
**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, 2014

Or

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

For the transition period from _____ to _____.

Commission file number: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-2039518
(I.R.S. Employer
Identification Number)

4949 Hedgcoxe Road, Suite 200
Plano, Texas
(Address of principal executive offices)

75024
(Zip code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

The number of shares of the registrant's Common Stock outstanding as of May 2, 2014 was 46,795,784.

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PART I—FINANCIAL INFORMATION**Item 1—Financial Statements****DIODES INCORPORATED AND SUBSIDIARIES**
CONSOLIDATED CONDENSED BALANCE SHEETS
*(In thousands)***ASSETS**

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------------|------------------------------------|
| | <i>(Unaudited)</i> | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 211,642 | \$ 196,635 |
| Short-term investments | 20,522 | 22,922 |
| Accounts receivable, net | 175,604 | 192,267 |
| Inventories | 176,693 | 180,396 |
| Deferred income taxes, current | 9,684 | 10,513 |
| Prepaid expenses and other | 49,232 | 47,352 |
| Total current assets | 643,377 | 650,085 |
| PROPERTY, PLANT AND EQUIPMENT, net | 315,817 | 322,013 |
| DEFERRED INCOME TAXES, non-current | 22,278 | 28,237 |
| OTHER ASSETS | | |
| Goodwill | 84,508 | 84,714 |
| Intangible assets, net | 51,662 | 53,571 |
| Other | 22,962 | 23,638 |
| Total assets | \$1,140,604 | \$1,162,258 |

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

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

LIABILITIES AND EQUITY
(In thousands, except share data)

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------------|------------------------------------|
| | <i>(Unaudited)</i> | |
| CURRENT LIABILITIES | | |
| Lines of credit | \$ 2,482 | \$ 5,814 |
| Accounts payable | 91,544 | 89,212 |
| Accrued liabilities | 53,156 | 60,684 |
| Income tax payable | 1,178 | 1,206 |
| Total current liabilities | 148,360 | 156,916 |
| LONG-TERM DEBT, net of current portion | 165,440 | 182,799 |
| OTHER LONG-TERM LIABILITIES | 71,771 | 78,866 |
| Total liabilities | 385,571 | 418,581 |
| COMMITMENTS AND CONTINGENCIES (See Note H) | | |
| EQUITY | | |
| Diodes Incorporated stockholders' equity | | |
| Preferred stock—par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding | — | — |
| Common stock—par value \$0.66 2/3 per share; 70,000,000 shares authorized; 46,728,209 and 46,680,973 issued and outstanding at March 31, 2014 and December 31, 2013, respectively | 31,154 | 31,120 |
| Additional paid-in capital | 293,136 | 289,668 |
| Retained earnings | 436,530 | 426,328 |
| Accumulated other comprehensive loss | (46,966) | (44,374) |
| Total Diodes Incorporated stockholders' equity | 713,854 | 702,742 |
| Noncontrolling interest | 41,179 | 40,935 |
| Total equity | 755,033 | 743,677 |
| Total liabilities and equity | \$1,140,604 | \$1,162,258 |

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

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

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2014 | 2013 |
| NET SALES | \$209,986 | \$176,964 |
| COST OF GOODS SOLD | 148,405 | 130,781 |
| Gross profit | 61,581 | 46,183 |
| OPERATING EXPENSES | | |
| Selling, general and administrative | 32,330 | 30,376 |
| Research and development | 12,920 | 10,080 |
| Other operating expenses | 1,988 | 1,951 |
| Total operating expenses | 47,238 | 42,407 |
| Income from operations | 14,343 | 3,776 |
| OTHER INCOME (EXPENSES) | (1,350) | 521 |
| Income before income taxes and noncontrolling interest | 12,993 | 4,297 |
| INCOME TAX PROVISION | 2,547 | 6,574 |
| NET INCOME (LOSS) | 10,446 | (2,277) |
| Less: NET (INCOME) LOSS attributable to noncontrolling interest | (244) | 351 |
| NET INCOME (LOSS) attributable to common stockholders | <u>\$ 10,202</u> | <u>\$ (1,926)</u> |
| EARNINGS (LOSS) PER SHARE attributable to common stockholders | | |
| Basic | \$ 0.22 | \$ (0.04) |
| Diluted | \$ 0.21 | \$ (0.04) |
| Number of shares used in computation | | |
| Basic | 46,699 | 46,021 |
| Diluted | <u>47,996</u> | <u>46,021</u> |

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

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

| | Three Months Ended | |
|---|---------------------------|--------------------|
| | March 31, | |
| | 2014 | 2013 |
| Net income (loss) | \$ 10,446 | \$ (2,277) |
| Translation adjustment | (3,857) | (7,536) |
| Unrealized gain (loss) on defined benefit plan, net of tax | 1,266 | (1,478) |
| Comprehensive income (loss) | 7,855 | (11,291) |
| Less: Comprehensive (income) loss attributable to noncontrolling interest | (244) | 351 |
| Total comprehensive income (loss) attributable to common stockholders | <u>\$ 7,611</u> | <u>\$ (10,940)</u> |

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

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

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, | |
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | \$ 46,118 | \$ 31,328 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition, net of cash acquired | — | (124,916) |
| Purchases of property, plant and equipment | (11,817) | (15,954) |
| Proceeds from maturity of short-term investments | 2,315 | — |
| Proceeds from sale of equity securities | — | 7,458 |
| Other | 1,695 | 160 |
| Net cash used by investing activities | (7,807) | (133,252) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advances on line of credit | 2,094 | 3,510 |
| Repayments on lines of credit | (5,337) | (25,088) |
| Borrowings of long-term debt | — | 180,000 |
| Repayments of long-term debt | (17,277) | (10,269) |
| Net proceeds from issuance of common stock | 280 | 59 |
| Other | (82) | (2,936) |
| Net cash provided by (used by) financing activities | (20,322) | 145,276 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (2,982) | (268) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 15,007 | 43,084 |
| CASH AND CASH EQUIVALENTS, beginning of period | 196,635 | 157,121 |
| CASH AND CASH EQUIVALENTS, end of period | \$ 211,642 | \$ 200,205 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Non-cash financing activities: | | |
| Property, plant and equipment purchased on accounts payable | \$ (547) | \$ 2,999 |
| Acquisition: | | |
| Fair value of assets acquired | \$ — | \$ 247,012 |
| Liabilities assumed | — | (92,277) |
| Cash acquired | — | (29,819) |
| Net assets acquired | \$ — | \$ 124,916 |

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

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

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

Nature of Operations

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S.”) (“GAAP”) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2014. The consolidated condensed financial data at December 31, 2013 is derived from audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 27, 2014.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. As permitted under U.S. GAAP, interim accounting for certain expenses, including income taxes, are based on full year forecasts. 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.

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

Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations, which could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. ASU 2014-08 also expands the disclosure requirements for disposals of operations to include more information about assets, liabilities, income and expenses and requires entities to disclose information about disposals of individually significant components. ASU 2014-08 is effective in the first quarter of 2015, with early adoption permitted and could impact the Company’s consolidated financial results in the event of a transaction as described above.

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NOTE B – Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings per share is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive. 1,212 potentially dilutive shares were excluded from the diluted earnings per shares calculation for the three months ended March 31, 2013.

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

| | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | 2014 | 2013 |
| BASIC | | |
| Weighted average number of common shares outstanding used in computing basic earnings per share | 46,699 | 46,021 |
| Net income (loss) attributable to common stockholders | <u>\$ 10,202</u> | <u>\$(1,926)</u> |
| Earnings (loss) per share attributable to common stockholders | <u>\$ 0.22</u> | <u>\$(0.04)</u> |
| DILUTED | | |
| Weighted average number of common shares outstanding used in computing basic earnings per share | 46,699 | 46,021 |
| Add: Assumed exercise of stock options and stock awards | 1,297 | — |
| | <u>47,996</u> | <u>46,021</u> |
| Net income (loss) attributable to common stockholders | <u>\$ 10,202</u> | <u>\$(1,926)</u> |
| Earnings (loss) per share attributable to common stockholders | <u>\$ 0.21</u> | <u>\$(0.04)</u> |

NOTE C – Inventories

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

| | March 31, 2014 | December 31, 2013 |
|------------------|-------------------|----------------------|
| Raw materials | <u>\$ 72,062</u> | <u>\$ 69,878</u> |
| Work-in-progress | 43,258 | 43,031 |
| Finished goods | <u>61,373</u> | <u>67,487</u> |
| Total | <u>\$176,693</u> | <u>\$ 180,396</u> |

NOTE D – Goodwill and Intangible Assets

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

| | |
|----------------------------------|-------------------------|
| Balance at December 31, 2013 | \$ 84,714 |
| Translation adjustment | (206) |
| Balance at March 31, 2014 | <u>\$ 84,508</u> |

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

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------|------------------------------|
| Intangible assets subject to amortization: | | |
| Gross carrying amount | \$86,929 | \$ 86,925 |
| Accumulated amortization | (34,227) | (32,245) |
| Translation adjustment | (6,949) | (7,000) |
| Total | 45,753 | 47,680 |
| Intangible assets with indefinite lives: | | |
| Gross carrying amount | 6,403 | 6,403 |
| Translation adjustment | (494) | (512) |
| Total | 5,909 | 5,891 |
| Total intangible assets, net | \$ 51,662 | \$ 53,571 |

Amortization expense related to intangible assets subject to amortization was approximately \$2 million for both the three months ended March 31, 2014 and 2013.

NOTE E – Income Tax Provision

Income tax expense of approximately \$3 million and \$7 million was recorded for the three months ended March 31, 2014 and 2013, respectively. This resulted in an effective tax rate of 20% for the three months ended March 31, 2014, as compared to 153% in the same period last year and compared to 38% for the full year of 2013. The estimated annual tax rate for 2014 is expected to be approximately 20%, excluding discrete items. The effective tax rate for the three months ended March 31, 2013 includes a \$6 million charge for discrete items during the quarter, primarily resulting from a tax audit by the China tax authorities. The Company's effective tax rates for the three months ended March 31, 2014 and 2013, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of income in lower-taxed jurisdictions.

For the three months ended March 31, 2014, the Company reported domestic and foreign pre-tax income of approximately \$2 million and \$11 million, respectively. Funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. The Company intends to permanently reinvest overseas all of its earnings from its foreign subsidiaries; accordingly, U.S. taxes are not recorded on undistributed foreign earnings.

The impact of tax holidays decreased the Company's tax expense by approximately \$1 million for both the three months ended March 31, 2014 and 2013. The benefit of the tax holidays on both basic and diluted earnings per share for the three months ended March 31, 2014 was approximately \$0.02. The benefit of the tax holidays on both basic and diluted earnings per share for the three months ended March 31, 2013 was approximately \$0.03.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2007. During the second quarter of 2013, the Internal Revenue Service ("IRS") commenced an examination of the Company's U.S. federal income tax return for the 2010 tax year. The examination is ongoing, and the IRS has not proposed adjustments to any tax positions at this time. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, the Company is no longer subject to income tax audits for years before 2006. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company's reserve for any adjustments that may result from tax audits. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in interest expense. As of March 31, 2014, the gross amount of unrecognized tax benefits was approximately \$21 million.

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

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NOTE F – Share-Based Compensation

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

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------------|
| | 2014 | 2013 |
| Cost of sales | \$ 96 | \$ 123 |
| Selling and administrative expense | 2,850 | 2,843 |
| Research and development expense | 273 | 290 |
| Total share-based compensation expense | <u>\$3,219</u> | <u>\$ 3,256</u> |

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

The total net cash proceeds received from stock option exercises during the three months ended March 31, 2014 was approximately \$0 million. Stock option expense was approximately \$1 million for both the three months ended March 31, 2014 and 2013.

A summary of the stock option grants is as follows:

| <u>Stock Options</u> | <u>Shares (000)</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Term (yrs)</u> | <u>Aggregate Intrinsic Value (\$000)</u> |
|--------------------------------|---------------------|--|--|--|
| Outstanding at January 1, 2014 | 3,126 | \$ 18.93 | 4 | \$ 17,461 |
| Granted | — | — | | |
| Exercised | (41) | 9.70 | | 560 |
| Forfeited or expired | (2) | 29.21 | | |
| Outstanding at March 31, 2014 | <u>3,083</u> | <u>\$ 19.04</u> | 4 | <u>\$ 23,126</u> |
| Exercisable at March 31, 2014 | <u>2,470</u> | <u>\$ 18.14</u> | 3 | <u>\$ 20,601</u> |

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

As of March 31, 2014, total unrecognized share-based compensation expense related to unvested stock options, net of forfeitures, was approximately \$5 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2 years.

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

Share grant expense for the three months ended March 31, 2014 and 2013 was approximately \$2 million and \$1 million, respectively.

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

| <u>Share Grants</u> | <u>Shares (000)</u> | <u>Weighted Average Grant-Date Fair Value</u> | <u>Aggregate Intrinsic Value (\$000)</u> |
|-------------------------------|---------------------|---|--|
| Non-vested at January 1, 2014 | 1,131 | \$ 22.35 | \$ 26,656 |
| Granted | 3 | 22.90 | |
| Vested | (7) | 23.34 | 150 |
| Forfeited | (4) | 23.13 | |
| Non-vested at March 31, 2014 | <u>1,123</u> | <u>\$ 22.34</u> | <u>\$ 29,324</u> |

As of March 31, 2014, total unrecognized share-based compensation expense related to non-vested stock awards, net of forfeitures, was approximately \$15 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2 years.

NOTE G – Segment Information and Enterprise-Wide Disclosure

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

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

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

| <u>As of and for the Three Months Ended March 31, 2014</u> | <u>Asia</u> | <u>North America</u> | <u>Europe</u> | <u>Consolidated</u> |
|--|-------------------|--------------------------|-------------------|---------------------|
| Total sales | \$ 190,556 | \$ 35,597 | \$ 41,546 | \$ 267,699 |
| Inter-company sales | (23,285) | (14,737) | (19,691) | (57,713) |
| Net sales | <u>\$ 167,271</u> | <u>\$ 20,860</u> | <u>\$ 21,855</u> | <u>\$ 209,986</u> |
| Property, plant and equipment | <u>\$ 264,038</u> | <u>\$ 29,011</u> | <u>\$ 22,768</u> | <u>\$ 315,817</u> |
| Total assets | <u>\$ 843,435</u> | <u>\$ 121,094</u> | <u>\$ 176,075</u> | <u>\$ 1,140,604</u> |
| | | | | |
| <u>As of and for the Three Months Ended March 31, 2013</u> | <u>Asia</u> | <u>North America</u> | <u>Europe</u> | <u>Consolidated</u> |
| Total sales | \$ 155,434 | \$ 34,808 | \$ 37,637 | \$ 227,879 |
| Inter-company sales | (16,024) | (15,401) | (19,490) | (50,915) |
| Net sales | <u>\$ 139,410</u> | <u>\$ 19,407</u> | <u>\$ 18,147</u> | <u>\$ 176,964</u> |
| Property, plant and equipment | <u>\$ 283,840</u> | <u>\$ 31,352</u> | <u>\$ 22,981</u> | <u>\$ 338,173</u> |
| Total assets | <u>\$ 820,553</u> | <u>\$ 142,025</u> | <u>\$ 182,060</u> | <u>\$ 1,144,638</u> |

Geographic Information

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

| | Net Sales for the Three Months Ended March 31, | | Percentage of Net Sales | |
|---------------------------|--|------------------|----------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| China | \$ 127,458 | \$ 107,644 | 61% | 61% |
| Korea | 20,125 | 15,447 | 10% | 9% |
| United States | 19,641 | 17,416 | 9% | 10% |
| Germany | 14,827 | 11,028 | 7% | 6% |
| Singapore | 9,618 | 8,935 | 5% | 5% |
| Taiwan | 6,883 | 5,153 | 3% | 3% |
| All Others ⁽¹⁾ | 11,434 | 11,341 | 5% | 6% |
| Total | \$209,986 | \$176,964 | 100% | 100% |

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

NOTE H – Commitments and Contingencies

Purchase commitments – As of March 31, 2014, the Company had approximately \$11 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

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

The Company is currently a party to a purported stockholder derivative action in the United States District Court for the District of Delaware, entitled *Scherer v. Keh-Shew Lu*, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), on behalf of the Company against its directors, in which plaintiff alleges that (a) the Board approved awards of stock options to Dr. Keh-Shew Lu, our President and Chief Executive Officer, in 2009, 2010, 2011 and 2012 that exceeded the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009; (b) the Company's disclosures in its 2010, 2011 and 2012 proxy statements regarding the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were inaccurate; and (c) the Company's disclosures in its 2010, 2011 and 2012 proxy statements that the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 complied with the terms of the Company's 2001 Omnibus Equity Incentive Plan as amended by the stockholders on May 28, 2009 were incorrect. The Compensation Committee reviewed the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement, dated April 1, 2013, in which the Company and Dr. Lu agreed and confirmed that Dr. Lu will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company's Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation. On April 3, 2013, defendants and the Company filed answers to the complaint. On May 8, 2013, defendants filed a motion for judgment on the pleadings dismissing the action on the ground that the claims are moot. On June 24, 2013, the Court approved the parties' stipulation providing for the withdrawal of the motion for judgment on the pleadings and the dismissal of the action as moot upon the filing and adjudication of plaintiff's motion for an award of attorney's fees and costs. On July 29, 2013, plaintiff filed a motion for an award of attorneys' fees and costs. On September 20, 2013, the Company filed its opposition to plaintiff's motion. On October 11, 2013, plaintiff filed her reply in further support of her motion. No hearing date has been set for this motion.

The Company is also currently a party to a putative securities class action in the United States District Court for the Eastern District of Texas, entitled *Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund v. Diodes, Inc.*, Civil Action No. 6:13-cv-00247 (E.D. Tex. filed Mar. 15, 2013), (the "Class Action") against the Company, Dr. Lu and Richard D. White. In this action, plaintiff purportedly on behalf of a class of investors who purchased the Company's Common Stock between February 9, 2011 and June 9, 2011, alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and

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Exchange Commission Rule 10b-5 promulgated thereunder by making allegedly misleading public statements during the class period regarding the labor market in China and its impact on the Company's business and prospects. On June 14, 2013, the Court entered an order appointing Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund as lead plaintiff and approved lead plaintiff's selection of Robbins Geller Rudman & Dowd as lead plaintiff's counsel and the Ward & Smith Law Firm as lead plaintiff's liaison counsel. On August 1, 2013, lead plaintiff filed an amended complaint reiterating the same claims for relief against the same defendants as asserted in the original complaint. On September 16, 2013, defendants filed a motion to dismiss the amended complaint. Lead plaintiff's opposition to defendants' motion to dismiss was filed on October 31, 2013. No hearing date has been set for this motion. Pursuant to the Private Securities Litigation Reform Act of 1995, all discovery and other proceedings are stayed pending a ruling on any motion to dismiss. The defendants intend to defend this action vigorously.

On February 20, 2014, a purported stockholder derivative action was filed in the United States District Court for the Eastern District of Texas, entitled *Persson v. Keh-Shew Lu*, Case No. 4:14-cv-00108-RC-ALM (E.D. Tex. filed Feb. 20, 2014), on behalf of the Company against its directors, in which plaintiff alleges that the directors breached their fiduciary duties by allowing the Company to make allegedly misleading public statements in 2011 regarding the labor market in China and its impact on the Company's business and prospects, by failing to maintain internal controls and by selling shares of Diodes stock while allegedly in possession of material nonpublic information regarding the labor market in China and its impact on the Company's business and prospects. The complaint does not seek any damages or other relief from the Company. On March 3, 2014, defendants accepted service of the complaint in this action. On April 2, 2014, this action was transferred to the judge presiding over the Class Action. On April 3, 2014, the Court granted defendants' unopposed motion to extend their time to respond to the complaint to May 28, 2014. On April 17, 2014, the Court granted the parties' unopposed motion to stay this action until such time that the Court rules on defendants' motion to dismiss in the Class Action. The defendants intend to defend the action vigorously.

NOTE I – Employee Benefit Plans

Defined Benefit Plan

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

For the three months ended March 31, 2014, net periodic benefit costs associated with the defined benefit plan were approximately \$0 million.

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

| | Defined Benefit Plan |
|--|-----------------------------|
| Change in benefit obligation: | |
| Balance at December 31, 2013 | \$ 149,316 |
| Service cost | 83 |
| Interest cost | 1,710 |
| Actuarial loss | (1,128) |
| Benefits paid | (1,077) |
| Currency changes | 993 |
| Benefit obligation at March 31, 2014 | \$ 149,897 |
| Change in plan assets: | |
| Fair value of plan assets at December 31, 2013 | \$ 116,568 |
| Actual return on plan assets | 1,582 |
| Employer contribution | 331 |
| Benefits paid | (1,077) |
| Currency changes | 784 |
| Fair value of plan assets at March 31, 2014 | \$ 118,188 |
| Underfunded status at March 31, 2014 | \$ (31,709) |

Based on an actuarial study performed as of March 31, 2014, the plan is underfunded and a liability is reflected in the Company's consolidated financial statements as a long-term liability. The weighted-average discount rate assumption used to determine benefit obligations as of March 31, 2014 was 4.6%.

The following weighted-average assumptions were used to determine net periodic benefit costs for the three months ended March 31, 2014:

| | |
|--|------|
| Discount rate | 4.6% |
| Expected long-term return on plan assets | 5.9% |

During the second quarter of 2012, the Company adopted a payment plan with the trustees of the defined benefit plan, in which the Company will pay approximately £2 million GBP (approximately \$3 million based on a USD:GBP exchange rate of 1.6:1) every year from 2012 through 2019. As part of the required pension review, which occurs every three years under the United Kingdom pension regulations, the Company is currently in discussions with trustees regarding future contributions for the pension scheme.

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

Deferred Compensation

The Company maintains a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") for executive officers, key employees and members of the Board of Directors (the "Board"). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. The Company offsets its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At March 31, 2014, these investments totaled approximately \$4 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

NOTE J – Related Parties

The Company conducts business with two related companies, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, “LSC”) and Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, “Keylink”). LSC owned approximately 18% of the Company’s outstanding Common Stock as of March 31, 2014. Keylink is the Company’s 5% joint venture partner in two of the Company’s Shanghai manufacturing facilities.

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

Lite-On Semiconductor Corporation – During both the three months ended March 31, 2014 and 2013, the Company sold products to LSC totaling approximately 0% of the Company’s net sales. For the three months ended March 31, 2014 and 2013, approximately 2% and 1%, respectively, of the Company’s net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of the Company’s largest suppliers.

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

| | Three Months Ended March 31, | |
|-----------|---|-------------|
| | 2014 | 2013 |
| Net sales | \$ 115 | \$ 103 |
| Purchases | \$ 7,338 | \$ 7,509 |

Keylink International (B.V.I.) Inc. – During the three months ended March 31, 2014 and 2013, the Company sold products to Keylink totaling approximately 1% and 2% of the Company’s net sales, respectively. For both the three months ended March 31, 2014 and 2013, approximately 0% of the Company’s net sales were from semiconductor products purchased from Keylink for subsequent sale. In addition, two of the Company’s subsidiaries in China lease their manufacturing facilities from, and subcontract a portion of their manufacturing process (including, but not limited to, metal plating and environmental services) to Keylink. The Company also pays a consulting fee to Keylink. The aggregate amounts for these services for the three months ended March 31, 2014 and 2013 were approximately \$4 million and \$4 million, respectively.

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

| | Three Months Ended March 31, | |
|-----------|---|-------------|
| | 2014 | 2013 |
| Net sales | \$ 2,264 | \$ 3,648 |
| Purchases | \$ 1,646 | \$ 1,528 |

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

| | March 31, 2014 | December 31, 2013 |
|----------------------------|---------------------------|------------------------------|
| Accounts receivable | | |
| LSC | \$ 97 | \$ 140 |
| Keylink | 4,472 | 4,927 |
| | <u>\$ 4,569</u> | <u>\$ 5,067</u> |
| Accounts payable | | |
| LSC | \$ 5,084 | \$ 5,670 |
| Keylink | 4,938 | 6,505 |
| | <u>\$ 10,022</u> | <u>\$ 12,175</u> |

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 the Company's management. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act. The Company undertakes no obligation to publicly release the results of any revisions to its forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events. Unless the context otherwise requires, the words "Diodes," the "Company," "we," "us" and "our" refer to Diodes Incorporated and its subsidiaries.

This management's discussion should be read in conjunction with the management's discussion included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, previously filed with Securities and Exchange Commission. (Amounts are rounded to the nearest million).

Highlights

- Net sales for the three months ended March 31, 2014 was approximately \$210 million, an increase of \$33 million, or 19%, over the same period last year, and a sequential decrease of 1% compared to the \$211 million in the fourth quarter of 2013;
- Gross profit for the three months ended March 31, 2014 was approximately \$62 million, an increase of \$15 million, or 33%, over the same period last year, and a sequential increase of 1% compared to the \$61 million in the fourth quarter of 2013;
- Gross profit margin for the three months ended March 31, 2014 was 29%, compared to 26% in the same period last year, and 29% in the fourth quarter of 2013;
- Net income attributable to common stockholders for the three months ended March 31, 2014 was approximately \$10 million, or \$0.21 per diluted share, compared to net loss attributable to common stockholders of \$(2) million, or \$(0.04) per diluted share, in the same period last year, and net income attributable to common stockholders of \$6 million, or \$0.13 per diluted share, in the fourth quarter of 2013; and
- Cash flows from operating activities was approximately \$46 million for the three months ended March 31, 2014.

Overview

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

We design, manufacture and market semiconductors for diverse end-use applications. Semiconductors, which provide electronic signal amplification and switching functions, are basic building-block electronic components that are incorporated into almost every electronic device. We believe that our focus on 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.

First Quarter of 2014

For the first quarter of 2014, revenue was essentially flat despite the Chinese New Year slowdown due to shipping inventory that we had strategically built-up during the fourth quarter of 2013. Most notably, gross margin improved by 50 basis points sequentially and 320 basis points year-over-year as a result of improved wafer fabrication performance, especially at BCD Fab 2 where the ramp-up is going smoothly, combined with an overall improvement in product mix. Also during the quarter, we improved our balance sheet by reducing long-term debt by approximately \$17 million, which followed a reduction of almost \$20 million last quarter. We generated approximately \$46 million of cash flow from operations while reducing inventory and capital expenditure spending. During the first quarter, we experienced a rebound in Europe after a soft fourth quarter of 2013, while North America also showed some strength. Our strongest end-markets in the quarter were the automotive and industrial markets, largely offset by the computing and communications end-markets.

Business Outlook

As we look to the second quarter, we expect revenue to increase sequentially, highlighted by continued gross margin improvement as well as an ongoing commitment to cost controls, driving further profitability and cash generation. For the second quarter of 2014, we expect revenue to increase to a range of \$216 million and \$229 million, or up 2.9% to 9.1% sequentially. We expect gross margin to be 30.5%, plus or minus 2%. Operating expenses are expected to be approximately 21.8% of revenue, plus or minus 1%. We expect our income tax rate to range between 19% and 25%, and shares used to calculate EPS for the second quarter are anticipated to be approximately 48.2 million

Factors Relevant to Our Results of Operations

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

- Net sales for the three months ended March 31, 2014 was \$210 million, compared to \$177 million in the same period last year. This increase in net sales mainly reflects the inclusion of 3 months of BCD revenue in 2014 compared to 1 month in 2013, an increase in units sold and an increase in average selling price ("ASP").
- Our gross profit margin was 29% for the three months ended March 31, 2014, compared to 26% in the same period last year. Our gross margin percentage increased over the same period last year due primarily to improved wafer fabrication performance and improved product mix. Future gross profit margins will depend primarily on market prices, our product mix, manufacturing cost savings, and the demand for our products.
- For the three months ended March 31, 2014, our capital expenditures, excluding capital expenditures related to our investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"), were approximately 5% of our net sales, which is within with our capital spending target range of 5% and 8% of net sales. Under the investment agreement with the Management Committee of the CDHT, we agreed to form a joint venture with a Chinese partner to establish a semiconductor manufacturing facility for surface-mounted component production, assembly and test in Chengdu, China.
- For the three months ended March 31, 2014 and 2013, the percentage of our net sales derived from our Asian subsidiaries was approximately 80% and 79%, respectively. Europe accounted for approximately 10% of our revenues for the three months ended March 31, 2014, compared to 11% in the same period last year. In addition, North America accounted for approximately 10% of our revenues for both the three months ended March 31, 2014 and 2013.
- Since inception, we have spent over \$500 million in our manufacturing facilities in Asia, including costs for acquisitions. For the three months ended March 31, 2014, we invested approximately \$11 million in these manufacturing facilities, and we expect to continue to invest in our manufacturing facilities, although the amount to be invested will depend on, among other factors, product demand and new product developments.
- For the three months ended March 31, 2014, our OEM and electronic manufacturing services ("EMS") customers together accounted for approximately 32% of our net sales, while our global network of distributors accounted for approximately 68% of our net sales. Compared to prior years, the percentage of net sales to our global network of distributors has increased mainly due to acquisitions in which the majority of the net sales of the acquired companies are to distributors.

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

| | Percent of Net Sales Three Months Ended March 31, | | Percentage Dollar Increase (Decrease) |
|---|--|------|---|
| | 2014 | 2013 | '13 to '14 |
| Net sales | 100% | 100% | 19 |
| Cost of goods sold | (71) | (74) | 13 |
| Gross profit | 29 | 26 | 33 |
| Operating expenses | (22) | (24) | 11 |
| Income from operations | 7 | 2 | 280 |
| Other income (expense) | (1) | — | (359) |
| Income before income taxes and noncontrolling interest | 6 | 2 | 202 |
| Income tax provision | (1) | (4) | (61) |
| Net income (loss) | 5 | (2) | 559 |
| Net income (loss) attributable to noncontrolling interest | — | — | (170) |
| Net income (loss) attributable to common stockholders | 5 | (2) | 630 |

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended March 31, 2014, compared to the three months ended March 31, 2013. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report (*in thousands*).

| | 2014 | 2013 |
|------------------|-----------|-----------|
| Net Sales | \$209,986 | \$176,964 |

Net sales increased approximately \$33 million for the three months ended March 31, 2014, compared to the same period last year. The 19% increase in net sales represented a 14% increase in units sold and a 4% increase in ASP. The revenue increase for the three months ended March 31, 2014 was mainly attributable to the inclusion of a full quarter of BCD revenue.

| | 2014 | 2013 |
|----------------------------|-----------|-----------|
| Cost of goods sold | \$148,405 | \$130,781 |
| Gross profit | \$61,581 | \$46,183 |
| Gross profit margin | 29% | 26% |

Cost of goods sold increased approximately \$18 million, or 13%, for the three months ended March 31, 2014, compared to the same period last year. As a percent of sales, cost of goods sold decreased to 71% for the three months ended March 31, 2014, compared to 74% in the same period last year, and average unit cost (“AUP”) decreased by 1%.

For the three months ended March 31, 2014, gross profit increased by approximately \$15 million, or 33%, compared to the same period last year. Gross margin increased to 29% for the three months ended March 31, 2014, compared to 26% for the same period last year. This increase is mainly due to improved wafer fabrication performance and improved product mix.

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| | <u>2014</u> | <u>2013</u> |
|----------------------------------|-------------|-------------|
| <u>Operating expenses</u> | \$47,238 | \$42,407 |

Operating expenses for the three months ended March 31, 2014 increased approximately \$5 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses (“SG&A”) increased approximately \$2 million, and research and development expenses (“R&D”) increased approximately \$3 million. SG&A, as a percentage of sales, was 15% for the three months ended March 31, 2014, compared to 17% for the same period last year. R&D, as a percentage of sales, was 6% for both the three months ended March 31, 2014 and 2013. Both SG&A and R&D for the three months ended March 31, 2014 increased due primarily to the inclusion of a full quarter of BCD expenses.

| | <u>2014</u> | <u>2013</u> |
|--------------------------------------|-------------|-------------|
| <u>Other income (expense)</u> | \$(1,350) | \$521 |

Other expense for the three months ended March 31, 2014 was \$1 million, and other income for the three months ended March 31, 2013 was \$1 million. The change from income during the three months ended March 31, 2013 to expense for the three months ended March 31, 2014 was primarily due to foreign currency gains and losses.

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|-------------|-------------|
| <u>Income tax provision</u> | \$2,547 | \$6,574 |

We recognized income tax expense of approximately \$3 million for the three months ended March 31, 2014 and \$7 million for the three months ended March 31, 2013. The effective tax rate is 20% for the three months ended March 31, 2014, compared to 153% in the same period last year. Income tax expense for the three months ended March 31, 2013 was impacted by \$5 million additional tax expense resulting from a tax audit by the China tax authorities. Our effective tax rates for the three months ended March 31, 2014 and 2013, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally as a result of income in lower-taxed jurisdictions.

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Financial Condition

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, funds from operations and, if necessary, borrowings under our credit facilities. We currently have a U.S. credit agreement consisting of a \$300 million revolving senior credit facility (the “Revolver”), which includes a \$10 million swing line sublimit, a \$10 million letter of credit sublimit, and a \$20 million alternative currency sublimit. The Revolver matures on January 8, 2018, and as of March 31, 2014, \$165 million was outstanding. In addition, we have foreign credit facilities with borrowing capacities of approximately \$117 million with \$2 million in outstanding borrowings and \$5 million used for import and export guarantees and bank acceptance notes. Our primary liquidity requirements have been to meet our inventory and capital expenditure needs and to fund on-going operations. At December 31, 2013 and March 31, 2014 our working capital was \$493 million and \$495 million, respectively. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to cover cash needs for working capital and capital expenditures for at least the next 12 months.

Capital expenditures for the three months ended March 31, 2014 and 2013 were \$12 million and \$13 million, respectively, which includes \$3 million and \$1 million, respectively, of capital expenditures related to the investment agreement with the Management Committee of the CDHT. Capital expenditures, excluding capital expenditures related to the investment agreement, in the first three months of 2014 were approximately 5% of our net sales.

As of March 31, 2014, we had short-term investments totaling \$21 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 amount of time but in doing so we generally forfeit all earned and future interest income.

Discussion of Cash Flow

Cash and cash equivalents increased from \$197 million at December 31, 2013 to \$212 million at March 31, 2014 primarily from cash provided by operating activities, partially offset by cash used by investing activities and financing activities.

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

| | Three Months Ended March 31, | | |
|---|------------------------------|------------------|--------------------|
| | 2014 | 2013 | Change |
| Net cash provided by operating activities | \$ 46,118 | \$ 31,328 | \$ 14,790 |
| Net cash used by investing activities | (7,807) | (133,252) | 125,445 |
| Net cash provided by (used by) financing activities | (20,322) | 145,276 | (165,598) |
| Effect of exchange rates on cash and cash equivalents | (2,982) | (268) | (2,714) |
| Net increase in cash and cash equivalents | <u>\$ 15,007</u> | <u>\$ 43,084</u> | <u>\$ (28,077)</u> |

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2014 was \$46 million, resulting primarily from \$10 million of net income, \$19 million in depreciation and amortization, \$3 million of non-cash share-based compensation expense and a decrease in accounts receivable, offset partially by decreases in liabilities. Net cash provided by operating activities was \$31 million for the same period last year, resulting primarily from \$18 million in depreciation and amortization, a decrease in inventories, and increases in accrued liabilities and income tax payable, offset partially by a decrease in accounts payable.

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Investing Activities

Net cash used by investing activities was \$8 million for the three months ended March 31, 2014, compared to net cash used by investing activities of \$133 million for the same period last year. This decrease in net cash used was due primarily to approximately \$125 million for the acquisition of BCD, net of cash acquired for the three months ended March 31, 2013.

Financing Activities

Net cash used by financing activities was \$20 million for the three months ended March 31, 2014, compared to net cash provided by financing activities of \$145 million in the same period last year. Net cash used by in 2014 consisted primarily of repayments on lines of credit and long-term debt. Net cash provided by in 2013 consisted primarily of \$180 million drawn down on the Revolver, offset by repayments on lines of credit

Debt Instruments

There have been no material changes to our debt instruments as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 27, 2014.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements and other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, swap agreements, or outsourcing of research and development services, that could expose us to liability that is not reflected on the face of our financial statements. During 2013, we entered into a net settlement agreement with China Construction Bank (“CCB”) whereby CCB loaned us \$20 million and we in turn invested the same \$20 million with CCB. The principal of the \$20 million investment is guaranteed by CCB and is collateral for the \$20 million loan. The net interest income, which is guaranteed by CCB, realized was immaterial as of March 31, 2014. The investment and offsetting loan are non-cancelable, will mature in June 2014 and are shown net of each other on the balance sheet as the Company believes the arrangement qualifies for the offsetting provision in GAAP.

Contractual Obligations

There have been no material changes in any of our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 27, 2014.

Critical Accounting Policies

Our critical accounting policies, as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, relate to revenue recognition, inventories, accounting for income taxes, goodwill and other indefinite lived assets, share-based compensation, fair value measurements, defined benefit plan and contingencies. There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 27, 2014.

Recently Issued Accounting Pronouncements

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

Available Information

Our Internet address is <http://www.diodes.com>. We make available, free of charge through our Internet website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the “SEC”). Our website also provides access to investor financial information, including SEC filings and press releases, as well as stock quotes and information on corporate governance compliance.

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

Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We generally identify forward-looking statements by the use of terminology such as “may,” “will,” “could,” “should,” “potential,” “continue,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” or similar phrases or the negatives of such terms. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under “Risks Factors” and elsewhere in this Quarterly Report on Form 10-Q that could cause actual results to differ materially from those anticipated by our management. The Private Securities Litigation Reform Act of 1995 (the “Act”) provides certain “safe harbor” provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act.

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

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

Risk Factors

RISKS RELATED TO OUR BUSINESS

- *The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our revenues, results of operations and financial condition.*
- *During times of difficult market conditions, our fixed costs combined with lower revenues and lower profit margins may have a negative impact on our business, results of operations and financial condition.*
- *Downturns in the highly cyclical semiconductor industry and/or changes in end-market demand could adversely affect our results of operations and financial condition.*
- *The semiconductor business is highly competitive, and increased competition may harm our business, results of operations and financial condition.*
- *One of our largest external suppliers is also a related party. The loss of this supplier could harm our business, results of operations and financial condition.*
- *Delays in initiation of production at facilities due to implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies, results of operations and financial condition.*
- *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.*
- *Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales, which could adversely affect our revenues, results of operations and financial condition.*
- *Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our revenues, results of operations and financial condition.*
- *Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers’ demands and could adversely affect our results of operations and financial condition.*

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- *New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which would adversely affect our net sales, market share, results of operations and financial condition.*
- *We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, results of operations and financial condition.*
- *We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, results of operations and financial condition.*
- *We depend on third-party suppliers for timely deliveries of raw materials, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, results of operations and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.*
- *If we do not succeed in continuing to vertically integrate our business, we will not realize the cost and other efficiencies we anticipate, which could adversely affect our ability to compete, results of operations and financial condition.*
- *Part of our growth strategy involves identifying and acquiring companies with complementary product lines or customers. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, results of operations and financial condition.*
- *We are subject to litigation risks, including securities class action litigation, which may be costly to defend and the outcome of which is uncertain 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, results of operations and financial condition.*
- *Our products may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us, which may harm our business, reputation with our customers, results of operations and financial condition.*
- *We may fail to attract or retain the qualified technical, sales, marketing, finance and management personnel required to operate our business successfully, which could adversely affect our business, results of operations and financial condition.*
- *We may not be able to achieve future growth, and any such growth may place a strain on our management and on our systems and resources, which could adversely affect our business, results of operations and financial condition.*
- *Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, results of operations and financial condition.*
- *If OEMs do not design our products into their applications, our net sales may be adversely affected.*
- *We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, results of operations and financial condition.*
- *We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, results of operations, financial condition and our ability to meet our payment obligations under such debt.*
- *Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.*
- *Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our results of operations and financial condition.*

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- *We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies and/or legal entity structures, which could adversely affect our results of operations and financial condition.*
- *The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.*
- *Changes in the United Kingdom's equity or bond markets or in actuarial assumptions for our United Kingdom defined benefit pension plan could increase the volatility of the plan's assets and liabilities, and could require us to increase cash contributions to the plan, which could have a negative impact on our cash flows, results of operations 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 the cost of our business as well as have an adverse effect on our operating efficiencies, results of operations and financial condition.*
- *Compliance with government regulations and customer demands regarding the use of "conflict minerals" may result in increased costs and may have a negative impact on our business, results of operations and financial condition.*
- *There are risks associated with previous and future acquisitions. We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.*
- *If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.*
- *Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the United States or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our results of operations and financial condition.*
- *System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.*

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

- *Our international operations subject us to risks that could adversely affect our operations.*
- *We have significant operations and assets in China, the United Kingdom, Germany, Hong Kong and Taiwan and, as a result, will be subject to risks inherent in doing business in those jurisdictions, which may adversely affect our financial performance and results of operations.*
- *A slowdown in the Chinese economy could limit the growth in demand for electronic devices containing our products, which would have a material adverse effect on our business, results of operations and prospects.*
- *Economic regulation in China could materially and adversely affect our business, results of operations and prospects.*
- *We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the United Kingdom's Bribery Act 2010 and similar worldwide anti-bribery laws.*
- *We are subject to foreign currency risk as a result of our international operations.*
- *China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, results of operations and financial condition.*

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- *We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.*
- *The distribution of any earnings of our foreign subsidiaries to the United States may be subject to United States income taxes, thus reducing our net income.*

RISKS RELATED TO OUR COMMON STOCK

- *Variations in our quarterly operating results may cause our stock price to be volatile.*
- *We may enter into future acquisitions and take certain actions in connection with such acquisitions that could adversely affect the price of our Common Stock.*
- *Our directors, executive officers and significant stockholders hold a substantial portion of our Common Stock, which may lead to conflicts with other stockholders over corporate transactions and other corporate matters.*
- *We were formed in 1959, and our early corporate records are incomplete. As a result, we may have difficulty in assessing and defending against claims relating to rights to our Common Stock purporting to arise during periods for which our records are incomplete.*
- *Non-cash tender offers, debt equity swaps or equity exchanges to consummate our business activities are likely to have the effect of diluting the ownership interest of existing stockholders, including qualified stockholders who receive shares of our Common Stock in such business activities.*
- *Anti-takeover effects of certain provisions of Delaware law and our Certificate of Incorporation and Bylaws, may hinder a take-over attempt.*
- *Section 203 of Delaware General Corporation Law may deter a take-over attempt.*
- *Certificate of Incorporation and Bylaw provisions may deter a take-over attempt.*

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a multinational corporation, we are subject to certain market risks including foreign currency, interest rate, political instability, inflation and credit. We consider a variety of practices to manage these market risks. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 27, 2014.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Richard D. White, with the participation of the Company's management, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this report is:

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

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

Changes in Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to our Chief Executive Officer or our Chief Financial Officer, that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See Note H of the Notes to Consolidated Condensed Financial Statements for detailed information regarding the status of our lawsuits.

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

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

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 27, 2014, except for the following:

RISKS RELATED TO OUR BUSINESS

Changes in the United Kingdom's equity or bond markets or in actuarial assumptions for our United Kingdom defined benefit pension plan could increase the volatility of the plan's assets and liabilities, and could require us to increase cash contributions to the plan, which could have a negative impact on our cash flows, results of operations and financial condition.

Our defined benefit pension plan (the "plan"), in the United Kingdom, pays pensions to employees and former employees. The plan's assets consist primarily of high quality, corporate bonds and stocks traded on the London Stock Exchange and are determined from time to time based on their fair market value. The plan's obligation to pay pensions is estimated by using actuarial assumptions. To the extent that the plan's assets are not sufficient to meet the estimated amount of the plan's obligations, further funding of the plan will be required by the plan's sponsoring employers, Diodes Zetex Limited and Diodes Zetex Semiconductors Limited, over an agreed deficit recovery period.

As of March 31, 2014, the estimated obligation of the plan was approximately £90 million GBP (approximately \$150 million based on a USD:GBP exchange rate of 1.6:1) and the total assets in the plan were approximately £71 million GBP (approximately \$118 million based on a USD:GBP exchange rate of 1.6:1). Therefore, the plan was underfunded by approximately £19 million GBP (approximately \$32 million based on a USD:GBP exchange rate of 1.6:1). The difference between plan obligations and assets (the funded status of the plan), is a significant factor in determining the net periodic benefit costs of the plan and the ongoing funding requirements of the plan.

Any fluctuations in the United Kingdom's equity markets and bond markets or changes in several key actuarial assumptions, including, but not limited to, changes in the plan's discount rate applied to future benefit obligations to calculate their fair market value today or mortality rates, can (i) affect the level of plan funding; (ii) cause volatility in the net periodic pension cost; and (iii) increase our future funding requirements. In the event that the plan's experience differs from the actuarial assumptions used by the plan, or actuarial assumptions are changed, the funding status of the plan may change (i.e. the funded status of the plan could increase or decrease). Any decrease in the funding of the plan could result in increased contributions to the plan. A significant increase in contributions required could have a negative impact on our cash flows, results of operations and financial condition.

In 2012, we adopted a payment plan with the trustees of the defined benefit plan, in which we will pay approximately £2 million GBP (approximately \$3 million based on a USD:GBP exchange rate of 1.6:1) every year from 2012 through 2019. As part of the required pension review, which occurs every three years under the United Kingdom pension regulations, the Company is currently in discussions with the trustees regarding future contributions to the plan and expect to reach an agreement in the second half of 2014.

If we fail to reach an agreement with the trustees, the Pension Regulator in the United Kingdom could impose contributions on Diodes Zetex Limited or Diodes Zetex Semiconductors Limited, or in limited circumstances could require financial support to be provided to the plan from entities connected or associated with Diodes Zetex Limited or Diodes Zetex Semiconductors Limited, including other companies in the group. Furthermore, Diodes Zetex Limited and Diodes Semiconductors Limited remain ultimately liable to fully fund the plan regardless of any failure to agree upon future contributions in respect of a particular actuarial valuation, i.e., if either the plan or those companies were wound up, a debt equal to each company's share of the entire outstanding deficit at that time (calculated on a statutory conservative basis) would be owed by the relevant company. This could have a material adverse effect on our cash flows, results of operations and financial condition.

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

There have been no repurchases of our Common Stock during the first quarter of 2014.

Item 3. Defaults Upon Senior Securities

There are no matters to be reported under this heading.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There are no matters to be reported under this heading.

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Item 6. Exhibits

| <u>Number</u> | <u>Description</u> | <u>Form</u> | <u>Date of First Filing</u> | <u>Exhibit Number</u> | <u>Filed Herewith</u> |
|---------------|---|-------------|-----------------------------|-----------------------|-----------------------|
| 3.1 | Certificate of Incorporation, as amended | 10-Q | May 10, 2013 | 3.1 | |
| 3.2 | Amended By-laws of the Company as of May 21, 2012 | 8-K | May 24, 2012 | 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 | Equity Transfer Agreement, dated April 2014, between Chengdu Ya Guang Electronic Engineering Factory and Diodes (Shanghai) Investment Company Limited | | | | X |
| 10.2 | Equity Transfer Agreement Amendment, dated April 2014, between Chengdu Ya Guang Electronic Engineering Factory and Diodes (Shanghai) Investment Company Limited | | | | X |
| 10.3 | Fourth Supplemental Agreement to the Factory Building Lease Agreement, dated April 23, 2014, between Shanghai Kailong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd. | | | | X |
| 10.4 | Plating Processing Agreement, dated February 28, 2014, between Zetex (Chengdu) Electronic Company Limited and Diodes Technology (Chengdu) Company Limited | | | | X |
| 10.5 | Framework Agreement, dated 2014, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, the Company, HR Trustees Limited, and Trustees | | | | X |
| 10.6** | Stock Award Agreement, dated as of September 22, 2009, between the Company and Keh-Shew Lu | | | | X |
| 10.7*** | Form of Nonstatutory Stock Option Agreement for the Company's 2013 Equity Incentive Plan, as amended (Domestic Version) | 10-K | February 27, 2014 | 10.80 | |
| 10.8*** | Form of Nonstatutory Stock Option Agreement for the Company's 2013 Equity Incentive Plan (International Version) | 10-K | February 27, 2014 | 10.81 | |
| 10.9*** | Form of Restricted Stock Agreement for the Company's 2013 Equity Incentive Plan, as amended (Domestic Version) | 10-K | February 27, 2014 | 10.82 | |
| 10.10*** | Form of Restricted Stock Agreement for the Company's 2013 Equity Incentive Plan (International Version) | 10-K | February 27, 2014 | 10.83 | |
| 31.1 | Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.1* | Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.2* | Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101.INS | XBRL Instance Document | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema | | | | X |

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|---------|--|---|
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | X |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | X |

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

** *This exhibit was original filed in the Current Report on Form 8-K on September 28, 2009 with the confidential treatment granted on a portion of the exhibit. The confidential treatment order was expired on March 3, 2014, and the full version of the exhibit is filed herewith.*

*** *Denotes management contract or compensatory plan or arrangement.*

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

SIGNATURE

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

DIODES INCORPORATED (Registrant)

By: /s/ Richard D. White

RICHARD D. WHITE

Chief Financial Officer, Secretary, and Treasurer
(Principal Financial and Accounting Officer)

May 9, 2014

Equity Transfer Agreement

The Agreement is made and entered into by and between:

Transferor: Chengdu Ya Guang Electronic Engineering Factory (hereafter referred to as "Party A")

Domicile: 66 Donghong Road, Chenghua District, Chengdu City, Sichuan Province, People's Republic of China

Legal Representative: He Fang

Title: Legal Representative, General Manager

Nationality: People's Republic of China

and

Transferee: Diodes (Shanghai) Investment Company Limited (hereafter referred to as "Party B")

Domicile: Room 202 No 3 building, No 518 XinZhuang Road, Xinqiao town, Songjiang district Shanghai, People's Republic of China

Legal Representative: Shiao Kwang Edmund Tang

Title: Legal Representative

Nationality: United States of America

Whereas, Zetex (Chengdu) Electronics Co., Ltd. (hereafter referred to as "ZCEL") was jointly established by Party A and Chinatex Limited (legally changed its name on July 18, 2008 to Diodes Chinatex Limited) on April 28, 1995 in Chengdu City, Sichuan Province, with a registered capital of USD\$5,361,900 (in words: Five Million Three Hundred Sixty One Thousand and Nine Hundred U.S. dollars).

Whereas, Party A holds 67.36% of ZCEL's equity, and agrees to transfer 62.36% of ZCEL's equity in its possession to Party B, and Party B agrees to accept such equity.

Whereas, upon approval by the state-owned assets supervision and administration authority, Party A and Party B agree to transfer 62.36% of ZCEL's equity by agreement.

Therefore, in accordance with the *Company Law of the People's Republic of China*, *Contract Law of the People's Republic of China* and other related laws and regulations, Party A and Party B enter into an agreement on equity transfer through amicable negotiation, as follows:

I. Definitions

Unless otherwise stipulated herein, the following terms used herein shall have the meaning set forth below:

1. "Transfer" or "the Transfer" means the transfer of ZCEL's equity held by Party A between the parties.
2. "Transferred Equity" or "the Equity" means 62.36% of ZCEL's equity to be transferred by Party A to Party B in accordance with the Agreement.
3. "Evaluation Reference Date" means June 30, 2013.

II. Equity Transfer Price, Payment Terms and Method Thereof

1. The parties agree to take the evaluation report, Z.L.P.B.Z.[2013] No.616—Evaluation Conclusion with Assets-Based Approach issued by China United Assets Appraisal Co., Ltd., as the pricing basis for the Transferred Equity, and the transfer price hereunder is 25,757,900 yuan.
2. Party A holds 67.36% of ZCEL's equity. Party A hereby transfers 62.36% of ZCEL's equity in its possession as well as the corresponding shareholder's rights thereunder to Party B at a price of 25,757,900 yuan.
3. Party A shall be responsible for submitting an equity transfer application to Chenghua District Investment Promotion Bureau and related approval authorities, and handling all governmental examination, approval and registration procedures required for the Equity Transfer, including but not limited to the examination and approval or registration procedures of the state-owned assets supervision and administration authority, commerce authority, Industrial and Commercial Administrative Bureau, foreign exchange department, tax bureau. The parties shall provide the documents required for the aforesaid examination, approval and registration upon request.
4. Party B agrees to accept the Transferred Equity, and shall, as of the issuing date of the business license after the Equity Transfer of ZCEL, enjoy related shareholder's rights and undertake related obligations in accordance with the Transferred Equity.

-
5. Party B shall, within ten days after the transfer application is approved by the competent commercial department, and the change registration is completed at the Industrial and Commercial Administrative Bureau, pay Party A the transfer price of 25,757,900 yuan in full amount.

III. Treatment of Gains and Losses from the Reference Date to the Completion of Payment of Transfer Price

The parties agree, during the period from the Evaluation Reference Date for the Transfer, i.e. June 30, 2013 to the completion of payment of the transfer price, the gains and losses arising from the Equity shall be undertaken or shared by Party A and Party B according to their original proportion of equity possession.

IV. Taxes

1. The costs and taxes incurred from the Transfer shall be borne by the parties in accordance with related laws, regulations or normative documents.
2. Where the Agreement is terminated or the Transfer fails to pass the approval of the relevant commercial department and registration at the Industrial and Commercial Administrative Bureau, the parties shall undertake the costs and taxes incurred from the Transfer at their own costs.
3. Where the Agreement is terminated or the Transfer fails to pass the approval of the relevant commercial department and registration at the Industrial and Commercial Administrative Bureau due to breach by either party, all costs and taxes incurred

from the Transfer shall be undertaken by the breaching party. Where the Agreement is terminated or the Transfer fails to pass the approval of the relevant commercial department and registration at the Industrial and Commercial Administrative Bureau, due to the breach of both parties, costs and taxes incurred from the Transfer shall be undertaken by each party that has incurred such costs and taxes, and each party shall not owe or incur any liability with respect to the other party.

V. Party A's Representations, Warranties and Undertakings

1. As of the date of signature of the Agreement, Party A is a limited company duly incorporated and validly existing in accordance with laws, regulations and normative documents, and legally has the right to sign and perform the Agreement and undertake the obligations and responsibilities hereunder.
2. The information, materials, related data or major statements provided or disclosed by Party A to Party B for signing and performing the Agreement are authentic, accurate and complete in all substantial aspects and are free of false statements, major omissions or other situations that may intentionally mislead Party B to make wrong judgments.
3. Party A has obtained all necessary authorizations, permits and approvals for signing and performing the Agreement.
4. Party A's signing and performance of the Agreement will not violate any contract binding upon Party A or other legal documents.

-
5. As of the signing date of the Agreement, Party A is free of any dispute, lawsuit, arbitration or other matters that may constitute a significant impact upon or obstacle to the Transfer.
 6. Party A undertakes that the transfer subject matter is authentic, complete and legal and is free of ownership, joint ownership or mortgage of any third party, and that, during the period from the signature of the Agreement to the full performance or termination of the Agreement, it will keep such transfer subject matter complete and will neither set any guarantee and other defects of right on it, nor commit any act that may damage the value, rights and interests of said transfer subject matter.
 7. Upon signature of the Agreement by the parties, Party A shall be responsible for handling all necessary procedures and expenses to obtain any governmental approvals and permits required for the Equity Transfer, and completing the change registration procedures at the Industrial and Commercial Administrative Bureau, foreign exchange department and tax bureau upon the Equity Transfer of ZCEL.

VI. Party B's Representations, Warranties and Undertakings

1. As of the signature date of the Agreement, Party B legally has full civil capacity to sign and perform the Agreement and undertake related obligations and responsibilities.
2. Party B's signing and performance of the Agreement will not violate any contract binding upon Party B or other legal documents.

-
3. As of the signature date of the Agreement, Party B is free of any dispute, lawsuit, arbitration or other matters that may constitute a significant impact upon or obstacle to the Transfer.

VII. Force Majeure

Either party's failure to perform, in full or in part, its obligations hereunder due to force majeure, shall not be deemed as a breach of the Agreement. Nevertheless, said party shall take all reasonable and feasible compensation measures to minimize the loss caused by the force majeure.

VIII. Modification and Termination

1. The parties may modify the Agreement or sign a supplementary agreement by consensus, provided that the modified Agreement or supplementary agreement has been effectively approved by the parties' internal competent departments.
2. Prior to the payment of the transfer price, the Agreement may be terminated in any of the following cases:
 - (1) The parties agree to terminate the agreement in writing prior to the payment of the transfer price;
 - (2) Either party seriously violates its obligations, representations, warranties and undertakings hereunder, and the counterparty gives a written notice to terminate the Agreement; or
 - (3) Other matters specified by laws, regulations and normative documents that result in the termination of the Agreement occur.

IX. Liability for Breach

1. The parties shall actively implement the Agreement once it comes into force. Either party that fails to fully implement its obligations hereunder shall undertake liability for the breach in accordance with the law and this Agreement.
2. If Party B fails to timely pay the full purchase price by the payment date, Party B shall be liable to Party A for a penalty of one ten-thousandth (1/10,000th) of the total outstanding unpaid balance for each day the payment is delayed. If Party A suffers an actual loss that is greater than the penalty payment Party A collected from Party B, then Party B shall be liable to reimburse Party A for any unreimbursed amount.
3. If Party B is unable to timely record the share transfer due to reasons caused by Party A, or is substantially affected so that Party B is unable to accomplish the purpose of this Agreement, then Party A is liable to Party B for a penalty of one ten-thousandth (1/10,000th) of the total payment already made by Party B. If Party B suffers an actual loss that is greater than the penalty payment Party B collected from Party A, then Party A shall be liable to reimburse Party B for any unreimbursed amount.

X. Settlement of Disputes

All disputes arising from the performance of or in connection with the Agreement shall be first settled by the parties through amicable negotiation. If no agreement is reached through negotiation, either party may file a lawsuit to the court with jurisdiction in the place where ZCEL is located.

XI. General Provisions

1. The Agreement shall be binding by the parties as of the date when it takes effect. Without the written consent of the parties, the rights and obligations hereunder shall not be changed.
2. The nullification or invalidation of part of the provisions or contents hereof shall not prejudice the effectiveness of the remaining provisions.
3. The headings used herein are for convenient reference only, which shall have no effect in interpreting the Agreement.
4. The Agreement shall take effect upon being signed and affixed with the official seal by the parties' legal representatives or authorized representatives.
5. The Agreement shall be made in quintuplicate, with one respectively held by Party A, Party B and ZCEL, and two for handling the approval of the relevant commercial department and registration at the Industrial and Commercial Administrative Bureau.
6. This Agreement is written in Chinese and English, but only the Chinese version of the Agreement is valid and legally enforceable except as otherwise prohibited under the law.

Chengdu Ya Guang Electronic
Engineering Factory
(seal):
[Corporate Seal]

Representative (signature):
/s/ [Authorized Signatory]

Date:

At (place)

Diodes (Shanghai) Investment
Company Limited
(seal):
[Corporate Seal]

Representative (signature):
/s/ [Authorized Signatory]

Date:

At (place)

Equity Transfer Agreement Amendment

The Amendment is made and entered into by and between:

Transferor: Chengdu Ya Guang Electronic Engineering Factory (hereafter referred to as "Party A")

Domicile: 66 Donghong Road, Chenghua District, Chengdu City, Sichuan Province, People's Republic of China

Legal Representative: He Fang

Title: Legal Representative, General Manager

Nationality: People's Republic of China

and

Transferee: Diodes (Shanghai) Investment Company Limited (hereafter referred to as "Party B")

Domicile: Room 202 No 3 building, No 518 XinZhuang Road, Xinqiao town, Songjiang district Shanghai, People's Republic of China

Legal Representative: Shiao Kwang Edmund Tang

Title: Legal Representative

Nationality: United States of America

The Article 9 of the Equity Transfer Agreement (the "Agreement") specifies the parties' obligations on contract breach, which is the standard content of the Agreement and cannot be changed. Now upon negotiation, both parties agree to the following supplemental agreement:

The terms and conditions of the Agreement shall be completed within one (1) month upon the Agreement becomes effective without executing the terms and conditions of the Article 9 of the Agreement. If exceeds one (1) months, both parties shall negotiate to come to a resolution.

Chengdu Ya Guang Electronic
Engineering Factory
(seal):

[Corporate Seal]

Representative (signature):
/s/ [Authorized Signatory]

Date:

At (place)

Diodes (Shanghai) Investment
Company Limited
(seal):

[Corporate Seal]

Representative (signature):
/s/ [Authorized Signatory]

Date:

At (place)

**Fourth Supplemental Agreement to the
Factory Building Lease Agreement**

This Fourth Supplemental Agreement to the Factory Building Lease Agreement (the "Fourth Supplemental Agreement") is entered into as of April 23, 2014 ("Effective Date") in the city of Shanghai, by and between SHANGHAI KAI HONG TECHNOLOGY CO., LTD. (hereinafter referred to as "DSH") with its registered office at No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China and SHANGHAI YUAN HAO ELECTRONIC CO., LTD. (hereinafter referred to as "Yuan Hao") with its registered office at No.8 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China. DSH and Yuan Hao are collectively referred to as the "Parties" and individually as a "Party".

RECITALS

WHEREAS, both Parties signed a Factory Building Lease Agreement on March 1, 2008 to temporary lease a factory building from Yuan Hao to temporary support and expand DSH's manufacturing operations until the completion of the DSH #2 Building;

WHEREAS, both Parties further signed a Supplemental Agreement to the Factory Building Lease Agreement on September 1, 2008 to have Yuan Hao temporary provide additional electricity to DSH;

WHEREAS, both Parties further signed a Second Supplemental Agreement to the Factory Building Lease Agreement on August 19, 2009 to have Yuan Hao continue to provide additional electricity to DSH for another two years;

WHEREAS, both Parties further signed a Third Supplemental Agreement to the Factory Building Lease Agreement on May 16, 2011 to have Yuan Hao continue to provide additional electricity to DSH for another two years;

WHEREAS, DSH continues to require Yuan Hao to provide additional electricity for DSH's DSH #1 Building and DSH #2 Building, and DSH cannot stop its planned manufacturing operations within DSH #1 Building and DSH #2 Building;

WHEREAS, both Parties, based on relevant laws of the People's Republic of China and the city of Shanghai, now desire to enter into this Fourth Supplemental Agreement with detail terms and conditions to continue to have Yuan Hao provide additional electricity for DSH's planned manufacturing operations within DSH #1 Building and DSH #2 Building (as defined in the Factory Building Lease Agreement); and

NOW THEREFORE, in consideration of the premises and of the mutual covenants contained in this Fourth Supplemental Agreement, the Parties agree as follows:

1. Yuan Hao promises to continue to lease a 500 KVA power transformer (the "Power Transformer") to DSH to support DSH's manufacturing operations that are being carried out within DSH #1 Building and DSH #2 Building.
2. Both Parties agree that the lease period for the Power Transformer for the supply of power is two (2) year and shall begin retroactively on May 16, 2013 until May 15, 2015 (the "Lease Period").
3. Both Parties agree that the total cost for the Lease Period of the Power Transformer for the supply of electricity shall be Renminbi ("RMB") 310,905.00, which included the five percent (5%) transaction tax (the "Total Lease Cost"). The Total Lease Cost already included the management fee for the Power Transformer and other related fees and expenses.
4. DSH shall pay the Total Lease Cost for the Lease Period of the Power Transformer in RMB to a RMB bank account as designated by Yuan Hao on a date designated by Yuan Hao.
5. If either Party terminates this Fourth Supplemental Agreement prior to the expiration date of the Lease Period, the Party that terminates this Fourth Supplemental Agreement shall pay damages to the other Party to compensate for such Party's actual financial losses. The amount of damages shall include, but not be limited to, the reasonable profits, out-of-pocket costs, legal service fees, Court fees, arbitration fees, accounting fees and removal or relocation fees.
6. Yuan Hao hereby warrants that if for some special reason that Yuan Hao cannot continue to fulfill its obligations under this Fourth Supplemental Agreement and causes financial losses to DSH, Yuan Hao shall compensate DSH for DSH's financial losses. In case Yuan Hao mortgages the Power Transformer or related equipments leased to DSH to a third party and the mortgage transaction causes financial losses to DSH, Yuan Hao shall compensate DSH for DSH's financial losses.

7. This Fourth Supplemental Agreement shall become effective after the legal representatives or authorized representatives of both Parties affix their signatures and company seals on this Fourth Supplemental Agreement.

8. The Fourth Supplemental Agreement is made and executed in Chinese and English, both versions having equal validity except as prohibited by law.

9. In the event of any dispute, difference, controversy or claim arising out of or related to this Fourth Supplemental Agreement, including, but not limited to, any breach, termination or validity of this Fourth Supplemental Agreement (the "Dispute"), both Parties shall resolve the Dispute based on Article 15 of the Factory Building Lease Agreement. The provisions of this Article 9 shall be separable from the other terms of the Fourth Supplemental Agreement. Neither the terminated nor the invalidity of the Fourth Supplemental Agreement shall affect the validity of the provisions of this Article 9.

10. The validity, interpretation and implementation of this Fourth Supplemental Agreement and the settlement of Disputes shall be governed by relevant laws of the People's Republic of China and regulations that are officially promulgated and publicly available.

11. Any amendment to this Fourth Supplemental Agreement shall be in writing and duly signed by both Parties. Such amendment shall constitute a part of this entire Fourth Supplemental Agreement. This Fourth Supplemental Agreement and any amendment to this Fourth Supplemental Agreement shall constitute a part of the Factory Building Lease Agreement. Both Parties acknowledge that they are aware of their respective rights, obligations and liabilities and will perform their obligations under this Fourth Supplemental Agreement in accordance with the provisions of this Fourth Supplemental Agreement. If any Article or provision of this Fourth Supplement Agreement is in conflict with any Article or provision of the Factory Building Lease Agreement, the Article or provision of the Factory Building Lease Agreement shall trump and replace any conflicting Article or provision in this Fourth Supplemental Agreement.

12. Any notice or written communication required or permitted by this Fourth Supplemental Agreement shall be made in writing in Chinese and English and sent by courier service. The date of receipt of a notice or communication shall be deemed to be seven (7) days after the letter is deposited with the courier service provided the deposit is evidenced by a confirmation receipt. All notice and communications shall be sent to the appropriate address set forth below, until the same is changed by notice given in writing to the other Party.

To: DSH

Address: No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

Attn.: Shanghai Kai Hong Technology Co., Ltd.

To: Yuan Hao

Address: No.8 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

Attn.: Shanghai Yuan Hao Electronic Co., Ltd.

13. This Fourth Supplemental Agreement comprises the entire understanding between the Parties with respect to its subject matters and supersedes any previous or contemporaneous communications, representations, or agreements, whether oral or written. For purposes of construction, this Fourth Supplemental Agreement will be deemed to have been drafted by both Parties. No modification of this Fourth Supplemental Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party.

Shanghai Kai Hong Technology Co., Ltd.

Shanghai Yuan Hao Electronic Co., Ltd.

By /s/ [Authorized Signatory]

Authorized Representative

Date:

By /s/ [Authorized Signatory]

Authorized Representative

Date:

PLATING PROCESSING AGREEMENT

This PLATING PROCESSING AGREEMENT (this "Agreement") is made as of February 28, 2014 (the "Effective Date"), by and between Zetex (Chengdu) Electronic Company Limited (Party A- the licensed subcontractor), with its registered address at No. 66 East Rainbow Road, Chenghua District, Chengdu, Sichuan Province, China and Diodes Technology (Chengdu) Company Limited (Party B- the customer), with its registered address at No. 1 Standard Workshop, No. 8 Kexin Road, Chengdu Hi-Tech Zone (West Park), Chengdu, Sichuan Province, China 611731. Party A and Party B are collectively refer to as "Parties" or individually refer to as "Party" hereinafter.

Recital

WHEREAS, Party A has already obtained the appropriate plating equipment with technology and required quality to meet Party B's demand and to conduct plating for Party B's products;

WHEREAS, Party B wishes to contract with Party A to utilize Party A's licensed capacity and equipment for electric plating processing;

WHEREAS, Party A hereby agree to continue to cooperate with Party B for the electric plating of surface mount device products and other semiconductor products, and both Parties agree to enhance the cooperation, make full use of resources, and improve the efficiency; and

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement, the receipt and sufficiency of which is hereby mutual acknowledged, both Parties hereby unanimously agree to the following, in which after the Effective Date of this Agreement, this Agreement shall supercede any other previous agreements between both Parties:

1. Party A (Subcontractor) to Party B's Obligations and Responsibilities

1.1 Party A shall provide the following as cooperation pre-conditions:

- (1) Party A shall provide the necessary workshop and office (including associated supporting area) within Party A;
- (2) Party A shall provide all the necessary electric plating technology and equipments for the plating process;
- (3) Party A shall provide all necessary labor and material for the plating process;
- (4) Party A shall, provide all the necessary public utilities, including water, electricity supply and relevant facilities, for plating of the products;
- (5) Party A shall provide qualified employees to insure the technical standards provided by Party B are met;
- (6) Party A shall be responsible for the compliance of the technology, labor, waste treatment and environment protection requirements in connection with plating of the Products;
- (7) Party A shall be responsible for the compliance of the processing procedure stipulated by Party B and without Party B's previous written notice, Party A shall not make any change to such processing procedure during the term of this Agreement;

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- (8) In the event that additional equipment for increased production is needed, Party A shall provide necessary premises and employees in response to that addition (and any fees incurred shall be paid by Party B).
 - (9) Party A is responsible for all aspects of managing its plant facility and operations, including supervision of employees, managing the equipment operations and performance, facility and equipment maintenance, proper waste treatment, and respective implementation of recommendations resulting from technical audits by Party B or any other audit requiring quality improvements.

1.2 Party B (Customer) to Party A's Obligations and Responsibilities

- (1) Party B shall be responsible for providing technology specifications to assure quality;
- (2) Party B shall be responsible for quality examination and technical audit of plating processes;
- (3) Party B shall pay the processing fees according to the provisions in the Appendix 1, attached hereto and made a part of this Agreement. However, either Party shall have the right to require in written form for adjustment of the processing fee in the event that significant changes occur in the market situation, processing procedure and raw material costs. After both Parties' negotiation and agreement upon such adjustment and according to the subsequent written amendment executed by both Parties, the processing fee can be increased or decreased as the case may be.

2. Agreement Term

The duration of this Agreement commences on January 1, 2014 and terminates on December 31, 2014. In the event that either party intends to terminate this Agreement, such Party should notify the other Party in writing two (2) months prior to the termination date of this Agreement; otherwise, this Agreement shall automatically extend for one (1) year each time upon the termination date of this Agreement. If either party intends to give early termination of this Agreement, both Parties should negotiate and then sign an early termination agreement.

3. Payment

For the plating under this Agreement, Party B shall make the payment to Party A. And the calculation of the payment shall be based on the aggregate volume of qualified plated products provided by Party A to determine the unit price in accordance with the way set forth in the Appendix 1.

3.1 The payment shall be made according to the way as set forth below:

Party A shall deliver respectively to Party B within three (3) working days after the end of each calendar month a written report setting forth in reasonable detail, the calculation of the monthly qualified volume of the plated Products for such calendar month, after the confirmation in three (3) working days of Party B, the aggregate monthly qualified volume confirmed shall be used as the basis to determine the unit price for calculation of the payment. The Parties agree that the monthly payment shall be made within thirty (30) days as of date on which Party B receives Party A's invoice. All payments due hereunder shall be made in United States Dollar ("USD") for plating processing fee, and shall be made through Telegraphic Transfer (T/T). In the event that any payments that are not paid without reasonable cause on the day such payments are due under this Agreement, Party B shall be responsible for the interest as a result of the late payment fee, calculated, if late for less than three months, in accordance with the current lending rate of the Bank of China during the same period, and if late for more than three months, in accordance with the fixed lending rate of the Bank of China during the same period.

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- 3.2 Both Parties agree that the unit price listed in the Appendix 1, attached hereto and made a part of this Agreement, shall be reviewed and negotiated by both Parties once every year during the term of this Agreement. In the event both Parties cannot reach a new unit price for the subsequent year, the unit price which is in effect in the current year shall still be applicable in the subsequent year.

4. Daily Management and Quality Control

Party A shall be responsible for the overall management of the operations under this Agreement. The quality control of the plating shall follow the rules and standards as set forth by Party B. Party A shall not change the rules and standards of the quality control without Party B's prior written consent.

5. Party A's Representation and Warranty

- 5.1 Party A has lawful and full rights and authority to provide all of the conditions (workshop, plating license, equipments, employees and necessary utilities) under this Agreement.
- 5.2 The aforementioned rights and authority of Party A to all the agreement conditions are, at present, free and clear of any mortgages, liens, security interests, or other encumbrances that would nullify this Agreement.
- 5.3 There shall be no order or decision by a judicial or administrative body to seal up or to limit the rights to Party A's agreement terms and conditions in any way.
- 5.4 All operational conditions are in accordance with the safety standard set by the government.
- 5.5 The execution of this Agreement will not (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Party A is subject or any provision of the articles of association of Party A, or (ii) conflict with, result in a breach of; constitute a default under, result in the acceleration of, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material agreement, contract, lease, license, permit, authorization, approval, consent, instrument, or other arrangement to which Party A is a party or by which it is bound or to which any of its conditions under this Agreement are subject.
- 5.6 Party A has full right and authority to operate all of its equipments and facilities and processing conditions and to carry on its business as its presently being conducted and has all necessary government approval to carry on its business. There is no order, action, investigation or proceeding pending against Party A that may reasonably be expected to adversely affect such licenses, permits, authorizations, approvals and consents, and Party A has not received notice of any such investigation or pending proceeding.
- 5.7 Party A has duly complied in all material respects with, and all of its facilities, business assets, property, leaseholds and equipment used in the conduct of its business are in compliance with, the provisions of all applicable environmental laws and all rules and regulations thereunder, as well as all similar local laws, rules and regulations. Party A has all of the required environmental permits and is not in default thereunder and there have been no outstanding citations, notices or orders of noncompliance issued to Party A relating to its business under any such laws, rules or regulations.
- 5.8 Party A has not received any notice of expropriation of all or any of its operating conditions. And Party A is not aware of any expropriation proceedings pending or threatening against or affecting any of Party A's conditions and terms of this Agreement.

6. Responsibility of Party A

- 6.1 Party A shall provide all the workshops, equipments and its accessory facilities in reasonably good condition and with all systems in good working order. In the event that an overhaul to the workshops, equipments and the related accessory facilities by Party A is necessary to keep a proper working condition, Party A shall inform Party B of the overhaul plan in reasonable detail forty-five (45) days prior to the proposed overhaul to allow Party B to make necessary arrangement and to provide Party B necessary assistance if requested.
- 6.2 Party A shall maintain necessary electric plating capacity for the performance of this Agreement during the term of this Agreement and shall provide copies of relevant government or government agency permits and other related documents to Party B for Party B's record retention. Unless otherwise agreed by Party B's previous written consent, Party A shall not use the plating specifications, know-how or other similar technical and/or trade secrets provided by Party B during the term of this Agreement for the purposes that may be beyond the purposes of this Agreement.
- 6.3 Party A shall be responsible for real estate taxes and insurance associated with the buildings.
- 6.4 Party A shall be solely responsible to deal with waste materials and other environmental issues at its own sole expense, in accordance with all applicable laws and regulations. However, during the term of this Agreement, should the environmental expenses substantially increase due to the compliance with new People's Republic of China laws governing waste management and regulations or the special requirement by Party B, both Parties shall negotiate in good faith for adjustment of the unit price of the plated products for the increased expenses subject to Section 3.2.
- 6.5 Party A shall be responsible for providing repairs and maintenance at its expense for all equipments and facilities under normal usage.
- 6.6 Party A shall follow the ISO-9000 requirements for Party A's quality control system. And Party A further agrees that in the event there exists higher technical requirements than the aforesaid ISO-9000, Party A will make all efforts required to follow the higher requirements.
- 6.7 Party A shall compensate Party B for damages suffered due to unqualified and defective products as a result of the mistakes or mis-operation by Party A's staff during the process of production.
- 6.8 Party A hereby promises that if during the term of this Agreement there is any transfer of any kinds in all or partial shares or assets of Party A, this Agreement shall be binding to the assignee and the assignee shall continue to perform this Agreement.
- 6.9 Party A should provide Party B a copy of the approval documents for the plating environmental report obtained by Party A.

7. Responsibility of Party B

- 7.1 Party B shall make the payment set forth in Section 3 of this Agreement.
- 7.2 Party B should promise to provide products that require plating process of not less than 10kk per month; otherwise, Party B should pay RMB 5,000 per month as the minimum maintenance fee for the plating line and plating line employees.
- 7.3 Regarding processing wastes and all other environmental problems, the fee shall be split between Party A and Party B in proportion with the manufacturing quantity.

8. Termination and Cancellation

- 8.1 In accordance with Section 2 of this Agreement, Party B shall inform Party A of the intention to terminate this Agreement two (2) months before the expiration of this Agreement.
- 8.2 In the event that one Party wants to terminate this Agreement during the term for special reasons, the terminating party shall notify the other Party by written notice two (2) months before the proposed termination date. Unless based on both Parties' mutual written agreement or because of an event of Force Majeure, any sooner termination by any Party shall constitute a breach of this Agreement.

9. Breach of Agreement and Compensation

- 9.1 Party A agree to indemnify Party B all its losses, including but without limitation, any and all reasonable profits, out-of-pocket costs, legal fees, accounting fees and removal or relocation fees, totaling not exceed two (2) times of the plating fees already received, in relation to, arising from or in connection with the following matters:
- (a) breach of representations or warranties of such Party A as contained in this Agreement; and
 - (b) any failure by such Party A to comply with any of its obligations herein.
- 9.2 Should Party B breach this Agreement during the term of this Agreement, Party B shall compensate Party A's losses, and the compensation by Party B shall not exceed two (2) times of the plating fees it already received.
- 9.3 The provisions of Section 9 herein are valid only between both Parties.
- 9.4 If Party A due to Party A's shareholders' unanimous agreement to cease Party A's business or operation and caused Party A to breach any of its obligations under this Agreement, Party A may avoid bear the burden of compensating for any Party B's loss.

10. Force Majeure

Neither party shall be liable for any failure of performance of this Agreement caused by Force Majeure. Each Party shall bear the respective economic losses caused by the Force Majeure during this Agreement. Party A, except for a re-construction of the premises, shall repair the damaged part of the premises and facilities to a usable condition, to Party B's satisfaction within thirty (30) days after the event of Force Majeure (except factory and reset the equipment); otherwise, Party B may suspend the performance of this Agreement or terminate this Agreement.

Both Parties hereby acknowledge and agree that any expropriation by any government authority of the cooperation condition shall not be regarded as a Force Majeure event under this Agreement.

11. Disputes and Arbitration

In the event that any disputes arise concerning the performance of this Agreement, both Parties may settle the disputes through friendly negotiation. Should no settlement be reached within thirty (30) days from the commencing date of such friendly negotiation, the dispute shall be submitted to the branch office of the China Council for the Promotion of International Trade ("Arbitration Association") in the jurisdiction of

Party B's offices to be settled by arbitration through such Arbitration Association's rules. The decision of the Arbitration Association shall be final and be binding on both Parties. Except as otherwise determined by the Arbitration Association, the losing Party shall bear the arbitration fee. Arbitration Association shall appoint no more than three (3) arbitrators, including at least one (1) foreign arbitrator, and the arbitration shall proceed in both Chinese and English languages.

12. Anti-Bribery Laws

- 12.1. Party A acknowledges that Party B is a corporation with substantial presence and affiliation in the United States and, as such, is subject to the provisions of the Foreign Corrupt Practices Act of 1977 of the United States of America, 15 U.S.C. §§ 78dd-1, et seq., which prohibits the making of corrupt payments (the "FCPA"). Under the FCPA, it is unlawful to pay or to offer to pay anything of value to foreign government officials, or employees, or political parties or candidates, or to persons or entities who will offer or give such payments to any of the foregoing in order to obtain or retain business or to secure an improper commercial advantage.
- 12.2. Party A further acknowledges that it is familiar with the provisions of the FCPA and hereby agrees that Party A shall take or permit no action which will either constitute a violation under, or cause Party B to be in violation of, the provisions of the FCPA.
- 12.3. Chinese Anti-Bribery Laws. Party A acknowledges and agrees that the Party B operates and interacts with Party A mostly in the People's Republic of China; and therefore, both parties are subject to the Chinese anti-bribery laws of the Chinese Criminal Code and related regulations under the Chinese government. Under the Chinese anti-bribery laws, it is unlawful to offer valuable property to any state or government personnel in return for securing certain improper benefits for the offering party. Party A further acknowledges that Party A is familiar with the provisions of the Chinese anti-bribery laws of the Chinese Criminal Code and related regulations and hereby agrees that Party A shall not take or permit no action which will either constitute a violation under, or cause Party B to be in violation of, the provisions of the Chinese anti-bribery laws of the Chinese Criminal Code and related regulations.

13. Miscellaneous

- 13.1. This Agreement comes into effect upon being jointly signed by both Parties. This Agreement shall not be modified, amended, canceled or altered in any way, except by an instrument in writing signed by both Parties.
- 13.2. In connection with matters that are not set forth in this Agreement, both Parties may reach a supplementary agreement through friendly negotiation, in accordance with the relevant regulations the People's Republic of China.
- 13.3. Severability. Should any term, clause or provision of this Agreement be judged to be invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other term, clause or provision, and such invalid term, clause or provision shall be deemed to have been deleted from this Agreement.
- 13.4. Governing Law. This Agreement is governed by, and shall be construed and interpreted in accordance with, the law of the People's Republic of China.
- 13.5. Integrity. This Agreement and all of the attachments, amendments, and modifications hereunder constitutes the complete and only contract among both Parties on the subject matter of this Agreement. This Agreement and all of the attachments, amendments, and modifications replace all previous oral or written agreements, contracts, understandings, and communications of both Parties in respect to the subject matter of this Agreement and all of the attachments, amendments, and modifications.

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- 13.6 No Partnership or Agency. No party shall have the right, power or authority to create or assume any obligation or duty, expressly or implied, on behalf of any other parties.
- 13.7 This Agreement is written in Chinese and in English and has two originals for each language. Each Party shall keep one Chinese version and one English version and both languages are equally authentic.
- 13.8 Except as required and requested from court orders, laws and regulations of the United States of America, People's Republic of China and other relevant countries to disclose this Agreement, both Parties shall make the contents of this Agreement completely confidential.
- 13.9 This Agreement comprises the entire understanding between the Parties with respect to its subject matters and supersedes any previous or contemporaneous communications, representations, or agreements, whether oral or written. For purposes of construction, this Agreement will be deemed to have been drafted by both Parties. No modification of this Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party.

**Party A: Zetex (Chengdu) Electronic
Company Limited**

**Party B: Diodes Technology (Chengdu)
Company Limited**

Signature: /s/ [Authorized Signatory] _____

Signature: /s/ [Authorized Signatory] _____

Date: _____

Date: _____

APPENDIX 1

Both Parties agreed that the plating process unit price for Party B's products is as follows:

1. Pricing for Various Types of Plating Process:

| Description | USDS/K | RMB/K |
|-----------------|--------|--------|
| SOT-23 | 0.4416 | 2.6939 |
| SSOT23 (CD 工艺) | 0.4510 | 2.7512 |
| SOD-323 | 0.3610 | 2.2021 |
| SOT-323 | 0.4229 | 2.5797 |
| SOT-363 | 0.4226 | 2.5779 |
| TSOT23-6 SOT-26 | 0.4623 | 2.8200 |
| MSOP-8 | 0.5764 | 3.5160 |
| TSOT23-5 SOT-25 | 0.4267 | 2.6029 |
| SOP-8L | 0.8431 | 5.1427 |
| SOIC8 | 0.8431 | 5.1429 |
| SOT-223 | 1.2482 | 7.6140 |

Note:

- a. Above pricing report shall be based on the actual production as the standard. The currency exchange rate shall be 6.1 as the averaged rate. If the currency exchange rate varies by plus or minus two percent (2%), then both Parties shall proceed with negotiation for adjustment accordingly.
 - b. Products shipment flow from CAT to ZCEL, it shall be DDP as the shipping business term.
 - c. Products shipment flow from ZCEL to CAT, it shall be EXW as the shipping business term.
2. This Appendix 1's effective period is from January 1, 2014 to December 31, 2014.
 3. This Appendix 1 comprises the entire understanding between the Parties with respect to its subject matters and supersedes any previous or contemporaneous communications, representations, or agreements, whether oral or written. No modification of or negotiation to revise this Appendix 1 will be binding on either Party unless in writing and signed by a legal representative or an authorized representative of each Party.

**Party A: Zetex (Chengdu) Electronic
Company Limited**

**Party B: Diodes Technology (Chengdu)
Company Limited**

Signature: /s/ [Authorized Signatory] _____

Signature: /s/ [Authorized Signatory] _____

Date: _____

Date: _____

FRAMEWORK AGREEMENT

DATED 2014

BETWEEN

**DIODES ZETEX LIMITED
AND
DIODES ZETEX SEMICONDUCTORS LIMITED
AND
DIODES INCORPORATED**

and

HR TRUSTEES LIMITED AND OTHERS

relating to the

DIODES ZETEX PENSION SCHEME

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THIS DEED is dated 2014

BETWEEN:

- (1) **IAN J E SMITH** of 27 Selsey Avenue, Sale, Cheshire M33 4RN, **JAMES BROOKS** of 41 Springside Road, Walmersley, Bury BL9 5JB and **HR TRUSTEES LIMITED** (No. 745598) whose registered office is at 42-62 Greyfriars Road, Reading RG1 1NN as trustees of the Diodes Zetex Pension Scheme (the Trustees);
- (2) **DIODES INCORPORATED** of 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024 USA (**Diodes Incorporated**);
- (3) **DIODES ZETEX LIMITED** of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 01378777) (**Diodes Zetex Limited**); and
- (4) **DIODES ZETEX SEMICONDUCTORS LIMITED** of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 02387949) (**Diodes Zetex Semiconductors Limited**).

collectively, the **Parties**.

BACKGROUND

- (A) The Trustees are the trustees of the Scheme.
- (B) On 26 March 2012 the Parties entered into a framework agreement setting out a minimum net asset holding in aggregate for Diodes Zetex Limited and Diodes Zetex Semiconductors Limited.
- (C) Diodes Zetex Semiconductors Limited, Diodes Zetex Limited and Diodes Incorporated wish to agree that a new minimum amount of net assets will be held by Diodes Zetex Semiconductors Limited and Diodes Zetex Limited in aggregate.

1. DEFINITIONS

THIS DEED WITNESSES as follows:

Business Day means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

Companies means Diodes Zetex Semiconductors Limited and Diodes Zetex Limited.

Current Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2010.

Current Schedule of Contributions means the schedule of contributions prepared in accordance with Part 3 of the Pensions Act 2004 in respect of the Current Actuarial Valuation.

Date of the Assessment means the last working day of each month or such other date that the internal monthly management accounts are prepared by the Companies.

Minimum Level of Assets means £48,000,000.00 Net Assets.

Net Assets means the aggregated net assets of the Companies assessed in accordance with clause 3.

New Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2013.

Scheme means the Diodes Zetex Pension Scheme which is governed by a Definitive Trust Deed and Rules dated 7 January 2009.

2. MINIMUM LEVEL OF NET ASSETS

With effect from the date of this Deed Diodes Incorporated shall procure that the Companies will have Net Assets of no less than the Minimum Level of Assets until the earlier of:

- (a) the final payment has been made under the Current Schedule of Contributions; or
- (b) the date on which a new schedule of contributions has been prepared and agreed in accordance with Part 3 of the Pensions Act 2004 relating to the New Actuarial Valuation.

3. ASSESSMENT OF THE NET ASSETS

3.1 The Net Assets of the Companies shall be the figure shown as the net assets on the Date of the Assessment in the internal management accounts of each Company described in sub-clauses 3.2 (a) to (c).

3.2 Diodes Incorporated shall procure that each Company delivers to the Trustees:

- (a) within 14 Business Days of the Date of the Assessment, each Company's latest internal monthly management accounts;
- (b) as soon as reasonably practicable after their preparation, the latest quarterly management accounts for each Company, which shall have been reviewed (but not fully audited) by each Company's auditor; and
- (c) as soon as reasonably practicable after their preparation, the latest annual management accounts which shall have been audited by each Company's auditor.

3.3 The internal management accounts described in sub-clauses 3.2 (a) to (c) shall be delivered to:

Address: Barnett Waddingham
Port of Liverpool Building
Pier Head
Liverpool
L3 1BW
E-mail: zetex@barnett-waddingham.co.uk
Attention: Adam Walker

3.4 Diodes Incorporated shall procure that the Companies inform the Trustees of their respective part of the total amount of Net Assets within 14 Business Days of the Date of the Assessment or in the case of the quarterly and annual accounts delivered under sub-clauses 3.2(b) and (c) at the same time as the accounts are delivered.

3.5 Diodes Incorporated shall procure that the internal management accounts of each Company described in sub-clauses 3.2 (a) to (c) are prepared in accordance with standard accounting practices.

4. GRACE PERIOD AND UNDERTAKING TO PAY

- 4.1 If an assessment of the Net Assets under clause 3 shows that the Net Assets are less than the Minimum Level of Assets, Diodes Incorporated shall have the following grace period in which to ensure that the Net Assets are brought above the Minimum Level of Assets:
- (a) in the case of the internal monthly management accounts described in sub-clause 3.2(a), 45 days (or such longer time as the Trustees may without obligation, agree) from the Date of the Assessment; and
 - (b) in the case of the quarterly and annual accounts delivered under sub-clauses 3.2(b) and (c), 45 days from the date the accounts are delivered (or such longer time as the Trustees may without obligation, agree).
- 4.2 After the expiry of the 45 days set out in clause 4.1, if the Net Assets are below the Minimum Level of Assets, Diodes Zetex Limited shall within 10 days of demand by the Trustees pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Current Schedule of Contributions.

5. LIMITATION OF LIABILITY

Diodes Incorporated and the Companies shall have no liability to the Trustees under this Deed except as set out in clause 4.2.

6. MISCELLANEOUS

- 6.1 This Deed and the documents referred to in it contain the whole agreement between the Parties relating to the transactions contemplated by this Deed and supersede all previous Deeds between the Parties relating to these transactions.
- 6.2 This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Deed, and any Party (including any duly authorised representative of a Party) may enter into this Deed by executing a counterpart.
- 6.3 A person who is not a Party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
- 6.4 This Deed is governed by English law.
- 6.5 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and the parties submit to the exclusive jurisdiction of the English courts.

Director /s/ [Authorized Signatory]

Witness signature /s/ [Authorized Signatory]

Witness name

Witness address

EXECUTED as a deed by)
DIODES ZETEX LIMITED)
acting by)

Director /s/ [Authorized Signatory]

Witness signature /s/ [Authorized Signatory]

Witness name

Witness address

EXECUTED as a deed by)
DIODES INCORPORATED)
acting by)

Director /s/ [Authorized Signatory]

Witness signature /s/ [Authorized Signatory]

Witness name

Witness address

Trustees

IAN J E SMITH

as trustee of the Diodes Zetex Pension Scheme
acting by /s/ [Authorized Signatory]

Witness signature /s/ [Authorized Signatory]

Witness name

Witness address

JAMES BROOKS

as trustee of the Diodes Zetex Pension Scheme
acting by /s/ [Authorized Signatory]

Witness signature /s/ [Authorized Signatory]

Witness name

Witness address

HR TRUSTEES LIMITED

as trustee of the Diodes Zetex Pension Scheme

Director: /s/ [Authorized Signatory]

Director/Secretary: /s/ [Authorized Signatory]

DIODES INCORPORATED
2001 OMNIBUS EQUITY INCENTIVE PLAN
STOCK AWARD AGREEMENT

Unless otherwise defined herein, capitalized terms shall have the defined meaning set forth in the Diodes Incorporated 2001 Omnibus Equity Incentive Plan (the "Plan").

1. NOTICE OF RESTRICTED STOCK GRANT

You shall be granted restricted shares of Common Stock, subject to the terms and conditions of the Plan and this Stock Award Agreement, as follows:

| | |
|---------------------------------------|---|
| Name of Awardee: | Keh-Shew Lu |
| Total Number of Shares to be Granted: | 600,000 |
| Date of Award: | September 22, 2009 |
| Date of Grants: | Subject to Section 2.8 below, the first 100,000 Shares subject to this Stock Award Agreement shall be granted on April 14, 2010, and an additional 100,000 Shares subject to this Stock Award Agreement shall be granted on each of the five subsequent anniversaries thereof (each such date, a "Grant Date"). |

2. AGREEMENT

2.1 Grant of Restricted Stock. Pursuant to the terms and conditions set forth in this Stock Award Agreement (including Section 1 above) and the Plan, the Administrator shall grant to the Awardee on each Grant Date the number of Shares set forth in Section 1.

2.2 Purchase of Shares. No payment of cash is required for the Shares.

2.3 Vesting. The Awardee shall vest in any installment of Shares granted, or thereafter to be granted, under this Stock Award Agreement upon the date the Company files with the Securities and Exchange Commission an Annual Report on Form 10-K for a fiscal year (a "Report"), which Report contains audited financial statements stating that the Company's net sales for such fiscal year exceeded \$1 billion; provided, however, that the Awardee shall cease vesting in the granted Shares upon the Awardee's Termination of Service, except in the case of death or Disability in which case the granted Shares shall become fully vested on such date.

2.4 Risk of Forfeiture.

(A) General Rule. The granted Shares shall initially be subject to a risk of forfeiture. The Shares subject to a risk of forfeiture shall be referred to herein as "Restricted Shares." The Awardee may not transfer, assign, encumber, or otherwise dispose of any Restricted Shares other than in accordance with this Stock Award Agreement and the Plan. If the Awardee transfers any Restricted Shares in accordance with this Stock Award Agreement and the Plan, then this Section shall apply to the transferee to the same extent as to the transferor.

(B) Lapse of Risk of Forfeiture. The risk of forfeiture shall lapse as the Awardee vests in the granted Shares upon the satisfaction of the performance goal set forth in Section 2.3 above.

(C) Forfeiture of Granted Shares. The Restricted Shares shall automatically be forfeited and immediately returned to the Company, and the Company's obligation to grant any subsequent installment of Shares shall terminate, upon the Awardee's Termination of Service, except in the case of Restricted Shares as expressly provided in Section 2.3. The certificates evidencing the Restricted Shares shall bear a legend referring to the risk of forfeiture.

(D) Additional Shares or Substituted Securities. In the event of a stock split, reverse stock split, stock dividend, recapitalization, combination, or reclassification of the Common Stock or any other increase or decrease in the number of issued and outstanding Shares effected without receipt of consideration by the Company, any new, substituted, or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to a risk of forfeiture as provided herein.

(E) Escrow. At the discretion of the Administrator, the certificates representing the granted Shares may, upon issuance, be deposited in escrow with the Company to be held in accordance with the provisions of this Stock Award Agreement. If the granted Shares are held in escrow, as provided in this subsection, any new, substituted or additional securities or other property described in Section 2.4(D) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the granted Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities) at the time held in escrow shall be paid directly to the Awardee and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for cancellation upon forfeiture thereof; or (ii) released to the Awardee upon request, but only to the extent that the granted Shares are no longer Restricted Shares.

2.5 Leave of Absence. The Awardee shall not incur a Termination of Service when the Awardee goes on any bona fide leave of absence, if the leave was approved by the Company (or Affiliate employing him) in writing and if continued crediting of service is required by the terms of the leave or by applicable law. The Awardee shall incur a Termination of Service when the approved leave ends, however, unless the Awardee immediately returns to active work.

2.6 Rights as a Stockholder. The Awardee shall have the rights of a stockholder of the Company with respect to any installment of Shares granted under this Stock Award Agreement, including the right to vote the granted Shares.

2.7 Regulatory Compliance. The issuance of Common Stock pursuant to this Stock Award Agreement shall be subject to full compliance with all applicable requirements of law and the requirements of any stock exchange or interdealer quotation system upon which the Common Stock may be listed or traded.

2.8 Vesting if Sale Prohibited by Insider Trading Policy. The Company has established an Insider Trading Policy (as such policy may be amended from time to time, the "Policy") relative to trading while in possession of material, undisclosed information. The Policy prohibits officers, directors, employees, and consultants of the Company and its subsidiaries from trading in securities of the Company during certain "Blackout Periods" as described in the Policy. If a scheduled vesting date for Shares falls on a day during such a Blackout Period, then the Shares that would otherwise have vested on such date shall not vest on such date, but shall instead vest, provided the Awardee remains a Service Provider, on the second business day after the last day of the Blackout Period applicable to the Shares.

2.9 Withholding Tax. The Company's obligation to deliver the granted Shares or to remove any restrictive legends upon vesting of such Shares under the Plan shall be subject to the satisfaction of all applicable federal, state, local, and foreign income and employment tax withholding requirements. The Awardee shall pay to the Company an amount equal to the withholding amount (or the Company may withhold such amount from the Awardee's salary) in cash. At the Administrator's discretion, the Awardee may pay the withholding amount with Shares; provided, however, that payment in Shares shall be limited to the withholding amount calculated using the minimum statutory withholding rates.

2.10 Plan. This Stock Award Agreement is subject to all provisions of the Plan, receipt of a copy of which is hereby acknowledged by the Awardee. The Awardee shall accept as binding, conclusive, and final all decisions and interpretations of the Administrator upon any questions arising under the Plan and this Stock Award Agreement.

2.11 Successors. This Stock Award Agreement shall inure to the benefit of and be binding upon the parties hereto and their legal representatives, heirs, and permitted successors and assigns.

2.12 Restrictions on Resale. The Awardee agrees not to sell any Shares at a time when applicable laws, Company policies, or an agreement between the Company and its underwriters prohibit a sale. This restriction shall apply as long as the Awardee is a Service Provider and for such period after the Awardee's Termination of Service as the Administrator may specify.

2.13 Lock-Up Agreement. In connection with any underwritten public offering of Shares made by the Company pursuant to a registration statement filed under the Securities Act, the Awardee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any Shares or any rights to acquire Shares of the Company for such period beginning on the date of filing of such registration statement with the Securities and Exchange Commission and ending at the time as may be established by the underwriters for such public offering; provided, however, that such period shall end not later than 180 days from the effective date of such registration statement. The foregoing limitation shall not apply to shares registered for sale in such public offering.

2.14 Entire Agreement; Governing Law. This Stock Award Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Awardee with respect to the subject matter hereof, and may not be modified adversely to the Awardee's interest except by means of a writing signed by the Company and the Awardee. This Stock Award Agreement is governed by the internal substantive laws, but not the choice of law rules, of Delaware.

2.15 No Guarantee of Continued Service. The vesting of the Shares pursuant to the vesting schedule hereof is earned only by continuing as a Service Provider at the will of the Company (and not through the act of being hired or being granted Shares hereunder). This Stock Award Agreement, the transactions contemplated hereunder, and the vesting schedule set forth herein constitute neither an express nor implied promise of continued engagement as a Service Provider for the vesting period, for any period, or at all, and shall not interfere with Awardee's right or the Company's right to terminate Awardee's relationship as a Service Provider at any time, with or without cause.

2.16 Section 409A. Notwithstanding anything herein or in the Plan to the contrary, this Stock Award Agreement is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted in a manner consistent with that intention.

By the Awardee's signature and the signature of the Company's representative below, the Awardee and the Company agree that this Award is granted under and governed by the terms and conditions of this Stock Award Agreement and the Plan. The Awardee has reviewed this Stock Award Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel before executing this Stock Award Agreement and fully understands all provisions of this Stock Award Agreement and the Plan. The Awardee hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to this Stock Award Agreement and the Plan.

The Awardee further agrees that the Company may deliver by email all documents relating to the Plan or this Award (including prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including annual reports and proxy statements). The Awardee also agrees that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company.

AWARDEE

By /s/ Keh-Shew Lu
Keh-Shew Lu

DIODES INCORPORATED

By /s/ Richard D. White
Richard D. White,
Chief Financial Officer

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

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

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Keh-Shew Lu

Keh-Shew Lu

Chief Executive Officer

Date: May 9, 2014

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

I, **Richard D. White**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Richard D. White

Richard D. White
Chief Financial Officer
Date: May 9, 2014

**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, 2014** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Keh-Shew Lu

Keh-Shew Lu

Chief Executive Officer

Date: May 9, 2014

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.

**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, 2014** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Richard D. White

Richard D. White
Chief Financial Officer
Date: May 9, 2014

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.

