability and willingness of the Company's customers to purchase products provided by the Company
- - perceived absolute or relative overall value of these products by the purchasers, including the features, quality, and price in comparison to other competitive products
- - level of availability of products and substitutes and the ability and willingness of purchasers to acquire new or advanced products
- - pricing, purchasing, financing, operational, advertising and promotional decisions by intermediaries in the distribution channels which could affect the supply of or end-user demands for the Company's products
- - amount and rate of growth of the Company's selling, general and administrative expenses
- - difficulties in obtaining materials, supplies and equipment
- - difficulties or delays in the development, production, testing and marketing of products
- - failure to ship new products and technologies when anticipated
- - failure of customers to accept these products or technologies when planned
- - defects in products
- - any failure of economies to develop when planned
- - acquisition of fixed assets and other assets, including inventories and receivables
- - making or incurring of any expenditures
- - effects of and changes in trade, monetary and fiscal policies, laws and regulations
- - other activities of governments, agencies and similar organizations
- - changes in social and economic conditions, such as trade restriction or prohibition, inflation and monetary fluctuation, import and other charges or taxes, especially at Diodes-China and Diodes-Taiwan
- - ability or inability of the Company to obtain or hedge against foreign currency
- - foreign exchange rates and fluctuations in those rates
- - intergovernmental disputes
- - developments or assertions by or against the Company relating to intellectual property rights
- - adaptations of new, or changes in, accounting policies and practices in the application of such policies and practices and the effects of changes within the Company's organization
- - changes in compensation benefit plans
- - activities of parties with which the Company has an agreement or understanding, including any issues affecting any investment or joint venture in which the Company has an investment
- - amount, and the cost of financing which the Company has, and any changes to that financing
- - the sale of Vishay's 65% ownership in Vishay/LPSC to LPSC
- - the Company's ability to consummate the proposed acquisition of FabTech
- - any other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no matters to be reported under this heading.

ITEM 2. CHANGES IN SECURITIES

There are no matters to be reported under this heading.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no matters to be reported under this heading.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters to be reported under this heading.

ITEM 5. OTHER INFORMATION

There are no matters to be reported under this heading.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11	Computation of Earnings Per Share
Exhibit 27	Financial Data Schedule
Exhibit 99.11	Press release; Diodes, Inc. Launches Next Generation Product Lines
Exhibit 99.12	Press release; Forbes Magazine Names Diodes, Inc. One of 200 Best Small Companies in U.S.
Exhibit 99.13	Diodes, Inc. Announces Conference Call To Discuss Q3 Financial Results
Exhibit 99.14	Diodes, Inc. to Acquire Wafer Fab
Exhibit 99.15	Diodes, Inc. Reports Record Third Quarter Earnings

(b) Reports on Form 8-K

None

SIGNATURE

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

DIODES INCORPORATED (Registrant)

By: /s/ Carl Wertz

November 13, 2000

CARL WERTZ
Chief Financial Officer, Treasurer and Secretary
(Duly Authorized Officer and Principal Financial and
Chief Accounting Officer)

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Exhibit 99.11	Press release; Diodes, Inc. Launches Next Generation Product Lines	Page 27
Exhibit 99.12	Press release; Forbes Magazine Names Diodes, Inc. One of 200 Best Small Companies in U.S.	Page 29
Exhibit 99.13	Diodes, Inc. Announces Conference Call To Discuss Q3 Financial Results	Page 30
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EXHIBIT - 11

DIODES INCORPORATED AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	1999	2000
BASIC				
Weighted average number of common shares outstanding used in computing basic earnings per share	7,571,237	8,101,667	7,570,983	8,053,675
Net income	\$1,684,000	\$4,650,000	\$3,199,000	\$12,110,000
Basic earnings per share	\$ 0.22	\$ 0.57	\$ 0.42	\$ 1.50
DILUTED				
Weighted average number of common shares outstanding used in computing basic earnings per share	7,571,237	8,101,667	7,570,983	8,053,675
Assumed exercise of stock options	544,440	1,159,098	374,633	1,205,420
Net income	\$1,115,677	\$9,260,765	\$7,945,616	\$9,259,095
Diluted earnings per share	\$ 0.21	\$ 0.50	\$ 0.40	\$ 1.31

Earnings per share and weighted average shares outstanding are after the effects of a three-for-two stock split in the form of a dividend paid on July 14, 2000.

9-MOS

	DEC-31-2000	
	JAN-01-2000	
	SEP-30-2000	
		2,267,000
		0
	21,350,000	
		317,000
	25,001,000	
51,491,000		
		40,936,000
	9,053,000	
	87,346,000	
32,602,000		0
	0	
		0
		6,123,000
	41,505,000	
87,346,000		
		92,369,000
	92,369,000	
		62,322,000
	14,862,000	
		0
		0
	597,000	
	14,778,000	
	2,197,000	
12,110,000		
		0
		0
		0
	12,110,000	
		1.50
		1.31

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes, Inc. Launches Next Generation Product Lines
Offers Customized Configurations of Ultra-miniature, Multi-pin Arrays

Westlake Village, California - September 5, 2000 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the telecommunications, computing, electronics and automotive industries, today announced a major new product initiative centered on customer-specific customization of its six-pin diode and transistor arrays focused on portable applications.

The Company is launching a series of customized configurations of its high-density SC-70 and SOT-363 diode and transistor arrays in ultra-miniature, multi-pin, surface-mount packages. Diodes has introduced over forty different configurations to date, and plans to design and manufacture additional application-specific configurations to meet customer requests. The arrays achieve considerable space savings and design simplification, allowing one surface-mount package to execute a range of functions that previously necessitated two, three or four separate units.

The resultant smaller packages deliver additional benefits, as the increased circuit density offers customers a much higher level of reliability, while requiring a lower level of power consumption and reduced assembly costs.

C.H. Chen, President and CEO of Diodes, said, "This is an exciting new phase in our continuing drive to become a top-tier manufacturer in the discrete semiconductor industry. Diodes has long sought to differentiate itself by offering a higher level of customer service and product focus that is unique in our industry. Our expanding customer base speaks to our commitment to service and our first-class quality product lines. We are committed to a strategy of introducing innovative, customized product lines that will provide additional value to our customers, while resulting in higher margins and a competitive edge for Diodes."

"We are advancing service levels in terms of what discrete semiconductor manufacturers are doing for their customers," said Mark King, VP of Sales and Marketing. "As space and power constraints become more critical and product development cycles become shorter, Diodes has the flexibility, agility and willingness to respond to our customer needs in driving the product definition. Our customers are recognizing the value of products that exactly match their designs. With our advanced state-of-the-art manufacturing facilities at Diodes-China, we are able to provide prototypes within three weeks.

"We are in the process of surveying key customers and the response has been very enthusiastic," continued Mr. King. "We have already received further specific customization requests in addition to our initial designs and we are very excited about the implications of this new initiative."

About Diodes Incorporated

Diodes, Inc. (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete semiconductor products, primarily to manufacturers in the telecommunications, computer, electronics and automotive industry. The Company's Far East subsidiaries, Diodes-China and Diodes-Taiwan, manufacture products for sale to North America and Asia. Diodes-China focuses on surface-mount devices destined for wireless devices, notebook computers, pagers, PCMCIA cards and modems, among others, while Diodes-Taiwan focuses on products destined for a broad base of end products. The Company's ISO-9000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California. For further information, visit the Company's website at <http://www.diodes.com>.

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Source: Diodes Incorporated CONTACT: Crocker Coulson, Account Executive, Coffin Communications Group; (818) 789-0100 e-mail: crocker.coulson@coffincg.com or Carl Wertz, Chief Financial Officer, Diodes Incorporated; (805) 446-4800

Recent news releases, annual reports, and SEC filings are available at the Company's website: <http://www.diodes.com>. Written requests may be sent to Investor Relations, Diodes Incorporated, 3050 E. Hillcrest Drive, Westlake Village, CA 91362, or they may be e-mailed to: diodes-fin@diodes.com.

Diodes Incorporated

FOR IMMEDIATE RELEASE

Forbes Magazine Names Diodes, Inc. One of 200 Best Small Companies in U.S.
Semiconductor Company Profitable 41 Consecutive Quarters

Westlake Village, Calif. - October 16, 2000 - Forbes Magazine has named Diodes, Inc. (Nasdaq: DIOD) to its annual list of the 200 Best Small Companies in the U.S. It is the first time Diodes has been named to the list of value and growth companies, which includes the top profitable businesses with annual sales between \$5 million and \$350 million.

Diodes Incorporated is a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, electronics and automotive industries.

"This recognition further validates our business strategy, which calls for generating superior long-term value for our shareholders through innovation, flexibility and total dedication to the needs of our customers," said C. H. Chen, President and CEO of Diodes, Inc. "We are delighted to have made the list."

To be named to the Forbes list, companies must have five-year sales and earnings-per-share growth rates of at least 5%. In addition, net income must have topped \$1 million during the past four quarters. Those that made this year's list average a five-year return on equity (ROE) of 18.7%, a 12-month sales growth of 44.4% and a 12-month earnings per share growth of 76.9%. Diodes' average five-year ROE was 16%, its 12-month sales growth was 64%, and its 12-month EPS growth was 300%.

As of the second quarter ended June 30, 2000, Diodes' trailing 12-month sales were \$105 million and earnings per share was \$1.28. In addition, Diodes has been profitable for 41 consecutive quarters, and had EBITDA of \$18 million for the trailing 12-month period. Diodes expects to announce record third-quarter 2000 earnings on October 30, 2000.

Chen continued, "We appreciate the efforts and dedication of our employees world-wide as they continue to enhance our solid yet flexible customer-oriented company culture."

For a complete list of the 200 Best Small Companies in the U.S., visit Forbes Magazine online at www.forbes.com.

About Diodes, Inc.

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Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes, Inc. Announces Conference Call To Discuss Q3 Financial Results

Westlake Village, California - October 23, 2000 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, electronics and automotive industries, today announced it will host its first ever conference call at 9 a.m. PST (12 noon EST) on Monday, October 30th to discuss record third-quarter 2000 earnings.

Joining C.H. Chen, President and CEO of Diodes, Inc., will be Mark King, Vice President of Sales and Marketing, and Carl Wertz, Chief Financial Officer. The Company plans to distribute its earnings announcement on Business Wire that same day at 5 a.m. PST (8 a.m. EST).

The call will be broadcast live on the Internet and can be accessed by all interested parties at www.vcall.com. To listen to the live call, go to the Website at least 15 minutes before the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on the Vcall Website for 90 days.

About Diodes Incorporated

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Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes, Inc. to Acquire Wafer Fab

FabTech, Inc. to Support Development of Value-added Product Lines

Westlake Village, California - October 30, 2000 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, electronics and automotive industries, today announced that it has signed a letter of intent to acquire FabTech, Inc. of Lee's Summit, Missouri. The transaction, subject to various closing conditions, is expected to be completed in early December 2000.

The 5-inch wafer foundry, specializing in Schottky products, includes a 16,000 sq. ft. clean room within a 70,000 sq. ft. manufacturing facility formerly owned by AT&T. FabTech currently has 210 employees and is expected to generate approximately \$20 million in revenues in year 2000. The acquisition will be internally financed and is expected to be accretive to Diodes' earnings beginning in 2001.

"The acquisition of FabTech will take Diodes to the next level and begins to realize our strategic goal of becoming a vertically integrated manufacturer and supplier of discrete semiconductors. This strategy is designed to enable Diodes to accelerate the development and introduction of new technology into our products." said C.H. Chen, President and CEO of Diodes Incorporated.

"As devices become ever smaller and product cycles grow tighter," continued Chen, "the market demands that we become a total solution provider. Diodes has already demonstrated our capacity for superior customer service and world-class manufacturing through our Mainland China facility. FabTech's wafer foundry provides us with the manufacturing base and top-tier R&D team to develop higher-margin, next-generation semiconductor products. Having worked closely with FabTech in the past, we feel confident that their quality and customer focus are a good match to our own."

"We are tremendously excited to be joining the team at Diodes," said Walter Buchanan, President of FabTech, Inc. "During our close business relationship as a wafer supplier, we have been impressed with Diodes' marketing savvy and commitment to quality. After hearing C.H. Chen's vision for the future of the discrete semiconductor industry, we realized that our own future lay with Diodes. This relationship will give us access to a world-class assembly, sales and marketing team, and a mandate to develop next-generation technology."

FabTech will be acquired from Lite-On Power Semiconductor Corporation (LPSC) for approximately \$25 million, with an additional earn-out for meeting specified earnings targets over a four-year period. LPSC, which is part of the \$4.5 billion Lite-On Group, owns approximately 38% of Diodes' outstanding shares.

"With Diodes' vision and FabTech's technology development," Mr. Buchanan continued, "we feel we have a world-class organization. FabTech currently has eight patents pending in technologies from ruggedized Schottky devices to thirty-five hundred volt Ultra-Fast devices. Presently, our engineers are working on the next generation discrete technologies." Buchanan will continue to serve as President of the Diodes-FabTech division, reporting to Mr. Chen.

FabTech was founded in 1996 when LPSC acquired manufacturing equipment and technology formerly owned by AT&T. FabTech's engineering staff includes eight senior engineers, with over 190 collective years experience in the semiconductor industry.

Join us for our third-quarter conference call to be broadcast live at 9:00 am PST (12 noon EST) today, on our Webcast at: <http://www.vcall.com>.

About Diodes Incorporated

Diodes, Inc. (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 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. In addition, the Company signed a letter of intent to acquire FabTech, Inc., a 5" wafer foundry located just outside Kansas City, Missouri. The Company's ISO-9000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California. For further information, visit the Company's website at <http://www.diodes.com>.

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Source: Diodes Incorporated

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Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes, Inc. Reports Record Third Quarter Earnings
- - - Net Income Up 176% - -

Westlake Village, California, October 30, 2000 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the telecommunications, computing, electronics and automotive industries, today reported revenues and earnings for the three and nine months ended September 30, 2000.

Revenues for the third quarter increased 49% to \$32.3 million, as compared to \$21.8 million for the comparable quarter in 1999. Operating income for the third quarter rose 167% to \$6.1 million, as compared to \$2.3 million in the second quarter of 1999. Net income for the same period rose 176% to \$4.7 million, as compared to \$1.7 million for the three months ended September 30, 1999.

Sequentially, a planned discontinuation of lower margin wafer products resulted in relatively flat revenue growth over the second quarter of this year. Disregarding the wafer products, revenues of core products increased 5% from last quarter.

Diluted earnings per share increased 142% to \$0.50 for the third quarter of 2000, as compared to \$0.21 for the same period last year.

For the first nine months of 2000, the Company earned a record \$12.1 million, or \$1.31 per share, on record revenues of \$92.4 million, compared to net income of \$3.2 million, or \$0.40 per share, on revenues of \$56 million for the same period in 1999.

"Once again we are delighted to report another record quarter for Diodes," said C.H. Chen, President and Chief Executive Officer of the Company. "These figures demonstrate that our strategy of aggressive investment, quality products and a customer-oriented culture is continuing to be reflected in a growing demand for our product lines both here in the U.S. and in the increasingly significant Asian marketplace."

Third Quarter Highlights:

Revenues of \$32.3 million up 49% over the same period in 1999 Record net income of \$4.7 million increases 176% over same period last year Record nine month revenues of \$92.4 million, a 65% increase over last year Announces customer-specific customization of its six-pin diode and transistor arrays Named in annual Forbes list of 200 Best Small Companies in the U.S Signs letter of intent to acquire wafer foundry in drive to become a vertically integrated supplier of discrete semiconductors

Commenting further on the results, Chen went on to say, "This quarter we have generated record earnings of \$4.7 million, up 176% from the same period in the prior year. This is Diodes' 42nd consecutive quarter of profitability, an impressive record in the semiconductor industry. We have achieved this track record through a strategy that combines fiscal discipline with flexible production and pricing, giving us the ability to react to rapidly changing market conditions. Over the past five years, we have demonstrated our ability to outgrow and outperform the discrete semiconductor industry in both up and down years."

Chen noted that the Company's gross profit margin rose to 34.4% in the third quarter, as compared to 27.1% in the comparable quarter of 1999. This reflects continuing demand for the Company's products, a shift to higher-margin devices, and an increased contribution from products manufactured by Diodes-China. SG&A expenses were 15.6% of net sales in the quarter compared to 16.7% in the third quarter of 1999.

"One key to our product quality and profitability has been our planned investment of nearly \$40 million in expanding our manufacturing facilities in Mainland China, capacity that has already nearly been filled," continued Chen. "Our facilities are state-of-the-art and industry certified, with an exceptionally high level of product quality. This year Diodes-China will produce approximately 2.1 billion units, up from 21 million in 1996. Manufacturing more of what we sell gives us the opportunity to rapidly adjust our product mix to meet market demands, while also improving our gross margins. The combination of increased production capacity and an improved product mix caused margins increase from 24.5% back in 1998 to over 34% in the most recent quarter."

Looking to the future, Chen noted, "We have a goal at Diodes, one that everyone who works for the Company shares. That goal is to be an excellent world-class company. What's more, we have a clear path of how to achieve these goals, and have made significant strides over the course of this year in terms of additional investment, improving our product lines, constant refinement in the way we deliver value to our customers, and most importantly, our recent announcement that we have signed a letter of intent to acquire the FabTech wafer foundry. We will work to continue our policy of introducing innovative, cost-effective procedures in order to maximize the benefits of improving margins on our world-class product lines thus allowing us to provide increased value for our shareholders."

Join us for our conference call to be broadcast live at 9:00 am PST (12 noon EST) today, on our Webcast at: <http://www.vcall.com>.

About Diodes Incorporated

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CONSOLIDATED CONDENSED INCOME STATEMENT FOLLOWS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	2000	1999	2000
Net sales	\$ 21,750,000	\$ 32,332,000	\$ 56,011,000	\$ 92,369,000
Cost of goods sold	15,862,000	21,211,000	41,784,000	62,322,000
Gross profit	5,888,000	11,121,000	14,227,000	30,047,000
Selling, general and administrative expenses	3,636,000	5,050,000	10,132,000	14,862,000
Income from operations	2,252,000	6,071,000	4,095,000	15,185,000
Other income (expense)				
Interest income	87,000	128,000	226,000	323,000
Interest expense	(141,000)	(332,000)	(444,000)	(920,000)
Other	50,000	135,000	89,000	181,000
	(4,000)	(69,000)	(129,000)	(416,000)
Income before income taxes and minority interest	2,248,000	6,002,000	3,966,000	14,769,000
Provision for income taxes	510,000	1,170,000	647,000	2,197,000
Minority interest in joint venture earnings	(54,000)	(182,000)	(120,000)	(462,000)
Net income	\$ 1,684,000	\$ 4,650,000	\$ 3,199,000	\$ 12,110,000
Earnings per share				
Basic	\$ 0.22	\$ 0.57	\$ 0.42	\$ 1.50
Diluted	\$ 0.21	\$ 0.50	\$ 0.40	\$ 1.31
Weighted average shares outstanding				
Basic	7,571,237	8,101,667	7,570,983	8,053,675
Diluted	8,115,677	9,260,765	7,945,616	9,259,095

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