

**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, 2013

Or

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

For the transition period from _____ to _____.

Commission file number: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

75024
(Zip code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The number of shares of the registrant's Common Stock outstanding as of May 3, 2013 was 46,036,915.

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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, 2013	December 31, 2012
	<i>(Unaudited)</i>	
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,205	\$ 157,121
Accounts receivable, net	172,237	152,073
Inventories	182,201	153,293
Deferred income taxes, current	11,566	9,995
Prepaid expenses and other	45,680	18,928
Total current assets	<u>611,889</u>	<u>491,410</u>
PROPERTY, PLANT AND EQUIPMENT, net	338,173	243,296
DEFERRED INCOME TAXES, non-current	31,956	36,819
OTHER ASSETS		
Goodwill	86,400	87,359
Intangible assets, net	58,623	44,337
Other	17,597	16,842
Total assets	<u>\$1,144,638</u>	<u>\$ 920,063</u>

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

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

LIABILITIES AND EQUITY
(In thousands, except share data)

	March 31,	December 31,
	2013	2012
	<i>(Unaudited)</i>	
CURRENT LIABILITIES		
Lines of credit	\$ 3,713	\$ 7,629
Accounts payable	92,091	64,072
Accrued liabilities	57,565	41,139
Income tax payable	5,547	678
Total current liabilities	<u>158,916</u>	<u>113,518</u>
LONG-TERM DEBT, net of current portion	213,787	44,131
OTHER LONG-TERM LIABILITIES	59,472	41,974
Total liabilities	<u>432,175</u>	<u>199,623</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Diodes Incorporated stockholders' equity		
Preferred stock – par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock – par value \$0.66 2/3 per share; 70,000,000 shares authorized; 46,023,965 and 46,010,815 issued and outstanding at March 31, 2013 and December 31, 2012, respectively	30,683	30,674
Additional paid-in capital	283,876	280,571
Retained earnings	397,870	399,796
Accumulated other comprehensive loss	(42,870)	(33,856)
Total Diodes Incorporated stockholders' equity	<u>669,559</u>	<u>677,185</u>
Noncontrolling interest	42,904	43,255
Total equity	<u>712,463</u>	<u>720,440</u>
Total liabilities and equity	<u>\$1,144,638</u>	<u>\$ 920,063</u>

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

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

	Three Months Ended	
	March 31,	
	2013	2012
NET SALES	\$176,964	\$144,663
COST OF GOODS SOLD	<u>130,781</u>	<u>110,957</u>
Gross profit	46,183	33,706
OPERATING EXPENSES		
Selling, general and administrative	30,376	22,146
Research and development	10,080	7,164
Other operating (income) expenses	<u>1,951</u>	<u>(1,104)</u>
Total operating expenses	<u>42,407</u>	<u>28,206</u>
Income from operations	3,776	5,500
OTHER INCOME (EXPENSES)	<u>521</u>	<u>687</u>
Income before income taxes and noncontrolling interest	4,297	6,187
INCOME TAX PROVISION	<u>6,574</u>	<u>618</u>
NET INCOME (LOSS)	<u>(2,277)</u>	<u>5,569</u>
Less: NET (INCOME) LOSS attributable to noncontrolling interest	<u>351</u>	<u>(698)</u>
NET INCOME (LOSS) attributable to common stockholders	<u>\$ (1,926)</u>	<u>\$ 4,871</u>
EARNINGS (LOSS) PER SHARE attributable to common stockholders		
Basic	<u>\$ (0.04)</u>	<u>\$ 0.11</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.10</u>
Number of shares used in computation		
Basic	<u>46,021</u>	<u>45,460</u>
Diluted	<u>46,021</u>	<u>46,935</u>

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

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

	Three Months Ended	
	March 31,	
	2013	2012
Net income (loss)	\$ (2,277)	\$ 5,569
Translation adjustment	(7,536)	3,998
Unrealized loss on defined benefit plan, net of tax	(1,478)	(3,025)
Comprehensive income (loss)	(11,291)	6,542
Less: Comprehensive (income) loss attributable to noncontrolling interest	351	(698)
Total comprehensive income (loss) attributable to common stockholders	<u>\$ (10,940)</u>	<u>\$ 5,844</u>

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

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

	Three Months Ended	
	March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 31,328	\$ 13,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition, net of cash acquired	(124,916)	—
Purchases of property, plant and equipment	(15,954)	(11,943)
Proceeds from sale of equity securities	7,458	—
Proceeds from sale of property, plant and equipment	—	302
Proceeds from sale of intangibles	—	2,122
Other	160	(139)
Net cash used by investing activities	<u>(133,252)</u>	<u>(9,658)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	3,510	2,482
Repayments on lines of credit	(25,088)	—
Borrowings of long-term debt	180,000	40,000
Repayments of long-term debt	(10,269)	(103)
Net proceeds from issuance of common stock	59	473
Other	(2,936)	(87)
Net cash provided by financing activities	<u>145,276</u>	<u>42,765</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(268)</u>	<u>664</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>43,084</u>	<u>47,218</u>
CASH AND CASH EQUIVALENTS, beginning of period	<u>157,121</u>	<u>129,510</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 200,205</u>	<u>\$ 176,728</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash financing activities:		
Property, plant and equipment purchased on accounts payable	\$ 2,999	\$ (3,807)
Acquisition:		
Fair value of assets acquired	\$ 247,012	\$ —
Liabilities assumed	(92,277)	—
Cash acquired	(29,819)	—
Net assets acquired	<u>\$ 124,916</u>	<u>\$ —</u>

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

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

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

Nature of Operations

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S.”) (“GAAP”) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2013. The consolidated condensed financial data at December 31, 2012 is derived from audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

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

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

Recently Issued Accounting Pronouncements

There have been no new accounting pronouncements during the three months ended March 31, 2013, as compared to recently issued accounting pronouncements described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, that are of significance, or potential significance, to the Company.

[Table of Contents](#)**NOTE B – Earnings Per Share**

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

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

	Three Months Ended	
	March 31,	
	2013	2012
BASIC		
Weighted average number of common shares outstanding used in computing basic earnings per share	46,021	45,460
Net income (loss) attributable to common stockholders	<u>\$ (1,926)</u>	<u>\$ 4,871</u>
Earnings (loss) per share attributable to common stockholders	<u>\$ (0.04)</u>	<u>\$ 0.11</u>
DILUTED		
Weighted average number of common shares outstanding used in computing basic earnings per share	46,021	45,460
Add: Assumed exercise of stock options and stock awards	—	1,475
	46,021	46,935
Net income (loss) attributable to common stockholders	<u>\$ (1,926)</u>	<u>\$ 4,871</u>
Earnings (loss) per share attributable to common stockholders	<u>\$ (0.04)</u>	<u>\$ 0.10</u>

NOTE C – Business Combination**BCD Semiconductor Manufacturing Limited (“BCD”)**

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

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

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

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The results of operations of BCD have been included in the consolidated financial statements from March 1, 2013. The consolidated revenue and earnings of BCD for the period ended March 31, 2013 were approximately \$15 million and (\$1) million, respectively, which include purchase price accounting adjustments. The Company's purpose in making this acquisition is to further its strategy of expanding its market and growth opportunities through select strategic acquisitions. This acquisition is expected to enhance the Company's analog product portfolio by expanding its standard linear and power management offerings, including AC/DC and DC/DC solutions for power adapters and chargers, as well as other electronic products. BCD's established presence in Asia, with a particularly strong local market position in China, offers the Company even greater penetration of the consumer, computing and communications markets. Likewise, the Company believes it can achieve increased market penetration for BCD's products by leveraging the Company's own global customer base and sales channels. In addition, BCD has in-house manufacturing capabilities in China, as well as a cost-effective development team that can be deployed across multiple product families. The Company also believes it will be able to apply its packaging capabilities and expertise to BCD's products in order to improve cost efficiencies, utilization and product mix.

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

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

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

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

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

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The following unaudited pro forma consolidated results of operations for the three months ended March 31, 2013 and 2012 have been prepared as if the acquisition of BCD had occurred at January 1, 2013 and January 1, 2012, respectively, for each year (*unaudited; in thousands, except per share data*):

	Three Months Ended	
	March 31,	
	2013	2012
Net revenues	\$198,065	\$175,691
Net income (loss)	\$ (5,753)	\$ 2,194
Net income (loss) per common share—Basic	\$ (0.13)	\$ 0.05
Net income (loss) per common share—Diluted	\$ (0.13)	\$ 0.05

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

NOTE D – Restricted Cash

Restricted cash is pledged as collateral when the Company enters into agreements with banks for certain banking facilities. As of March 31, 2013, restricted cash of \$10 million, included in prepaid expenses and other, was pledged as collateral for issuance of bank acceptance notes, letters of credit and forward contracts. See Note E for additional information regarding foreign currency forward contracts.

NOTE E – Foreign Currency Forward Contracts

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

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

Prior to the acquisition, BCD entered into foreign currency forward contracts with various banks located in China. The contracted notional amount for forward contracts is \$61 million, of which \$56 million was outstanding as of March 31, 2013.

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

All the forward contracts outstanding as of March 31, 2013 will be settled during the period from April through December 2013. The fair value of the outstanding derivative instruments contracts, classified within Level 2 of the fair value hierarchy, was \$1 million and was recognized under other current assets in the condensed consolidated balance sheets. There was no valuation gain or loss recognized under other income for the three months ended March 31, 2013.

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NOTE F – Inventories

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

	March 31, 2013	December 31, 2012
Raw materials	\$ 68,835	\$ 63,410
Work-in-progress	49,463	30,564
Finished goods	63,903	59,319
Total	<u>\$182,201</u>	<u>\$ 153,293</u>

NOTE G – Goodwill and Intangible Assets

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

Balance at December 31, 2012	\$87,359
Acquisitions	2,192
Currency exchange	(3,151)
Balance at March 31, 2013	<u>\$86,400</u>

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

	March 31, 2013	December 31, 2012
Intangible assets subject to amortization:		
Gross carrying amount	\$ 86,909	\$ 69,707
Accumulated amortization	(26,072)	(24,161)
Currency exchange	(7,885)	(7,051)
Net value	<u>52,952</u>	<u>38,495</u>
Intangible assets with indefinite lives:		
Gross carrying amount	6,403	6,403
Currency exchange	(732)	(561)
Total	<u>5,671</u>	<u>5,842</u>
Total intangible assets, net	<u>\$ 58,623</u>	<u>\$ 44,337</u>

Amortization expense related to intangible assets subject to amortization was approximately \$2 million and \$1 million for the three months ended March 31, 2013 and 2012, respectively.

NOTE H – Bank Credit Agreement

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

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

On March 1, 2013, in connection with the acquisition of BCD, the Company drew down on the Revolver to fund the acquisition and pay for costs associated with the acquisition. As of March 31, 2013, the amount of the outstanding borrowings under the Credit Agreement was approximately \$210 million. See Note C for additional information regarding the acquisition of BCD.

[Table of Contents](#)**NOTE I – Income Tax Provision**

Income tax expense of approximately \$7 million and \$1 million was recorded for the three months ended March 31, 2013 and 2012, respectively. This resulted in an effective tax rate of 153% for the three months ended March 31, 2013, as compared to 10% in the same period last year and compared to 16% for the full year of 2012. The estimated annual tax rate for 2012 is expected to be approximately 18%. The effective tax rate for the three months ended March 31, 2013 includes a \$6 million charge for discrete items recorded during the quarter, principally related to a tax audit in China. The Company's effective tax rates for the three months ended March 31, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of higher income in lower-taxed jurisdictions and the benefit of losses in higher-taxed jurisdictions.

For the three months ended March 31, 2013, the Company reported domestic and foreign pre-tax income (loss) of approximately \$(6) million and \$10 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 being recorded on undistributed foreign earnings.

The impact of tax holidays decreased the Company's tax expense by approximately \$1 million and \$2 million for the three months ended March 31, 2013 and 2012, respectively. 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 benefit of the tax holidays on both basic and diluted earnings per share for the three months ended March 31, 2012 was approximately \$0.04. During 2012, the China government began an audit of the Company's High and New Technology Enterprise ("HNTE") status for its largest Chinese subsidiary for 2009-2011 as part of an overall evaluation of the reduced tax rates provided to many high tech companies. This subsidiary has a reduced tax rate of 15%. In April 2013, the Company was notified by the China government that they had completed their tax audit and had concluded that the Company owed additional tax related to tax year 2011 in the amount of \$5 million. This subsidiary has been approved for its HNTE status for the tax years 2012-2014.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2007. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, the Company is no longer subject to income tax audits for years before 2006. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company's reserve for any adjustments that may result from future tax audits. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense. As of March 31, 2013, the gross amount of unrecognized tax benefits was approximately \$28 million.

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

NOTE J – Share-Based Compensation

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

	Three Months Ended	
	March 31,	
	2013	2012
Cost of sales	\$ 123	\$ 103
Selling and administrative expense	2,843	3,126
Research and development expense	290	316
Total share-based compensation expense	\$ 3,256	\$ 3,545

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

The total net cash proceeds received from stock option exercises during the three months ended March 31, 2013 was approximately \$0 million. Stock option expense was approximately \$1 million for both the three months ended March 31, 2013 and 2012.

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A summary of the stock option plans 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, 2013	3,713	\$ 17.85	5	\$ 9,744
Exercised	(5)	8.57		79
Forfeited or expired ⁽¹⁾	(410)	20.34		
Outstanding at March 31, 2013	3,298	\$ 17.55	4	\$ 16,622
Exercisable at March 31, 2013	2,546	\$ 16.37	3	\$ 15,306

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

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

As of March 31, 2013, total unrecognized share-based compensation expense related to unvested stock options, net of forfeitures, was approximately \$6 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.

The total fair value of restricted stock awards vested during the three months ended March 31, 2013 was approximately \$2 million. Share grant expense for both the three months ended March 31, 2013 and 2012 was approximately \$1 million.

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, 2013	1164	\$ 20.42	\$
Granted	2	18.03	
Vested	(6)	23.64	113
Forfeited	(9)	20.80	
Non-vested at March 31, 2013	1151	\$ 20.51	\$ 24,184

As of March 31, 2013, total unrecognized share-based compensation expense related to non-vested stock awards, net of forfeitures, was approximately \$18 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2 years.

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NOTE K – Segment Information and Enterprise-Wide Disclosure

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

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

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

Three Months Ended March 31, 2013	Asia	North America	Europe	Consolidated
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>

Three Months Ended March 31, 2012	Asia	North America	Europe	Consolidated
Total sales	\$127,371	\$ 31,732	\$ 38,945	\$ 198,048
Inter-company sales	(16,368)	(15,164)	(21,853)	(53,385)
Net sales	<u>\$111,003</u>	<u>\$ 16,568</u>	<u>\$ 17,092</u>	<u>\$ 144,663</u>
Property, plant and equipment	<u>\$165,929</u>	<u>\$ 32,113</u>	<u>\$ 29,286</u>	<u>\$ 227,328</u>
Total assets	<u>\$507,538</u>	<u>\$118,657</u>	<u>\$221,613</u>	<u>\$ 847,808</u>

Geographic Information

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

	Net Sales for the Three Months Ended March 31,		Percentage of Net Sales	
	2013	2012	2013	2012
China	\$ 58,383	\$ 49,152	33%	34%
Taiwan	32,274	31,781	18%	22%
Korea	15,762	10,221	9%	7%
Switzerland	14,987	13,513	9%	9%
United States	12,950	14,757	7%	10%
Singapore	9,466	4,645	5%	3%
U.K.	8,572	5,125	5%	4%
Germany	8,333	6,782	5%	5%
All Others ⁽¹⁾	16,237	8,687	9%	6%
Total	<u>\$176,964</u>	<u>\$144,663</u>	<u>100%</u>	<u>100%</u>

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

NOTE L – Commitments and Contingencies

Purchase commitments – As of March 31, 2013, the Company had approximately \$9 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

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

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

The Company is currently a party to a purported stockholder derivative action in the United States District Court for the District of Delaware, entitled *Scherer v. Keh-Shew Lu*, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), on behalf of the Company against its directors, in which plaintiff alleges that (a) the Board approved awards of stock options to Dr. Keh-Shew Lu, our President and Chief Executive Officer, in 2009, 2010, 2011 and 2012 that exceeded the limitation on the number of shares of the Company’s Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company’s 2001 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 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 Incentive Plan as amended by the stockholders on May 28, 2009 were incorrect. The Compensation Committee reviewed the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 (each such annual grant, an “Option Grant”), and approved a Confirmation Agreement, dated April 1, 2013, in which the Company and Dr. Lu agree and confirm that Dr. Lu will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company’s Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation. On April 3, 2013, defendants and the Company filed answers to the complaint. On May 8, 2013, defendants filed a motion for judgment on the pleadings dismissing the action on the ground that the claims are moot. A hearing date has not been set.

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

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NOTE M – Employee Benefit Plans

Defined Benefit Plan

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

For the three months ended March 31, 2013, net periodic benefit costs associated with the defined benefit plan were approximately \$0 million.

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

	<u>Defined Benefit Plan</u>
Change in benefit obligation:	
Balance at December 31, 2012	\$ 124,751
Service cost	78
Interest cost	1,362
Actuarial gain	8,871
Benefits paid	(1,525)
Currency changes	(8,395)
Benefit obligation at March 31, 2013	<u>\$ 125,142</u>
Change in plan assets:	
Fair value of plan assets at December 31, 2012	\$ 106,898
Actual return on plan assets	8,756
Employer contribution	437
Benefits paid	(1,525)
Currency changes	(7,242)
Fair value of plan assets at March 31, 2013	<u>\$ 107,324</u>
Underfunded status at March 31, 2013	<u>\$ (17,818)</u>

Based on an actuarial study performed as of March 31, 2013, the plan is underfunded and a liability is reflected in the Company’s consolidated financial statements as a long-term liability. The weighted-average discount rate assumption used to determine benefit obligations as of March 31, 2013 was 4.6%.

The following are weighted-average assumptions were used to determine net periodic benefit costs for the three months ended March 31, 2013:

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

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

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

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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, 2013, these investments totaled approximately \$3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

NOTE N – Related Parties

The Company conducts business with two related companies, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, “LSC”) and Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, “Keylink”). LSC owned approximately 18% of the Company’s outstanding Common Stock as of March 31, 2013. Keylink is the Company’s 5% joint venture partner in 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, 2013 and 2012, the Company sold products to LSC totaling approximately 0% of its net sales. For the three months ended March 31, 2013 and 2012, approximately 1% and 3%, respectively, of the Company’s net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of the Company’s largest suppliers.

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

	Three Months Ended March 31,	
	2013	2012
Net sales	\$ 103	\$ 47
Purchases	\$ 7,509	\$ 7,418

Keylink International (B.V.I.) Inc. – During the three months ended March 31, 2013 and 2012, the Company sold products to Keylink totaling approximately 2% and 3% of its net sales, respectively. For the three months ended March 31, 2013 and 2012, approximately 0% and 1%, respectively, of the Company’s net sales were from semiconductor products purchased from Keylink for subsequent sale. In addition, 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 both the three months ended March 31, 2013 and 2012 were approximately \$4 million.

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

	Three Months Ended March 31,	
	2013	2012
Net sales	\$ 3,648	\$ 4,472
Purchases	\$ 1,528	\$ 1,804

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

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Accounts receivable		
LSC	\$ 100	\$ 204
Keylink	<u>10,507</u>	<u>10,457</u>
	<u>\$10,607</u>	<u>\$ 10,661</u>
Accounts payable		
LSC	\$ 5,731	\$ 5,308
Keylink	<u>4,701</u>	<u>5,095</u>
	<u>\$10,432</u>	<u>\$ 10,403</u>

NOTE O – Subsequent Event

In the second quarter of 2013, the Company initiated restructuring plans primarily relating to its U.K. development team and the closure of its New York sales office. The Company expects to reduce its U.K. workforce by approximately 10%, which is less than 1% of the Company's total workforce. The amounts to be recorded are expected to be approximately \$2 million, primarily relating to termination and severance costs. In addition, the Company expects these restructuring plans to provide cost savings going forward.

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Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

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

Highlights

- Net sales for the three months ended March 31, 2013 was \$177 million, an increase of \$32 million, or 22%, over the same period last year, and a sequential increase of 8% compared to the \$163 million in the fourth quarter of 2012;
- Gross profit for the three months ended March 31, 2013 was \$46 million, an increase of \$13 million, or 37%, over the same period last year, and a sequential increase of 7% compared to the \$43 million in the fourth quarter of 2012;
- Gross profit margin for the three months ended March 31, 2013 was 26%, an increase of 4% over the same period last year, and flat sequentially compared to the fourth quarter of 2012;
- Income taxes for the three months ended March 31, 2013 was \$7 million and included \$5 million of tax expense regarding a tax audit by the China tax authorities;
- Net loss attributable to common stockholders for the three months ended March 31, 2013 was \$2 million, or \$(0.04) per diluted share, compared to net income attributable to common stockholders of \$5 million, or \$0.10 per diluted share in the same period last year, and net income attributable to common stockholders of \$4 million, or \$0.09 per diluted share in the fourth quarter of 2012;
- Cash flows from operating activities was \$31 million for the three months ended March 31, 2013; and
- Completed the acquisition of BCD Semiconductor Manufacturing Limited (“BCD”), the preliminary purchase price accounting adjustments of which were included in the three months ended March 31, 2013 and impacted net loss attributable to common stockholders.

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. The products are sold primarily throughout Asia, North America and Europe.

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

First Quarter of 2013

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

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Business Acquisition

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

Business Outlook

We believe the first quarter sets the stage for continued growth and margin improvement in the second quarter, which also represents our first full quarter of BCD. For the second quarter of 2013, we expect continued growth with net sales increasing between \$206 million and \$218 million, or up 16% to 23% sequentially, including the first full quarter of net sales from BCD. Gross margin will include approximately \$4 million relating to an inventory valuation adjustment pertaining to the inventory acquired as part of the BCD acquisition and is expected to be 27.0%, plus or minus 2%. Operating expenses are expected to be 23.6% of net sales, plus or minus 1% and will include amortization of intangible expenses, restructuring expenses, and BCD retention bonus accruals. We expect our income tax rate to range between 14% and 20%, and shares used to calculate earnings per share for the second quarter are anticipated to be approximately 47 million.

In the second quarter of 2013, we initiated restructuring plans primarily relating to our U.K. development team and the closure of our New York sales office. We expect to reduce our U.K. workforce by approximately 10%, which is less than 1% of our total workforce. The amounts to be recorded are expected to be approximately \$2 million, primarily relating to termination and severance costs. In addition, we expect these restructuring plans to provide cost savings going forward.

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, 2013 was \$177 million, compared to \$145 million in the same period last year. This increase in net sales mainly reflects the inclusion of one month of BCD revenue and an increase in units sold, partially offset by the decrease in average selling price ("ASP").
- Our gross profit margin was 26% for the three months ended March 31, 2013, compared to 23% in the same period last year. Our gross margin percentage increased over the same period last year due to net sales increases in higher margin regions such as North America and Europe, lower gold prices 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, 2013, our capital expenditures, excluding capital expenditures related to our investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"), were approximately 6% of our net sales, which is lower than our historical 10% to 12% of net sales model. For the remainder of 2013, we expect capital expenditures, excluding capital expenditures related to our investment agreement, to be lower than our historical model and range between 5% and 9%.
- For the three months ended March 31, 2013 and 2012, the percentage of our net sales derived from our Asian subsidiaries was 79% and 77%, respectively. Europe accounted for approximately 11% of our revenues for the three months ended March 31, 2013, compared to 12% in the same period last year. In addition, North America accounted for approximately 10% of our revenues for the three months ended March 31, 2013, compared to 11% in the same period last year.
- As of March 31, 2013, we had invested approximately \$540 million in our manufacturing facilities in Asia, including through acquisitions. For the three months ended March 31, 2013, 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.

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- For the three months ended March 31, 2013, our original equipment manufacturers (“OEM”) and electronic manufacturing services (“EMS”) customers together accounted for approximately 41% of our net sales, while our global network of distributors accounted for approximately 59% of our net sales. Compared to prior years, the percentage of net sales to our global network of distributors has increased mainly due to the fact that the majority of BCD net sales are to distributors.

Results of Operations for the Three Months Ended March 31, 2013 and 2012

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

	Percent of Net Sales		Percentage Dollar Increase (Decrease) '12 to '13
	Three Months Ended March 31,		
	2013	2012	
Net sales	100%	100%	22
Cost of goods sold	(74)	(77)	18
Gross profit	26	23	37
Operating expenses	(24)	(19)	50
Income from operations	2	4	(31)
Other income (expense)	—	—	(24)
Income before income taxes and noncontrolling interest	2	4	(31)
Income tax provision	(4)	—	964
Net income	(2)	4	(141)
Net income attributable to noncontrolling interest	—	—	(150)
Net income attributable to common stockholders	(2)	4	(140)

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report (*in thousands*).

	2013	2012
Net Sales	\$176,964	\$144,663

Net sales increased approximately \$32 million for the three months ended March 31, 2013, compared to the same period last year. The 22% increase in net sales was due to the inclusion of one month of BCD revenue and a 6% increase in units sold, partially offset by a 14% decrease in ASP.

	2013	2012
Cost of goods sold	\$130,781	\$110,957
Gross profit	\$ 46,183	\$ 33,706
Gross profit margin	26%	23%

Cost of goods sold increased approximately \$20 million, or 18%, for the three months ended March 31, 2013, compared to the same period last year. As a percent of sales, cost of goods sold decreased to 74% for the three months ended March 31, 2013, compared to 77% in the same period last year, and our average unit cost (“AUP”) decreased by 11%.

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For the three months ended March 31, 2013, gross profit increased by approximately \$13 million, or 37%, compared to the same period last year. Gross margin increased to 26% for the three months ended March 31, 2013, compared to 23% for the same period last year. This increase is mainly due to net sales increases in higher margin regions such as North America and Europe, lower gold prices and improved product mix.

	<u>2013</u>	<u>2012</u>
<u>Operating expenses</u>	\$42,704	\$28,206

Operating expenses for the three months ended March 31, 2013 increased approximately \$14 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses (“SG&A”) increased approximately \$8 million, and research and development expenses (“R&D”) increased approximately \$3 million. SG&A, as a percentage of sales, was 17% for the three months ended March 31, 2013, compared to 15% for the same period last year. R&D, as a percentage of sales, was 6% for the three months ended March 31, 2013, compared to 5% for the same period last year. Both SG&A and R&D for the three months ended March 31, 2013 increased due primarily to the acquisition of BCD, the acquisition of Eris Technology Corporation in the third quarter of 2012 and the acquisition of Power Analog Microelectronics, Inc. in the fourth quarter of 2012. Also included in operating expenses for the three months ended March 31, 2013 was an increase of approximately \$1 million for amortization of acquisition related intangibles due to recent acquisitions, compared to the same period last year. The three months ended March 31, 2012 included a \$2 million gain on sale of assets for a sale of an intangible asset in Europe.

	<u>2013</u>	<u>2012</u>
<u>Other income</u>	\$521	\$687

Other income for both the three months ended March 31, 2013 and 2012 was \$1 million. For the three months ended March 31, 2013, other income included approximately \$1 million of interest expense due to the increase in long-term debt incurred in connection with the BCD acquisition, which was offset by foreign currency gains of approximately \$1 million.

	<u>2013</u>	<u>2012</u>
<u>Income tax provision</u>	\$6,574	\$618

We recognized income tax expense of approximately \$7 million for the three months ended March 31, 2013, compared to approximately \$1 million income tax expense in the same period last year. The effective tax rate is 153% for the three months ended March 31, 2013, compared to 10% 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 in regard to a tax audit of the China tax authorities. Our effective tax rates for the three months ended March 31, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of higher income in lower-taxed jurisdictions and the benefit of losses in higher-taxed jurisdictions.

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. As of March 31, 2013, approximately \$210 million was outstanding under the Revolver. The Revolver matures on January 8, 2018, and the amount available for additional borrowings as of March 31, 2013 is \$90 million. In addition, we have foreign credit facilities with borrowing capacities of approximately \$143 million with \$4 million in outstanding borrowings and \$12 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, 2012 and March 31, 2013 our working capital was \$378 million and \$453 million, respectively. Our working capital increased in the first three months of 2013 primarily due to the consolidation of BCD’s net assets as a result of the acquisition. We expect cash generated by our operations together with existing cash, cash equivalents and available credit facilities to be sufficient to cover cash needs for working capital and capital expenditures for at least the next 12 months.

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

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Capital expenditures for the three months ended March 31, 2013 and 2012 were \$13 million and \$16 million, respectively, which includes \$1 million and \$8 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 2013 were approximately 6% of our net sales and were primarily related to the expansion of our Shanghai sales and design office.

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

Prior to the acquisition, BCD entered into foreign currency forward contracts with various banks located in China. The contracted notional amount for forward contracts is \$61 million, of which \$56 million was outstanding as of March 31, 2013. In accordance with certain forward contracts, we are required to have on deposit 3% to 5% of the notional amount outstanding and in certain situations the required deposit could be 100% of the notional amount of the outstanding contracts. Restricted cash is pledged as collateral when we enter into agreements with banks for certain banking facilities. As of March 31, 2013, restricted cash of \$10 million was pledged as collateral for issuance of bank acceptance notes, letters of credit and foreign currency forward contracts. See Notes C and D of the "Notes to Consolidated Condensed Financial Statements" of this Quarterly Report for additional information about our restricted cash and foreign currency forward contracts.

Discussion of Cash Flow

Cash and cash equivalents increased from \$157 million at December 31, 2012 to \$200 million at March 31, 2013 primarily from cash provided by operating and financing activities, offset in part by cash used by investing activities.

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

	Three Months Ended March 31,		
	2013	2012	Change
Net cash provided by operating activities	\$ 31,328	\$13,447	\$ 17,881
Net cash used by investing activities	(133,252)	(9,658)	(123,594)
Net cash provided by financing activities	145,276	42,765	102,511
Effect of exchange rates on cash and cash equivalents	(268)	664	(932)
Net increase in cash and cash equivalents	<u>\$ 43,084</u>	<u>\$47,218</u>	<u>\$ (4,134)</u>

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Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2013 was \$31 million, 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. Net cash provided by operating activities was \$13 million for the same period last year, resulting primarily from \$6 million of net income, \$16 million in depreciation and amortization and a decrease in inventories, offset partially by an increase in accounts receivable.

Investing Activities

Net cash used by investing activities was \$133 million for the three months ended March 31, 2013, compared to net cash used by investing activities of \$10 million for the same period last year. This increase in net cash used was due primarily to approximately \$125 million for the acquisition of BCD, net of cash acquired for the three months ended March 31, 2013.

Financing Activities

Net cash provided by financing activities was \$145 million for the three months ended March 31, 2013, compared to net cash provided by financing activities of \$43 million in the same period last year. Net cash provided by in 2013 was due primarily to a \$180 million draw down on the Credit Agreement, offset by repayments on lines of credit. The net cash provided by in 2012 was due primarily to a \$40 million draw down on our term loan.

Debt Instruments

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

There have been no material changes in any of our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 27, 2013, except for an increase of \$170 million in long-term debt to a total of \$210 million as of March 31, 2013, due to the draw down of our Credit Agreement to pay for the acquisition of BCD. In addition, operating leases increased \$5 million to \$23 million in connection with the acquisition of BCD.

Critical Accounting Policies

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

Recently Issued Accounting Pronouncements

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

Available Information

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

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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.*

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

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- *Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our results of operations and financial condition.*
- *The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.*
- *Changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our results of operations and financial condition.*
- *In 2010, we established a joint venture to build a semiconductor facility in Chengdu, China. We are required to contribute at least \$48 million to the joint venture during the first three years with additional contributions thereafter, as well as a substantial amount of time and resources to establish and operate the joint venture. Any failure to meet any such requirements, delays or unforeseen circumstances may cause us to incur penalties or require us to contribute additional expenses or resources and, as a result, could have an adverse effect on our operating efficiencies, results of operations and financial conditions.*
- *Certain of our customers and suppliers require us to comply with their codes of conduct, which may include certain restrictions that may substantially increase the cost of our business as well as have an adverse effect on our operating efficiencies, results of operations and financial condition.*
- *Compliance with government regulations and customer demands regarding the use of "conflict minerals" may result in increased costs and may have a negative impact on our business, results of operations and financial condition.*
- *There are risks associated with previous and future acquisitions. We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.*
- *If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.*
- *Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the United States or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our results of operations and financial condition.*
- *System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.*

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

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

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- *China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, results of operations and financial condition.*
- *We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.*
- *The distribution of any earnings of our foreign subsidiaries to the United States may be subject to United States income taxes, thus reducing our net income.*

RISKS RELATED TO OUR COMMON STOCK

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a multinational corporation, we are subject to certain market risks including foreign currency, interest rate, political instability, inflation and credit. We consider a variety of practices to manage these market risks. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 27, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

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

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

Changes in Controls over Financial Reporting

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

On March 5, 2013, the Company completed its acquisition of BCD Semiconductor Manufacturing Limited ("BCD"), whose financial statements reflect total assets and revenues constituting 7% and 9%, respectively, of the consolidated financial statement amounts for the three months ended March 31, 2013. The Company will include BCD in its annual assessment of the effectiveness of internal control over financial reporting for the year ending December 31, 2013, the year of acquisition. Management continues to monitor BCD's internal controls over financial reporting and evaluate conformance with the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently a party to a purported stockholder derivative action in the United States District Court for the District of Delaware, entitled *Scherer v. Keh-Shew Lu*, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), on behalf of the Company against its directors, in which plaintiff alleges that (a) the Board approved awards of stock options to Dr. Keh-Shew Lu, our President and Chief Executive Officer, in 2009, 2010, 2011 and 2012 that exceeded the limitation on the number of shares of the Company's Common Stock that may be purchased upon the exercise of options granted to any person in any given year under the Company's 2001 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 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 Incentive Plan as amended by the stockholders on May 28, 2009 were incorrect. The Compensation Committee reviewed the grants of stock options to Dr. Lu in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement, dated April 1, 2013, in which the Company and Dr. Lu agree and confirm that Dr. Lu will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of the Company's Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation. On April 3, 2013, defendants and the Company filed answers to the complaint. On May 8, 2013, defendants filed a motion for judgment on the pleadings dismissing the action on the ground that the claims are moot. A hearing date has not been set.

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

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

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

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

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Item 1A. Risk Factors

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

RISKS RELATED TO OUR BUSINESS

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

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

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

RISKS RELATED TO OUR COMMON STOCK

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

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

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

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

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

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

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

Item 3. Defaults Upon Senior Securities

There are no matters to be reported under this heading.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There are no matters to be reported under this heading.

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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				X
3.2	Amended By-laws of the Company dated July 19, 2007	8-K	July 23, 2007	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	Plating Process Agreement between Zetex (Chengdu) Electronic Company Limited and Diodes Technology (Chengdu) Company Limited, dated February 8, 2013				X
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS**	XBRL Instance Document				X
101.SCH**	XBRL Taxonomy Extension Schema				X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB**	XBRL Taxonomy Extension Labels Linkbase				X
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase				X

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

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

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

SIGNATURE

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

DIODES INCORPORATED (Registrant)

By: /s/ Richard D. White
RICHARD D. WHITE
Chief Financial Officer, Secretary, and Treasurer
(Principal Financial and Accounting Officer)

May 10, 2013

CERTIFICATE OF INCORPORATION
OF
DIODES INCORPORATED

FIRST: The name of the corporation (hereinafter called the "Company") is DIODES INCORPORATED.

SECOND: The registered office of the Company in the State of Delaware is located at 100 West Tenth Street, in the City of Wilmington, in the County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted, or carried on are as follows:

- (1) To engage in the business of manufacturing solid state and electric devices.
- (2) To do everything necessary, proper, advisable, or convenient for the accomplishment of the purposes hereinabove set forth, and to do all other things incidental thereto connected therewith, which are not forbidden by statute or by this Certificate of Incorporation.
- (3) To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
- (4) To carry out the purposes hereinabove set forth in any state, territory, district or possession of the United States, or in any foreign country, to the extent that such purposes are not forbidden by the law of such state, territory, district or possession of the United States, or by such foreign country; and, in the case of any state or territory, district or possession of the United States, or any foreign country, in which one or more of such purposes are forbidden by law,

to limit the purpose or purposes for which the company proposes to carry on in such state, territory, district or possession of the United States, or foreign country, to such purpose or purposes as are not forbidden by the law thereof, and any certificate for application to do business in such state, territory, district or possession of the United States, or foreign country.

FOURTH: The Company is authorized to issue a total of ten million (10,000,000) shares of all classes of stock. Of such total number of authorized shares of stock, nine million (9,000,000) shares are Common Stock, each of which shares of Common Stock has a par value of Sixty-Six and Two-Thirds Cents (\$.66-2/3), and one million (1,000,000) shares are Preferred Stock, each of which shares of Preferred Stock has a par value of One Dollar (\$1.00).

A statement of the designations of the authorized classes of stock or of any series thereof, and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, or of the authority of the Board of Directors to fix by resolution or resolutions such designations and other terms, is as follows:

(1) Preferred Stock:

Shares of Preferred Stock may be issued from time to time in one or more series.

The Board of Directors is hereby authorized, within the limitations and restrictions stated in this Article FOURTH, to fix by resolution or resolutions the designation of each series of Preferred Stock and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such

provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution or resolutions of the Board of Directors under the General Corporation Law of Delaware.

If any proposed amendment to the Certificate of Incorporation of the Company would alter or change the preferences, special rights or powers given to any one or more outstanding series of Preferred Stock, so as to affect such series adversely, or would authorize the issuance of a class or classes of stock having preferences or rights with respect to dividends or dissolution or the distribution of assets that would be superior to the preferences or rights of such series of Preferred Stock, then the holders of each such series of Preferred Stock so affected by the amendment shall be entitled to vote as a series upon such amendment, and the affirmative vote of two-thirds (2/3) of the outstanding shares of each such series shall be necessary to the adoption thereof, in addition to such other vote as may be required by the General Corporation Law of Delaware.

The number of authorized shares of Preferred Stock may be increased or decreased by the affirmative vote of the holders of a majority of the stock of the Company entitled to vote, without there being a class vote of the Preferred Stock.

(2) Common Stock:

Subject to all of the preferences and rights of the Preferred Stock or a series thereof that may be fixed by a resolution or resolutions of the Board of Directors, dividends may be paid on the Common Stock as and when declared by the Board of Directors, out of any funds of the Company legally available for the payment of such dividends.

Except as may otherwise be provided by a resolution or resolutions of the Board of Directors concerning the Preferred Stock or a series thereof, or by this Certificate of Incorporation or the General Corporation Law of Delaware, the holders of the shares of Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and the exclusive power to vote.

FIFTH: The name and mailing address of the incorporator is as follows:

Name	Address
A. D. Grier	100 West Tenth Street Wilmington, Delaware

SIXTH: At all elections of Directors of the Company, each stockholder who is entitled to vote upon such election shall be entitled to as many votes as shall be equal to the number of votes which (except for this provision as to cumulative voting) he would be entitled to cast for the election of Directors with respect to his shares of stock multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for or for any two or more of them, as he sees fit.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the Company.

EIGHTH: The Company shall indemnify any and all persons whom it has the power to indemnify pursuant to the General Corporation Law of Delaware against any and all expenses, judgments, fines, amounts paid in settlement, and any other liabilities to the fullest

extent permitted by such Law and may, at the discretion of the Board of Directors, purchase and maintain insurance, at its expense, to protect itself and such persons against any such expense, judgment, fine, amount paid in settlement or other liability, whether or not the Company would have the power to so indemnify such person under the General Corporation Law of Delaware.

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make, file and record this Certificate of Incorporation, do hereby certify the facts herein stated are true, and have accordingly hereunto set my hand this 26th day of July, 1968.

/s/ A. D. Grier

STATE OF DELAWARE)
)SS.
COUNTY OF NEW CASTLE)

BE IT REMEMBERED that on this 26th day of July, 1968, personally came before me, the subscriber, a Notary Public for the State and County aforesaid, A. D. Grier, known to me personally to be such, and acknowledged the said Certificate of Incorporation to be her act and deed and that the facts therein stated are truly set forth.

GIVEN under my hand and seal of office the day and year aforesaid.

/s/ NOT LEGIBLE [ATWELL]

Notary Public

[SEAL]

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of the 10th day of January, 1969, pursuant to Section 4118 of the California Corporations Code, and to Section 252 of the General Corporation Law of the State of Delaware, by and between DIODES INCORPORATED, a California corporation (hereinafter sometimes called "Old Diodes") and DIODES INCORPORATED, a Delaware corporation (hereinafter sometimes called "Diodes Delaware") (the two corporate parties hereto being sometimes collectively referred to as the "Constituent Corporations"):

WITNESSETH:

WHEREAS, Diodes Delaware is a corporation duly organized and existing under the laws of the State of Delaware, and pursuant to its Certificate of Incorporation is authorized to issue a total of nine million (9,000,000) shares of Common Stock, Sixty-Six and Two-Thirds Cents (\$.66-2/3) par value, or a total of Six Million Dollars (\$6,000,000) par value, and one million (1,000,000) shares of Preferred Stock, One Dollar (\$1.00) par value, or a total of One Million Dollars (\$1,000,000) par value; and

WHEREAS, Diodes Delaware has outstanding, as of the date hereof, 1,000 shares of Common Stock, all of which are owned of record and beneficially by Old Diodes and each of which is entitled to one vote and no shares of Preferred Stock; and

WHEREAS, Old Diodes is a corporation duly organized and existing under the laws of the State of California, and pursuant to its Articles of Incorporation as amended to the date hereof is authorized to issue a total of nine million (9,000,000) shares of Capital Stock, Sixty-Six and Two-Thirds Cents (\$.66-2/3) par value, or a total of Six Million Dollars par value; and

WHEREAS, Old Diodes has outstanding as of the date hereof approximately 1,814,976-1/4 shares of its Capital Stock, each of which is entitled to one vote; and

WHEREAS, the principal and registered office of Diodes Delaware in the State of Delaware is 100 West Tenth Street, in the City of Wilmington, County of New Castle; and

WHEREAS, the principal office of Old Diodes in the State of California is located at 20235 Nordhoff Street, Chatsworth, County of Los Angeles; and

WHEREAS, the Board of Directors of Diodes Delaware has adopted resolutions declaring advisable the proposed merger (hereinafter referred to as the "merger") of Old Diodes into Diodes Delaware on the terms and conditions hereinafter set forth and approving this Agreement and Plan of Merger, and the Board of Directors of Old Diodes has by resolution adopted this Agreement and Plan of Merger, and both such Boards of Directors have directed that this Agreement and Plan of Merger be submitted to their respective stockholders at separate meetings called for the purpose of taking the same under consideration, in accordance with the applicable statutes of the State of California and Delaware.

NOW, THEREFORE, the Constituent Corporations do hereby agree to merge on the terms and conditions herein provided, as follows:

ARTICLE I

GENERAL

1.01 The corporations parties to this Agreement and Plan of Merger (hereinafter sometimes called the "Agreement"), agree to effect the merger herein provided for, subject to the terms and conditions herein set forth.

1.02 Upon the Effective Date, as defined in Section 1.08 hereof, Old Diodes shall be merged into Diodes Delaware, which latter company shall be the Surviving Corporation, governed by the laws of the State of Delaware, the name of which shall continue to be Diodes Incorporated.

1.03 The Certificate of Incorporation of Diodes Delaware in effect on the Effective Date shall, until amended, be and remain the Certificate of Incorporation of the Surviving Corporation.

1.04 The By-Laws of Diodes Delaware in effect on the Effective Date shall be and remain the By-Laws of the Surviving Corporation, until altered, amended or repealed.

1.05 Upon the Effective Date, the separate existence of Old Diodes shall cease and Old Diodes shall be merged into the Surviving Corporation. The Surviving Corporation shall, from and after the Effective Date, possess all the rights, privileges, powers, and franchises of whatsoever nature and description, as well of a public as of a private nature, and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; and all and singular, the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts

due to either of the Constituent Corporations or whatever account, as well for stock subscriptions as all other things in action or belonging to each of the Constituent Corporations, and every devise or bequest which either of the Constituent Corporations would have been capable of taking shall be vested in the Surviving Corporation without further act or deed; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the several and respective Constituent Corporations, and the title to any real estate vested by deed or otherwise, in any of the Constituent Corporations, shall not revert or be in any way impaired by reason of such merger. All rights of creditors and all liens upon the property of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities, and duties of the Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. Any claim existing or action or proceeding, whether civil, criminal or administrative, pending by or against either Constituent Corporation may be prosecuted to judgment or decree as if such merger had not taken place, or the Surviving Corporation may be substituted in such action or proceeding.

1.06 The Constituent Corporations each hereby agrees that at any time, or from time to time, as and when requested by the Surviving Corporation, or by its successors and assigns, it will execute and deliver, or cause to be executed and delivered in its name by its last acting officers, or by the corresponding officers of the Surviving Corporation, all such conveyances, assignments, transfers, deeds, or other instruments, and will take or cause to be taken such further or other

action as the Surviving Corporation, its successors or assigns may deem necessary or desirable in order to evidence the transfer, vesting or devolution of any property, right, privilege or franchise or to vest or perfect in or confirm to the Surviving Corporation, its successors and assigns, title to and possession of all of the property, rights, privileges, powers, immunities, franchises and interests referred to in this Article I and otherwise to carry out the intent and purposes hereof.

1.07 Each of the Constituent Corporations shall take, or cause to be taken, all action or do, or cause to be done, all things necessary, proper or advisable under the laws of the States of California and Delaware to consummate and make effective the merger.

1.08 Subject to the terms and conditions herein provided, as soon as practicable after the adoption of this Agreement by the shareholders of Old Diodes and Diodes Delaware, respectively, a Certificate of Merger incorporating this Agreement shall be filed under Section 4119 of the California Corporations Code with the Secretary of the State of California, and this Agreement, certified by the secretary or assistant secretary of Diodes Delaware under the seal of that corporation, shall be filed under Section 252 of the General Corporation Law of the State of Delaware with the Secretary of State of Delaware and a certified copy thereof shall be recorded in the office of the Recorder of New Castle County, Delaware, where the Certificate of Incorporation is recorded, in accordance with Section 103 of the General Corporation Law of the State of Delaware. This Agreement shall become effective at the close of business on the day (hereinafter called the "Effective Date") on which both of such filings have been completed.

ARTICLE II

CAPITAL STOCK OF THE SURVIVING CORPORATION

2.01 The manner of converting the shares of each of the Constituent Corporations into shares of the Surviving Corporation shall be as hereinafter set forth in this Article II.

2.02 Each share of the Common Stock of Diodes Delaware issued and outstanding immediately prior to the Effective Date shall be cancelled.

2.03 Each share of the Capital Stock of Old Diodes issued and outstanding immediately prior to the Effective Date, shall automatically and without any action on the part of the holder thereof, be converted, upon the Effective Date, into one share of Common Stock of Diodes Delaware. Each certificate of Old Diodes evidencing ownership of any such shares shall, from and after the effective date, evidence ownership of the same number of shares of Common Stock of Diodes Delaware. Holders of certificates representing shares of Capital Stock of Old Diodes will not be required to surrender such certificates in exchange for certificates for shares of Common Stock of Diodes Delaware. Whenever certificates which previously represented shares of Common Stock of Old Diodes are surrendered for transfer, Diodes Delaware will cause to be issued certificates representing an equal number of shares of Common Stock of Diodes Delaware, and at any time upon surrender by any holder of certificates which previously represented shares of Capital Stock of Old Diodes, Diodes Delaware will cause to be issued therefor certificates for an equal number of shares of Common Stock of Diodes Delaware.

2.04 Upon the Effective Date, Diodes Delaware shall assume all stock options granted by Old Diodes, to the extent that such options are outstanding immediately prior to the effective date, whether or not then exercisable, by substituting for the Capital Stock of Old Diodes allocable to such options shares of Common Stock of Diodes Delaware on the basis set forth in Section 2.03 hereof and on a basis which will comply with Section 425 of the Internal Revenue Code and other applicable statutes set forth in the Internal Revenue Code.

2.05 In the event that Old Diodes shall be obligated by contract immediately prior to the Effective Date to issue any shares of its Capital Stock, Diodes Delaware shall be obligated to issue in lieu thereof shares of its Common Stock on the basis set forth in Section 2.03 hereof.

ARTICLE III

STOCK OPTION PLAN; EMPLOYMENT ARRANGEMENTS; PROFIT SHARING AND RETIREMENT PLAN; OFFICERS AND DIRECTORS

3.01 Upon the Effective Date, Diodes Delaware shall have as stock option plan the qualified Stock Option Plan for officers and employees of Old Diodes, as amended. From and after the Effective Date the references in said Stock Option Plan (i) to "Company" shall be to Diodes Delaware, and (ii) to the "Board of Directors" and "Committee" shall be to the Board of Directors and Committee of Diodes Delaware. The Board of Directors and Committee of Diodes Delaware, upon the Effective Date, shall be vested with powers to administer said Stock Option Plan, as amended, referred to in this Section 3.01.

3.02 The employees of Old Diodes shall, upon the Effective Date, become employees of Diodes Delaware and shall continue to be entitled to benefits substantially equivalent to those which they enjoyed as employees of Old Diodes.

3.03 The directors and officers of Old Diodes in office on the Effective Date shall continue in office as, and shall be and constitute, the directors and officers of Diodes Delaware for the term elected and until their respective successors shall be elected or appointed and qualified.

ARTICLE IV
TERMINATION AND AMENDMENT

4.01 Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated by written notice of termination at any time before completion of the respective filings with the Secretary of State of California and the Secretary of State of Delaware referred to in Section 1.08 hereof (whether before or after approval hereof by the shareholders of the Constituent Corporations, or either of them) by appropriate resolution of the Board of Directors of Old Diodes, for any reason deemed appropriate by said Board of Directors.

ARTICLE V
MISCELLANEOUS

5.01 Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provisions of this Agreement.

5.02 This Agreement may be executed in any number of counterparts or may be, where the same are not required, certified or otherwise delivered without the testimonium clause and signatures; each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

DIODES INCORPORATED
(California)

ATTEST:

/s/ NORMAN H. KIRSHMAN
Secretary

/s/ W. LLOYD
President

DIODES INCORPORATED
INCORPORATED
JUNE 15, 1959
CALIFORNIA

DIODES INCORPORATED
(Delaware)

ATTEST:

/s/ NORMAN H. KIRSHMAN
Secretary

/s/ W. LLOYD
President

DIODES INCORPORATED
CORPORATE SEAL
1968
DELAWARE

I, NORMAN H. KIRSHMAN, Secretary of DIODES INCORPORATED, a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such secretary and under the seal of the said corporation, that the Agreement of Merger to which this certificate is attached, after having been first duly signed on behalf of the said corporation and having been signed on behalf of DIODES INCORPORATED, a corporation of the State of California, was duly submitted to the stockholders of said DIODES INCORPORATED, a Delaware corporation, at a special meeting of said stockholders called and held separately from the meeting of stockholders of any other corporation after at least 20 days' notice by mail as provided by section 252 and section 251 of Title 8 of the Delaware Code of 1953 on the 25th day of September, 1968, for the purpose of considering and taking action upon the proposed Agreement of Merger; that 1,000 shares of stock of said corporation were on said date issued and outstanding; that the proposed Agreement of Merger was approved by the stockholders by an affirmative vote representing at least two-thirds of the total number of shares of the outstanding capital stock of said corporation, and that thereby the Agreement of Merger was at said meeting duly adopted as the act of the stockholders of said DIODES INCORPORATED, a Delaware corporation, and the duly adopted agreement of said corporation.

WITNESS my hand and seal of said DIODES INCORPORATED, a Delaware corporation, on this 10th day of January, 1969.

/s/ Norman H. Kirshman
NORMAN H. KIRSHMAN
Secretary

DIODES INCORPORATED
CORPORATE SEAL
1968
DELAWARE

THE ABOVE AGREEMENT OF MERGER, having been executed on behalf of each corporate party thereto, in accordance with the provisions of the General Corporation Law of the State of Delaware, and the Corporations Code of the State of California, the President of each corporate party thereto does now hereby execute the said Agreement of Merger and the Secretary of each corporate party thereto does now hereby attest the said Agreement of Merger under the corporate seals of their respective corporations, by authority of the directors and stockholders thereof, as the respective act, deed and agreement of each of said corporations, on this 10th day of January, 1969.

DIODES INCORPORATED
INCORPORATED JUNE 15, 1959
CALIFORNIA

DIODES INCORPORATED,
A California Corporation

/s/ W. LLOYD

President

ATTEST:

/s/ NORMAN H. KIRSHMAN

Secretary

DIODES INCORPORATED
(CORPORATE SEAL)
1968
DELAWARE

DIODES INCORPORATED,
A Delaware Corporation

/s/ W. LLOYD

President

ATTEST:

/s/ NORMAN H. KIRSHMAN

Secretary

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

BE IT REMEMBERED that on this 10th day of January, 1969, personally came before me, a Notary Public in and for the County and State aforesaid, W. LLOYD, President of Diodes Incorporated, a corporation of the State of Delaware, and he duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said certificate and attested by the Secretary of said corporation is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

/s/ THELMA J. KERRIS

Notary Public

[SEAL GRAPHIC]
OFFICIAL SEAL
THELMA J. KERRIS
NOTARY PUBLIC – CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY

My Commission Expires August 10, 1971

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

BE IT REMEMBERED that on this 10th day of January, 1969, personally came before me, a Notary Public in and for the County and State aforesaid, W. LLOYD, President of Diodes Incorporated, a corporation of the State of California, and he duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said certificate and attested by the Secretary of said corporation is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Thelma J. Kerris
Notary Public

[SEAL GRAPHIC]
OFFICIAL SEAL
THELMA J. KERRIS
NOTARY PUBLIC – CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY

My Commission Expires August 13, 1971

CERTIFICATE OF DESIGNATIONS, PREFERENCES
AND RIGHTS OF CLASS A PREFERRED STOCK

OF

DIODES INCORPORATED

a Delaware corporation

DIODES INCORPORATED, a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That, pursuant to the authority conferred on the Board of Directors by the Certificate of Incorporation of said corporation, and pursuant to the provisions of Section 151 of Title 8 of the Delaware Code of 1953, said Board of Directors, by the unanimous consent of its members filed with the minutes of the Board on November 25, 1993, adopted the following resolutions providing for the issuance of a series of ONE HUNDRED AND SIXTY NINE THOUSAND SIX HUNDRED AND TWENTY NINE (169,629) shares of Preferred Stock, designated Class A Preferred Stock, and providing for designations, relative rights, preferences, privileges and limitations of said Class A Preferred Stock.

“RESOLVED, that this Board shall, and hereby does, authorize the issuance to Lite-On Power Semiconductor, a Taiwan corporation of 169,629 shares of this Corporation’s authorized but unissued \$1.00 Par Value Preferred Stock, designated Class A Preferred Stock, and

RESOLVED FURTHER, that said Class A Preferred Stock shall be issued subject to the designations, relative rights, preferences, privileges and limitations as set forth in the document entitled Statement of Designations, Relative Rights, Preferences, Privileges and Limitations, a copy of which follows these minutes in the Minute Book of the Company.

Attached hereto marked Exhibit "A" is a copy of the document entitled Statement of Designations, Relative Rights, Preferences, Privileges and Limitations referred to in the above resolution.

IN WITNESS WHEREOF, said DIODES INCORPORATED has caused this certificate to be signed by PEDRO P. MORILLAS, its Executive Vice President, and attested by JOSEPH LIU, its Secretary, this 15th day of June, 1995.

DIODES INCORPORATED,

a Delaware corporation

by: /s/ Pedro P. Morillas
PEDRO P. MORILLAS
Executive Vice President

ATTEST:

BY /s/ Joseph Liu
JOSEPH LIU, secretary

DIODES INCORPORATED CLASS "A" PREFERRED STOCK

STATEMENT OF DESIGNATIONS, RELATIVE RIGHTS, PREFERENCES, PRIVILEGES AND LIMITATIONS

A. CONVERTIBILITY

(1) The shares of Class A Preferred Stock are convertible, at the option of the record holder of the shares, into shares of fully paid and nonassessable \$0.66 2/3 Par Value Common Stock of the Corporation (hereinafter the "Common Stock"). The shares of Class A Preferred Stock may be converted at any time after the conversion date set forth on the share certificate. Each share of Class A Preferred Stock may be converted into one (1) share of Common Stock.

(2) To convert shares of Class A Preferred Stock, the holder of the shares must surrender the certificate or certificates representing the shares to be converted, duly endorsed to the Corporation or in blank, at the principal office of the Corporation, and give written notice to the Corporation at that office that the holder desires to convert the shares. The notice must set forth the name, address and taxpayer identification number of the person or persons to whom a certificate or certificates representing the Common Stock of the Corporation are to be issued.

(3) Shares of Class A Preferred Stock shall be deemed to be converted at the close of business on the date of the surrender to the Corporation of the properly endorsed certificate or certificates representing the shares. The rights of the holders of the Class A Preferred Stock surrendered shall cease at that time, and the person or persons in whose name or names the certificate or certificates for the Common Stock are to be issued shall be treated for all purposes as having become record owners of the Common Stock of the Corporation at the time. However, if certificates are surrendered on a day in which the stock transfer books of the Corporation are closed, the surrender shall be deemed to have occurred on the next succeeding day on which the stock transfer books are open.

(4) The Corporation shall at all times reserve and keep available solely for the purpose of issuing upon conversion of Class A Preferred Stock the number of shares of Common Stock issuable upon conversion of all outstanding Class A Preferred Stock.

(5) At the time of conversion, the Corporation shall pay to the holder of record of any share or shares of Class A Preferred Stock surrendered for conversion any accrued and unpaid dividends on the stock.

EXHIBIT "A"

(6) The issuance of certificates for shares of Common Stock upon the conversion of Class A Preferred Stock shall be made without charge for any tax with respect to the issuance. However, if any certificate is to be issued in a name or names other than the name or names of the holder of record of Class A Preferred Stock converted, the person or persons requesting the issuance shall pay to the Corporation the amount of any tax that may be payable in connection with any transfer involved in the issuance, or shall establish to the satisfaction of the Corporation that the tax has been paid or is not due and payable.

(7) The Corporation shall not be required to issue any fractional shares of Common Stock upon the conversion of Class A Preferred Stock. If more than one share of Class A Preferred Stock is surrendered for conversion at one time by the same holder, the number of full shares of Common Stock that shall be issued upon the conversion of Class A Preferred Stock shall be computed on the basis of the aggregate number of shares of Class A Preferred Stock surrendered. If any interest in a fractional share of Common Stock would otherwise be deliverable upon the conversion of Class A Preferred Stock, the Corporation shall make adjustment for that fractional share interest by payment of an amount in cash equal to the same fraction of the market value at that time of a full share of Common Stock of the Corporation.

(8) If the Corporation subdivides or combines in a larger or smaller number of shares its outstanding shares of Common Stock, then the number of shares of Common Stock issuable upon the conversion of Class A Preferred Stock shall be proportionally increased in the case of a subdivision and decreased in the case of a combination, effective in either case at the close of business on the date that the subdivision or combination becomes effective.

(9) If the Corporation is recapitalized, is consolidated with or merged into any other corporation, or sells or conveys to any other corporation all or substantially all of its property as an entity, provision shall be made as part of the terms of the recapitalization, consolidation, merger, sale, or conveyance so that the holders of Class A Preferred Stock may receive, in lieu of the Common Stock otherwise issuable to them upon conversion of Class A Preferred Stock, at the same conversion ratio, the same kind and amount of securities or assets as may be distributable upon the recapitalization, consolidation, merger, sale, or conveyance with respect to the Common Stock.

(10) If the Corporation at any time pays to the holders of its Common Stock a dividend in Common Stock, the number of shares of Common Stock issuable upon the conversion of Class A Preferred Stock shall be proportionally increased, effective at the close of business on the record date for determination of the holders of the Common Stock entitled to the dividend.

(11) Except as provided below, if the Corporation at any time pays any dividend or makes any distribution on its Common Stock in property other than cash or in Common Stock of the Corporation, then provision shall be made as part of the terms of the dividend or distribution so that the holders of Class A Preferred Stock surrendered for conversion after the record date for the determination of holders of Common Stock entitled to the dividend or distribution shall be entitled to receive the same proportionate share of property that they would have been entitled to receive had Class A Preferred Stock been converted immediately prior to the record date.

(12) These adjustments shall be made successively if more than one of these events occurs. However, no adjustment in the conversion ratio of Class A Preferred Stock into Common Stock shall be made by reason of

(a) the payment of a cash dividend on the Common Stock or on any other class of stock of the Corporation;

(b) the purchase, acquisition, redemption, or retirement by the Corporation of any shares of Common Stock or of any other class of stock of the Corporation, except as provided above in connection with a subdivision or combination of the outstanding Common Stock of the Corporation;

(c) the issuance, other than as provided above, of any shares of Common Stock, or of any securities of the Corporation convertible into Common Stock or into other securities of the Corporation, or of any rights, warrants or options to subscribe for or purchase shares of Common Stock or other securities of the Corporation, or of any other securities of the Corporation; provided that if the Corporation offers any of the securities or any rights, warrants or options to subscribe for or purchase any of its securities to the holders of its Common Stock, pursuant to any preemptive or preferential rights granted to the holders of Common Stock by the certificate of incorporation of the Corporation, or pursuant to any similar rights granted by the Board of Directors of the Corporation, the Corporation shall mail written notice of the offer to the holders of Class A Preferred Stock at least 20 days prior to the record date for determination of the holders of Common Stock entitled to receive the offer;

(d) the offer by the Corporation to redeem or acquire shares of its Common Stock by paying or exchanging the stock of another corporation, or the carrying out of a transaction contemplated by an offer of this nature; provided that the Corporation shall mail written notice of the offer to the holders of Class A Preferred Stock at least 20 days prior to the expiration of the offer; or

(e) the distribution of stock to holders of Common Stock of the Corporation, if the issuer of the stock distributed is at the time of the distribution engaged in a business that was previously operated as a division or subsidiary by a corporation acquired by the Corporation and that was distinct from the principal business of the corporation acquired.

B. VOTING RIGHTS

(1) At every meeting of the stockholders of the Corporation, each holder of Class A Preferred Stock shall be entitled to one vote for each share of Class A Preferred Stock standing in the name of the holder on the books of the Corporation, with the identical voting rights as a holder of a share of Common Stock of the Corporation, except as expressly provided in these paragraphs. Except as otherwise provided by law, and except as provided in these paragraphs, the Class A Preferred Stock and any other class of stock of the Corporation having voting rights shall vote together as one class.

(2) The holders of Class A Preferred Stock are entitled to receive notice of all meetings of the stockholders of the Corporation, to the same extent and in the same manner as the holders of the Common Stock of the Corporation.

(3) At any election of directors of the Corporation in which the holders of Class A Preferred Stock are entitled to vote, each holder of Class A Preferred Stock shall have the right to cumulative voting. Each holder shall be entitled to a number of votes equal to the number of votes the holder (absent this provision for cumulative voting) would be entitled to cast in an election of directors with respect to the Class A Preferred Stock owned by the holder multiplied by the number of directors to be elected by the holders of the Class A Preferred Stock. Each holder shall be entitled to cast all of these votes for a single director, or to distribute them among the number of directors to be elected or among any two or more of them as the holder may see fit.

C. PREFERENCE ON LIQUIDATION

(1) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or of any reduction in the capital of the Corporation resulting in any distribution of assets to its stockholders, each holder of Class A Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or earnings, available for distribution to the stockholders of the Corporation, before any amount is paid to the holders of the Common Stock, the sum of \$1.00 per share for each share of Class A Preferred Stock held by the holder, plus an amount equal to the sum of all accumulated and unpaid dividends to the date fixed for the payment of the distribution on the shares of Class A Preferred Stock held by the holder.

(2) The purchase or redemption by the Corporation of any class of its stock in any manner permitted by law, the consolidation or merger of the Corporation with or into one or more other corporations, or the sale or transfer by the Corporation of all or substantially all of its assets shall not, for the purposes of determining preferences on liquidation, be deemed to be a liquidation, dissolution or winding up of the Corporation or a reduction of its capital. A dividend or distribution to stockholders from net profits or surplus earned after the date of any reduction in the capital of the Corporation shall not be deemed to be a distribution resulting from the reduction in capital. No holder of Class A Preferred Stock shall be entitled to receive any amounts in connection with any liquidation, dissolution or winding up of the Corporation other than the amounts provided for in these paragraphs.

D. NO PREEMPTIVE RIGHTS

No holder of Class A Preferred Stock shall be entitled, as of right, to purchase or subscribe for any part of the unissued stock of the Corporation, or of any stock of the Corporation to be issued by reason of an increase of the authorized stock of the Corporation, to purchase or subscribe for any debentures, bonds, certificates of indebtedness or other securities convertible into or carrying options or warrants to purchase stock or other securities of the Corporation, to purchase or subscribe for any stock of the Corporation purchased by the Corporation, or to have any other preemptive rights now or hereafter defined by the laws of the State of Delaware.

E. DIVIDENDS

(1) The holders of Class A Preferred Stock are entitled, when and as declared by the Board of Directors of the Corporation out of the funds of the Corporation legally available for the payment of dividends, to a cash dividend in an amount to be determined, in its sole discretion, by the board of directors.

(2) Dividends on Class A Preferred Stock will be declared if, as and when the Board of Directors in its sole discretion deems advisable, and only out of the net profits or surplus of the Corporation as is fixed and determined by the Board of Directors in its sole discretion from time to time. The determination at any time of the amount of net profits or surplus available for dividends will be binding and conclusive on the holders of the stock of the Corporation outstanding at the time.

(3) Any declared and unpaid dividends on Class A Preferred Stock will not bear interest.

(4) In addition to the preferred dividend on Class A Preferred Stock provided for hereinabove, the holders of Class A Preferred Stock are entitled to participate with the Common Stock with respect to the declaration, payment and setting apart of

dividends, and each share of Class A Preferred Stock will be treated as if it were a share of Common Stock in connection with the declaration, payment and setting apart of dividends on the Common Stock of the Corporation.

F. CHANGES IN PREFERRED STOCK

(1) Except as provided below, and so long as any shares of Class A Preferred Stock are outstanding, the Corporation shall not change the rights, preferences or privileges of Class A Preferred Stock in any material aspect prejudicial to the holders of Class A Preferred Stock.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
DIODES INCORPORATED

The undersigned, Carl Wertz, the Chief Financial Officer of Diodes Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the first sentence of ARTICLE FOURTH of the Certificate of Incorporation be, and it hereby is, amended to read in its entirety as follows:

FOURTH: The Company is authorized to issue a total of thirty-one million (31,000,000) shares of all classes of stock. Of such total number of authorized shares of stock, thirty million (30,000,000) shares are Common Stock, each of which shares of Common Stock has a par value of Sixty-Six and Two-Thirds Cents (\$.66-2/3), and one million (1,000,000) shares are Preferred Stock, each of which shares of Preferred Stock has a par value of One Dollar (\$1.00).

SECOND: That at a meeting of the Board of Directors of Diodes Incorporated resolutions were duly adopted declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof.

THIRD: That thereafter, pursuant to the resolution of its Board of Directors, the annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of said amendment.

FOURTH: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

FIFTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, I have signed this Certificate this fifteenth day of June, 2000.

/s/ CARL WERTZ
Carl Wertz, Chief Financial Officer

CERTIFICATE OF ELIMINATION
OF
THE CLASS A PREFERRED STOCK
OF
DIODES INCORPORATED

Diodes Incorporated, a corporation organized and existing under the laws of the State of Delaware (the “Company”), in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware (the “DGCL”), hereby certifies as follows:

1. That the Certificate of Incorporation, as amended to date, of the Company authorizes 31,000,000 shares of capital stock, which consists of 30,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock.

2. That pursuant to Section 151 of the DGCL and the authority set forth in the Company’s Certificate of Incorporation, the board of directors of the Company (the “Board of Directors”), by resolution duly adopted, established a series of preferred stock, \$1.00 par value per share, of the Company, designated as “Class A Preferred Stock” (the “Class A”), fixed the total number of shares of such class at 169,629, and established the powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions, of such series and filed a Certificate of Designations, Preferences and Rights of Class A Preferred Stock in the office of the Secretary of State of the State of Delaware on June 30, 1995, (the “Certificate of Designation”).

3. That the Board of Directors has duly adopted the following resolutions:

RESOLVED: That as of the date hereof no shares of Class A are outstanding and no shares of Class A will be issued subject to the Certificate of Designation.

RESOLVED FURTHER: That all matters set forth in the Certificate of Designation with respect to the Class A be eliminated from the Certificate of Incorporation, as heretofore amended, of this corporation.

RESOLVED FURTHER: That all 169,629 shares of Class A shall resume the status of authorized but unissued shares of preferred stock, par value \$1.00 per share, of the Company.

RESOLVED FURTHER: That the Certificate of Elimination hereby is approved.

RESOLVED FURTHER: That each officer of this corporation hereby is authorized and directed, by and on behalf of this corporation and in its name, to execute the Certificate of Elimination and to cause the Certificate of Elimination to be filed with the Secretary of State of the State of Delaware, but with such changes therein as the officer filing the same shall deem to be necessary or advisable, the filing of the Certificate of Elimination with the Secretary of State of the State of Delaware to be conclusive evidence of the approval of any such changes.

RESOLVED FURTHER: That each officer of this corporation hereby is authorized and directed, by and on behalf of this corporation and in its name, to execute and deliver such documents and to take such other actions as such officer may deem to be necessary or advisable to effect the purposes of the foregoing resolutions.

4. That no shares of Class A are outstanding, and no shares of Class A will be issued pursuant to the Certificate of Designation.

5. That all matters set forth in the Certificate of Designation with respect to Class A be, and they hereby are, eliminated from the Certificate of Incorporation, as heretofore amended, of the Company and that, accordingly, all 169,629 shares of Class A shall resume the status of authorized but unissued shares of preferred stock, par value \$1.00 per share.

The next page is the signature page.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
DIODES INCORPORATED

The undersigned, Carl Wertz, the Chief Financial Officer of Diodes Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the first sentence of ARTICLE FOURTH of the Certificate of Incorporation be, and it hereby is amended to read in its entirety as follows:

FOURTH: The Company is authorized to issue a total of seventy- one million (71,000,000) shares of all classes of stock. Of such total number of authorized shares of stock, seventy million (70,000,000) shares are Common Stock, each of which shares of Common Stock has a par value of Sixty-Six and Two-Thirds Cents (\$.66-2/3), and one million (1,000,000) shares are Preferred Stock, Each of which shares of Preferred Stock has a par value of One Dollar (\$1.00).

SECOND: That at a meeting of the Board of Directors of Diodes Incorporated resolutions were duly adopted declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof.

THIRD: That thereafter, pursuant to the resolution of its Board of Directors, the annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of said amendment.

FOURTH: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

FIFTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, I have signed this Certificate this seventeenth day of May, 2006.

/s/ CARL WERTZ

Carl Wertz

PLATING PROCESSING AGREEMENT

This PLATING PROCESSING AGREEMENT (this "Agreement") is made as of February 8, 2013 (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 SOT23-18R 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 February 1, 2013 and terminates on December 31, 2013. 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/ Shi Zhi Ming

Signature: /s/ Justin Kong

Date: _____

Date: _____

APPENDIX 1

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

1. After logistic department gets the Customs to complete the review, then immediately the cooperation method shall be in USD, and the pricing in USD shall be USD0.4376/KP. The currency exchange rate shall be the averaged rate to be 6.3. If the currency exchange rate varies by plus or minus two percent (2%), then both Parties shall proceed with negotiation for adjustment accordingly. Both Parties' logistic departments shall cooperate in RMB, and the pricing in RMB shall be RMB2.7568/KP, prior to the completion of Customs' review,
2. Products shipment flow from CAT to ZCEL, it shall be DDU as the shipping business term.
3. Products shipment flow from ZCEL to CAT, it shall be EXW as the shipping business term.
4. This Appendix 1's effective period is from January 1, 2013 to December 31, 2013.
5. 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/ Shi Zhi Ming

Signature: /s/ Justin Kong

Date: _____

Date: _____

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 10, 2013

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 10, 2013

**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, 2013** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Keh-Shew Lu

Keh-Shew Lu
Chief Executive Officer
Date: May 10, 2013

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

**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, 2013** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Richard D. White

Richard D. White
Chief Financial Officer
Date: May 10, 2013

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

