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 June 30, 2013

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

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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 August 5, 2013 was 46,599,859.

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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS

	June 30, 2013	December 31, 2012
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 213,546	$157,121
Accounts receivable, net	181,878	152,073
Inventories	186,786	153,293
Deferred income taxes, current	12,305	9,995
Prepaid expenses and other	48,371	18,928
Total current assets	642,886	491,410
PROPERTY, PLANT AND EQUIPMENT, net	331,287	243,296
DEFERRED INCOME TAXES, non-current	31,959	36,819
OTHER ASSETS		
Goodwill	86,233	87,359
Intangible assets, net	56,319	44,337
Other	22,890	16,842
Total assets	$1,171,574	$ 920,063

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS *(cont')*

LIABILITIES AND EQUITY
(In thousands, except share data)

	June 30, 2013 (Unaudited)	December 31, 2012
CURRENT LIABILITIES		
Lines of credit	$ 4,507	$ 7,629
Accounts payable	107,047	64,072
Accrued liabilities	63,070	41,139
Income tax payable	1,456	678
Total current liabilities	176,080	113,518
LONG-TERM DEBT, net of current portion	209,337	44,131
OTHER LONG-TERM LIABILITIES	58,246	41,974
Total liabilities	443,663	199,623
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Diodes Incorporated 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; 46,327,031 and 46,010,815 issued and outstanding at June 30, 2013 and December 31, 2012, respectively	30,885	30,674
Additional paid-in capital	288,284	280,571
Retained earnings	406,505	399,796
Accumulated other comprehensive loss	(41,070)	(33,856)
Total Diodes Incorporated stockholders' equity	684,604	677,185
Noncontrolling interest	43,307	43,255
Total equity	727,911	720,440
Total liabilities and equity	$1,171,574	$ 920,063

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

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
NET SALES	$214,379	$159,239	$ 391,343	$ 303,902
COST OF GOODS SOLD	153,086	118,211	283,867	229,168
Gross profit	61,293	41,028	107,476	74,734
OPERATING EXPENSES				
Selling, general and administrative	35,080	24,760	65,456	46,906
Research and development	12,145	8,218	22,225	15,382
Other operating (income) expenses	3,830	(254)	5,781	(1,358)
Total operating expenses	51,055	32,724	93,462	60,930
Income from operations	10,238	8,304	14,014	13,804
OTHER INCOME (EXPENSES)	277	251	798	938
Income before income taxes and noncontrolling interest	10,515	8,555	14,812	14,742
INCOME TAX PROVISION	1,475	856	8,049	1,474
NET INCOME	9,040	7,699	6,763	13,268
Less: NET INCOME attributable to noncontrolling interest	(405)	(1,046)	(54)	(1,744)
NET INCOME attributable to common stockholders	$ 8,635	$ 6,653	$ 6,709	$ 11,524
EARNINGS PER SHARE attributable to common stockholders				
Basic	$ 0.19	$ 0.15	$ 0.15	$ 0.25
Diluted	$ 0.18	$ 0.14	$ 0.14	$ 0.25
Number of shares used in computation				
Basic	46,148	45,642	46,085	45,551
Diluted	47,507	46,859	47,383	46,916

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$ 9,040	$7,699	$ 6,763	$13,268
Translation adjustment	(859)	(3,594)	(8,395)	404
Unrealized gain (loss) on defined benefit plan, net of tax	2,659	(938)	1,181	(3,963)
Comprehensive income (loss)	10,840	3,167	(451)	9,709
Less: Comprehensive income attributable to noncontrolling interest	(405)	(1,046)	(54)	(1,744)
Total comprehensive income (loss) attributable to common stockholders	$10,435	$ 2,121	$ (505)	$ 7,965

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

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

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES	$ 61,173	$ 30,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition, net of cash acquired	(124,916)	—
Purchases of property, plant and equipment	(23,751)	(24,237)
Proceeds from sale of equity securities	7,458	—
Proceeds from sale of property, plant and equipment	51	1,966
Proceeds from sale of intangibles	—	2,122
Other	(3,799)	(5,556)
Net cash used by investing activities	(144,957)	(25,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	4,963	997
Repayments on lines of credit	(25,711)	(8,000)
Borrowings of long-term debt	181,002	70,000
Repayments of long-term debt	(15,536)	(30,162)
Net proceeds from issuance of common stock	1,366	1,236
Other	(2,844)	(160)
Net cash provided by financing activities	143,240	33,911
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,031)	306
INCREASE IN CASH AND CASH EQUIVALENTS	56,425	38,783
CASH AND CASH EQUIVALENTS, beginning of period	157,121	129,510
CASH AND CASH EQUIVALENTS, end of period	$ 213,546	$ 168,293
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash financing activities:		
Property, plant and equipment purchased on accounts payable	$ (330)	$ (6,759)
Acquisition:		
Fair value of assets acquired	$ 247,012	$ —
Liabilities assumed	(92,277)	—
Cash acquired	(29,819)	—
Net assets acquired	$ 124,916	$ —

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

DIODES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE A – Nature of Operations, Basis of Presentation and Recently Issued Accounting Pronouncements

Nature of Operations

Diodes Incorporated, together with its subsidiaries (collectively, the "Company"), is a leading global manufacturer and supplier of high-quality, application specific standard products within the broad discrete, logic and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets throughout Asia, North America and Europe.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("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, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. 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 results of operations for the period presented have been included in the interim period. Operating results for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2013. The consolidated condensed financial data at December 31, 2012 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

The preparation of financial statements in conformity with U.S. 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 U.S. GAAP, interim accounting for certain expenses, including income taxes, are based on full year forecasts. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual effective income tax rates.

Certain prior year's balances have been reclassified to conform to the current financial statement presentation.

Recently Issued Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. ASU No. 2013-05 provides additional guidance with respect to the reclassification into income of the cumulative translation adjustment (CTA) recorded in accumulated other comprehensive income associated with a foreign entity of a parent company. This ASU differentiates between transactions occurring within a foreign entity and transactions affecting an investment in a foreign entity. For transactions within a foreign entity, the full CTA associated with the foreign entity would be reclassified into income only when the sale of a subsidiary or group of net assets within the foreign entity represents the substantially complete liquidation of that foreign entity. For transactions affecting an investment in a foreign entity (for example, control or ownership of shares in a foreign entity), the full CTA associated with the foreign entity would be reclassified into income only if the parent no longer has a controlling interest in that foreign entity as a result of the transaction. In addition, acquisitions of a foreign entity completed in stages (also known as step acquisitions) could trigger the release of CTA associated with an equity method investment in that entity at the point a controlling interest in the foreign entity is obtained. This ASU is effective prospectively beginning January 1, 2014, with early adoption permitted. This ASU could impact the Company's consolidated financial results in the event of a transaction as described above.

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NOTE B – Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings per share is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive.

The computation of basic and diluted earnings per common share is as follows *(in thousands, except per share data)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
BASIC				
Weighted average number of common shares outstanding used in computing basic earnings per share	46,148	45,642	46,085	45,551
Net income attributable to common stockholders	$ 8,635	$ 6,653	$ 6,709	$ 11,524
Earnings per share attributable to common stockholders	$ 0.19	$ 0.15	$ 0.15	$ 0.25
DILUTED				
Weighted average number of common shares outstanding used in computing basic earnings per share	46,148	45,642	46,085	45,551
Add: Assumed exercise of stock options and stock awards	1,359	1,217	1,298	1,365
	47,507	46,859	47,383	46,916
Net income attributable to common stockholders	$ 8,635	$ 6,653	$ 6,709	$ 11,524
Earnings per share attributable to common stockholders	$ 0.18	$ 0.14	$ 0.14	$ 0.25

NOTE C – Business Combination

BCD Semiconductor Manufacturing Limited ("BCD")

On March 5, 2013, the Company completed the acquisition of all the outstanding ordinary shares, par value $0.001 per share, of BCD (the "Shares"), including Shares represented by American Depository Shares ("ADSs"), which were cancelled in exchange for the right to receive $1.33-1/3 in cash per Share, without interest. Each ADS represented six Shares and was converted into the right to receive $8.00 in cash, without interest. The aggregate consideration was approximately $155 million, excluding acquisition costs, fees and expenses. In addition, a $5 million retention plan for employees of BCD, payable at the 12, 18 and 24 month anniversaries of the acquisition, has been established. The employee retention plan is intended to benefit the Company and not the selling shareholders, and therefore has been excluded from the determination of the purchase price. The acquisition was funded by drawings on the Company's bank credit facility. See Note H for additional information regarding the Company's bank credit facility.

The Company's purchase price for BCD and related costs are estimated as follows *(in thousands)*:

Purchase price (cost of shares)	$ 154,735
Acquisition related costs (included in selling, general and administrative expenses)	2,075
Total purchase price	$156,810

The results of operations of BCD have been included in the consolidated financial statements from March 1, 2013. The consolidated revenue and earnings of BCD for the period ended June 30, 2013 were approximately $60 million and ($1) million, respectively, which include purchase price accounting adjustments. The Company's purpose in making this acquisition is to further its strategy of expanding its market and growth opportunities through select strategic acquisitions. This acquisition is expected to enhance the Company's analog product portfolio by expanding its standard linear and power management offerings, including AC/DC and DC/DC solutions for power adapters and chargers, as well as other electronic products. BCD's established presence in Asia, with a particularly strong local market position in China, offers the Company even greater penetration of the consumer, computing and communications markets. Likewise, the Company believes it can achieve increased market penetration for BCD's products by leveraging the Company's own global customer base and sales channels. In addition, BCD has in-house manufacturing capabilities in China, as well as a cost-effective development team that can be deployed across multiple product families. The Company also believes it will be able to apply its packaging capabilities and expertise to BCD's products in order to improve cost efficiencies, utilization and product mix.

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A final determination of the allocation of the purchase price to the assets acquired and liabilities assumed has not been completed and the following table is considered preliminary. The final determination is subject to the completion of the valuation of the assets acquired and liabilities assumed, which is expected during the third quarter of 2013.

The following summarizes the preliminary (subject to final determination) allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition *(amounts in thousands)*:

	March 1, 2013 purchase price allocation	Changes in purchase price allocation recorded during second quarter of 2013	Revised March 1, 2013 purchase price allocation
Assets acquired:			
Cash and cash equivalents	$ 29,819	$ —	$ 29,819
Accounts receivable, net	20,862	—	20,862
Inventory	42,909	—	42,909
Prepaid expenses and other current assets	27,205	—	27,205
Property, plant and equipment, net	99,716	—	99,716
Deferred tax assets	1,612	—	1,612
Other long-term assets	5,497	—	5,497
Other intangible assets	17,200	—	17,200
Goodwill	2,192	—	2,192
Total assets acquired	$ 247,012	$ —	$ 247,012
Liabilities assumed:			
Lines of credit	$ 17,336	$ —	$ 17,336
Accounts payable	34,758	—	34,758
Accrued liabilities and other	16,703	—	16,703
Deferred tax liability	5,055	—	5,055
Other liabilities	18,425	—	18,425
Total liabilities assumed	92,277	—	92,277
Total net assets acquired, net of cash acquired	$ 154,735	$ —	$ 154,735

The fair value of the significant identified intangible assets was estimated by using the market approach, income approach and cost approach valuation methodologies. Inputs used in the methodologies primarily included projected future cash flows, discounted at a rate commensurate with the risk involved. The total amount of intangible assets acquired subject to amortization expense is $17 million, which has a residual value of zero and weighted-average amortization period of 6 years, subject to final determination. Goodwill arising from the acquisition is attributable to future income from new customer contracts, synergy of combined operations, the acquired workforce and future technology that has yet to be designed or even conceived. In addition, it is not anticipated that goodwill will be deductible for income tax purposes.

The Company evaluated and adjusted the acquired inventory for a reasonable profit allowance, which is intended to permit the Company to report only the profits normally associated with its activities following the acquisition as it relates to the work-in-progress and finished goods inventory. As such, the Company increased the inventory acquired from BCD by approximately $5 million, and recorded that increase into cost of goods sold, of which approximately $2 million was recorded in the first quarter of 2013 and $3 million was recorded in the second quarter of 2013 as the acquired work-in-process and finished goods inventory was sold.

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The following unaudited pro forma consolidated results of operations for the quarters ended June 30, 2013 and 2012 have been prepared as if the acquisition of BCD had occurred at January 1, 2012, for each year (*unaudited; in thousands, except per share data*):

	Three Months Ended June 30,	Six Months Ended June 30,	
	2012	2013	2012
Net revenues	$ 196,076	$412,514	$371,767
Net income attributable to common stockholders	$ 2,752	$ 7,646	$ 4,946
Earnings per share—Basic	$ 0.06	$ 0.17	$ 0.11
Earnings per share—Diluted	$ 0.06	$ 0.16	$ 0.11

The unaudited pro forma consolidated results of operations do not purport to be indicative of the results that would have been obtained if the above acquisition had actually occurred as of the dates indicated or of those results that may be obtained in the future. The unaudited pro forma consolidated results of operations do not include the final adjustments to net income to give the final effects to depreciation of property, plant and equipment acquired and amortization of intangible assets acquired as the Company currently is working to complete its valuation of the assets and liabilities acquired and is unable to determine those final effects. Upon completion of the valuation, the Company intends to make adjustments for these items in future pro forma disclosures for BCD. These unaudited pro forma consolidated results of operations were derived, in part, from the historical consolidated financial statements of BCD and other available information and assumptions believed to be reasonable under the circumstances.

NOTE D – Restricted Cash

Restricted cash is pledged as collateral when the Company enters into agreements with banks for certain banking facilities. As of June 30, 2013, restricted cash of $9 million, included in prepaid expenses and other, was pledged as collateral for issuance of bank acceptance notes, letters of credit and forward contracts. See Note E for additional information regarding foreign currency forward contracts.

NOTE E – Foreign Currency Forward Contracts

As a multinational company, the Company denominates sales transactions in a variety of currencies. In connection with the acquisition of BCD, the Company adopted forward exchange contracts, designated as foreign currency cash flow hedges, to reduce the potentially adverse effects of foreign currency exchange rate fluctuations. The Company uses these forward exchange contracts to hedge, thereby attempting to reduce the Company’s overall exposure to the effects of currency fluctuations on cash flows. The Company does not permit speculation in financial instruments for profit on the exchange rate price fluctuation, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure.

Forward exchange contracts are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as assets and unrealized loss positions are recorded as liabilities. Changes in the fair values of the outstanding forward exchange contracts that are highly effective are recorded in other comprehensive income until the forward exchange contracts are settled. Changes in the fair values of the forward exchange contracts assessed as not effective as hedging instruments are recognized in earnings in the current period. Results of ineffective hedges are recorded as expense in the consolidated condensed statements of operations in the period in which they are determined to be ineffective.

Prior to the acquisition, BCD entered into foreign currency forward contracts with various banks located in China. The contracted notional amount for forward contracts is $61 million, of which $39 million was outstanding as of June 30, 2013.

In accordance with certain forward contracts, the Company is required to have on deposit 3% to 5% of the notional amount outstanding and in certain situations the required deposit could be 100% of the notional amount of the outstanding contracts. See Note D for additional information regarding these deposits treated as restricted cash.

All the forward contracts outstanding as of June 30, 2013 will be settled by December 2013. The fair value of the outstanding derivative instruments contracts, classified within Level 2 of the fair value hierarchy, was $2 million and was recognized under other current assets in the condensed consolidated balance sheets. There was minimal valuation gain recognized under other income for the six months ended June 30, 2013.

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NOTE F – Inventories

Inventories stated at the lower of cost or market value are as follows *(in thousands)*:

	June 30, 2013	December 31, 2012
Raw materials	$ 69,768	$ 63,410
Work-in-progress	44,730	30,564
Finished goods	72,288	59,319
Total	$186,786	$153,293

NOTE G – Goodwill and Intangible Assets

Changes in goodwill are as follows *(in thousands):*

Balance at December 31, 2012	$ 87,359
Acquisitions	2,192
Currency exchange	(3,318)
Balance at June 30, 2013	**$ 86,233**

Intangible assets are as follows *(in thousands):*

	June 30, 2013	December 31, 2012
Intangible assets subject to amortization:		
Gross carrying amount	$ 86,909	$ 69,707
Accumulated amortization	(28,369)	(24,161)
Currency exchange	(7,889)	(7,051)
Net value	50,651	38,495
Intangible assets with indefinite lives:		
Gross carrying amount	6,403	6,403
Currency exchange	(735)	(561)
Total	5,668	5,842
Total intangible assets, net	**$ 56,319**	**$ 44,337**

Amortization expense related to intangible assets subject to amortization was approximately $2 million and $1 million for the three months ended June 30, 3013 and 2012, respectively, and approximately $4 million and $2 million for the six months ended June 30, 2013 and 2012, respectively.

NOTE H – Bank Credit Agreement

On January 8, 2013, the Company and Diodes International B.V. (the “Foreign Borrower” and collectively with the Company, the “Borrowers”) and certain subsidiaries of the Company as guarantors, entered into a Credit Agreement (the “Credit Agreement”) with Bank of America and other participating lenders (collectively, the “Lenders”).

The Credit Agreement provides for a five-year, $300 million revolving senior credit facility (the “Revolver”), which includes a $10 million swing line sublimit, a $10 million letter of credit sublimit, and a $20 million alternative currency sublimit. The Revolver matures on January 8, 2018, and borrowings under the Revolver may be used for refinancing certain existing debt, for working capital and capital expenditures, and for general corporate purposes, including financing permitted acquisitions.

On March 1, 2013, in connection with the acquisition of BCD, the Company drew down on the Revolver to fund the acquisition and pay for costs associated with the acquisition. As of June 30, 2013, the amount of the outstanding borrowings under the Credit Agreement was approximately $205 million. See Note C for additional information regarding the acquisition of BCD.

NOTE I – Income Tax Provision

Income tax expense of approximately $1 million was recorded for both the three months ended June 30, 2013 and 2012, respectively and income tax expense of approximately $8 million and $2 million was recorded for the six months ended June 30, 2013 and 2012, respectively. This resulted in an effective tax rate of 54% for the six months ended June 30, 2013, as compared to 10% in the same period last year and compared to 16% for the full year of 2012. The estimated annual tax rate for 2013 is expected to be approximately 20%, excluding discrete items. The effective tax rate for the six months ended June 30, 2013 includes a $5 million charge for discrete items, principally related to a tax audit in China. The Company's effective tax rates for the six months ended June 30, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of income in lower-taxed jurisdictions.

For the six months ended June 30, 2013, the Company reported domestic and foreign pre-tax income (loss) of approximately $(13) million and $28 million, respectively. For the six months ended June 30, 2012, the Company reported domestic and foreign pre-tax income (loss) of approximately $(14) million and $29 million, respectively. Funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. The Company intends to permanently reinvest overseas all of its earnings from its foreign subsidiaries; accordingly, U.S. taxes are not recorded on undistributed foreign earnings.

The impact of tax holidays decreased the Company's tax expense by approximately $2 million and $4 million for the six months ended June 30, 2013 and 2012, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the six months ended June 30, 2013 was approximately $0.04. The benefit of the tax holidays on both basic and diluted earnings per share for the six months ended June 30, 2012 was approximately $0.08. During 2012, the China government began an audit of the Company's High and New Technology Enterprise ("HNTE") status for its largest Chinese subsidiary for 2009-2011 as part of an overall evaluation of the reduced tax rates provided to many high tech companies. This subsidiary has a reduced tax rate of 15%. In April 2013, the Company was notified by the China government that they had completed their tax audit and had concluded that the Company owed additional tax related to tax year 2011 in the amount of $5 million. This subsidiary has been approved for its HNTE status for the tax years 2012-2014.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2007. During the second quarter of 2013, the Internal Revenue Service ("IRS") commenced an examination of the Company's U.S. federal income tax return for the 2010 tax year. The examination is ongoing, and the IRS has not proposed adjustments to any tax positions. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, the Company is no longer subject to income tax audits for years before 2006. 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 future tax audits. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in interest expense. As of June 30, 2013, the gross amount of unrecognized tax benefits was approximately $28 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. These changes may be the result of settlements of ongoing audits or competent authority proceedings. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

NOTE J – Share-Based Compensation

The following table shows the total compensation expensed for share-based compensation plans, including stock options and share grants, recognized in the statements of operations *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of sales	$ 126	$ 102	$ 249	$ 205
Selling and administrative expense	2,877	3,121	5,720	6,247
Research and development expense	301	316	591	632
Total share-based compensation expense	$ 3,304	$3,539	$6,560	$ 7,084

Stock Options. Stock options generally vest in equal annual installments over a four-year period and expire ten years after the grant date, and expense was estimated on the date of grant using the Black-Scholes-Merton option pricing model.

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In May 2013, the Company's stockholders approved the Company's 2013 Equity Incentive Plan ("2013 Plan"). Since the approval of the 2013 Plan, all stock options have been granted under the 2013 Plan, and the Company will not grant any further stock options under its 2001 Omnibus Equity Incentive Plan ("2001 Plan"). Stock options under the 2013 Plan expire eight years after the grant date. For additional information on the 2013 Plan, see the Company's definitive Proxy Statement filed with the SEC on April 19, 2013.

The total net cash proceeds received from stock option exercises during the six months ended June 30, 2013 was approximately $1 million. Stock option expense was approximately $1 million for both the three months ended June 30, 2013 and 2012, and approximately $2 million for both the six months ended June 30, 2013 and 2012.

A summary of the stock option plans is as follows:

Stock Options	Shares (000)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value ($000)
Outstanding at January 1, 2013	3,713	$17.85	5	$ 9,744
Granted	186	23.35		
Exercised	(192)	7.34		3,072
Forfeited or expired (1)	(417)	20.34		
Outstanding at June 30, 2013	**3,290**	**$ 18.45**	**5**	**$ 26,149**
Exercisable at June 30, 2013	**2,640**	**$ 17.45**	**4**	**$ 23,467**

(1) The Compensation Committee of the Board of Directors reviewed the grants of stock options to the Company's Chief Executive Officer in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement in which the Company and the Company's Chief Executive Officer agreed and confirmed that the Company's Chief Executive Officer will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company's Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation.

The aggregate intrinsic value in the table above is before applicable income taxes and represents the amount option holders would have received if all options had been exercised on the last business day of the period indicated, based on the Company's closing stock price.

As of June 30, 2013, total unrecognized share-based compensation expense related to unvested stock options, net of forfeitures, was approximately $12 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 3 years.

Share Grants. Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period.

Since the approval of the 2013 Plan, all share grants have been granted under the 2013 Plan, and the Company will not grant any further share grants under its 2001 Plan.

The total fair value of restricted stock awards vested during the six months ended June 30, 2013 was approximately $3 million. Share grant expense for both the three months ended June 30, 2013 and 2012 was approximately $2 million, and share grant expense for both the six months ended June 30, 2013 and 2012 was approximately $5 million.

A summary of the Company's non-vested share grants is as follows:

Share Grants	Shares (000)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value ($000)
Non-vested at January 1, 2013	1164	$ 20.42	$
Granted	224	23.10	
Vested	(129)	20.46	2,636
Forfeited	(26)	20.68	
Non-vested at June 30, 2013	**1233**	**$ 20.94**	**$ 25,809**

As of June 30, 2013, total unrecognized share-based compensation expense related to non-vested stock awards, net of forfeitures, was approximately $20 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2 years.

NOTE K – Segment Information and Enterprise-Wide Disclosure

For financial reporting purposes, the Company operates in a single segment, standard semiconductor products, through the Company's various manufacturing and distribution facilities. The Company aggregates its products because the products are similar and have similar economic characteristics, and the products are similar in production process and share the same customer type.

The Company's primary operations include the domestic operations in Asia, North America and Europe.

Revenues are attributed to geographic areas based on the location of subsidiaries producing the revenues *(in thousands)*:

Three Months Ended June 30, 2013	Asia	North America	Europe	Consolidated
Total sales	$ 195,735	$ 37,253	$ 39,993	$ 272,981
Inter-company sales	(18,873)	(18,657)	(21,072)	(58,602)
Net sales	$ 176,862	$ 18,596	$ 18,921	$ 214,379

Three Months Ended June 30, 2012	Asia	North America	Europe	Consolidated
Total sales	$ 145,699	$ 34,071	$ 45,505	$ 225,275
Inter-company sales	(23,684)	(15,881)	(26,471)	(66,036)
Net sales	$ 122,015	$ 18,190	$ 19,034	$ 159,239

As Of And For The Six Months Ended June 30, 2013	Asia	North America	Europe	Consolidated
Total sales	$ 352,535	$ 72,061	$ 77,630	$ 502,226
Inter-company sales	(34,896)	(35,424)	(40,563)	(110,883)
Net sales	$ 317,639	$ 36,637	$ 37,067	$ 391,343
Property, plant and equipment	$ 277,608	$ 30,579	$ 23,100	$ 331,287
Total assets	$ 837,332	$ 150,733	$ 183,509	$ 1,171,574

As Of And For The Six Months Ended June 30, 2012	Asia	North America	Europe	Consolidated
Total sales	$ 273,071	$ 65,802	$ 84,450	$ 423,323
Inter-company sales	(40,052)	(31,045)	(48,324)	(119,421)
Net sales	$ 233,019	$ 34,757	$ 36,126	$ 303,902
Property, plant and equipment	$168,596	$ 31,127	$ 27,220	$ 226,943
Total assets	$ 517,232	$119,600	$222,961	$859,793

Geographic Information

Revenues were derived from (billed to) customers located in the following countries (*in thousands)*:

	Net Sales for the Three Months Ended June 30,		Percentage of Net Sales	
	2013	2012	2013	2012
China	$ 80,049	$ 51,658	37%	32%
Taiwan	39,137	31,667	18%	20%
Korea	17,434	11,632	8%	7%
Switzerland	16,763	14,549	8%	10%
Singapore	13,634	6,831	6%	4%
United States	11,819	13,377	6%	8%
U.K.	10,137	7,853	5%	5%
Germany	8,379	6,157	4%	4%
All Others (1)	17,027	15,515	8%	10%
Total	$214,379	$159,239	100%	100%

	Net Sales for the Six Months Ended June 30,		Percentage of Net Sales	
	2013	2012	2013	2012
China	$ 138,432	$ 100,810	35%	33%
Taiwan	71,411	63,448	18%	21%
Switzerland	31,750	28,062	8%	9%
United States	24,769	28,134	6%	9%
Korea	33,196	21,853	9%	7%
U.K.	18,709	12,978	5%	4%
Singapore	23,100	11,476	6%	5%
Germany	16,712	12,939	4%	4%
All Others (1)	33,264	24,202	9%	8%
Total	$ 391,343	$ 303,902	100%	100%

(1) Represents countries with less than 3% of the total revenues each.

NOTE L – Commitments and Contingencies

Purchase commitments – As of June 30, 2013, the Company had approximately $12 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

Other commitments – During 2010, the Company entered into an investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"). Under this agreement, the Company agreed to form a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited, to establish a semiconductor manufacturing facility for surface-mounted component production, assembly and test in Chengdu, China. This is a long-term, multi-year project that will provide additional capacity for the Company as needed. In order to qualify for certain financial incentives, the Company is obligated to contribute approximately $48 million to the joint venture by December 31, 2013. As of June 30, 2013, the Company has contributed approximately $25 million of which $21 million was for capital expenditures.

Contingencies – From time to time, the Company may be involved in a variety of legal matters that arise in the normal course of business. Based on information available, the Company evaluates the likelihood of potential outcomes. The Company records the appropriate liability when the amount is deemed probable and reasonably estimable. In addition, the Company does not accrue for estimated legal fees and other directly related costs as they are expensed as incurred.

The Company is currently a party to a purported stockholder derivative action in the United States District Court for the District of Delaware, entitled *Scherer v. Keh-Shew Lu*, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), on behalf of the Company against its directors, in which plaintiff alleges that (a) the Board approved awards of stock options to Dr. Keh-Shew Lu, our President and Chief Executive Officer, in 2009, 2010, 2011 and 2012 that exceeded the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009; (b) the Company's disclosures in its 2010, 2011 and 2012 proxy statements regarding the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were inaccurate; and (c) the Company's disclosures in its 2010, 2011 and 2012 proxy statements that the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 complied with the terms of the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were incorrect. The Compensation Committee reviewed the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement, dated April 1, 2013, in which the Company and Dr. Lu agree and confirm that Dr. Lu will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company's Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation. On April 3, 2013, defendants and the Company filed answers to the complaint. On May 8, 2013, defendants filed a motion for judgment on the pleadings dismissing the action on the ground that the claims are moot. On June 24, 2013, the Court approved the parties' stipulation providing for the withdrawal of the motion for judgment on the pleadings and the dismissal of the action as moot upon the filing and adjudication of plaintiff's motion for an award of attorney's fees and costs. On July 29, 2013, plaintiff filed a motion for an award of attorneys' fees and costs. The Company intends to oppose plaintiff's motion vigorously. No hearing date has been set for this motion.

The Company is also currently a party to a putative securities class action in the United States District Court for the Eastern District of Texas, entitled *Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund v. Diodes, Inc.*, Civil Action No. 6:13-cv-247 (E.D. Tex. filed Mar. 15, 2013), against the Company, Dr. Lu and Richard D. White, in which plaintiff, purportedly on behalf of a class of investors who purchased the Company's Common Stock between February 9, 2011 and June 9, 2011, alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission Rule 10b-5 promulgated thereunder in connection with allegedly public statements made during the class period regarding the labor market in China and its impact on the Company's business and prospects. Pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"), motions for appointment of lead plaintiff are due to be filed by May 14, 2013. Pursuant to the Court's order dated April 26, 2013, (1) in the event the putative class member ultimately appointed as lead plaintiff wishes to file an amended complaint, lead plaintiff shall do so no later than forty-five (45) days after entry of an order appointing the lead plaintiff; (2) no later than fifteen (15) days after entry of an order appointing the lead plaintiff, lead plaintiff must file a notice with the Court indicating whether it will file an amended complaint; (3) defendants shall file an answer or motion directed to the operative complaint in this action no later than forty-five (45) days after service of an amended complaint or notice of lead plaintiff's decision not to file an amended complaint, as applicable; and (4) in the event defendants file a motion or motions directed to the operative complaint in this action, (i) lead plaintiff shall file his, her or its opposition, if any, within forty-five (45) days after service of such motion(s) and (ii) defendants shall file their reply, if any, within thirty (30) days after service of lead plaintiff's opposition. On June 14, 2013, the Court entered an order appointing Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund as lead plaintiff and approved lead plaintiff's selection of Robbins Geller Rudman & Dowd as lead plaintiff's counsel and the Ward & Smith Law Firm as lead plaintiff's liaison counsel. On August 1, 2013, lead plaintiff filed an amended complaint reiterating the same claims for relief against the same defendants as asserted in the original complaint. The deadline for defendants to move against or otherwise respond to the amended complaint is September 16, 2013. Pursuant to the Reform Act, all discovery and other proceedings are stayed pending a ruling on any motion to dismiss. The defendants intend to defend this action vigorously.

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NOTE M – Employee Benefit Plans

Defined Benefit Plan

The Company has a contributory defined benefit plan that covers certain employees in the United Kingdom ("U.K."). The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions regarding the discount rate, estimated return on plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses.

For the six months ended June 30, 2013, net periodic benefit costs associated with the defined benefit plan were approximately $0 million.

The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status of the Company's plan (*in thousands*):

		Defined Benefit Plan
Change in benefit obligation:		
Balance at December 31, 2012	$	124,751
Service cost		154
Interest cost		2,674
Actuarial gain		2,185
Benefits paid		(4,858)
Settlements		237
Currency changes		(8,351)
Benefit obligation at June 30, 2013	**$**	**116,792**
Change in plan assets:		
Fair value of plan assets at December 31, 2012	$	106,898
Actual return on plan assets		5,755
Employer contribution		821
Benefits paid		(4,858)
Currency changes		(7,181)
Fair value of plan assets at June 30, 2013	**$**	**101,435**
Underfunded status at June 30, 2013	**$**	**(15,357)**

Based on an actuarial study performed as of March 31, 2013, the plan is underfunded and a liability is reflected in the Company's consolidated financial statements as a long-term liability. The weighted-average discount rate assumption used to determine benefit obligations as of June 30, 2013 was 4.9%.

The following are weighted-average assumptions were used to determine net periodic benefit costs for the six months ended June 30, 2013:

Discount rate	4.6%
Expected long-term return on plan assets	5.5%

During the second quarter of 2012, the Company adopted a payment plan with the trustees of the defined benefit plan, in which the Company will pay approximately £2 million GBP (approximately $3 million based on a USD:GBP exchange rate of 1.6:1) every year from 2012 through 2019.

The Company also has pension plans in Asia for which the benefit obligation, fair value of the plan assets and the funded status amounts are deemed immaterial and therefore, are not included in the figures or assumptions above.

Deferred Compensation

The Company maintains a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") for executive officers, key employees and members of the Board of Directors (the "Board"). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. The Company offsets its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At June 30, 2013, these investments totaled approximately $3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

NOTE N – Related Parties

The Company conducts business with two related companies, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, "LSC") and Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, "Keylink"). LSC owned approximately 18% of the Company's outstanding Common Stock as of June 30, 2013. Keylink is the Company's 5% joint venture partner in two of the Company's Shanghai manufacturing facilities.

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

Lite-On Semiconductor Corporation – During both the six months ended June 30, 2013 and 2012, the Company sold products to LSC totaling approximately 0% of the Company's net sales. For the six months ended June 30, 2013 and 2012, approximately 2% and 3%, respectively, of the Company's net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of the Company's largest suppliers.

Net sales to, and purchases from, LSC are as follows *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	$ 296	$ 274	$ 399	$ 321
Purchases	$9,650	$9,001	$17,159	$16,419

Keylink International (B.V.I.) Inc. – During the six months ended June 30, 2013 and 2012, the Company sold products to Keylink totaling approximately 1% and 3% of the Company's net sales, respectively. For the six months ended June 30, 2013 and 2012, approximately 0% and 1%, respectively, of the Company's net sales were from semiconductor products purchased from Keylink for subsequent sale. In addition, two of the Company's subsidiaries in China lease their manufacturing facilities from, and subcontract a portion of their manufacturing process (including, but not limited to, metal plating and environmental services) to Keylink. The Company also pays a consulting fee to Keylink. The aggregate amounts for these services for the six months ended June 30, 2013 and 2012 were approximately $9 million and $8 million, respectively.

Net sales to, and purchases from, Keylink are as follows *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	$1,561	$4,971	$5,209	$9,443
Purchases	$ 2,138	$ 2,323	$3,666	$4,127

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Accounts receivable from, and accounts payable to, LSC and Keylink are as follows *(in thousands)*:

	June 30, 2013	December 31, 2012
Accounts receivable		
LSC	$ 293	$ 204
Keylink	6,235	10,457
	$ 6,528	$ 10,661
Accounts payable		
LSC	$ 7,531	$ 5,308
Keylink	5,555	5,095
	$13,086	$ 10,403

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. 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 the Company's management. The Private Securities Litigation Reform Act of 1995 (the "Act") 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 Act. The Company undertakes no obligation to publicly release the results of any revisions to its 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.

This management's discussion should be read in conjunction with the management's discussion included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, previously filed with Securities and Exchange Commission.

Highlights

- Net sales for the three months ended June 30, 2013 was $214 million, an increase of $55 million, or 35%, over the same period last year, and a sequential increase of 21% compared to the $177 million in the first quarter of 2013;
- Net sales for the six months ended June 30, 2013 was $391 million, an increase of $87 million, or 29%, over the same period last year.
- Gross profit for the three months ended June 30, 2013 was $61 million, an increase of $20 million, or 49%, over the same period last year, and a sequential increase of 33% compared to the $46 million in the first quarter of 2013;
- Gross profit for the six months ended June 30, 2013 was $107 million, an increase of $33 million, or 44%, over the same period last year;
- Gross profit margin for the three months ended June 30, 2013 was 29%, compared to 26% in the same period last year, and 26% in the first quarter of 2013;
- Gross profit margin for the six months ended June 30, 2013 was 27%, compared to 25% in the same period last year;
- Income taxes for the six months ended June 30, 2013 was $8 million and included $5 million of tax expense regarding a tax audit by the China tax authorities;
- Net income attributable to common stockholders for the three months ended June 30, 2013 was $9 million, or $0.18 per diluted share, compared to net income attributable to common stockholders of $7 million, or $0.14 per diluted share, in the same period last year, and net loss attributable to common stockholders of ($2) million, or ($0.04) per diluted share, in the first quarter of 2013;
- Net income attributable to common stockholders for the six months ended June 30, 2013 was $7 million, or $0.14 per diluted share, compared to net income attributable to common stockholders of $12 million, or $0.25 per diluted share, in the same period last year;
- Cash flows from operating activities was $61 million for the six months ended June 30, 2013; and
- Completed the acquisition of BCD Semiconductor Manufacturing Limited ("BCD") during the first quarter of 2013, which the purchase price accounting adjustments, of which impacted net income attributable to common stockholders for the six months ended June 20, 2013.

Overview

We are a leading global manufacturer and supplier of high-quality, application specific standard products within the broad discrete, logic and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. Our products are sold primarily throughout Asia, North America and Europe.

We design, manufacture and market semiconductors for diverse end-use applications. Semiconductors, which provide electronic signal amplification and switching functions, are basic building-block electronic components that are incorporated into almost every electronic device. We believe that our focus on standard semiconductor products provides us with a meaningful competitive advantage relative to other semiconductor companies.

First Two Quarters of 2013

For the first quarter of 2013, we achieved record quarterly revenue despite the typical seasonal softness in the quarter and the slowdown at certain key original equipment manufacturers. Our sequential revenue growth was due to the result of our continued design win momentum, as well as one month of revenue contribution from our acquisition of BCD. In addition, gross profit margin improved sequentially due to revenue increases in the higher margin regions of North America and Europe, but the improvements were offset by purchase price accounting adjustments in connection with the acquisition of BCD. Margins also benefited from a better than expected manufacturing recovery following the Chinese New Year holiday, lower gold prices and a more favorable product mix. Also during the quarter, we finalized our acquisition of BCD and this transaction, excluding purchase price accounting adjustments, was immediately accretive to earnings.

For the second quarter of 2013, our past design win momentum and new product initiatives, combined with our first full quarter of revenue contribution from BCD, contributed to the achievement of record quarterly revenue and increased market share despite the slowdown at certain major OEM customers and continued weakness in the PC market. During the quarter we were also able to improve our gross margin, which includes the BCD inventory valuation adjustment, due to improved product mix, lower gold prices, copper wire conversion, as well as our cost reduction efforts. Furthermore, the integration of BCD has been progressing as we move ahead of schedule in transferring BCD products into our Shanghai packaging facilities. As a result of these collective factors, we reported solid earnings growth and generated strong cash flow for the quarter.

Business Acquisition

On March 5, 2013, we completed the acquisition of BCD for an aggregate consideration of approximately $155 million, excluding acquisition costs, fees and expenses. In addition, a $5 million retention plan for employees of BCD, payable at the 12, 18 and 24 month anniversaries of the acquisition, has been established. The acquisition was funded by drawings on our bank credit facilities. The results of operations of BCD have been included in the consolidated financial statements from March 1, 2013. The purpose of this acquisition is to further our strategy of expanding our market and growth opportunities through select strategic acquisitions. We expect this acquisition to enhance our analog product portfolio by expanding our standard linear and power management offerings, including AC/DC and DC/DC solutions for power adapters and chargers, as well as other electronic products. BCD's established presence in Asia, with a particularly strong local market position in China, offers us even greater penetration of the consumer, computing and communications markets. Likewise, we believe we can achieve increased market penetration for BCD's products by leveraging our global customer base and sales channels. In addition, BCD has in-house manufacturing capabilities in China, as well as a cost-effective development team, that can be deployed across multiple product families. We also believe we will be able to apply our packaging capabilities and expertise to BCD's products in order to improve cost efficiencies, utilization and product mix. See Note C of the Notes to Condensed Consolidated Financial Statements for additional information regarding the acquisition of BCD.

Business Outlook

We expect to achieve further progress in the third quarter as we continue to successfully execute on our business model. For the third quarter of 2013, we expect continued revenue growth with revenue ranging between $220 million and $230 million, or up 3% to 7% sequentially. We expect gross margin to be 30.3%, plus or minus 2%. The BCD preliminary purchase price accounting adjustments in cost of goods sold were completed in the second quarter. Included in the third quarter gross margin guidance is the impact of a disruption in manufacturing operations in one of our Shanghai wafer fabrication facilities due to an incident in our landlord's power station that caused a power outage to the wafer fabrication facility. The power outage occurred on July 26, 2013 causing some work-in-progress inventory to be scrapped and approximately one-half month of output to be lost. Full power has been restored to the manufacturing operations. Operating expenses are expected to be 22.5% of revenue, plus or minus 1%. We expect our income tax rate to range between 18% and 24%, and shares used to calculate earnings per share for the third quarter are anticipated to be approximately 48.3 million.

Factors Relevant to Our Results of Operations

The following has affected, and, we believe, will continue to affect, our results of operations:

- Net sales for the six months ended June 30, 2013 was $391 million, compared to $304 million in the same period last year. This increase in net sales mainly reflects the inclusion of four months of BCD revenue, an increase in units sold and an increase in average selling price ("ASP").
- Our gross profit margin was 27% for the six months ended June 30, 2013, compared to 25% in the same period last year. Our gross margin percentage increased over the same period last year due primarily to lower gold prices, improved product mix, copper wire conversion and cost reduction efforts. Future gross profit margins will depend primarily on market prices, our product mix, manufacturing cost savings, and the demand for our products.

- For the six months ended June 30, 2013, our capital expenditures, excluding capital expenditures related to our investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"), were approximately 5% of our net sales, which is lower than our historical 10% to 12% of net sales model. For the remainder of 2013, we expect capital expenditures, excluding capital expenditures related to our investment agreement, to be lower than our historical model and range between 5% and 9%.
- For the six months ended June 30, 2013 and 2012, the percentage of our net sales derived from our Asian subsidiaries was 81% and 77%, respectively. Europe accounted for approximately 10% of our revenues for the six months ended June 30, 2013, compared to 12% in the same period last year. In addition, North America accounted for approximately 9% of our revenues for the six months ended June 30, 2013, compared to 11% in the same period last year.
- As of June 30, 2013, we had invested approximately $548 million in our manufacturing facilities in Asia, including through acquisitions. For the six months ended June 30, 2013, we invested approximately $18 million in these manufacturing facilities, and we expect to continue to invest in our manufacturing facilities, although the amount to be invested will depend on, among other factors, product demand and new product developments.
- For the six months ended June 30, 2013, our original equipment manufacturers ("OEM") and electronic manufacturing services ("EMS") customers together accounted for approximately 33% of our net sales, while our global network of distributors accounted for approximately 67% of our net sales. Compared to prior years, the percentage of net sales to our global network of distributors has increased mainly due to the fact that the majority of BCD net sales are to distributors.

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Results of Operations for the Three Months Ended June 30, 2013 and 2012

The following table sets forth the percentage that certain items in the statements of operations bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	Percent of Net Sales Three Months Ended June 30, 2013	Percent of Net Sales Three Months Ended June 30, 2012	Percentage Dollar Increase (Decrease) '12 to '13
Net sales	100%	100%	**35**
Cost of goods sold	(71)	(74)	**30**
Gross profit	29	26	**49**
Operating expenses	(24)	(21)	**56**
Income from operations	5	5	**23**
Other income (expense)	—	—	**10**
Income before income taxes and noncontrolling interest	5	5	**23**
Income tax provision	(1)	(1)	**72**
Net income	4	4	**17**
Net income attributable to noncontrolling interest	—	—	**(61)**
Net income attributable to common stockholders	4	4	**30**

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended June 30, 2013, compared to the three months ended June 30, 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report *(in thousands)*.

	2013	2012
Net Sales	$214,379	$159,239

Net sales increased approximately $55 million for the three months ended June 30, 2013, compared to the same period last year. The 35% increase in net sales represented a 43% increase in units sold, partially offset by a 6% decrease in ASP. The revenue increase for the three months ended June 30, 2013 was mainly attributable to the inclusion of a full quarter of BCD revenue.

	2013	2012
Cost of goods sold	$153,086	$118,211
Gross profit	$ 61,293	$ 41,028
Gross profit margin	29%	26%

Cost of goods sold increased approximately $35 million, or 30%, for the three months ended June 30, 2013, compared to the same period last year. As a percent of sales, cost of goods sold decreased to 71% for the three months ended June 30, 2013, compared to 74% in the same period last year, and our average unit cost ("AUP") decreased by 9%.

For the three months ended June 30, 2013, gross profit increased by approximately $20 million, or 49%, compared to the same period last year. Gross margin increased to 29% for the three months ended June 30, 2013, compared to 26% for the same period last year. This increase is mainly due to lower gold prices, improved product mix, copper wire conversion and cost reduction efforts.

	2013	2012
Operating expenses	$51,055	$32,724

Operating expenses for the three months ended June 30, 2013 increased approximately $18 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses ("SG&A") increased approximately $10 million, and research and development expenses ("R&D") increased approximately $4 million. SG&A, as a percentage of sales, was 16% for the three months ended June 30, 2013 and 2012. R&D, as a percentage of sales, was 6% for the three months ended June 30, 2013, compared to 5% for the same period last year. Both SG&A and R&D for the three months ended June 30, 2013 increased due primarily to the acquisition of BCD, the acquisition of Eris Technology Corporation in the third quarter of 2012 and the acquisition of Power Analog Microelectronics, Inc. in the fourth quarter of 2012. Also included in operating expenses for the three months ended June 30, 2013 was an increase of approximately $1 million for amortization of acquisition related intangibles due to recent acquisitions, compared to the same period last year.

	2013	2012
Other income	$277	$251

Other income for both the three months ended June 30, 2013 and 2012 was less than $1 million. For the three months ended June 30, 2013, other income included approximately $2 million of foreign currency gains and interest income, which was offset in part by interest expense due to the increase in long-term debt incurred in connection with the BCD acquisition.

	2013	2012
Income tax provision	$1,475	$856

We recognized income tax expense of approximately $1 million for the three months ended June 30, 2013 and 2012. The effective tax rate is 14% for the three months ended June 30, 2013, compared to 10% in the same period last year. Our effective tax rates for the three months ended June 30, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of income in lower-taxed jurisdictions.

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Results of Operations for the Six Months Ended June 30, 2013 and 2012

The following table sets forth the percentage that certain items in the statements of operations bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	Percent of Net Sales Six Months Ended June 30,		Percentage Dollar Increase (Decrease)
	2013	2012	'12 to '13
Net sales	100%	100%	**29**
Cost of goods sold	(73)	(75)	**24**
Gross profit	27	25	**44**
Operating expenses	(23)	(20)	**53**
Income from operations	4	5	**2**
Other income (expense)	—	—	**(15)**
Income before income taxes and noncontrolling interest	4	5	—
Income tax provision	(2)	(1)	**446**
Net income	2	4	**(49)**
Net income attributable to noncontrolling interest	—	—	**(97)**
Net income attributable to common stockholders	2	4	**(42)**

The following discussion explains in greater detail our consolidated operating results and financial condition for the six months ended June 30, 2013, compared to the six months ended June 30, 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report *(in thousands)*.

	2013	2012
Net Sales	$391,343	$303,902

Net sales increased approximately $87 million for the six months ended June 30, 2013, compared to the same period last year. The 29% increase in net sales represented an approximately 4% increase in ASP and a 24% increase in units sold. The revenue increase for the six months ended June 30, 2013 was mainly attributable to the inclusion of four months of BCD revenue.

	2013	2012
Cost of goods sold	$283,867	$229,168
Gross profit	$ 107,476	$ 74,734
Gross profit margin	27%	25%

Cost of goods sold increased approximately $55 million, or 24%, for the six months ended June 30, 2013, compared to the same period last year. As a percent of sales, cost of goods sold decreased to 73% for the six months ended June 30, 2013, compared to 75% in the same period last year, and AUP remained relatively flat.

For the six months ended June 30, 2013, gross profit increased by approximately $33 million, or 44%, compared to the same period last year. Gross margin increased to 27% for the six months ended June 30, 2013, compared to 25% for the same period last year. This increase is mainly due to lower gold prices, improved product mix, copper wire conversion and cost reduction efforts.

	2013	2012
Operating expenses	$93,462	$60,930

Operating expenses for the six months ended June 30, 2013 increased approximately $33 million compared to the same period last year. Of the components within operating expenses, SG&A increased approximately $19 million, and R&D increased approximately $7 million. SG&A, as a percentage of sales, increased to 17% for the six months ended June 30, 2013, compared to 15% in the same period last year, and R&D, as a percentage of sales, increased to 6% for the six months ended June 30, 2013, compared to 5% in the same period last year. Both SG&A and R&D for the six months ended June 30, 2013 increased due primarily to the acquisition of BCD, the acquisition of Eris Technology Corporation in the third quarter of 2012 and the acquisition of Power Analog Microelectronics, Inc. in the fourth quarter of 2012. Also included in operating expenses for the six months ended June 30, 2013 was an increase of approximately $2 million for amortization of acquisition related intangibles due to recent acquisitions, compared to the same period last year. In addition, included in other operating expenses for six months ended June 30, 2012 is a gain of approximately $4 million on the sale of assets.

	2013	2012
Other income	$798	$938

Other income for both the six months ended June 30, 2013 and 2012 was less than $1 million. Other income for the six months ended June 30, 2013 included approximately $3 million of foreign currency gains and interest income, which was offset in part by interest expense due to the increase in long-term debt incurred in connection with the BCD acquisition. Other income for the six months ended June 30, 2012 included approximately $1 million of foreign currency gains.

	2013	2012
Income tax provision	$8,049	$1,474

We recognized income tax expense of approximately $8 million for the six months ended June 30, 2013, compared to approximately $1 million in the same period last year. The estimated effective tax rate is approximately 54% for the six months ended June 30, 2013, compared to approximately 10% in the same period last year. Income tax expense for the six months ended June 30, 2013 was impacted by $5 million additional tax expense in regard to a tax audit by the China tax authorities. Our effective tax rates for the six months ended June 30, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of income in lower-taxed jurisdictions.

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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. We currently have a U.S. credit agreement consisting of a $300 million revolving senior credit facility (the “Revolver”), which includes a $10 million swing line sublimit, a $10 million letter of credit sublimit, and a $20 million alternative currency sublimit. The Revolver matures on January 8, 2018, and as of June 30, 2013, approximately $205 million was outstanding. In addition, we have foreign credit facilities with borrowing capacities of approximately $149 million with $5 million in outstanding borrowings and no borrowings used for import and export guarantees and bank acceptance notes. Our primary liquidity requirements have been to meet our inventory and capital expenditure needs and to fund on-going operations. At December 31, 2012 and June 30, 2013 our working capital was $378 million and $467 million, respectively. Our working capital increased in the first six months of 2013 primarily due to the consolidation of BCD’s net assets as a result of the acquisition. We expect cash generated by our operations together with existing cash, cash equivalents and available credit facilities to be sufficient to cover cash needs for working capital and capital expenditures for at least the next 12 months.

During 2010, we entered into an investment agreement with the Management Committee of the CDHT. Under this agreement, we agreed to form a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited, to establish a semiconductor manufacturing facility for surface-mounted component production, assembly and test in Chengdu, China. This is a long-term, multi-year project that will provide additional capacity for us as needed. In order to qualify for certain financial incentives, we are obligated to contribute at least $48 million to the joint venture by December 31, 2013. As of June 30, 2013, we have contributed approximately $25 million, of which $21 million has been invested in capital expenditures and expect to contribute the full $48 million on or before December 31, 2013.

Capital expenditures for the six months ended June 30, 2013 and 2012 were $21 million and $31 million, respectively, which includes $2 million and $10 million, respectively, of capital expenditures related to the investment agreement with the Management Committee of the CDHT. Capital expenditures, excluding capital expenditures related to the investment agreement, in the first six months of 2013 were approximately 5% of our net sales and were primarily related to the expansion of our Shanghai sales and design office.

On March 5, 2013 we completed the acquisition of BCD for an aggregate consideration of approximately $155 million, excluding acquisition costs, fees and expenses. In addition, a $5 million retention plan for employees of BCD, payable at the 12, 18 and 24 month anniversaries of the acquisition, has been established. The acquisition was funded by drawings on our bank credit facility. As part of our strategy to expand our semiconductor product offerings and to maximize our market opportunities, we may acquire product lines or companies in order to enhance our portfolio and accelerate our new offerings, which could have a material impact on liquidity and require us to draw down on our credit facilities or increase our borrowings and limits. See Note C of the “Notes to Consolidated Condensed Financial Statements” of this Quarterly Report for additional information about the acquisition of BCD and Part I, Item 1 of our Annual Report for additional information about our strategy.

Prior to the acquisition, BCD entered into foreign currency forward contracts with various banks located in China. The contracted notional amount for forward contracts is $61 million, of which $39 million was outstanding as of June 30, 2013. In accordance with certain forward contracts, we are required to have on deposit 3% to 5% of the notional amount outstanding and in certain situations the required deposit could be 100% of the notional amount of the outstanding contracts. Restricted cash is pledged as collateral when we enter into agreements with banks for certain banking facilities. As of June 30, 2013, restricted cash of $9 million was pledged as collateral for issuance of bank acceptance notes, letters of credit and foreign currency forward contracts. See Notes C and D of the “Notes to Consolidated Condensed Financial Statements” of this Quarterly Report for additional information about our restricted cash and foreign currency forward contracts.

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Discussion of Cash Flow

Cash and cash equivalents increased from $157 million at December 31, 2012 to $214 million at June 30, 2013 primarily from cash provided by operating and financing activities, offset in part by cash used by investing activities.

A summary of the consolidated condensed statements of cash flows is as follows *(in thousands)*:

	Six Months Ended June 30,		
	2013	2012	Change
Net cash provided by operating activities	$ 61,173	$ 30,271	$ 30,902
Net cash used by investing activities	(144,957)	(25,705)	(119,252)
Net cash provided by financing activities	143,240	33,911	109,329
Effect of exchange rates on cash and cash equivalents	(3,031)	306	(3,337)
Net increase in cash and cash equivalents	$ 56,425	$ 38,783	$ 17,642

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2013 was $61 million, resulting primarily from $7 million of net income, $36 million in depreciation and amortization, $7 million of non-cash share-based compensation expense and change in assets and liabilities. Net cash provided by operating activities was $30 million for the same period last year, resulting primarily from $13 million of net income, $31 million in depreciation and amortization and an increase in account payable, offset partially by an increase in accounts receivable.

Investing Activities

Net cash used by investing activities was $145 million for the six months ended June 30, 2013, compared to net cash used by investing activities of $26 million for the same period last year. This increase in net cash used was due primarily to approximately $125 million for the acquisition of BCD, net of cash acquired for the six months ended June 30, 2013.

Financing Activities

Net cash provided by financing activities was $143 million for the six months ended June 30, 2013, compared to net cash provided by financing activities of $34 million in the same period last year. Net cash provided by in 2013 was due primarily to a $180 million draw down on the Credit Agreement, offset by repayments on lines of credit. The net cash provided by in 2012 was due primarily to a $40 million draw down on our term loan, which was partially offset by the repayment on lines of credit of $8 million.

Debt Instruments

There have been no material changes to our debt instruments as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 27, 2013.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements and 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 any of our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 27, 2013, except for an increase in long-term debt as of June 30, 2013, due to the draw down of our Credit Agreement to pay for the acquisition of BCD. In addition, operating leases increased $5 million to $23 million in connection with the acquisition of BCD. See Note H of the Notes to Condensed Consolidated Financial Statements for additional information regarding the draw down on our Revolver.

Critical Accounting Policies

Our critical accounting policies, as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, relate to revenue recognition, inventories, accounting for income taxes, goodwill and long-lived assets, share-based compensation, fair value measurements, defined benefit plan and contingencies. There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 27, 2013.

Recently Issued Accounting Pronouncements

See Note A of the Notes to Consolidated Condensed Financial Statements for detailed information regarding the status of recently issued accounting pronouncements.

Available Information

Our Internet address is http://www.diodes.com. 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 Securities and Exchange Commission (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 Securities Exchange Act of 1934, as amended. 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 “Risks 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 “Act”) 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 Act.

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 the Company’s 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 the Company undertakes 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 revenues, results of operations and financial condition.*
- *During times of difficult market conditions, our fixed costs combined with lower revenues and lower profit margins may have a negative impact on our business, results of operations and financial condition.*
- *Downturns in the highly cyclical semiconductor industry and/or changes in end-market demand could adversely affect our results of operations and financial condition.*
- *The semiconductor business is highly competitive, and increased competition may harm our business, results of operations and financial condition.*
- *One of our largest external suppliers is also a related party. The loss of this supplier could harm our business, results of operations 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, results of operations 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, which could adversely affect our revenues, results of operations 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 revenues, results of operations 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 results of operations 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, results of operations and financial condition.*
- *We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, results of operations 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, results of operations and financial condition.*
- *We depend on third-party suppliers for timely deliveries of raw materials, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, results of operations 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, results of operations and financial condition.*
- *Part of our growth strategy involves identifying and acquiring companies with complementary product lines or customers. 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, results of operations and financial condition.*

- *We are subject to litigation risks, including securities class action litigation, which may be costly to defend and the outcome of which is uncertain.*
- *We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, results of operations and financial condition.*
- *Our products may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us, which may harm our business, reputation with our customers, results of operations and financial condition.*
- *We may fail to attract or retain the qualified technical, sales, marketing, finance and management personnel required to operate our business successfully, which could adversely affect on our business, results of operations 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, results of operations 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, results of operations and financial condition.*
- *If OEMs 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, results of operations and financial condition.*
- *We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, results of operations, financial condition and our ability to meet our 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 results of operations 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 results of operations and financial condition.*
- *In 2010, we established a joint venture to build a semiconductor facility in Chengdu, China. We are required to contribute at least $48 million to the joint venture during the first three years with additional contributions thereafter, as well as a substantial amount of time and resources to establish and operate the joint venture. Any failure to meet any such requirements, delays or unforeseen circumstances may cause us to incur penalties or require us to contribute additional expenses or resources and, as a result, could have an adverse effect on our operating efficiencies, results of operations and financial conditions.*
- *Certain of our customers and suppliers require us to comply with their codes of conduct, which may include certain restrictions that may substantially increase the cost of our business as well as have an adverse effect on our operating efficiencies, results of operations 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, results of operations 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 United States or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our results of operations 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 revenue, 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 United Kingdom, 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 results of operations.*
- *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, results of operations and prospects.*
- *Economic regulation in China could materially and adversely affect our business, results of operations and prospects.*
- *We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the United Kingdom's Bribery Act 2010 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, results of operations 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 our foreign subsidiaries to the United States may be subject to United States income taxes, thus reducing our net income.*

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

As a multinational corporation, we are subject to certain market risks including foreign currency, interest rate, political instability, inflation and credit. We consider a variety of practices to manage these market risks. 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, 2012, filed on February 27, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Richard D. White, with the participation of the Company's management, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-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 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 our Chief Financial Officer, that occurred during the fiscal quarter covered by this report 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

We are currently a party to a purported stockholder derivative action in the United States District Court for the District of Delaware, entitled *Scherer v. Keh-Shew Lu*, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), on behalf of the Company against its directors, in which plaintiff alleges that (a) the Board approved awards of stock options to Dr. Keh-Shew Lu, our President and Chief Executive Officer, in 2009, 2010, 2011 and 2012 that exceeded the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009; (b) the Company's disclosures in its 2010, 2011 and 2012 proxy statements regarding the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were inaccurate; and (c) the Company's disclosures in its 2010, 2011 and 2012 proxy statements that the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 complied with the terms of the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were incorrect. The Compensation Committee reviewed the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement, dated April 1, 2013, in which the Company and Dr. Lu agree and confirm that Dr. Lu will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company's Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation. On April 3, 2013, defendants and the Company filed answers to the complaint. On May 8, 2013, defendants filed a motion for judgment on the pleadings dismissing the action on the ground that the claims are moot. On June 24, 2013, the Court approved the parties' stipulation providing for the withdrawal of the motion for judgment on the pleadings and the dismissal of the action as moot upon the filing and adjudication of plaintiff's motion for an award of attorney's fees and costs. On July 29, 2013, plaintiff filed a motion for an award of attorneys' fees and costs. The Company intends to oppose plaintiff's motion vigorously. No hearing date has been set for this motion.

While the directors intend to defend this lawsuit vigorously and presently believe that the ultimate outcome of this legal proceeding will not have any material adverse effect on the Company's financial position, cash flows or overall results of operations, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include a substantial award of attorney's fees and costs. Were such an unfavorable ruling against the directors to occur, there exists the possibility of a material adverse impact on our business or results of operations for the period in which the ruling occurs or future periods.

We are also currently a party to a putative securities class action in the United States District Court for the Eastern District of Texas, entitled *Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund v. Diodes, Inc.*, Civil Action No. 6:13-cv-247 (E.D. Tex. filed Mar. 15, 2013), against the Company, Dr. Lu and Richard D. White, in which plaintiff, purportedly on behalf of a class of investors who purchased the Company's Common Stock between February 9, 2011 and June 9, 2011, alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission Rule 10b-5 promulgated thereunder in connection with allegedly public statements made during the class period regarding the labor market in China and its impact on the Company's business and prospects. Pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"), motions for appointment of lead plaintiff are due to be filed by May 14, 2013. Pursuant to the Court's order dated April 26, 2013, (1) in the event the putative class member ultimately appointed as lead plaintiff wishes to file an amended complaint, lead plaintiff shall do so no later than forty-five (45) days after entry of an order appointing the lead plaintiff; (2) no later than fifteen (15) days after entry of an order appointing the lead plaintiff, lead plaintiff must file a notice with the Court indicating whether it will file an amended complaint; (3) defendants shall file an answer or motion directed to the operative complaint in this action no later than forty-five (45) days after service of an amended complaint or notice of lead plaintiff's decision not to file an amended complaint, as applicable; and (4) in the event defendants file a motion or motions directed to the operative complaint in this action, (i) lead plaintiff shall file his, her or its opposition, if any, within forty five (45) days after service of such motion(s) and (ii) defendants shall file their reply, if any, within thirty (30) days after service of lead plaintiff's opposition. On June 14, 2013, the Court entered an order appointing Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund as lead plaintiff and approved lead plaintiff's selection of Robbins Geller Rudman & Dowd as lead plaintiff's counsel and the Ward & Smith Law Firm as lead plaintiff's liaison counsel. On August 1, 2013, lead plaintiff filed an amended complaint reiterating the same claims for relief against the same defendants as asserted in the original complaint. The deadline for defendants to move against or otherwise respond to the amended complaint is September 16, 2013. Pursuant to the Reform Act, all discovery and other proceedings are stayed pending a ruling on any motion to dismiss. The defendants intend to defend this action vigorously.

While we intend to defend this lawsuit vigorously and presently believe that the ultimate outcome of this legal proceeding will not have any material adverse effect on our financial position, cash flows or overall results of operations, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on our business or results of operations for the period in which the ruling occurs or future periods.

From time to time, the Company is involved in various routine legal proceedings incidental to the conduct of its business. The Company's management does not believe that any of these legal proceedings will have a material adverse impact on the business, financial condition or results of operations of the Company.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, except for the following:

RISKS RELATED TO OUR BUSINESS

We are subject to litigation risks, including securities class action litigation, which may be costly to defend and the outcome of which is uncertain.

All industries, including the semiconductor industry, are subject to legal claims, with and without merit, including securities class action litigation that may be particularly costly and which may divert the attention of our management and our resources in general. We are involved in a variety of legal matters, most of which we consider either routine matters that arise in the normal course of business or immaterial for our aggregate business operations. These routine matters typically fall into broad categories such as those involving suppliers and customers, employment and labor, and intellectual property. We believe it is unlikely that the final outcome of these legal claims will have a material adverse effect on our financial position, results of operations or cash flows. However, defense and settlement costs can be substantial, even with respect to claims that we believe have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows.

As mentioned above, from time to time, we have been, or may in the future be, involved in securities litigation or litigation arising from our acquisitions. We can provide no assurance as to the outcome of any such litigation matter in which we are a party. These types of matters are costly to defend and even if resolved in our favor, could have a material adverse effect on our business, financial condition, results of operations and cash flow. Such litigation could also substantially divert the attention of our management and our resources in general. Uncertainties resulting from the initiation and continuation of securities or other litigation could harm our ability to obtain credit and financing for our operations and to compete in the marketplace. Because the price of our Common Stock has been, and may continue to be, volatile, we can provide no assurance that securities litigation will not be filed against us in the future. In addition, we can provide no assurance that our past or future acquisitions will not subject us to additional litigation. See Part I, Item 3 "Legal Proceedings" of this Quarterly Report for more information on our legal proceedings.

RISKS RELATED TO OUR COMMON STOCK

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

We have experienced substantial variations in net sales, gross profit margin and operating results from quarter to quarter. We believe that the factors that influence this variability of quarterly results include:

- strength of the global economy and the stability of the financial markets;
- general economic conditions in the countries where we sell our products;
- seasonality and variability in the computing and communications market and our other end-markets;
- the timing of our and our competitors' new product introductions;
- product obsolescence;
- the scheduling, rescheduling and cancellation of large orders by our customers;
- the cyclical nature of the demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at our fabrication facilities;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our outside suppliers or subcontractors.

Accordingly, a comparison of our results of operations from period to period is not necessarily meaningful to investors and our results of operations for any period do not necessarily indicate future performance. Variations in our quarterly results may trigger volatile changes in our stock price.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also may affect the price of our stock. For these reasons, investors should not rely on recent or historical trends to predict future stock prices, financial condition, results of operations or cash flows. In addition, as discussed in Part I, Item 3 "Legal Proceedings" of this Quarterly Report, we are involved in several litigation matters. Additional volatility in the price of our securities could result in the filing of additional litigation matters, which could result in substantial costs and the diversion of management time and resources.

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

There have been no repurchases of our Common Stock during the second quarter of 2013.

Item 3. Defaults Upon Senior Securities

There are no matters to be reported under this heading.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There are no matters to be reported under this heading.

Table of Contents

Item 6. Exhibits

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Incorporation, as amended	10-Q	May 10, 2013	3.1	
3.2	Amended By-laws of the Company as of May 21, 2013	8-K	May 24, 2013	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	Construction Design Consulting Assignment Agreement Supplemental Agreement between Diodes Technology (Chengdu) Company Limited and Lite-On Technology Corporation.				X
10.2	Procurement Agreement, dated May 3, 2013, between Diodes Taiwan Inc. and Lite-On Technology Corporation.				X
10.3	Share Transfer Memorandum of Understanding, date June 18, 2013, among Diodes Incorporated, Chengdu Ya Guang Electronic Engineering Factory, and Zetex Chengdu Electronics Limitd.				X
10.4	Confirmation Agreement, dated April 1, 2013, by and between Diodes Incorporated and Dr. Keh-Shew Lu	8-K	April 3, 2013	99.1	
31.1	Certification Pursuant to Rule 13a-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) 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. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS**	XBRL Instance Document				X
101.SCH**	XBRL Taxonomy Extension Schema				X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB**	XBRL Taxonomy Extension Labels Linkbase				X
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase				X

* *A certification furnished pursuant to Item 601 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.*

** *Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.*

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.

SIGNATURE

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)

By: /s/ Richard D. White August 8, 2013

RICHARD D. WHITE
Chief Financial Officer, Secretary, and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 10.1

2012 Diodes (Chengdu) Package Testing Plant Construction Project
CONSTRUCTION DESIGN CONSULTING ASSIGNMENT AGREEMENT

Supplemental Agreement

Parties to the Supplemental Agreement (the "Supplemental Agreement"):

Diodes Technology (Chengdu) Company Limited (hereinafter referred to as Party A);

and

Lite-On Technology Corporation, Construction Management Department (hereinafter referred to as Party B)

Regarding the Construction Design Consulting Assignment Agreement (the "Original Agreement") with service location in the Chengdu Hi-Tech Zone (West Park), Chengdu, Sichuan Province, China, signed by both parties, because of the external economic uncertainty, the delay of the overall construction schedule in support of Party A's demand, and for other reasons, except for the delay of the first installment of the construction to meet Party A's need, the contractual purchases and the construction for the latter two installments of installation and repair constructions and the equipment purchase and installation, shall be delayed until notified by Party A to restart the relevant construction operation. During this time period, the manpower for the service shall be adjusted in accordance with the construction needs.

Party A and Party B agree with respect to prolonging the service time period as a result of the delay of the construction schedule, manpower adjustments for the service and for other reasons, both parties shall revise the service time period, service fees and payment methods under the Original Agreement, and all other terms and conditions and related obligations and rights shall continue as they are under the Original Agreement signed by both parties.

The Original Agreement shall be revised as follows:

1. Increase the Service Time Period and Adjustments to the Manpower Utilization:

   a) In accordance with Article 6, Section 1 of the Original Agreement, the service time period under the Original Agreement of July, 2012 to June, 2013 shall be revised to extend to until the month in which Party A notifies for the termination of service (or at the latest until the completion of the service for the construction of Diodes (Chengdu) 1A Package Testing Plant)

   b) The calculation shall be in accordance with the construction management fees and the manpower schedule under the Original Agreement.

      (i) The manpower from July, 2012 until October, 2012 (four months) shall continue to be calculated in accordance with the manpower schedule (total: 397 manpower days; US$250 per person per day; and the aggregate service fee during this time period shall be US$99,250).

(ii) For the period from November 2012 until the date on which Party A notifies to restart the construction, the service fee shall be calculated in accordance with the following formula: 1 person per day times the number of days of suspended construction (value at US$250 per person per day), plus (A) the total number of days on business travel and (B) the aggregate number of days allocated among various departments. The reporting shall be actual to Party A for review.

(iii) The period from the commencement of the construction until the completion of the construction and transfer, the service fee shall be calculated in accordance with the following formula: 2 persons per day times the number of days of construction service (value at US$250 per person per day), plus (A) the total number of days on business travel and (B) the aggregate number of days allocated among various departments. The reporting shall be actual to Party A for review.

2. Service Fee and Payment Method

First Installment: The service fee for the period from July 2012 until end of October 2012 (four months) shall be effective upon formal signing of this Supplemental Agreement by both parties and shall be paid by Party A to Party B in the amount of US$99,250. Party B shall issue a formal receipt to Party A.

Second Installment: The service fee for the period from November 2012 until the date on which Party A notifies to restart the construction shall be calculated in accordance with Article 1 Section 2 of this Supplemental Agreement, and each time if the period accumulates to six months in full, a billing shall be made. Party B shall issue a formal receipt to Party A.

Third Installment: The service fee for the period from the commencement of the construction until the completion of the construction and transfer shall be calculated in accordance with Article 1 Section 2 of this Supplemental Agreement, and shall be paid in full upon the date of the completion of the construction and transfer. Party B shall issue a formal receipt to Party A.

3. If the construction prolongs, the construction volume changes, and for any other reasons that cause construction design consulting workloads to increase or decrease, then both parties shall negotiate reasonable work days on the basis of USD$250 per person per day to finalize the billing.

4. Except as otherwise agreed in the contents of this Supplemental Agreement, other relevant matters shall be in accordance with the terms and conditions of the Original Agreement.

5. This Supplemental Agreement shall be an extension of the Original Agreement signed by both parties and shall be equally enforceable with and be a part of the Original Agreement.

Parties to this Supplemental Agreement

Party A: Diodes Technology (Chengdu) Company Limited

Legal Representative: /s/ Keh-Shew Lu

Number:

Address: No. 8 Kexin Road, Chengdu Hi-Tech Zone (West Park), Chengdu, Sichuan Province, China.

Party B: Lite-On Technology Corporation

Legal Representative: /s/ Raymon Soong

Number: 23357403

Address: 22 F., 392, Ruey Kuang Road, Neihu, Taipei 114, Taiwan, Republic of China

Exhibit 10.2

PROCUREMENT AGREEMENT

Contract No:___________

THIS PROCUREMENT AGREEMENT (the "Agreement") is made and entered into as of the date of 2013/5/3 (the "Effective Date") by and between LITE-ON TECHNOLOGY CORPORATION ("LITE-ON") and its Affiliates (including without limitation the entities set forth in Exhibit One, which list may be amended from time to time in LITE-ON's sole discretion) (hereinafter referred to as "BUYER"); and Diodes Taiwan Inc. and its Affiliates (including without limitation the entities set forth in Exhibit Two, which list may be amended only with BUYER's and SUPPLIER's written consent) (hereinafter referred to as "SUPPLIER").

In consideration of the mutual premises and covenants herein contained, the parties to this Agreement (each a "Party" and collectively the "Parties") agree as follows:

1. DEFINITIONS AND APPLICATION

1.1. "Product(s)" means those goods specified in accordance with this Agreement, any purchase order ("Order"), Vendor Delivery Schedule or weekly/daily/hourly demand ("VDS"), or similar instruction or communication ("Instruction(s)") issued to SUPPLIER by BUYER, including all materials and components in such goods.

1.2. "Affiliate(s)" means any business organization(s) directly or indirectly controlling, controlled by, or under common control with, the entity.

1.3. Application of Agreement to Affiliate(s): Unless otherwise agreed in writing by the Parties, SUPPLIER (including its Affiliates) agrees to conduct business transactions with BUYER (including its Affiliates) pursuant to the terms and conditions of this Agreement and to perform all of its obligations as described herein; provided, that the actual entities of any particular business transaction will be determined and set forth in each Order (including VDS or Instructions) provided by the BUYER. LITE-ON is authorized on behalf of its Affiliates to enter into this Agreement with SUPPLIER. LITE-ON will not be responsible for any Order (including VDS or Instructions) issued by any of its Affiliates, and shall not be liable for any sums allegedly owed due to any acts or omissions of its Affiliates.

1.4. "Laws" means all statutes, ordinances, rules, regulations, orders or other binding legal requirements promulgated by any government, administrative or regulatory authority of any country or any international organization with binding authority over the Parties hereto.

2. BUSINESS TRANSACTIONS

2.1 **Purchase Order**

2.1.1 An Order, VDS or Instruction shall be deemed confirmed if SUPPLIER fails to respond to BUYER in writing within one working day from its receipt of such Order, VDS or Instruction. SUPPLIER shall estimate all necessary parts and components required for the Products and ensure that it will have sufficient capacity to supply the Products in accordance with SUPPLIER's confirmation as mentioned above. A VDS or Instruction of BUYER shall not create any binding obligation upon BUYER, including any obligation to issue an Order or purchase any quantity of Products.

2.1.2 BUYER reserves the right to adjust or cancel the whole or part of any Order, VDS or Instructions at any time, without liability or compensation for any costs allegedly incurred by SUPPLIER, or otherwise, unless explicitly agreed by the Parties in writing.

2.2 **Delivery**

2.2.1 SUPPLIER shall deliver all Products pursuant to the terms set forth in the corresponding Order, VDS or Instructions. Notwithstanding the foregoing, any quantity set forth in a VDS is intended solely as a non-binding forecast and SUPPLIER shall confirm with BUYER the types and quantities of Products before each Product delivery.

2.2.2 SUPPLIER shall handle, pack and deliver all Products in conformance with generally accepted industry standards, the Product specifications, relevant government regulations and any other standards required by BUYER, so as to protect the Products from loss or damages caused by heat, cold, moisture, vibration, theft or other causes.

2.2.3 Upon knowledge of any potential inability to deliver Products timely and in accordance with any Order, VDS or Instructions, SUPPLIER shall immediately notify BUYER of such matter. BUYER shall have the right, in its sole discretion and without affecting any other remedies that may be available to it, to (i) require SUPPLIER to expedite production and/or delivery of such Products at SUPPLIER's expense and pay one percent (1%) of the total purchase price of any delayed Products per day to BUYER as a delay penalty until the delayed Products are delivered, (ii) cancel such Order, VDS or Instructions with respect to the delayed Products, (iii) withhold payment on the delayed Products, and/or (iv) require SUPPLIER to indemnify BUYER for all losses, damages and expenses incurred by BUYER in connection with such delay (including without limitation relevant taxes, duties, air freight fees, litigation costs and attorney fees, and losses arising from lost or cancelled business and sales).

2.3 **Acceptance**

2.3.1 SUPPLIER shall inspect all Products to ensure that they conform to the Product specifications, samples, testing requirements, and Product criteria required by BUYER (the "Acceptance Criteria") before the Products are delivered to BUYER. Upon BUYER's request, SUPPLIER shall provide relevant certification(s) evidencing the Product quality. BUYER or its designated agent may conduct acceptance testing based on sampling inspection and BUYER's Acceptance Criteria. BUYER's acceptance testing or acceptance of any Products will not be construed as a waiver of any SUPPLIER obligation, including with regard to warranty, other terms of this Agreement, BUYER's requirements and relevant Laws.

2.3.2 In the event that BUYER discovers any non-conforming Products, BUYER shall have the right, in its sole discretion and without affecting any other remedies that may be available to it, to (i) require SUPPLIER to replace such non-conforming Products with conforming ones, (ii) require SUPPLIER to provide new replacement Products with equivalent functional performance of such non-conforming Products, (iii) withhold or deduct payment for such non-conforming Products per BUYER's calculation, (iv) cancel any pending Order, VDS or Instructions with respect to the types of Products that were found to be non-conforming and require SUPPLIER to collect all non-conforming Products at its sole expense, (v) require SUPPLIER to perform reasonable remedial actions concerning such non-conforming Products, and/or (vi) require SUPPLIER to indemnify BUYER for all losses, damages or expenses incurred by BUYER in connection with such non-conforming Products (including without limitation costs related to sorting, replacement, recall, repair, rework, storage, delivery, loss of sales and/or business, litigation costs, attorney fees, and damages claimed against BUYER by its customers or other third parties).

2.3.3 The terms and conditions set forth in this section 2.3 shall apply to any replacements of non-conforming Products as well as to the Products.

2.4 **Price and Payment**

2.4.1 After BUYER's acceptance of any Products, SUPPLIER shall issue an invoice and collect payment for such Products only in accordance with any mutually agreed payment terms and BUYER's required payment procedure. Without BUYER's and LITE-ON's prior written consent, SUPPLIER shall not assign or transfer to any third party (including without limitation any bank or other financial institution) any rights concerning payment due, currently or in the future, with respect to any Products. Any written consent from BUYER shall be valid only upon being properly stamped or signed after BUYER's due authorization.

2.4.2 Both Parties acknowledge and agree that the price of the Products is inclusive of all taxes, duties and charges (including but not limited to, tariff, value added tax, product and service tax, turnover tax, sales tax and all other applicable taxes, social security fees and surcharges). Unless otherwise agreed by the Parties in writing, this Agreement shall not be affected by the terms of any import or export documents or international trade regulations. If SUPPLIER is entitled to any tax refund with respect to any Products, SUPPLIER shall promptly provide BUYER with all documents requested by BUYER in order to transfer such tax refund to BUYER.

3. WARRANTY AND LIABILITY

3.1 Product Quality Assurance

3.1.1 SUPPLIER warrants and agrees as follows:

(i) All Products shall be free from any defects in design, materials, workmanship, functional performance, and manufacturing process,

(ii) All Products shall be new and unused,

(iii) All Products shall be free of any claim or potential claim that they infringe any third party's intellectual property rights (including without limitation patents, copyrights, trademarks, trade secrets, or otherwise),

(iv) All Products shall be free from any defects in title and free from any mortgages, pledges, security interests, encumbrances, or other such restrictions or liabilities,

(v) BUYER shall have full rights to directly or indirectly use, import, export, sell, offer for sale, distribute, and lease the Products worldwide, perpetually, without any additional restrictions, fees, or required consents arising out of any contracts or intellectual property rights,

(vi) When performing all acts required in connection with this Agreement, SUPPLIER and the Products shall comply with all applicable Laws including without limitation RoHS directive, EICC code and other Laws relating to the environment, import/export, labor and employment, hazardous substances, BUYER's requirements, and any agreement entered into between the Parties, and

(vii) When performing all acts required in connection with this Agreement, SUPPLIER shall acquire all necessary licenses, permits, certifications ("Authorizations"), including without limitation certificates of origin, registration, quality certifications, safety certifications, and other Authorizations required to comply with any Laws and shall provide copies of the same to BUYER upon its request.

3.1.2 In addition to the terms and conditions set forth above, BUYER may also set forth in other agreements between the Parties other terms and conditions with regard to warranties, quality assurance and identification of defects.

3.2 **Defect and Warranty**

3.2.1 In the event that SUPPLIER breaches any of the warranties set forth in the above section 3.1.1 or otherwise delivers any non-conforming Products, SUPPLIER shall promptly provide a written failure analysis report and corrective action plan in accordance with BUYER's requirements and within a timeframe as required by BUYER. BUYER shall have the right to require SUPPLIER to resolve the breach of warranty or non-conforming Product event pursuant to the terms and conditions of this Agreement and other applicable Laws and agreements. SUPPLIER shall indemnify BUYER for all losses, damages, or expenses incurred by BUYER in connection with such breach of warranty or non-conforming Products, including without limitation costs related to sorting, replacement, recall, repair, rework, storage, delivery, loss of sales and/or business, fines, penalties, litigation costs and attorney fees and any damages claimed against BUYER by its customers or other third parties).

3.2.2 Unless otherwise agreed by the Parties in writing, all warranties described at section 3.1.1 shall last for a term of eighteen (18) months from BUYER's acceptance of the Product and shall apply notwithstanding BUYER's receipt, acceptance and payment for the Products. After the warranty period expires, SUPPLIER shall continue to use its best efforts to resolve all issues concerning any non-conforming Product and shall take responsive actions in accordance with BUYER's instructions.

3.2.3 SUPPLIER shall issue a written last-buy notice to BUYER at least six (6) months before the end of any Product life in order for BUYER to obtain required quantities ("last-buy quantity"). All of SUPPLIER's obligations concerning quality, warranty and similar requirements concerning Products shall survive the end of Product life. SUPPLIER shall continue to provide BUYER with services relating to repairs, maintenance and provision of parts for a period of two (2) years after the end of Product life.

3.3 **Indemnification**

3.3.1 SUPPLIER warrants that the Products and their manufacture, sale or use, alone or in combination according to their specifications, will not (i) infringe any U.S. or foreign patent, copyright, trade secret or other intellectual property rights of others ("Third Party IPR"), or (ii) cause any personal injury (including death) or tangible property damage . In the event of any lawsuit, claim, notice or demand (each a "Claim") asserting that any Product ("Accused Product") supplied by SUPPLIER infringes ("Third Party IPR"), or causes any personal injury (including death) or tangible property damage of a third party or BUYER, SUPPLIER shall promptly, at its sole expense and subject to BUYER's sole discretion, (i) indemnify, defend and hold BUYER harmless from such Claim on behalf of BUYER if requested by BUYER, or under BUYER's request provide all requested documents and otherwise assist BUYER to defend such Claim, (ii) acquire, at SUPPLIER's sole expense, all licenses or rights necessary, and grant to BUYER and BUYER's customers the permanent, perpetual, worldwide right to continually use, sell, offer for sale, import and export the Products, (iii) replace all Accused Products with non-infringing Products of equivalent functional performance, (iv) alter or modify the Accused Products in order to avoid infringement of Third Party IPR, (v) permit BUYER to cancel all Orders, VDS or Instructions related to the Accused Products, collect all Accused Products at SUPPLIER's sole expense, and refund to BUYER all payments for the Accused Products, (vi) compensate BUYER for all costs, damages and expenses incurred in connection with the Accused Products (including without limitation litigation fees, arbitration fees, attorney fees, expert fees, settlement amount, and any losses arising out of suspension in BUYER's production line and sales operation), and/or (vii) pay any the judgment related to the Accused Products.

3.3.2 Any replacement or modified Products supplied in connection with the above paragraph shall comply with all Laws and the terms and conditions of all relevant agreement between the Parties.

3.4 **Default**

3.4.1 In the event that SUPPLIER breaches or defaults in the performance of any of its duties and obligations to BUYER, BUYER shall have the right to terminate this Agreement, cancel the whole or part of any Order (whether confirmed or not), VDS or Instructions that are related to the breach or default, request SUPPLIER to refund BUYER all payments made for Products related to the breach or default, and indemnify BUYER for all costs, damage and expenses related to the breach or default, including litigation costs and attorney fees.

3.4.2 The exercise by BUYER of any rights as set forth in section 3.4.1 shall not prejudice or affect any other rights and interests BUYER may be entitled to under this Agreement and applicable Laws.

4. **OTHERS**

4.1 **Term and Termination**

4.1.1 This Agreement is effective from the Effective Date set forth above.

4.1.2 BUYER may terminate this Agreement, without cause, by a ninety (90) days prior written notice to SUPPLIER.

4.1.3 This Agreement will be terminate automatically, without notice, if SUPPLIER: (i) undergoes voluntary or involuntary bankruptcy, reorganization, dissolution, liquidation, compulsory execution against its assets or other provisional remedies, or (ii) transfers, sells, leases, exchanges or otherwise substantially disposes of its business or assets, or (iii) consolidates or is merged into another corporate entity with any feasibility of SUPPLIER's non-performance of or breach to any terms and conditions of this Agreement.

4.1.4 Notwithstanding any termination of this Agreement, SUPPLIER shall at BUYER's request fulfill all outstanding Orders, VDS or Instructions and all duties and obligations owed under this Agreement or otherwise, unless otherwise agreed in a signed writing by BUYER and SUPPLIER.

4.2 **Confidentiality**

The existence and terms of this Agreement and any and all information or data disclosed to SUPPLIER in connection with the negotiation and performance of any of the terms of this Agreement, any Order, VDS or Instructions, in whatever form, including without limitation with respect to Product design, specifications, drawings, manufacturing, prices, customers, business information, and competition information, shall be deemed BUYER's confidential information ("Confidential Information"). Confidential Information shall remain BUYER's property. SUPPLIER shall keep all Confidential Information strictly confidential, protecting it with at least the same degree of care that SUPPLIER uses to protect its own confidential information, and shall promptly return to BUYER or completely destroy all Confidential Information and provide a written confirmation upon BUYER's request. Without BUYER 's prior written consent, SUPPLIER shall not disclose to any third party or use Confidential Information for any purpose other than performance of this Agreement. SUPPLIER shall enter into a confidentiality agreement, with terms and conditions at least as restrictive as those specified in this Agreement, with any persons permitted by SUPPLIER who have a legitimate need to access Confidential Information. In case of SUPPLIER's breach of any confidentiality obligation, upon BUYER's request, SUPPLIER shall return all Confidential Information immediately and pay a penalty of Two Million NT Dollars (NT$2,000.000) plus the cost of any damage incurred by BUYER as a result of such breach. SUPPLIER shall (i) be jointly and severally liable for all costs, damages and penalties resulting from any breach of a confidentiality obligation by a third party that obtains Confidential Information from SUPPLIER (including without limitation the abovementioned penalty and other damages), and (ii) hereby waives any right of plea for preference claims (beneficium ordinis). The confidentiality obligations described in this section shall survive perpetually notwithstanding any (i) resignation, termination or severance of the relationship with any person responsible for committing a breach, (ii) termination of this Agreement, or (iii) any modification or change in the validity of any provisions described in this Agreement.

4.3 **Insurance**

4.3.1 SUPPLIER shall maintain during the term of this Agreement appropriate Insurance Policies in appropriate amounts, including but not limited to (1) Marine Cargo Insurance and (2) Comprehensive General Liability Insurance (including Products Liability Insurance and Premises & Operation Liability Insurance) in full force and effect throughout the term of this Agreement. The limitations of such Insurance shall not be less than US$1,000,000 per occurrence, and BUYER shall be named as additional insured. SUPPLIER shall deliver to BUYER copies of all certificates evidencing such insurance coverage promptly after executing this Agreement and at any time upon request during the term of the Agreement. If SUPPLIER or its insurer cancels or reduces the coverage of such Insurance Policies, SUPPLIER shall provide BUYER with thirty (30) calendar days' prior written notice regarding such reduction or cancellation and shall promptly ensure that its insurance coverage comes back into full compliance with the requirements stated in this section.

4.3.2 In addition to the above requirements, SUPPLIER shall maintain during the term of this Agreement appropriate and commercially reasonable insurance coverage to protect against potential breach of its obligations under this Agreement and product liability relating to the Products.

4.3.3 In no way shall any of the above terms regarding insurance coverage affect any of SUPPLIER's other duties, obligations and liabilities.

4.4 **Force Majeure**

4.4.1 In the event of any delay or failure in the performance of all or any part of this Agreement due to war, riot, insurrection, national emergency, strike, embargo, storm, earthquake, or other natural forces ("Force Majeure"), the affected Party shall immediately inform the other Party of such Force Majeure event and provide satisfactory documentary proof of the Force Majeure event and inability to timely perform as a result, and such Party shall be excused from performing during the duration of the Force Majeure event, provided that (a) in the event SUPPLIER's performance is affected by a Force Majeure event, SUPPLIER shall also promptly provide BUYER with potential strategies for avoiding adverse consequences from the Force Majeure event and an estimate of the timeframe for resumption of its regular performance under this Agreement, and (b) BUYER may in its sole discretion (i) terminate, modify or suspend any Order, VDS or Instructions affected by the Force Majeure event, or (ii) give other reasonable instructions in response to the Force Majeure event.

4.4.2 In the event any Force Majeure event continues over thirty (30) days, BUYER shall have the right to terminate this Agreement immediately.

4.5 **Non-assignment**

Without prior written consent from duly authorized representatives of BUYER and LITE-ON, SUPPLIER shall not transfer, subcontract or assign the whole or any part of this Agreement or any rights or obligations hereunder (including without limitation, pledging or disposing of any Products, or assigning any rights in the Products or any payment due currently or in the future) to any third party including banking institutions or permit any third party to perform any part of this Agreement on behalf of SUPPLIER.

4.6 **Joint and Several liabilities**

Each and all of SUPPLIER's Affiliate(s) listed in Exhibit 2 shall be jointly and severally liable for all of SUPPLIER's obligations, debts and responsibilities arising under this Agreement and any other agreement(s) entered into by the Parties, and agree to waive their/its right of plea for preference claims (beneficium ordinis).

4.7 **Governing Law and Venue**

This Agreement shall be construed and governed in accordance with (**mark one per actual practice**)

☒ the laws of the Republic of China.

☐ the laws of the People's Republic of China.

☐ the laws of _____

The Parties shall attempt to resolve any disputes arising out of this Agreement through mutual good faith negotiations. In the event that a resolution can not be reached through such informal means, the Parties agree to submit the dispute to (**mark one per actual practice**)

☒ Taiwan Taipei District Court shall have sole and exclusive jurisdiction to resolve the disputes

☐ the Court where BUYER is located shall have sole and exclusive jurisdiction to resolve the disputes

☐ arbitration held in China International Economic and Trade Arbitration Commission South China Sub-Commission, whose award shall be final and binding upon the Parties.

4.8 **Severability**

In the event that any provision of this Agreement is held by a court of competent jurisdiction or judicial determination to be invalid in whole or in part, the other provisions shall remain in full force and effect.

4.9 **Notice**

All notices under this Agreement shall be in writing delivered to the receiving Party's business address. Notices are validly served upon the earlier of (i) confirmed receipt by the receiving Party, (ii) three (3) days for domestic notices, or seven (7) days for international notices, after dispatch by courier or certified mail, postage prepaid, properly addressed to the receiving Party, or (iii) one (1) day after confirmed transmission by e-mail, fax or telefax. Either Party may change its mailing address by written notice to the other Party.

4.10 **Waiver**

Either Party's failure to timely require the other Party's performance of any provision hereof shall not affect in any way the full right or power to require such performance at any time thereafter.

4.11 **Survival**

The Parties acknowledge and agree that their respective rights and obligations hereunder, which by their nature are intended to remain continually effective, shall survive after expiration or termination.

4.12 **Entire Agreement**

This Agreement and all the Exhibits thereto constitute the entire agreement between the Parties, and fully supersedes any and all prior or contemporaneous written or oral agreements between the Parties. No amendment, deletion or modification to this Agreement shall be effective unless such amendment, deletion or modification is agreed in writing by the Parties with signatures. Each Order, VDS, VMI Agreement, and Buyer's Instruction or document shall be treated as a whole supplement to one another. In the event that any Order or VDS is in conflict with the terms of this Agreement, the terms of this Agreement shall prevail in principal unless BUYER in its sole discretion explicitly states to the contrary.

This Agreement, including Exhibit(s), shall be executed in two counterparts and each Party shall receive one fully executed counterpart.

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

BUYER: LITE-ON TECHNOLOGY CORPORATION

Sign: /s/ Raymond Soong

Print: Raymond Soong

Title: Chairman

Business License Registration No.:____

SUPPLIER: Diodes Taiwan Inc.

Sign: /s/ Evan Yu

Print: Evan Yu

Title: General Manager

Business License Registration No.:____

Exhibit One

No. List of Lite-On Technology Corp.'s Affiliates

1 ___________

2 ___________

3 ___________

4 ___________

5 ___________

6 ___________

Exhibit Two

List of Supplier Affiliates

No.	Name of Supplier's Affiliates	Signature
1	Company Name:______	By:______ Name:______ Title:______ Date:______
2	Company Name:______	By:______ Name:______ Title:______ Date:______
3	Company Name:______	By:______ Name:______ Title:______ Date:______
4	Company Name:______	By:______ Name:______ Title:______ Date:______
5	Company Name:______	By:______ Name:______ Title:______ Date:______

Exhibit 10.3

Share Transfer Memorandum of Understanding

This Share Transfer Memorandum of Understanding ("MOU") is entered into and effective as of June 18, 2013 (the "Effective Date") at Chengdu, Sichuan, China, by and among Diodes Incorporated ("Diodes"), the actual controller of Zetex Chengdu Electronics Ltd., Chengdu Ya Guang Electronic Engineering Factory ("Ya Guang"), a shareholder of Zetex Chengdu Electronics Ltd., and Zetex Chengdu Electronics Ltd. ("Zetex Chengdu"). Each may be referred to as a party ("Party") or all maybe referred to as parties ("Parties").

All Parties, based on an equal, voluntary and consensual relationship, agreed to this MOU as follows, regarding the matter of Ya Guang transferring a portion of its ownership of shares of Zetex Chengdu to Diodes:

1. Ya Guang shall transfer a portion of its ownership of shares of Zetex Chengdu to Diodes, and the transferred portion shall equal to approximately 62.36% of Zetex Chengdu's registered capitals (the "Transferred Portion").

2.The consideration for the transfer of ownership is equal to the amount of the net assets audited and verified by an appointed appraisal agency.

3. After the Transferred Portion is owned by Diodes, Diodes and its affiliates shall own 95% of Zetex Chengdu's registered capitals, and Ya Guang shall own 5% of Zetex Chengdu's registered capitals.

4. This MOU shall be effective for a period of eighteen (18) months from the Effective Date stated above ("MOU Effective Period"). Parties shall complete a definitive agreement to this MOU within the MOU Effective Period.

5. Diodes and Ya Guang warrant to each other that after signing this MOU and the definitive agreement to this MOU, both Diodes and Ya Guang shall continue their respective support for Zetex Chengdu without any change to any Parties' usual business relationship.

6. After the completion of the terms and conditions of this MOU and the definitive agreement to the MOU, Zetex Chengdu shall amend its bylaws and articles of incorporation to reflect in its bylaws and articles of incorporation of Diodes and Ya Guang's respective rights and obligations under the appropriate governing law.

7. Ya Guang and Zetex Chengdu shall jointly certify and warrant to Diodes (i) that Zetex Chengdu and its past and present operations have not violated the Chinese anti-bribery laws and the Foreign Corrupt Practices Act of the United States of America, (ii) that all entries to Zetex Chengdu's past and present books and records have been properly recorded under the law and (iii) that Zetex Chengdu's past and present accounting practices have been proper under the law.

8. Diodes has the right to inspect and assess Zetex Chengdu's books and records and account practices prior to complete signing the definitive agreement to the MOU with all Parties involved herein.

9. Diodes understands that Ya Guang's transfer of ownership of shares of Zetex Chengdu must be approved by the State-owned Assets Management Department, and be announced to sell on the Assets and Equity Exchange

10. Diodes shall have the right to transfer or assign its ownership of the Transferred Portion of the shares of Zetex Chengdu to any of Diodes' subsidiaries at Diodes' own discretion. Diodes shall have the right to transfer or assign any of its rights and obligations under the MOU and the definitive agreement to any of Diodes' subsidiaries at Diodes' own discretion.

11. All numbers, amounts and percentages stated in this MOU are not definitive or final and are subject to further negotiation, verification and change. Only those numbers, amounts and percentages stated in the definitive agreement to this MOU are definitive and final.

12. Other unsettled issues or issues not discussed in this MOU, Parties shall continue to negotiate to resolve them.

Signed and sealed by the Parties to this MOU:

Diodes Incorporated.

Justin Kong
Authorized Representative

Chengdu Ya Guang Electronic Co., Ltd

He Fang
Authorized Representative

Zetex Chengdu Electronics Ltd.

Shi Ji Peng
Authorized Representative

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.

/s/ Keh-Shew Lu
Keh-Shew Lu
Chief Executive Officer
Date: August 8, 2013

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, **Richard D. White**, 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.

/s/ Richard D. White
Richard D. White
Chief Financial Officer
Date: August 8, 2013

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 **June 30, 2013** 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 as of, and for, the periods presented in such report.

Very truly yours,

/s/ Keh-Shew Lu
Keh-Shew Lu
Chief Executive Officer
Date: August 8, 2013

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 **June 30, 2013** 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 as of, and for, the periods presented in such report.

Very truly yours,

/s/ Richard D. White
Richard D. White
Chief Financial Officer
Date: August 8, 2013

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.