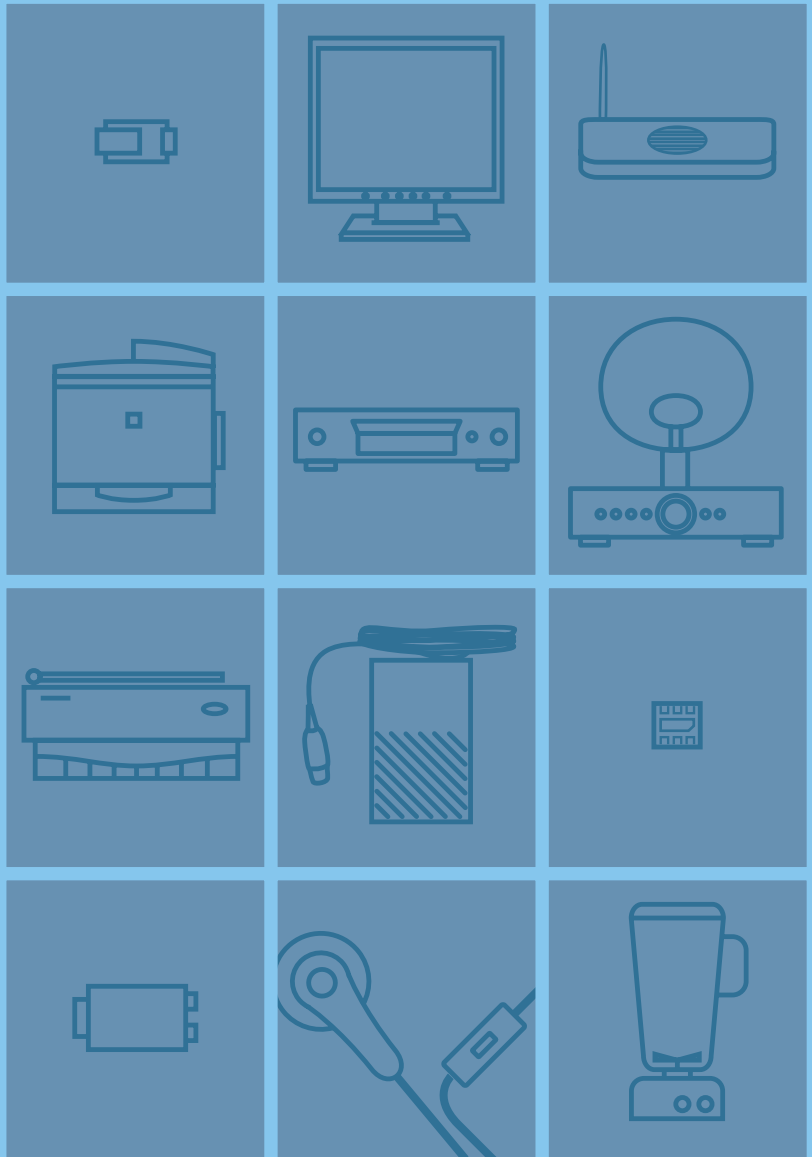




## intentionally discreet

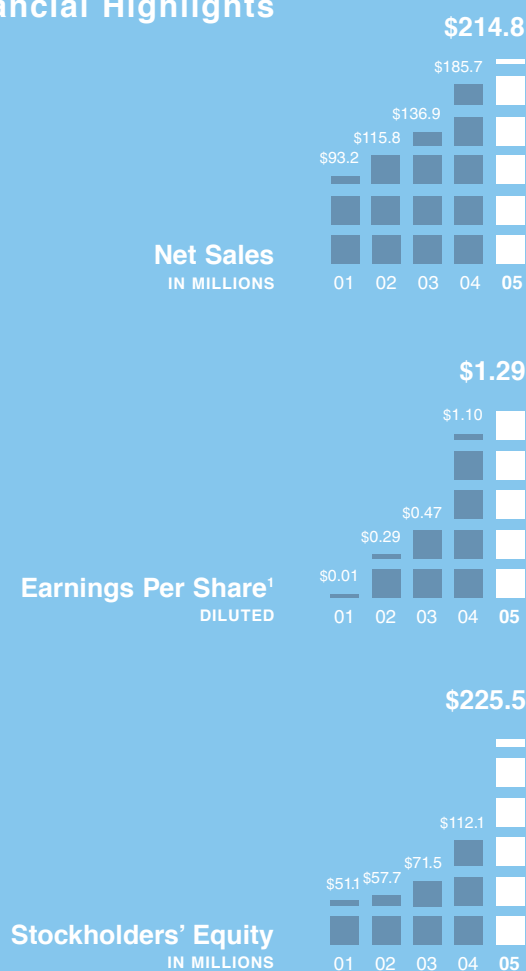


**dis·creet** (d-skret) adj. Having or showing discernment or good judgement; prudent; wise.

**This year, we could have gone big—intentionally big. We could have produced an annual report that would have said, at first glance, that business here is good. Very good. It could have been a book that would have truly attested to our enviable**

record of profitability for the past 15 consecutive years! We could have used full color, dramatic photography and 3-D graphics—all to suggest our rapidly expanding manufacturing capacity, our higher-margin products, our expanded global sales...

## Financial Highlights



(in thousands, except per share data)

### Net Sales

#### Gross profit

Selling, general and administrative expenses  
 Research and development expenses  
 Non-reoccurring expenses  
 Total operating expenses

#### Income (loss) from operations

Interest income, net  
 Other Income (expense)

#### Income before taxes and minority interest

Income tax provision (benefit)  
 Minority interest

### Net income

#### Earnings per share<sup>1</sup>:

Basic

**Diluted**

#### Number of shares<sup>1</sup>

Basic

Diluted

### Total assets

Working capital

Long-term debt

### Stockholders' equity

Return on assets

**Return on equity**

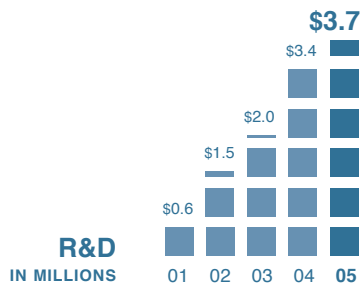
<sup>(1)</sup> Adjusted for the effect of 3-for-2 stock splits in July 2000, November 2003, and December 2005.

But we didn't. Instead, we went simple and discreet—simple and discreet to truly reflect our commitment to reduce costs in order to maximize profit. It could have been a big, beautiful, expensive annual report. But we kept it simple, smart and... discreet.

2001	2002	2003	2004	2005
<b>93,210</b>	<b>115,821</b>	<b>136,905</b>	<b>185,703</b>	<b>214,765</b>
14,179	26,710	36,528	60,735	74,377
13,711	16,228	19,586	23,503	30,285
592	1,472	2,049	3,422	3,713
8	43	1,037	14	(102)
14,311	17,743	22,672	26,939	33,896
<b>(132)</b>	<b>8,967</b>	<b>13,856</b>	<b>33,796</b>	<b>40,481</b>
(2,074)	(1,183)	(860)	(637)	221
785	67	(5)	(418)	406
<b>(1,421)</b>	<b>7,851</b>	<b>12,991</b>	<b>32,741</b>	<b>41,108</b>
(1,769)	1,729	2,460	6,514	6,685
(224)	(320)	(436)	(676)	(1,094)
<b>124</b>	<b>5,802</b>	<b>10,095</b>	<b>25,551</b>	<b>33,329</b>
\$ 0.01	\$ 0.32	\$ 0.53	\$ 1.27	\$ 1.44
\$ 0.01	\$ 0.29	\$ 0.47	\$ 1.10	\$ 1.29
18,324	18,415	19,096	20,106	23,168
19,982	19,946	21,609	23,207	25,894
<b>\$103,258</b>	<b>\$105,010</b>	<b>\$123,795</b>	<b>\$167,801</b>	<b>\$289,515</b>
19,798	20,831	27,154	49,571	146,651
29,497	18,417	12,583	11,347	9,486
<b>51,124</b>	<b>57,678</b>	<b>71,450</b>	<b>112,148</b>	<b>225,474</b>
0.1%	5.6%	8.8%	17.5%	14.6%
<b>0.2%</b>	<b>10.7%</b>	<b>15.6%</b>	<b>27.8%</b>	<b>19.7%</b>

## Intentionally innovative...

As a world-class manufacturer and supplier of discrete semiconductor products, we supply our clients with an impressive portfolio of high-density diodes, transistors and application specific arrays. But we're not stopping here. Instead, we're continuing to position Diodes as an innovation leader—having increased our **research and development** investment to nearly \$4 million this past year alone!

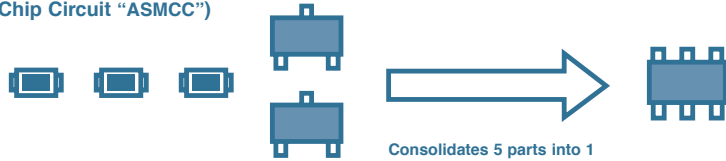


## Intentionally productive...

As a result, we successfully introduced over 200 new part numbers in 2005, expanding our discrete product offerings while extending our reach into adjacent technologies such as analog and mixed signal. But we're not stopping here. Instead, we're working diligently to develop higher margin, differentiated

products—products that will deliver unimagined performance for our customers’ next-generation products as well as our bottom line!

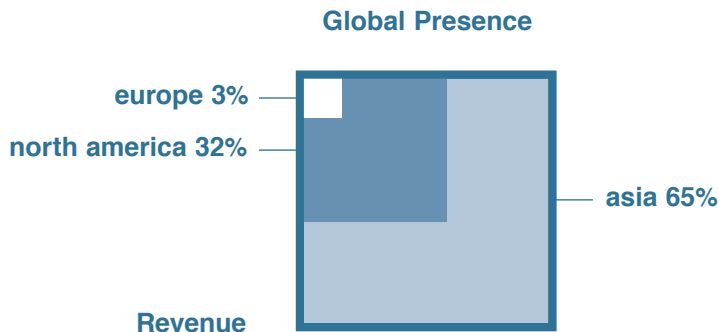
**Multi-Chip Packaging Products**  
(Application-Specific Multi-Chip Circuit “ASMCC”)



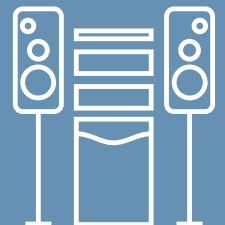
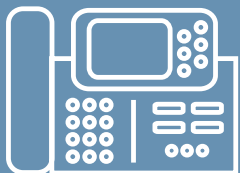
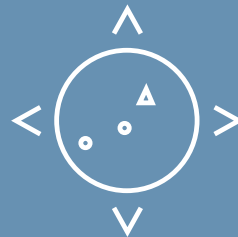
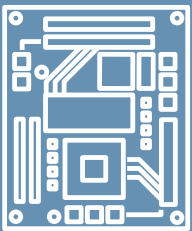
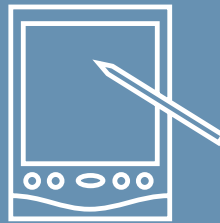
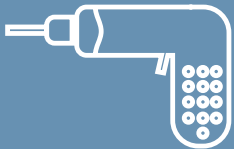
## Intentionally responsive...

## And just who are our customers?

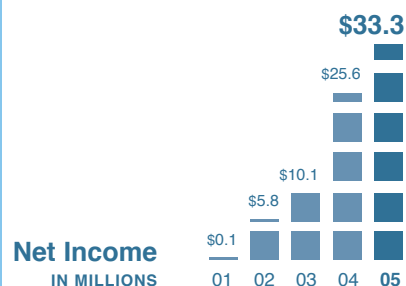
At Diodes, we sell to an incredibly diverse set of end users worldwide: market leaders in the consumer electronics, computer, telecommunications, industrial and automotive industries. To build relationships that enable us to offer service through innovation and customization, we’re strengthening our global presence. And, we’re not stopping here. Instead, we’re doing more than responding,... we're anticipating—by developing next-generation products that will advance our customers’ technologies—and increase our profitability.



# intentionally profitable



**We are controlling our costs. We have a sizable offering of product. And we deliver superior, experienced service by working directly with our customer base. But we're not stopping here—not by a long shot. Instead, ours is a long-term strategy intended to grow the company's position as a technology innovator and performance leader for discrete and analog semiconductors, while growing more and more profitable in the process. And that's more than just good intentions—that's intentionally innovative, productive, responsive, profitable, and ... intentionally discreet.**



# Dear Shareholders

## Letter from our Chairman of the Board

Fiscal 2005 was another remarkable year for Diodes. Our market position, new products and global distribution network delivered positive results for our investors and customers. When Dr. Keh-Shew Lu assumed the position of President and CEO in June of 2005, he joined a team that had consistently outperformed its competitors, and increased the Company's share of the discrete semiconductor market while creating substantial shareholder value. Dr. Lu's charter was not to change the direction of the Company, but rather to build on the Company's existing strengths to take Diodes to the next level of success. We are pleased to say that we are on track with this endeavor.

Our corporate strategy is designed to generate profitable growth. Our philosophy balances the fundamental responsibility to generate profits for our shareholders with the needs of our customers.

By this measure, 2005 was an excellent year for Diodes, Inc.

- Revenues increased 15.6% to \$214.8 million from \$185.7 million in 2004.
- Our gross margins improved by 190 basis points to 34.6% from 32.7%, a year ago.
- Net income increased 30.4% to a Company record \$33.3 million, compared with \$25.6 million a year ago, as earnings per share increased to \$1.29 from \$1.10.
- We generated \$50.1 million in cash from operations versus \$29.3 million in 2004.
- Our balance sheet strengthened with cash and short-term investments of nearly \$114 million versus \$19.0 million last year.
- And shareholder equity more than doubled to \$225.9 million compared with \$112.1 million in 2004.

Just as importantly, 2005 was a year in which Diodes set the stage for our next phase of corporate growth. We strengthened our senior management team, significantly expanded our manufacturing capacity, extended our global sales footprint, and laid the groundwork to enter exciting new adjacent markets. Through our successful follow-on offering, we gained the financial strength to aggressively pursue strategic initiatives. In 2006, we intend to capitalize on those opportunities and hope to enjoy further success.

Sincerely,



Raymond Soong  
Chairman of the Board



## Letter from our New President and CEO

It's great to be at Diodes and I am excited to be on this winning team. We expect to build on this favorable momentum during fiscal 2006, as we continue to focus on "Profitable Growth." We plan to achieve Profitable Growth by realizing cost efficiencies, developing innovative technology, driving new products, and expanding our customer base.

### Cost Reduction

Diodes' modern, flexible, low-cost manufacturing in mainland China provides us with a core strategic advantage as we provide our customers with the highest quality devices at competitive costs. In both our wafer fabrication and packaging facilities, the Diodes' team is focused on achieving continuous improvements in quality, productivity and yield. During 2005, we invested nearly \$25 million in new manufacturing capacity, and increased our total output by 52% to over 8 billion devices a year. Our flexible, customer-centered approach means that we can quickly reconfigure this capacity as dictated by customer requirements. As a result, we are able to deliver devices of outstanding reliability for high-volume applications within very tight delivery schedules. All of these factors position Diodes as a premier supplier with our OEM customers.

### Technology Innovation

As a result of our R&D efforts over the past several years, Diodes has established a reputation as an innovation leader in discrete technologies. The ongoing miniaturization of consumer electronics and computing devices has created tremendous demand for products that can help our customers achieve enhanced performance and energy efficiency, while shrinking printed circuit board real estate. High performance, proprietary platforms such as our **PowerDI™123**, **PowerDI™5** and **DFN** ultra-miniature Quad Flat No-Lead packages have set new industry standards. And we continue to break new ground in multi-chip integration with our ASMCC (Application Specific Multi-Chip Circuit) devices and our recently introduced series of Complex Arrays. These products extend our multi-chip integration capabilities with arrays that combine multiple functions into one single, smaller, consolidated package. We have achieved outsized returns from our investment in research and development, and plan to increase that investment from 1.7% of our sales in 2005 to approximately 2.5% in 2006. This will enable us to extend our reach into analog and mixed signal devices, which offer tremendous opportunities for profitable growth.

### New Products

During 2005, we successfully introduced over 200 new part numbers, which have been embraced by our customers and constituted nearly 16% of total revenues for 2005. Our applications engineers worked with our customers to make sure they understood how they could use our products to improve the performance and efficiency of their next generation electronic devices. In many cases, we were able to save our customers money while enhancing Diodes' margins, as we migrated them to our next generation devices such as the ASMCC. For 2006, we expect to continue to introduce a significant number of new products that leverage our existing breakthrough discrete packages, as well as other technologies that are under devel-

opment. In addition, we will soon be coming to market with a range of new analog and power management products from our internal development efforts and the new linear analog capabilities that we gained with the January 2006 acquisition of Anachip Corporation.

### Expanded Customer Base

Diodes' customer service culture and manufacturing excellence have enabled us to build a customer base that spans the industry leaders in computing, consumer electronics, communications and automotive sectors. Roughly 70% of our sales go directly to OEM customers, while the remaining 30% of our sales go through our network of global distributors. This closeness to the customer enables us to be more effective in solving design issues, meeting tight turnaround requirements, and anticipating our customers' future needs. In fact, our customers directly set the pace for our R&D focus. During 2005, we continued to expand our Asia sales and engineering teams, while strengthening our distribution network in Europe. Diodes' global reach means that we can effectively work with global manufacturers whose design, manufacturing and logistics span multiple countries around the world. And our move into adjacent technologies, such as analog and mixed signal, will enable us to deliver even more value to them.

### The Next Level of Success

So what is the next phase of Diodes' growth strategy? Acquisitions of companies with adjacent technology to our discrete products will be an important element of our strategy, with an initial focus on standard analog product that would leverage our strengths in cost efficient packaging and enable us to rapidly build share with our existing customer base. Over time, we intend to expand that reach into proprietary analog and mixed signal products that will support continued margin improvement.

The acquisition of Anachip fits dead center with this strategy. Anachip's main product focus is Power Management solutions. They bring an excellent design team with strong capabilities in a range of targeted analog and power management technologies. We expect significant synergies to be obtained as we integrate Anachip with our operations. This includes growth opportunities from offering their devices to our global customer base and significant cost synergies as we transition production from the current outsourced packaging to Diodes' state-of-the art facilities.

Anachip is the first of what we expect will be several acquisitions that enable us to accelerate our organic growth while leveraging our innovative discrete component technology, our world-class packaging capabilities and our sales and marketing channels. In broad terms, we intend to apply the same strategy that has served us so well in the discrete market to establish a presence and then rapidly grow our share in the analog and mixed signal arena. Based on input from our customers, we can see a wide range of opportunities for growth in this arena in the years ahead.

### Increasing Market Recognition

We are also pleased to report that Diodes' market and financial success has received recognition during the past 12 months from leading publications and awards. These include:

- Rising to 26th in Forbes Magazine's 200 Best Small Companies List for 2005.
- Ranking 10th Among Fortune Small Business Magazine's List of Fastest Growing Small Companies.
- Ranking 45th in Business 2.0 Magazine's Fastest-Growing Technology Companies.
- Ranking 28th in BusinessWeek Magazine's 2005 List of 100 Best Small Companies.
- Opening bell ceremonies at Nasdaq Stock Market.
- Ranking 14th in Electronic Business Magazine's 30 Best Small Electronics Companies.
- Ranking 19th in Los Angeles Business Journal's 2005 List of L.A.'s Largest Technology Firms and 87th in their List of Largest Public Companies.

We remain cognizant that such recognition is based on superior financial results, and our management team is focused on sustaining our achievements going forward.

As we head into 2006, demand for discrete semiconductors continues to be robust and Diodes is well-positioned to capture opportunities for future growth. We are putting our strategy into action by aggressively introducing new products, leveraging our strengths in next-generation multi-chip devices, distinguishing ourselves through our intense customer service, and expanding our manufacturing capacity. In the discrete segment, we believe that we are positioned in the right markets, with the right products, in order to fully exploit the growth opportunities created by the ongoing miniaturization and convergence of computing and consumer electronics devices. As we move into the analog and mixed signal markets, we expect to sustain our growth while gradually moving toward higher margined products. In summary, we look forward to "Profitable Growth" in 2006.

We would like to close by thanking all of Diodes' shareholders, customers and employees for making our success possible. We are very pleased to make a contribution to this winning team, and can assure our shareholders that your interests are at the core of our philosophy for operating and growing Diodes' top- and bottom-line for the future.

Sincerely,



A handwritten signature in blue ink that reads "Keh Shew Lu". The signature is fluid and cursive, written over a light blue background.

Dr. Keh-Shew Lu  
President and  
Chief Executive Officer

## Corporate Governance Highlights

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

### Key information about our corporate governance policies and commitments:

- Majority of Board members and Board committee members are independent
- Board adopted a Code of Business Conduct
- Board committee charters clearly establish respective roles and responsibilities
- Audit Committee established policies for auditor independence
- Moss Adams LLP, our independent registered public accountant firm, reports directly to the Audit Committee, and any non-audit services performed do not interfere with their independence
- Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and approves such transactions

- Audit Committee members meet regularly with internal and external auditors, without the presence of the Company's management
- Internal Audit Manager reports directly to Audit Committee
- Through internal audit control function, we monitor compliance with our global financial policies and practices over critical areas, including: internal controls, financial accounting and reporting, fiduciary accountability, and safeguarding of our corporate assets
- A whistle-blower hotline has been established as a confidential means for employees to address issues to the Audit Committee regarding our Company's accounting, internal accounting controls and auditing practices

- The Board adopted a Code of Ethics for the Chief Executive Officer and all members of our finance department, including the principal financial/accounting officer
- Compensation Committee makes recommendations to the Board regarding compensation, benefits and incentive arrangements for officers
- Nominating Committee recommends director nominees to be selected by the Board

Our culture demands integrity and an unyielding commitment to strong internal practices and policies.

**We thank you for the confidence you have placed in us.**

**2005**

**Form 10-K**

**DIODES**  
INCORPORATED™

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **December 31, 2005**.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 1-5740

**DIODES INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**3050 East Hillcrest Drive**  
**Westlake Village, California**  
(Address of principal executive offices)

**91362**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, Par Value \$0.66 2/3**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Security Act. Yes   
No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes   
No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See Definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the 12,692,093 shares of Common Stock held by non-affiliates of the registrant, based on the closing price of \$20.80 per share of the Common Stock on the Nasdaq National Market on June 30, 2005, the last business day of the registrant's most recently completed second quarter, was approximately \$263,995,540. The number of shares of the registrant's Common Stock outstanding as of March 8, 2006 was 25,474,913.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2006 annual meeting of stockholders are incorporated by reference into Part III of this Report. The proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2005.