MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEETS

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

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

CONSOLIDATED STATEMENT OF INCOME

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

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTE 2 INVENTORIES

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

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

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

NOTE 4 BANK CREDIT AGREEMENT AND LONG-TERM DEBT

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

NOTE 5 ACCRUED LIABILITIES

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

NOTE 6 VALUATION OF FINANCIAL INSTRUMENTS

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

NOTE 7 INCOME TAXES

The components of the income tax provisions are as follows:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 INCOME TAXES (Continued)

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

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

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

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

NOTE 8 STOCK OPTION PLANS

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

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

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

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

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

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

NOTE 9 MAJOR SUPPLIERS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

NOTE 11 SEGMENT INFORMATION

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 SEGMENT INFORMATION (Continued)

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

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

NOTE 12 COMMITMENTS and CONTINGENCIES

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

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

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

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

NOTE 13 EMPLOYEE BENEFIT PLANS

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

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

NOTE 14 MANAGEMENT INCENTIVE AGREEMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 MANAGEMENT INCENTIVE AGREEMENTS (Continued)

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

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

NOTE 15 BUSINESS ACQUISITION

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

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

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

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

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

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

NOTE 16 SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

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

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

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS AND STOCKHOLDERS
DIODES INCORPORATED AND SUBSIDIARIES

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

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

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

Moss Adams, LLP

Moss Adams LLP

Los Angeles, California
January 30, 2001

DIRECTORS

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

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

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

DAVID LIN
Chief Executive Officer,
The Lite-On Group

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

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

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

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

EXECUTIVE OFFICERS

C.H. CHEN
President and Chief Executive Officer

JOSEPH LIU
Vice President, Far East Operations

MARK A. KING
Vice President, Sales and Marketing

CARL WERTZ
Chief Financial Officer, Treasurer
and Secretary

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

DISTRIBUTION NETWORK

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

SHAREHOLDER INFORMATION

Diodes Incorporated common stock is listed and traded on the Nasdaq National Market (Nasdaq: DIOD).

No cash dividends have been declared or paid. The Company currently intends to retain any earnings for use in its businesses.

FORM 10-K
A copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission, is available upon request to:
Investor Relations
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diodes-fin@diodes.com

2000

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

1999

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

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

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Transfer and
Trust Company
New York, New York

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

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