

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OCTOBER 27, 2004

Date of Report (Date of earliest event reported)

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction of
incorporation)

1-5740
(Commission File Number)

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

3050 EAST HILLCREST DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91362
(Address of principal executive offices) (Zip Code)

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

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 27, 2004, Diodes Incorporated issued a press release announcing third quarter 2004 earnings. A copy of the press release is attached as Exhibit 99.1.

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

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS

Exhibit 99.1 - Press Release dated October 27, 2004

SIGNATURES

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

Dated: October 27, 2004

DIODES INCORPORATED

By /s/ Carl C. Wertz
CARL C. WERTZ
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
99.1	Press Release dated October 27, 2004

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DIODES INCORPORATED REPORTS RECORD THIRD QUARTER 2004 EARNINGS

- o 41% YEAR-OVER-YEAR REVENUE INCREASE IS 6TH CONSECUTIVE RECORD QUARTER
- o SALES OF NEW PRODUCTS ABOVE 14% OF TOTAL REVENUE, A RECORD HIGH

WESTLAKE VILLAGE, CALIFORNIA, OCTOBER 27, 2004 - Diodes Incorporated (NASDAQ: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, today reported record financial results for the third quarter ended September 30, 2004.

THIRD QUARTER HIGHLIGHTS:

Net income increases 182.6% to a record \$7.2 million, or \$0.47 per share, up from \$2.6 million, or \$0.18 per share, in 3Q 2003
Revenue increases 41.2% year-over-year and 5.0% sequentially to a record \$49.4 million
Gross margin improves 190 basis points sequentially to 33.9%
Expanded distribution agreement with Arrow Electronics into Southern Europe

Revenues for the third quarter of 2004 were a record \$49.4 million, a sequential increase of 5.0% from the second quarter of 2004, and an increase of 41.2% from the third quarter of 2003. Net income for the quarter increased 182.6% to a record \$7.2 million, compared to \$2.6 million for the three months ended September 30, 2003, and rose 18.3% sequentially. Diluted earnings per share were \$0.47 for the third quarter of 2004, compared with \$0.18 for the third quarter of 2003 and \$0.40 for the second quarter of 2004.

Revenues for the first nine months of 2004 increased 41.0% to \$137.8 million, compared to \$97.8 million in the same period last year. Net income for the first nine months of 2004 increased 173.7% to \$18.2 million or 13.2% of sales, compared to \$6.7 million or 6.8% of sales in the same period last year. Diluted earnings per share were \$1.18 for the first nine months of 2004, compared to \$0.47 for the same period last year.

Commenting on the quarter, C.H. Chen, President and CEO of Diodes Incorporated, said, "We are extremely pleased to report the sixth consecutive quarter of record sales third consecutive quarter of record profitability. Once again Diodes outperformed not just the discrete semiconductor segment but also the overall industry and achieved the highest sales of new products in the Company's history. Our continued focus on industry leading manufacturing efficiency and fiscal discipline translated into excellent margin performance and positive cash flows during the quarter."

END MARKETS

"Revenue growth in the third fiscal quarter was attributable to significantly increased demand for our products from end-users across the consumer electronics and computer industries," said Mark King, Vice President of Sales and Marketing. "Our next-generation sub-miniature devices are being rapidly adopted for applications including digital audio players, set-top boxes, cell phones and notebook computers. Geographically, demand remained high in both Asia and North America, which accounted for 58% and 40% of total revenues, respectively."

Sales in Europe were seasonally soft at 2.3% of total revenue during the quarter. However, Diodes' is continuing to win new accounts and expand its footprint in the European market, signing a distribution agreement with one of the largest distributors of electronic components in Southern Europe, Silverstar Srl, an Arrow Electronics Company.

"We believe that this agreement will help us to gain new customers and increase Diodes' brand recognition in the European automotive, communications and industrial end-markets," said King. "During the third quarter, we won two significant European contracts - one in the communication industry and one in the automotive industry - both of which have the potential to become important customers for us over time."

NEW PRODUCTS AND DESIGN WINS

"Our proven ability to deliver value-added and cost-effective products led to multiple design wins at over sixty new or existing accounts. We are very pleased to announce that sales of new products increased to 14.2% of total revenue in the third quarter, up from 11.7% last quarter and 13.5% in the third quarter of 2003," commented Mr. Chen.

"The surge in new product sales reflects the popularity of the breakthrough products we have introduced over the past few years - including Powermite(R)3, PowerDI(TM)123, SOT563, and our customized arrays. Just a few days ago, we launched our new, patent-pending PowerDI(TM)5 high-current density packaging, which broadens our line of next-generation devices to encompass high voltage and high amperage capabilities."

"The most notable design wins for the quarter included six new wins on a high volume digital audio player, our first significant PowerDI(TM)123 in a digital still camera, key array wins in notebook and set-top box as well as another win in our proprietary QSBT40 device. In Europe, we made our first production shipments on a custom array design win, announced in the fourth quarter, at a major industrial account."

OPERATING EFFICIENCIES

Gross profit for the third quarter of 2004 increased to \$16.7 million, or 33.9% of sales, compared to \$15.0 million, or 32.0% of sales, in the second quarter of 2004 and \$9.2 million, or 26.2%, in the third quarter of 2003. The improvement in gross margin was due to an improved product mix, new product revenue expansion and manufacturing cost efficiencies.

For the quarter, SG&A expenses were \$6.2 million, or 12.5% of sales, as compared to \$5.1 million, or 14.6% of sales, in the comparable quarter last year.

Research and development expenses climbed to \$942,000, or 1.9% of revenue, from \$612,000, or 1.8%, in the third quarter of 2003, as the Company continues to invest in enhancing current product features and developing new products.

Operating income for the third quarter increased 204.8% to \$9.6 million, or 19.5% of sales, compared to \$3.2 million, or 9.0%, for the third quarter of 2003.

Capital expenditures for the current quarter were \$8.1 million and \$18.3 million year to date. Depreciation expense for the quarter was \$3.4 million. As the strong market demand continues, planned capital expenditures will be in the range of \$20-22 million for the full year.

At September 30, 2004, Diodes had \$16.7 million in cash, \$44.3 million in working capital and \$13.1 million in term debt. For the first nine months of 2004, shareholder equity increased 32.3% to \$94.6 million. Cash flow from operations was \$7.0 million for the quarter and \$20.8 million for the first nine months of 2004.

BUSINESS OUTLOOK

"Entering the fourth quarter, we anticipate that the pace of top-line growth will moderate from the levels experienced in the past several record quarters. Coming off six consecutive record revenue quarters as well as the significant gross margin expansion this past quarter, we expect fourth quarter revenues and gross margins to be similar or slightly below those of the third quarter, and we are confident about our ability to continue to outperform the discrete market due to our focus on product innovation, manufacturing excellence and continued geographic expansion," Chen concluded.

CONFERENCE CALL

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 60 days.

ABOUT DIODES INCORPORATED

Diodes Incorporated (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete semiconductor products, primarily to the communications, computing, industrial, consumer electronics and automotive markets. The Company operates three Far East subsidiaries, Diodes-China (QS-9000 and ISO-14001 certified) in Shanghai, Diodes-Taiwan (ISO-9000 certified) in Taipei, and Diodes-Hong Kong. Diodes-China's manufacturing focus is on subminiature surface-mount devices 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-Taiwan is our Asia-Pacific sales, logistics and distribution center. Diodes-Hong Kong covers sales, warehouse and logistics functions. The Company's 5" wafer foundry, Diodes-FabTech (QS-9000 certified), specializes in Schottky products and is located just outside Kansas City, Missouri. The Company's ISO-9001:2000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California. For further information, including SEC filings, visit the Company's website at www.diodes.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, such factors as fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, risks of foreign operations, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Source: Diodes Incorporated

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Recent news releases, annual reports, and SEC filings are available at the Company's website: <http://www.diodes.com>. Written requests may be sent directly to the Company, or they may be e-mailed to: diodes-fin@diodes.com.

CONSOLIDATED CONDENSED INCOME STATEMENT AND BALANCE SHEET FOLLOWS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2004	2003	2004
NET SALES	\$ 34,941,000	\$ 49,353,000	\$ 97,703,000	\$ 137,795,000

COST OF GOODS SOLD	25,779,000	32,607,000	72,734,000	93,271,000
Gross profit	9,162,000	16,746,000	24,969,000	44,524,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,089,000	6,171,000	14,097,000	18,079,000
RESEARCH AND DEVELOPMENT EXPENSES	612,000	942,000	1,358,000	2,505,000
LOSS (GAIN) ON SALE OF FIXED ASSETS	300,000	(1,000)	244,000	14,000
Total operating expenses	6,001,000	7,112,000	15,699,000	20,598,000
Income from operations	3,161,000	9,634,000	9,270,000	23,926,000
OTHER INCOME (EXPENSE)				
Interest income	2,000	3,000	11,000	13,000
Interest expense	(211,000)	(163,000)	(683,000)	(500,000)
Other	126,000	91,000	29,000	(33,000)
	(83,000)	(69,000)	(643,000)	(520,000)
Income before income taxes and minority interest	3,078,000	9,565,000	8,627,000	23,406,000
INCOME TAX BENEFIT (PROVISION)	(416,000)	(2,134,000)	(1,684,000)	(4,678,000)
Income before minority interest	2,662,000	7,431,000	6,943,000	18,728,000
MINORITY INTEREST IN JOINT VENTURE EARNINGS	(99,000)	(189,000)	(285,000)	(507,000)
NET INCOME	\$ 2,563,000	\$ 7,242,000	\$ 6,658,000	\$ 18,221,000
EARNINGS PER SHARE				
Basic	\$ 0.20	\$ 0.54	\$ 0.53	\$ 1.38
Diluted	\$ 0.18	\$ 0.47	\$ 0.47	\$ 1.18
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	12,813,492	13,355,775	12,655,481	13,239,681
Diluted	14,546,256	15,367,449	14,253,707	15,391,103

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	DECEMBER 31, 2003	SEPTEMBER 30, 2004
		(UNAUDITED)
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,847,000	\$ 16,701,000
Accounts receivable		
Customers	27,010,000	36,780,000
Related parties	3,938,000	4,951,000
	30,948,000	41,731,000
Less: Allowance for doubtful receivables	375,000	391,000
	30,573,000	41,340,000
Inventories	16,164,000	21,408,000
Deferred income taxes, current	5,547,000	5,704,000
Prepaid expenses and other current assets	2,256,000	1,750,000
Prepaid income taxes	446,000	716,000
Total current assets	67,833,000	87,619,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	47,893,000	56,722,000
DEFERRED INCOME TAXES, non-current	1,816,000	654,000
OTHER ASSETS		
Goodwill	5,090,000	5,090,000
Other	1,163,000	1,636,000
TOTAL ASSETS	\$ 123,795,000	\$ 151,721,000

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, 2003	SEPTEMBER 30, 2004
	-----	----- (UNAUDITED)
CURRENT LIABILITIES		
Line of credit	\$ 8,488,000	\$ 6,518,000
Accounts payable		
Trade	14,029,000	18,190,000
Related parties	3,453,000	3,013,000
Accrued liabilities	8,715,000	11,224,000
Current portion of long-term debt		
Related party	2,500,000	2,500,000
Other	3,333,000	1,846,000
Current portion of capital lease obligations	161,000	164,000
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Total current liabilities	40,679,000	43,455,000
LONG-TERM DEBT, net of current portion		
Related party	3,750,000	1,875,000
Other	3,000,000	6,833,000
CAPITAL LEASE OBLIGATIONS, net of current portion	2,334,000	2,206,000
MINORITY INTEREST IN JOINT VENTURE	2,582,000	2,789,000
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; 14,627,284 and 15,036,980 shares issued at December 31, 2003 and September 30, 2004, respectively	6,502,000	6,771,000
Additional paid-in capital	11,192,000	15,834,000
Retained earnings	55,779,000	74,000,000
	-----	-----
73,473,000	96,605,000	
Less:		
Treasury stock - 1,613,508 shares of common stock, at cost	1,782,000	1,782,000
Accumulated other comprehensive loss (gain)	241,000	260,000
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2,023,000	2,042,000	
Total stockholders' equity	71,450,000	94,563,000
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 123,795,000	\$ 151,721,000
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The accompanying notes are an integral part of these financial statements.