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DATA I/O CORP
Form 8-K
October 25, 2004

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

Date of Report (Date of earliest event reported): October 22, 2004

Data I/O Corporation
(Exact name of registrant as specified in its charter)

Washington
(State of other jurisdiction of incorporation)

0-10394
(Commission File Number)

91-0864123
(IRS Employer Identification No.)

10525 Willows Road N.E., Redmond, WA 98052
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (425) 881-6444

Not Applicable
(Former name or former address, if changed since last report)

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Item 2.02 Results of Operation and Financial Condition

A copy of a press release made on October 22, 2004 follows:

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DATA I/O ANNOUNCES THIRD QUARTER 2004 FINANCIAL RESULTS

Redmond, WA. (Oct. 22, 2004) - Data I/O Corporation (NASDAQ: DAIO), the leading provider of manual and automated device programming systems, today announced financial results for the third quarter ended Sept. 30, 2004.

Revenues were \$7.8 million, up 12.6 percent from the \$6.9 million reported in the second quarter of 2004. Third quarter gross margins increased to 54.5 percent, up from the 50.9 percent reported in the prior quarter. The higher gross margins were primarily a result of increased direct sales in Europe and Asia, a more favorable product mix and material cost savings.

In accordance with U.S. generally accepted accounting principles (GAAP), net income for the third quarter of 2004 was \$93,000 or \$0.01 per share, compared with net income of \$104,000 or \$0.01 per share in the second quarter of 2004. The company took a restructuring charge of \$432,000 or \$0.05 per share during the third quarter, related to a reduction in the work force announced Aug. 2, 2004. Excluding the restructuring charge, the company's operating income was 7.3% of sales, in line with the company's expectations.

Total cash and short-term investments were \$6.2 million at Sept. 30, 2004. The company remains debt-free.

"We are pleased with our continued growth and the fact that we achieved our highest quarterly revenues since the fourth quarter of 2000 while recording our eighth consecutive quarter of profitability," said Fred Hume, president and CEO. "We saw stronger customer activity from Asia, which remained our largest overall revenue contributor. We believe this growth continues to validate our investment in that region, which is the fastest growing manufacturing center in the world.

"We began revenue shipments of our new in-systems programming (ISP) product solution to a major industrial controls manufacturer in the U.S. Initially, our ISP solution will focus on applications and devices that use access methods to the devices that are not currently supported by JTAG tools vendors. The new product satisfies an unmet need for an ISP solution that can be easily integrated with other test products in a manufacturing environment," Hume said.

Guidance for the Fourth Quarter

Data I/O currently expects that financial results for the fourth quarter will generally be in line with operating results for the third quarter.

Conference Call Information

A conference call discussing the third quarter of 2004 financial results will follow this release today at 8:00 a.m. Pacific time/11:00 a.m. Eastern time. To listen to the call, please dial (212) 287-1617, passcode: Data I/O. A taped replay will be made available approximately one hour after the conclusion of the call and will remain available for one week. To access the replay, dial (203) 369-0515, access code: Data I/O. The conference call will also be simultaneously webcast over the Internet; visit the Investor Relations section of the Data I/O

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Corporation website at <http://www.dataio.com> to access the call from the site. This webcast will be recorded and available for replay on the Data I/O Corporation website approximately two hours after the conclusion of the conference call for approximately one year.

About Data I/O Corporation

Celebrating more than 30 years of innovative leadership in the device programming industry, Data I/O Corporation (NASDAQ: DAIO), provides manual and automated device programming systems that specifically address the requirements of engineering and manufacturing customers. FlashCORE(TM), Sprint and UniSite families provide a wide range of device support and versatility to address a user's many different programming needs. Data I/O Corporation has headquarters in Redmond, WA, with sales and services offices worldwide. For further information, visit the company's website at <http://www.dataio.com>.

Forward Looking Statement

Statements in this news release concerning future revenues, future results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. These factors include uncertainties as to levels of orders, ability to record revenues based upon the timing of product deliveries and installations, market acceptance of new products, changes in economic conditions and market demand, pricing and other activities by competitors, and other risks including those described from time to time in the Company's filings on Forms 10K and 10Q with the Securities and Exchange Commission (SEC), press releases and other communications.

- Summary Financial Data Attached -

DATA I/O CORPORATION COMPARATIVE STATEMENTS OF EARNINGS (in thousands except per share data)

	Third Quarter			9/30/2004
	9/30/2004	9/30/2003	Percent Change	
Net sales	\$7,765	\$5,578	22.1%	\$21
Gross margin	4,232	3,299	27.2%	11
Gross margin as percent of sales	54.5%	52.3%	2.2%	5
Operating expenses:				
Research & development	1,262	1,294	-2.5%	3
Selling, general and administrative	2,405	1,823	31.9%	6
Provision for business restructure	432	0		
Operating income (loss)	133	420		
Non-operating income (expense):				
Interest, net	(12)	15		

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Foreign currency exchange	(26)	(21)	

Income/(loss) from operations before taxes	95	205	
Income tax expense	2	(114)	

Net income/(loss)	93	319	
=====			

Total diluted earnings/(loss) per share	\$0.01	\$0.04	\$
=====			
Diluted weighted average shares outstanding	8,386	8,243	8

DATA I/O CORPORATION
CONDENSED BALANCE SHEET
(in thousands)

	9/30/2004

Cash and cash equivalents	\$4,936
Short-term investments	1,298
Accounts receivable, net	6,417
Inventories	3,454
Other current assets	315
Property, plant and equipment, net	1,622
Other long-term assets, net	29

Total assets	\$18,071
	=====
Current liabilities	\$5,452
Deferred gain on sale of property	858
Shareholders' equity	11,761

Total liabilities and shareholders' equity	\$18,071
	=====

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.

Data I/O Corporation

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October 22, 2004

By /s/Frederick R. Hume

Frederick R. Hume
President
Chief Executive Officer

By /s/Joel S. Hatlen

Joel S. Hatlen
Vice President - Finance
Chief Financial Officer
Secretary and Treasurer