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 March 31, 2021

Or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________.

Commission file number: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock outstanding as of May 3, 2021 was 44,616,715.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

DIODES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 276,253	$ 268,065
Restricted cash	54,848	52,464
Short-term investments	8,366	6,142
Accounts receivable, net of allowances of $3,442 and $3,806 at March 31, 2021 and December 31, 2020, respectively	332,209	320,061
Inventories	289,972	307,062
Prepaid expenses and other	88,703	70,193
Total current assets	1,050,351	1,023,987
Property, plant and equipment, net	510,467	530,815
Deferred income tax	51,820	57,841
Goodwill	158,583	158,331
Intangible assets, net	106,570	110,591
Other long-term assets	112,551	97,892
Total assets	$ 1,990,342	$ 1,979,457
Liabilities		
Current liabilities:		
Lines of credit	$ 67,624	$ 140,563
Accounts payable	172,172	168,045
Accrued liabilities and other	159,486	160,117
Income tax payable	15,203	19,177
Current portion of long-term debt	18,353	21,860
Total current liabilities	432,838	509,762
Long-term debt, net of current portion	327,007	288,179
Deferred tax liabilities	34,561	34,598
Other long-term liabilities	138,956	130,795
Total liabilities	933,362	963,334
Commitments and contingencies (See Note 9)		
Stockholders' equity		
Preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - par value $0.66 2/3 per share; 70,000,000 shares authorized; 44,600,001 and 44,276,194, issued and outstanding at March 31, 2021 and December 31, 2020, respectively	35,908	35,692
Additional paid-in capital	446,697	449,598
Retained earnings	927,498	888,046
Treasury stock at cost, 9,259,858 shares at March 31, 2021 and December 31, 2020	(335,910)	(335,910)
Accumulated other comprehensive loss	(71,624)	(73,606)
Total stockholders' equity	1,002,569	963,820
Noncontrolling interest	54,411	52,303
Total equity	1,056,980	1,016,123
Total liabilities and stockholders' equity	$ 1,990,342	$ 1,979,457

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

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

	Three Months Ended March 31,	
	2021	**2020**
Net sales	$ 413,121	$ 280,717
Cost of goods sold	274,485	184,875
Gross profit	138,636	95,842
Operating expenses		
Selling, general and administrative	58,676	42,215
Research and development	27,659	23,678
Amortization of acquisition related intangible assets	4,023	4,221
Other operating expense (income)	888	(124)
Total operating expense	91,246	69,990
Income from operations	47,390	25,852
Other income (expense)		
Interest income	768	273
Interest expense	(2,864)	(1,245)
Foreign currency (loss) gain, net	(1,279)	75
Unrealized gain on investments	3,655	-
Other income	2,317	1
Total other income (expense)	2,597	(896)
Income before income taxes and noncontrolling interest	49,987	24,956
Income tax provision	9,434	4,556
Net income	40,553	20,400
Less net income attributable to noncontrolling interest	(1,101)	(232)
Net income attributable to common stockholders	$ 39,452	$ 20,168
Earnings per share attributable to common stockholders:		
Basic	$ 0.89	$ 0.39
Diluted	$ 0.87	$ 0.38
Number of shares used in earnings per share computation:		
Basic	44,408	51,335
Diluted	45,243	52,422

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

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

	Three Months Ended March 31,	
	2021	**2020**
Net income	$ 40,553	$ 20,400
Unrealized gain on defined benefit plan, net of tax	1,894	9,719
Unrealized gain (loss) on swaps and collars, net of tax	3,826	(1,438)
Unrealized foreign currency loss, net of tax	(3,738)	(9,614)
Comprehensive income	42,535	19,067
Less: Comprehensive income attributable to noncontrolling interest	(1,101)	(232)
Total comprehensive income attributable to common stockholders	$ 41,434	$ 18,835

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

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

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated stockholders' equity	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2020	53,536	$ 35,692	(9,260)	$ (335,910)	$ 449,598	$ 888,046	$ (73,606)	$ 963,820	$ 52,303	$ 1,016,123
Total comprehensive income	-	-	-	-	-	39,452	1,982	41,434	1,101	42,535
Net changes in noncontrolling interests	-	-	-	-	(4)	-	-	(4)	1,007	1,003
Common stock issued for share-based plans	324	216	-	-	538	-	-	754	-	754
Share-based compensation	-	-	-	-	5,858	-	-	5,858	-	5,858
Tax related to net share settlement	-	-	-	-	(9,293)	-	-	(9,293)	-	(9,293)
Balance, March 31, 2021	53,860	$ 35,908	(9,260)	$ (335,910)	$ 446,697	$ 927,498	$ (71,624)	$ 1,002,569	$ 54,411	$ 1,056,980
Balance, December 31, 2019	52,664	$ 35,111	(1,457)	$ (37,768)	$ 427,262	$ 789,958	$ (108,139)	$ 1,106,424	$ 46,359	$ 1,152,783
Total comprehensive income	-	-	-	-	-	20,168	(1,333)	18,835	232	19,067
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	10,777	10,777
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(108)	(108)
Common stock issued for share-based plans	268	178	-	-	(178)	-	-	-	-	-
Share-based compensation	-	-	-	-	4,237	-	-	4,237	-	4,237
Stock buyback related to deferred compensation plan	-	-	(24)	(689)	689	-	-	-		
Tax related to net share settlement	-	-	-	-	(4,467)	-	-	(4,467)	-	(4,467)
Balance, March 31, 2020	52,932	$ 35,289	(1,481)	$ (38,457)	$ 427,543	$ 810,126	$ (109,472)	$ 1,125,029	$ 57,260	$ 1,182,289

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

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

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities		
Net income	$ 40,553	$ 20,400
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions		
Depreciation	26,440	22,809
Amortization of intangible assets	4,023	4,221
Share-based compensation expense	6,122	4,693
Deferred income taxes	1,012	17
Investment gain	(3,713)	-
Other	425	741
Changes in operating assets:		
Change in accounts receivable	(12,993)	16,139
Change in inventory	6,490	2,550
Change in other operating assets	2,899	(1,022)
Changes in operating liabilities:		
Change in accounts payable	11,266	(9,160)
Change in accrued liabilities	(8,310)	(12,105)
Change in income tax payable	(4,100)	3,853
Change in other operating liabilities	(1,918)	539
Net cash flows provided by operating activities	68,196	53,675
Cash flows from investing activities		
Acquisitions, net of cash received	-	591
Purchases of property, plant and equipment	(17,179)	(14,208)
Proceeds from maturity of short-term investments	2,085	3,467
Purchases of short-term investments	(4,364)	(1,523)
Purchase of equity securities	-	(6,129)
Other	9,059	244
Net cash and cash equivalents used in investing activities	(10,399)	(17,558)
Cash flows from financing activities		
Advances on lines of credit and short-term debt	2,820	3,647
Repayments of lines of credit and short-term debt	(75,696)	(3,498)
Proceeds from long-term debt	215,000	82,331
Repayments of long-term debt	(179,361)	(98,884)
Net proceeds from issuance of common stock	754	-
Repayment of and proceeds from finance lease obligation	(141)	(223)
Taxes paid related to net share settlement	(9,293)	(4,467)
Dividend distribution to noncontrolling interests	-	(108)
Capital contribution from noncontrolling interests	1,003	-
Other	(499)	(195)
Net cash and cash equivalents used in financing activities	(45,413)	(21,397)
Effect of exchange rate changes on cash and cash equivalents	(1,812)	(3,315)
Change in cash and cash equivalents, including restricted cash	10,572	11,405
Cash and cash equivalents, beginning of period, including restricted cash	320,529	259,507
Cash and cash equivalents, end of period, including restricted cash	$ 331,101	$ 270,912

Supplemental Cash Flow Information

Interest paid during the period	$ 2,704	$ 1,068
Taxes paid during the period	$ 12,284	$ 6,091
Non-cash investing and financing activities:		
Accounts payable balance related to the purchase of property, plant and equipment	$ 7,960	$ 8,447

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown above. The Company's restricted cash primarily consisted of the cash required to be on deposit under our Asia credit facilities to support outstanding loan and import/export guarantees. As of March 31, 2021, restricted cash of $54.8 million was pledged as collateral for issuance of bank loans, bank acceptance notes and letters of credit. During April 2021 $50.0 million of the restricted cash was released from all contractual restrictions, as the applicable loans were repaid in full.

	Three Months Ended March 31,	
	2021	**2020**
Current assets:		
Cash and cash equivalents	$276,253	$269,516
Restricted cash (included in other current assets)	54,848	1,396
Total cash, cash equivalents and restricted cash	$331,101	$270,912

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

NOTE 1 – Summary of Operations and Significant Accounting Policies

Summary of Operations

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

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

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

Our product focus is on high-growth end-user equipment markets such as satellite TV set-top boxes, portable DVD players, datacom devices, ADSL modems, power supplies, medical devices (non-life support devices/systems), PCs and notebooks, flat panel displays, digital cameras, mobile handsets, AC-to-DC and DC-to-DC conversion, Wireless 802.11 LAN access points, brushless DC motor fans, serial connectivity, and automotive applications.

Basis of Presentation

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

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

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

NOTE 2 – Earnings per Share

Earnings per share (“EPS”) is calculated by dividing net income attributable to common stockholders by the weighted-average number of shares of Common Stock outstanding during the period. Diluted EPS is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive. During the three months ended March 31, 2021 and 2020, we paid no dividends on our Common Stock.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Earnings (numerator)		
Net income attributable to common stockholders	$ 39,452	$ 20,168
Shares (denominator)		
Weighted average common shares outstanding (basic)	44,408	51,335
Dilutive effect of stock options and stock awards outstanding	835	1,087
Adjusted weighted average common shares outstanding (diluted)	45,243	52,422
Earnings per share attributable to common stockholders		
Basic	$ 0.89	$ 0.39
Diluted	$ 0.87	$ 0.38
Stock options and stock awards excluded from EPS calculation because the effect would be anti-dilutive	-	58

NOTE 3 – Inventories

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

	March 31, 2021	December 31, 2020
Finished goods	$ 81,973	$ 85,506
Work-in-progress	78,095	73,466
Raw materials	129,904	148,090
Total	$ 289,972	$ 307,062

NOTE 4 – Goodwill and Intangible Assets

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

Balance at December 31, 2020	$ 158,331
Foreign currency translation adjustment	252
Balance at March 31, 2021	$ 158,583

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

	March 31, 2021	December 31, 2020
Intangible assets subject to amortization:		
Gross carrying amount	$ 246,687	$ 245,176
Accumulated amortization	(144,733)	(140,710)
Foreign currency translation adjustment	(7,799)	(7,781)
Total	94,155	96,685
Intangible assets with indefinite lives:		
Gross carrying amount	13,372	14,883
Foreign currency translation adjustment	(957)	(977)
Total	12,415	13,906
Total intangible assets, net	$ 106,570	$ 110,591

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

Amortization expense	**2021**	**2020**
Three months ended March 31,	$ 4,023	$ 4,221

NOTE 5 – Income Tax Provision

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Domestic pre-tax income	$ 7,069	$ 5,268
Foreign pre-tax income	$ 42,918	$ 19,688
Income tax provision	$ 9,434	$ 4,556
Effective tax rate	18.9%	18.3%
Impact of tax holidays on tax expense	$ (582)	$ (1,074)
Earnings per share impact of tax holidays:		
Basic	$ 0.01	$ 0.02
Diluted	$ 0.01	$ 0.02

The increase in the effective tax rate for the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, is primarily attributable to a change in pre-tax earnings during the comparable periods.

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

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2012, or for the 2015 tax year. We are no longer subject to China income tax examinations by tax authorities for tax years before 2010. With respect to state and local jurisdictions and countries outside of the U.S. (other than China), with limited exceptions, the Company is no longer subject to income tax audits for years before 2015. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company’s reserve for any adjustments that may result from currently pending tax audits. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in interest expense. As of March 31, 2021, the gross amount of unrecognized tax benefits was approximately $43.9 million.

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

NOTE 6 – Share-Based Compensation

For the three months ended March 31, 2021, we recognized stock option expense of approximately $0.02 million. This stock option expense is related to stock options granted by Savitech Corporation ("Savitech") in Savitech stock to their employees. We acquired a controlling interest in Savitech in 2020. The remainder of our share-based compensation expense was related to share grants. Approximately $0.8 million of cash proceeds were received from stock option exercises during the three months ended March 31, 2021. The table below sets forth the line items where share-based compensation expense was recorded:

	Three Months Ended March 31,	
	2021	2020
Cost of goods sold	$ 275	$ 273
Selling, general and administrative	5,033	3,711
Research and development	814	709
Total share-based compensation expense	$ 6,122	$ 4,693

Share Grants – Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period. All new grants are granted under the Company's 2013 Equity Incentive Plan, and there will be no additional share grants under the 2001 Omnibus Equity Incentive Plan. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant, and compensation expense is recognized on a straight-line basis over the requisite four-year service period.

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

As of March 31, 2021, total unrecognized share-based compensation expense related to share grants was approximately $52.2 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2.2 years.

NOTE 7 – Segment Information and Net Sales

Segment Reporting. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities. We aggregate our products because the products are similar and have similar economic characteristics, use similar production processes and share similar customer type. Our primary operations include operations in Asia, North America and Europe. No customer accounted for 10% or more of our net sales or outstanding accounts receivable at any point in the periods presented in this Quarterly Report.

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

As of and for the Three Months Ended March 31, 2021		Asia		Americas		Europe		Consolidated
Total sales	$	471,069	$	246,827	$	60,174	$	778,070
Intercompany elimination		(178,950)		(160,829)		(25,170)		(364,949)
Net sales	$	292,119	$	85,998	$	35,004	$	413,121
Property, plant and equipment, net	$	400,149	$	24,539	$	85,779	$	510,467
Total assets	$	1,461,428	$	240,063	$	288,851	$	1,990,342

As of and for the Three Months Ended March 31, 2020		Asia		Americas		Europe		Consolidated
Total sales	$	301,863	$	168,172	$	59,001	$	529,036
Intercompany elimination		(116,921)		(104,464)		(26,934)		(248,319)
Net sales	$	184,942	$	63,708	$	32,067	$	280,717
Property, plant and equipment, net	$	364,624	$	24,110	$	67,388	$	456,122
Total assets	$	1,208,572	$	197,178	$	214,516	$	1,620,266

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

The tables below set forth net sales for the Company disaggregated into geographic locations based on shipment and by type *(direct sales or Distributor*) for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,			
Net Sales by Region		**2021**		**2020**
Asia	$	334,976	$	210,805
Europe		48,386		46,931
Americas		29,759		22,981
Total net sales	$	413,121	$	280,717
Net Sales by Type				
Direct sales	$	147,722	$	99,544
Distributor sales		265,399		181,173
Total net sales	$	413,121	$	280,717

Net sales from products shipped to China was $222.3 million and $138.9 million for the three months ended March 31, 2021 and 2020, respectively.

NOTE 8 – Debt

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $205.5 million. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted and contain no restrictive covenants. These credit facilities bear interest at LIBOR or similar indices plus a specified margin. Interest payments are due monthly on outstanding amounts under the credit lines. The unused and available credit under the various facilities as of March 31, 2021, was approximately $127.9 million, net of a $67.6 million advanced under our foreign credit lines and $0.5 million credit used for import and export guarantee. In connection with our Asia credit facilities $54.8 million of cash deposits have been restricted in support of a corresponding loan amount. During April 2021 $50.0 million of the restricted cash was released from all contractual restrictions, as the applicable loans were repaid in full.

Long-term debt

The Company maintains a long-term credit facility ("Credit Agreement") consisting of a term loan with a current balance of $218.0 million and a $150.0 million revolving senior credit facility. The Company used a portion of the proceeds available under the term commitment and the revolving senior credit facility to finance the Company's acquisition of Lite-On Semiconductor Corporation. The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Fixed Charge Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases). Furthermore, under the Credit Agreement, restricted payments, including dividends and share repurchases, are permitted in certain circumstances, including while the pro forma Consolidated Leverage Ratio is, both before and after giving effect to any such restricted payment, at least 0.25 to 1.00 less than the maximum permitted under the Credit Agreement. In addition to the credit facilities described above, our 51% owned subsidiary, ERIS Technology Corporation ("ERIS"), has short-term debt of $13.3 million and long-term debt of $30.0 million from local Taiwan banks. The ERIS debt matures in various periods from 2021 through 2033.

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

Description	March 31, 2021	December 31, 2020	Interest Rate	Current Amount Maturity
Short-term debt	$ 67,624	$ 140,567	Libor plus margin	Various during 2021
Long-term debt				
Term loan and revolver	$ 217,969	$ 282,250	Libor plus margin	May 2024
Notes payable to Bank of Taiwan	4,067	4,154	Variable, 1.3% base	June 2033
Notes payable to Bank of China Trust Company	3,504	3,511	Taibor 3 month rate + 0.5%	December 2021
Notes payable to Bank of China Trust Company	16,678	16,714	Taibor 3 month rate + 0.5%	May 2024
Notes payable to E Sun Bank	3,504	3,511	1-M deposit rate plus 0.08%	December 2022
Notes payable to E Sun Bank	385	386	1-M deposit rate plus 0.08%	June 2027
Notes payable to E Sun Bank	1,717	1,721	1-M deposit rate plus 0.08%	June 2030
Notes payable to HSBC	100,000	-	Libor plus margin	January 2023
Total long-term debt	347,824	312,247		
Less: Current portion of long-term debt	(18,353)	(21,860)		
Less: Unamortized debt costs	(2,464)	(2,208)		
Total long-term debt, net of current portion	$ 327,007	$ 288,179		

NOTE 9 – Commitments and Contingencies

Purchase commitments – As of March 31, 2021, we had approximately $58.6 million in non-cancelable purchase contracts related to capital expenditures, primarily related to our manufacturing facilities in Asia. As of March 31, 2021, we also had a commitment to purchase approximately $40.4 million of wafers to be used in our manufacturing process during 2021 and 2022.

Defined Benefit Plan - We have a contributory defined benefit plan that covers certain employees in the United Kingdom. As of March 31, 2021, the underfunded liability for this defined benefit plan was approximately $25.1 million. An actuarial valuation was performed as of March 31, 2019, resulting in a deficit of approximately GBP 26.7 million (approximately $37.4 million based on a GBP: USD exchange rate of 1.4:1). As a result of this valuation we have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.8 million based on a GBP: USD exchange rate of 1.4:1) to be paid in annual installments with effect from April 1, 2020 to address the deficit revealed by the valuation (with the first payment made by March 31, 2021, and payments to be made by December 31 each year thereafter). These contributions, together with the assumed asset outperformance, are expected to eliminate the deficit by December 31, 2028. Further, we will pay GBP 0.2 million (approximately $0.3 million based on GBP: USD exchange rate oat 1.4:1) in annual installments to cover expenses.

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

Note 10 – Derivative Financial Instruments

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

Hedges of Foreign Currency Risk - We are exposed to fluctuations in various foreign currencies against our different functional currencies. We use foreign currency forward agreements to manage this exposure. At March 31, 2021 and December 31, 2020, we had $268.2 million and $276.2 million, respectively, of outstanding foreign currency forward agreements that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities; these instruments are not designated for hedge accounting treatment in accordance with ASC No. 815. We have recorded foreign currency forward agreements with a fair value of $0.2 on million our consolidated balance sheet.

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

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

	Other Current Liabilities	
	2021	**2020**
Interest rate swaps and collars	$ 1,130	$ 1,626

The tables below set forth the effect of the Company's derivative financial instruments on our condensed consolidated statements of income for the three months ended March 31, 2021 and 2020:

Derivative Instruments Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in OCI on Derivative March 31, 2021	Amount of Gain or (Loss) Recognized in OCI on Derivative March 31, 2020	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Net Income March 31, 2021	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Net Income March 31, 2020	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) March 31, 2021	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) March 31, 2020
Three Months Ended								
Interest rate swaps and collars	$ (5)	$ (1,390)	Interest expense	$ (161)	$ (71)	N/A	$ -	$ -
Cross currency swaps	$ 3,163	$ -	N/A	$ -	$ -	Interest income	$ 610	$ -

We estimate that $0.4 million of net derivative gains included in accumulated other comprehensive income ("AOCI") as of March 31, 2021 will be reclassified into expense within the following 12 months. No gains or losses were reclassified from AOCI into earnings as a result of forecasted transactions that failed to occur during three ended March 31, 2021 or 2020.

Derivative Instruments Not Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in Net Income March 31, 2021	Amount of Gain or (Loss) Recognized in Net Income March 31, 2020	Location of Gain or (Loss) Recognized in Net Income
Three Months Ended			
Foreign currency forward contracts	$ (2,806)	$ (2,147)	Foreign currency loss, net

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

NOTE 11 – Leases

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

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating lease expense	$ 4,235	$ 3,730
Finance lease expense:		
Amortization of assets	211	209
Interest on lease liabilities	1	7
Short-term lease expense	245	94
Variable lease expense	1,129	711
Total lease expense	$ 5,821	$ 4,751

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

	March 31, 2021	December 31, 2020
Operating leases:		
Operating lease ROU assets	$63,305	$54,457
Current operating lease liabilities	13,891	10,663
Noncurrent operating lease liabilities	32,722	27,041
Total operating lease liabilities	$46,613	$37,704
Finance leases:		
Finance lease ROU assets	$2,545	$2,507
Accumulated amortization	(2,515)	(2,298)
Finance lease ROU assets, net	$30	$209
Current finance lease liabilities	$10	$149
Non-current finance lease liabilities	21	24
Total finance lease liabilities	$31	$173
Weighted average remaining lease term (in years):		
Operating leases	6.7	7.6
Finance leases	3.0	0.6
Weighted average discount rate:		
Operating leases	4.0%	4.0%
Finance leases	3.7%	3.1%

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash paid for the amounts included in the measurements of lease liabilities:		
Operating cash outflows from operating leases	$5,570	$4,018
Operating cash outflows from finance leases	1	7
Financing cash outflow from finance leases	141	223
ROU assets obtained in exchange for lease liabilities incurred:		
Operating leases	11,640	127

The table below sets forth information about lease liability maturities:

	March 31, 2021	
	Operating Leases	Finance Leases
Remainder of 2020	$ 11,683	$ 9
2021	13,921	11
2022	9,015	10
2023	4,226	3
2024	4,042	-
2025	2,659	-
2026 and thereafter	8,536	-
Total lease payments	54,082	33
Less: imputed interest	(7,469)	(2)
Total lease obligations	46,613	31
Less: current obligations	(13,891)	(10)
Long-term lease obligations	$ 32,722	$ 21

NOTE 12 – Employee Benefit Plans

We maintain a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") for executive officers, key employees and members of the Board of Directors. The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. We offset our obligations under the Deferred Compensation Plan primarily by investing in the actual underlying investments. At March 31, 2021 and December 31, 2020, these investments totaled approximately $13.2 million and $12.8 million, respectively.

NOTE 13 – **Related Parties**

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

We conduct business with Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates ("Keylink"). Keylink is our 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink, totaling approximately 1% of our net sales for the three months ended periods ended March 31, 2021 and March 30, 2020. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink. The aggregate amounts paid to Keylink for the three months ended March 31, 2021 and, 2020 were approximately $4.3 million and $3.1 million, respectively. In addition, Chengdu Ya Guang Electronic Company Limited ("Ya Guang") is our 2% joint venture partner in one of our Chengdu assembly and test facilities and our 5% partner in our other Chengdu assembly and test facilities; however, we have no material transactions with Ya Guang, other than these joint ventures. We also purchase materials from Jiyuan Crystal Photoelectric Frequency Technology Ltd. ("JCP") a frequency control product manufacturing company in which we have made an equity investment and account for using the equity method of accounting.

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

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

	Three Months Ended March 31,	
	2021	2020
LSC		
Net sales	$ -	$ 128
Purchases	$ -	$ 2,748
Nuvoton		
Purchases	$ 1,407	$ 1,644
Keylink		
Net sales	$ 5,566	$ 3,985
Purchases	$ 479	$ 405
JCP		
Purchases	$ 359	$ 156

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

	March 31, 2021	December 31, 2020
Nuvoton		
Accounts receivable	$ -	$ 10
Accounts payable	$ 793	$ 796
Keylink		
Accounts receivable	$ 38,049	$ 35,365
Accounts payable	$ 33,877	$ 31,247
JCP		
Accounts payable	$ 408	$ 357

Note 14 –Acquisitions and Divestitures

Manufacturing Subsidiary Located in China

In March 2021 Diodes entered into an agreement to sell a manufacturing subsidiary in China for total consideration of approximately $18.0 million, which includes a combination of cash and equity. The transaction is expected to close within the next twelve months and is subject to customary closing conditions and working capital adjustments.

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

Assets		
Cash and cash equivalents	$	4,172
Accounts receivable		219
Inventories, net		7,982
Property, plant and equipment		8,282
Deferred income tax		4,870
Other long-term assets		540
Assets classified as held for sale		26,065
Liabilities		
Accounts payable		6,646
Accrued liabilities and other		1,792
Other long-term liabilities		29
Liabilities classified as held for sale		8,467
Net assets classified as held for sale (included in prepaid expenses and other)	$	17,598

LSC Acquisition

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

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

The table below sets forth the fair value of the LSC assets acquired and liabilities assumed based on relative fair value at the date of acquisition and the corresponding line item in the Company’s consolidated balance sheet at the date of acquisition. During the period from January 1, 2021 and March 31, 2021, measurement period adjustments were made to inventories, property, plant and equipment, and accrued liabilities and other. The adjustments represented a decrease to total assets acquired and a decrease to total liabilities assumed of $0.1 million. U.S. GAAP permits companies to complete the final determination of the fair values during the measurement period following the acquisition date. The size and breadth of the LSC acquisition will necessitate the use of this measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date including (i) changes in fair values of property, plant and equipment and inventories, (ii) changes in fair value of certain liabilities assumed and (iii) tax impact associated with any other changes in fair value. Any potential adjustments made could be material in relation to the preliminary values. A final determination of the LSC assets acquired and liabilities assumed has not been completed and the table below is considered preliminary. The Company engaged a third party valuation specialist to assist with the assessment of any intangibles assets acquired as part of the LSC acquisition, and it was determined that there were no intangible assets as a result of the LSC acquisition.

Cash and cash equivalents	$	131,046
Accounts receivable		44,896
Inventories		55,710
Prepaid expenses and other current assets		11,447
Property, plant and equipment		67,952
Deferred income tax		15,732
Other long-term assets		26,037
Total assets acquired		352,820
Line of credit		88,508
Accounts payable		35,245
Accrued liabilities and other		48,992
Income tax payable		6,264
Deferred tax liabilities		8,941
Other long-term liabilities		10,783
Total liabilities assumed		198,733
Non-controlling interest		54
Net assets acquired	$	154,033

Savitech Acquisition

On February 5, 2020, the Company entered into an agreement to invest up to approximately $14.2 million to acquire at least 51% of Savitech Corporation ("Savitech"), a fabless semiconductor design company located in Zhubei City, Taiwan. The Company will make the investment in two tranches. The first tranche of $5.6 million, which provided the Company with a 33.6% ownership of Savitech, was made on March 4, 2020. The initial tranche was funded with cash on hand. The second tranche, currently recorded in accrued liabilities and other, as shown in the table below, and currently valued at $8.5 million will increase the Company's ownership to at least 51% of Savitech. The second tranche will be paid on June 30, 2021, provided Savitech achieves previously agreed-to revenue levels. If revenue levels are not achieved the Company will pay less than the maximum $8.6 million, but regardless of the amount paid for the second tranche, the Company will still acquire at least 51% of Savitech.

The Company recorded the purchase of Savitech as a business acquisition and now consolidates Savitech into its operations, based on the voting model, with a non-controlling interest related to the interest the Company does not own in Savitech. The Company made its investment in Savitech in order to increase the Company's integrated circuit business. Total purchase consideration recorded was $13.9 million. The goodwill will not be tax deductible. The Company also incurred acquisition costs of approximately $0.1 million that were recognized in selling, general and administrative expense. The table below sets forth the fair value of the assets and liabilities recorded in the acquisition and the corresponding line item in which the item is recorded in our condensed consolidated balance sheet at the date of acquisition.

Cash and cash equivalents	$	6.2
Prepaid expenses and other		0.7
Goodwill		13.9
Intangible assets, net		6.1
Other long-term assets		0.4
Accrued liabilities and other		9.9
Noncontrolling interest		11.8

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

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

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

Overview

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

Factors Relevant to Our Results of Operations for the Three Months Ended March 31, 2021

- During the first quarter of 2021, net sales were $413.1 million, which included the first full quarter of revenue from the LSC acquisition, an increase of 47.2% from the $280.7 million of net sales in the first quarter of 2020, and an increase of 17.9% from the $350.4 million of net sales in the fourth quarter of 2020.

- Gross profit was $138.6 million, an increase of 44.7% from the $95.8 million of gross profit in the first quarter of 2020, and an increase of 13.0% from the $122.7 million in the fourth quarter of 2020;

- Gross profit margin was 33.6%, or 36.3% for Diodes' only, compared to gross profit margin of 34.1% in the first quarter of 2020, and 35.0% in the fourth quarter of 2020;

- Net income was $39.5 million, or $0.87 per diluted share, compared to net income of $20.2 million, or $0.38 per diluted share, in the first quarter of 2020, and net income of $29.7 million, or $0.59 per diluted share, in the fourth quarter of 2020; and

- Cash flow from operations was $68.2 million. Net cash flow was a positive $10.6 million, which includes $17.2 million of capital expenditures and a net reduction in debt of $37.2 million.

Recent Developments

LSC Acquisition

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

COVID-19

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

As of March 31, 2021, our cash, cash equivalents, and short-term investments were $339.5 million, and we had access to additional borrowing capacity of $150.0 million under the revolving portion our Credit Agreement, which we believe assures us adequate liquidity to manage the impacts of the COVID-19 pandemic on our business and to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

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

Results of Operations for the Three Months Ended March 31, 2021 and 2020

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

	Percent of Net Sales Three Months Ended March 31,	
	2021	**2020**
Net sales	100%	100%
Cost of goods sold	(66)	(66)
Gross profit	34	34
Total operating expense	22	25
Income from operations	11	9
Total other expense	1	-
Income before income taxes and noncontrolling interest	12	9
Income tax provision	(2)	(2)
Net income	10	7
Net income attributable to common stockholders	10	7

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

	Three Months Ended			
	March 31,			
	2021	2020	Increase/(Decrease)	% Change
Net sales	$ 413,121	$ 280,717	$ 132,404	47.2%
Cost of goods sold	274,485	184,875	89,610	48.5%
Gross profit	138,636	95,842	42,794	44.7%
Total operating expense	91,246	69,990	21,256	30.4%
Interest income	768	273	495	181.3%
Interest expense	(2,864)	(1,245)	1,619	130.0%
Foreign currency loss, net	(1,279)	75	1,354	N/A
Unrealized gain on investments	3,655	-	3,655	N/A
Other income	2,317	1	2,316	N/A
Income tax provision	9,434	4,556	4,878	107.1%

Net sales increased approximately $132.4 million for the three months ended March 31, 2021, compared to the same period last year, setting a record both organically and on a consolidated basis. This increase in net sales was driven by growth in Asia and Europe. The Company also achieved growth in our computing end market, driven by increases in serial-connectivity products, and the automotive market due to strong organic growth in the automotive business.

The table below sets forth our revenue as a percentage of total revenue by end-user market for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
Industrial	22%	26%
Communications	17%	23%
Consumer	19%	23%
Computing	30%	17%
Automotive	12%	11%

Cost of goods sold increased approximately $89.6 million for the three months ended March 31, 2021, compared to the same period last year, due to the increased net sales during the first quarter of 2021. As a percent of sales, cost of goods sold was 66.4% for the three months ended March 31, 2021, compared to 65.9% for the same period last year. Average unit cost increased approximately 1.9% for the three months ended March 31, 2021, compared to the same period last year. For the three months ended March 31, 2021, gross profit increased approximately 44.7% when compared to the same period last year. Gross profit margin for the three month periods ended March 31, 2021 and 2020 was 33.6% and 34.1%, respectively.

Operating expenses for the three months ended March 31, 2021, increased $21.3 million when compared to the three months ended March 31, 2020. Operating expenses as a percentage of net sales was 22.1% and 24.9% for the three months ended March 31, 2021 and 2020, respectively. Selling, general and administrative expenses ("SG&A") increased approximately $16.5 million, due to higher selling costs and wages and salaries. Research and development expenses ("R&D") increased approximately $4.0 million due to higher wages and benefits as compared to the same period last year. Amortization of acquisition related intangibles decreased $0.2 million, compared to the same period last year. SG&A, as a percentage of net sales, was 14.2% and 15.0% for the three months ended March 31, 2021 and 2020, respectively. R&D, as a percentage of net sales, was 6.7% and 8.4% for the three months ended March 31, 2021 and 2020, respectively.

Interest income increased 181.3% for the three months ended March 31, 2021, compared to the same period last year, due to increased revenue related to cross currency swaps. Interest expense increased 130.0% for the three months ended March 31, 2021, compared to the same period last year. The increase in interest expense for the three months ended March 31, 2021 was due to the increased debt related to the LSC acquisition and an increase in interest rates on the floating rate portion of our debt. Unrealized gain on investments increased from 2020 due to investment income from an investment the Company acquired in the LSC acquisition.

We recognized an income tax expense of approximately $9.4 million and $4.6 million for the three months ended March 31, 2021 and 2020, respectively. The increase in income taxes for 2021 compared to 2020 was primarily attributable to an increase in pretax book income.

Financial Condition

Liquidity and Capital Resources

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

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $205.5 million. At March 31, 2021, outstanding borrowings were $67.6 million and outstanding letters of credit were $0.5 million under the Asia credit facilities. In connection with our Asia credit facilities, $54.8 million of cash deposits have been restricted in support of a corresponding loan amount. During April 2021 $50.0 million of the restricted cash was released from all contractual restrictions, as the applicable loans were repaid in full.

Long-term debt

The Company maintains a long-term credit facility ("Credit Agreement") consisting of a term loan with a current balance of $218.0 million and a $150.0 million revolving senior credit facility. The Credit Agreement matures in May 2023.

In addition to the liquidity provided by the Credit Agreement, our 51% owned subsidiary, ERIS Technology Corporation ("ERIS"), borrowed $13.3 million through a short term loan and $30.0 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods from 2021 through 2033.

At March 31, 2021 and December 31, 2020, our working capital was $617.5 million and $514.2 million, respectively. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

Capital expenditures (including accrued capital expenditures) for the three months ended March 31, 2021 and 2020 were $25.1 million and $12.6 million, respectively. For the first three months of 2021 capital expenditures were approximately 11.5% of our net sales. While capital expenditures for the three months ended March 31, 2021, is greater than our capital spending target range of 5% to 9% of net sales, we expect our capital expenditure for the twelve months ending December 31, 2021 to be in our target range.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of certain European and Asian subsidiaries. As of March 31, 2021, our foreign subsidiaries held approximately $222.6 million of cash, cash equivalents and investments of which approximately $17.8 million would be subject to a potential non-U.S. withholding tax if distributed outside the country in which the cash is currently held. All of this $17.8 million is held in Germany, China, Korea and Taiwan.

As of March 31, 2021, we had short-term investments totaling $8.4 million. These investments are highly liquid with maturity dates greater than three months at the date of purchase. We generally can access these investments in a relatively short time frame but in doing so we generally forfeit all earned and future interest income.

Discussion of Cash Flow

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are cash and cash equivalents, short-term investments and our credit facilities. Our cash, cash equivalents and restricted cash increased from $326.7 million at December 31, 2020 to $339.5 million at March 31, 2021.

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

	Three Months Ended March 31,	
	2021	2020
Net cash flows provided by operating activities	$ 68,196	$ 53,675
Net cash and cash equivalents used in investing activities	(10,399)	(17,558)
Net cash and cash equivalents used in financing activities	(45,413)	(21,397)
Effect of exchange rate changes on cash and cash equivalents	(1,812)	(3,315)
Net increase in cash and cash equivalents, including restricted cash	$ 10,572	$ 11,405

Operating Activities

Net cash flows provided by operating activities for the three months ended March 31, 2021 was $68.2 million. Net cash flows provided by operating activities for the three months ended March 31, 2021 resulted from net income of $40.6 million, depreciation and amortization of intangible assets of $30.5 million, share-based compensation of $6.1 million and an increase in deferred taxes of $1.0 million. The increases were partially offset by a decrease in noncash working capital accounts of $6.7 million. Net cash flows provided by operating activities for the three months ended March 31, 2020 was $53.7 million. Net cash flows provided by operating activities for the three months ended March 31, 2020 resulted from net income of $20.4 million, depreciation and amortization of intangible assets of $27.0 million, share-based compensation of $4.7 million and an increase in noncash working capital accounts of $0.8 million.

Investing Activities

Net cash and cash equivalents used in investing activities was $10.4 million for the three months ended March 31, 2021. Net cash and cash equivalents used in investing activities for the three months ended March 31, 2021 was primarily due to the purchase of property, plant and equipment of $17.2 million, partially offset by net proceeds from the maturity of short-term investments of $2.1 million and other investing cash inflows of $9.1 million for the three months ended March 31, 2021. Net cash and cash equivalents used in investing activities was $17.6 million for the three months ended March 31, 2020. Net cash and cash equivalents used in investing activities was primarily due to the purchase of property, plant and equipment of $14.2 million and the additional investment by the Company's subsidiary ERIS in Yea-Shin Technology Co., Ltd. ("Yea-Shin") of $6.1 million, bringing ERIS' ownership of Yea-Shin to approximately 99.5%. These outflows of cash were partially offset by net proceeds from the maturity of short-term investments of $1.9 million for the three months ended March 31, 2020.

Financing Activities

Net cash and cash equivalents used in financing activities was $45.4 million for the three months ended March 31, 2021. Net cash used in financing activities in the three months ended March 31, 2021 consisted primarily of $37.2 million of net reductions in our debt and taxes paid on net share settlements of $9.3 million. Net cash and cash equivalents used in financing activities was $21.4 million for the three months ended March 31, 2020. Net cash used in financing activities in the three months ended March 31, 2020 consisted primarily of $16.6 million of net repayments of long-term debt and taxes paid on net share settlement of $4.5 million.

Use of Derivative Instruments and Hedging

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

Hedges of Interest Rate Risk

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

Hedges of Foreign Currency Risk

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

Critical Accounting Policies

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

Recently Issued Accounting Pronouncements

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

Available Information

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

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

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

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

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

Risk Factors

RISKS RELATED TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATED TO OUR COMMON STOCK

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

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

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

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

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

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

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

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

GENERAL RISK FACTORS

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Brett R. Whitmire, with the participation of our management, carried out an evaluation, as of March 31, 2021, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this Quarterly Report is:

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

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

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to our Chief Executive Officer or Chief Financial Officer, that occurred in the three months ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

Item 1A. Risk Factors.

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Incorporation, as amended	10-K	February 20, 2018	3.1	
3.2	Amended By-laws of the Company as of January 6, 2016	8-K	January 11, 2016	3.1	
4.1	Form of Certificate for Common Stock, par value $0.66 2/3 per share	S-3	August 25, 2005	4.1	
10.1	Facility Agreement, dated January 22, 2021, by and among Diodes Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, as Arranger, the financial institutions listed in Schedule 1 thereto, The Hongkong and Shanghai Banking Corporation Limited, as Agent, and The Hongkong and Shanghai Banking Corporation Limited, as Security Agent. Portions of this Exhibit have been omitted.	8-K	January 26, 2021	10.1	
10.2	Hong Kong Debenture, dated January 22, 2021, by and between Diodes Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited, as Security Agent.	8-K	January 26, 2021	10.2	
10.3	Letter, dated January 22, 2021, from Diodes Incorporated to The Hongkong and Shanghai Banking Corporation.	8-K	January 26, 2021	10.3	
10.4	Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of March 4, 2021, by and among Diodes Incorporated, Diodes Holdings UK Limited, certain subsidiaries of Diodes Incorporated identified therein, the Lenders identified therein, and Bank of America, N.A.				X
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification Pursuant to Rule 13a-14(a) /15d-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification Pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification Pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File, formatted in Inline XBRL				X

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

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

SIGNATURES

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

DIODES INCORPORATED
(Registrant)

May 6, 2021
Date

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

May 6, 2021
Date

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

Execution Copy

AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of March 4, 2021 (this "Amendment") is entered into among DIODES INCORPORATED, a Delaware corporation (the "Domestic Borrower"), DIODES HOLDINGS UK LIMITED, a company incorporated and registered under the laws of England and Wales with registration number 06475363 (the "Foreign Borrower"), certain Subsidiaries of the Domestic Borrower identified on the signature pages hereto as subsidiary guarantors (the "Subsidiary Guarantors"), the Lenders identified on the signature pages hereto and BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS

The Domestic Borrower, the Foreign Borrower, the Subsidiary Guarantors, the Lenders and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of May 29, 2020 (as amended by the First Amendment to Second Amended and Restated Credit Agreement dated as of September 21, 2020, as modified by that certain Consent Agreement with Respect to Second Amended and Restated Credit Agreement and Foreign Security Agreements dated as of November 2, 2020, as amended by the Consent and Amendment No. 2 to Second Amended and Restated Credit Agreement dated as of November 17, 2020 and as modified by the Joinder Agreement dated as of November 30, 2020, and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement").

The Borrowers have requested that the Administrative Agent and the Lenders agree to amend certain provisions of the Credit Agreement as more specifically set forth herein.

Subject to the terms and conditions set forth herein, the Administrative Agent and each of the Lenders have agreed to grant such requests of the Borrowers.

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

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

2. Credit Agreement Amendments. Subject to the terms and conditions hereof, on the Amendment Effective Date:

(a) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by amending and restating the definition of "Applicable Rate" in its entirety as follows:

> "*Applicable Rate*" means, for any day, the rate per annum set forth below opposite the applicable Pricing Level then in effect (based on the Consolidated Leverage Ratio), it being understood that the Applicable Rate for (a) Revolving Credit Loans that are Base Rate Loans shall be the percentage set forth under the column "Revolving Credit Loans" and "Base Rate", (b) Revolving Credit Loans that are Eurocurrency Rate Loans shall be the percentage set forth under the column "Revolving Credit Loans" and "Eurocurrency Rate & Letter of Credit Fee", (c) that portion of a Term Loan comprised of Base Rate Loans shall be the percentage set forth under the column "Term Loan" and "Base Rate",

(d) that portion of a Term Loan comprised of Eurocurrency Rate Loans shall be the percentage set forth under the column “Term Loan” and “Eurocurrency Rate & Letter of Credit Fee”, (e) the Letter of Credit Fee shall be the percentage set forth under the column “Revolving Credit Loans” and “Eurocurrency Rate & Letter of Credit Fee”, (f) the Commitment Fee shall be the percentage set forth under the column “Commitment Fee” and (g) the Applicable Rate for any Incremental Term Loan shall be as set forth in the Incremental Term Assumption Agreement executed in connection therewith:

APPLICABLE RATE

Pricing Level	Consolidated Leverage Ratio	Eurocurrency Rate & Letter of Credit Fee		Base Rate		Commitment Fee
		Revolving Credit Loans	Term Loan	Revolving Credit Loans	Term Loan	
1	< 1.00:1	1.00%	1.00%	0.00%	0.00%	0.20%
2	≥ 1.00:1 but < 1.50:1	1.25%	1.25%	0.25%	0.25%	0.20%
3	≥ 1.50:1 but < 2.00:1	1.50%	1.50%	0.50%	0.50%	0.225%
4	≥ 2.00:1 but < 2.50:1	1.75%	1.75%	0.75%	0.75%	0.25%
5	≥ 2.50:1	2.00%	2.00%	1.00%	1.00%	0.30%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(a); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 5 shall apply, in each case as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and in each case shall remain in effect until the first Business Day following the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, (x) the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b) and (y) for the period from the Amendment No. 3 Effective Date until the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b) for the fiscal quarter ending December 31, 2020, Pricing Level 3 shall apply. Any adjustment in the Applicable Rate shall be applicable to all Credit Extensions then existing or subsequently made or issued.

(b) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by deleting each reference to “0.75%” in the first sentence of the definition of “Base Rate” and substituting in its place in each instance “0.00%”.

(c) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by deleting each reference to "0.75%" in the final proviso to the definition of "Eurocurrency Rate" and substituting in its place in each instance "0.00%".

(d) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by amending and restating the definition of "Maturity Date" in its entirety as follows:

> "*Maturity Date*" means (a) with respect to the Term Facility and the Revolving Credit Facility, May 29, 2024 and (b) with respect to any Incremental Term Facility, the maturity date set forth in the applicable Incremental Term Assumption Agreement for such Incremental Term Facility; provided, however, that, in each case, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

(e) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by inserting the following defined terms in the correct alphabetical order:

> "*Amendment No. 3 Effective Date*" means March 4, 2021.
>
> "*SFAB1 Fab Disposition*" means the disposition of the SFAB1 fabrication facility located in Shanghai, China to an unaffiliated party by a Subsidiary of the Domestic Borrower organized under the laws of a jurisdiction in Asia that is not a Loan Party, for fair market value.

(f) Section 2.05(b)(i) (*Dispositions and Involuntary Dispositions*) of the Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the underlined text (indicated textually in the same manner as the following example: underlined text) as follows:

> "(i) *Dispositions and Involuntary Dispositions*. The Borrowers (as to the Foreign Borrower, limited to prepayment of Foreign Obligations, and limited to Net Cash Proceeds received by the Foreign Borrower or any of its Subsidiaries from any Disposition referred to below) shall prepay the Loans and/or Cash Collateralize the L/C Obligations as hereinafter provided in an aggregate amount equal to 100% of the Net Cash Proceeds received by any Loan Party or any Subsidiary from all Dispositions (other than Dispositions permitted pursuant to Section 7.05(b), (c), (d), (e), ~~and~~ (h) and (k)) and Involuntary Dispositions, as to each receipt of any Net Cash Proceeds, within five (5) Business Days (or, in the case of any such Disposition made by any Subsidiary of the Domestic Borrower organized under the laws of a jurisdiction in Asia that is not a Loan Party, within thirty (30) days) of the later of the date of the related Disposition and the date of such receipt; *provided*, *however*, (A) that so long as no Default shall have occurred and be continuing, such Net Cash Proceeds shall not be required to be so applied (x) until the aggregate amount of the Net Cash Proceeds derived from any such Disposition or Involuntary Disposition in any fiscal year of the Domestic Borrower is equal to or greater than ~~$1,000,000~~$30,000,000 and (y) at the election of the Domestic Borrower (as notified by the Domestic Borrower to the Administrative Agent on or prior to the date of such Disposition or Involuntary Disposition) to the extent such Loan Party or such Subsidiary intends to reinvest or reinvests all or any portion of such Net Cash Proceeds in like assets (but specifically excluding current assets as classified by GAAP) within one hundred eighty (180) days after the receipt of such Net Cash Proceeds; *provided* that if such Net Cash Proceeds shall have not been reinvested within the foregoing timeframe, they shall then be immediately applied to prepay the Loans and/or

Cash Collateralize the L/C Obligations and (B) that for Dispositions permitted pursuant to Section 7.05(f), (g) and (i), the Borrowers (as to the Foreign Borrower, limited to prepayment of Foreign Obligations, and limited to Net Cash Proceeds received by the Foreign Borrower or any of its Subsidiaries from any such Disposition) shall prepay the Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to 50% of the Net Cash Proceeds received by any Loan Party or any Subsidiary from any such Disposition, within five (5) Business Days (or, in the case of any such Disposition made by any Subsidiary of the Domestic Borrower organized under the laws of a jurisdiction in Asia that is not a Loan Party, within thirty (30) days) of the later of the date of the related Disposition and the date of such receipt, *provided* that any such Net Cash Proceeds shall be subject to clauses (A)(x) and (A)(y) of this sentence."

(g) Section 3.03 (*Inability to Determine Rates*) of the Credit Agreement is hereby amended by deleting the phrase "and shall occur reasonably promptly upon" in the first paragraph of Section 3.03(c) (which paragraph commences with the term "then, in the case of clauses (i)-(iii) above, on a date and time determined by the Administrative Agent") and substituting in its place "and shall occur within a reasonable period of time after".

(h) Section 3.03 (*Inability to Determine Rates*) of the Credit Agreement is hereby amended by deleting each reference to "0.75%" in the fourth paragraph of Section 3.03(c) (which commences with the phrase "Notwithstanding anything else contained herein") and substituting in its place in each instance "0.00%".

(i) Section 7.05 (*Dispositions*) of the Credit Agreement is hereby amended by amending and restating Section 7.05(f) as follows:

"(f) Dispositions by any Loan Parties not otherwise permitted under this Section 7.05; *provided* that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition and (ii) the aggregate book value of all property Disposed of in reliance on this clause (f) in any fiscal year shall not exceed $30,000,000;"

(j) Section 7.05 (*Dispositions*) of the Credit Agreement is hereby amended by amending and restating Section 7.05(g) as follows:

"(g) Dispositions by any Subsidiaries that are not Loan Parties not otherwise permitted under this Section 7.05; *provided* that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition and (ii) the aggregate book value of all property Disposed of in reliance on this clause (g) in any fiscal year shall not exceed $30,000,000;"

(k) Section 7.05 (*Dispositions*) of the Credit Agreement is hereby amended by deleting "and" at the end of clause (i), deleting "." at the end of clause (j) and substituting ";and" in its place and inserting the following as the new clause (k):

"(k) the SFAB1 Fab Disposition."

3. Conditions to Effectiveness of Amendment. The effectiveness of this Amendment is subject to the satisfaction (or waiver) of the following conditions precedent (the date on which all such conditions precedent are satisfied (or waived), the "Amendment Effective Date"):

(a) The Administrative Agent's receipt of the following, each of which shall be originals or electronic images in a portable document format (e.g. ".pdf" or ".tif") (followed promptly by originals) unless otherwise specified:

(i) counterparts to this Amendment executed by the Borrower, the Guarantors, each of the Lenders and the Administrative Agent;

(ii) a favorable opinion of Sheppard, Mullin, Richter & Hampton, LLP, counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to matters concerning the Loan Parties, this Amendment and the other Loan Documents as the Administrative Agent may reasonably request;

(iii) a favorable opinion of local counsel to the Loan Parties in England, addressed to the Administrative Agent and each Lender, as to matters concerning the Loan Parties, this Amendment and the other Loan Documents as the Administrative Agent may reasonably request;

(iv) an officer's certificate of each Loan Party, dated the Amendment Effective Date, certifying as to the organizational documents of each Loan Party (which, to the extent filed with a Governmental Authority, shall be certified as of a recent date by such Governmental Authority), the resolutions of the governing body of each Loan Party and the good standing, existence or its equivalent of each Loan Party and attaching an incumbency certificate for each Loan Party evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment and the other Loan Documents to which such Loan Party is a party or is to be a party (including specimen signatures);

(v) each item set forth on <u>Schedule A</u> attached hereto; and

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

(b)Upon the reasonable request of any Lender made prior to the Amendment Effective Date, the Loan Parties shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Act, and any Borrower that qualifies as a "legal entity customer" under the Beneficial Ownership Regulation shall have provided, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Borrower.

(c) The Borrowers shall have paid in full to the Administrative Agent, for the account of the Lenders party hereto (including Bank of America), an amendment fee for each such Lender's consent to this Amendment in an amount equal to 0.05% of each such Lender's Total Exposure as of the Amendment Effective Date. For purposes hereof, "Total Exposure" means, with respect to each Lender, the amount equal to the sum of such Lender's Total Revolving Credit Outstandings <u>*plus*</u> unused Revolving Credit Commitments <u>*plus*</u> outstanding Term Loans under the Credit Agreement. Such fee shall be for their consent to this Amendment, and shall be due and payable in full on the Amendment Effective Date.

(d) The Loan Parties shall have paid all reasonable fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) prior to or on the Amendment Effective Date.

Without limiting the generality of the provisions of Section 11.01 of the Credit Agreement, for purposes of determining compliance with the conditions specified in this Section 3, each Lender that has signed this Amendment shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Amendment Effective Date specifying its objection thereto.

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

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

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

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

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

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

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

6. Reaffirmations. As of the Amendment Effective Date, each Loan Party:

(a) agrees that the transactions contemplated by this Amendment shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under, the Credit Agreement (including the Guaranty), the Collateral Agreement and each other Loan Document to which it is a party, and the Credit Agreement (including the Guaranty), the Collateral Agreement and each other Loan Document to which it is a party remain in full force and effect and its obligations thereunder are hereby ratified and confirmed;

(b) affirms that each of the guarantees made pursuant to the Loan Documents (including, without limitation, the Guaranty and the Foreign Security Agreements listed on Schedule B attached hereto) are valid and subsisting and continue in full force and effect upon the Amendment Effective Date to secure the Obligations, Foreign Obligations and Secured Obligations (as defined in each applicable Loan Document), as applicable, and agrees that this Amendment and all documents executed in connection therewith do not operate to reduce or discharge its obligations under the Loan Documents and shall in no manner otherwise impair or otherwise adversely affect any of the guarantees made in or pursuant to the Loan Documents to which it is party;

(c) affirms that each of the Liens and pledges granted in or pursuant to the Loan Documents (including, without limitation, the Foreign Security Agreements listed on Schedule B attached hereto and the other Collateral Documents) to which it is party are valid and subsisting and continue in full force and effect upon the Amendment Effective Date to secure the Obligations, Foreign Obligations and Secured Obligations (as defined in each applicable Loan Document), as applicable, and agrees that this Amendment and all documents executed in connection therewith do not operate to reduce or discharge its obligations under the Loan Documents and shall in no manner otherwise impair or otherwise adversely affect any of the Liens and pledges granted in or pursuant to the Loan Documents to which it is party; and

(d) agrees to, and agrees to cause each of its respective Subsidiaries to, execute any and all further documents, amendments, agreements and instruments, and to take all such further actions as the Administrative Agent may reasonably request, to effectuate the transactions contemplated by the Credit Agreement, or the other Loan Documents (including, without limitation, the Foreign Security Agreements and the other Collateral Documents) to which it is party and to preserve each of the guarantees made pursuant to the Loan Documents and grant, preserve, protect or perfect the Liens and security interests created by the Collateral Documents or the validity or priority of such Lien.

7. Miscellaneous

(a) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. Without limiting the general applicability of the foregoing and the terms of the other Loan Documents to this

Amendment and the parties hereto, the terms of Section 11.14 and Section 11.15 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*.

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

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

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

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

[Remainder of page intentionally blank.]

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

DOMESTIC BORROWER:

DIODES INCORPORATED

By: /s/ Brett R. Whitmire

Name: Brett R. Whitmire

Title: CFO

FOREIGN BORROWER:

DIODES HOLDINGS UK LIMITED

By: /s/ Brett R. Whitmire

Name: Brett R. Whitmire

Title: Directo

SUBSIDIARY GUARANTORS:

DIODES ZETEX LIMITED

By: /s/ Brett R. Whitmire

Name: Brett R. Whitmire

Title: Director

DIODES TECHNOLOGIES TAIWAN CO., LTD.

By: /s/ Gary Yu

Name: Gary Yu

Title: Director

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

By: /s/ Anthony W. Kell

Name: Anthony W. Kell

Title: Vice President

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

By: /s/ Jennifer Yan

Name: Jennifer Yan

Title: Senior Vice President

BBVA USA,
as a Lender

By: /s/ Jay Tweed

Name: Jay Tweed

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ R. Ruining Nguyen

Name: R. Ruining Nguyen

Title: SVP

CITIBANK, N.A.,
as a Lender

By: /s/ Stuart Darby

Name: Stuart Darby

Title: Director

REGIONS BANK,
as a Lender

By: /s/ Derek Miller

Name: Derek Miller

Title: Director

COMICA BANK,
as a Lender

By: /s/ John Smithson

Name: John Smithson

Title: Vice President

SILICON VALLEY BANK,
as a Lender

By: /s/ Will Deevy

Name: Will Deevy

Title: Director

CADENCE BANK, N.A.,
as a Lender

By: /s/ David C. Hauglid

Name: David C. Hauglid

Title: SVP

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

By: /s/ Jay Fort

Name: Jay Fort

Title: Senior Vice President

SCHEDULE A
FOREIGN CLOSING DOCUMENTATION

1. All executed pledge documentation necessary to effect the pledge by DHUK of 100% of the Equity Interests in Diodes Hong Kong Limited under Hong Kong law, accompanied by the favorable opinion of local counsel to the Administrative Agent in Hong Kong, addressed to the Administrative Agent and each Lender, as to such matters concerning such Charge Over Shares as the Administrative Agent may reasonably request.

2. Confirmation Agreement governed under English law confirming the obligations of Diodes Holdings UK Limited, Diodes Zetex Limited and Diodes Incorporated under, as applicable:

    (a) the Charge Over Shares dated as of December 31, 2020 between Diodes Incorporated and Bank of America, N.A., as Administrative Agent and Security Trustee, with respect to shares in Diodes Holdings UK Limited;

    (b) the Composite Debenture dated as of December 31, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent and Security Trustee;

    (c) the Deed of Guarantee dated as of December 31, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent;

    (d) the Composite Debenture dated as of May 29, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent and Security Trustee; and

    (e) the Deed of Guarantee dated as of May 29, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent.

    in each case accompanied by such other authorizing resolutions, agreements, assurances, documents, certificates, filings, notarizations, recordations, searches and legal opinions as may be required under local law or as the Administrative Agent may reasonably request.

SCHEDULE B
FOREIGN SECURITY AGREEMENTS

1. Charge Over Shares dated as of December 31, 2020 between Diodes Incorporated and Bank of America, N.A., as Administrative Agent and Security Trustee, with respect to shares in Diodes Holdings UK Limited.

2. Composite Debenture dated as of December 31, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent and Security Trustee.

3. Deed of Guarantee dated as of December 31, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent.

4. Share Charge dated as of December 31, 2020 made by Diodes Holdings UK Limited in favor of Bank of America, N.A., as Administrative Agent, with respect to 100% of the entire issued capital of Diodes Hong Kong Limited.

5. Share Pledge Agreement dated as of December 28, 2020 between Diodes Technologies Taiwan Co., Ltd. and Bank of America, N.A. with respect to the shares of Lite-On Semiconductor Corporation.

6. Composite Debenture dated as of May 29, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent and Security Trustee.

7. Deed of Guarantee dated as of May 29, 2020 between Diodes Holdings UK Limited, Diodes Zetex Limited and Bank of America, N.A., as Administrative Agent.

Exhibit 31.1

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2021

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

Exhibit 31.2

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2021

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

Exhibit 32.1

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **March 31, 2021** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2021

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

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

Exhibit 32.2

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **March 31, 2021** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2021

/s/ Brett R. Whitmire

Brett R. Whitmire
Chief Financial Officer

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