United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2002

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 95-2039518
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

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

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

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 X No

The number of shares of the registrant's Common Stock, $0.66 2/3 par value, outstanding as of November 8, 2002 was 9,282,164, including 1,075,672 shares of treasury stock.

## PART I - FINANCIAL INFORMATION

### Item 1 - Consolidated Financial Statements

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

| | December 31, 2001 | September 30, 2002 |
|---|---|---|
| | | (Unaudited) |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 8,103,000 | $ 6,042,000 |
| Accounts receivable | | |
| Customers | 16,250,000 | 19,511,000 |
| Related parties | 1,486,000 | 3,718,000 |
| | 17,736,000 | 23,229,000 |
| Less: Allowance for doubtful receivables | 343,000 | 373,000 |
| | 17,393,000 | 22,856,000 |
| Inventories | 17,813,000 | 16,864,000 |
| Deferred income taxes, current | 4,368,000 | 4,368,000 |
| Prepaid expenses, income taxes and other current assets | 1,266,000 | 2,518,000 |
| Total current assets | 48,943,000 | 52,648,000 |
| PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization | 44,925,000 | 43,217,000 |
| DEFERRED INCOME TAXES, non-current | 3,672,000 | 2,726,000 |
| OTHER ASSETS | | |
| Goodwill | 5,090,000 | 5,090,000 |
| Other | 628,000 | 1,044,000 |
| TOTAL ASSETS | $ 103,258,000 | $ 104,725,000 |

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, 2001 | September 30, 2002 (Unaudited) |
|---|---|---|
| CURRENT LIABILITIES | | |
| Line of credit | $ 6,503,000 | $ 1,874,000 |
| Accounts payable | | |
| Trade | 6,098,000 | 9,639,000 |
| Related parties | 3,149,000 | 3,263,000 |
| Accrued liabilities | 5,062,000 | 7,781,000 |
| Current portion of long-term debt | | |
| Related party | 2,500,000 | 2,500,000 |
| Other | 5,833,000 | 8,992,000 |
| Current portion of capital lease obligations | -- | 156,000 |
| Total current liabilities | 29,145,000 | 34,205,000 |
| LONG-TERM DEBT, net of current portion | | |
| Related party | 7,500,000 | 6,875,000 |
| Other | 13,664,000 | 3,566,000 |
| CAPITAL LEASE OBLIGATIONS, net of current portion | -- | 2,530,000 |
| MINORITY INTEREST IN JOINT VENTURE | 1,825,000 | 2,045,000 |
| 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; 9,227,664 and 9,280,664 shares issued at December 31, 2001 and September 30, 2002, respectively | 6,151,000 | 6,187,000 |
| Additional paid-in capital | 7,310,000 | 7,942,000 |
| Retained earnings | 39,882,000 | 43,420,000 |
| | 53,343,000 | 57,549,000 |
| Less: | | |
| Treasury stock - 1,075,672 shares of common stock, at cost | 1,782,000 | 1,782,000 |
| Accumulated other comprehensive loss | 437,000 | 263,000 |
| | 2,219,000 | 2,045,000 |
| Total stockholders' equity | 51,124,000 | 55,504,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 103,258,000 | $ 104,725,000 |

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, | |
|---|---|---|---|---|
| | 2001 | 2002 | 2001 | 2002 |
| Net sales | $ 22,698,000 | $ 30,287,000 | $ 69,447,000 | $ 87,157,000 |
| Cost of goods sold | 20,279,000 | 22,420,000 | 58,863,000 | 67,807,000 |
| Gross profit | 2,419,000 | 7,867,000 | 10,584,000 | 19,350,000 |
| Research and development expenses | 141,000 | 459,000 | 450,000 | 1,231,000 |
| Selling, general and administrative expenses | 3,704,000 | 4,311,000 | 10,032,000 | 12,448,000 |

| | | | | |
|---|---|---|---|---|
| Total operating expenses | 3,845,000 | 4,770,000 | 10,482,000 | 13,679,000 |
| Income from operations | (1,426,000) | 3,097,000 | 102,000 | 5,671,000 |
| Other income (expense) | | | | |
| Interest income | 80,000 | 7,000 | 222,000 | 31,000 |
| Interest expense | (592,000) | (288,000) | (1,903,000) | (926,000) |
| Other | 94,000 | (195,000) | 211,000 | (69,000) |
| | (418,000) | (476,000) | (1,470,000) | (964,000) |
| Income (loss) before income taxes and minority interest | (1,844,000) | 2,621,000 | (1,368,000) | 4,707,000 |
| Income tax benefit (provision) | 1,052,000 | (771,000) | 1,741,000 | (949,000) |
| Income (loss) before minority interest | (792,000) | 1,850,000 | 373,000 | 3,758,000 |
| Minority interest in joint venture earnings | (55,000) | (83,000) | (174,000) | (219,000) |
| Net income (loss) | $ (847,000) | $ 1,767,000 | $ 199,000 | $ 3,539,000 |
| Earnings (loss) per share | | | | |
| Basic | $ (0.10) | $ 0.22 | $ 0.02 | $ 0.43 |
| Diluted | $ (0.10) | $ 0.20 | $ 0.02 | $ 0.40 |
| Weighted average shares outstanding | | | | |
| Basic | 8,147,902 | 8,190,887 | 8,142,333 | 8,177,506 |
| Diluted | 8,815,581 | 8,862,272 | 8,928,711 | 8,834,311 |

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, | |
|---|---|---|
| | 2001 | 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 199,000 | $ 3,539,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,946,000 | 6,943,000 |
| Loss on disposal of property, plant and equipment | -- | 95,000 |
| Minority interest earnings | 174,000 | 219,000 |
| Changes in operating assets: | | |
| Accounts receivable | (1,034,000) | (5,463,000) |
| Inventories | 10,889,000 | 949,000 |
| Prepaid expenses, taxes and other assets | (3,110,000) | (722,000) |
| Changes in operating liabilities: | | |
| Accounts payable | (2,622,000) | 3,655,000 |
| Accrued liabilities | (2,286,000) | 2,720,000 |
| Income taxes payable | (1,370,000) | -- |
| Net cash provided by operating activities | 6,786,000 | 11,935,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (7,143,000) | (2,645,000) |
| Net cash used by investing activities | (7,143,000) | (2,645,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of line of credit, net | (146,000) | (4,629,000) |
| Proceeds from the issuance of capital stock | 103,000 | 293,000 |
| Repayments of long-term obligations | (1,503,000) | (7,564,000) |
| Proceeds from majority shareholder contract reimbursement | -- | 375,000 |
| Other | (42,000) | (14,000) |
| Net cash used by financing activities | (1,588,000) | (11,539,000) |
| EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS | -- | 188,000 |
| DECREASE IN CASH | (1,945,000) | (2,061,000) |
| CASH AT BEGINNING OF PERIOD | 4,476,000 | 8,103,000 |

| | | |
|---|---|---|
| CASH AT END OF PERIOD | $ 2,531,000 | $ 6,042,000 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the period for: | | |
| Interest | $ 1,681,000 | $ 895,000 |
| Income taxes | $ 1,922,000 | $ -- |
| Non-cash acquisitions of property, plant and equipment | $ -- | $ 2,785,000 |

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 accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q. 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 accounting principles generally accepted in the United States of America for complete financial statements. These consolidated condensed 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, 2001. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. The consolidated financial data at December 31, 2001 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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

NOTE B - Recently Issued Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company has applied the new rules on accounting for goodwill beginning in the first quarter of 2002. An independent appraiser, hired by the Company, performed the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002, and has determined that the goodwill is fully recoverable. Application of the non-amortization provisions of the Statements is expected to result in an increase in net income, net of tax, of approximately $165,000 ($0.02 per share) per year.

The following tables show the effect of SFAS No. 142 on net income and earnings per share for the three and nine months ended September 30, 2001 and 2002:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2001 | 2002 |
| Reported net income (loss) | $ (847,000) | $ 1,767,000 |
| Add: Goodwill amortization, net of tax | 42,000 | -- |
| Adjusted net income (loss) | $ (805,000) | $ 1,767,000 |
| Diluted earnings per common share: | | |
| Reported net income (loss) | $ (0.10) | $ 0.20 |
| Add: Goodwill amortization, net of tax | $ 0.00 | -- |

| | | |
|---|---|---|
| Adjusted diluted earnings per common share | $ (0.10) | $ 0.20 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2001 | 2002 |
| Reported net income | $ 199,000 | $ 3,539,000 |
| Add: Goodwill amortization, net of tax | 126,000 | -- |
| Adjusted net income | $ 325,000 | $ 3,539,000 |
| Diluted earnings per common share: | | |
| Reported net income | $ 0.02 | $ 0.40 |
| Add: Goodwill amortization, net of tax | $ 0.02 | -- |
| Adjusted diluted earnings per common share | $ 0.04 | $ 0.40 |

Also during 2001, FASB issued SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets", and No. 143 "Accounting for Asset Retirement Obligations". SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe the adoption of SFAS 143 and SFAS 144 will have material impact on the financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002". SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and excludes extraordinary item treatment for gains and losses associated with the extinguishment of debt that do not meet the Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" criteria.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)".

In October 2002, the FASB issued SFAS No. 147 "Acquisitions of Certain Financial Institutions--an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9.

Management does not believe the adoption of SFAS 145, 146, and 147 will have material impact on the financial statements. NOTE C - Functional Currencies, Comprehensive Loss and Foreign Currency Translation

Until June 30, 2001, the functional currency of Diodes-Taiwan was the U.S. dollar. Effective July 1, 2001, the Company changed the functional currency of Diodes-Taiwan to the local currency in Taiwan. As a result of this change, the translation of the balance sheet and statement of income of Diodes-Taiwan from the local currency into the reporting currency (US dollar) results in translation adjustments.

The Company believes this reporting change most appropriately reflects the current economic facts and circumstances of the operations of Diodes-Taiwan. The Company continues to use the U.S. dollar as the functional currency at Diodes-China and Diodes-Hong Kong, as substantially all monetary transactions are made in that currency, and other significant economic facts and circumstances currently support that position. As these factors may change in the future, the Company will periodically assess its position with respect to the functional currency of Diodes-China and Diodes-Hong Kong.

The Company has entered into an interest rate swap agreement with a major U.S. bank which expires November 30, 2004, to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt.

The effect of the $188,000 gain in translation adjustments and $14,000 loss related to the interest rate swap agreement results in a change in accumulated other comprehensive loss (income) of ($174,000) for the nine months ended September 30, 2002, and is reflected on the balance sheet as a separate component of shareholders' equity. There was no other comprehensive loss for the nine months ended September 30, 2002.

NOTE D - Inventories

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

| | December 31, 2001 | September 30, 2002 |
|---|---|---|
| Finished goods | $ 12,030,000 | $ 10,195,000 |
| Work-in-progress | 1,848,000 | 1,730,000 |
| Raw materials | 6,311,000 | 7,577,000 |
| | 20,189,000 | 19,502,000 |

| | | |
|---|---|---|
| Less: Reserves | (2,376,000) | (2,638,000) |
| Net inventory | $ 17,813,000 | $ 16,864,000 |

NOTE E - 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, as of September 30, 2002, the Company has recorded a net deferred tax asset of $7.1 million 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.

In accordance with the current taxation policies of the People's Republic of China, Diodes-China was granted preferential tax treatment for the years ended December 31, 1999 through 2003. Earnings were subject to 0% tax rates in 1999 and 2000. Earnings in 2001, 2002 and 2003 are subject to tax of 12% (one half the normal central government tax rate), and at normal rates thereafter. Earnings of Diodes-China are also subject to tax of 3% by the local taxing authority in Shanghai. The local taxing authority waived this tax in 2001 and in the first three quarters of 2002, and current indications are that the local tax will be waived for the remainder of 2002.

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.

As of September 30, 2002, accumulated and undistributed earnings of Diodes-China are approximately $24.2 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company, at that time, considered this investment to be permanent, and had no plans or obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, under the direction of the Board, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China in preparation of a possible dividend distribution. As of September 30, 2002, the Company has recorded $630,000 in deferred taxes and has made no distributions.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to the Company's corporate office in North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

NOTE F - Stock Options

During the first nine months of 2002, the Company issued 322,600 stock options to directors, officers, and key employees of the Company at exercise prices between $8.53 and $8.77 (equal to the closing price of the Company's Common Stock on the date of grant). Had compensation cost for the options granted in 2002 been determined consistent with SFAS 123, the Company would have recorded compensation expense in the amount of $278,000 for the nine months ended September 30, 2002. As of September 30, 2002, the Company has not adopted SFAS 123.

NOTE G - Geographic Segments

An operating segment is defined as a component 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, Vice President of Sales and Marketing, and Vice President of Operations. The Company operates in a single segment, discrete semiconductor devices, through its various manufacturing and distribution facilities.

The Company's operations include the domestic operations (Diodes-North America and Diodes-FabTech) located in the United States, and the Far East operations (Diodes-Taiwan located in Taipei, Taiwan; Diodes-China located in Shanghai, China; and Diodes-Hong Kong located in Hong Kong, China). For reporting purposes, European operations, which account for approximately 3% of total sales, are consolidated into the domestic operations.

The accounting policies of the operating entities are the same as those described in the summary of significant accounting policies. Revenues are attributed to geographic areas based on the location of the market producing the revenues.

| Three Months Ended | Far East | North America | Consolidated Segments |
|---|---|---|---|
| September 30, 2002 | | | |
| Total sales | $ 23,056,000 | $ 18,833,000 | $ 41,889,000 |
| Inter-company sales | (10,052,000) | (1,550,000) | (11,602,000) |
| Net sales | $ 13,004,000 | $ 17,283,000 | $ 30,287,000 |

| | | | |
|---|---|---|---|
| Assets | $ 57,686,000 | $ 47,039,000 | $ 104,725,000 |
| Deferred tax assets | $ 111,000 | $ 6,983,000 | $ 7,094,000 |

| Three Months Ended | Far East | North America | Consolidated Segments |
|---|---|---|---|
| September 30, 2001 | | | |
| Total sales | $ 19,573,000 | $ 12,258,000 | $ 31,831,000 |
| Inter-company sales | (8,381,000) | (752,000) | (9,133,000) |
| Net sales | $ 11,192,000 | $ 11,506,000 | $ 22,698,000 |
| Assets | $ 61,269,000 | $ 44,256,000 | $ 105,525,000 |
| Deferred tax assets | $ 128,000 | $ 7,167,000 | $ 7,295,000 |

| Nine Months Ended | Far East | North America | Consolidated Segments |
|---|---|---|---|
| September 30, 2002 | | | |
| Total sales | $ 69,049,000 | $ 51,098,000 | $ 120,147,000 |
| Inter-company sales | (29,724,000) | (3,266,000) | (32,990,000) |
| Net sales | $ 39,325,000 | $ 47,832,000 | $ 87,157,000 |
| Assets | $ 57,686,000 | $ 47,039,000 | $ 104,725,000 |
| Deferred tax assets | $ 111,000 | $ 6,983,000 | $ 7,094,000 |

| Nine Months Ended | Far East | North America | Consolidated Segments |
|---|---|---|---|
| September 30, 2001 | | | |
| Total sales | $ 52,554,000 | $ 41,402,000 | $ 93,956,000 |
| Inter-company sales | (21,980,000) | (2,529,000) | (24,509,000) |
| Net sales | $ 30,574,000 | $ 38,873,000 | $ 69,447,000 |
| Assets | $ 61,269,000 | $ 44,256,000 | $ 105,525,000 |
| Deferred tax assets | $ 128,000 | $ 7,167,000 | $ 7,295,000 |

## 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 "Risk Factors" 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"), a Delaware corporation, is engaged in the manufacture, sale and distribution of discrete semiconductors worldwide, primarily to manufacturers in the communications, computing, industrial, consumer electronics and automotive markets, and to distributors of electronic components to end customers in these markets. The Company's broad product line includes high-density diode and transistor arrays in ultra-miniature surface-mount packages, as well as silicon wafers used in manufacturing these products. Technologies include Schottky diodes and rectifiers, switching diodes, zener diodes, Transient Voltage Suppressors (TVSs), standard, fast, ultra-fast and super-fast recovery rectifiers, bridge rectifiers, and small signal transistors and MOSFETs.

In addition to the Company's corporate headquarters in Westlake Village, California, which provides sales, marketing, engineering, logistics and warehousing functions, the Company's wholly-owned subsidiary, Diodes Taiwan Corporation, Ltd. ("Diodes-Taiwan"), maintains a sales, engineering and purchasing facility in Taipei, Taiwan. The Company also has a 95% interest in Shanghai KaiHong Electronics Co., Ltd. ("Diodes-China" or "KaiHong"), a manufacturing facility in Shanghai, China, with offices in Shanghai and Shenzhen, China. The Company recently opened a sales, warehousing and logistics subsidiary in Hong Kong ("Diodes-Hong Kong"). In addition, in December 2000, the Company acquired FabTech Incorporated ("Diodes-FabTech" or "FabTech"), a silicon wafer manufacturer located near Kansas City, Missouri. An office in Toulouse, France supports the Company's European sales expansion.

Positioning the Company to rapidly respond to the demands of the global marketplace and continuing to increase research and development expenses, the Company is focused on expanding its product portfolio and closely controlling product quality and time-to-market. Shifting development priorities toward specialized configurations, such as the Company's high-density array devices, the Company is introducing a range of new products that improve the trade-off between size, performance and power consumption for surface-mount packages, such as the Company's BAT750 Schottky rectifier and SOT-523 product lines. These product lines are designed for battery-powered and handheld applications, such as those used in the computer and communication industries; specifically, wireless devices, notebooks, flat panel displays, digital cameras, mobile handsets, set top boxes, as well as DC to DC conversion and automotive electronic applications.

The Company's most recent product introduction includes its line of 3 and 5 Amp Powermite(R)3 Schottky barrier rectifiers, which uses patented packaging technology licensed from Microsemi, Inc., and will be manufactured at the Company's state-of-the-art facilities at Diodes-China. The Company's Powermite(R)3 parts offer a significant reduction in required board space and superior thermal performance as compared to industry-standard SMC and D-Pak packages. The Powermite(R)3 package has a very low profile of only 1.1mm, which allows it to be used in many portable applications in which the 2.3mm profile of SMC and D-Pak is prohibitive. In addition, the Powermite(R)3 package requires approximately half the board space of the SMC and only 40% of the D-Pak. This gives the Powermite(R)3 package a high Power Density value of 55mW/mm2, which is over double the values for D-Pak or SMC. Target applications include notebooks, battery chargers, GPS units, TFT-LCD panels, quarter-brick and half-brick power supplies.

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 the third quarter of 2002, 57% of the Company's products were sold in North America, while 40% were sold in the Far East and 3% in Europe. This compares to 55%, 44% and 1% for the year 2001, respectively, and 54%, 46% and 0% for the year 2000, respectively. An increase in the percentage of sales in the Far East is expected as the Company significantly increases its sales presence there and believes there is greater potential to increase market share in that region due to the expanding base of electronics manufacturers.

The Company sells direct to OEM customers as well as to distributors of electronic components. In the third quarter of 2002, 71% of the Company's sales were direct, while 29% were to distributors. This compares to 68% and 32%, respectively, for the year 2001, and 52% and 48%, respectively, for the year 2000.

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.

During the third quarter the Company hired a representative company in Japan to target the Japanese customer base. As Japanese manufacturing moves to China, the Company sees a higher level of openness from the major electronics manufacturers in developing alternative overseas sources of supply that can meet logistics and local content requirements. A sales organization in Japan will enable the Company to provide service and design support to this large potential customer base. Given the strength of traditional vendor-manufacturer relationships in Japan, this is a longer-term strategy, but a major opportunity for the Company.

Reporting Segments. For financial reporting purposes, the Company is deemed to engage in one industry segment - discrete semiconductors. The Company has separated its operations into two geographical areas: North America and the Far East. North America includes the corporate offices in Southern California ("Diodes-North America") as well as the wafer foundry, Diodes-FabTech, located in Missouri. For reporting purposes, the North American region includes European sales as well, which account for approximately 3% of total sales for the nine months ended September 30, 2002. Diodes-North America procures and distributes products primarily throughout North America and provides management, warehousing, engineering and logistics functions. Diodes-FabTech manufactures silicon wafers for sale to its customer base, as well as for use in manufacturing by Diodes-China. The Far East includes the operations of Diodes-Taiwan, Diodes-China and Diodes-Hong Kong. Diodes-China manufactures product for, and sells product to, Diodes-North America, Diodes-Taiwan and Diodes-Hong Kong, as well as directly to end customers. Diodes-Taiwan procures product from, and sells product primarily to, customers in Taiwan, Korea and Singapore. Diodes-Hong Kong sells to customers primarily in Hong Kong and China.

LSC. Lite-On Semiconductor Corporation ("LSC"), formerly Lite-On Power Semiconductor Corporation ("LPSC"), is the Company's largest stockholder, holding approximately 37.4% of the outstanding shares. LSC is a member of The Lite-On Group of companies. The Lite-On Group, a Taiwanese consortium with worldwide sales of approximately $4 billion, is a leading manufacturer of power semiconductors, computer peripherals and communication products. C.H. Chen, the Company's President and Chief Executive Officer, is also Vice Chairman of LSC.

For the third quarter of 2002, the Company sold silicon wafers to LSC totaling 13.5% (7.7% in 2001) of the Company's sales, making LSC the Company's largest customer. Also for the third quarter of 2002, 11.1% (15.2% in 2001) of the Company's sales were from discrete semiconductor products purchased from LSC, making LSC the Company's largest outside vendor. All such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

In addition, in December 2000, the Company acquired FabTech from LSC. As part of the purchase price, at September 30, 2002, LSC holds a subordinated, interest-bearing note for approximately $9.4 million. In connection with the terms of the acquisition, LSC entered into a volume purchase agreement to purchase wafers from FabTech. LSC is currently in compliance with the terms of the wafer purchase agreement.

As per the terms of the stock purchase agreement, the Company has entered into several management incentive agreements with members of FabTech's management. The agreements provide members of FabTech's management guaranteed annual payments as well as contingent bonuses based on the annual profitability of FabTech, subject to a maximum annual amount. Any portion of the guaranteed and contingent liability paid by FabTech will be reimbursed by LSC.

In June 2001, as per the Company's U.S. bank covenants, the Company was not permitted to make regularly scheduled principal and interest payments to LSC on the remaining $10.0 million payable related to the FabTech acquisition note, but was, however, able to renegotiate with LSC the terms of the note. Again, in May 2002, the Company renegotiated the terms of the note to extend the payment period from two years to four years, and therefore, payments of approximately $208,000 plus interest began in July 2002.

Manufacturing and Significant Vendors. The Company's Far East manufacturing 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 wireless devices, notebook, flat panel display, digital camera, mobile handset, set top box, DC to DC conversion, and automotive applications, among others. Diodes-China's state-of-the-art facilities have been designed to develop even smaller, higher-density products as the electronic industry trends to portable and hand-held devices continue. Diodes-China purchases a portion of its silicon wafers for its manufacturing process from Diodes-FabTech, although the majority are currently purchased from other wafer vendors. The Company plans to increase the number of Diodes-FabTech wafers used at Diodes-China

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 Mainland China facility to approximately $49.3 million. The equipment expansion allows for the manufacturing of additional SOT-23 packaged components as well as other surface-mount packaging, including the smaller SOD packages, and even smaller packaging such as SOT-523.

All of the products sold by the Company, as well as the materials used by the Company in its manufacturing operations, are available both domestically and abroad. The three largest external suppliers of products to the Company were LSC and two other non-related vendors. For the third quarter ended September 30, 2002, sales of products manufactured by LSC and the two other largest vendors were approximately 11.1% (15.2% in 2001) and 14.3% (10.0% in 2001), respectively, while 35.2% (27% in 2001) and 29.4% (15.0% in 2001) were manufactured by Diodes-China and Diodes-FabTech, respectively. No other manufacturer of discrete semiconductors accounted for more than 5% of the Company's sales in 2002 and 2001.

The Company will continue its strategic plan of locating alternate sources of its products and raw materials, including those provided by its major suppliers. The Company anticipates that the effect of the loss of any one of its major suppliers would 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.

Diodes-FabTech. Acquired by the Company from LSC on December 1, 2000, FabTech's wafer foundry is located in Lee's Summit, Missouri. Diodes-FabTech manufactures primarily 5-inch silicon wafers, which are the building blocks for semiconductors. Diodes-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.

Diodes-FabTech purchases polished silicon wafers, and then by using various technologies, 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 sawn into square or rectangular die), different types of wafers with various currents, voltages, and switching speeds are produced.

Income Taxes. In accordance with the current taxation policies of the People's Republic of China, Diodes-China was granted preferential tax treatment for the years ended December 31, 1999 through 2003. Earnings were subject to 0% tax rates in 1999 and 2000. Earnings in 2001, 2002 and 2003 are subject to tax of 12% (one half the normal central government tax rate), and at normal rates thereafter. Earnings of Diodes-China are also subject to tax of 3% by the local taxing authority in Shanghai. The local taxing authority waived this tax in 2001 and in the first three quarters of 2002, and current indications are that the local tax will be waived for the remainder of 2002.

As of September 30, 2002, accumulated and undistributed earnings of Diodes-China are approximately $24.2 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company considered this investment to be permanent, and had no plans or obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China. As of September 30, 2002, the Company has recorded $630,000 in deferred taxes.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to Diodes-North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

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.

Results of Operations for the Three Months Ended September 30, 2001 and 2002

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) |
|---|---|---|---|
| | 2001 | 2002 | `01 to `02 |
| Net sales | 100.0 % | 100.0 % | 33.4 % |
| Cost of goods sold | (89.3) | (74.0) | (10.6) |
| Gross profit | 10.7 | 26.0 | 225.2 |
| Operating expenses | (16.9) | (15.7) | (24.1) |
| Income from operations | (6.2) | 10.3 | 317.2 |
| Interest expense, net | (2.3) | (0.9) | (45.1) |
| Other income | 0.4 | (0.6) | (307.4) |
| Income before taxes and minority | (8.0) | 8.8 | 242.2 |
| Income taxes | 4.6 | (2.5) | 173.3 |
| Income before minority interest | (3.4) | 6.3 | 333.7 |
| Minority interest | (0.2) | (0.3) | 50.9 |
| Net income | (3.6) | 6.0 | 308.7 |

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company for the three months ended September 30, 2002 compared to the three months ended September 30, 2001. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

| | 2001 | 2002 |
|---|---|---|
| Net Sales | $ 22,698,000 | $ 30,287,000 |

Net sales increased approximately $7.6 million, or 33.4%, for the three months ended September 30, 2002, compared to the same period last year, due primarily to a 18.9% increase in units sold as a result of increased demand, primarily in North America. The Company's average selling prices ("ASP") for discrete devices decreased approximately 2.3% from the same three-month period last year, but increased 1.0% from the second quarter of 2002. ASP's for wafer products increased 14.9% from the same period last year, and increased 0.4% from the second quarter of 2002.

| | 2001 | 2002 |
|---|---|---|
| Cost of Goods Sold | $ 20,279,000 | $ 22,420,000 |
| Gross Profit | $ 2,419,000 | $ 7,867,000 |
| Gross Profit Margin Percentage | 10.7% | 26.0% |

Cost of goods sold increased approximately $2.1 million, or 10.6%, for the three months ended September 30, 2002 compared to the year ago period, due primarily to increased sales volumes. As a percent of sales, cost of goods sold decreased from 89.3% for the three months ended September 30, 2001 to 74.0% for the three months ended September 30, 2002 due to higher factory utilizations. Gross profit increased approximately $5.4 million, or 225.2%, for the three months ended September 30, 2002 compared to the year ago period. Of the $5.4 million increase, approximately $0.8 million was due to the 33.4% increase in sales, while $4.6 million was due to the increase in gross margin percentage from 10.7% to 26.0%. The higher gross margin percentage was due primarily to increased capacity utilization, cost containment and sales of higher margin products. For the third quarter of 2002, Diodes-China's average capacity utilization was approximately 88%, up from 80% last quarter, and Diodes-FabTech had improved to approximately 83% from 73% last quarter.

| | 2001 | 2002 |
|---|---|---|
| Total Operating Expenses | $ 3,845,000 | $ 4,770,000 |

Operating expenses, which include selling, general, administrative expenses ("SG&A") and research and development expenses ("R&D"), for the three months ended September 30, 2002 increased approximately $0.9 million, or 24.1%, compared to the same period last year, due primarily to increased selling expenses, commissions and incentives, insurance costs and a $0.3 million increase in R&D. The Company anticipates its R&D expenditures will increase, both in absolute dollars and as a percentage of sales, as part of its strategy to develop more proprietary products aimed at improving gross margins. SG&A, as a percentage of sales, decreased to 14.2% from 16.3% in the comparable period last year, while R&D increased to 1.5% from 0.6% of sales. Total operating expenses, as a percentage of sales, decreased to 15.7% from 16.9% in the comparable period last year.

| | 2001 | 2002 |
|---|---|---|
| Interest Income | $ 80,000 | $ 7,000 |
| Interest Expense | $ 592,000 | $ 288,000 |
| Net Interest Expense | $ 512,000 | $ 281,000 |

Net interest expense for the three months ended September 30, 2002 decreased approximately $0.2 million versus the third quarter last year, due primarily to a reduction in the Company's total debt of approximately $13.2 million from the same period last year. The Company's interest expense is primarily the result of the Company's borrowings to finance the FabTech acquisition, as well as the investment and expansion in the Diodes-China manufacturing facility.

| | 2001 | 2002 |
|---|---|---|
| Other Income | $ 94,000 | $ (195,000) |

Other income for the three months ended September 30, 2002 decreased from an income of $94,000 in the third quarter of 2001 to an expense of $195,000. The increase in expense is due primarily to (i) the discontinuance of $165,000 of income Diodes-FabTech was receiving from an external company's use of their testing facilities, and (ii) a $131,000 severance payment as per a separation agreement.

| | 2001 | 2002 |
|---|---|---|
| Income Tax Benefit (Provision) | $ 1,052,000 | $ (771,000) |

Income taxes increased from a tax benefit in the third quarter of 2001 to a tax provision in the third quarter of 2002, due primarily to positive earnings at Diodes-FabTech. Included in the tax provision for the three months ended September 30, 2002 is $270,000 in deferred taxes recorded for a portion of the 2002 earnings at Diodes-China.

| | 2001 | 2002 |
|---|---|---|
| Minority Interest in Joint Venture | $ 55,000 | $ 83,000 |

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, 2002 is primarily the result of increased capacity utilization and the associated increase in gross margins. 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, 2002, the Company had a 95% controlling interest in the joint venture.

Results of Operations for the Nine Months Ended September 30, 2001 and 2002

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) |
|---|---|---|---|
| | 2001 | 2002 | `01 to `02 |
| Net sales | 100.0 % | 100.0 % | 25.5 % |
| Cost of goods sold | (84.8) | (77.8) | (15.2) |

| | | | |
|---|---|---|---|
| Gross profit | 15.2 | 22.2 | 82.8 |
| Operating expenses | (15.1) | (15.7) | 30.5 |
| Income from operations | 0.1 | 6.5 | 5,459.8 |
| Interest expense, net | (2.4) | (1.0) | (46.8) |
| Other income | 0.3 | (0.1) | (132.7) |
| Income before taxes and minority | (2.0) | 5.4 | 444.1 |
| Income taxes | 2.5 | (1.1) | 154.5 |
| Income before minority interest | 0.5 | 4.3 | 907.5 |
| Minority interest | (0.3) | (0.3) | 25.9 |
| Net income | 0.2 | 4.0 | 1,678.4 |

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

| | 2001 | 2002 |
|---|---|---|
| Net Sales | $ 69,447,000 | $ 87,157,000 |

Net sales increased approximately $17.7 million, or 25.5%, for the nine months ended September 30, 2002, compared to the same period last year, due primarily to a 26.8% increase in units sold. For the first nine months of 2002, ASP's for discrete devices decreased approximately 9.7%, primarily in North America. ASP's for wafer products decreased 4.7% from the same period last year.

| | 2001 | 2002 |
|---|---|---|
| Cost of Goods Sold | $ 58,863,000 | $ 67,807,000 |
| Gross Profit | $ 10,584,000 | $ 19,350,000 |
| Gross Profit Margin Percentage | 15.2% | 22.2% |

Cost of goods sold increased approximately $8.9 million, or 15.2%, for the nine months ended September 30, 2002 compared to the year ago period, due primarily to increased sales volumes. As a percent of sales, cost of goods sold decreased from 84.8% for the nine months ended September 30, 2001 to 77.8% for the nine months ended September 30, 2002 due to higher factory utilizations. Gross profit increased approximately $8.8 million, or 82.8%, for the nine months ended September 30, 2002 compared to the year ago period. Of the $8.8 million increase, approximately $2.7 million was due to the 25.5% increase in sales, while $6.1 million was due to the increase in gross margin percentage from 15.2% to 22.2%. The higher gross margin percentage was due primarily to increased capacity utilization, cost containment and sales of higher margin products.

| | 2001 | 2002 |
|---|---|---|
| Total Operating Expenses | $ 10,482,000 | $ 13,679,000 |

Operating expenses, including SG&A and R&D, for the nine months ended September 30, 2002 increased approximately $3.2 million, or 30.5%, compared to the same period last year due primarily to increased selling expenses, commissions and incentives, insurance costs and a $0.8 million increase in R&D. The Company anticipates its R&D expenditures will increase, both in absolute dollars and as a percentage of sales. SG&A, as a percentage of sales, decreased to 14.3% from 14.4% in the comparable period last year, while R&D increased to 1.4% from 0.6% of sales. Total operating expenses, as a percentage of sales, increased to 15.7% from 15.1% in the comparable period last year.

| | 2001 | 2002 |
|---|---|---|
| Interest Income | $ 222,000 | $ 31,000 |
| Interest Expense | $ 1,903,000 | $ 926,000 |
| Net Interest Expense | $ 1,681,000 | $ 895,000 |

Net interest expense for the nine months ended September 30, 2002 decreased approximately $0.8 million versus the same period last year, due primarily to a reduction in the Company's total debt. The Company's interest expense is primarily the result of the Company's borrowings to finance the

FabTech acquisition, as well as the investment and expansion in the Diodes-China manufacturing facility.

| | 2001 | 2002 |
|---|---|---|
| Other Income | $ 211,000 | $ (69,000) |

Other income for the nine months ended September 30, 2002 decreased from an income of $211,000 for the same period in 2001 to an expense of $69,000. The increase in expense is due primarily to (i) the discontinuance of $165,000 of income Diodes-FabTech was receiving from an external company's use of their testing facilities, and (ii) a $131,000 severance payment as per a separation agreement.

| | 2001 | 2002 |
|---|---|---|
| Income Tax Benefit (Provision) | $ 1,741,000 | $ (949,000) |

Income taxes increased from a tax benefit for the first nine months of 2001 to a tax provision for the first nine months of 2002, due primarily to positive earnings at Diodes-FabTech. Included in the tax provision for the nine months ended September 30, 2002 is $0.6 million in deferred taxes recorded in the second quarter for a portion of the 2002 earnings at Diodes-China.

| | 2001 | 2002 |
|---|---|---|
| Minority Interest in Joint Venture | $ 174,000 | $ 219,000 |

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, 2002, is primarily the result of increased capacity utilization and the associated increase in gross margins. 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, 2002, the Company had a 95% controlling interest in the joint venture.

Financial Condition

Liquidity and Capital Resources

At September 30, 2002 the Company had cash and cash equivalents totaling $6.0 million, a $2.1 million decrease from December 31, 2001, primarily as a result of the Company reducing its bank loan balances. Cash provided by operating activities for the nine months ended September 30, 2002 was $11.9 million compared to $6.8 million for the same period in 2001. The primary sources of cash flows from operating activities for the first nine months of 2002 were $6.9 million in depreciation and amortization and an increase in accounts payable of $3.7 million, while in 2001, the primary sources were a $10.9 million reduction in inventory and $5.9 million in depreciation and amortization.

The primary use of cash flows from operating activities for the first nine months of 2002 was an increase in accounts receivable of $5.5 million, while the primary use of cash flows from operating activities in 2001 was a $3.1 million increase in prepaid expenses, taxes and other assets. Accounts receivable days were 68 days at September 30, 2002, compared to 61 at December 31, 2001.

Inventory turns at September 30, 2002 were 5.4 times compared to 5.1 times at December 31, 2001. The ratio of the Company's current assets to current liabilities was 1.5 at September 30, 2002 and 1.7 at December 31, 2001.

Cash used by investing activities for the nine months ended September 30, 2002 was $2.6 million, compared to $7.1 million during the same period in 2001. The primary investment in both years was for additional manufacturing equipment 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 stockholder. The acquisition purchase price consisted of approximately $6.0 million in cash and an earn-out of up to $30.0 million if FabTech meets specified yearly earnings targets over a four-year period (for the year 2001, these earnings targets were not met, and, therefore, no earn-out was paid). In addition, FabTech was obligated to repay an aggregate of approximately $19.2 million in debt, consisting of (i) approximately $13.6 million note payable to LSC, (ii) approximately $2.6 million note payable to the Company, and (iii) approximately $3.0 million note payable to a financial institution (this 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.

In June 2001, as per the Company's U.S. bank covenants, the Company was not permitted to make regularly scheduled principal and interest payments to LSC on the remaining $10.0 million payable related to the FabTech acquisition note, but was, however, able to renegotiate with LSC the terms of the note. Again, in May 2002, the Company renegotiated the terms of the note to extend the payment period from two years to four years, and therefore, payments of approximately $208,000 plus interest began in July 2002.

Cash used by financing activities was $11.5 million for the nine months ended September 30, 2002, as the Company reduced its overall debt, compared to cash used by financing activities of $1.6 million in the same period of 2001. In 2002, the Company increased its credit facility maximum limits to $46.3 million, encompassing one major U.S. bank, three banks in Mainland China and three banks in Taiwan. As of September 30, 2002, the total credit facilities were $15.8 million, $25.0 million, and $4.1 million, for the U.S. facility secured by substantially all assets, the unsecured Chinese facilities, and the unsecured Taiwanese facilities, respectively. As of September 30, 2002, the available credit was $6.5 million, $22.0 million, and $3.1 million, for the U.S. facility, the Chinese facilities, and the Taiwanese facilities, respectively.

The agreements have certain covenants and restrictions, which, among other matters, require the maintenance of certain financial ratios and operating results, as defined in the agreements, and prohibit the payment of dividends. As of September 30, 2002, the Company was in compliance with the covenants.

The Company has used its credit facilities 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 these credit facilities, together with internally generated funds, will be sufficient to meet the Company's current foreseeable operating cash requirements.

The Company has entered into an interest rate swap agreement with a major U.S. bank which expires November 30, 2004, to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. The interest rate under the swap agreement is fixed at 6.8% and is based on the notional amount, which was $5.6 million at September 30, 2002. The swap contract is inversely correlated to the related hedged long-term debt and is, therefore, considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. During fiscal 2001, variable interest rates decreased resulting in an interest rate swap liability of $147,000 as of December 31, 2001. As of September 30, 2002, the swap liability was $172,000. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

Total working capital decreased approximately 6.8% to $18.4 million as of September 30, 2002, from $19.8 million as of December 31, 2001. The Company believes that such working capital position will be sufficient for foreseeable operations and growth opportunities. The Company's total debt to equity ratio decreased to 0.89 at September 30, 2002, from 1.02 at December 31, 2001. It is anticipated that this ratio may increase should the Company use its credit facilities to fund additional inventory sourcing opportunities. The Company has no material plans or commitments for capital expenditures other than in connection with manufacturing expansion at Diodes-China, Diodes-FabTech equipment requirements, and the Company's implementation of an Enterprise Resource Planning ("ERP") software package. 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. Based upon plans for new product introductions, product mixes, capacity restraints on certain product lines and equipment upgrades, the Company expects that year 2002 capital expenditures for its manufacturing facilities will run approximately $4.0 to $6.0 million, with an additional approximately $1.0 million for the ERP project.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 1 to the financial statements included in Item 14 of the Annual Report on Form 10-K, filed with the SEC for the year ended December 31, 2001. The Company believes its most critical accounting policies include inventory obsolescence reserves, allowance for doubtful accounts, accounting for goodwill and accounting for income taxes.

The $2.6 million estimate for inventory obsolescence reserves is developed using inventory aging reports for finished goods, work-in-progress and raw materials, combined with historical usage, forecasted usage and inventory shelf-life. As trends in these variables change, the percentages applied to the inventory aging categories are updated.

The $373,000 estimate of allowance for doubtful accounts is comprised of two parts, a specific account analysis and a general reserve. Accounts where specific information indicates a potential loss may exist are reviewed and a specific reserve against amounts due is recorded. As additional information becomes available such specific account reserves are updated. Additionally, a general reserve is applied to the aging categories based on historical collection and write-off experience. As trends in historical collection and write-offs change, the percentages applied against the accounts receivable aging categories are updated.

The Company has applied the new rules on accounting for goodwill beginning in the first quarter of 2002. An independent appraiser, hired by the Company, performed the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002, and has determined that the goodwill is fully recoverable. Similar analysis will be performed at least annually.

As of September 30, 2002, accumulated and undistributed earnings of Diodes-China are approximately $24.2 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company considered this investment to be permanent, and had no plans, obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China. As of September 30, 2002, the Company has recorded $630,000 in deferred taxes.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to Diodes-North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary business objective is the maximization of operating income given an acceptable level of risk. Our objective is exposed to three primary sources of market risk: foreign currency risk, interest rate risk, and political risk. No material changes to any of these risks have occurred since December 31, 2001. For a more detailed discussion of market risk, refer to Part II, Item 7A of our 2001 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Foreign Currency Risk. The Company faces exposure to adverse movements in foreign currency exchange rates, primarily in Asia. The Company's foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon the Company's financial results. Certain of the Company's assets, including certain bank accounts and accounts receivable, and liabilities exist in non-U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Japanese Yen, and the Hong Kong dollar. Because of the relatively small size of each individual currency exposure, the Company does not employ hedging techniques designed to mitigate foreign currency exposures. Therefore, the Company could experience currency gains and losses.

Interest Rate Risk. The Company has credit agreements with U.S. and Far East financial institutions at interest rates equal to LIBOR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon the Company's cost of working capital and its interest expense. The Company entered into an interest rate swap agreement to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. The interest rate swap agreement applies to 25% of the Company's long-term debt and expires November 30, 2004. The swap contract is inversely correlated to the related hedged long-term debt and is therefore considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

Political Risk. The Company has a significant portion of its assets in Mainland China and Taiwan. The possibility of political conflict between the two countries or with the United States could have an adverse impact upon the Company's ability to transact business through these important business segments and to generate profits.

## Item 4. Controls and Procedures

Within the 90 days prior to the filing date of this Quarterly Report on Form 10-Q for the third quarter ended September 30, 2002, the Company's Chief Executive Officer, C.H. Chen, and the Chief Financial Officer, Carl Wertz, with the participation of the Company's management, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the date of the evaluation, the Company's disclosure controls and procedures are effective in making known to them material information relating to the Company (including its consolidated subsidiaries) required to be included in this report.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objections is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors, mistakes or intentional circumvention of the established processes.

There were no significant changes in the Company's internal controls, or in other factors that could significantly affect internal controls, known to the Chief Executive Officer or the Chief Financial Officer, subsequent to the date of the evaluation.

## 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 under "Risk Factors" 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.

Risk Factors

Vertical Integration

We are in the process of vertically integrating our business. Key elements of this strategy include (i) expanding our manufacturing capacity, (ii) establishing wafer foundry and research and development capability through the acquisition of FabTech and (iii) establishing sales, marketing, product development, package development and assembly/testing operations in company-owned facilities or through the acquisition of established contractors. We have a limited history upon which an evaluation of the prospects of our vertical integration strategy can be based. There are certain risks associated with our vertical integration strategy, including:

o difficulties associated with owning a manufacturing business, including, but not limited to, the maintenance and management of manufacturing facilities, equipment, employees and inventories and limitations on the flexibility of controlling overhead;
o difficulties implementing our Enterprise Resource Planning system;
o difficulties expanding our operations in the Far East and developing new operations in Europe; o difficulties developing and implementing a successful research and development team; o difficulties developing proprietary technology; and, o market acceptance of our proprietary technology.

The risks of becoming a fully integrated manufacturer are amplified in an industry-wide slowdown because of the fixed costs associated with manufacturing facilities.

Economic Conditions

The discrete segment of the semiconductor industry is highly cyclical, and the value of our business may decline during the "down" portion of these cycles. During recent years, we, as well as many others in our industry, experienced significant declines in the pricing of, as well as demand for, our products and lower facilities utilization. The market for discrete semiconductors may experience renewed, possibly more severe and prolonged, downturns in the future. The markets for our products depend on continued demand in the communications, computer, industrial, consumer electronic and automotive markets, and these end-markets may experience changes in demand that could adversely affect our operating results and financial condition.

Competition

The discrete semiconductor industry is highly competitive. We expect intensified competition from existing competitors and new entrants. Competition is based on price, product performance, product availability, quality, and reliability and customer service. We compete in various markets with companies of various sizes, many of which are larger and have greater resources or capabilities as it relates to financial, marketing, distribution, brand names and other resources than we have and, thus, may be better able to pursue acquisition candidates and to withstand adverse economic or market conditions. In addition, companies not currently in direct competition with us may introduce competing products in the future. Some of our current major competitors are On Semiconductor, General Semiconductor, Inc., Fairchild Semiconductor Corporation, International Rectifier Corporation, Rohm, and Phillips. We may not be able to compete successfully in the future, or competitive pressures may harm our financial condition or our operating results.

Foreign Operations

We expect revenues from foreign markets to continue to represent a significant portion of our total revenues. In addition, we maintain facilities or contracts with entities in the Philippines, Taiwan, Germany, Japan, England, India, and China, among others. There are risks inherent in doing business internationally, including:

o changes in, or impositions of, legislative or regulatory requirements, including tax laws in the United States and in the countries in which we manufacture or sell our products;
o trade restrictions, transportation delays, work stoppages, and economic and political instability; o changes in import/export regulations, tariffs and freight rates; o difficulties in collecting receivables and enforcing contracts; o currency exchange rate fluctuations; o restrictions on the transfer of funds from foreign subsidiaries to Diodes-North America; and, o longer customer payment terms.

Variability of Quarterly Results

We have experienced, and expect to continue to experience, a substantial variation in net sales and operating results from quarter to quarter. We believe that the factors that influence this variability of quarterly results include:

o general economic conditions in the countries where we sell our products;

- seasonality and variability in the computer and communications market and our other end markets;
- the timing of our and our competitors' new product introductions;
- product obsolescence;
- the scheduling, rescheduling and cancellation of large orders by our customers;
- the cyclical nature of demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at our fabrication facilities;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our outside suppliers or subcontractors.

Accordingly, a comparison of the Company's results of operations from period to period is not necessarily meaningful and the Company's results of operations for any period are not necessarily indicative of future performance.

New Technologies

We cannot assure you that we will successfully identify new product opportunities and develop and bring products to market in a timely and cost-effective manner, or that products or technologies developed by others will not render our products or technologies obsolete or noncompetitive. In addition, to remain competitive, we must continue to reduce package sizes, improve manufacturing yields and expand our sales. We may not be able to accomplish these goals.

Production

Our manufacturing efficiency will be an important factor in our future profitability, and we cannot assure you that we will be able to maintain or increase our manufacturing efficiency. Our manufacturing processes require advanced and costly equipment and are continually being modified in an effort to improve yields and product performance. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues. Our operating results also could be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

Future Acquisitions

As part of our business strategy, we expect to review acquisition prospects that would implement our vertical integration strategy or offer other growth opportunities. While we have no current agreements and no active negotiations underway with respect to any acquisitions, we may acquire businesses, products or technologies in the future. In the event of future acquisitions, we could:

- use a significant portion of our available cash;

o issue equity securities, which would dilute current stockholders' percentage ownership; o incur substantial debt; o incur or assume contingent liabilities, known or unknown; o incur amortization expenses related to intangibles; and o incur large, immediate accounting write-offs.

Such actions by us could harm our operating results and/or adversely influence the price of our Common Stock.

Integration of Acquisitions

During fiscal year 2000, we acquired FabTech, Inc. We may continue to expand and diversify our operations with additional acquisitions. If we are unsuccessful in integrating these companies or product lines with our operations, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse effect on our business, financial condition and results of operations. Some of the risks that may affect our ability to integrate or realize any anticipated benefits from companies we acquire include those associated with:

- unexpected losses of key employees or customers of the acquired company;
- conforming the acquired company's standards, processes, procedures and controls with our operations;
- coordinating our new product and process development;
- hiring additional management and other critical personnel;
- increasing the scope, geographic diversity and complexity of our operations;
- difficulties in consolidating facilities and transferring processes and know-how;
- diversion of management's attention from other business concerns; and
- adverse effects on existing business relationships with customers.

Backlog

The amount of backlog to be shipped during any period is dependent upon various factors and all orders are subject to cancellation or modification, usually without penalty to the customer. Orders are generally booked from one to twelve months in advance of delivery. The rate of booking new orders can vary significantly from month to month. The Company and the industry as a whole are experiencing a trend towards shorter lead-times (the amount of time between the date a customer places an order and the date the customer requires shipment). The amount of backlog at any date depends upon various factors, including the timing of the receipt of orders, fluctuations in orders of existing product lines, and the introduction of any new lines. Accordingly, the Company believes that the amount of backlog at any date is not meaningful and is not necessarily indicative of actual future shipments. The Company strives to maintain proper inventory levels to support customers' just-in-time order expectations.

Product Resources

We sell products primarily pursuant to purchase orders for current delivery, rather than pursuant to long-term supply contracts. Many of these purchase orders may be revised or canceled without penalty. As a result, we must commit resources to the production of products without any advance purchase commitments from customers. Our inability to sell, or delays in selling, products after we devote significant resources to them could have a material adverse effect on our business, financial condition and results of operations.

Qualified Personnel

Our future success depends, in part, upon our ability to attract and retain highly qualified technical, sales, marketing and managerial personnel. Personnel with the necessary expertise are scarce and competition for personnel with these skills is intense. We may not be able to retain existing key technical, sales, marketing and managerial employees or be successful in attracting, assimilating or retaining other highly qualified technical, sales, marketing and managerial personnel in the future. If we are unable to retain existing key employees or are unsuccessful in attracting new highly qualified employees, our business, financial condition and results of operations could be materially and adversely affected.

Expansion

Our ability to successfully offer our products in the discrete semiconductor market requires effective planning and management processes. Our past growth, and our targeted future growth, may place a significant strain on our management systems and resources, including our financial and managerial controls, reporting systems and procedures. In addition, we will need to continue to train and manage our workforce worldwide.

Suppliers

Our manufacturing operations depend upon obtaining adequate supplies of materials, parts and equipment on a timely basis from third parties. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of materials, parts and equipment in a timely manner or if the costs of materials, parts or equipment increase significantly. In addition, a significant portion of our total sales is from parts manufactured by outside vendors. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we generally use products, materials, parts and equipment available from multiple suppliers, we have a limited number of suppliers for some products, materials, parts and equipment. While we believe that alternate suppliers for these products, materials, parts and equipment are available, any interruption could materially impair our operations.

Environmental Regulations

We are subject to a variety of United States federal, foreign, state and local governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in our manufacturing process. Any of these regulations could require us to acquire equipment or to incur substantial other expenses to comply with environmental regulations. If we were to incur substantial additional expenses, product costs could significantly increase, thus materially and adversely affecting our business, financial condition and results of operations. Any failure to comply with present or future environmental laws, rules and regulations could result in fines, suspension of production or cessation of operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

The Company 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, alleging that the Company may have some responsibility for cleanup costs. The Company does not anticipate that the ultimate outcome of this matter will have a material effect on its financial condition.

Product Liability

One or more of our products may be found to be defective after we have already shipped such products in volume, requiring a product replacement or recall. We may also be subject to product returns, which could impose substantial costs and have a material and adverse effect on our business, financial condition and results of operations. Product liability claims may be asserted with respect to our technology or products. Although we currently have product liability insurance, there can be no assurance that we have obtained sufficient insurance coverage, or that we will have sufficient resources, to satisfy all possible product liability claims.

System Outages

Risks are presented by electrical or telecommunications outages, computer hacking or other general system failure. To try to manage our operations efficiently and effectively, we rely heavily on our internal information and communications systems and on systems or support services from third parties. Any of these systems are subject to failure. System-wide or local failures that affect our information processing could have material adverse effects on our business, financial condition, results of operations and cash flows. In addition, insurance coverage for the risks described above may be unavailable.

Downward Price Trends

Our industry is intensely competitive and prices for existing products tend to decrease steadily over their life cycle. There is substantial and continuing pressure from customers to reduce the total cost of using our parts. To remain competitive, we must achieve continuous cost reductions through process and product improvements. We must also be in a position to minimize our customers' shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our growth and the profit margins of our products will suffer if our competitors are more successful than we are in reducing the total cost to customers of their products.

Obsolete Inventories

The life cycles of some of our products depend heavily upon the life cycles of the end products into which our products are designed. Products with short life cycles require us to manage closely our production and inventory levels. Inventory may also become obsolete because of adverse changes in end market demand. We may in the future be adversely affected by obsolete or excess inventories which may result from unanticipated changes in the estimated total demand for our products or the estimated life cycles of the end products into which our products are designed.

Deferred Taxes

As of September 30, 2002, accumulated and undistributed earnings of Diodes-China is approximately $24.2 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company considered this investment to be permanent, and had no plans or obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, the Company began to record deferred taxes on a portion of the earnings of Diodes-China. As of September 30, 2002, the Company has recorded $630,000 in deferred taxes.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to Diodes-North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

Foreign Currency Risk

The Company faces exposure to adverse movements in foreign currency exchange rates, primarily in Asia. The Company's foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon the Company's financial results. Certain of the Company's assets, including certain bank accounts and accounts receivable, and liabilities exist in non-U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Japanese Yen, and the Hong Kong dollar. Because of the relatively small size of each individual currency exposure, the Company does not employ hedging techniques designed to mitigate foreign currency exposures. Therefore, the Company could experience currency gains and losses.

Interest Rate Risk

The Company has credit agreements with U.S. and Far East financial institutions at interest rates equal to LIBOR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon the Company's cost of working capital and its interest expense. The Company entered into an interest rate swap agreement to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. At September 30, 2002, the interest rate swap agreement applies to $5.6 million of the Company's long-term debt and expires November 30, 2004. The swap contract is inversely correlated to the related hedged long-term debt and is therefore considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

Political Risk

The Company has a significant portion of its assets (55% at September 30, 2002) in Mainland China, Taiwan and Hong Kong. The possibility of political conflict between countries or with the United States could have an adverse impact upon the Company's ability to transact business through these important business segments and to generate profits.

## 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 10.49 Revolving Credit Extension between the Company and Union Bank

Exhibit 11 Computation of Earnings Per Share

Exhibit 99.54 Certification Pursuant To 18 U.S.C. 1350 Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002

Exhibit 99.55 Diodes Incorporated Announces Conference Call To Discuss Third Quarter FY 2002 Results

Exhibit 99.56 Diodes, Inc. Diodes, Inc. Named to Business 2.0 Magazine's "100 Fastest Growing Tech Companies"

Exhibit 99.57 Diodes Incorporated Introduces Line of 3 & 5 Amp Powermite(R)3 Schottky Barrier Rectifiers

Exhibit 99.58 Diodes, Inc. Reports Third Quarter Results with Continued Gross Margin Improvement

(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 11, 2002

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

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C.H. Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
b)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ C.H. Chen
C. H. Chen
Chief Executive Officer

Date: 11/11/02

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carl Wertz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Carl Wertz
Carl Wertz
Chief Financial Officer

Date: 11/11/02

INDEX TO EXHIBITS

Exhibit 10.49

Union Bank
Of California

Commercial Loan Documentation
P.O. Box 30115
Los Angeles, CA 90030-0115

October 16, 2002

Diodes Incorporated
3050 E Hillcrest Dr. Ste #200
Westlake Village, CA 91362-3154

Attn: Mr. Carl Wertz, CFO

Dear Carl:

This letter is being sent at the request of your Account Manager, John Kase, and is to confirm that UNION BANK OF CALIFORNIA, N.A. ("Bank") has agreed to extend the maturity date of the Revolving Line of Credit ("Facility") granted to Diodes Incorporated ("Borrower") in the principal amount of Seven Million Five Hundred Thousand and 00/100ths Dollars ($7,500,000.00) originally made under a certain note dated May 1, 2002, and Credit Agreement dated December 1, 2000, as amended from time to time, (collectively, the "Agreements"). A copy of the note is attached.

The maturity date of the Facility is hereby extended to March 3, 2003 ("New Maturity Date"). The Agreements shall be deemed modified as of the date of this letter to reflect the New Maturity Date. All other terms and conditions of the Agreements remain in full force and effect, without waiver or modification. This extension is conditioned upon Borrower's continued payment of interest as provided in the Agreements.

Each advance request, or Borrower's continued payments of principal or interest on the outstanding balance of any term loan, constitutes Borrower's warranty that no event of default as defined in the Agreements and no condition, event or act which, with the giving of notice or the passage of time or both, would constitute such an event of default, shall have occurred and be continuing or shall exist.

BANK HAS NOT COMMITTED TO MAKE ANY FURTHER EXTENSION OF THE MATURITY DATE, OR TO RENEW THE FACILITY BEYOND THE NEW MATURITY DATE. ANY FURTHER EXTENSION OR ANY RENEWAL REMAINS IN THE DISCRETION OF BANK.

If you have any questions, please call your Account Manager, John Kase, at (213) 236-7329.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Carolyn Gordon

Name: Carolyn Gordon

Title: Sr. Assistant Vice President

Exhibit - 11

DIODES INCORPORATED AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2001 | 2002 | 2001 | 2002 |
| BASIC | | | | |
| Weighted average number of common shares outstanding used in computing basic earnings per share | 8,147,902 | 8,190,887 | 8,142,333 | 8,177,506 |
| Net income | $ (847,000) | $ 1,767,000 | $ 199,000 | $ 3,539,000 |
| Basic earnings per share | $ (0.10) | $ 0.22 | $ 0.02 | $ 0.43 |
| DILUTED | | | | |
| Weighted average number of common shares outstanding used in computing basic earnings per share | 8,147,902 | 8,190,887 | 8,142,333 | 8,177,506 |
| Assumed exercise of stock options | 667,679 | 671,385 | 786,378 | 656,805 |
| | 8,815,581 | 8,862,272 | 8,928,711 | 8,834,311 |
| Net income | $ (847,000) | $ 1,767,000 | $ 199,000 | $ 3,539,000 |
| Diluted earnings per share | $ (0.10) | $ 0.20 | $ 0.02 | $ 0.40 |

Exhibit 99.54

CERTIFICATION PURSUANT TO 18 U.S.C. 1350 ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ C.H. Chen
C.H. Chen
Chief Executive Officer
Date: 11/11/02

/s/ Carl Wertz
Carl Wertz
Chief Financial Officer
Date: 11/11/02

Exhibit 99.55

Diodes Incorporated
FOR IMMEDIATE RELEASE

# Diodes Incorporated Announces Conference Call To Discuss Third Quarter FY 2002 Results

- Substantially Exceeds Gross Margin Guidance

Westlake Village, California - October 14, 2002 - Diodes Incorporated (Nasdaq: DIOD) will host a conference call at 8 a.m. PST (11 a.m. EST) on Wednesday, October 30th to discuss third quarter of FY 2002 results.

The Company also announced that it anticipates reporting a slight sequential increase in revenue, in-line with previously issued guidance for the third quarter, and an over 200 basis point improvement in gross profit margin, more than double the previous expectations of an approximately 100 basis point increase.

Joining C.H. Chen, President and CEO of Diodes Incorporated, will be Carl Wertz, Chief Financial Officer and Mark King, Vice President of Sales and Marketing. The Company plans to distribute its earnings announcement on Business Wire that same day at 6 a.m. PST (9 a.m. EST).

This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at www.diodes.com. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 90 days.

## About Diodes Incorporated

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Source: Diodes Incorporated
CONTACT: Crocker Coulson, Partner, 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.

Exhibit 99.56

Diodes Incorporated
FOR IMMEDIATE RELEASE

# Diodes, Inc. Named to Business 2.0 Magazine's "100 Fastest Growing Tech Companies"

Westlake Village, California, September 16, 2002 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, industrial, consumer electronics and automotive markets, announced today that it was named the 89th fastest growing technology company, according to Business 2.0 magazine.

In order to make the Top 100 list, companies were scrutinized on the basis of four financial measurements: stock performance, revenue growth, earnings growth and operating cash flow.

Business 2.0 magazine started with more than 2,000 publicly traded technology companies tracked by Zacks Investment Research. In consultation with finance professors George Foster of Stanford, Brett Trueman of the University of California at Berkeley, and Chip Ruscher of the University of Arizona, Business 2.0 created a proprietary ranking algorithm to determine the final list.

"Diodes has worked hard to deliver growth in revenue, net income, and operating cash flow even during a very difficult economic environment. Thus far this year we have outperformed the industry and we have been aggressive in bringing new, value-added products to market, so as to become the first name our customers think of for discrete devices. We have taken strategic steps to enhance our competitive position in the growing Asian market," said C. H. Chen, Diodes president and CEO.

"Diodes will continue to remain focused on our core competencies and continually improving our operating efficiency and product quality. In doing so, we believe we will be well-positioned to capture new market opportunities as industry conditions improve."

For more information, visit http://www.diodes.com or email at info@diodes.com.

About Business 2.0
Business 2.0, a magazine about insight, tools, and advantage in business, is published out of The FORTUNE Group at Time Inc., an AOL Time Warner company. For more information, visit its website at www.business2.com.

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Source: Diodes Incorporated
CONTACT: Crocker Coulson, Partner, Coffin Communications Group;
(818) 789-0100 e-mail: crocker.coulson@coffincg.com or Carl Wertz, Chief Financial Officer, Diodes, Inc.; (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 directly to the Company, or they may be e-mailed to: diodes-fin@diodes.com.

Exhibit 99.57

Diodes Incorporated
FOR IMMEDIATE RELEASE

Diodes Incorporated Introduces Line of 3 & 5 Amp Powermite(R)3 Schottky Barrier Rectifiers

- Compact, thermally superior replacement for SMC and D-Pak parts

Westlake Village, California - October 23, 2002 - Diodes Incorporated, (Nasdaq: DIOD) a leading manufacturer and supplier of high quality discrete semiconductors, today announced the release of a comprehensive line of three Ampere and five Ampere Powermite(R)3 Schottky barrier rectifiers.

The new Powermite(R)3 Schottky barrier line, which uses patented packaging technology licensed from Microsemi, Inc. (Nasdaq: MSCC), will be manufactured at Diodes' state-of-the-art facilities in Mainland China. Diodes' Powermite(R)3 parts offer a significant reduction in required board space and superior thermal performance as compared to industry-standard SMC and D-Pak packages.

The Powermite(R)3 package has a very low profile of only 1.1mm, which allows it to be used in many portable applications in which the 2.3mm profile of SMC and D-Pak is prohibitive. In addition, the Powermite(R)3 package requires approximately half the board space of the SMC and only 40% of the D-Pak. This gives the Powermite(R)3 package a high Power Density value of 55mW/mm2, which is over double the values for D-Pak or SMC.

"This new line illustrates Diodes' continued expansion into next-generation discrete technologies and the benefits of our vertical integration strategy. By applying Powermite(R)3 packaging to broad-based devices, we expect to deliver major performance improvements for applications where space is at a premium, such as notebooks, battery chargers, GPS units, TFT-LCD panels, quarter-brick and half-brick power supplies," said Mark King, Vice President of Sales and Marketing at Diodes Incorporated.

The 3 Amp series consists of:
- SBM340, a 40-volt device
- MBRM360, a 60-volt device
- MBRM3100, a 100-volt device

The 5 Amp series consists of:
- SBM540, a 40-volt device
- MBRM560, a 60-volt device
- MBRM5100, a 100-volt device

"Shrinking power components is the next phase of discrete miniaturization, and the addition of these devices gives Diodes the most comprehensive 3 and 5 Amp surface-mount Schottky barrier rectifier product line in the discrete semiconductor industry," continued King. "Our strategy is to develop devices that add value for high-end, high-performance applications but are also competitive for broader, high-volume markets. Our flexible, low-cost manufacturing allows us to execute our strategy and meet customer needs."

Many additional new Powermite(R)3 products are currently under development and are scheduled for release soon, including dual Schottky barrier rectifiers, high voltage low leakage Schottky barrier rectifiers, and ultra-fast and standard recovery glass passivated rectifiers.

For more information, visit http://www.diodes.com or contact Diodes' customer service at 800-446-4874 or email at info@diodes.com.

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POWERMITE is a registered trademark of Microsemi Corporation.

Source: Diodes Incorporated
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Exhibit 99.58

Diodes Incorporated
FOR IMMEDIATE RELEASE

Diodes, Inc. Reports Third Quarter Results with Continued Gross Margin Improvement

o Diluted EPS of $0.20 in Q3 2002

Westlake Village, California, October 30, 2002 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, industrial, consumer electronics and automotive markets, today reported financial results for the third quarter ended September 30, 2002.

Third Quarter Highlights:
>> Revenue increases 33.4% from Q3 2001 and 1.1% from Q2 2002
>> Gross margin improves 220 basis points sequentially from the second quarter to 26% >> Net income for the quarter of $1.8 million, up from a loss of $847,000 in the same period last year >> Average manufacturing capacity utilization reaches 86% >> Average selling prices (ASPs) increase 4.5% sequentially, reflecting shift to differentiated devices >> Total debt reduced by $3 million and generated $3.1 million in cash flow from operations

Revenues for the third quarter of 2002 were $30.3 million, a slight sequential increase from second quarter revenues of $29.9 million, and a 33.4% increase from third quarter 2001 revenues of $22.7 million.

Net income for the quarter was $1.8 million, as compared to a loss of $847,000 for the three months ended September 30, 2001, and compared to income of $1.6 million in the second quarter ended June 30, 2002. Diluted earnings per share were $0.20 for the third quarter of 2002, as compared to $(0.10) for the same period last year, and $0.18 for the second quarter of 2002.

For the first nine months of 2002, the Company earned $3.5 million, or $0.40 per diluted share, on revenues of $87.2 million, compared to net income of $199,000, or $0.02 per diluted share, on revenues of $69.4 million for the same period in 2001. Nine-month revenues have increased 25.5% compared to last year.

C.H. Chen, Diodes' President and CEO, said, "We are encouraged by our solid results for the third quarter of 2002 and our ability to increase revenue and significantly grow income from operations, despite continued softness in the semiconductor industry. For the third quarter, income from operations increased to $3.1 million from a loss of $1.4 million in the same period last year, and from a profit of $2.3 million in the second quarter. Our strong performance was achieved through the success of our higher margin discrete products, quick response to changing customer demands, expense control discipline and a continued effort to maximize manufacturing efficiencies."

Diodes revenue growth in the third quarter was driven primarily by the strength in the North American markets, which accounted for 57% of sales, up from 54% in the second quarter. Diodes continued to shift its product mix from commodity devices towards higher value, subminiature packaging and arrays during the third quarter, which resulted in a 4.5% sequential improvement in average selling prices (ASPs).

Capacity utilization increased to 88% at the Mainland China facility, Diodes-China, from 80% in the second quarter, and to 83% at Diodes-FabTech, from 73% in the prior quarter. Increased capacity utilization of manufacturing facilities and higher ASPs led to both year-over-year and sequential margin improvements. The Company's gross profit margin was 26.0%, compared to 23.8% in the second quarter of 2002 and 10.7% in the same period last year.

For the quarter, SG&A expenses were reduced as a percentage of sales to $4.3 million, or 14.2% of sales, as compared to $3.7 million, or 16.3% of sales, in the comparable quarter last year, and compared to 14.6% of sales last quarter. Research and development spending remained consistent with the previous quarter at $460,000 as the Company continues to invest in developing leading next-generation products.

"We are pleased with the market reception to our next-generation discrete product lines," Mr. Chen continued. "During the third quarter, the share of revenues generated by new products reached a record high and now accounts for approximately 8% of total revenue. Our strategy is to leverage our flexible manufacturing assets and competitive cost position to drive these devices from niche to high volume applications. As we vertically integrate certain discrete products, Diodes has seen our cost of manufacturing decrease, our margins increase and our competitive position strengthen."

Diodes continued to improve its financial position, ending the third quarter with $6.0 million in cash and cash equivalents, $13.4 million in long-term debt and $55.5 million in shareholders' equity. Since the beginning of the year, the Company has paid down $7.6 million in term debt and approximately $4.8 million on its revolving credit facilities.

Mr. Chen concluded, "Diodes' strategic plan of consistent execution, expansion of our marketing reach into new regions, and customer-driven innovation continues to pay off. In the third quarter, we also began to establish a sales presence in Japan for the first time in our history. We recently introduced Japanese and Chinese translations to our website, which is an increasingly effective marketing tool. We will invest in new products to position Diodes as a technology leader for discrete devices and expect to spend approximately $1-2 million during the remainder of the year on capital expenditures to support new product production.

"However, we continue to operate under very short customer lead times and there is considerable uncertainty regarding the strength of end equipment demand in key markets such as computing and communications. Therefore, for the fourth quarter, we are projecting both revenue and gross margin to be flat to slightly down on a sequential basis."

Diodes Incorporated will hold its third quarter conference call for all interested persons at 8 a.m. PST (11 a.m. EST) today to discuss its results. This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at www.diodes.com. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 90 days.

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CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2001 | 2002 | 2001 | 2002 |
| Net sales | $ 22,698,000 | $ 30,287,000 | $ 69,447,000 | $ 87,157,000 |
| Cost of goods sold | 20,279,000 | 22,420,000 | 58,863,000 | 67,807,000 |
| Gross profit | 2,419,000 | 7,867,000 | 10,584,000 | 19,350,000 |
| Research and development expenses | 141,000 | 459,000 | 450,000 | 1,231,000 |
| Selling, general and administrative expenses | 3,704,000 | 4,311,000 | 10,032,000 | 12,448,000 |
| Total operating expenses | 3,845,000 | 4,770,000 | 10,482,000 | 13,679,000 |
| Income from operations | (1,426,000) | 3,097,000 | 102,000 | 5,671,000 |
| Other income (expense) | | | | |
| Interest income | 80,000 | 7,000 | 222,000 | 31,000 |
| Interest expense | (592,000) | (288,000) | (1,903,000) | (926,000) |
| Other | 94,000 | (195,000) | 211,000 | (69,000) |
| | (418,000) | (476,000) | (1,470,000) | (964,000) |
| Income (loss) before income taxes and minority interest | (1,844,000) | 2,621,000 | (1,368,000) | 4,707,000 |
| Income tax benefit (provision) | 1,052,000 | (771,000) | 1,741,000 | (949,000) |
| Income (loss) before minority interest | (792,000) | 1,850,000 | 373,000 | 3,758,000 |
| Minority interest in joint venture earnings | (55,000) | (83,000) | (174,000) | (219,000) |

| | | | | |
|---|---|---|---|---|
| Net income | $ (847,000) | $ 1,767,000 | $ 199,000 | $ 3,539,000 |
| Earnings (loss) per share | | | | |
| Basic | $ (0.10) | $ 0.22 | $ 0.02 | $ 0.43 |
| Diluted | $ (0.10) | $ 0.20 | $ 0.02 | $ 0.40 |
| Weighted average shares outstanding | | | | |
| Basic | 8,147,902 | 8,190,887 | 8,142,333 | 8,177,506 |
| Diluted | 8,815,581 | 8,862,272 | 8,928,711 | 8,834,311 |

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
ASSETS

| | December 31, 2001 | September 30, 2002 |
|---|---|---|
| | | (Unaudited) |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 8,103,000 | $ 6,042,000 |
| Accounts receivable | | |
| Customers | 16,250,000 | 19,511,000 |
| Related parties | 1,486,000 | 3,718,000 |
| | 17,736,000 | 23,229,000 |
| Less: Allowance for doubtful receivables | 343,000 | 373,000 |
| | 17,393,000 | 22,856,000 |
| Inventories | 17,813,000 | 16,864,000 |
| Deferred income taxes, current | 4,368,000 | 4,368,000 |
| Prepaid expenses, income taxes and other current assets | 1,266,000 | 2,518,000 |
| Total current assets | 48,943,000 | 52,648,000 |
| PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization | 44,925,000 | 43,217,000 |
| DEFERRED INCOME TAXES, non-current | 3,672,000 | 2,726,000 |
| OTHER ASSETS | | |
| Goodwill, net | 5,090,000 | 5,090,000 |
| Other | 628,000 | 1,044,000 |
| TOTAL ASSETS | $ 103,258,000 | $ 104,725,000 |

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, 2001 | September 30, 2002 |
|---|---|---|
| | | (Unaudited) |
| CURRENT LIABILITIES | | |
| Line of credit | $ 6,503,000 | $ 1,874,000 |
| Accounts payable | | |
| Trade | 6,098,000 | 9,639,000 |
| Related parties | 3,149,000 | 3,263,000 |
| Accrued liabilities | 5,062,000 | 7,781,000 |
| Current portion of long-term debt | | |
| Related party | 2,500,000 | 2,500,000 |
| Other | 5,833,000 | 8,992,000 |
| Current portion of capital lease obligations | -- | 156,000 |
| Total current liabilities | 29,145,000 | 34,205,000 |
| LONG-TERM DEBT, net of current portion | | |

| | | |
|---|---|---|
| Related party | 7,500,000 | 6,875,000 |
| Other | 13,664,000 | 3,566,000 |
| CAPITAL LEASE OBLIGATIONS, net of current portion | -- | 2,530,000 |
| MINORITY INTEREST IN JOINT VENTURE | 1,825,000 | 2,045,000 |
| 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; 9,227,664 and 9,280,664 shares issued at December 31, 2001 and September 30, 2002, respectively | 6,151,000 | 6,187,000 |
| Additional paid-in capital | 7,310,000 | 7,942,000 |
| Retained earnings | 39,882,000 | 43,420,000 |
| | 53,343,000 | 57,549,000 |
| Less: | | |
| Treasury stock - 1,075,672 shares of common stock, at cost | 1,782,000 | 1,782,000 |
| Accumulated other comprehensive loss | 437,000 | 263,000 |
| | 2,219,000 | 2,045,000 |
| Total stockholders' equity | 51,124,000 | 55,504,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 103,258,000 | $ 104,725,000 |

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