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, 2020

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 November 4, 2020 was 52,041,963.

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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, 2020	December 31, 2019
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 587,643	$ 258,390
Short-term investments	3,014	4,825
Accounts receivable, net of allowances of $3,056 and $4,866 at September 30, 2020 and December 31, 2019, respectively	261,782	260,322
Inventories	260,289	236,472
Prepaid expenses and other	101,961	49,950
Total current assets	1,214,689	809,959
Property, plant and equipment, net	453,487	469,574
Deferred income tax	23,566	17,516
Goodwill	155,492	141,318
Intangible assets, net	114,306	119,523
Other long-term assets	71,112	81,494
Total assets	$ 2,032,652	$ 1,639,384
Liabilities		
Current liabilities:		
Line of credit	$ 70,746	$ 13,342
Accounts payable	127,315	122,148
Accrued liabilities and other	103,259	100,571
Income tax payable	5,235	16,156
Current portion of long-term debt	14,978	33,105
Total current liabilities	321,533	285,322
Long-term debt, net of current portion	330,766	64,401
Deferred tax liabilities	14,445	16,333
Other long-term liabilities	114,857	120,545
Total liabilities	781,601	486,601
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; 51,945,299 and 51,206,969, issued and outstanding at September 30, 2020 and December 31, 2019, respectively	35,628	35,111
Additional paid-in capital	440,944	427,262
Retained earnings	858,311	789,958
Treasury stock at cost, 1,494,080 and 1,457,206, at September 30, 2020 and December 31, 2019, respectively	(39,205)	(37,768)
Accumulated other comprehensive loss	(97,105)	(108,139)
Total stockholders' equity	1,198,573	1,106,424
Noncontrolling interest	52,478	46,359
Total equity	1,251,051	1,152,783
Total liabilities and stockholders' equity	$ 2,032,652	$ 1,639,384

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,	
	2020	**2019**	**2020**	**2019**
Net sales	$ 309,459	$ 323,674	$ 878,845	$ 947,973
Cost of goods sold	198,369	201,628	570,421	591,528
Gross profit	111,090	122,046	308,424	356,445
Operating expenses				
Selling, general and administrative	44,651	46,123	132,238	137,143
Research and development	24,469	22,689	69,469	66,566
Amortization of acquisition related intangible assets	4,007	4,519	12,249	13,539
Other operating expense (income)	108	-	(108)	(158)
Total operating expense	73,235	73,331	213,848	217,090
Income from operations	37,855	48,715	94,576	139,355
Other income (expense)				
Interest income	138	272	579	1,780
Interest expense	(3,745)	(2,007)	(7,643)	(6,163)
Foreign currency loss, net	(2,618)	(822)	(6,143)	(1,382)
Other income	1,627	2,577	2,902	5,056
Total other expense	(4,598)	20	(10,305)	(709)
Income before income taxes and noncontrolling interest	33,257	48,735	84,271	138,646
Income tax provision	5,871	10,613	15,097	32,085
Net income	27,386	38,122	69,174	106,561
Less net income attributable to noncontrolling interest	(234)	(62)	(821)	(501)
Net income attributable to common stockholders	$ 27,152	$ 38,060	$ 68,353	$ 106,060
Earnings per share attributable to common stockholders:				
Basic	$ 0.52	$ 0.75	$ 1.33	$ 2.09
Diluted	$ 0.51	$ 0.73	$ 1.30	$ 2.05
Number of shares used in earnings per share computation:				
Basic	51,825	50,998	51,563	50,687
Diluted	52,729	51,869	52,612	51,699

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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$ 27,386	$ 38,122	$ 69,174	$ 106,561
Unrealized gain (loss) on defined benefit plan, net of tax	288	(6,553)	(6,563)	(11,562)
Unrealized gain (loss) on swaps and collars, net of tax	212	259	(409)	(3,146)
Unrealized foreign currency gain (loss), net of tax	20,887	(9,186)	18,006	(11,151)
Comprehensive income	48,773	22,642	80,208	80,702
Less: Comprehensive income attributable to noncontrolling interest	(234)	(62)	(821)	(501)
Total comprehensive income attributable to common stockholders	$ 48,539	$ 22,580	$ 79,387	$ 80,201

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	Retained	Accumulated other comprehensive	Total Diodes Incorporated Stockholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	capital	earnings	loss	equity	interest	equity
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
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	2	2
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 non-controlling interest	-	-	-	-	(1,225)	-	-	(1,225)	(4,928)	(6,153)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	11,779	11,779
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(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
Balance, June 30, 2019	52,202	$ 34,803	(1,457)	$ (37,768)	$ 414,451	$ 704,708	$ (112,225)	$ 1,003,969	$ 47,183	$ 1,051,152
Total comprehensive income	-	-	-	-	-	38,060	(15,480)	22,580	62	22,642
Common stock issued for share-based plans	268	179	-	-	324	-	-	503	-	503
Share-based compensation	-	-	-	-	5,589	-	-	5,589	-	5,589
Tax related to net share settlement	-	-	-	-	(2,788)	-	-	(2,788)	-	(2,788)
Balance, September 30, 2019	52,470	$ 34,982	(1,457)	$ (37,768)	$ 417,576	$ 742,768	$ (127,705)	$ 1,029,853	$ 47,245	$ 1,077,098
Balance, December 31, 2018	51,678	$ 34,454	(1,457)	$ (37,768)	$ 399,915	$ 636,708	$ (101,846)	$ 931,463	$ 45,969	$ 977,432
Total comprehensive income	-	-	-	-	-	106,060	(25,859)	80,201	501	80,702
Noncontrolling interests	-	-	-	-	-	-	-	-	3,343	3,343
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(2,568)	(2,568)
Common stock issued for share-based plans	792	528	-	-	6,680	-	-	7,208	-	7,208
Share-based compensation	-	-	-	-	15,364	-	-	15,364	-	15,364
Tax related to net share settlement	-	-	-	-	(4,383)	-	-	(4,383)	-	(4,383)
Balance, September 30, 2019	52,470	$ 34,982	(1,457)	$ (37,768)	$ 417,576	$ 742,768	$ (127,705)	$ 1,029,853	$ 47,245	$ 1,077,098

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 Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net income	$ 69,174	$ 106,561
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions		
Depreciation	68,168	68,533
Amortization of intangible assets	12,249	13,539
Share-based compensation expense	18,684	15,364
Deferred income taxes	(10,232)	(612)
Other	1,235	(976)
Changes in operating assets:		
Accounts receivable	602	(29,868)
Inventory	(20,535)	(9,062)
Other operating assets	2,903	(3,452)
Changes in operating liabilities:		
Accounts payable	3,886	236
Accrued liabilities	(6,821)	10,206
Income tax payable	(11,013)	9,853
Other operating liabilities	(1,865)	(2,617)
Net cash flows provided by operating activities	126,435	177,705
Cash flows from investing activities		
Acquisitions, net of cash received	591	(33,029)
Purchases of property, plant and equipment	(48,497)	(76,128)
Proceeds from maturity of short-term investments	7,723	15,332
Purchases of short-term investments	(5,858)	(15,921)
Additional acquisition of noncontrolling interest	(6,130)	-
Other	395	(430)
Net cash and cash equivalents used in investing activities	(51,776)	(110,176)
Cash flows from financing activities		
Advances on lines of credit and short-term debt	60,647	9,954
Repayments of line of credit and short-term debt	(3,667)	(3,067)
Taxes paid related to net share settlement	(8,243)	(4,383)
Proceeds from long-term debt	726,363	278,237
Repayments of long-term debt	(477,659)	(372,976)
Net proceeds from issuance of common stock	1,977	7,208
Repayment of and proceeds from finance lease obligation	(671)	(912)
Dividend distribution to noncontrolling interests	(1,565)	(2,577)
Other	(2,502)	1,524
Net cash and cash equivalents provided by (used in) financing activities	294,680	(86,992)
Effect of exchange rate changes on cash and cash equivalents	10,988	(2,614)
Change in cash and cash equivalents, including restricted cash	380,327	(22,077)
Cash and cash equivalents, beginning of period, including restricted cash	259,507	241,833
Cash and cash equivalents, end of period, including restricted cash	$ 639,834	$ 219,756

Supplemental Cash Flow Information

Interest paid during the period	$	6,434	$	5,781
Taxes paid during the period	$	42,928	$	24,422
Non-cash investing and financing activities:				
Accounts payable balance related to the purchase of property, plant and equipment	$	8,906	$	13,261

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 contractual agreements with banks to support outstanding loan and import/export guarantees.

	Nine Months Ended September 30,	
	2020	**2019**
Current assets:		
Cash and cash equivalents	$587,643	$218,349
Restricted cash (included in other current assets)	52,191	1,407
Total cash, cash equivalents and restricted cash	$639,834	$219,756

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, the "Company," "we" or "our") (Nasdaq: DIOD), 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. We serve the consumer electronics, computing, communications, industrial, and automotive markets. Our products include diodes, rectifiers, transistors, MOSFETs, 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. We also have timing, connectivity, switching, and signal integrity solutions for high-speed signals. Our corporate headquarters and Americas' sales offices are located in Plano, Texas and Milpitas, California. Design, marketing, and engineering centers are located in Plano; Milpitas; Taipei, Taoyuan City and Zhubei City, Taiwan; Oldham, England; and Neuhaus, Germany. Our wafer fabrication facilities are located in Oldham and Shanghai, China and Greenock, Scotland. We have assembly and test facilities located in Shanghai, Jinan and Chengdu, China, as well as in Hong Kong, Neuhaus and Taipei. Additional engineering, research and development, sales, warehouse, and logistics offices are located in Taipei; Hong Kong; Oldham; Shanghai; Shenzhen and Yangzhou, China; Seongnam-si, South Korea; Munich, Germany; and Tokyo, Japan, with support offices throughout the world.

Basis of Presentation

The condensed consolidated financial data at December 31, 2019 is derived from audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on February 12, 2020 ("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, 2020 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2020.

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 financial statement presentation.

Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards ("FASB") Update ("ASU") No. 2020-04 *Reference Rate Reform (Topic 848)*. ASU No. 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU No. 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the second quarter of 2020; the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, which requires measurement and recognition of expected credit losses for financial assets held. We adopted ASU No. 2016-13 effective January 1, 2020. The adoption of ASU No. 2016-13 did not have a material impact on our consolidated financial statements and related disclosures.

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, 2020 and 2019 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,	
	2020	2019	2020	2019
Earnings (numerator)				
Net income attributable to common stockholders	$ 27,152	$ 38,060	$ 68,353	$ 106,060
Shares (denominator)				
Weighted average common shares outstanding (basic)	51,825	50,998	51,563	50,687
Dilutive effect of stock options and stock awards outstanding	904	871	1,049	1,012
Adjusted weighted average common shares outstanding (diluted)	52,729	51,869	52,612	51,699
Earnings per share attributable to common stockholders				
Basic	$ 0.52	$ 0.75	$ 1.33	$ 2.09
Diluted	$ 0.51	$ 0.73	$ 1.30	$ 2.05
Stock options and stock awards excluded from EPS calculation because the effect would be anti-dilutive	-	3	3	107

NOTE 3 – Inventories

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

	September 30, 2020	December 31, 2019
Finished goods	$ 68,950	$ 62,900
Work-in-progress	55,505	55,082
Raw materials	135,834	118,490
Total	$ 260,289	$ 236,472

NOTE 4 – Goodwill and Intangible Assets

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

Balance at December 31, 2019	$ 141,318
Savitech acquisition (see Note 14 for additional information)	13,962
Foreign currency translation adjustment	212
Balance at September 30, 2020	$ 155,492

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

	September 30, 2020	December 31, 2019
Intangible assets subject to amortization:		
Gross carrying amount	$ 245,067	$ 239,975
Accumulated amortization	(136,701)	(124,452)
Foreign currency translation adjustment	(7,959)	(9,842)
Total	100,407	105,681
Intangible assets with indefinite lives:		
Gross carrying amount	14,992	14,883
Foreign currency translation adjustment	(1,093)	(1,041)
Total	13,899	13,842
Total intangible assets, net	$ 114,306	$ 119,523

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

Amortization expense	**2020**	**2019**
Three months ended September 30,	$ 4,007	$ 4,519
Nine months ended September 30,	$ 12,249	$ 13,539

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,**	
	2020	**2019**	**2020**	**2019**
Domestic pre-tax income	$ 15,053	$ 13,547	$ 28,029	$ 34,097
Foreign pre-tax income	$ 18,203	$ 35,188	$ 56,242	$ 104,549
Income tax provision	$ 5,871	$ 10,613	$ 15,097	$ 32,085
Effective tax rate	17.7%	21.8%	17.9%	23.1%
Impact of tax holidays on tax expense	$ (208)	$ 330	$ (1,522)	$ 1,179
Earnings per share impact of tax holidays:				
Basic	$ -	$ (0.01)	$ 0.03	$ (0.02)
Diluted	$ -	$ (0.01)	$ 0.03	$ (0.02)

The decrease in the effective tax rate for the three and nine months ended September 30, 2020 when compared to the three and nine months ended September 30, 2019, is primarily attributable to a decrease in non-U.S. withholding taxes and a net increase in favorable U.S. permanent differences.

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 2014. 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 related to unrecognized tax benefits in interest expense. As of September 30, 2020, the gross amount of unrecognized tax benefits was approximately $37.5 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.

In response to the outbreak of the novel strain of coronavirus ("COVID-19") pandemic, the United States Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted on March 27, 2020. We do not expect the CARES Act to have a material impact on our financial statements because we do not qualify for most of the relief provisions prescribed in the CARES Act. We will continue to assess the impacts of the CARES Act and any other legislation adopted by the United States government or other applicable governmental agencies in response to COVID-19 as additional guidance is published by the relevant authorities.

NOTE 6 – Share-Based Compensation

All share-based compensation is attributable to share grants. All outstanding stock options are fully vested, and all expense related to stock options has been recognized in previous periods. Approximately $2.0 million of cash proceeds were received from stock option exercises during the nine months ended September 30, 2020. 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,	
	2020	**2019**	**2020**	**2019**
Cost of goods sold	$ 241	$ 281	$ 771	$ 665
Selling, general and administrative	5,157	4,566	15,583	12,513
Research and development	892	742	2,330	2,186
Total share-based compensation expense	$ 6,290	$ 5,589	$ 18,684	$ 15,364

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, and there will be no additional share grants under the 2001 Omnibus 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. During the second quarter of 2020, in connection with the retirement of a member of the Company's board of directors, the Company modified that director's unvested RSU grants to vest upon his retirement. The shares subject to the modified grants will be released to that board member as if they were vesting under the original vesting timeline. In connection with this modification, the Company recorded additional expense of approximately $1.7 million.

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, 2020, total unrecognized share-based compensation expense related to share grants was approximately $50.8 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 the same customer type. Our primary operations include operations in Asia, North America and Europe. No customer accounted for 10% or more of our net sales or outstanding accounts receivable at any point in the periods presented in this report.

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

Three Months Ended September 30, 2020	Asia	North America	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

Three Months Ended September 30, 2019	Asia	North America	Europe	Consolidated
Total sales	$ 323,876	$ 175,900	$ 63,583	$ 563,359
Intercompany elimination	(115,879)	(96,150)	(27,656)	(239,685)
Net sales	$ 207,997	$ 79,750	$ 35,927	$ 323,674

As of and for the Nine Months Ended September 30, 2020	Asia	North America	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

As of and for the Nine Months Ended September 30, 2019	Asia	North America	Europe	Consolidated
Total sales	$ 917,516	$ 450,874	$ 180,759	$ 1,549,149
Intercompany elimination	(305,581)	(228,344)	(67,251)	(601,176)
Net sales	$ 611,935	$ 222,530	$ 113,508	$ 947,973
Property, plant and equipment, net	$ 385,862	$ 23,186	$ 59,074	$ 468,122
Total assets	$ 1,173,683	$ 237,467	$ 198,663	$ 1,609,813

Disaggregation of Net Sales. We disaggregate net sales from contracts 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. 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*) for the three months and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,	
Net Sales by Region	**2020**	**2019**
Asia	$ 243,773	$ 240,390
Europe	41,897	53,336
Americas	23,789	29,948
Total net sales	$ 309,459	$ 323,674
Net Sales by Type		
Direct sales	$ 115,437	$ 110,313
Distributor sales	194,022	213,361
Total net sales	$ 309,459	$ 323,674

	Nine Months Ended September 30,	
Net Sales by Region	**2020**	**2019**
Asia	$ 677,634	$ 703,761
Europe	131,973	137,780
Americas	69,238	106,432
Total net sales	$ 878,845	$ 947,973
Net Sales by Type		
Direct sales	$ 396,018	$ 305,602
Distributor sales	482,827	642,371
Total net sales	$ 878,845	$ 947,973

Net sales from products shipped to China was $161.6 million and $163.3 million for the three months ended September 30, 2020 and 2019, respectively, and $452.9 million and $475.1 million for the nine months ended September 30, 2020 and 2019, respectively.

NOTE 8 – Debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $155.7 million. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted, repayable on demand, terminable by the lender at any time and contain no restrictive covenants. 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, 2020, was approximately $86.2 million, net of a $70.7 million advanced under our foreign credit lines and $0.4 million credit used for import and export guarantee. In connection with our Asia credit facilities $52.2 million of cash deposits have been restricted in support of a corresponding loan amount.

On May 29, 2020, the Company, Diodes Holding B.V. (the “Foreign Borrower” and, collectively with the Company, the “Borrowers”), and certain subsidiaries of the Company as guarantors, entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”) that amends and restates that certain Amended and Restated Credit Agreement dated as of October 26, 2016 (as amended, modified and/or supplemented from time to time prior to May 29, 2020, the “Existing Credit Agreement”). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement. The Company analyzed the amendment to the Existing Credit Agreement pursuant to the guidance in ASC No. 470-50, Debt—Modifications and Extinguishments. The Company determined that certain lenders had changes in cash flows which were substantially different as a result of the amendment to the Existing Credit Agreement, which resulted in a debt extinguishment of $52.2 million and a loss on extinguishment and third-party fees of $0.7 million being expensed in the nine-month period ended September 30, 2020.

The Credit Agreement rebalances the Company’s existing senior credit facilities under the Existing Credit Agreement from (x) aggregate credit facilities of $500,000,000, consisting of (A) a $250,000,000 revolving senior credit facility, which included a $10,000,000 swing line sublimit, a $10,000,000 letter of credit sublimit, and a $20,000,000 alternative currency sublimit, and (B) a $250,000,000 term loan to (y) aggregate credit facilities of $670,000,000 consisting of (A) an acquisition draw term commitment of $340,000,000 (the “Acquisition Draw Term Commitment”), (B) an initial term commitment of $180,000,000 (the “Initial Term Commitment” and, together with the Acquisition Draw Term Commitment, the “Term Loan”) and (C) a $150,000,000 revolving senior credit facility (the "Revolver"), which includes a $20,000,000 uncommitted swing line sublimit, a $10,000,000 letter of credit sublimit, and a $40,000,000 alternative currency sublimit.

The Revolver and the Term Loan mature on May 29, 2023 (the "Maturity Date"). Both the term loan portion and the revolving portion of the Credit Agreement bear an interest rate at LIBOR or similar other indices plus a specified margin. The Company plans to use a portion of the proceeds available under the Revolver and the Term Loan (i) to finance the Company's previously announced acquisition of Lite-On Semiconductor Corporation, (ii) to refinance certain existing indebtedness of the Borrowers and their subsidiaries under the Existing Credit Agreement and (iii) for working capital, capital expenditures, and other lawful corporate purposes, including, without limitation, financing permitted acquisitions.

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). These covenants are generally similar to the corresponding covenants in the Existing Credit Agreement, except that certain amounts permitted as exceptions to negative covenants restricting liens, indebtedness, investments, dispositions and restricted payments have been revised, and additional exceptions to certain negative covenants have been added, including increased capacity for certain intercompany Indebtedness and Investment (including existing Lite-On Indebtedness), and the right to enter into certain securitization transactions and receivables facilities, subject to limitations set forth in the Credit Agreement. 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 liquidity provided by the Credit Agreement, our 51% owned subsidiary, ERIS Technology Corporation ("ERIS"), borrowed $13.7 million through a short-term loan and $29.4 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods from 2020 through 2033.

Borrowings outstanding as of September 30, 2020 and December 31, 2019, are set forth in the table below:

Description	**September 30, 2020**	**December 31, 2019**	**Interest Rate**	**Current Amount Maturity**
Short-term debt	$ 70,746	$ 13,342	Libor + Margin	Various during 2020 - 2021
Long-term debt				
Notes payable to Bank of Taiwan	$ 4,142	$ 4,242	Variable, 1.3% base	June-33
Notes payable to Bank of China Trust Company	3,436	-	Taibor 3 month rate + 0.5%	December-21
Notes payable to Bank of China Trust Company	16,357	19,212	Taibor 3 month rate + 0.5%	May-24
Notes payable to E Sun Bank	3,436	-	1-M deposit rate plus 0.08%	December-22
Notes payable to E Sun Bank	378	-	1-M deposit rate plus 0.08%	June-27
Notes payable to E Sun Bank	1,684	-	1-M deposit rate plus 0.08%	June-30
Term loan and revolver	318,750	75,187	Libor plus margin	May-23
Total long-term debt	348,183	98,641		
Less: Current portion of long-term debt	(14,978)	(33,105)		
Less: Unamortized debt costs	(2,439)	(1,135)		
Total long-term debt, net of current portion	$ 330,766	$ 64,401		

NOTE 9 – Commitments and Contingencies

Purchase commitments – As of September 30, 2020, we had approximately $19.8 million in non-cancelable purchase contracts related to capital expenditures, primarily related to our manufacturing facilities in Asia. As of September 30, 2020, we also had a commitment to purchase approximately $20.3 million of wafers to be used in our manufacturing process. These wafer purchases will occur during 2020.

Defined Benefit Plan - We have a contributory defined benefit plan that covers certain employees in the United Kingdom. As of September 30, 2020, the unfunded liability for this defined benefit plan was approximately $30.7 million. An actuarial valuation was performed as of March 31, 2019, resulting in a deficit of approximately GBP 26.7 million (approximately $34.7 million based on a GBP: USD exchange rate of 1.3:1). As a result of this valuation we have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.6 million based on a GBP: USD exchange rate of 1.3:1) 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 in annual installments effective April 1, 2020 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, 2020, and December 31, 2019, we had $124.7 million and $105.9 million, respectively, outstanding foreign currency forward contracts 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. The fair value of these instruments approximates zero.

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 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, 2020 and December 31, 2019:

	Other Current Assets		Other Assets		Other Current Liabilities		Other Liabilities	
	2020	2019	2020	2019	2020	2019	2020	2019
Interest rate swaps and collars	$ -	$ 194	-	$ 36	$ 2,016	$ 51	$ 92	$ 127

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, 2020 and 2019:

Derivative Instruments Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in OCI on Derivative September 30, 2020	2019	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Net Income September 30, 2020	2019	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, 2020	2019
Three Months Ended								
Interest rate swaps and collars	$ 2	$ (136)	Interest expense	$ (210)	$ 224	N/A	$ -	$ -
Cross currency swaps	$ -	$ -	N/A	$ -	$ -	Interest income	$ -	$ -
Nine Months Ended								
Interest rate swaps and collars	$ (1,569)	$ (3,145)	Interest expense	$ (283)	$ 1,149	N/A	-	-
Cross currency swaps	$ -	$ (298)	N/A	-	-	Interest income	$ -	$ 688

We estimate that $0.6 million of net derivative gains included in accumulated other comprehensive income ("AOCI") as of September 30, 2020 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, 2020 or 2019.

Derivative Instruments Not Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in Net Income September 30, 2020	2019	Location of Gain or (Loss) Recognized in Net Income
Three Months Ended			
Foreign currency forward contracts	$ 2,252	$ (2,563)	Foreign currency loss, net
Nine Months Ended			
Foreign currency forward contracts	$ (286)	$ (3,793)	Foreign currency loss, net

As of September 30, 2020 and December 31, 2019, 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:

	September 30,		September 30,	
	2020	2019	2020	2019
Operating lease expense	$ 3,841	$ 3,671	$ 11,240	$ 11,148
Finance lease expense:				
Amortization of assets	209	244	627	733
Interest on lease liabilities	4	11	17	39
Short-term lease expense	99	89	315	223
Variable lease expense	726	681	2,175	2,101
Total lease expense	$ 4,879	$ 4,696	$ 14,374	$ 14,244

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, 2020	December 31, 2019
Operating leases:		
Operating lease ROU assets	$49,376	$57,427
Current operating lease liabilities	10,936	12,554
Noncurrent operating lease liabilities	21,695	27,545
Total operating lease liabilities	$32,631	$40,099
Finance leases:		
Finance lease ROU assets	$2,509	$3,396
Accumulated amortization	(2,089)	(1,924)
Finance lease ROU assets, net	$420	$1,472
Current finance lease liabilities	$370	$903
Non-current finance lease liabilities	11	138
Total finance lease liabilities	$381	$1,041
Weighted average remaining lease term (in years):		
Operating leases	4.0	4.4
Finance leases	0.6	1.3
Weighted average discount rate:		
Operating leases	3.9%	3.8%
Finance leases	3.0%	3.0%

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid for the amounts included in the measurements of lease liabilities:		
Operating cash outflows from operating leases	$12,808	$14,728
Operating cash outflows from finance leases	17	39
Financing cash outflow from finance leases	671	912
ROU assets obtained in exchange for lease liabilities incurred:		
Operating leases	294	3,611

The table below sets forth information about lease liability maturities:

	September 30, 2020	
	Operating Leases	Finance Leases
Remainder of 2020	$ 3,640	$ 231
2021	10,673	143
2022	8,793	4
2023	4,734	4
2024	2,474	3
2025	2,377	-
2026 and thereafter	2,617	-
Total lease payments	35,308	385
Less: imputed interest	(2,677)	(4)
Total lease obligations	32,631	381
Less: current obligations	(10,936)	(370)
Long-term lease obligations	$ 21,695	$ 11

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, 2020 and December 31, 2019, these investments totaled approximately $11.7 million and $12.9 million, respectively.

NOTE 13 – Related Parties

We conduct business with a related party company, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, "LSC"), and Nuvoton Technology Corporation and its subsidiaries and affiliates (collectively, "Nuvoton"). LSC is our largest stockholder, owning approximately 15% of our outstanding Common Stock as of September 30, 2020, and is a member of the Lite-On Group of companies. On August 8, 2019, we announced that we entered into an agreement with LSC pursuant to which the Company shall acquire LSC. The aggregate consideration payable by the Company, based on the September 30, 2020 exchange rate, is approximately $451.4 million. This amount is subject to change, based on the Taiwan dollar to United States dollar exchange rate at closing. The acquisition received LSC stockholder approval on October 25, 2019. On September 22, 2020, we received approval from the China's State Administration for Market Regulation ("SAMR") to proceed with the acquisition. LSC has initiated the process to terminate its listing on the Taiwan Stock Exchange and revoke its public offering with the Taiwan Financial Supervisory Commission. With the exception of the remaining customary closing conditions, all other conditions to the acquisition's closing have been satisfied, including the approvals from the Taiwan Fair Trade Commission, the Investment Commission of the Ministry of Economic Affairs and China's National Development and Reform Commission and SAMR, and we anticipate completing the acquisition by the end of November 2020, subject to customary closing conditions. We expect to fund the purchase price of the transaction primarily with proceeds from the Credit Agreement. See Note 8. Raymond Soong, the former Chairman of our Board of Directors, is the Chairman of LSC, and is the Chairman of Lite-On Technology Corporation ("LTC"), a significant shareholder of LSC. C.H. Chen, our former President and Chief Executive Officer and currently the Vice Chairman of our Board of Directors, is also Vice Chairman of LSC and a board member of LTC. Dr. Keh-Shew Lu, Chairman of our Board of Directors, President and Chief Executive Officer, is a board member of LTC, and a board member of Nuvoton. We consider our relationships with LSC and Nuvoton to be mutually beneficial, and we plan to continue our strategic alliance with LSC and Nuvoton. We purchase wafers from Nuvoton for use in our production process.

We also conduct business with Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, "Keylink"). Keylink is our 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from Keylink. 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 fees for plating and rental services and consulting to Keylink. The aggregate amounts paid to Keylink for the three months ended September 30, 2020 and 2019 were approximately $3.9 million and $3.7 million, respectively. The aggregate amounts paid to Keylink for the nine months ended September 30, 2020 and 2019 were approximately $10.7 million and $11.5 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 is our 5% joint venture partner in our other Chengdu assembly and test facility; however, we have no material transactions with Ya Guang. 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 that investment 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,	
	2020	2019	2020	2019
LSC				
Net sales	$ 151	$ 273	$ 450	$ 729
Purchases	$ 3,262	$ 2,548	$ 9,816	$ 11,039
Nuvoton				
Purchases	$ 3,363	$ 2,650	$ 7,018	$ 5,951
Keylink				
Net sales	$ 5,550	$ 4,923	$ 14,510	$ 11,304
Purchases	$ 297	$ 604	$ 1,128	$ 1,794
JCP				
Purchases	$ 330	$ 151	$ 777	$ 462

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

	September 30, 2020	December 31, 2019
LSC		
Accounts receivable	$ 166	$ 184
Accounts payable	$ 2,222	$ 2,154
Nuvoton		
Accounts payable	$ 1,257	$ 1,055
Keylink		
Accounts receivable	$ 31,265	$ 31,598
Accounts payable	$ 26,704	$ 28,244
JCP		
Accounts payable	$ 307	$ 173

Note 14 –Acquisitions

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 will make 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, currently recorded in other current liabilities, as shown in the table below, and currently valued at $8.5 million will increase the Company's ownership to at least 51% of Savitech. The second tranche will be paid on June 30, 2021, provided Savitech achieves previously agreed-to revenue levels. If revenue levels are not achieved the Company will pay less than the maximum $8.6 million, but regardless of the amount paid for the second tranche, the Company will still acquire at least 51% of Savitech.

The Company recorded the purchase of Savitech as a business acquisition and will consolidate 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 $13.9 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.

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		9.9
Noncontrolling interest		11.8

Wafer Fabrication Facility Acquisition

On April 1, 2019, the Company completed the previously announced acquisition of a wafer fabrication facility located in Greenock, Scotland ("GFAB"). The Company recorded the purchase of GFAB as a business acquisition. The Company purchased GFAB in order to increase the Company's wafer production capacity. Total consideration paid by the Company was $33.2 million and was funded by advances under the revolving portion of our long-term credit facility. The facility and assets were wholly acquired, and there is no remaining minority interest. The goodwill will not be tax deductible. The Company also incurred acquisition costs of approximately $0.6 million that were recognized in selling, general and administrative expense. Due to a lack of available data we are unable to provide historical financial pro forma data. The table below sets forth the fair value of the assets and liabilities recorded in the GFAB acquisition and the corresponding line item in which the item is recorded in our condensed consolidated balance sheet.

Property, plant and equipment, net	$	24.4
Inventories		3.6
Prepaid expenses and other		5.2
Goodwill		0.9
Deferred tax liabilities		1.0

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, 2019 ("Form 10-K"), previously filed with Securities and Exchange Commission ("SEC") on February 12, 2020.

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, North America 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, 2020

- During the third quarter of 2020, net sales were $309.5 million, a decrease of 4.4% from the $323.7 million in the third quarter of 2019, and an increase of 7.2% from the $288.7 million in the second quarter of 2020;

- Gross profit was $111.1 million, a decrease of 8.9% from the $122.0 million of gross profit in the third quarter of 2019, and an increase of 9.5% from the $101.5 million in the second quarter of 2020;

- Gross profit margin was 35.9%, compared to gross profit margin of 37.7% in the third quarter of 2019, and 35.2% in the second quarter of 2020;

- Net income was $27.2 million, or $0.51 per diluted share, compared to net income of $38.1 million, or $0.73 per diluted share, in the third quarter of 2019, and net income of $21.0 million, or $0.40 per diluted share in the second quarter of 2020; and

- Cash flow from operations was $39.7 million. Net cash flow was a positive $85.2 million, which includes $17.8 million of capital expenditures and a $105.0 million draw-down under our amended and restated credit agreement, as a partial currency hedge, associated with the anticipated close of the LSC acquisition.

Recent Developments

LSC Acquisition

In the third quarter of 2019 we entered into a Share Swap Agreement that provides for the acquisition of Lite-On Semiconductor Corporation ("LSC") and its subsidiaries by the Company. At the effective date of the transaction, each share of LSC will be converted into the right to receive TWD $42.50 per share in cash, or approximately US $1.47 per share based on September 30, 2020 exchange rates. The aggregate consideration payable by the Company, based on the September 30, 2020 exchange rate, is approximately $451.4 million. This amount is subject to change, based on the Taiwan dollar to United States dollar exchange rate at closing. The acquisition received LSC shareholder approval in October 2019, Taiwan regulatory approval in March 2020 and China regulatory approval in September 2020. We anticipate completing the acquisition by the end of November 2020, subject to customary closing conditions. On May 29, 2020, the Company entered into an amended and restated credit agreement that provides the borrowing capacity to fund the purchase of LSC. The Company has drawn $305.0 million under the amended and restated credit agreement as a partial currency hedge associated with the purchase of LSC. See "Liquidity and Capital Resources," below for additional information related to the amended and restated credit agreement.

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. COVID-19 continues to spread throughout the United States and other countries across the world, including the countries in which we operate. The duration and severity of the effects of COVID-19 are currently unknown.

Developments have been occurring rapidly with respect to the spread of COVID-19 and its impact on human health and businesses. New and changing government actions to address the COVID-19 pandemic have been occurring on a daily basis. We have been closely monitoring the COVID-19 pandemic and its impacts and potential impacts on our business. However, because developments with respect to the spread of COVID-19 and its impacts have been occurring so rapidly and because of the unprecedented nature of the pandemic, we are unable to predict the extent and duration of any possible adverse financial impact of COVID-19 on our business, financial condition and results of operations.

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. In the first quarter of 2020, following the extended Chinese New Year, we delayed the start of our manufacturing production in China and at the end of the first quarter of 2020 we temporarily closed our wafer fabrication facilities located in the United Kingdom. Our operations in China and the United Kingdom have both resumed full production. 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, 2020, our cash, cash equivalents, and short-term investments were $590.7 million, and we had access to additional borrowing capacity of $150 million under the revolving portion our U.S. Credit Facility, which we believe assures us adequate liquidity to manage the impacts of the COVID-19 pandemic on our business to cover cash needs for working capital and capital expenditures for at least the next 12 months.

Please 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, 2020 and 2019

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,	
	2020	2019
Net sales	100%	100%
Cost of goods sold	(64)	(62)
Gross profit	36	38
Total operating expense	24	23
Income from operations	12	15
Total other expense	(1)	-
Income before income taxes and noncontrolling interest	11	15
Income tax provision	(2)	(3)
Net income	9	12
Net income attributable to common stockholders	9	12

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the three months ended September 30, 2020, compared to the three months ended September 30, 2019. 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,			
	2020	2019	Increase/(Decrease)	% Change
Net sales	$ 309,459	$ 323,674	$ (14,215)	(4.4%)
Cost of goods sold	198,369	201,628	(3,259)	(1.6%)
Gross profit	111,090	122,046	(10,956)	(9.0%)
Total operating expense	73,235	73,331	(96)	(0.1%)
Interest income	138	272	(134)	(49.3%)
Interest expense	(3,745)	(2,007)	1,738	86.6%
Foreign currency loss, net	(2,618)	(822)	1,796	218.5%
Other income	1,627	2,577	(950)	(36.9%)
Income tax provision	5,871	10,613	(4,742)	(44.7%)

Net sales decreased approximately $14.2 million for the three months ended September 30, 2020, compared to the same period last year. This decrease in net sales reflects the global economic slowdown caused by the COVID-19 pandemic. Despite the overall decrease in net sales, in the third quarter of 2020, the Company benefited from growth in the automotive, consumer and computing end markets and our serial-connectivity products. Net sales for the third quarter of 2020 increased 7.2% when compared to the second quarter of 2020 .

The table below sets forth our revenue as a percentage of total revenue by end-user market for the three months ended September 30, 2020 and 2019:

	Three Months Ended September 30,	
	2020	2019
Industrial	22.0%	28.0%
Communications	21.0%	22.0%
Consumer	27.0%	24.0%
Computing	19.0%	16.0%
Automotive	11.0%	10.0%

Cost of goods sold decreased approximately $3.3 million for the three months ended September 30, 2020, compared to the same period last year due to the decreased net sales during the third quarter of 2020. As a percent of sales, cost of goods sold was 64.1%

for the three months ended September 30, 2020, compared to 62.3% for the same period last year. Average unit cost decreased approximately 2.4% for the three months ended September 30, 2020, compared to the same period last year. For the three months ended September 30, 2020, gross profit decreased approximately 9.0% when compared to the same period last year. Gross profit margin for the three month periods ended September 30, 2020 and 2019 was 35.9% and 37.7%, respectively. The decrease in gross profit margin reflects the 4.4% decrease in net sales.

Operating expenses for the three months ended September 30, 2020, were flat when compared to the three months ended September 30, 2019. Operating expenses as a percentage of net sales was 23.7% and 22.7% for the three months ended September 30, 2020 and 2019, respectively. Selling, general and administrative expenses (“SG&A”) decreased approximately $1.5 million and research and development expenses (“R&D”) increased approximately $1.8 million, each as compared to the same period last year. Amortization of acquisition related intangibles decreased $0.5 million, compared to the same period last year. SG&A, as a percentage of net sales, was 14.4% and 14.2% for the three months ended September 30, 2020 and 2019, respectively. R&D, as a percentage of net sales, was 7.9% and 7.0% for the three months ended September 30, 2020 and 2019, respectively.

Interest income decreased 49.3% for the three months ended September 30, 2020, compared to the same period last year, due to a reduction in short-term investments. Interest expense increased 86.6% for the three months ended September 30, 2020, compared to the same period last year. The increase in interest expense for the three months ended September 30, 2020 was due to the increased debt under our amended and restated credit agreement, as a partial currency hedge, associated with the anticipated close of the LSC acquisition, leading to higher levels of borrowing, partially offset by lower interest rates on the floating rate portion.

We recognized an income tax expense of approximately $5.9 million and $10.6 million for the three months ended September 30, 2020 and 2019, respectively. The decrease in income taxes for 2020 compared to 2019 was primarily attributable to a decrease in pretax book income, a decrease in non-U.S. withholding taxes and a net increase in favorable U.S. permanent differences.

Results of Operations for the Nine Months Ended September 30, 2020 and 2019

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,	
	2020	**2019**
Net sales	100%	100%
Cost of goods sold	(65)	(62)
Gross profit	35	38
Total operating expense	24	23
Income from operations	11	15
Total other expense	(1)	-
Income before income taxes and noncontrolling interest	10	15
Income tax provision	(2)	(3)
Net income	8	12
Net income attributable to common stockholders	8	12

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. 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,			
	2020	2019	Increase/(Decrease)	% Change
Net sales	$ 878,845	$ 947,973	$ (69,128)	(7.3%)
Cost of goods sold	570,421	591,528	(21,107)	(3.6%)
Gross profit	308,424	356,445	(48,021)	(13.5%)
Total operating expense	213,848	217,090	(3,242)	(1.5%)
Interest income	579	1,780	(1,201)	(67.5%)
Interest expense	(7,643)	(6,163)	1,480	24.0%
Foreign currency loss, net	(6,143)	(1,382)	4,761	344.5%
Other income	2,902	5,056	(2,154)	(42.6%)
Income tax provision	15,097	32,085	(16,988)	(52.9%)

Net sales decreased approximately $69.1 million for the nine months ended September 30, 2020, compared to the same period last year. This decrease in net sales reflects the global economic slowdown caused by the COVID-19 pandemic. The decrease also reflects the Company delaying reopening its manufacturing facilities in China after the Chinese New Year period that was extended due to the COVID-19 pandemic. Also as a result of the COVID-19 pandemic, late in March 2020, the Company temporarily shut down its manufacturing facilities in the United Kingdom. Our operations in China and the United Kingdom have both resumed full production.

The table below sets forth our revenue as a percentage of total revenue by end-user market for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
Industrial	23.3%	28.7%
Communications	22.0%	22.6%
Consumer	25.7%	23.0%
Computing	18.3%	15.7%
Automotive	10.7%	10.0%

Cost of goods sold decreased approximately $21.1 million for the nine months ended September 30, 2020, compared to the same period last year, due, in part, to the decreased net sales during the first nine months of 2020. As a percent of sales, cost of goods sold was 64.9% for the nine months ended September 30, 2020, compared to 62.4% for the same period last year. Average unit cost increased approximately 3.6% for the nine months ended September 30, 2020, compared to the same period last year, in part due to the shutdown of our manufacturing facilities due to the extended Chinese New Year period. For the nine months ended September 30, 2020, gross profit decreased approximately 13.5% when compared to the same period last year. Gross profit margin for the nine month periods ended September 30, 2020 and 2019 was 35.1% and 37.6%, respectively. The decrease in gross profit margin reflects the 7.3% decrease in net sales and an increase in unit costs driven by lower manufacturing capacity utilization.

Operating expenses for the nine months ended September 30, 2020, decreased approximately $3.2 million, or 1.5%, compared to the nine months ended September 30, 2019. Operating expenses as a percentage of net sales was 24.3% and 22.9% for the nine months ended September 30, 2020 and 2019, respectively. SG&A decreased approximately $4.9 million and R&D increased approximately $2.9 million, each as compared to the same period last year. Amortization of acquisition related intangibles decreased $1.3 million, compared to the same period last year. SG&A, as a percentage of net sales, was 15.1% and 14.2% for the nine months ended September 30, 2020 and 2019, respectively. R&D, as a percentage of net sales, was 7.9% and 7.0% for the nine months ended September 30, 2020 and 2019, respectively.

Interest income decreased 67.5% for the nine months ended September 30, 2020, compared to the same period last year, due to $0.7 million of interest income received in the nine months ended September 30, 2019 related to the settlement of a cross-currency swap and reduction in short-term investments. Interest expense increased 24.0% for the nine months ended September 30, 2020, compared to the same period last year. The increase in interest expense for the nine months ended September 30, 2020 was due to higher levels of debt as the draws on our amended and restated credit facility in anticipation of closing the LSC acquisition.

We recognized an income tax expense of approximately $15.1 million and $32.1 million for the nine months ended September 30, 2020 and 2019, respectively. The decrease in income taxes for 2020 compared to 2019 was primarily attributable to a decrease in pretax book income, a decrease in non-U.S. withholding taxes and a net increase in favorable U.S. permanent differences.

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 $155.7 million. At September 30, 2020, outstanding borrowings were $70.7 million and outstanding letters of credit were $0.4 million under the Asia credit facilities. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted, repayable on demand, terminable by the lender at any time 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. In connection with our Asia credit facilities $52.2 million of cash deposits have been restricted in support of a corresponding loan amount.

Long-term debt

On May 29, 2020, the Company, Diodes Holding B.V. (the “Foreign Borrower” and, collectively with the Company, the “Borrowers”), and certain subsidiaries of the Company as guarantors, entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”) that amends and restates that certain Amended and Restated Credit Agreement dated as of October 26, 2016 (as amended, modified and/or supplemented from time to time prior to May 29, 2020, the “Existing Credit Agreement”). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement.

The Credit Agreement rebalances the Company’s existing senior credit facilities under the Existing Credit Agreement from (x) aggregate credit facilities of $500,000,000, consisting of (A) a $250,000,000 revolving senior credit facility, which included a $10,000,000 swing line sublimit, a $10,000,000 letter of credit sublimit, and a $20,000,000 alternative currency sublimit, and (B) a $250,000,000 term loan to (y) aggregate credit facilities of $670,000,000 consisting of (A) an acquisition draw term commitment of $340,000,000 (the “Acquisition Draw Term Commitment”), (B) an initial term commitment of $180,000,000 (the “Initial Term Commitment” and, together with the Acquisition Draw Term Commitment, the “Term Loan”) and (C) a $150,000,000 revolving senior credit facility (the “Revolver”), which includes a $20,000,000 uncommitted swing line submit, a $10,000,000 letter of credit sublimit, and a $40,000,000 alternative currency sublimit. The Company analyzed the amendment to the Existing Credit Agreement pursuant to the guidance in ASC No. 470-50, Debt—Modifications and Extinguishments. The Company determined that certain lenders had changes in cash flows which were substantially different as a result of the amendment to the Existing Credit Agreement, which resulted in a debt extinguishment of $52.2 million and a loss on extinguishment and third-party fees of $0.7 million being expensed in the three-month period ended June 30, 2020.

The Revolver and the Term Loan mature on May 29, 2023 (the “Maturity Date”). The Company plans to use a portion of the proceeds available under the Revolver and the Term Loan (i) to finance the Company’s previously announced acquisition of Lite-On Semiconductor Corporation, (ii) to refinance certain existing indebtedness of the Borrowers and their subsidiaries under the Existing Credit Agreement and (iii) for working capital, capital expenditures, and other lawful corporate purposes, including, without limitation, financing permitted acquisitions.

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). These covenants are generally similar to the corresponding covenants in the Existing Credit Agreement, except that certain amounts permitted as exceptions to negative covenants restricting liens, indebtedness, investments, dispositions and restricted payments have been revised, and additional exceptions to certain negative covenants have been added, including increased capacity for certain intercompany Indebtedness and Investment (including existing Lite-On Indebtedness), and the right to enter into certain securitization transactions and receivables facilities, subject to limitations set forth in the Credit Agreement. 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 liquidity provided by the Credit Agreement, our 51% owned subsidiary, ERIS Technology Corporation ("ERIS"), borrowed $13.7 million through a short term loan and $29.4 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods from 2020 through 2033.

The details of our borrowings outstanding as of September 30, 2020 are set forth in the table below:

Description		**September 30, 2020**	**Interest Rate**	**Current Amount Maturity**
Short-term debt	$	70,746	Libor + Margin	Various during 2020 - 2021
Long-term debt				
Notes payable to Bank of Taiwan	$	4,142	Variable, 1.3% base	June-33
Notes payable to Bank of China Trust Company		3,436	Taibor 3 month rate + 0.5%	December-21
Notes payable to Bank of China Trust Company		16,357	Taibor 3 month rate + 0.5%	May-24
Notes payable to E Sun Bank		3,436	1-M deposit rate plus 0.08%	December-22
Notes payable to E Sun Bank		378	1-M deposit rate plus 0.08%	June-27
Notes payable to E Sun Bank		1,684	1-M deposit rate plus 0.08%	June-30
Term loan and revolver		318,750	Libor plus margin	May-23
Total long-term debt		348,183		
Less: Current portion of long-term debt		(14,978)		
Less: Unamortized debt costs		(2,439)		
Total long-term debt, net of current portion	$	330,766		

Historically, our primary liquidity requirements have been to meet our inventory and capital expenditure needs and to fund on-going operations. In the second quarter of 2020, as described above, we increased our borrowing capacity and our outstanding borrowings due to the anticipated close of the LSC acquisition later this year. As of September 30, 2020, we had a $305 million draw-down under our amended and restated credit agreement, as a partial currency hedge, associated with the anticipated close of the LSC acquisition. At September 30, 2020 and December 31, 2019, our working capital was $893.2 million and $524.6 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 and capital expenditures and acquisitions for at least the next 12 months.

Capital expenditures (including accrued capital expenditures) for the nine months ended September 30, 2020 and 2019 were $47.5 million and $77.4 million, respectively. For the first nine months of 2020 capital expenditures were approximately 5.4% of our net sales, which 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, 2020, our foreign subsidiaries held approximately $526.0 million of cash, cash equivalents and investments of which approximately $7.6 million would be subject to a potential non-U.S. withholding tax if distributed outside the country in which the cash is currently held. All of this $7.6 million is held in Korea and Taiwan.

As of September 30, 2020, we had short-term investments totaling $3.0 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 increased from $258.4 million at December 31, 2019 to $587.6 million at September 30, 2020, reflecting the funds that will be used to consummate the purchase of LSC.

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

	Nine Months Ended September 30,		
	2020	2019	Change
Net cash flows provided by operating activities	$ 126,435	$ 177,705	$ (51,270)
Net cash and cash equivalents (used in) provided by investing activities	(51,776)	(110,176)	58,400
Net cash and cash equivalents provided by (used in) financing activities	294,680	(86,992)	381,672
Effect of exchange rate changes on cash and cash equivalents	10,988	(2,614)	13,602
Net increase in cash and cash equivalents, including restricted cash	$ 380,327	$ (22,077)	$ 402,404

Operating Activities

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. Net cash flows provided by operating activities for the nine months ended September 30, 2019 was $177.7 million. Net cash flows provided by operating activities for the nine months ended September 30, 2019 resulted from net income of $106.6 million, depreciation and amortization of $81.3 million, share-based compensation of $15.4 million and a decrease in noncash working capital accounts of $25.3 million.

Investing Activities

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. Net cash and cash equivalents used in investing activities was $110.2 million for the nine months ended September 30, 2019. Net cash and cash equivalents used in investing activities was primarily due to the purchase of property, plant and equipment of $76.1 and the acquisition of GFAB for $33.2.

Financing Activities

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 later this year, partially offset by taxes paid on net share settlements of $8.2 million. Net cash and cash equivalents used in financing activities was $87.0 million for the nine months ended September 30, 2019. Net cash used in financing activities in the nine months ended September 30, 2019 consisted primarily of $94.7 million net repayments of long-term debt, taxes paid on net share settlements of $4.4 million and dividend distributions to noncontrolling interests of $2.6 million. These uses of cash were partially offset by inflows of $7.2 million related to stock option exercises and $6.9 million of net increases in lines of credit and short-term debt.

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, 2019, filed with the SEC on February 12, 2020.

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 year ended December 31, 2019 filed with the SEC on February 12, 2020. 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.

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 report The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this 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 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.

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.

One of our external suppliers is also a related party. The loss of this supplier could 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.

Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered 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 adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, 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.

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 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.

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.

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 or displace our products and components, resulting in an adverse impact on our Chinese business.

The U.K.'s exit from the European Union ("E.U.") 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.

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 year ended December 31, 2019, filed with the SEC on February 12, 2020.

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, 2020, 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 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 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, 2020, 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.

Except as identified in the additional Risk Factor set out below, 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, 2019, filed with the Securities and Exchange Commission on February 12, 2020.

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 March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. COVID-19 continues to spread throughout the United States and other countries across the world (including countries where we maintain operations), and the duration, severity of its effects and ultimate impact to the world's population and financial impact are currently unknown. National, state and local governments have responded to the COVID-19 pandemic in a variety of ways, including, without limitation, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (*i.e.*, social distancing), ordering businesses to close or limit operations and ordering people to stay at home (*i.e.*, shelter in place), and imposing travel restrictions (including quarantine requirements).

Given these governmental actions, there is no assurance that we will be permitted to operate under every current or future government order or other restriction and in every location where we maintain operations and may be required to limit our operations at, or close, certain locations in the future. Any such long-term limitations or closures would have a material adverse impact on our ability to service our customers and on our business, financial condition and results of operations. In particular, any long-term limitations on, or long-term closures of, our manufacturing facilities in Asia or Europe would have a negative adverse impact on our ability to manufacture, sell and ship products and service customers and would have a material adverse impact on our business, financial condition and results of operations. In the first quarter of 2020, following the extended Chinese New Year, we delayed the start of our manufacturing production in China and at the end of the first quarter of 2020 we temporarily closed our wafer fabrication facilities located in the United Kingdom. As of the date of this report, our operations in China and the United Kingdom have both resumed full production. However, we can provide no assurances that those facilities or any of our other facilities may not suffer similar closures or disruptions in the future.

While the Company has already experienced negative impacts from the COVID-19 pandemic to its results of operations, cash flows and financial condition, in light of the current level of uncertainty over the economic and operational impacts of COVID-19 we cannot reasonably estimate the total impact that COVID-19 will have on our results of operations, cash flows or financial condition at this time. Risks and complications in the Company's business from COVID-19 include, but are not limited to, changes in ordering patterns and demand for our products and losses in efficiency due to travel limitations and regulations compelling employees to work from home. While the Company has not experienced a material increase in technology spending, if employees are forced to continue working remotely it could become necessary to increase information technology spending. Although the Company has not experienced a significant business disruption due to teleworking arrangements, the imposition of increased self-isolation protocols could negatively impact the ability of employees to travel to the Company's production facilities and possibly create ongoing business disruptions. The limitations could negatively affect the Company's ability to produce, sell and transport its products. The Company's consolidated financial statements presented herein reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of net sales and expenses during the reporting periods presented. Such estimates and assumptions affect, among other things, the Company's goodwill, long-lived asset valuation and indefinite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; measurement of compensation cost for certain share-based awards and cash bonus plans; and pension plan assumptions. In addition, depending on the extent and duration of the COVID-19 pandemic, healthcare insurance premiums could increase, increasing our healthcare costs.

In addition, the COVID-19 pandemic may cause disruptions, and in some cases severe disruptions, to the business and operations of our suppliers and customers as a result of quarantines, worker absenteeism as a result of illness or other factors, social distancing measures and other travel, health-related, business or other restrictions. Certain of our customers and suppliers may in the future be required to close down or operate at a lower capacity, which would adversely impact our business, financial condition and results of operations. Because of the rapid onset of the COVID-19 pandemic, some of our customers could experience financial difficulties resulting in such customers being unable to pay for products they ordered from us before the COVID-19 pandemic emerged. There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic will be offset by increased sales in the future.

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	
10.1	First Amendment to Second Amended and Restated Credit Agreement, dated as of September 21, 2020				X
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 report to be signed on its behalf by the undersigned thereunto duly authorized.

DIODES INCORPORATED
(Registrant)

November 9, 2020
Date

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

November 9, 2020
Date

By: /s/ Brett R. Whitmire
BRETT R. WHITMIRE
Chief Financial Officer
(Principal Financial Officer)

FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of September 21, 2020 (this "Agreement") is entered into among DIODES INCORPORATED, a Delaware corporation (the "Domestic Borrower"), DIODES HOLDING B.V., a *besloten vennootschap met beperkte aansprakelijkheid*, organized under the laws of the Netherlands, having its statutory seat in Amsterdam, the Netherlands, and registered with the trade register of the Chamber of Commerce in the Netherlands under number 65823060 (the "Foreign Borrower" and together with the Domestic Borrower, the "Borrowers" and each, individually, a "Borrower"), certain Subsidiaries of the Domestic Borrower identified on the signature pages hereto as subsidiary guarantors (the "Subsidiary Guarantors"), the Lenders identified on the signature pages hereto and BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS

The Borrowers, Subsidiary Guarantors, the Lenders and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of May 29, 2020 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement").

The Domestic Borrower and other Loan Parties have requested that the baskets set forth in Section 7.02(p), allowing for borrowings by the Domestic Borrower from non-Loan Party Subsidiaries, and Section 7.03(c)(vi), allowing for investments in non-Loan Party Subsidiaries, each be increased from $150 million to $300 million.

Subject to the terms and conditions set forth herein, the Administrative Agent and each of the Lenders party hereto have agreed to grant the foregoing requests of the Domestic Borrower and other Loan Parties.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Except as otherwise provided herein, all capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the preliminary statements hereto) shall have the meanings assigned thereto in the Credit Agreement.

2. Credit Agreement Amendments.

(a) Section 7.02(p) of the Credit Agreement is hereby amended by deleting the reference to "$150,000,000" therein and replacing same with the amount of "$300,000,000".

(b) Section 7.03(c)(vi) of the Credit Agreement is hereby amended by deleting the reference to "$150,000,000" therein and replacing same with the amount of "$300,000,000".

3. Conditions to Effectiveness. This Agreement shall be effective upon the Administrative Agent's receipt of the following, each of which shall be originals or electronic images in a portable document format (e.g. ".pdf" or ".tif") (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Effective Date and each in form and substance reasonably satisfactory to the Administrative Agent and each of the Required Lenders (such date, the "Effective Date"):

(a) executed counterparts of this Agreement signed by the Borrowers, the Guarantors, the Administrative Agent and the Required Lenders; and

(b) such other assurances, certificates, documents, information, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line Lender or the Required Lenders reasonably may require.

4. Effect of this Agreement. Except as expressly provided herein, the Credit Agreement, the Collateral Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed (a) to be a waiver of, or consent to a modification of or amendment of, any other term or condition of the Credit Agreement, the Collateral Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement, the Collateral Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Loan Parties or any other Person with respect to any waiver, amendment, modification or any other change to the Credit Agreement, the Collateral Agreement or the other Loan Documents or any rights or remedies arising in favor of the Lenders or the Administrative Agent, or any of them, under or with respect to any such documents, (d) to be a waiver of, or consent to a modification or amendment of, any other term or condition of any other agreement by and among any Loan Party, on the one hand, and the Administrative Agent or any other Lender, on the other hand or (e) to be a course of dealing or a consent to any departure by the Loan Parties from any other term or requirement of the Credit Agreement. References in this Agreement to the Credit Agreement (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

5. Representations and Warranties/No Default. By their execution hereof, each Loan Party hereby represents and warrants as follows:

(a) Such Loan Party has the right, power and authority and has taken all necessary corporate and other action to authorize the execution and delivery of, and the performance in accordance with their respective terms of the transactions consented to in, this Agreement and each other document executed in connection herewith to which it is a party.

(b) This Agreement and each other document executed in connection herewith has been duly executed and delivered by its duly authorized officers, and each such document constitutes the legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(c) Each of the representations and warranties set forth in the Credit Agreement and the other Loan Documents is true and correct as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) and (b), respectively, of Section 6.01 of the Credit Agreement.

(d) No Default or Event of Default has occurred or is continuing nor would any Default or Event of Default result after giving effect to this Agreement and the transactions contemplated hereby.

(e) No Loan Party is an EEA Financial Institution.

6. Reaffirmations. (a) Each Loan Party agrees that the transactions contemplated by this Agreement shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under, the Credit Agreement (including the Guaranty), the Collateral Agreement and each other Loan Document to which it is a party, (b) each Loan Party confirms, ratifies and reaffirms its obligations under the Credit Agreement (including the Guaranty), the Collateral Agreement and each other Loan Document to which it is a party, and (c) each Loan Party agrees that, except as otherwise expressly agreed in this Agreement, the Credit Agreement (including the Guaranty), the Collateral Agreement and each other Loan Document to which it is a party remain in full force and effect and are hereby ratified and confirmed.

7. Confirmation as to Dutch Collateral Documents. Reference is made to (i) that certain Deed of Pledge of Shares dated May 29, 2020, among the Domestic Borrower, as pledgor, Administrative Agent, as pledgee and the Foreign Borrower, as company (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "DHBV Dutch Share Pledge"), (ii) that certain omnibus pledge agreement dated 8 January 2013, between Diodes International B.V., as pledgor and Administrative Agent, as pledgee (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "DIBV Omnibus Pledge Agreement"), (iii) that certain omnibus pledge agreement dated July 18, 2016, between the Foreign Borrower, as pledgor and Administrative Agent, as pledgee (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "DHBV Omnibus Pledge Agreement") and (iv) that certain omnibus pledge agreement dated May 29, 2020, between the Foreign Borrower, as pledgor and Administrative Agent, as pledgee (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Additional DHBV Omnibus Pledge Agreement", together with

the DHBV Omnibus Pledge Agreement, the DIBV Omnibus Pledge Agreement and the DHBV Dutch Share Pledge, the "Dutch Collateral Documents"). Each party to the Dutch Collateral Documents hereby confirms that:

(a) the Credit Agreement (after giving effect to this Agreement), and the other Loan Documents will remain in full force and effect and any reference in the Loan Documents to the Credit Agreement or to any provision of the Credit Agreement will be construed as a reference to the Credit Agreement, or that provision, after giving effect to this Agreement;

(b) notwithstanding the amendments, consents and waivers to the Credit Agreement pursuant to this Agreement, the Dutch Collateral Documents and the security interests created thereunder will remain in full force and effect and will continue to secure all liabilities which are expressed to be secured by them and the rights of the Loan Parties under such security interest will not be affected by this Agreement;

(c) (i) any amount owed by any Borrower under this Agreement and the Credit Agreement (after giving effect to this Agreement) continues to be or has become part of each Loan Party's Parallel Debts (as included/defined in the Credit Agreement) and (ii) each Loan Party's Parallel Debts continue to be part of the Secured Obligations (as included and defined in the Dutch Collateral Documents); and

(d) at the time of the entering into the Dutch Collateral Documents, it was their intention that the security rights created pursuant to the Dutch Collateral Documents would provide security for the Secured Obligations (as defined in the Dutch Collateral Documents) as they may be amended, restated, supplemented or otherwise modified from time to time, including amendments to the Credit Agreement and the Loan Documents, including, for the avoidance of doubt, the matters of the type addressed by this Agreement.

8. Payment of Fees. The Borrowers shall pay all reasonable fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) promptly upon request by the Administrative Agent.

9. Miscellaneous

(a) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. Without limiting the general applicability of the foregoing and the terms of the other Loan Documents to this Agreement and the parties hereto, the terms of Section 11.14 and Section 11.15 of the Credit Agreement are incorporated herein by reference, mutatis mutandis.

(b) Loan Document. This Agreement shall constitute a "Loan Document" under and as defined in the Credit Agreement.

(c) Counterparts; Electronic Execution. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

(d) Severability. If any provision of this Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

(e) Entirety. This Agreement, the other Loan Documents and the other documents relating to the Obligations represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Loan Documents, any other documents relating to the Obligations, or the transactions contemplated herein and therein.

(f) Dutch Law. If the Foreign Borrower is represented by an attorney in connection with the signing and/or execution of this Agreement or any other agreement, deed or document referred to in or made pursuant to this Agreement, it is hereby expressly acknowledged and accepted by the other parties to this Agreement that the existence or extent of the attorney's authority and the effects of the attorney's exercise or purported exercise of his or her authority shall be governed by the laws of the Netherlands.

[Remainder of page intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

DOMESTIC BORROWER:

DIODES INCORPORATED

By: /s/ Brett Whitmire

Name: Brett Whitmire

Title: CFO

FOREIGN BORROWER:

DIODES HOLDING B.V.

By: /s/ Brett Whitmire

Name: Brett Whitmire

Title:Managing Director A

By: /s/ Edwin Denekamp

Name: Edwin Denekamp

Title:Managing Director B

SUBSIDIARY GUARANTORS:

DIODES HOLDINGS UK LIMITED

By: /s/ Brett Whitmire

Name: Brett Whitmire

Title:Director

DIODES ZETEX LIMITED

By: /s/ Brett Whitmire

Name: Brett Whitmire

Title:Director

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Anthony W. Kell

Name: Anthony W. Kell

Title: Vice President

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swing Line Lender

By: /s/ Jennifer Yan

Name: Jennifer Yan

Title: Senior Vice President

BBVA USA,
as a Lender

By: /s/ Jay S. Tweed

Name: Jay S. Tweed

Title:SVP

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ R. Ruining Nguyen

Name: R. Ruining Nguyen

Title:SVP

REGIONS BANK,
as a Lender

By: /s/ Derek Miller

Name: Derek Miller

Title: Director

CITIBANK, N.A.,
as a Lender

By: /s/ Stuart Darby

Name: Stuart Darby

Title:Senior Vice President

COMERICA BANK,
as a Lender

By: /s/ John Smithson

Name: John Smithson

Title:Vice President

SILICON VALLEY BANK,
as a Lender

By: /s/ Will Deevy

Name: Will Deevy

Title: Director

CADENCE BANK, N.A.,
as a Lender

By: /s/ David Hauglid

Name: David Hauglid

Title: Senior Vice President

HSBC BANK USA, N.A.,
as a Lender

By: /s/ Shaun R. Kleinman

Name: Shaun R. Kleinman

Title: Senior Vice President

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 9, 2020

/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 9, 2020

/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, 2020** 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 9, 2020

/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, 2020** 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 9, 2020

/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.