



FOR IMMEDIATE RELEASE

## **Diodes Incorporated Reports Record Second Quarter 2004 Earnings**

- *41% year-over-year revenue increase is 5<sup>th</sup> consecutive record quarter*

**Westlake Village, California, July 28, 2004** – Diodes Incorporated (Nasdaq: **DIOD**), a leading manufacturer and supplier of high quality discrete semiconductors, today reported record financial results for the second quarter ended June 30, 2004.

### **Second Quarter Highlights:**

- Net income increases 182% to a record \$6.1 million, or \$0.40 per share, up from \$2.2 million, or \$0.15 per share, in 2Q03.
- Revenue increases 41.4% year-over-year and 13.5% sequentially to a record \$47.0 million.
- Gross margin improves 120 basis points sequentially to 32.0%.
- PowerDI™123 and SOT-563 product lines are rolled-out.

Revenues for the second quarter of 2004 were a record \$47.0 million, a sequential increase of 13.5% from the first quarter of 2004, and an increase of 41.4% from the second quarter of 2003. Net income for the quarter increased 182% to a record \$6.1 million, compared to \$2.2 million for the three months ended June 30, 2003, and rose 26.1% sequentially. Diluted earnings per share were \$0.40 for the second quarter of 2004, compared with \$0.15 for the second quarter of 2003 and \$0.32 for the first quarter of 2004.

Revenues for the first six months of 2004 increased 40.9% to \$88.4 million, compared to \$62.8 million in the same period last year. Net income for the first half of 2004 increased 168% to \$10.9 million or 12.4% of sales, compared to \$4.1 million or 6.5% of sales in the same period last year. Diluted earnings per share were \$0.72 for the first six months of 2004, compared to \$0.29 for the same period last year.

Commenting on the quarter, C.H. Chen, President and CEO of Diodes Incorporated, said, “Our second quarter results exceeded our highest expectations as revenues were at a record level for the fifth consecutive quarter. Revenue and market share reached new highs and increased sales of our innovative value-added products expanded our gross margins. Our book-to-bill remains above one and design wins continue at a brisk pace. Given this strong order flow and accelerating demand from emerging consumer electronics markets, we expect top- and bottom-line growth to continue in the second half of the year.”

### **End-Markets**

“Diodes’ revenue growth in the second quarter was driven by strong product demand for the Company’s innovative space and power-saving subminiature devices across a wide range of consumer electronics and computing categories as well as the automotive end-user market. Diodes products used in TFT display, inverter and notebook applications were particularly strong as we continue to gain share. In addition, Powermite®3 revenue more than doubled in the

quarter, as our previous design wins entered production, and our new SOT563 series, introduced last quarter, continues to roll out to a strong reception. Geographically, demand remained strong in Asia and North America, which accounted for 58% and 39% of total revenues, respectively. And the Company continued to make inroads in Europe, which accounted for 3% of total revenues,” said Mark King, Vice President of Sales and Marketing of Diodes Incorporated.

### **Design Wins and New Products**

During the quarter, design wins continued to come from a wide range of consumer electronics-related end-user markets as well as the automotive and industrial sectors. In addition to the seasonally strong mobile handset, digital camera and digital audio player end-markets, growth consumer technologies, such as digital cable, high-definition television and WiFi networking are driving demand for Diodes’ devices from the makers of set-top boxes, LCD and TFT displays, and wireless LANs.

“In Europe we had significant design wins with four key accounts, including our first win with our second major branded handset manufacturer, a custom array win at a major industrial account, and our first approvals at a well known consumer electronics manufacturer. Our ability to work closely with individual customers and to develop products tailored to their needs is driving demand for our arrays,” added Mr. King.

### **Factory Utilization and Lead Time**

“Our factories are running near capacity and lead times are lengthening slightly. We are adding capacity in a disciplined manner and reshaping our existing capacity toward higher-margin devices to meet demand,” commented Mr. Chen.

Gross profit for the second quarter of 2004 increased to \$15.0 million, or 32.0% of sales, compared to \$12.8 million, or 30.8% of sales, in the first quarter of 2004 and \$8.3 million, or 25.1%, in the second quarter of 2003. The improvements in gross margin were due to a more favorable product mix, increased factory utilization manufacturing cost efficiencies.

For the quarter, SG&A expenses were \$6.4 million, or 13.6% of sales, as compared to \$4.8 million, or 14.3% of sales, in the comparable quarter last year. Research and development expenses climbed to \$815,000, or 1.7% of revenue, from \$400,000, or 1.2%, in the second quarter of 2003, as the Company continues to focus on bringing new products to market.

Operating income for the second quarter increased 149% to \$7.8 million, or 16.6% of sales, compared to \$3.1 million, or 9.4%, for the second quarter of 2003.

Capital expenditures for the current quarter were \$11.4 million and \$14.1 million year to date. Depreciation expense for the quarter was \$3.0 million. As the strong market demand continues, we are increasing planned capital expenditures to \$20-24 million for the full year.

At June 30, 2004, Diodes had \$14.6 million in cash, \$33.1 million in working capital and \$9.7 million in term debt. For the first six months of 2004, shareholder equity increased 20.8% to \$86.3 million. Cash flow from operations was \$13.8 million in the first half of 2004.

## **Business Outlook**

“Entering the third quarter, shipments and orders for delivery remain relatively strong in both Asia and North America, and our book-to-bill ratio is above one. Order cycles are lengthening and distributor inventory remains at relatively low levels for discretely. Given these factors, and coming off five consecutive record revenue quarters including this quarter’s 13.5% sequential growth, we are projecting another record revenue quarter with a 2-5% sequential increase. In addition, we are forecasting a slight sequential expansion in gross margins due to better product mix, new product revenue expansion, and manufacturing cost efficiencies with continued earnings per share improvement.” Chen concluded.

## **Conference Call**

*Diodes Incorporated will hold its second 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](http://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](http://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 June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Net sales	\$ 33,316,000	\$ 47,012,000	\$ 62,762,000	\$ 88,442,000
Cost of goods sold	24,970,000	31,984,000	46,955,000	60,664,000
Gross profit	8,346,000	15,028,000	15,807,000	27,778,000
Selling, general and administrative expenses	4,777,000	6,417,000	9,009,000	11,908,000
Research and development expenses	400,000	815,000	746,000	1,562,000
Loss (gain) on sale of fixed assets	32,000	(8,000)	(56,000)	15,000
Total operating expenses	5,209,000	7,224,000	9,699,000	13,485,000
Income from operations	3,137,000	7,804,000	6,108,000	14,293,000
Other income (expense)				
Interest income	5,000	8,000	9,000	10,000
Interest expense	(223,000)	(153,000)	(472,000)	(337,000)
Other	(7,000)	24,000	(96,000)	(124,000)
	(225,000)	(121,000)	(559,000)	(451,000)
Income before income taxes and minority interest	2,912,000	7,683,000	5,549,000	13,842,000
Income tax benefit (provision)	(651,000)	(1,383,000)	(1,268,000)	(2,543,000)
Income before minority interest	2,261,000	6,300,000	4,281,000	11,299,000
Minority interest in joint venture earnings	(89,000)	(177,000)	(187,000)	(319,000)
Net income	\$ 2,172,000	\$ 6,123,000	\$ 4,094,000	\$ 10,980,000
Earnings per share				
Basic	\$ 0.17	\$ 0.46	\$ 0.33	\$ 0.83
Diluted	\$ 0.15	\$ 0.40	\$ 0.29	\$ 0.72
Weighted average shares outstanding				
Basic	12,678,194	13,265,146	12,575,166	13,180,992
Diluted	14,268,400	15,329,760	14,058,761	15,306,089

**DIODES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET**

**ASSETS**

	<b>December 31, 2003</b>	<b>June 30, 2004</b>
		(Unaudited)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,847,000	\$ 14,586,000
Accounts receivable		
Customers	27,010,000	32,428,000
Related parties	3,938,000	4,892,000
	30,948,000	37,320,000
Less: Allowance for doubtful receivables	375,000	374,000
	30,573,000	36,946,000
Inventories	16,164,000	19,650,000
Deferred income taxes, current	5,547,000	5,734,000
Prepaid expenses and other current assets	2,256,000	2,294,000
Prepaid income taxes	446,000	238,000
	67,833,000	79,448,000
<b>PROPERTY, PLANT AND EQUIPMENT</b> , at cost, net of accumulated depreciation and amortization	47,893,000	55,436,000
<b>DEFERRED INCOME TAXES</b> , non-current	1,816,000	1,296,000
<b>OTHER ASSETS</b>		
Goodwill	5,090,000	5,090,000
Other	1,163,000	1,763,000
	\$ 123,795,000	\$ 143,033,000
<b>TOTAL ASSETS</b>	<b>\$ 123,795,000</b>	<b>\$ 143,033,000</b>

**DIODES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>December 31, 2003</b>	<b>June 30, 2004</b>
		<b>(Unaudited)</b>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 8,488,000	\$ 7,661,000
Accounts payable		
Trade	14,029,000	16,567,000
Related parties	3,453,000	4,804,000
Accrued liabilities	8,715,000	13,003,000
Current portion of long-term debt		
Related party	2,500,000	2,500,000
Other	3,333,000	1,667,000
Current portion of capital lease obligations	161,000	163,000
Total current liabilities	40,679,000	46,365,000
<b>LONG-TERM DEBT</b> , net of current portion		
Related party	3,750,000	2,500,000
Other	3,000,000	3,000,000
<b>CAPITAL LEASE OBLIGATIONS</b> , net of current portion	2,334,000	2,242,000
<b>MINORITY INTEREST IN JOINT VENTURE</b>	2,582,000	2,600,000
<b>STOCKHOLDERS' EQUITY</b>		
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 14,930,159 shares issued at December 31, 2003 and June 30, 2004, respectively	6,502,000	6,704,000
Additional paid-in capital	11,192,000	14,793,000
Retained earnings	55,779,000	66,759,000
	73,473,000	88,256,000
Less:		
Treasury stock – 1,613,508 shares of common stock, at cost	1,782,000	1,782,000
Accumulated other comprehensive loss	241,000	148,000
	2,023,000	1,930,000
Total stockholders' equity	71,450,000	86,326,000
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 123,795,000	\$ 143,033,000

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