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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

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: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**95-2039518**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
4949 Hedgcoxe Road, Suite 200, Plano, Texas	**75024**
(Address of principal executive offices)	**(Zip code)**

(972) 987-3900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.66 2/3	**DIOD**	**The NASDAQ Stock Market LLC**

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The number of shares of the registrant's Common Stock outstanding as of October 29, 2021 was 45,017,765.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements.
DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 280,543	$ 268,065
Restricted cash	4,295	52,464
Short-term investments	7,364	6,142
Accounts receivable, net of allowances of $3,887 and $3,806 at September 30, 2021 and December 31, 2020, respectively	348,688	320,061
Inventories	322,088	307,062
Prepaid expenses and other	100,905	70,193
Total current assets	1,063,883	1,023,987
Property, plant and equipment, net	540,520	530,815
Deferred income tax	52,436	57,841
Goodwill	149,592	158,331
Intangible assets, net	98,570	110,591
Other long-term assets	136,908	97,892
Total assets	$ 2,041,909	$ 1,979,457
Liabilities		
Current liabilities:		
Lines of credit	$ 15,690	$ 140,563
Accounts payable	195,098	168,045
Accrued liabilities and other	179,908	160,117
Income tax payable	35,525	19,177
Current portion of long-term debt	18,404	21,860
Total current liabilities	444,625	509,762
Long-term debt, net of current portion	218,000	288,179
Deferred tax liabilities	34,729	34,598
Other long-term liabilities	127,442	130,795
Total liabilities	824,796	963,334
Commitments and contingencies (See Note 9)		
Stockholders' equity		
Preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - par value $0.66 2/3 per share; 70,000,000 shares authorized; and 45,015,853 shares and 44,276,194 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	36,194	35,692
Additional paid-in capital	463,748	449,598
Retained earnings	1,051,296	888,046
Treasury stock at cost, 9,272,513 shares at September 30, 2021 and 9,259,858 shares at December 31, 2020	(336,894)	(335,910)
Accumulated other comprehensive loss	(58,281)	(73,606)
Total stockholders' equity	1,156,063	963,820
Noncontrolling interest	61,050	52,303
Total equity	1,217,113	1,016,123
Total liabilities and stockholders' equity	$ 2,041,909	$ 1,979,457

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

DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net sales	$ 471,422	$ 309,459	$ 1,324,991	$ 878,845
Cost of goods sold	290,191	198,369	845,322	570,421
Gross profit	181,231	111,090	479,669	308,424
Operating expenses				
Selling, general and administrative	67,803	44,651	186,759	132,238
Research and development	31,458	24,469	89,104	69,469
Amortization of acquisition related intangible assets	4,056	4,007	12,139	12,249
Other operating expense (income)	667	108	1,673	(108)
Total operating expense	103,984	73,235	289,675	213,848
Income from operations	77,247	37,855	189,994	94,576
Other income (expense)				
Interest income	765	138	2,351	579
Interest expense	(1,417)	(3,745)	(6,298)	(7,643)
Foreign currency gain (loss), net	805	(2,618)	(984)	(6,143)
Unrealized gain on investments	5,922	-	14,838	-
Other income	2,244	1,627	6,398	2,902
Total other income (expense)	8,319	(4,598)	16,305	(10,305)
Income before income taxes and noncontrolling interest	85,566	33,257	206,299	84,271
Income tax provision	14,766	5,871	36,320	15,097
Net income	70,800	27,386	169,979	69,174
Less net income attributable to noncontrolling interest	(2,376)	(234)	(6,729)	(821)
Net income attributable to common stockholders	$ 68,424	$ 27,152	$ 163,250	$ 68,353
Earnings per share attributable to common stockholders:				
Basic	$ 1.52	$ 0.52	$ 3.65	$ 1.33
Diluted	$ 1.50	$ 0.51	$ 3.59	$ 1.30
Number of shares used in earnings per share computation:				
Basic	44,986	51,825	44,689	51,563
Diluted	45,642	52,729	45,507	52,612

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 70,800	$ 27,386	$ 169,979	$ 69,174
Unrealized gain (loss) on defined benefit plan, net of tax	851	288	7,706	(6,563)
Unrealized gain (loss) on swaps and collars, net of tax	1,052	212	2,851	(409)
Unrealized foreign currency (loss) gain, net of tax	(4,343)	20,887	4,768	18,006
Comprehensive income	68,360	48,773	185,304	80,208
Less: Comprehensive income attributable to noncontrolling interest	(2,376)	(234)	(6,729)	(821)
Total comprehensive income attributable to common stockholders	$ 65,984	$ 48,539	$ 178,575	$ 79,387

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

DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands)

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated stockholders' equity	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount						
Balance, June 30 2021	53,994	$ 35,998	(9,263)	$ (336,128)	$ 455,683	$ 982,872	$ (55,841)	$ 1,082,584	$ 60,413	$ 1,142,997
Total comprehensive income	-	-	-	-	-	68,424	(2,440)	65,984	2,376	68,360
Net changes in noncontrolling interests	-	-	-	-	-	-		-	167	167
Dividends to noncontrolling interests	-	-	-	-	-	-	-	-	(1,906)	(1,906)
Common stock issued for share-based plans	295	196	-	-	2,038	-	-	2,234	-	2,234
Share-based compensation	-	-	-	-	9,965	-	-	9,965	-	9,965
Deferred compensation plan	-	-	(10)	(766)	766	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(4,704)	-	-	(4,704)	-	(4,704)
Balance, September 30, 2021	54,289	$ 36,194	(9,273)	$ (336,894)	$ 463,748	$ 1,051,296	$ (58,281)	$ 1,156,063	$ 61,050	$ 1,217,113
Balance, December 31, 2020	53,536	$ 35,692	(9,260)	$ (335,910)	$ 449,598	$ 888,046	$ (73,606)	$ 963,820	$ 52,303	$ 1,016,123
Total comprehensive income	-	-	-	-	-	163,250	15,325	178,575	6,729	185,304
Net changes in noncontrolling interests	-	-	-	-	(22)	-	-	(22)	4,174	4,152
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(2,156)	(2,156)
Common stock issued for share-based plans	753	502	-	-	3,835	-	-	4,337	-	4,337
Share-based compensation	-	-	-	-	24,103	-	-	24,103	-	24,103
Deferred compensation plan	-	-	(13)	(984)	984	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(14,750)	-	-	(14,750)	-	(14,750)
Balance, September 30, 2021	54,289	$ 36,194	(9,273)	$ (336,894)	$ 463,748	$ 1,051,296	$ (58,281)	$ 1,156,063	$ 61,050	$ 1,217,113

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

DIODES INCORPORATED AND SUBSIDIARIES (CONT.)
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands)

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated stockholders' equity	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount						
Balance, June 30, 2020	53,082	$ 35,389	(1,483)	$ (38,660)	$ 433,989	$ 831,159	$ (118,492)	$ 1,143,385	$ 52,242	$ 1,195,627
Total comprehensive income	-	-	-	-	-	27,152	21,387	48,539	234	48,773
Acquisition of noncontrolling interests	-	-	-	-	-	-	-	-	2	2
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	-	-
Dividends to noncontrolling interests	-	-	-	-	-	-	-	-	-	-
Common stock issued for share-based plans	357	239	-	-	3,093	-	-	3,332	-	3,332
Share-based compensation	-	-	-	-	6,155	-	-	6,155	-	6,155
Deferred compensation plan	-	-	(11)	(545)	545	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(2,838)	-	-	(2,838)	-	(2,838)
Balance, September 30, 2020	53,439	$ 35,628	(1,494)	$ (39,205)	$ 440,944	$ 858,311	$ (97,105)	$ 1,198,573	$ 52,478	$ 1,251,051
Balance, December 31, 2019	52,664	$ 35,111	(1,457)	$ (37,768)	$ 427,262	$ 789,958	$ (108,139)	$ 1,106,424	$ 46,359	$ 1,152,783
Total comprehensive income	-	-	-	-	-	68,353	11,034	79,387	821	80,208
Acquisition of noncontrolling interests	-	-	-	-	(1,225)	-	-	(1,225)	(4,928)	(6,153)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	11,779	11,779
Dividends to noncontrolling interests	-	-	-	-	-	-	-	-	(1,553)	(1,553)
Common stock issued for share-based plans	775	517	-	-	3,880	-	-	4,397	-	4,397
Share-based compensation	-	-	-	-	17,833	-	-	17,833	-	17,833
Deferred compensation plan	-	-	(37)	(1,437)	1,437	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(8,243)	-	-	(8,243)	-	(8,243)
Balance, September 30, 2020	53,439	$ 35,628	(1,494)	$ (39,205)	$ 440,944	$ 858,311	$ (97,105)	$ 1,198,573	$ 52,478	$ 1,251,051

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

DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months September 30,	
	2021	**2020**
Cash flows from operating activities		
Net income	$ 169,979	$ 69,174
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions		
Depreciation	79,731	68,168
Amortization of intangible assets	12,139	12,249
Share-based compensation expense	24,925	18,684
Deferred income taxes	635	(10,232)
Investment gain	(15,133)	-
Other	1,206	1,235
Changes in operating assets:		
Change in accounts receivable	(27,936)	602
Change in inventory	(20,570)	(20,535)
Change in other operating assets	(16,451)	2,903
Changes in operating liabilities:		
Change in accounts payable	32,155	3,886
Change in accrued liabilities	18,353	(6,821)
Change in income tax payable	4,627	(11,013)
Change in other operating liabilities	(2,671)	(1,865)
Net cash flows provided by operating activities	260,989	126,435
Cash flows from investing activities		
Acquisitions, net of cash received	(157)	591
Purchases of property, plant and equipment	(86,150)	(48,497)
Proceeds from sale of property, plant and equipment	3,145	-
Proceeds from maturity of short-term investments	5,632	7,723
Purchases of short-term investments	(6,759)	(5,858)
Additional acquisition of noncontrolling interests	-	(6,130)
Other	(5,010)	395
Net cash and cash equivalents used in investing activities	(89,299)	(51,776)
Cash flows from financing activities		
Advances on lines of credit and short-term debt	16,138	60,647
Repayments of lines of credit and short-term debt	(142,873)	(3,667)
Proceeds from long-term debt	419,810	726,363
Repayments of long-term debt	(494,238)	(477,659)
Net proceeds from issuance of common stock	4,337	1,977
Repayment of and proceeds from finance lease obligation	(181)	(671)
Taxes paid related to net share settlement	(14,750)	(8,243)
Dividend distribution to noncontrolling interests	(2,172)	(1,565)
Capital contribution from noncontrolling interests	4,170	-
Other	(500)	(2,502)
Net cash and cash equivalents (used in) provided by financing activities	(210,259)	294,680
Effect of exchange rate changes on cash and cash equivalents	2,878	10,988
Change in cash and cash equivalents, including restricted cash	(35,691)	380,327
Cash and cash equivalents, beginning of period, including restricted cash	320,529	259,507
Cash and cash equivalents, end of period, including restricted cash	$ 284,838	$ 639,834

Supplemental Cash Flow Information

Interest paid during the period	$ 5,858	$ 6,434
Taxes paid during the period	$ 37,320	$ 42,928
Non-cash investing and financing activities:		
Accounts payable balance related to the purchase of property, plant and equipment	$ 21,685	$ 8,906

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown above. The Company's restricted cash primarily consisted of the cash required to be on deposit under our Asia credit facilities to support outstanding loan and import/export guarantees. As of September 30, 2021, restricted cash of $4.3 million was pledged as collateral for issuance of bank loans, bank acceptance notes and letters of credit.

	Nine Months Ended September 30,	
	2021	**2020**
Current assets:		
Cash and cash equivalents	$280,543	$587,643
Restricted cash (included in other current assets)	4,295	52,191
Total cash, cash equivalents and restricted cash	$284,838	$639,834

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

NOTE 1 – Summary of Operations and Significant Accounting Policies

Summary of Operations

Diodes Incorporated, together with its subsidiaries (collectively “Diodes”, the “Company,” “we” or “our” (Nasdaq: DIOD), a Standard and Poor's Smallcap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality, application specific standard products within the broad discrete, logic, analog, and mixed-signal semiconductor markets. The Company serves the consumer electronics, computing, communications, industrial, and automotive markets.

The Company’s products include diodes, rectifiers, transistors, MOSFETs, GPP bridges, GPP rectifiers, protection devices, function-specific arrays, single gate logic, amplifiers and comparators, Hall-effect and temperature sensors, power management devices, including LED drivers, AC-DC converters and controllers, DC-DC switching and linear voltage regulators, and voltage references along with special function devices, such as USB power switches, load switches, voltage supervisors, and motor controllers. The Company also has timing, connectivity, switching, and signal integrity solutions for high-speed signals.

The Company’s corporate headquarters and Americas’ sales office are located in Plano, Texas, and Milpitas, California, respectively. Design, marketing, and engineering centers are located in Plano; Milpitas; Taipei, Taoyuan City and Zhubei City, Taiwan; Shanghai; Yangzhou, China; Oldham, England; and Neuhaus, Germany. The Company’s wafer fabrication facilities are located in Oldham, England, Greenock, Scotland and Shanghai and Wuxi, China and Keelung and Hsinchu, Taiwan. The Company has assembly and test facilities located in Shanghai, Jinan, Chengdu and Wuxi, China as well as in Neuhaus, Germany and Jhongli and Keelung, Taiwan. Additional engineering, sales, warehouse, and logistics offices are located in Taipei, Taiwan; Hong Kong; Oldham, England; Shanghai, Shenzhen, Wuhan and Yangzhou, China; Seongnam-si, South Korea; and Munich, Frankfurt, Germany; with support offices throughout the world.

Our market focus is on high-growth, end-user applications in the following segments:

- Automotive: connected driving, comfort/style/safety, and electrification/powertrain
- Industrial: embedded systems, precision controls, and Industrial IoT
- Consumer: IoT, wearables, home automation, and smart infrastructure
- Communications: smart phones, 5G networks, advanced protocols, and charging solutions
- Computing: cloud computing including server, storage, and data center applications

Basis of Presentation

The condensed consolidated financial data at December 31, 2020 are derived from audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (“SEC”) on February 22, 2021 (“Form 10-K”). The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, operating results and cash flows in conformity with GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Form 10-K. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the operating results for the period presented have been included in the interim period. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2021.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. As permitted under GAAP, interim accounting for certain expenses, including income taxes, are based on full year forecasts. For interim financial reporting purposes, income taxes are recorded based upon estimated annual effective income tax rates taking into consideration discrete items occurring in a quarter.

Dollar amounts and share amounts are presented in thousands, except per share amounts, unless otherwise noted. Certain prior year’s balances may have been reclassified to conform to the current condensed consolidated financial statement presentation.

NOTE 2 – Earnings per Share

Earnings per share ("EPS") is calculated by dividing net income attributable to common stockholders by the weighted-average number of shares of Common Stock outstanding during the period. Diluted EPS is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive. During the three and nine months ended September 30, 2021 and 2020, we paid no dividends on our Common Stock.

The table below sets forth the reconciliation between net income and the weighted average shares outstanding used for calculating basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Earnings (numerator)				
Net income attributable to common stockholders	$ 68,424	$ 27,152	$ 163,250	$ 68,353
Shares (denominator)				
Weighted average common shares outstanding (basic)	44,986	51,825	44,689	51,563
Dilutive effect of stock options and stock awards outstanding	656	904	818	1,049
Adjusted weighted average common shares outstanding (diluted)	45,642	52,729	45,507	52,612
Earnings per share attributable to common stockholders				
Basic	$ 1.52	$ 0.52	$ 3.65	$ 1.33
Diluted	$ 1.50	$ 0.51	$ 3.59	$ 1.30
Stock options and stock awards excluded from EPS calculation because the effect would be anti-dilutive	-	-	-	3

NOTE 3 – Inventories

The table below sets forth inventories which are stated at the lower of cost or net realizable value:

	September 30, 2021	December 31, 2020
Finished goods	$ 90,044	$ 85,506
Work-in-progress	88,725	73,466
Raw materials	143,319	148,090
Total	$ 322,088	$ 307,062

NOTE 4 – Goodwill and Intangible Assets

The table below sets forth the changes in goodwill*:*

Balance at December 31, 2020	$ 158,331
Savitech acquisition	(9,152)
Foreign currency translation adjustment	413
Balance at September 30, 2021	$ 149,592

The decrease in goodwill is related to the payment of contingent consideration in connection with the Savitech acquisition.

The table below sets forth the value of intangible assets, other than goodwill:

	September 30, 2021	December 31, 2020
Intangible assets subject to amortization:		
Gross carrying amount	$ 246,687	$ 245,176
Accumulated amortization	(152,849)	(140,710)
Foreign currency translation adjustment	(7,635)	(7,781)
Total	86,203	96,685
Intangible assets with indefinite lives:		
Gross carrying amount	13,372	14,883
Foreign currency translation adjustment	(1,005)	(977)
Total	12,367	13,906
Total intangible assets, net	$ 98,570	$ 110,591

The table below sets forth amortization expense related to intangible assets subject to amortization:

Amortization expense	2021	2020
Three Months Ended September 30,	$ 4,056	$ 4,007
Nine Months Ended September 30,	$ 12,139	$ 12,249

NOTE 5 – Income Tax Provision

The table below sets forth information related to our income tax expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Domestic pre-tax income	$ 27,781	$ 15,053	$ 53,427	$ 28,029
Foreign pre-tax income	$ 57,785	$ 18,203	$ 152,872	$ 56,242
Income tax provision	$ 14,766	$ 5,871	$ 36,320	$ 15,097
Effective tax rate	17.3%	17.7%	17.6%	17.9%
Impact of tax holidays on tax expense	$ (174)	$ (208)	$ (1,436)	$ (1,522)
Earnings per share impact of tax holidays:				
Basic	$ -	$ -	$ 0.03	$ 0.03
Diluted	$ -	$ -	$ 0.03	$ 0.03

The decrease in the effective tax rate for the three and nine months ended September 30, 2021 when compared to the three and nine months ended September 30, 2020, is primarily attributable to the change in pre-tax earnings during the comparable periods.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of certain European and Asian subsidiaries. Any future distributions of foreign earnings will not be subject to additional U.S. income tax, but may be subject to non-U.S. withholding taxes.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2012, or for the 2015 tax year. We are no longer subject to China income tax examinations by tax authorities for tax years before 2010. With respect to state and local jurisdictions and countries outside of the U.S. (other than China), with limited exceptions, the Company is no longer subject to income tax audits for years before 2015. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company's reserve for any adjustments that may result from currently pending tax audits. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in interest expense. As of September 30, 2021, the gross amount of unrecognized tax benefits was approximately $47.3 million.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

NOTE 6 – Share-Based Compensation

For the three and nine months ended September 30, 2021, we recognized stock option expense of approximately $0.02 million and $0.06 million, respectively. This stock option expense is related to stock options granted by Savitech Corporation ("Savitech") in Savitech stock to their employees. We acquired a controlling interest in Savitech in 2020. The remainder of our share-based compensation expense was related to share grants. Approximately $4.3 million of cash proceeds were received from stock option exercises during the nine months ended September 30, 2021. The table below sets forth the line items where share-based compensation expense was recorded:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of goods sold	$ 390	$ 241	$ 946	$ 771
Selling, general and administrative	8,690	5,157	21,350	15,583
Research and development	1,081	892	2,629	2,330
Total share-based compensation expense	$ 10,161	$ 6,290	$ 24,925	$ 18,684

Share Grants – Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period. All new grants are granted under the Company's 2013 Equity Incentive Plan. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant, and compensation expense is recognized on a straight-line basis over the requisite four-year service period.

Performance stock units ("PSUs") are measured based on the fair market value of the underlying stock on the date of grant, and compensation expense is recognized over the three-year performance period, with adjustments made to the expense to recognize the probable payout percentage. PSUs will vest upon the Company achieving a cumulative 3-year non-GAAP operating income target for the applicable periods.

As of September 30, 2021, total unrecognized share-based compensation expense related to share grants was approximately $67.2 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2.2 years.

NOTE 7 – Segment Information and Net Sales

Segment Reporting. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities. We aggregate our products because the products are similar and have similar economic characteristics, use similar production processes and share similar customer type. Our primary operations include operations in Asia, North America and Europe. During the three months ended September 30, 2021, one customer, a broad-based global distributor that sells to thousands of different end users, accounted for 10% or $44.8 million of our net sales. No customer accounted for 10% or greater of our net sales during any other period presented in this Quarterly Report. No customer accounted for 10% or greater of our outstanding accounts receivable at September 30, 2021 or 2020.

The tables below set forth net sales based on the location of the subsidiary producing the net sale:

Three Months Ended September 30, 2021	Asia	Americas	Europe	Consolidated
Total sales	$ 503,968	$ 300,055	$ 74,335	$ 878,358
Intercompany elimination	(196,858)	(180,396)	(29,682)	(406,936)
Net sales	$ 307,110	$ 119,659	$ 44,653	$ 471,422

Three Months Ended September 30, 2020	Asia	Americas	Europe	Consolidated
Total sales	$ 374,456	$ 225,503	$ 57,207	$ 657,166
Intercompany elimination	(161,630)	(157,370)	(28,707)	(347,707)
Net sales	$ 212,826	$ 68,133	$ 28,500	$ 309,459

As of and for the Nine Months Ended September 30, 2021	Asia	Americas	Europe	Consolidated
Total sales	$ 1,458,120	$ 808,607	$ 202,107	$ 2,468,834
Intercompany elimination	(552,212)	(508,543)	(83,088)	(1,143,843)
Net sales	$ 905,908	$ 300,064	$ 119,019	$ 1,324,991
Property, plant and equipment, net	$ 421,254	$ 23,792	$ 95,474	$ 540,520
Total assets	$ 1,456,670	$ 345,471	$ 239,768	$ 2,041,909

As of and for the Nine Months Ended September 30, 2020	Asia	Americas	Europe	Consolidated
Total sales	$ 999,758	$ 584,218	$ 169,993	$ 1,753,969
Intercompany elimination	(412,103)	(383,379)	(79,642)	(875,124)
Net sales	$ 587,655	$ 200,839	$ 90,351	$ 878,845
Property, plant and equipment, net	$ 355,608	$ 24,455	$ 73,424	$ 453,487
Total assets	$ 1,551,935	$ 263,444	$ 217,273	$ 2,032,652

Disaggregation of Net Sales. We disaggregate net sales with customers into direct sales and distribution sales (“Distributors”) and by geographic area. Direct sales customers consist of those customers using our product in their manufacturing process, and Distributors are those customers who resell our products to third parties. We deliver our products to customers around the world for use in consumer electronics, computing, communications, industrial and automotive markets. Further, most of our contracts are fixed-price arrangements, and are short term in nature, ranging from days to several months.

The tables below set forth net sales for the Company disaggregated into geographic locations based on shipment and by type *(direct sales or Distributor*):

	Three Months Ended	
Net Sales by Region	**2021**	**2020**
Asia	$ 376,062	$ 243,773
Europe	58,202	41,897
Americas	37,158	23,789
Total net sales	$ 471,422	$ 309,459
Net Sales by Type		
Direct sales	$ 159,247	$ 115,437
Distributor sales	312,175	194,022
Total net sales	$ 471,422	$ 309,459

	Nine Months Ended	
Net Sales by Region	**2021**	**2020**
Asia	$ 1,064,001	$ 677,634
Europe	160,643	131,973
Americas	100,347	69,238
Total net sales	$ 1,324,991	$ 878,845
Net Sales by Type		
Direct sales	$ 458,017	$ 396,018
Distributor sales	866,974	482,827
Total net sales	$ 1,324,991	$ 878,845

Net sales from products shipped to China was $244.2 million and $161.6 million for the three months ended September 30, 2021 and 2020, respectively and $695.8 million and $452.9 million for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 8 – Debt

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $117.1 million. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted and contain no restrictive covenants. These credit facilities bear interest at LIBOR or similar indices plus a specified margin. Interest payments are due monthly on outstanding amounts under the credit lines. The unused and available credit under the various facilities as of September 30, 2021, was approximately $100.0 million, net of $15.7 million advanced under our foreign credit lines, attributable to our 51% owned subsidiary, Eris Technology Company ("ERIS"), and $1.4 million credit used for import and export guarantee.

Long-term debt

The Company maintains a long-term credit facility ("Credit Agreement") consisting of a term loan with a current balance of $108.4 million and a $150.0 million revolving senior credit facility, of which nothing was drawn as of September 30, 2021. The Company used a portion of the proceeds available under the term commitment and the revolving senior credit facility to finance the Company's acquisition of Lite-On Semiconductor Corporation in 2020. The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Fixed Charge Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases). Furthermore, under the Credit Agreement, restricted payments, including dividends and share repurchases, are permitted in certain circumstances, including while the pro forma Consolidated Leverage Ratio is, both before and after giving effect to any such restricted payment, at least 0.25 to 1.00 less than the maximum permitted under the Credit Agreement. In addition to the credit facilities described above, ERIS, has long-term debt of $30.4 million from local Taiwan banks. The ERIS debt matures in various periods through 2033.

Borrowings outstanding as of September 30, 2021 and December 31, 2020, are set forth in the table below:

Description	September 30, 2021	December 31, 2020	Interest Rate	Current Amount Maturity
Short-term debt	$ 15,690	$ 140,563	Libor plus margin	Various during 2021 -2022
Long-term debt				
Term loan and revolver	$ 108,405	$ 282,250	Libor plus margin	May 2024
Notes payable to Bank of Taiwan	2,526	4,154	Variable, 1.3% base	June 2033
Notes payable to Bank of Taiwan	1,793	-	2-yr deposit rate floating	September 2023
Notes payable to Bank of China Trust Company	3,589	3,511	Taibor 3 month rate + 0.5%	December 2021
Notes payable to Bank of China Trust Company	16,400	16,714	Taibor 3 month rate + 0.5%	May 2024
Notes payable to E Sun Bank	3,589	3,511	1-M deposit rate plus 0.08%	December 2022
Notes payable to E Sun Bank	384	386	1-M deposit rate plus 0.08%	June 2027
Notes payable to E Sun Bank	1,759	1,721	1-M deposit rate plus 0.08%	June 2030
Notes payable to HSBC	100,000	-	Libor plus margin	January 2023
Total long-term debt	238,445	312,247		
Less: Current portion of long-term debt	(18,404)	(21,860)		
Less: Unamortized debt costs	(2,041)	(2,208)		
Total long-term debt, net of current portion	$ 218,000	$ 288,179		

NOTE 9 – Commitments and Contingencies

Purchase commitments – As of September 30, 2021, we had approximately $83.1 million in non-cancelable purchase contracts related to capital expenditures, primarily related to our manufacturing facilities in Asia. As of September 30, 2021, we also had a commitment to purchase approximately $53.3 million of wafers to be used in our manufacturing process during 2021 and 2022.

Defined Benefit Plan - We have a contributory defined benefit plan that covers certain employees in the United Kingdom. As of September 30, 2021, the underfunded liability for this defined benefit plan was approximately $18.2 million. An actuarial valuation was performed as of March 31, 2019, resulting in a deficit of approximately GBP 26.7 million (approximately $37.4 million based on a GBP: USD exchange rate of 1.4:1). As a result of this valuation we have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.8 million based on a GBP: USD exchange rate of 1.4:1) to be paid in annual installments with effect from April 1, 2020 to address the deficit revealed by the valuation (with the first payment made by March 31, 2021, and payments to be made by December 31 each year thereafter). These contributions, together with the assumed asset outperformance, are expected to eliminate the deficit by December 31, 2028. Further, we will pay GBP 0.2 million (approximately $0.3 million based on GBP: USD exchange rate oat 1.4:1) in annual installments to cover expenses.

Contingencies – From time to time, we are involved in various legal proceedings that arise in the normal course of business. While we intend to defend any lawsuit vigorously, we presently believe that the ultimate outcome of any pending legal proceeding will not have any material adverse effect on our consolidated financial position, cash flows or operating results. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact our business and operating results for the period in which the ruling occurs or future periods. Based on information available, we evaluate the likelihood of potential outcomes of all pending disputes. We record an appropriate liability when the amount of any liability associated with a pending dispute is deemed probable and reasonably estimable. In addition, we do not accrue for estimated legal fees and other directly related costs as they are expensed as incurred. The Company is not currently a party to any pending litigation that the Company considers material.

Note 10 – Derivative Financial Instruments

We use derivative instruments to manage risks related to foreign currencies, interest rates and the net investment risk in our foreign subsidiaries. Our objectives for holding derivatives include reducing, eliminating, and efficiently managing the economic impact of these exposures as effectively as possible. Our derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment.

Hedges of Foreign Currency Risk - We are exposed to fluctuations in various foreign currencies against our different functional currencies. We use foreign currency forward agreements to manage this exposure. At September 30, 2021 and December 31, 2020, we had $199.5 million and $276.2 million, respectively, of outstanding foreign currency forward agreements that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities; these instruments are not designated for hedge accounting treatment in accordance with ASC No. 815. We have recorded foreign currency forward agreements with a fair value of less than $0.5 million as a liability on our consolidated balance sheet.

Hedges of Interest Rate and Net Investment Risk -The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps, including interest rate collars, as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company makes use of cross currency swaps to decrease the foreign exchange risk inherent in the Company's investment in some of its foreign subsidiaries.

The table below sets forth the fair value of the Company's interest rate related derivative financial instruments as well as their classification on our condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020:

	Other Current Liabilities	
	2021	**2020**
Interest rate swaps and collars	$ 99	$ 1,626

The tables below set forth the effect of the Company's derivative financial instruments on our condensed consolidated statements of income for the three and nine months ended September 30, 2021 and 2020:

Derivative Instruments Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in OCI on Derivative		Location of Gain or (Loss) Reclassified from OCI into Accumulated Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Net Income		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	September 30,			September 30,			September 30,	
	2021	**2020**		**2021**	**2020**		**2021**	**2020**
Three Months Ended								
Interest rate swaps and collars	$ (3)	$ 2	Interest expense	$ (168)	$ (210)	Interest expense	$ -	$ -
Cross currency swaps	$ 886	$ -	N/A	$ -	$ -	Interest income	$ 627	$ -
Nine Months Ended								
Interest rate swaps and collars	$ (13)	$ (1,569)	Interest expense	$ (495)	$ (283)	N/A	-	-
Cross currency swaps	$ 1,862	$ -	N/A	-	-	Interest income	$ 1,853	$ -

We estimate that $0.1 million of net derivative losses included in accumulated other comprehensive income ("AOCI") as of September 30, 2021 will be reclassified into expense within the following 12 months. No gains or losses were reclassified from AOCI into earnings as a result of forecasted transactions that failed to occur during three and nine months ended September 30, 2021 or 2020.

Derivative Instruments Not Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in Net Income September 30, 2021	2020	Location of Gain or (Loss) Recognized in Net Income
Three Months Ended			
Foreign currency forward contracts	$ (387)	$ 2,252	Foreign currency loss, net
Nine Months Ended			
Foreign currency forward contracts	$ 1,405	$ (286)	Foreign currency loss, net

As of September 30, 2021 and December 31, 2020, the Company had not posted any collateral related to these agreements.

NOTE 11 – Leases

The Company leases certain assets used in its business, including land, buildings and equipment. These leased assets are used for operational and administrative purposes.

The components of lease expense are set forth in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease expense	$ 4,004	$ 3,841	$ 12,388	$ 11,240
Finance lease expense:				
Amortization of assets	5	209	218	627
Interest on lease liabilities	-	4	1	17
Short-term lease expense	234	99	725	315
Variable lease expense	1,193	726	3,483	2,175
Total lease expense	$ 5,436	$ 4,879	$ 16,815	$ 14,374

The table below sets forth supplemental balance sheet information related to leases. In our condensed consolidated balance sheets, right of use ("ROU") assets are included in other long-term assets while lease liabilities are located in accrued liabilities and other for the current portion and other long-term liabilities for the non-current portion:

	September 30, 2021	December 31, 2020
Operating leases:		
Operating lease ROU assets	$57,554	$54,457
Current operating lease liabilities	13,593	10,663
Noncurrent operating lease liabilities	27,621	27,041
Total operating lease liabilities	$41,214	$37,704
Finance leases:		
Finance lease ROU assets	$2,551	$2,507
Accumulated amortization	(2,521)	(2,298)
Finance lease ROU assets, net	$30	$209
Current finance lease liabilities	$12	$149
Non-current finance lease liabilities	18	24
Total finance lease liabilities	$30	$173
Weighted average remaining lease term (in years):		
Operating leases	6.9	7.6
Finance leases	2.5	0.6
Weighted average discount rate:		
Operating leases	4.0%	4.0%
Finance leases	3.7%	3.1%

The table below sets forth supplemental cash flow and other information related to leases:

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Cash paid for the amounts included in the measurements of lease liabilities:		
Operating cash outflows from operating leases	$16,365	$12,808
Operating cash outflows from finance leases	1	17
Financing cash outflow from finance leases	181	671
ROU assets obtained in exchange for lease liabilities incurred:		
Operating leases	12,915	294

The table below sets forth information about lease liability maturities:

	September 30, 2021	
	Operating Leases	Finance Leases
Remainder of 2021	$ 3,954	$ 3
2022	14,530	13
2023	9,393	11
2024	4,360	4
2025	4,166	-
2026	2,736	-
2027 and thereafter	8,863	-
Total lease payments	48,002	31
Less: imputed interest	(6,788)	(1)
Total lease obligations	41,214	30
Less: current obligations	(13,593)	(12)
Long-term lease obligations	$ 27,621	$ 18

NOTE 12 – Employee Benefit Plans

We maintain a Non-Qualified Deferred Compensation Plan (the “Deferred Compensation Plan”) for executive officers, key employees and members of the Board of Directors. The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. We offset our obligations under the Deferred Compensation Plan primarily by investing in the actual underlying investments. At September 30, 2021 and December 31, 2020, these investments totaled approximately $14.1 million and $12.8 million, respectively.

NOTE 13 – **Related Parties**

We historically conducted business with a related party company, Lite-On Semiconductor Corporation (“LSC”), and its subsidiaries and affiliates. LSC was also our largest stockholder, owning approximately 15% of our outstanding Common Stock., prior to the close of the acquisition of LSC by Diodes. On November 30, 2020, we acquired LSC and LSC is no longer a stockholder or related party, but instead it is a wholly owned subsidiary of ours. Raymond Soong, the former Chairman of the Board of Diodes, was the Chairman of LSC and was the Chairman of Lite-On Technology Corporation (“LTC”), which was a significant shareholder of LSC. C.H. Chen, our former President and Chief Executive Officer and currently the Vice Chairman of the Board of Diodes, was also the Vice Chairman of LSC and a board member of LTC. Dr. Keh-Shew Lu, our current Chairman of the Board, President and Chief Executive Officer, is a board member of LTC and a board member of Nuvoton Technology Corporation (“Nuvoton”). We purchase wafers from Nuvoton for use in our production process. We also conduct business with Nuvoton and its subsidiaries and affiliates. We consider our relationship with Nuvoton to be mutually beneficial and we plan to continue our strategic alliance with Nuvoton.

We conduct business with Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (“Keylink”). Keylink is our 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink, totaling approximately 1.0% and 1.8% of our net sales for the three months ended September 30, 2021 and 2020, respectively. We sold products to companies owned by Keylink, totaling approximately 1.1% and 1.7% of our net sales for the nine months ended September 30, 2021 and 2020, respectively. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink. The aggregate amounts paid to Keylink for the three months ended September 30, 2021 and, 2020 were approximately $4.5 million and $3.9 million, respectively. The aggregate amounts paid to Keylink for the nine months ended September 30, 2021 and, 2020 were approximately $13.2 million and $10.7 million, respectively. In addition, Chengdu Ya Guang Electronic Company Limited (“Ya Guang”) is our 2% joint venture partner in one of our Chengdu assembly and test facilities and our 5% partner in our other Chengdu assembly and test facilities; however, we have no material transactions with Ya Guang, other than these joint ventures. We also purchase materials from Jiyuan Crystal Photoelectric Frequency Technology Ltd. (“JCP”) a frequency control product manufacturing company in which we have made an equity investment and account for using the equity method of accounting.

The Audit Committee of the Board reviews all related party transactions for potential conflict of interest situations on an ongoing basis, all in accordance with such procedures as the Audit Committee may adopt from time to time.

The table below sets forth net sales to and purchases from related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
LSC				
Net sales	$ -	$ 151	$ -	$ 450
Purchases	$ -	$ 3,262	$ -	$ 9,816
Nuvoton				
Net sales	$ 56		$ 56	
Purchases	$ 2,749	$ 3,363	$ 6,444	$ 7,018
Keylink				
Net sales	$ 4,872	$ 5,550	$ 14,771	$ 14,510
Purchases	$ 558	$ 297	$ 1,538	$ 1,128
JCP				
Purchases	$ 334	$ 330	$ 1,021	$ 777

The table below sets forth accounts receivable from, and accounts payable to, related parties:

	September 30, 2021		December 31, 2020	
Nuvoton				
Accounts receivable	$	16	$	10
Accounts payable	$	1,733	$	796
Keylink				
Accounts receivable	$	38,737	$	35,365
Accounts payable	$	35,445	$	31,247
JCP				
Accounts payable	$	364	$	357

Note 14 –Acquisitions and Divestitures

Privately Held Wafer Design Company

During July 2021, the Company acquired an interest in an early stage privately held fabless wafer design company by purchasing $10.0 million of preferred stock and a $5.0 million convertible promissory note. As the investment in preferred stock does not have a readily determinable fair value, it will be measured at cost less impairment, and adjusted to fair value if there are any observable price changes for an identical or similar investment of the same issuer. The carrying value of the investment at September 30, 2021 was $10.0 million with no observable price changes occurring during the period. The promissory note is convertible into additional preferred stock, has an interest rate of 3% and is due in July 2026.

Manufacturing Subsidiary Located in China

In March 2021 the Company entered into an agreement to sell one of its manufacturing subsidiaries in China for total consideration of approximately $18.0 million, which includes a combination of cash and equity. The transaction is expected to close by March 2022, and is subject to customary closing conditions and working capital adjustments.

Management determined that the disposal group met the held-for-sale criteria and reclassified the carrying value of the disposal group to assets held-for-sale, which is included in prepaid expenses and other in the consolidated balance sheet. The Company recognized no gain or loss on the reclassification of the disposal group to held-for-sale. A final determination of the value of the assets and liabilities divested has not been completed and the table below is considered preliminary. The table below sets forth the major classes of assets and liabilities that have been classified as held-for-sale on the condensed consolidated balance sheet:

Assets		
Cash and cash equivalents	$	8,443
Accounts receivable, net		1,147
Inventories, net		6,351
Other current assets		1,227
Property, plant and equipment		6,303
Deferred income tax		4,934
Other long-term assets		103
Assets classified as held for sale		28,508
Liabilities		
Accounts payable		6,368
Accrued liabilities and other		3,537
Other long-term liabilities		2
Liabilities classified as held for sale		9,907
Valuation allowance for accrued loss		(601)
Net assets classified as held for sale (included in prepaid expenses and other)	$	18,000

LSC Acquisition

On November 30, 2020, the Company closed on its previously announced acquisition of LSC, a Taiwan-based supplier of “green” power-related discrete and analog semiconductor devices. The Company purchased LSC in order to include LSC’s “green” power-related semiconductor devices that are designed for power saving and low power dissipation to serve the power supply market, and to reacquire the 7,765,778 of the Company's common shares owned by LSC, which was approximately 15% of our outstanding shares prior to the close of such acquisition. The reacquired shares were treated as a settlement of a pre-existing relationship and as a transaction separate and apart from the business combination along with the settlement of payables and receivables between the Company and LSC. The reacquired shares are included in treasury stock on the Company's balance sheet. There was no gain or loss on the settlement of the payables and receivables between the Company and LSC.

The Company recorded the purchase of LSC as a business combination, with the Company owning 100% of LSC. LSC has been consolidated into the operations of the Company. The purchase price per the Share Swap Agreement was 42.50 TWD per outstanding LSC share. On November 30, 2020, the Company acquired the 307,371,139 outstanding shares of LSC for a total aggregate purchase price of approximately $453.4 million and total consideration of $154.0 million after adjustments for the settlement of pre-existing relationships. A portion of the LSC purchase price was funded by borrowings under the Company's Credit Agreement.

The table below sets forth the fair value of the LSC assets acquired and liabilities assumed based on relative fair value at the date of acquisition, after measurement period adjustments, and the corresponding line item in the Company's consolidated balance sheet at the date of acquisition. During the period from January 1, 2021 through September 30, 2021, measurement period adjustments were made to inventories, property, plant and equipment, income tax payable, and accrued liabilities and other. During the period, the Company derecognized a liability that was initially recognized on the opening balance sheet related to dividend payable accrual of approximately $12.8 million, reduced the previously recognized amount of a social insurance liability by $0.1 million, and recognized an additional income tax payable related to the reacquired shares in the amount of $10.7 million. The adjustments to inventory and property, plant, and equipment were a result of refinements to the fair value calculation in the amounts of $0.7 million and $1.5 million respectively. U.S. GAAP permits companies to complete the final determination of the fair values during the measurement period following the acquisition date. The size and breadth of the LSC acquisition will necessitate the use of this measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date including (i) changes in fair values of property, plant and equipment and inventories, (ii) changes in fair value of certain liabilities assumed and (iii) tax impact associated with any other changes in fair value. Any potential adjustments made could be material in relation to the preliminary values. A final determination of the LSC assets acquired and liabilities assumed has not been completed and the table below is considered preliminary. The Company engaged a third party valuation specialist to assist with the assessment of any intangibles assets acquired as part of the LSC acquisition, and it was determined that there were no intangible assets as a result of the LSC acquisition.

Cash and cash equivalents	$	131,046
Accounts receivable		44,896
Inventories		55,041
Prepaid expenses and other current assets		11,447
Property, plant and equipment		66,351
Deferred income tax		15,732
Other long-term assets		26,037
Total assets acquired		350,550
Line of credit		88,508
Accounts payable		35,245
Accrued liabilities and other		35,987
Income tax payable		16,999
Deferred tax liabilities		8,941
Other long-term liabilities		10,783
Total liabilities assumed		196,463
Non-controlling interest		(54)
Net assets acquired	$	154,033

Savitech Acquisition

On February 5, 2020, the Company entered into an agreement to invest up to approximately $14.2 million to acquire at least 51% of Savitech Corporation ("Savitech"), a fabless semiconductor design company located in Zhubei City, Taiwan. The Company made the investment in two tranches. The first tranche of $5.6 million, which provided the Company with a 33.6% ownership of Savitech, was made on March 4, 2020. The initial tranche was funded with cash on hand. The second tranche was also funded with cash on hand and paid in the quarter ended September 30, 2021 in the amount of $8.5 million, which increased the Company's ownership to 53% of Savitech

The Company recorded the purchase of Savitech as a business acquisition and consolidates Savitech into its operations, based on the voting model, with a non-controlling interest related to the interest the Company does not own in Savitech. The Company made its investment in Savitech in order to increase the Company's integrated circuit business. Total purchase consideration recorded was $14.2 million. The goodwill will not be tax deductible. The Company also incurred acquisition costs of approximately $0.1 million that were recognized in selling, general and administrative expense. The table below sets forth the fair value of the assets and liabilities recorded in the acquisition and the corresponding line item in which the item is recorded in our condensed consolidated balance sheet at the date of acquisition (*in millions*).

Cash and cash equivalents	$	6.2
Prepaid expenses and other		0.7
Goodwill		13.9
Intangible assets, net		6.1
Other long-term assets		0.4
Accrued liabilities and other		10.2
Noncontrolling interest		11.8

Other

In August 2021, the Company entered into a joint venture located in Taiwan. The Company's investment will be $5.4 million for 60% ownership. The purpose of the joint venture is to engage in the development of power modules in the automotive markets. The joint venture received Taiwan government approval in October 2021, and the Company made the $5.4 million payment in October 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Except for the historical information contained herein, the matters addressed in this Item 2 constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as identified under the heading "Cautionary Statement for Purposes of the "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995" herein. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed below under the heading "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by our management. The Private Securities Litigation Reform Act of 1995 (the "PSLRA") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the PSLRA. We undertake no obligation to publicly release the results of any revisions to our forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events. Unless the context otherwise requires, the words "Diodes," the "Company," "we," "us" and "our" refer to Diodes Incorporated and its subsidiaries. Dollar amounts and share amounts are presented in thousands, except per share amounts, unless otherwise noted.

This management's discussion should be read in conjunction with the management's discussion included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("Form 10-K"), previously filed with Securities and Exchange Commission ("SEC") on February 22, 2021.

Overview

We are a leading global manufacturer and supplier of high-quality, application-specific standard products within the broad discrete, logic, analog and mixed-signal semiconductor markets. For detailed information, see Note 1 – **S**ummary of Operations and Significant Accounting Policies, included in the condensed consolidated financial statements in Item 1 above. Our products are sold primarily throughout Asia, the Americas and Europe. We believe that our focus on application-specific standard products utilizing innovative, highly efficient packaging and cost-effective process technologies, coupled with our collaborative, customer-focused product development, provides us with a meaningful competitive advantage relative to other semiconductor companies.

Factors Relevant to Our Results of Operations for the Three Months Ended September 30, 2021

- During the third quarter of 2021, net sales were $471.4 million, an increase of 52.3 % from the $309.5 million of net sales in the third quarter of 2020, and an increase of 7.0% from the $440.4 million of net sales in the second quarter of 2021;
- Gross profit was $181.2 million, an increase of 63.1% from the $111.1 million of gross profit in the third quarter of 2020, and an increase of 13.4% from the $159.8 million of gross profit in the second quarter of 2021;
- Gross profit margin was 38.4% compared to gross profit margin of 35.9% in the third quarter of 2020, and 36.3% in the second quarter of 2021;
- Net income was $68.4 million, or $1.50 per diluted share, compared to net income of $27.2 million, or $0.51 per diluted share, in the third quarter of 2020, and net income of $55.4 million, or $1.22 per diluted share, in the second quarter of 2021; and
- Cash flow from operations was $98.9 million. Net cash flow was a negative $10.1 million, which includes $41.1 million of capital expenditures and a net reduction in debt of $49.7 million.

Recent Developments

LSC Acquisition

On November 30, 2020, the Company closed the acquisition of Lite-On Semiconductor Corporation ("LSC"), a Taiwan-based supplier of "green" power-related discrete analog semiconductor devices. Since the close of the acquisition the Company has focused on the integration of LSC into its operations. The Company believes that the integration of LSC is progressing well as we have already begun to realize some of the benefits of manufacturing synergies from improved factory loading with both LSC and Diodes' products. Our global manufacturing footprint is serving as a key advantage at a time when the broader semiconductor industry is challenged by supply and capacity constraints.

COVID-19

We remain focused on the safety and well-being of our stakeholders and on the service to our customers. We will continuously review and assess the rapidly-changing COVID-19 pandemic and its impacts on our customers, our suppliers and our business so that we can seek to address those impacts. We previously temporarily closed a manufacturing facility due to COVID-19, and no assurances can be provided that we will not be required to close or reduce our manufacturing production in the future in response to the COVID-19 pandemic or other events beyond our control.

As of September 30, 2021, our cash, cash equivalents, and short-term investments were $287.9 million, and we had access to additional borrowing capacity of $150.0 million under the revolving portion our Credit Agreement, which we believe assures us adequate liquidity to manage the impacts of the COVID-19 pandemic on our business and to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

See "Risk Factors - *The ultimate impact of the COVID-19 pandemic outbreak cannot be estimated at this time, but it may have a material adverse effect on our business, financial condition and results of operations."* in Item 1A of this Quarterly Report on Form 10-Q for an additional discussion of risks and potential risks of the COVID-19 pandemic on our business, financial condition and results of operations.

Results of Operations for the Three Months Ended September 30, 2021 and 2020

The table below sets forth the condensed consolidated statement of operations line items as a percentage of net sales.

	Percent of Net Sales Three Months Ended September 30,	
	2021	**2020**
Net sales	100 %	100 %
Cost of goods sold	(62)	(64)
Gross profit	38	36
Total operating expense	22	24
Income from operations	16	12
Total other expense	2	(1)
Income before income taxes and noncontrolling interest	18	11
Income tax provision	(3)	(2)
Net income	15	9
Net income attributable to common stockholders	15	9

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

	Three Months Ended			
	September 30,			
	2021	2020	Increase/(Decrease)	% Change
Net sales	$ 471,422	$ 309,459	$ 161,963	52.3%
Cost of goods sold	290,191	198,369	91,822	46.3%
Gross profit	181,231	111,090	70,141	63.1%
Total operating expense	103,984	73,235	30,749	42.0%
Interest income	765	138	627	454.3%
Interest expense	(1,417)	(3,745)	(2,328)	(62.2%)
Foreign currency gain (loss), net	805	(2,618)	(3,423)	(130.7%)
Unrealized gain on investments	5,922	-	5,922	N/A
Other income	2,244	1,627	617	(37.9%)
Income tax provision	14,766	5,871	8,895	151.5%

Net sales increased approximately $162.0 million, or 52.3%, for the three months ended September 30, 2021, compared to the same period last year. The 52.3% increase in net sales for the three months ended September 30, 2021 was driven by 27.8% organic growth attributable to the Company’s legacy business that existed prior to the LSC acquisition and 24.6% related to LSC. Revenue grew in all regions. Contributing the Company's growth in net sales has been the success of our content expansion initiatives, particularly in the automotive market where revenue grew over 65% when compared to the same period last year, and 7% when compared to the three months ended June 30, 2021, contributing to a 8-year CAGR of 30%. Additionally, our Pericom products continued to set new revenue records, achieving 5 consecutive quarters of growth primarily driven by high-end computing applications. The Company has also experienced growth in higher-margin end markets which, when combined with increased loading at LSC facilities has enabled the Company to increase its net sales and margins, even in the midst of this supply-constrained environment.

The table below sets forth our revenue as a percentage of total revenue by end-user market for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,	
	2021	2020
Industrial	24%	22%
Communications	16%	21%
Consumer	18%	27%
Computing	30%	19%
Automotive	12%	11%

With respect of total net sales by end-user markets, the LSC contribution to automotive, industrial, consumer and communication end-user markets was 6% or less for the three months ended September 30, 2021. The LSC contribution to the computing end-user market for the three months ended September 30, 2021 was approximately 46% of total computing net sales.

The industrial end-user market grew as we experienced strong demand for our products for low-dropout regulators for power tools, eMeters and other industrial applications. In the communications end-user market the Company has continued to focus on mobile, smartphone, and 5G applications. In the consumer end-user market the Company experienced increasing growth momentum in the IoT space. The computing end-user market grew due to continued demand for notebooks, Chromebooks, high-end PCs, servers and datacenter applications. The automotive end-user market grew as we captured both increasing market share and content gains as the Company penetrated new and existing automotive customers and applications.

Cost of goods sold increased approximately $91.8 million for the three months ended September 30, 2021, compared to the same period last year, due to the increased net sales during the third quarter of 2021. As a percent of sales, cost of goods sold was 61.6% for the three months ended September 30, 2021, compared to 64.1% for the same period last year. Average unit cost increased approximately 10.7% for the three months ended September 30, 2021, compared to the same period last year due to cost increases from various subcontractors and foundries. For the three months ended September 30, 2021, gross profit increased approximately 63.1% when compared to the same period last year. Gross profit margin for the three month periods ended September 30, 2021 and 2020 was 38.4% and 35.9%, respectively.

Operating expenses for the three months ended September 30, 2021, increased $30.7 million when compared to the three months ended September 30, 2020. Operating expenses as a percentage of net sales was 22.1% and 23.7% for the three months ended September 30, 2021 and 2020, respectively. Selling, general and administrative expenses ("SG&A") increased approximately $23.2 million, due to increases in wages and benefits, selling expenses and freight and duty expenses as compared to the same period last year. Research and development expenses ("R&D") increased approximately $7.0 million due to increases in wages and benefits and professional services as compared to the same period last year. SG&A, as a percentage of net sales, was 14.4% for the three months ended September 30, 2021 and 2020. R&D, as a percentage of net sales, was 6.7% and 7.9% for the three months ended September 30, 2021 and 2020, respectively.

Interest income increased 454.3% for the three months ended September 30, 2021, compared to the same period last year, due to increased revenue related to cross currency swaps. Interest expense decreased 62.2% for the three months ended September 30, 2021, compared to the same period last year, due to a decrease in the interest rate on our floating rate debt and lower borrowing levels. Unrealized gain on investments increased from 2020 due to investment income from an investment the Company acquired in the LSC acquisition.

We recognized income tax expense of approximately $14.8 million and $5.9 million for the three months ended September 30, 2021 and 2020, respectively. The increase in income taxes for 2021 compared to 2020 was primarily attributable to an increase in pretax book income.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

The table below sets forth the condensed consolidated statement of operations line items as a percentage of net sales.

	Percent of Net Sales Nine Months Ended September 30,	
	2021	2020
Net sales	100 %	100 %
Cost of goods sold	(64)	(65)
Gross profit	36	35
Total operating expense	22	24
Income from operations	14	11
Total other income (expense)	1	(1)
Income before income taxes and noncontrolling interest	16	10
Income tax provision	(3)	(2)
Net income	13	8
Net income attributable to common stockholders	12	8

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

	Nine Months Ended			
	September 30,			
	2021	2020	Increase/(Decrease)	% Change
Net sales	$ 1,324,991	$ 878,845	$ 446,146	50.8 %
Cost of goods sold	845,322	570,421	274,901	48.2 %
Gross profit	479,669	308,424	171,245	55.5 %
Total operating expense	289,675	213,848	75,827	35.5 %
Interest income	2,351	579	1,772	306.0 %
Interest expense	(6,298)	(7,643)	(1,345)	(17.6 %)
Foreign currency gain (loss), net	(984)	(6,143)	(5,159)	(84.0 %)
Unrealized gain on investments	14,838	-	14,838	N/A
Other income	6,398	2,902	3,496	120.5 %
Income tax provision	36,320	15,097	21,223	140.6 %

Net sales increased approximately $446.1 million for the nine months ended September 30, 2021, compared to the same period last year, setting a record both organically and on a consolidated basis. The 50.8% increase in net sales for the nine months ended September 30, 2021 was driven by 26.4% organic growth and 24.3% related to LSC. The Company achieved growth in global point-of-sale revenue, automotive and computing end-user markets combined with revenue growth for our Pericom branded products for high-end personal computers, servers and data center applications. For the nine months ended September 30, 2021, weighted-average sales price increased 6.4% when compared to the same period last year.

The table below sets forth our revenue as a percentage of total revenue by end-user market for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	**2020**
Industrial	23%	23%
Communications	17%	22%
Consumer	18%	26%
Computing	30%	18%
Automotive	12%	11%

With respect of total net sales by end-user markets, the LSC contribution to automotive, industrial, consumer and communication end-user markets was 7% or less for the nine months ended September 30, 2021. The LSC contribution to the computing end-user market for the nine months ended September 30, 2021 was approximately 46% of total computing net sales.

Contributing to the Company's growth in net sales has been the success of our content expansion initiatives, particularly in the automotive market and in our Pericom products, which continued to set new revenue records. The Company has also experienced growth in higher-margin end markets which, when combined with increased loading at LSC facilities, has enabled us to increase our top-line revenue and margins, even in the midst of this supply-constrained environment.

Cost of goods sold increased approximately $274.9 million for the nine months ended September 30, 2021, compared to the same period last year, due to the increased net sales during 2021. As a percent of sales, cost of goods sold was 63.8% for the nine months ended September 30, 2021, compared to 64.9% for the same period last year. Average unit cost increased approximately 4.6% for the nine months ended September 30, 2021, compared to the same period last year due to cost increases from various subcontractors and foundries. For the nine months ended September 30, 2021, gross profit increased approximately 55.5% when compared to the same period last year. Gross profit margin for the nine month periods ended September 30, 2021 and 2020 was 36.2% and 35.1%, respectively.

Operating expenses for the nine months ended September 30, 2021, increased $75.8 million when compared to the nine months ended September 30, 2020. Operating expenses as a percentage of net sales was 21.9% and 24.3% for the nine months ended September 30, 2021 and 2020, respectively. SG&A increased approximately $54.2 million, due to higher levels of wages and benefits, selling costs, freight and duty and operating expenses. R&D increased approximately $19.6 million due to higher levels of wages and benefits, professional services, operating expense and depreciation, as compared to the same period last year. Amortization of acquisition related intangibles decreased $0.1 million, compared to the same period last year. SG&A, as a percentage of net sales, was 14.1% and 15.0% for the nine months ended September 30, 2021 and 2020, respectively. R&D, as a percentage of net sales, was 6.7% and 7.9% for the nine months ended September 30, 2021 and 2020, respectively.

Interest income increased 306.0% for the nine months ended September 30, 2021, compared to the same period last year, due to increased revenue related to cross currency swaps. Interest expense decreased 17.6% for the nine months ended September 30, 2021, compared to the same period last year. The decrease in interest expense for the three months ended September 30, 2021 was due to a decrease in the interest rate on our floating rate debt, lower borrowing levels. Unrealized gain on investments increased from 2020 due to investment income from an investment the Company acquired in the LSC acquisition.

We recognized income tax expense of approximately $36.3 million and $15.1 million for the nine months ended September 30, 2021 and 2020, respectively. The increase in income taxes for 2021 compared to 2020 was primarily attributable to an increase in pretax book income.

Financial Condition

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, funds from operations and, if necessary, borrowings under our credit facilities.

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $117.1 million. At September 30, 2021, outstanding borrowings were $15.7 million, attributable to ERIS and outstanding letters of credit were $1.4 million under the Asia credit facilities.

Long-term debt

The Company maintains a long-term credit facility ("Credit Agreement") consisting of a term loan with a current balance of $108.4 million and a $150.0 million revolving senior credit facility, of which nothing was drawn on September 30, 2021. The Credit Agreement matures in May 2023.

In addition to the liquidity provided by the Credit Agreement ERIS borrowed $30.0 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods through 2033.

At September 30, 2021 and December 31, 2020, our working capital was $619.3 million and $514.2 million, respectively. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

Capital expenditures (including accrued capital expenditures) for the nine months ended September 30, 2021 and 2020 were $100.3 million and $47.5 million, respectively. For the first nine months of 2021 capital expenditures were approximately 7.6% of our net sales. Capital expenditures for the nine months ended September 30, 2021, is in line with our capital spending target range of 5% to 9% of net sales.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of certain European and Asian subsidiaries. As of September 30, 2021, our foreign subsidiaries held approximately $257.7 million of cash, cash equivalents and investments of which approximately $28.3 million would be subject to a potential non-U.S. withholding tax if distributed outside the country in which the cash is currently held. The $28.3 million is held in Germany, China, Korea, and Taiwan.

As of September 30, 2021, we had short-term investments totaling $7.4 million. These investments are highly liquid with maturity dates greater than three months at the date of purchase. We generally can access these investments in a relatively short time frame but in doing so we generally forfeit all earned and future interest income.

Discussion of Cash Flow

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are cash and cash equivalents, short-term investments and our credit facilities. Our cash and cash equivalents and restricted cash decreased from $320.5 million at December 31, 2020 to $284.8 million at September 30, 2021. This decrease is cash, cash equivalents and restricted cash reflects normal operations of the Company.

The table below sets forth a summary of the condensed consolidated statements of cash flows:

	Nine Months Ended September 30,	
	2021	2020
Net cash flows provided by operating activities	$ 260,989	$ 126,435
Net cash and cash equivalents used in investing activities	(89,299)	(51,776)
Net cash and cash equivalents (used in) provided by financing activities	(210,259)	294,680
Effect of exchange rate changes on cash and cash equivalents	2,878	10,988
Net increase in cash and cash equivalents, including restricted cash	$ (35,691)	$ 380,327

Operating Activities

Net cash flows provided by operating activities for the nine months ended September 30, 2021 was $261.0 million. Net cash flows provided by operating activities for the nine months ended September 30, 2021 resulted from net income of $170.0 million, depreciation and amortization of intangible assets of $91.9 million, share-based compensation of $24.9 million and an increase in deferred taxes of $1.0 million. The increases were partially offset by a noncash gain on an investment of $15.1 million and a decrease in noncash working capital accounts of $12.5 million. Net cash flows provided by operating activities for the nine months ended September 30, 2020 was $126.4 million. Net cash flows provided by operating activities for the nine months ended September 30, 2020 resulted from net income of $69.2 million, depreciation and amortization of intangible assets of $80.4 million, and share-based compensation of $18.7 million, partially offset by a decrease in deferred taxes of $10.2 million, a decrease in inventories of $20.5 million and a decrease in noncash working capital accounts, excluding inventory, of $20.3 million.

Investing Activities

Net cash and cash equivalents used in investing activities was $89.3 million for the nine months ended September 30, 2021. Net cash and cash equivalents used in investing activities for the nine months ended September 30, 2021 was primarily due to the purchase of property, plant and equipment of $86.1 million, $15.0 million of investment in an early stage, privately held fabless wafer facility, consisting of $10.0 million of preferred stock and a $5.0 million convertible promissory note, and the net purchase of short-term investments of $1.1 million, partially offset by the proceeds from the sale of property, plant and equipment of $3.1 million and other investing cash inflows of $11.0 million for the nine months ended September 30, 2021. Net cash and cash equivalents used in investing activities was $51.8 million for the nine months ended September 30, 2020. Net cash and cash equivalents used in investing activities for the nine months ended September 30, 2020 was primarily due to the purchase of property, plant and equipment of $48.5 million and the additional investment by the Company's subsidiary ERIS in Yea-Shin of $6.1 million, bring ERIS' ownership of Yea-Shin to approximately 99.5%. These outflows of cash were partially offset by net proceeds from the maturity of short-term investments of $1.9 million for the nine months ended September 30, 2020.

Financing Activities

Net cash and cash equivalents used in financing activities was $210.3 million for the nine months ended September 30, 2021. Net cash used in financing activities in the nine months ended September 30, 2021 consisted primarily of $201.2 million of net reductions in our debt and taxes paid on net share settlements of $14.7 million, partially offset by a capital contribution for a noncontrolling interest of $4.0 million. Net cash and cash equivalents provided by financing activities was $294.7 million for the nine months ended September 30, 2020. Net cash provided by financing activities in the nine months ended September 30, 2020 consisted primarily of $305.7 million, net advances on our debt facilities, including $305.0 million in anticipation of closing the LSC acquisition, which happened in November 2020, partially offset by taxes paid on net share settlements of $8.2 million.

Use of Derivative Instruments and Hedging

We use interest rate swaps, foreign exchange forward contracts and cross currency swaps to provide a level of protection against interest rate risks and foreign exchange exposure.

Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps, including interest rate collars, as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Hedges of Foreign Currency Risk

We are exposed to fluctuations in various foreign currencies against our different functional currencies. We use foreign currency forward agreements to manage this exposure and to preserve the economic value of foreign currency denominated monetary assets and liabilities; these instruments are not designated for hedge accounting treatment in accordance with ASC No. 815. The fair value of our foreign exchange hedges approximates zero.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements or other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, swap agreements, or outsourcing of research and development services that could expose us to liability that is not reflected on the face of our financial statements.

Contractual Obligations

There have been no material changes in our Contractual Obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 22, 2021.

Critical Accounting Policies

Our critical accounting policies are described in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 22, 2021. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q in Note 1 – Summary of Operations and Significant Accounting Policies. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the condensed consolidated financial statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Recently Issued Accounting Pronouncements

See Note 1 - Summary of Operations and Significant Accounting Policies, of the Notes to Condensed Consolidated Financial Statements, for detailed information regarding the status of recently issued accounting pronouncements, if any.

Available Information

Our Internet address is http://www.diodes.com. Information included on, or accessible through, our website shall not be deemed to form a part of the Quarterly Report on Form 10-Q. We make available, free of charge through our Internet website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website also provides access to investor financial information, including SEC filings and press releases, as well as stock quotes and information on corporate governance compliance.

Cautionary Statement for Purposes of the “Safe Harbor” Provision of the Private Securities Litigation Reform Act of 1995

Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934. We generally identify forward-looking statements by the use of terminology such as “may,” “will,” “could,” “should,” “potential,” “continue,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” or similar phrases or the negatives of such terms. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, and in other reports we file with the SEC from time to time, that could cause actual results to differ materially from those anticipated by our management. The PSLRA provides certain “safe harbor” provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the PSLRA.

All forward-looking statements contained in this Quarterly Report on Form 10-Q are subject to, in addition to the other matters described in this Quarterly Report on Form 10-Q, a variety of significant risks and uncertainties. The following discussion highlights some of these risks and uncertainties. Further, from time to time, information provided by us or statements made by our employees may contain forward-looking information. There can be no assurance that actual results or business conditions will not differ materially from those set forth or suggested in such forward-looking statements as a result of various factors, including those discussed below.

For more detailed discussion of these factors, see the “Risk Factors” discussion in Item 1A of our most recent Annual Report on Form 10-K as filed with the SEC and in Part II, Item 1A of this Quarterly Report The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Risk Factors

RISKS RELATED TO OUR BUSINESS

The ultimate impact of the COVID-19 pandemic outbreak cannot be estimated at this time, but it may have a material adverse effect on our business, financial condition and results of operations.

During times of difficult market conditions, our fixed costs combined with lower net sales and lower profit margins may have a negative impact on our business, operating results and financial condition.

Downturns in the highly cyclical semiconductor industry or changes in end-market demand could adversely affect our operating results and financial condition.

The semiconductor business is highly competitive, and increased competition may harm our business, operating results and financial condition.

Delays in initiation of production at facilities due to implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies, operating results and financial condition.

We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.

Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales and may demand to audit our operations from time to time. A failure to qualify a product or a negative audit finding could adversely affect our net sales, operating results and financial condition.

Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers' demands and could adversely affect our operating results and financial condition.

New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which would adversely affect our net sales, market share, operating results and financial condition.

We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, operating results and financial condition.

We depend on third-party suppliers for timely deliveries of raw materials, manufacturing services, product and process development, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, operating results and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.

If we do not succeed in continuing to vertically integrate our business, we will not realize the cost and other efficiencies we anticipate, which could adversely affect our ability to compete, our operating results and financial condition.

Part of our growth strategy involves identifying and acquiring companies. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, operating results and financial condition.

We are subject to litigation risks, including securities class action litigation and intellectual property litigation, which may be costly to defend and the outcome of which is uncertain and could adversely affect our business and financial condition.

We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, operating results and financial condition.

We may incur additional costs and face emerging risks associated environmental, social and governance ("ESG") factors impacting our operations.

Our products, or products we purchase from third parties for resale, may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us and we may not have recourse against our suppliers, which may harm our business, reputation with our customers, operating results and financial condition.

We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition.

We may not be able to achieve future growth, and any such growth may place a strain on our management and on our systems and resources, which could adversely affect our business, operating results and financial condition.

Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, operating results and financial condition.

If our direct sales customers or our distributors' customers do not design our products into their applications, our net sales may be adversely affected.

We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, operating results and financial condition.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates or foreign exchange exposure or our counterparties might not perform as agreed.

We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, operating results, financial condition and our ability to meet payment obligations under such debt.

Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.

Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our operating results and financial condition.

We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies or legal entity structures, which could adversely affect our operating results and financial condition.

The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.

Changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our cash flows, operating results and financial condition.

Certain of our customers and suppliers require us to comply with their codes of conduct, which may include certain restrictions that may substantially increase our cost of doing business as well as have an adverse effect on our operating efficiencies, operating results and financial condition.

Compliance with government regulations and customer demands regarding the use of "conflict minerals" may result in increased costs and may have a negative impact on our business, operating results and financial condition.

There are risks associated with previous and future acquisitions. We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.

If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.

China has been experiencing electricity rationing, leading to higher electricity prices and which could lead to electricity curtailments affecting our ability to operate our China-based manufacturing facilities.

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

Our international operations subject us to risks that could adversely affect our operations.

We have significant operations and assets in China, the U.K., Germany, Hong Kong and Taiwan and, as a result, will be subject to risks inherent in doing business in those jurisdictions, which may adversely affect our financial performance and operating results.

Significant uncertainties related to changes in governmental policies and participation in international trading partnerships or economic unions currently exist, and, depending upon how such uncertainties are resolved, the changes could have a material adverse effect on us.

Tariffs or other restrictions imposed by the United States Trade Representative may affect our operations in the U.S., may disrupt our activities in the U.S., may have an adverse impact on our profitability and results of operations and may encourage the independent development in China of products and electronic components that will compete with ours or displace our products and components, resulting in an adverse impact on our Chinese business.

The U.K.'s exit from the European Union will continue to have uncertain effects and could adversely impact our business, results of operations and financial condition.

A slowdown in the Chinese economy could limit the growth in demand for electronic devices containing our products, which would have a material adverse effect on our business, operating results and prospects.

Economic regulation in China could materially and adversely affect our business, operating results and prospects.

We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the U.K.'s Bribery Act 2010, China's anti-corruption campaign and similar worldwide anti-bribery laws.

We are subject to foreign currency risk as a result of our international operations.

China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, operating results and financial condition.

We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.

The distribution of any earnings of certain foreign subsidiaries may be subject to foreign income taxes, thus reducing our net income.

We could be adversely affected by the compromise or theft of our technology, know-how, data or intellectual property or a requirement that we yield rights in technology, know-how, data stored in foreign jurisdictions or intellectual property that we use in such foreign jurisdictions.

RISKS RELATED TO OUR COMMON STOCK

Variations in our quarterly operating results may cause our stock price to be volatile.

We may enter into future acquisitions and take certain actions in connection with such acquisitions that could adversely affect the price of our Common Stock.

Our directors, executive officers and significant stockholders hold a substantial portion of our Common Stock, which may lead to conflicts with other stockholders over corporate transactions and other corporate matters.

We were formed in 1959, and our early corporate records are incomplete. As a result, we may have difficulty in assessing and defending against claims relating to rights to our Common Stock purporting to arise during periods for which our records are incomplete.

Non-cash tender offers, debt equity swaps or equity exchanges to consummate our business activities are likely to have the effect of diluting the ownership interest of existing stockholders, including qualified stockholders who receive shares of our Common Stock in such business activities.

Anti-takeover effects of certain provisions of Delaware law and our Certificate of Incorporation and Bylaws, may hinder a take-over attempt.

Section 203 of Delaware General Corporation Law may deter a take-over attempt.

Certificate of Incorporation and Bylaw Provisions may deter a take-over attempt.

GENERAL RISK FACTORS

The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition.

Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers' demands and could adversely affect our operating results and financial condition.

We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, operating results and financial condition.

Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the U.S. or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our operating results and financial condition.

System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected net sales, increase our expenses, damage our reputation and adversely affect our stock price.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 22, 2021.

Item 4. Controls and Procedures.

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Brett R. Whitmire, with the participation of our management, carried out an evaluation, as of September 30, 2021, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this Quarterly Report is:

- recorded, processed, summarized and reported within the time period specified in the Commission’s rules and forms; and
- accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions on required disclosure.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity’s disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors, mistakes or intentional circumvention of the established processes.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to our Chief Executive Officer or Chief Financial Officer, that occurred in the three months ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not a party to any pending litigation that we consider material.

From time to time, we are involved in various legal proceedings that arise in the normal course of business. While we intend to defend any lawsuit vigorously, we presently believe that the ultimate outcome of any pending legal proceeding will not have any material adverse effect on our financial position, cash flows or operating results. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact our business and operating results for the period in which the ruling occurs or future periods.

Item 1A. Risk Factors.

There have been no material changes to our risk factors from those disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on February 22, 2021, other than the additional risk factor below related to electricity demand in China referred to below..

China has been experiencing electricity rationing, leading to higher electricity prices and which could lead to electricity curtailments affecting our ability to operate our China-based manufacturing facilities.

Due to a shortage of coal to operate its coal-fueled power plants and high demand for Chinese manufactured goods that creates a higher demand for power, China has been experiencing power rationing and rising electricity prices. Continued shortages of electricity and/or rising electricity prices could lead to the Company not being able to operate its China-based manufacturing facilities at the level desired and/or could lead to the Company paying more for electricity in China. The inability to operate plants at desired capacity and/or an increase in electricity prices could adversely affect our cash flows, operating results and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Incorporation, as amended	10-K	February 20, 2018	3.1	
3.2	Amended By-laws of the Company as of January 6, 2016	8-K	January 11, 2016	3.1	
4.1	Form of Certificate for Common Stock, par value $0.66 2/3 per share	S-3	August 25, 2005	4.1	
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification Pursuant to Rule 13a-14(a) /15d-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification Pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification Pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File, formatted in Inline XBRL				X

* *A certification furnished pursuant to Item 601(b)(32) of the Regulation S-K will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.*

PLEASE NOTE: It is inappropriate for investors to assume the accuracy of any covenants, representations or warranties that may be contained in agreements or other documents filed as exhibits to this Quarterly Report on Form 10-Q. In certain instances the disclosure schedules to such agreements or documents contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants. Moreover, some of the representations and warranties may not be complete or accurate as of a particular date because they are subject to a contractual standard of materiality that is different from those generally applicable to stockholders and/or were used for the purpose of allocating risk among the parties rather than establishing certain matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

DIODES INCORPORATED
(Registrant)

November 3, 2021
Date

By: /s/ Keh-Shew Lu
KEH-SHEW LU
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

November 3, 2021
Date

By: /s/ Brett R. Whitmire
BRETT R. WHITMIRE

Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Keh-Shew Lu**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ Keh-Shew Lu
Keh-Shew Lu
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Brett R. Whitmire**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ Brett R. Whitmire
Brett R. Whitmire
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended September **30, 2021** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

/s/ Keh-Shew Lu

Keh-Shew Lu
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **September 30, 2021** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

/s/ Brett R. Whitmire
Brett R. Whitmire
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.