UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

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 No.)**
4949 Hedgcoxe Road, Suite 200 **Plano, Texas** **(Address of principal executive offices)**	**75024** **(Zip Code)**

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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. (Check one):

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

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

The aggregate market value of the 38,032,787 shares of Common Stock held by non-affiliates of the registrant, based on the closing price of $18.79 per share of the Common Stock on the Nasdaq Global Select Market on June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $714,636,068.

The number of shares of the registrant's Common Stock outstanding as of February 23, 2017 was 48,302,449.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the United States Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the 2016 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report. The proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended December 31, 2016.

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PART I

Item 1. Business.

GENERAL

Diodes Incorporated, together with its subsidiaries (collectively, the "Company," "we" or "our"), (Nasdaq: DIOD), is a leading global manufacturer and supplier of high-quality, application-specific standard products within the broad discrete, logic, analog and mixed-signal semiconductor markets. We serve the consumer electronics, computing, communications, industrial, and automotive markets. Our products include diodes, rectifiers, transistors, MOSFETs, protection devices, function-specific arrays, single gate logic, amplifiers and comparators, Hall-effect and temperature sensors, power management devices, including LED drivers, AC-DC converters and controllers, DC-DC switching and linear voltage regulators, and voltage references along with special function devices, such as USB power switches, load switches, voltage supervisors, and motor controllers. Our corporate headquarters is located in Plano, Texas and Americas' sales offices are located in Plano, Texas, Milpitas, California and Amherst, New Hampshire. Design, marketing, and engineering centers are located in Plano; Milpitas; Taipei, Taoyuan City and Zhubei City, Taiwan; Hong Kong, China; Oldham, England; and Neuhaus, Germany. Our wafer fabrication facilities are located in Lee's Summit, Missouri; Oldham; and Shanghai, China. We have assembly and test facilities located in Shanghai, Chengdu and Neuhaus. Additional engineering, sales, warehouse, and logistics offices are located in Taipei; Hong Kong; Oldham; Shanghai; Shenzhen, China; Seoul and Seongnam-si, South Korea; and Munich, Germany, with support offices throughout the world. We were incorporated in 1959 in California and reincorporated in Delaware in 1968.

We design, manufacture and market these semiconductors for diverse end-use applications. Semiconductors, which provide electronic signal amplification and switching functions, are basic building-blocks that are incorporated into almost every electronic device. We believe that our focus on application-specific standard products utilizing innovative, highly efficient packaging and cost-effective process technologies, coupled with our collaborative, customer-focused product development, gives us a meaningful competitive advantage relative to other semiconductor companies.

Our product portfolio addresses the design needs of advanced electronic equipment, including high-volume consumer electronic devices such as digital media players, smartphones, tablets, notebook computers, flat-panel displays, mobile handsets, digital cameras and set-top boxes. We believe that we have particular strength in designing innovative, highly power efficient semiconductors in miniature packaging for applications with a critical need to minimize product size while maximizing power density and overall performance, and at a lower cost than alternative solutions. Our product line includes over 20,000 products, and we shipped approximately 41 billion units, 40 billion units, and 44 billion units in 2016, 2015 and 2014, respectively. From 2011 to 2016, our net sales grew from $635.3 million to $942.2 million, representing a compound annual growth rate of greater than 8%.

We serve over 400 direct customers worldwide, which consist of original equipment manufacturers ("OEM") and electronic manufacturing services ("EMS") providers. Additionally, we have approximately 130 distributor customers worldwide, through which we indirectly serve over 50,000 customers.

BUSINESS OUTLOOK

Looking forward, we remain focused on achieving our goal of $1 billion in annual revenue with model gross margins of 35%. Acquisitions remain a key part of our growth strategy to reach our revenue goal. We have a solid pipeline of designs and expanded customer relationships across all regions and product lines. The success of our business depends on, among other factors, the strength of the global economy and the stability of the financial markets, our customers' demand for our products, the ability of our customers to meet their payment obligations, the likelihood of customers not canceling or deferring existing orders, and the strength of consumers' demand for items containing our products in the end-markets we serve. We believe the long-term outlook for our business remains generally favorable despite the uncertainties in the global economy as we continue to execute on the strategy that has proven successful for us over the years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Outlook" in Part II, Item 7 and "Risk Factors – The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition." in Part I, Item 1A of this Annual Report for additional information.

PERICOM ACQUISITION

On November 24, 2015, we completed our acquisition of Pericom Semiconductor Corporation ("Pericom"). Our results of operations for 2016 included Pericom for the full year and 2015 included approximately one month of Pericom results. Pericom designs, develops and markets high-performance integrated circuits ("ICs") and frequency control products ("FCPs") used in many of today's advanced electronic systems. ICs include functions that support the connectivity, timing and signal conditioning of high-speed parallel and serial protocols that transfer data among a system's microprocessor, memory and various peripherals, such as displays and monitors, and between interconnected systems. FCPs are electronic components that provide frequency references such as crystals and oscillators for computer, communication and consumer electronic products. Analog, digital and mixed-signal ICs, together with FCPs enable higher system bandwidth and signal quality, resulting in better operating reliability, signal integrity, and lower overall system cost in applications such as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players. See Note 18 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information.

SEGMENT INFORMATION AND ENTERPRISE-WIDE DISCLOSURES

For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various design, manufacturing and distribution facilities. We sell product primarily through our operations in Asia, North America and Europe. See Note 15 of "Notes to Consolidated Financial Statements" of this Annual Report for addition information.

OUR INDUSTRY

Semiconductors are critical components used in the manufacture of a broad range of electronic products and systems. Since the invention of the transistor in 1948, continuous improvements in semiconductor processes and design technologies have led to smaller, more complex and more reliable devices at a lower cost per function. The availability of low-cost semiconductors, together with increased customer demand for sophisticated electronic systems, has led to the proliferation of semiconductors in diverse end-use applications.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths include the following:

Flexible, scalable and cost-effective manufacturing – Our manufacturing operations are a core element of our success, and we have designed our manufacturing base to allow us to respond quickly to changes in demand trends in the end-markets we serve. For example, we have structured our assembly and test facilities to enable us to rapidly and efficiently add capacity and adjust product mix to meet shifts in customer demand and overall market trends. In 2011, we established an additional manufacturing facility for semiconductor assembly and test in Chengdu, China, which became fully production capable during the second half of 2015. Additionally, the Shanghai and Chengdu locations of our manufacturing operations provide us with access to a workforce at a relatively low overall cost base while enabling us to better serve our leading customers, many of which are located in Asia. See "Risk Factors—*During times of difficult market conditions, our fixed costs combined with lower net sales and lower profit margins may have a negative impact on our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

Integrated packaging expertise – Our expertise in designing and manufacturing innovative and proprietary packaging solutions enables us to package a variety of different device functions into an assortment of packages ranging from miniature chip-scale packaging to packages that integrate multiple separate discrete and/or analog chips into a single semiconductor product called an array. Our ability to design and manufacture multi-chip semiconductor solutions as well as advanced integrated devices provides our customers with products of equivalent functionality with fewer individual parts, and at lower overall cost, than alternative products. This combination of integration, functionality and miniaturization makes our products well suited for high-volume consumer electronic devices such as LED televisions, LCD panels, set-top boxes and consumer portables such as smartphones, tablets and notebooks.

Broad customer base and diverse end-markets – Our customers are comprised of leading OEMs as well as major EMS providers. Overall, we serve over 400 direct customers worldwide and over 50,000 additional customers through our distributors. Our products are ultimately used in end-products in a number of markets served by our broad customer base, which we believe makes us less susceptible to market fluctuations driven by either specific customers or specific end-user applications.

Customer focused product development – Effective collaboration with our customers and a commitment to customer service are essential elements of our business. We believe focusing on dependable delivery and support tailored to specific end-user applications has fostered deep customer relationships and created a key competitive advantage for us in the highly fragmented discrete, logic and analog semiconductor marketplace. We believe our close relationships with our customers have provided us with keener insight into our customers' product needs. This results in a stronger demand for our product designs and often provides us with insight into additional opportunities for new design wins in our customers' products. See "Risk Factors - *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"* in Part I, Item 1A of this Annual Report for additional information.

Management experience – The members of our executive team average over 30 years of industry experience, and the length of their service has created significant institutional insight into our markets, our customers and our operations. See "Risk Factors—*We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

OUR STRATEGY

Our strategy is to continue to enhance our position as a leading global designer, manufacturer and supplier of high-quality application-specific standard semiconductor products, utilizing our innovative and cost-effective assembly and test (packaging) technology and leveraging our process expertise and design excellence to achieve above-market growth in profitability.

The principal elements of our strategy include the following:

Continue to rapidly introduce innovative discrete, logic and analog semiconductor products – We intend to maintain our rapid pace of new product introductions, especially for high-volume, high-growth applications with short design cycles, such as LCD and LED televisions and panels, set-top boxes, portables such as smartphones, tablets and notebooks along with other consumer electronics and computing devices, as well as added emphasis on products for the LED lighting market and the industrial and automotive markets. During 2016, we continued to achieve many significant new design wins at OEMs. Although a design win from a customer does not necessarily guarantee future sales to that customer, we believe that continued introduction of new and well-defined product solutions is critically important in maintaining and extending our market share in the highly competitive semiconductor marketplace. See "Risk Factors – *Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

Expand our available market opportunities – We believe we have many paths to increasing our addressable market opportunity. From a product perspective, we intend to continue expanding our product portfolio by developing derivative and enhanced performance devices that target adjacent markets and end-equipment. We will continue to cultivate new and emerging customers within our targeted markets, further increasing our already broad customer base. As we focus on new customers, we try to expand our product portfolio penetration within these new, as well as existing, customers. As we expand our extensive range of high power efficiency and small form factor packages, we plan to introduce new and existing product functions in these new packages to allow an even greater market range.

Maintain intense customer focus – We intend to continue to strengthen and deepen our customer relationships. We believe that continued focus on customer service is important and will help to increase our net sales, operating performance and market share. To accomplish this, we intend to continue to closely collaborate with our customers to design products that meet their specific needs. A critical element of this strategy is to further reduce our design cycle time in order to quickly provide our customers with innovative products. Additionally, to support our customer-focused strategy, we continue to expand our sales force and field application engineers, particularly in Asia and Europe, during periods of growth. See "Risk Factors – *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."* in Part I, Item 1A of this Annual Report for additional information.

Enhance cost competitiveness – A key element of our success is our overall low-cost manufacturing base. While we believe that our Shanghai manufacturing facilities are among the most efficient in the industry, we will continue to refine our proprietary manufacturing processes and technology to achieve additional cost efficiencies. In 2011, we commenced the expansion of our capacity further by establishing an additional manufacturing facility for semiconductor assembly and test in Chengdu, China, that became fully production capable in the second half of 2015.

Pursue selective strategic acquisitions – As part of our strategy to expand our semiconductor product offerings and to maximize our market opportunities, we may acquire technologies, product lines or companies in order to enhance our product portfolio and accelerate our new product offerings. In 2015, we acquired Pericom Semiconductor Corporation. Pericom designs, develops and markets high-performance ICs and FCPs used in many of today's advanced electronic systems. ICs include functions that support the connectivity, timing and signal conditioning of high-speed parallel and serial protocols that transfer data among a system's microprocessor, memory and various peripherals, such as displays and monitors, and between interconnected systems. FCPs are electronic components that provide frequency references such as crystals and oscillators for computer, communication and consumer electronic products. Analog, digital and mixed-signal ICs, together with FCPs enable higher system bandwidth and signal quality, resulting in better operating reliability and signal integrity, and lower overall system cost in applications such as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players.

See "Risk Factors – *Part of our growth strategy involves identifying and acquiring companies. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to* *successfully integrate any acquired companies with our operations, which could adversely affect our business, operating results and financial condition"* in Part I, Item 1A and Note 18 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information.

OUR PRODUCTS

Our product portfolio includes over 20,000 products that are designed for use in high-volume consumer electronic devices such as LCD and LED televisions and LCD panels, set-top boxes and consumer portables such as smartphones, tablets and notebooks. Our focus is on low pin count semiconductor devices with one or more active and/or passive components. We target and serve end-equipment markets that we believe have larger volumes than other end-market segments served by the overall semiconductor industry.

Our broad product line includes:

- Discrete semiconductor products, including: performance Schottky rectifiers; performance Schottky diodes; Zener diodes and performance Zener diodes, including tight tolerance and low operating current types; standard, fast, super-fast and ultra-fast recovery rectifiers; bridge rectifiers; switching diodes; small signal bipolar transistors; prebiased transistors; MOSFETs; thyristor surge protection devices; and transient voltage suppressors;
- Analog products, including: power management devices such as AC-DC and DC-DC converters, USB power switches, low dropout and linear voltage regulators; standard linear devices such as operational amplifiers and comparators, current monitors, voltage references, and reset generators; LED lighting drivers; audio amplifiers; and sensor products including Hall-effect sensors and motor drivers;
- Standard logic products including low-voltage complementary metal-oxide-semiconductor ("CMOS") and advanced high-speed CMOS devices; ultra-low power CMOS logic; and analog switches;;
- Multichip products and co-packaged discrete, analog and mixed-signal silicon in miniature packages; and
- Silicon and silicon epitaxial wafers used in manufacturing these products.
- With the Pericom acquisition we acquired FCPs used in many of today's advanced electronic systems. FCPs are electronic components that provide frequency references such as crystals and oscillators for computer, communication and consumer electronic products.

The following table lists the end-markets, some of the applications in which our products are used, and the percentage of net sales for each end-market for the last three years:

End-Markets	2016	2015	2014	End product applications
Consumer Electronics	29%	32%	34%	Digital audio players and cameras, set-top boxes, LCD and LED TV's, game consoles, portable GPS, fitness and health monitors, action cameras, smart watches
Computing	19%	18%	20%	Notebooks, tablets, LCD monitors, printers, solid state and hard disk drive, servers, mass storage, cloud
Industrial	21%	21%	20%	Lighting, power supplies, DC-DC conversion, security systems, motor controls, DC fans, proximity sensors, solenoid and relay driving, solar panel, HAVC/LED lighting, retrofit bulb
Communications	24%	24%	22%	Mobile handsets, smartphones, IP in gateways, routers, switches, hubs, fiber optics
Automotive	7%	5%	4%	Comfort controls, lighting, audio/video, GPS navigation, satellite radios, electronics

PRODUCT PACKAGING

Our device packaging technology includes a wide variety of innovative surface-mounted packages. Our focus on the development of smaller, more thermally efficient, and increasingly-integrated packaging, is a critical component of our product development. We provide a comprehensive offering of miniature high power density packaging, enabling us to fit our components into smaller and more efficient packages, while maintaining the same device functionality and power handling capabilities. Smaller packaging provides a reduction in the height, weight and board space required for our components. Our products are well suited for battery-powered, hand-held and wireless consumer electronic applications and high-volume consumer electronic devices such as LCD and LED televisions and LCD panels, set-top boxes and consumer portables such as smartphones, tablets and notebooks.

CUSTOMERS

We serve over 400 direct customers worldwide, including major OEMs and EMS providers. Additionally, we have approximately 130 distributor customers worldwide, through which we indirectly serve over 50,000 customers. Our customers include: (i) leading OEMs in a broad range of industries, such as Continental AG, Delta Electronics, Honeywell, Osram, Phillips, Arris, Emerson, Hella, LG Electronics, Lenovo, Quanta Computer, Seagate, Sagem Communication, and Samsung Electronics; (ii) leading EMS providers, such as Celestica, Flextronics, Hon Hai Precision Industry, Inventec, Jabil Circuit, and Sanmina-SCI, who build end-market products incorporating our semiconductors for companies such as Google, GoPro, Cisco, Dell, EMC, Intel, Microsoft, Thompson, and Roche Diagnostics; and (iii) leading distributors such as Arrow, Avnet, Future Electronics, Rutronic, Yosun Industrial, DigiKey, and Zenitron.

For the years 2016, 2015 and 2014, our OEM and EMS customers together accounted for 35%, 33% and 33%, respectively, of our net sales. No customer accounted for 10% or more of our net sales in 2016, 2015 or 2014. In addition, for information concerning our business with related parties, see "Business - Certain Relationships and Related Party Transactions."

We believe that our close relationships with our customers have provided us with deeper insight into our customers' product needs. In addition to seeking to expand relationships with our existing customers, our strategy is to pursue new customers and diversify our customer base by focusing on leading global consumer electronics companies and their EMS providers and distributors. See "Risk Factors – *Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales and may demand to audit our operations from time to time. A failure to qualify a product or a negative audit finding could adversely affect our net sales, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Subject to certain exceptions, our standard warranty extends for a period of one year from the date of shipment. Warranty expense has not been significant. Generally, our customers may cancel orders on short notice without incurring a penalty. See "Risk Factors – *Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our net sales, operating results and financial condition"* in Part I, Item 1A of this Annual Report for additional information.

Many of our customers are based in Asia or have manufacturing facilities in Asia. Net sales by country consist of sales to customers in that country based on the country to which products are shipped. We report net sales based on "shipped to" customer locations as we believe this best represents where our customers' business activities occur. The table below sets forth net sales by country. "All others" represents countries with less than 3% of total net sales each.

	Percentage of Net Sales		
	2016	2015	2014
China	58%	60%	62%
U.S.	8%	9%	9%
Korea	6%	8%	7%
Germany	7%	7%	7%
Singapore	5%	6%	6%
Taiwan	6%	4%	3%
All others	10%	6%	6%
Total	100%	100%	100%

SALES AND MARKETING

We market and sell our products worldwide through a combination of direct sales and marketing personnel, independent sales representatives and distributors. We have direct sales personnel in the U.S., the U.K., France, Germany, Korea, Hong Kong, Taiwan and China. We also have independent sales representatives in the U.S., Asia, and Europe. In addition, we have distributors in the U.S., Asia, and Europe.

As of December 31, 2016, our direct global sales and marketing organization consisted of approximately 384 employees operating out of 15 offices. We have sales and marketing offices or representatives in Taipei, Taiwan; Shanghai and Shenzhen, China; Gyeonggi, South Korea; and Munich, Germany; and we have regional sales offices in the U.S. As of December 31, 2016, we also had approximately 17 independent sales representative firms marketing our products.

Our marketing group focuses on our product strategy, product development roadmap, new product introduction process, demand assessment and competitive analysis. Our marketing programs include participation in industry tradeshows, technical conferences and technology seminars, sales training and public relations. The marketing group works closely with our sales and research and development teams to align our product development roadmap. The marketing group coordinates its efforts with our product development, operations and sales groups, as well as with our customers, sales representatives and distributors. We support our customers through our global field application engineering and customer support organizations.

Our website, www.diodes.com, features an extensive online product catalog with advanced search capabilities. This, coupled with a comprehensive competitor cross-reference search, facilitates quick and thorough product selection. Our website also provides easy access to our worldwide sales contacts and customer support and incorporates a distributor-inventory check to provide component inventory availability.

MANUFACTURING OPERATIONS AND FACILITIES

We operate two assembly and test facilities located in Shanghai, China, one in Chengdu, China and one in Neuhaus, Germany. We have two wafer fabrication facilities located in Shanghai, one in Lee's Summit, Missouri and one in Oldham, U.K. Our wafer fabrication facilities in Shanghai include two 150mm wafer fabrication centers, our Lee's Summit facility fabricates 125mm and 150mm wafers and our Oldham facility fabricates 150mm wafers. One of our Shanghai facilities is in the process of implementing the production for 200mm wafers.

During the fourth quarter of 2016 there was a fire at our Lee's Summit facility. The fire resulted in damages totaling approximately $7.5 million on a pretax basis, which was partially offset by initial insurance proceeds of $1.5 million. During February 2017, we announced that we would be closing the Lee's Summit facility and moving the production to other internal wafer fabrication plants and external foundries. We expect to cease operations at our Lee's Summit facility in late third quarter of 2017 and vacate the premises no later than November 17, 2017. Shutdown costs are expected to be approximately $10 million to $12 million on a pretax basis which will be expensed throughout 2017. Because of lower costs and improved utilization of our internal wafer fabrication facilities we expect our annual pretax savings to be approximately $11 million to $13 million once the equivalent volume has been fully transferred to other production sites.

In 2010, we announced an investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"). Under this agreement, we formed a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited ("Ya Guang"), to establish a semiconductor assembly and test manufacturing facility in Chengdu, China. In December 2016, we increased our investment and currently own approximately 98% of the joint venture. The CDHT granted the joint venture a 50-year land lease, provides corporate and employee tax incentives, tax refunds, subsidies and other financial support. This is a long-term, multi-year project that will provide us additional capacity as needed. As of December 31, 2016, we have invested approximately $130.0 million, primarily for infrastructure, buildings and equipment related capital expenditures.

For the years ending December 31, 2016 and 2015, our total capital expenditures were approximately $52.2 million and $137.7 million, respectively. The majority of our capital expenditures are in China.

Our manufacturing processes use many raw materials, including silicon wafers, aluminum and copper lead frames, gold and copper wire and other metals, molding compounds and various chemicals and gases. We also rely on equipment and finished product suppliers. We are continuously evaluating our raw material costs in order to reduce our consumption while protecting and maintaining product performance. We have no material agreements with any of our suppliers that impose minimum or continuing supply obligations. From time to time, suppliers may extend lead-times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials we use are currently and will continue to be available, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. See "Risk Factors – *We depend on third-party suppliers for timely deliveries of raw materials, manufacturing services, product and process development, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, operating results and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner."* in Part I, Item 1A of this Annual Report for additional information.

Our corporate headquarters is located in a facility we own in Plano, Texas. We also lease or own properties around the world for use as sales and administrative offices, research and development centers, manufacturing facilities, warehouses and logistics centers. The size or location of these properties can change from time to time based on our business requirements. See "Properties" in Part I, Item 2 of this Annual Report for additional information.

BACKLOG

The amount of backlog to be shipped during any period is dependent upon various factors, and orders are subject to cancellation or modification, usually with no penalty to the customer. Orders are generally booked from one month to greater than twelve months in advance of delivery. The rate of booking of new orders can vary significantly from month to month. We, and the industry as a whole, continue to experience a trend towards shorter customer-requested lead-times, and we expect this trend to continue. The amount of backlog at any date depends upon various factors, including the timing of the receipt of orders, fluctuations in orders of existing product lines, and the introduction of any new lines. Accordingly, we believe that the amount of our backlog at any date is not an accurate measure of our future sales. We strive to maintain proper inventory levels to support our customers' just-in-time order expectations. Our backlog of orders, based on expected ship date, was $175.7 million at December 31, 2016 and $121.5 million at December 31, 2015.

PATENTS, TRADEMARKS AND LICENSES

Historically, patents and trademarks have not been material to our operations, but we expect them to become more important, particularly as they relate to our miniature and power efficient packaging technologies.

Our initial product patent portfolio was primarily composed of discrete technologies. In the late 1990s, our engineers began to research and develop innovative packaging technologies, which produced several important breakthroughs and patents, such as the PowerDI® series of packaging technology to foster our growth in the semiconductor industry.

We acquired Anachip Corp., a fabless semiconductor company, in 2006, which initiated our presence in the analog product market with a portfolio of standard linear and low dropout regulator products, among others.

Through our acquisition of the assets of APD Semiconductor, Inc. in 2006, we acquired the SBR® patents and trademark. SBR® is a state-of-the-art integrated circuit wafer processing technology, which is able to integrate and improve the benefits of the two existing rectifier technologies into a single device. The creation of a finite conduction cellular IC, combined with inherent design uniformity, has allowed manufacturing costs to be kept competitive with the existing power device technology, and thus has produced a breakthrough in rectifier technology.

PowerDI and SBR are registered trademarks of Diodes Incorporated

In 2008, we acquired Zetex, which subsequently increased our available discrete and analog technologies with patents and trademarks for bipolar transistors and power management products such as LED drivers. LED drivers support a wide range of applications for automotive, safety and security, architecture, and portable lighting and are highly efficient and cost-effective.

In 2012, we acquired PAM, a provider of advanced analog and high-voltage power ICs. PAM's product portfolio includes Class D audio amplifiers, DC-DC converters and LED backlighting drivers, which has strengthened our position as a global provider of high-quality and high-efficiency, space-saving analog products by expanding our product portfolio with innovative "filter-less" digital audio amplifiers, application-specific power management ICs, as well as high-performance LED drivers and DC-DC converters.

In 2013, we acquired BCD, a leading supplier of standard linear and power management devices. BCD has a product portfolio that includes AC/DC and DC/DC solutions for chargers and power adapters. BCD's established presence in Asia, with a particularly strong local market position in China, offers us even greater participation into the consumer electronics, computing and communications end-markets.

In 2015, we acquired Pericom. Pericom designs, develops and markets high-performance ICs and FCPs used in many of today's advanced electronic systems. ICs include functions that support the connectivity, timing and signal conditioning of high-speed parallel and serial protocols that transfer data among a system's microprocessor, memory and various peripherals, such as displays and monitors, and between interconnected systems. FCPs are electronic components that provide frequency references such as crystals and oscillators for computer, communication and consumer electronic products. Pericom's analog, digital and mixed-signal ICs, together with our FCPs enable higher system bandwidth and signal quality, resulting in better operating reliability and signal integrity, and lower overall system cost in applications such as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players.

Currently, our licensing of patents to other companies is not material. We do, however, license certain product technology from other companies, but we do not consider licensed technology royalties to be material. We believe the duration and other terms of the licenses are appropriate for our current needs. See "Risk Factors – *We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

COMPETITION

Numerous semiconductor manufacturers and distributors serve the discrete, logic and analog semiconductor components market, making competition intense. Some of our larger competitors include Infineon Technologies A.G., Nexperia, formerly the Standard Products business of NXP Semiconductors N.V., ON Semiconductor Corporation, Rohm Electronics USA, LLC, Toshiba Corporation and Vishay Intertechnology, Inc., many of which have greater financial, marketing, distribution, brand name recognition, research and development, manufacturing and other resources. Accordingly, we from time to time may reposition product lines or decrease prices, which may affect our sales of, and profit margins on, such product lines. The price, features, availability and quality of the products, and our ability to design products and deliver customer service in keeping with the customers' needs, determine the competitiveness of our products. We believe that our product focus, packaging expertise and our flexibility and ability to quickly adapt to customer needs affords us competitive advantages. See "Risk Factors – *The semiconductor business is highly competitive, and increased competition may harm our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

ENGINEERING AND RESEARCH AND DEVELOPMENT

Our engineering and research and development groups consist of applications, circuit design, and product development engineers who assist in determining the direction of our future product lines. One of their key functions is to work closely with market-leading customers to further refine, expand and improve our product portfolio within our target product types and packages. In addition, customer requirements and acceptance of new package types are assessed and new, higher-density and more energy-efficient packages are developed to satisfy customers' needs.

Product development engineers work directly with our semiconductor circuit design and layout engineers to develop and design products that match our customers' requirements. We have the capability to capture the customers' electrical and packaging requirements and translate those requirements into product specifications which can then be designed and manufactured to support customers' end-system applications.

For the years ended December 31, 2016, 2015 and 2014, our investment in research and development activities was approximately $69.9 million, $57.0 million and $52.1 million, respectively, or approximately 7%, 7% and 6%, respectively, of net sales.

EMPLOYEES

As of December 31, 2016, we employed 7,693 employees (including approximately 1,125 temporary labor or independent contractors). 6,733 of our employees were in Asia, 491 were in the U.S. and 469 were in Europe. None of our employees in Asia or the U.S. are subject to a collective bargaining agreement, but a majority of our employees in Europe is covered by local labor agreements. We consider our relations with our employees to be satisfactory. See "Risk Factors – *We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

ENVIRONMENTAL MATTERS

We are subject to a variety of U.S. federal, state, local and foreign governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in our manufacturing process in China, the U.S. and the U.K. where our wafer fabrication facilities are located, and in China, Taiwan and Germany where our assembly and test facilities are located. Any of these regulations could require us to acquire equipment or to incur substantial other costs to comply with environmental regulations or remediate problems. For the years ended December 31, 2016, 2015 and 2014, our capital expenditures for environmental controls have not been material. As of December 31, 2016, there were no known environmental claims or recorded liabilities. See "Risk Factors – *We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We conduct business with two related companies: Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, "LSC"), and Nuvoton Technology Corporation and its subsidiaries and affiliates (collectively, "Nuvoton"). LSC owned approximately 16.7% of our outstanding Common Stock as of December 31, 2016. We conduct business with a significant company, Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, "Keylink"). Keylink is our 5% joint venture partner in our two Shanghai assembly and test facilities. In addition, Ya Guang is our 2% joint venture partner in one of our Chengdu assembly and test facilities and our 5% joint venture partner in our other Chengdu assembly and test facility; however, we have no material transactions with Ya Guang.

Raymond Soong, the Chairman of the Board of Directors, is also the Chairman of LSC and the Chairman of Lite-On Technology Corporation ("LTC"), a significant shareholder of LSC. C.H. Chen, our former President and Chief Executive Officer and currently the Vice Chairman of the Board of Directors, is also Vice Chairman of LSC and a board member of LTC. Dr. Keh-Shew Lu, a member of our Board of Directors and our President and Chief Executive Officer, is also a board member of Nuvoton. In addition, L.P. Hsu, a member of our Board of Directors, is also a consultant to LTC and a supervisor of the board of Nuvoton.

The Audit Committee of the Board of Directors reviews all related party transactions for potential conflict of interest situations on an ongoing basis. We believe that all related party transactions are on terms no less favorable to us than would be obtained from unaffiliated third parties. For more information concerning our relationships with LSC, Keylink and Nuvoton, see "Risk Factors – *One of our external suppliers is also a related party. The loss of this supplier could harm our business, operating results and financial condition."* in Part I, Item 1A and Note 14 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information.

SEASONALITY

Historically, our net sales have been affected by the cyclical nature of the semiconductor industry. In addition, our net sales have been subject to some seasonal variation with weaker net sales in the first and fourth calendar quarters. See Note 19 (unaudited) of "Notes to Consolidated Financial Statements" of this Annual Report for additional information on our quarterly results.

AVAILABLE INFORMATION

Our website address is http://www.diodes.com. We make available, free of charge through our 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 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 filings may also be read and copied at the SEC's Public Reference Room at 100 F Street NE, Room 1580 Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC.

Our website also provides investors access to financial and corporate governance information including our corporate governance guidelines, Code of Business Conduct, whistleblower hotline, and press releases. The contents of our website are not incorporated by reference into this Annual Report on Form 10-K.

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

Many of the statements, included in this Annual Report on Form 10-K, contain forward-looking statements and information relating to our company. 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," "project," or similar phrases or the negatives of such terms. We base these statements on our beliefs as well as assumptions we made using information currently available to us. Such statements are subject to risks, uncertainties and assumptions, including those identified in "Risk Factors," as well as other matters not yet known to us or not currently considered material by us. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance and should not be considered as statements of fact.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements, made on this Annual Report on Form 10-K, are made pursuant to the Act.

Item 1A. Risk Factors.

Investing in our Common Stock involves a high degree of risk. You should carefully consider the following risks and other information in this report before you decide to buy our Common Stock. Our business, financial condition or operating results may suffer if any of the following risks are realized. Additional risks and uncertainties not currently known to us may also adversely affect our business, financial condition or operating results. If any of these risks or uncertainties occurs, the trading price of our Common Stock could decline and you could lose part or all of your investment.

RISKS RELATED TO OUR BUSINESS

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

Weaknesses in the global economy and financial markets can lead to lower consumer discretionary spending and demand for items that incorporate our products in the consumer electronics, computing, industrial, communications and the automotive sectors. A decline in end-user demand can affect our customers' demand for our products, the ability of our customers to meet their payment obligations and the likelihood of customers canceling or deferring existing orders. Our net sales, operating results and financial condition could be negatively affected by such actions.

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

The semiconductor industry is characterized by high fixed costs. Notwithstanding our utilization of third-party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In difficult economic environments, we could be faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. During such periods, our manufacturing facilities do not operate at full capacity and the costs associated with this excess capacity are expensed immediately and not capitalized into inventory. When our utilization rates decline to abnormally low production levels, we generally experience lower gross margins. The market conditions in the future may adversely affect our utilization rates and consequently our future gross margins, and this, in turn, could have a material negative impact on our business, operating results and financial condition.

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

The semiconductor industry is highly cyclical, and periodically experiences significant economic downturns characterized by diminished product demand, production overcapacity and excess inventory, which can result in rapid erosion in average selling prices. From time to time, the semiconductor industry experiences order cancellations and reduced demand for products, resulting in significant net sales declines, due to excess inventories at end-equipment manufacturers and general economic conditions, especially in the technology sector. The market for semiconductors may experience renewed, and possibly more severe and prolonged downturns, which may harm our operating results and financial condition.

In addition, we operate in a few narrow markets of the broader semiconductor market and, as a result, cyclical fluctuations may affect these segments to a greater extent than they affect the broader semiconductor market. This may cause us to experience greater fluctuations in our operating results and financial condition than compared to some of our broad line semiconductor competitors. In addition, we may experience significant changes in our profitability as a result of variations in sales, changes in product mix, changes in end-user markets and the costs associated with the introduction of new products. The markets for our products depend on continued demand in the consumer electronics, computing, communications, industrial and automotive sectors. These end-user markets also tend to be cyclical and may also experience changes in demand that could adversely affect our operating results and financial condition.

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

The semiconductor industry in which we operate is highly competitive. We expect intensified competition from existing competitors and new entrants. Competition is based on price, product performance, product availability, quality, reliability, technological innovation and customer service. We compete in various markets with companies of various sizes, many of which are larger and have greater resources or capabilities as it relates to financial, marketing, distribution, brand name recognition, research and development, manufacturing and other resources than we have. As a result, they may be better able to develop new products, market their products, pursue acquisition candidates and withstand adverse economic or market conditions. Most of our current major competitors are broad line semiconductor manufacturers who often have a wider range of product types and technologies than we do. In addition, companies not currently in direct competition with us may introduce competing products in the future. Some of our current major competitors are Infineon Technologies A.G., Nexperia, formerly the Standard Products business of NXP Semiconductors N.V., ON Semiconductor Corporation, Rohm Electronics USA, LLC, Toshiba Corporation and Vishay Intertechnology, Inc. We may not be able to compete successfully in the future, and competitive pressures may harm our business, operating results and financial condition.

One of our external suppliers is also a related party. The loss of this supplier could harm our business, operating results and financial condition.

In 2016, 2015 and 2014, LSC, our largest stockholder, accounted for approximately 1%-3% of our silicon wafer supply and our finished goods supply. The loss of LSC as a supplier could materially harm our business, operating results and financial condition.

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

Our manufacturing efficiency has been and will be an important factor in our future profitability, and we may not be able to maintain or increase our manufacturing efficiency. Our manufacturing and testing processes are complex, require advanced and costly equipment and are continually being modified in our efforts to improve product performance and cost. Difficulties in the manufacturing process can lower yields. Technical or other problems could lead to production delays, order cancellations and lost net sales. In addition, any problems in achieving acceptable yields, construction delays, or other problems in upgrading or expanding existing facilities, building new facilities, bringing new manufacturing capacity to full production or changing our process technologies, could also result in capacity constraints, production delays and a loss of future net sales and customers. Our operating results also could be adversely affected by any increase in fixed costs and operating expenses related to increases in production capacity if net sales do not increase proportionately, or in the event of a decline in demand for our products. Any disruption at any of our wafer fabrication facilities or assembly and test facilities could have a material adverse effect on our manufacturing efficiencies, operating results and financial condition.

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

Prices for our products tend to decrease over their life cycle. There is substantial and continuing pressure from customers to reduce the total cost of purchasing our products. To remain competitive and retain our customers and gain new ones, we must continue to reduce our costs through product and manufacturing improvements. We must also strive to minimize our customers' shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our net sales growth and profit margins will suffer if we cannot effectively continue to reduce our costs and keep our product prices competitive.

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

Prior to purchasing our products, our customers may require our products to undergo an extensive qualification process, which involves rigorous reliability testing. This qualification process may continue for six months or longer. However, qualification of a product by a customer does not ensure any sales of the product to that customer. In addition, we are focusing more on the automotive and industrial markets. These markets, automotive in particular, require higher quality standards. Although we are working to ensure our organization and products meet the more rigorous quality standards, there can be no assurances we will succeed. Even after successful qualification and sales of a product to a customer, a subsequent revision to the product, changes in the product's manufacturing process or the selection of a new supplier by us may require a re-qualification process, which may result in delayed net sales and excess or obsolete inventory. After our products are qualified, it can take an additional six months or more before the customer commences volume production of components or devices that incorporate our products. Despite these uncertainties, we devote substantial resources, including design, engineering, sales, marketing and management efforts, toward qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, such failure or delay would preclude or delay sales of such product to the customer, which may adversely affect our net sales, operating results and financial condition.

In addition, from time to time, our customers may demand an audit of our records, product manufacturing, qualification, and packaging processes, business practices and other related items to verify that we have complied with our business obligations, standard processes and procedures, product specifications and certain governing laws and regulations related to our business practices, and in accordance with the agreed terms and conditions of mutual business agreements. If the audit shows any deficiency in any of these categories, our customers may require us to implement extensive protocols to remedy the deficiency, assess us significant penalties, refuse shipments of our products, return existing inventory, cancel orders, or terminate our business relationship, each of which will adversely affect our net sales, operating results and financial condition.

Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our net sales, operating results and financial condition.

All of our customer orders are subject to cancellation or modification, usually with no penalty to the customer. Orders are generally made on a purchase order basis, rather than pursuant to long-term supply contracts, and are booked from immediate delivery to twelve months or more in advance of delivery. The rate of booking new orders can vary significantly from month to month. We, and the semiconductor industry as a whole, are experiencing a trend towards shorter customer-requested lead-times, which is the amount of time between the date a customer places an order and the date the customer requires shipment. Furthermore, our industry is subject to rapid changes in customer outlook and periods of excess inventory due to changes in demand in the end-markets our industry serves. As a result, many of our purchase orders are revised, and may be cancelled, with little or no penalty and with little or no notice. However, we must still commit production and other resources to fulfilling these purchase orders even though they may ultimately be cancelled. If a significant number of purchase orders are cancelled or product quantities ordered are reduced, and we are unable to timely generate replacement orders, we may build up excess inventory and our net sales, operating results and financial condition may suffer.

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

A disruption in production at our manufacturing facilities could have a material adverse effect on our business. Disruptions could occur for many reasons, including fire, floods, hurricanes, typhoons, droughts, tsunamis, volcanoes, earthquakes, disease or other similar natural disasters, unplanned maintenance or other manufacturing problems, labor shortages, power outages or shortages, telecommunications failures, strikes, transportation interruption, government regulation, terrorism or other extraordinary events. Such disruptions may cause direct injury or damage to our employees and property and related internal controls with significant indirect consequences. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively affect our business and financial performance. If one of our key manufacturing facilities is unable to produce our products for an extended period of time, our sales may be reduced by the shortfall caused by the disruption, and we may not be able to meet our customers' needs, which could cause them to seek other suppliers. Such disruptions could have an adverse effect on our operating results and financial condition.

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

Our product range and new product development program are focused on low pin count semiconductor devices with one or more active or passive components. Our failure to develop new technologies, or anticipate or react to changes in existing technologies, either within or outside of the semiconductor market, could materially delay development of new products, which could result in a decrease in our net sales and a loss of market share to our competitors. The semiconductor industry is characterized by rapidly changing technologies and industry standards, together with frequent new product introductions. This includes the development of new types of technology or the improvement of existing technologies, such as analog and digital technologies that compete with, or seek to replace, discrete semiconductor technology. Our financial performance depends on our ability to design, develop, manufacture, assemble, test, market and support new products and product enhancements on a timely and cost-effective basis. New products often command higher prices and, as a result, higher profit margins. We may not successfully identify new product opportunities or develop and bring new products to market or succeed in selling them into new customer applications in a timely and cost-effective manner.

Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive, and since we operate primarily in a narrower segment of the broader semiconductor industry, this may have a greater effect on us than it would if we were a broad-line semiconductor supplier with a wider range of product types and technologies. Many of our competitors are larger and more established international companies with greater engineering and research and development resources than us. Our failure to identify or capitalize on any fundamental shifts in technologies in our product markets, relative to our competitors, could harm our business, have a material adverse effect on our competitive position within our industry and harm our relationships with our customers. In addition, to remain competitive, we must continue to reduce package sizes, improve manufacturing costs and expand our sales. We may not be able to accomplish these goals, which would adversely affect our net sales, market share, operating results and financial condition.

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

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. We rely upon such information technology systems to manage and replenish inventory, to fill and ship customer orders on a timely basis, to coordinate our sales activities across all of our products and services and to coordinate our administrative activities. A substantial disruption in our information technology systems for any prolonged time period (arising from, for example, system capacity limits from unexpected increases in our volume of business, outages or delays in our service) could result in delays in receiving inventory and supplies or filling customer orders and adversely affect our customer service and relationships. Our systems might be damaged or interrupted by natural or man-made events or by computer viruses, physical or electronic break-ins and similar disruptions affecting the global Internet. There can be no assurance that such delays, problems, or costs will not have a material adverse effect on our cash flows, operating results and financial condition.

As our operations grow in both size and scope, we will continuously need to improve and upgrade our systems and infrastructure while maintaining the reliability and integrity of our systems and infrastructure. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of our business increases, with no assurance that the volume of business will increase. In particular, we have upgraded our financial reporting system and are currently seeking to upgrade other information technology systems. These and any other upgrades to our systems and information technology, or new technology, now and in the future, will require that our management and resources be diverted from our core business to assist in compliance with those requirements. There can be no assurance that the time and resources our management will need to devote to these upgrades, service outages or delays due to the installation of any new or upgraded technology (and related customer issues), or the impact on the reliability of our data from any new or upgraded technology will not have a material adverse effect on our cash flows, operating results and financial condition.

A significant portion of our operations operate on a single Enterprise Resource Planning ("ERP") platform. To manage our international operations efficiently and effectively, we rely heavily on our ERP system, internal electronic information and communications systems and on systems or support services from third parties. Any of these systems are subject to electrical or telecommunications outages, computer hacking or other general system failure. It is also possible that future acquisitions will operate on different ERP systems and that we could face difficulties in integrating operational and accounting functions of new acquisitions. Difficulties in upgrading or expanding our ERP system or system-wide or local failures that affect our information processing could adversely affect our cash flows, operating results and financial condition and could result in material weaknesses or significant deficiencies in internal controls.

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

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted, and may in the future assert, patent, copyright, trademark and other intellectual property rights to technology that is important to our business and have demanded, and may in the future demand, that we license their patents and technology. Any litigation to determine the validity of allegations that our products infringe or may infringe these rights, including claims arising through our contractual indemnification of our customers, or claims challenging the validity of our patents, regardless of its merit or resolution, could be costly and divert the efforts and attention of our management and technical personnel. We may not prevail in litigation given the complex technical issues and inherent uncertainties in intellectual property litigation. If litigation results in an adverse ruling, we could be required to:

- pay substantial damages for past, present and future use of the infringing technology;
- cease manufacture, use or sale of infringing products;
- discontinue the use of infringing technology;
- expend significant resources to develop non-infringing technology;
- pay substantial damages to our customers or end-users to discontinue use or replace infringing technology with non-infringing technology;
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or at all; or
- relinquish intellectual property rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

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

Our manufacturing operations depend upon obtaining adequate supplies of raw materials, manufacturing services, product and process development, parts and equipment on a timely basis from third parties. In some instances, a supplier may be our sole-source supplier. Our operating results could be adversely affected if we are unable to obtain adequate supplies of raw materials, manufacturing services, product and process development, parts and equipment in a timely manner or if the costs charged to us were to increase significantly. Our business could also be adversely affected if there is a significant degradation in the quality of raw materials used in our products, or if the raw materials give rise to compatibility or performance issues in our products, any of which could lead to an increase in customer returns or product warranty claims. Although we maintain rigorous quality control systems, errors or defects may arise from a supplied raw material and be beyond our detection or control. In addition, we may be subject to quality claims from customers who purchased goods from companies before we acquired those companies. Any interruption in, or change in quality of, the supply of raw materials, manufacturing services, product and process development, parts or equipment needed to manufacture our products could adversely affect our reputation with customers, operating results and financial condition.

In addition, we sell finished products from other manufacturers. Our business could also be adversely affected if there are quality problems with the finished products we sell. From time to time, various suppliers may extend lead-times, limit supplies or increase prices due to capacity constraints or other factors. We have no long-term purchase contracts with any of these manufacturers and, therefore, have no contractual assurances of continued supply, pricing or access to finished products that we sell, and any such manufacturer could discontinue supplying to us at any time. Additionally, some of our suppliers of finished products or wafers compete directly with us and may, in the future, choose not to supply products to us.

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

We are continuing to vertically integrate our business. Key elements of this strategy include continuing to expand our sales organization, manufacturing capacity, wafer foundry and research and development capability and expand our marketing, product development, package development and assembly and test operations in company-owned facilities or through the acquisition of established contractors. There are certain risks associated with our vertical integration strategy, including:

- difficulties associated with owning a manufacturing business, including, but not limited to, the maintenance and management of manufacturing facilities, equipment, employees and inventories and limitations on the flexibility of controlling overhead;
- difficulties in continuing expansion of our operations in Asia and Europe, because of the distance from our U.S. headquarters and differing regulatory and cultural environments;
- the need for skills and techniques that are outside our traditional core expertise;
- less flexibility in shifting manufacturing or supply sources from one region to another;
- even when independent suppliers offer lower prices, we may continue to source wafers from our captive manufacturing facilities, which may result in us having higher costs than our competitors;
- difficulties developing and implementing a successful research and development team; and
- difficulties developing, protecting, and gaining market acceptance of, our proprietary technology.

The risks of becoming a fully integrated manufacturer are amplified in an industry-wide slowdown because of the fixed costs associated with manufacturing facilities. In addition, we may not realize the cost, operating and other efficiencies that we expect from continued vertical integration. If we fail to successfully vertically integrate our business, our ability to compete, profit margins, operating results and financial condition may suffer.

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

A significant part of our growth strategy involves acquiring companies. For example, (i) in 2000, we acquired FabTech, Inc., a wafer fabrication company, in order to have our own wafer manufacturing capabilities, (ii) in 2006, we acquired Anachip Corp. as an entry into the analog market, (iii) in 2006, we acquired the net operating assets of APD Semiconductor, Inc., (iv) in 2008, we acquired Zetex plc., (v) in 2012, we acquired over 50% of the outstanding common stock of Eris Technology Corporation, (vi) also in 2012, we acquired Power Analog Microelectronics, Inc., (vii) in 2013, we acquired BCD Semiconductor Manufacturing Limited and (viii) in 2015, we acquired Pericom Semiconductor Corporation. In addition, from time to time, we may be in various stages of discussions with potential acquisition targets as we intend to continue to expand and diversify our operations by making further acquisitions. However, we may be unsuccessful in identifying suitable acquisition candidates, or we may be unable to consummate a desired acquisition. To the extent we do make acquisitions, if we are unsuccessful in integrating these companies or their operations or product lines with our operations, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse effect on our business, operating results and financial condition. In addition, we may not realize all of the benefits we anticipate from any such acquisitions. Some of the risks that may affect our ability to integrate or realize any anticipated benefits from acquisitions that we may make include those associated with:

- unexpected losses of key employees or customers of the acquired company;
- bringing the acquired company’s standards, processes, procedures and controls into conformance with our operations;
- coordinating our new product and process development;
- hiring additional management and other critical personnel;
- increasing the scope, geographic diversity and complexity of our operations;
- difficulties in consolidating facilities and transferring processes and know-how;
- difficulties in reducing costs of the acquired entity’s business;
- diversion of management’s attention from the management of our business; and
- adverse effects on existing business relationships with customers.

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

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, operating results 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 adversely affect our business, operating results and financial condition.

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, operating results 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 Annual Report for more information on our legal proceedings.

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

We are subject to a variety of U.S. federal, state, local and foreign governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in manufacturing our products throughout the world. Some of these regulations in the U.S. include the Federal Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act and similar state statutes and regulations. Any of these regulations could require us to acquire equipment or to incur substantial other expenses to comply with environmental regulations. If we were to incur such additional expenses, our product costs could significantly increase, materially affecting our business, financial condition and operating results. Any failure to comply with present or future environmental laws, rules and regulations could result in fines, suspension of production or cessation of operations, any of which could have a material adverse effect on our business, operating results and financial condition. Our operations affected by such requirements include, among others: the disposal of wastewater containing residues from our manufacturing operations through publicly operated treatment works or sewer systems, and which may be subject to volume and chemical discharge limits and may also require discharge permits; and the use, storage and disposal of materials that may be classified as toxic or hazardous. Any of these may result in, or may have resulted in, environmental conditions for which we could be liable.

Some environmental laws impose liability, sometimes without fault, for investigating or cleaning up contamination on, or emanating from, our currently or formerly owned, leased or operated properties, as well as for damages to property or natural resources and for personal injury arising out of such contamination. Such liability may also be joint and several, meaning that we could be held responsible for more than our share of the liability involved, or even the entire liability. In addition, the presence of environmental contamination could also interfere with ongoing operations or adversely affect our ability to sell or lease our properties. Environmental requirements may also limit our ability to identify suitable sites for new or expanded plants. Discovery of contamination for which we are responsible, the enactment of new laws and regulations, or changes in how existing requirements are enforced, could require us to incur additional costs for compliance or subject us to unexpected financial liabilities.

Our products, or products we purchase from third parties for resale, may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us, which may harm our business, reputation with our customers, operating results and financial condition.

Our products, or products we purchase from third parties for resale, are typically sold at prices that are an insignificant portion of the overall value of the equipment or other goods in which they are incorporated. For example, our products that are incorporated into a television may be sold for several cents, whereas the television maker might sell the television for several hundred dollars. Although we maintain rigorous quality control systems, we receive warranty claims and product liability claims for some of these products that are defective, or that do not perform to published specifications. Since a defect or failure in our products could give rise to failures in the end-products that incorporate them (and consequential claims for damages against our customers from their customers), we may face claims for damages that are disproportionate to the net sales and profits we receive from the products involved. In addition, our ability to reduce such liabilities may be limited by the laws or the customary business practices of the countries where we do business. Even in cases where we do not believe we have legal liability for such claims, we may choose to pay for them to retain a customer's business or goodwill or to settle claims to avoid protracted litigation. Our operating results and business could be adversely affected as a result of a significant quality or performance issue in our products, if we are required or choose to pay for the damages that result. We may choose not to carry liability insurance, may not have sufficient insurance coverage, or may not have sufficient resources, to satisfy all possible warranty claims and product liability claims. In addition, any perception that our products are defective would likely result in reduced sales of our products, loss of customers and harm to our business, reputation, operating results and financial condition.

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

Our future success depends, in part, upon our ability to attract and retain highly qualified technical, sales, marketing, finance and managerial personnel. Personnel with the necessary expertise are scarce and competition for personnel with these skills is intense. We may not be able to retain existing key technical, sales, marketing, finance and managerial employees or be successful in attracting, assimilating or retaining other highly qualified technical, sales, marketing, finance and managerial/executive personnel in the future. For example, we have faced, and continue to face, intense competition for qualified technical and other personnel in China, where our assembly and test facilities are located. A number of U.S. and multi-national corporations, both in the semiconductor industry and in other industries, have recently established and are continuing to establish factories and plants in China, and the competition for qualified personnel has increased significantly as a result. If we are unable to retain existing key employees or are unsuccessful in attracting new highly qualified employees, our business, operating results and financial condition could be materially and adversely affected.

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

Our ability to successfully grow our business requires effective planning and management. Our past growth, and our targeted future growth, may place a significant strain on our management and on our systems and resources, including our financial and managerial controls, reporting systems and procedures. In addition, we will need to continue to train and manage our workforce worldwide. If we are unable to effectively plan and manage our growth effectively, our business and prospects will be harmed and we will not be able to maintain our profitable growth, which could adversely affect our business, operating results and financial condition.

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

The life cycles of some of our products depend heavily upon the life cycles of the end-products into which our products are designed. End-market products with short life cycles require us to manage closely our production and inventory levels. Inventory may also become obsolete because of adverse changes in end-market demand. We may in the future be adversely affected by obsolete or excess inventories, which may result from unanticipated changes in the estimated total demand for our products or the estimated life cycles of the end-products into which our products are designed. In addition, some customers restrict how far back the date of manufacture for our products can be and certain customers may stop ordering products from us and go out of business due to adverse economic conditions; therefore, some of our product inventory may become obsolete and, thus, adversely affect our business, operating results and financial condition.

If OEMs do not design our products into their applications, our net sales may be adversely affected.

We expect an increasingly significant portion of net sales will come from products we design specifically for our customers. However, we may be unable to achieve these design wins. In addition, a design win from a customer does not guarantee future sales to that customer. Without design wins from OEMs, we would only be able to sell our products to these OEMs as a second source, which usually means we are only able to sell a limited amount of product to them. Once an OEM designs another supplier's semiconductors into one of its product platforms, it is more difficult for us to achieve future design wins with that OEM's product platform because changing suppliers involves significant cost, time, effort and risk to an OEM. Achieving a design win with a customer does not ensure that we will receive significant net sales from that customer, and we may be unable to convert design wins into actual sales. Even after a design win, the customer is not obligated to purchase our products and can choose at any time to stop using our products, if, for example, its own products are not commercially successful or if the customer can obtain a superior product or the product at a lower cost from one of our competitors.

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

We currently have a U.S. banking credit facility under which as of December 31, 2016 we had borrowed $250.0 million under a term loan, and had drawn $181.5 million on a $250.0 million revolver ($68.5 million of which remained available as of December 31, 2016), with the possibility of an additional $200.0 million of borrowings. See "Liquidity and Capital Resources" below and Note 7 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information. A rise in interest rates could have an adverse impact upon our cost of working capital and our interest expense. As of December 31, 2016, an increase of 1% in interest rates on our outstanding debt would increase our annual interest rate expense by approximately $2.8 million.

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

We use interest rate swaps to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. The nature and timing of hedging transactions influence the effectiveness of these strategies. Poorly designed strategies, improperly executed and documented transactions or inaccurate assumptions could actually increase our risks and losses. In addition, hedging strategies involve transaction and other costs. The hedging strategies and the derivatives that we use may not be able to adequately offset the risks of interest rate volatility and our hedging transactions may result in or magnify losses. Furthermore, interest rate derivatives may not be available on favorable terms or at all, particularly during economic downturns. Any of the foregoing risks could adversely affect our business, financial condition and results of operations. We are exposed to counterparty credit risk in the event of non-performance by counterparties to the interest rate swaps.

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

We may have a significant amount of debt and substantial debt service requirements on our borrowings, including our credit facilities with various financial institutions worldwide. As of December 31, 2016 $428.4 million was outstanding under our U.S. banking credit facility. In addition, we have short-term foreign credit facilities with borrowing capacities of approximately $66.5 million and with $0.5 million used for import and export guarantees. We have approximately $1.5 million of foreign long-term debt.

A significant amount of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable and, in the case of an event of default under our secured debt could permit the lenders to foreclose on our assets securing that debt;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, operating results, financial condition and our ability to meet our payment obligations under our debt.

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

Our U.S. banking credit facility contains covenants imposing various restrictions on our business and financial activities. These restrictions may affect our ability to operate our business and undertake certain financial activities and may limit our ability to take advantage of potential business or financial opportunities as they arise. The restrictions these covenants place on us include limitations on our ability to incur liens, incur indebtedness, make investments, dissolve or merge or consolidate with or into another entity, dispose of certain property, make restricted payments (including dividends and share repurchases), issue or sell equity interests, engage in other different material lines of business, conduct related party transactions, enter into certain burdensome contractual obligations and use proceeds from any credit facility to purchase or carry margin stock or to extend credit to others for the same purpose. Our U.S. banking credit facility also requires us to meet certain financial ratios, including a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio.

Our ability to comply with the U.S. banking credit facility may be affected by events beyond our control, including prevailing economic, financial and industry conditions, and are subject to the risks stated in this section of the Annual Report. The breach of any of these covenants or restrictions could result in an event of default under the facility. An event of default under the facility would permit the lenders under the facility to declare all amounts owed under such facility to be immediately due and payable in full. Upon acceleration of our indebtedness, we may be unable to repay the accelerated amount of principal and interest on the credit facilities that would then be due. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition-*Debt instruments"* in Part II, Item 7 of this Annual Report for additional information.

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

The Chinese government has provided various incentives to technology companies, including our manufacturing facilities located in Shanghai and Chengdu, China, in order to encourage development of the high-tech industry. These incentives include reduced tax rates and other measures. As a result, we are entitled to a preferential enterprise income tax rate of 15% so long as our manufacturing facilities continue to maintain their High and New Technology Enterprise ("HNTE") status. One of our Shanghai manufacturing facilities has been approved for HNTE status for the tax years 2015-2017. In addition, one of our wafer fabrication facilities and one research and development facility located in Shanghai were approved for HNTE status for the tax years 2014-2016. HNTE qualification requires metrics based on China research and development expenditures as well as research and development headcount and overall college-degreed headcount. Any prior years that have already been approved are subject to audit requirements. If we were to no longer meet the HNTE requirements, our statutory tax rate for our approved Shanghai assembly and test facility and wafer fabrication facility would increase to 25% for any period in which an audit shows we were not compliant, which could adversely affect our operating results and financial condition.

In connection with our joint venture in Chengdu, China, we have qualified for tax incentives offered in the Go West Initiative ("Go West"), where companies are entitled to a preferential income tax rate of 15% for doing business in western China. If we were to no longer meet the Go West requirements, our statutory tax rate for this joint venture would increase to 25%, which could adversely affect our operating results and financial condition.

The impact of our HNTE and Go West status, collectively called tax holidays, decreased our tax expense by approximately $7.3 million, $2.9 million and $2.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the twelve months ended December 31, 2016 was approximately $0.15. The benefit of the tax holidays on both basic and diluted earnings per share for both twelve month periods ended December 31, 2015 and 2014 was approximately $0.06 and $0.05, respectively.

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

We conduct operations worldwide through our foreign subsidiaries and are, therefore, subject to complex transfer pricing regulations in the jurisdictions in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between related parties be priced on a basis that would be comparable to an arm's length transaction between unrelated parties. There is uncertainty and inherent subjectivity in complying with these rules. To the extent that any foreign tax authorities disagree with our transfer pricing policies, we could become subject to significant tax liabilities and penalties. Based on our current knowledge and probability assessment of potential outcomes, we believe that we have provided for all tax exposures. However, the ultimate outcome of a tax examination could differ materially from our provisions and could have a material adverse effect on our business, financial condition, operating results and cash flows.

Our legal organizational structure could result in unanticipated unfavorable tax or other consequences which could have a material adverse effect on our financial condition and operational results. In some countries, we maintain multiple entities for tax or other purposes. Changes in tax laws, regulations, future jurisdictional profitability of us and our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or tax provision we record, which could have a material adverse effect on our operating results. In addition, any challenges to how our entities are structured or realigned or their business purpose by taxing authorities could result in us becoming subject to significant tax liabilities and penalties which could have a material adverse effect on our business, financial condition, operating results and cash flows.

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.

Certain of our employees in the U.K. participate in a company-sponsored defined benefit plan, which is closed to new entrants and is frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. In accounting for these plans, we are required to make actuarial assumptions that are used to calculate the earning value of the related assets, where applicable, and liabilities and the amount of expenses to be recorded in our consolidated financial statements. Assumptions include, but are not limited to, the expected return on plan assets, discount rates, and mortality rates. While we believe the underlying assumptions under the projected unit credit method are appropriate, the carrying value of the related assets and liabilities and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.

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

The assets of our defined benefit pension plan (the "plan") in the U.K. provide pensions to employees and former employees. The plan's assets are invested in a diverse range of listed and unlisted securities, including corporate bonds and, mutual funds and are determined, from time to time, based on their fair market value. The plan's obligation to pay pensions is estimated by using actuarial assumptions. To the extent that the plan's assets are not sufficient to meet the estimated amount of the plan's obligations, further funding of the plan will be required by the plan's sponsoring employers, Diodes Zetex Limited and Diodes Zetex Semiconductors Limited, over an agreed upon deficit recovery period.

As of December 31, 2016, the benefit obligation of the plan was approximately $146.8 million and the total assets in such plan were approximately $118.7 million. Therefore, the plan was underfunded by approximately $28.1 million. The difference between plan obligations and assets, or the funded status of the plan, is a significant factor in determining the net periodic benefit costs of the plan and the ongoing funding requirements of the plan.

Any fluctuations in the U.K. equity markets and bond markets or changes in several key actuarial assumptions, including, but not limited to, changes in discount rate, estimated return on the plan and mortality rates, can (i) affect the level of plan funding, (ii) cause volatility in the net periodic pension cost, and (iii) increase our future funding requirements. In the event that actual results differ from the actuarial assumptions or actuarial assumptions are changed, the funding status of the plan may change. Any deficiency in the funding of the plan could result in additional charges to equity and an increase in future plan expense and cash contribution. A significant increase in our funding requirements could have a negative impact on our cash flows, operating results and financial condition.

During the first quarter of 2015, we agreed to a payment plan with the trustees of the defined benefit plan, under which we would make annual contributions each year through 2030, of approximately 2 million British Pounds ("GBP") (approximately $2.4 million based on a GBP:USD exchange rate of 1.2). The annual contributions were expected to meet the deficit disclosed in the plan as of April 5, 2013, by December 31, 2030. The trustees are required to review the funding position every three years, and a further review was carried out as of April 5, 2016. The outcome of the review, as agreed to with the trustees during the first quarter of 2017, was that contributions would continue at the existing level, up to December 31, 2029. If we fail to reach an agreement with the trustees, as we are required to do every three years, the Pension Regulator in the U.K. could impose contributions on Diodes Zetex Limited or Diodes Zetex Semiconductors Limited, or in limited circumstances could require financial support to be provided to the plan from entities connected or associated with Diodes Zetex Limited or Diodes Zetex Semiconductors Limited. Furthermore, Diodes Zetex Limited and Diodes Zetex Semiconductors Limited remain ultimately liable to fully fund the plan regardless of any failure to agree upon future contributions in respect of a particular actuarial valuation, i.e., if either the plan or those companies were wound up, a debt equal to each company's share of the entire outstanding deficit at that time (calculated on a statutory conservative basis) would be owed by the relevant company. This could have a material adverse effect on our cash flows, operating results and financial condition.

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

Certain of our customers and suppliers require us to agree to comply with the Electronic Industry Code of Conduct ("EICC") or their own codes of conduct, which may include detailed provisions on labor, human rights, health and safety, environment, corporate ethics and management systems. Certain of these provisions are not requirements under the laws of the countries in which we operate and may be burdensome to comply with on a regular basis. Moreover, new provisions may be added or material changes may be made to any these codes of conduct, and we may have to promptly implement such new provisions or changes, which may substantially further increase the cost of our business, be burdensome to implement and adversely affect our operational efficiencies and operating results. If we violate any such codes of conduct, we may lose further business with the customer or supplier and, in addition, we may be subject to fines from the customer or supplier. While we believe that we are currently in compliance with our customers and suppliers' codes of conduct, there can be no assurance that, from time to time, if any one of our customers and suppliers audits our compliance with such code of conduct, we would be found to be in full compliance. A loss of business from these customers or suppliers could have a material adverse effect on our business, operating results and financial condition.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 imposes new disclosure requirements regarding the use of certain minerals, which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. When these new requirements are fully implemented, they could affect the pricing, sourcing and availability of minerals used in the manufacture of semiconductor devices (including our products). We are incurring additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. Our supply chain is complex, and we may be unable to verify the origins for all metals used in our products. Customers may demand that the products they purchase be free of conflict minerals. Therefore, we may encounter challenges with our customers and stockholders if we are unable to certify that our products are conflict free. This requirement could affect the sourcing and availability of products we purchase from suppliers. This may reduce the number of suppliers that may be able to provide conflict-free products, and may affect our ability to obtain products in sufficient quantities to meet customer demand or at competitive prices.

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.

The risks commonly encountered in acquisitions of companies include, among other things, higher than anticipated acquisition costs and expenses, the difficulty and expense in integrating the operations and personnel of the companies, the difficulty of bringing standards, procedures and controls, including disclosure controls and procedures and internal control over financial reporting, into conformance with our operations, the ability to coordinate our new products and process development, the ability to hire additional management and other critical personnel, the ability to increase the scope, geographic diversity and complexity of our operations, difficulties in consolidating facilities and transferring processes and know-how, difficulties in reducing costs, prolonged diversion of our management's attention from the management of our business, the ability to clearly define our present and future strategies, the loss of key employees and customers as a result of changes in management and any geographic distances may make integration slower and more challenging. We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.

In addition, any acquisition may cause large one-time expenses as well as create goodwill and other intangible assets that may result in significant asset impairment charges in the future.

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.

Effective internal controls are necessary for us to produce reliable financial reports and are important in our effort to prevent financial fraud. We are required to periodically evaluate the effectiveness of the design and operation of our internal controls. These evaluations may result in the conclusion that enhancements, modifications or changes to our internal controls are necessary or desirable. While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure of human judgment. Because of this, control procedures are designed to reduce rather than eliminate business risks. If we fail to maintain an effective system of internal controls or if management or our independent registered public accounting firm were to discover material weaknesses in our internal controls, we may be unable to produce reliable financial reports or prevent fraud, which could harm our financial condition and operating results, and could result in a loss of investor confidence and a decline in our stock price.

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

Terrorist attacks, or threats or occurrences of other terrorist or related activities, whether in the U.S. or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our profitability. Future terrorist or related activities could affect our domestic and international sales, disrupt our supply chains and impair our ability to produce and deliver our products. Such activities could affect our physical facilities or those of our suppliers or customers. Such terrorist attacks could cause seaports or airports, to or through which we ship, to be shut down, thereby preventing the delivery of raw materials and finished goods to or from our manufacturing facilities in China, Taiwan and Germany and our wafer fabrication facilities in China, the U.S. and the U.K., or to our regional sales offices. Due to the broad and uncertain effects that terrorist attacks have had on financial and economic markets generally, we cannot provide any estimate of how these activities might negatively affect our future operating results and financial condition.

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

Experienced computer programmers and hackers may be able to penetrate our security controls and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our websites, products or otherwise exploit any security vulnerabilities of our websites and products. . In 2016 the Company became aware of a cyber-intrusion. In response to this cyber-intrusion we have engaged an information technology security expert to assess the information accessed by the intruder and to assist in designing security measures to prevent a recurrence. These efforts continue. At this time we have no reason to believe the cyber intruder obtained any confidential or propriety information. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service, extortionate demands to decrypt files and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions and materially adversely affect our operating results, stock price and reputation.

We manage and store various proprietary information and sensitive or confidential data relating to our business and third party business. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our partners or customers, including the potential loss, encryption or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our partners and customers or the individuals affected to a risk of loss or misuse of this information, extortionate demands to decrypt files, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Delayed sales, significant costs or lost customers resulting from these system security risks, data protection breaches, cyber-attacks and other related cyber-security issues could materially adversely affect our operating results, stock price and reputation.

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

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

We expect net sales from foreign markets to continue to represent a significant portion of our total net sales. In addition, the majority of our manufacturing facilities are located in China. In each of the years ended 2016, 2015 and 2014, our Asian and European subsidiaries represented approximately 90% of our net sales. There are risks inherent in doing business internationally, and any or all of the following factors could cause harm to our business:

- changes in, or impositions of, legislative or regulatory requirements, including income tax or value added tax laws in the U.S. and in the countries in which we manufacture or sell our products;
- compliance with trade or other laws in a variety of jurisdictions;
- trade restrictions, transportation delays, work stoppages, and economic and political instability;
- changes in import/export regulations, tariffs and freight rates;
- difficulties in collecting receivables and enforcing contracts;
- currency exchange rate fluctuations;
- restrictions on the transfer of funds from foreign subsidiaries to the U.S.;
- the possibility of international conflict, particularly between or among China, the U.K., Germany, Taiwan and the U.S.;
- legal, regulatory, political and cultural differences among the countries in which we do business;
- longer customer payment terms; and
- changes in U.S. or foreign tax regulations.

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

We have a significant portion of our assets in mainland China, U.K., Germany, Hong Kong and Taiwan. Our ability to operate in these countries may be adversely affected by changes in those jurisdictions' laws and regulations, including those relating to taxation, including, but not limited to income tax and value added tax, import and export tariffs, environmental regulations, land use rights, property and other matters. In addition, our operating results and financial performance are subject to the economic and political situations. We believe that our operations are in compliance with all applicable legal and regulatory requirements. However, the central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Changes in the political environment or government policies in those jurisdictions could result in revisions to laws or regulations or their interpretation and enforcement, increased taxation, restrictions on imports, import duties or currency revaluations. In addition, a significant destabilization of relations between or among China, the U.K., Germany, Hong Kong, Taiwan and the U.S. could result in restrictions or prohibitions on our operations or the sale of our products or the forfeiture of our assets in these jurisdictions. There can be no certainty as to the application of the laws and regulations of these jurisdictions in particular instances. Enforcement of existing laws or agreements may be sporadic and implementation and interpretation of laws inconsistent. Moreover, there is a high degree of fragmentation among regulatory authorities, resulting in uncertainties as to which authorities have jurisdiction over particular parties or transactions. The possibility of political conflict between these countries or with the U.S. could have an adverse impact upon our ability to transact business in these jurisdictions and to generate profits.

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

Changes to existing trade agreements, such as the North American Free Trade Agreement, greater restrictions on international trade generally and significant increases in tariffs on goods imported into the United States, particularly from China, could materially adversely affect our business and operations. Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop, manufacture and sell products, and any negative reactions towards the United States as a result of such changes, could adversely affect our business and operations. In addition, negative sentiments towards the U.S. among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect our international sales or the hiring and retention of qualified employees, respectively.

The United Kingdom referendum to exit the European Union has also created political and economic uncertainty, particularly in the U.K. and the European Union, and this uncertainty may last for years. Our business in the U.K. the European Union, and worldwide could be adversely affected during this period of uncertainty, and, depending upon developments following completion of the U.K. exit, may materially adversely affect our business and operations. Future events as a consequence of the U.K. exit, including stresses within the U.K. itself, may cause significant volatility in global financial markets, including global currency and debt markets, and result in a slowdown in economic activity in the U.K., Europe or globally, which could materially adversely affect our operating results and growth prospects. In addition, our business and operations could be materially adversely affected by new or revised trade agreements between countries in which we have operations or do business, including the U.S., the U.K., the European Union and China, as well as by the possible impositions of tariffs or trade or other regulatory barriers by any nation where we have operations or do business.

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

We believe that an increase in demand in China for electronic devices that include our products will be an important factor in our future growth. Continuing weakness in the Chinese economy could result in a decrease in demand for electronic devices containing our products and, thereby, materially and adversely affect our business, operating results and prospects.

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

We have a significant portion of our manufacturing capacity in mainland China. In addition, in 2016 approximately 58% of our total sales were shipped to customers in China. In recent years, the Chinese economy has experienced periods of rapid expansion and wide fluctuations in the rate of inflation. In response to these factors, the Chinese government has, from time to time, adopted measures to regulate growth and contain inflation, including measures designed to restrict credit or control prices. Such actions in the future could increase the cost of doing business in China or decrease the demand for our products in China and, thereby, have a material adverse effect on our business, operating results and prospects.

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

The United States' Foreign Corrupt Practices Act ("FCPA"), the United Kingdom's Bribery Act 2010 (the "U.K. Bribery Act"), China's anti-corruption campaign and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that may have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our staff concerning FCPA, the U.K. Bribery Act and related anti-bribery laws. We have established procedures and controls to monitor internal and external compliance. There can be no assurance that our internal controls and procedures always will protect us from reckless or criminal acts committed by our employees or agents, and we have no third party attestation to the effectiveness of our internal controls related to fraud and corruption. If we are found to be liable for FCPA, the U.K. Bribery Act and other anti-bribery law violations (either due to our own acts or inadvertence, or due to the acts or inadvertence of others), we could incur criminal or civil penalties or other sanctions, which could have a material adverse effect on our business and operating results.

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

We face exposure to adverse movements in foreign currency exchange rates, principally the Chinese Yuan, the Taiwanese dollar, the Euro and the British Pound Sterling and, to a lesser extent, the Japanese Yen and the Hong Kong dollar. Our income and expenses are based on a mix of currencies and a decline in one currency relative to the other currencies could adversely affect our operating results. Furthermore, our operating results are reported in U.S. dollars, which is our reporting currency. In the event the U.S. dollar weakens against a foreign currency, we will experience a currency transaction loss, which could adversely affect our operating results. Also, fluctuations in foreign currency exchange rates may have an adverse impact and be increasingly influential to our overall sales, profits and operating results as amounts that are measured in foreign currency are translated back to U.S. dollars for reporting purposes. Our foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon our financial results, especially if the portion of our sales attributable to Europe increases. We do not usually employ hedging techniques designed to mitigate foreign currency exposures and, therefore, we could experience currency losses as these currencies fluctuate against the U.S. dollar.

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

Historically, labor in China has been readily available at a lower cost compared to other countries. However, because China is experiencing rapid social, political and economic change, there can be no assurance that labor will continue to be available in China at costs consistent with historical levels. Any future increase in labor cost in China is likely to be higher than historical and projected amounts and may occur multiple times in any given year. As a result of experiencing such rapid social, political and economic change, China is also likely to enact new, and/or revise its existing, labor laws and regulations on employee compensation and benefits. These changes in Chinese labor laws and regulations will likely to have an adverse effect on product manufacturing costs in China. Furthermore, if China workers go on strike to demand higher wages, our operations could be disrupted. Many of our suppliers are currently dealing with labor shortages in China, which may result in future supply delays and disruptions and may drive a substantial increase in their labor costs that is likely to be shared by us in the form of price increases to us. New or revised government labor laws or regulations, strikes or labor shortages could cause our product costs to rise and/or could cause manufacturing partners on whom we rely to exit the business. These events could have a material adverse impact on our product availability and quality, which would affect our business, operating results and financial condition.

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

As an incentive for establishing our manufacturing subsidiaries in China, we receive preferential tax treatment. Governmental changes in foreign tax law may cause us not to be able to continue receiving these preferential tax treatments in the future, which may cause an increase in our income tax expense, thereby reducing our net income.

The distribution of any earnings of our foreign subsidiaries to the U.S. may be subject to U.S. federal and state income taxes, thus reducing our net income.

We intend to permanently reinvest overseas all earnings from foreign subsidiaries, except to the extent such undistributed earnings have previously been subject to U.S. tax. As of December 31, 2016, we had undistributed earnings from non-U.S. operations of approximately $507.6 million (including approximately $38.9 million of restricted earnings, which are not available for dividends). Undistributed earnings of our China subsidiaries comprise $357.8 million of this total. Additional U.S. federal and state income taxes of approximately $151.3 million would be required should the $507.6 million of such earnings be repatriated to the U.S. as dividends.

In the future, if we plan to distribute earnings of our foreign subsidiaries to the U.S, we may be required to pay U.S. income taxes on these earnings to the extent we have not previously recorded deferred U.S. taxes on such earnings. Any such taxes would reduce our net income in the period in which these earnings are distributed.

RISKS RELATED TO OUR COMMON STOCK

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

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

- strength of the global economy and the stability of the financial markets;
- general economic conditions in the countries where we sell our products;
- seasonality and variability in the computing and communications market and our other end-markets;
- the timing of our and our competitors’ new product introductions;
- product obsolescence;

- the scheduling, rescheduling and cancellation of large orders by our customers;
- the cyclical nature of the demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at our fabrication facilities;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our outside suppliers or subcontractors.

Accordingly, a comparison of our operating results from period to period is not necessarily meaningful to investors and our operating results 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, operating results or cash flows. In addition, as discussed in Part I, Item 3 "Legal Proceedings" of this Annual Report, we are involved in several lawsuits. Additional volatility in the price of our securities could result in the filing of additional litigation, which could result in substantial costs and the diversion of management time and resources.

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.

As part of our growth strategy, we expect to review acquisition prospects that would implement our vertical integration strategy or offer other growth opportunities. From time to time, we may be in various stages of discussions and we may acquire businesses, products or technologies in the future. In the event of future acquisitions, we could:

- use a significant portion of our available cash;
- issue equity securities, which would dilute current stockholders' percentage ownership;
- incur substantial debt;
- incur or assume contingent liabilities, known or unknown;
- incur amortization expenses related to intangibles;
- incur large, immediate accounting write-offs; and
- create goodwill and other intangible assets that may require impairment charges in the future.

Such actions by us could harm our operating results and 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.

Our directors, executive officers and our affiliate, LSC, beneficially own approximately 24% of our outstanding Common Stock, including options to purchase shares of our Common Stock that are exercisable within 60 days of December 31, 2016. These stockholders, acting together, will be able to influence significantly all matters requiring stockholder approval, including the election of directors and significant corporate transactions such as mergers or other business combinations. This control may delay, deter or prevent a third party from acquiring or merging with us, which could adversely affect the market price of our Common Stock.

LSC, our largest stockholder, owns approximately 16.7% (approximately 8.1 million shares) of our Common Stock. Some of our directors and executive officers may have potential conflicts of interest because of their positions with LSC or their ownership of LSC common stock.

Raymond Soong, the Chairman of the Board of Directors, is the Chairman of LSC, and is the Chairman of Lite-On Technology Corporation ("LTC"), a significant shareholder of LSC. C.H. Chen, our former President and Chief Executive Officer and currently the Vice Chairman of the Board of Directors, is also Vice Chairman of LSC and a board member of LTC. Dr. Keh-Shew Lu, a member of our Board of Directors and our President and Chief Executive Officer, is a board member of LTC and a board member of Nuvoton. L.P. Hsu, a member of the Board of Directors since 2007, serves as a consultant to LTC and a supervisor of the board of Nuvoton. Several of our directors and executive officers may own LSC common stock or hold options to purchase LSC common stock. Service on our Board of Directors and as a director or officer of LSC, or ownership of LSC common stock by our directors and executive officers, could create, or appear to create, actual or potential conflicts of interest when directors and officers are faced with decisions that could have different implications for LSC and us. For example, potential conflicts could arise in connection with decisions involving the Common Stock owned by LSC, or under the other agreements we may enter into with LSC. In 2016, 2015 and 2014, LSC accounted for approximately between 1% and 3% of our silicon wafer supply and our finished good supply. We may have difficulty resolving any potential conflicts of interest with LSC, and even if we do, the resolution may be less favorable than if we were dealing with an unrelated third party.

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.

We were formed in 1959 under the laws of California and reincorporated in Delaware in 1968. We have had several transfer agents since being formed. In addition, our early corporate records, including our stock ledger, 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.

We, from time to time, may utilize non-cash tender offers, debt equity swaps or equity exchanges in accordance with the guidance and rules promulgated by the SEC to consummate our business activities. Such means to consummate our business activities will likely involve issuance of our Common Stock in large quantities and will subsequently dilute the ownership interest of existing stockholders, including stockholders who previously received shares of our Common Stock in such transactions. Any sales in the public market of the newly issued Common Stock could adversely affect prevailing market prices of our Common Stock. In addition, utilizing non-cash tender offers, debt equity swaps or equity exchanges may encourage short selling because such utilization could depress the price of our Common Stock.

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

Some provisions of Delaware law, our certificate of incorporation and bylaws may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt, including those attempts that might result in a premium over the market price for the shares held by stockholders.

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

Section 203 of the Delaware General Corporation Law prohibits transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates or associates, beneficially owns, directly or indirectly, 15.0% or more of the outstanding voting shares of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder and a Delaware corporation for a period of three years after the date the stockholder becomes an interested stockholder, unless:

(i) either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the date the interested stockholder becomes an interested stockholder;

(ii) the interested stockholder acquired at least 85.0% of the voting stock of the corporation (other than stock held by directors who are also officers or by certain employee stock plans) in the transaction in which the stockholder became an interested stockholder; or

(iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.

For this purpose, business combinations include mergers, consolidations, sales or other dispositions of assets having an aggregate value in excess of 10.0% of the aggregate market value of the consolidated assets or outstanding stock of the corporation, and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation.

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

Provisions of our certificate of incorporation and bylaws may have the effect of making it more difficult for a third party to acquire control of us. In particular, our certificate of incorporation authorizes our Board of Directors to issue, without further action by the stockholders, up to 1,000,000 shares of preferred stock with rights and preferences, including voting rights, designated from time to time by the Board of Directors. The existence of authorized but unissued shares of preferred stock enables our Board of Directors to render it more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Our primary physical properties at December 31, 2016 were as follows:

Primary use	Location	Lease Expiration	Year Purchased	Sq. Ft.
Headquarters/R&D center	USA - Plano, TX		2010	41,780
Land (future headquarters site)	USA - Plano, TX		2008	696,960
Regional sales office	USA - Amherst, New Hampshire			600
Manufacturing facility/R&D center	USA - Lee's Summit, Missouri	December 2017		74,000
Regional sales/Administrative office/R&D	USA - Milpitas, California		2013	85,040
Apartment	USA - Milpitas, California		2014	1,281
Regional sales office/R&D center	USA - San Jose, California	July 2017		4,060
Regional sales/Administrative office	USA - Westlake Village, California	May 2019		1,295
Land use right	China - Chengdu	July 2061		1,395,715
Manufacturing facility	China - Chengdu	June 2018		29,106
Manufacturing facility/Administrative /R&D/Logistics	China - Chengdu		2015-2016	264,653
Regional sales/R&D	China - Hong Kong	May 2018		98,238
Warehouse	China - Hong Kong	January 2021		262,157
Administrative office	China - Jinan, Shandong		2010	93,563
Administrative office	China - Jinan, Shandong		2016	200,517
Land use right	China - Jinan, Shandong	July 2058	2008	538,396
Manufacturing facility	China - Jinan, Shandong		2009	145,786
R&D center	China - Jinan, Shandong		2012	81,645
Administrative/R&D/Logistics	China - Shanghai		2009	187,007
Land use right	China - Shanghai	February 2056	2006	752,509
Manufacturing facility/R&D/Logistics	China - Shanghai	December 2020		60,013
Manufacturing facility/R&D/Logistics	China - Shanghai	June 2024		77,071
Manufacturing facility/R&D/Logistics	China - Shanghai	June 2024		46,118
Manufacturing facility/R&D/Logistics	China - Shanghai	February 2022		84,006
Manufacturing facility/R&D/Logistics	China - Shanghai	October 2023		336,674
Manufacturing facility/R&D/Logistics	China - Shanghai	September 2017		7,021
Manufacturing facility/R&D/Logistics	China - Shanghai	June 2017		6,347
Manufacturing facility/R&D/Logistics	China - Shanghai	January 2020		15,265
Manufacturing facility/R&D/Logistics	China - Shanghai	July 2020		15,265
Manufacturing facility/R&D/Logistics	China - Shanghai	October 2017		15,265
Manufacturing facility/R&D/Logistics	China - Shanghai	June 2021		11,144
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2022		20,245
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2022		5,161
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2023		21,006
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2023		5,576
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2023		3,715
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2023		21,059
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2019		22,285
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	February 2024		1,860
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	October 2024		3,439
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	September 2024		12,623
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	September 2024		11,589
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	September 2024		39,607
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	September 2024		9,902

Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	September 2024		9,902
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	January 2017		21,948
Manufacturing facility/R&D/Logistics/Dormitory	China - Shanghai	January 2024		29,548
Manufacturing facility	China - Shanghai		2011-2012	374,909
R&D/Administrative office/Logistics	China - Shanghai		1995	45,829
Regional sales office	China - Shanghai		2010-2014	17,907
Staff Dormitory	China - Shanghai		1998	2,502
Staff Dormitory	China - Shanghai	July 2017		1,156
Warehouse	China - Shanghai	June 2020		26,950
Regional sales office	China - Shenzhen	January 2019		17,318
R&D center	China - Yangzhou		2015	6,094
Staff Dormitory	China - Yangzhou	November 2017		1,001
Administrative/Logistics	England - Oldham		2004	80,729
Manufacturing facility/R&D center	England - Oldham		1998	75,347
Regional sales office	Germany - Munich	July 2021		6,297
Manufacturing facility/R&D center	Germany - Neuhaus		1996	52,508
Regional sales office	Japan - Tokyo	October 2017		-
Regional sales office	Singapore	September 2017		-
Regional sales office	South Korea - Seongnam-si	May 2018		1,750
Regional sales office	South Korea - Seongnam-si	May 2018		1,240
Regional sales office	South Korea - Seoul	August 2017		-
Apartment	South Korea -Suwon-si	October 2018		646
Manufacturing facility	Taiwan - Hsinbei	November 2018		61,996
R&D center/Logistics/Administrative	Taiwan - Hsinbei	March 2018		47,489
Regional Sales/Administrative office	Taiwan - Hsinbei		2000	10,956
R&D center	Taiwan - Hsinchu	November 2017		25,372
Regional sales office	Taiwan - Kaohsiung	July 2017		355
Regional Sales/Administrative/Logistics	Taiwan - Taipei		2006	35,521
Regional Sales/Administrative/Logistics	Taiwan - Taipei		2014	10,994
Regional sales/R&D	Taiwan - Taipei		2008	5,833
Regional sales/Administrative office/Logistics	Taiwan - Taoyuan		2000	78,899
R&D center	Taiwan - Zhunan	March 2017		1,272

We believe our current facilities are adequate for the foreseeable future.

Item 3. Legal Proceedings.

From time to time, we are involved in various legal proceedings that arise in the normal course of business. While we intend to defend any lawsuit vigorously, we presently believe that the ultimate outcome of any current pending legal proceeding will not have any material adverse effect on our financial position, cash flows or operating results. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact our business and operating results for the period in which the ruling occurs or future periods. See Note 16 of the Notes to Consolidated Financial Statements for detailed information regarding the status of our lawsuits.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Common Stock is traded on the Nasdaq Global Select Market ("NasdaqGS") under the symbol "DIOD." The following table shows the range of high and low closing sales prices per share for our Common Stock for each fiscal quarter from January 1, 2015 as reported by NasdaqGS.

Calendar Quarter Ended	Closing Sales Price of Common Stock	
	High	Low
First quarter 2017 (through February 23, 2017)	$ 26.26	$ 24.13
Fourth quarter 2016	26.96	19.84
Third quarter 2016	21.57	17.24
Second quarter 2016	20.36	16.96
First quarter 2016	22.30	17.24
Fourth quarter 2015	25.09	19.06
Third quarter 2015	24.11	18.88
Second quarter 2015	28.32	24.11
First quarter 2015	30.43	25.83

Holders and Recent Stock Price

On February 23, 2017, the closing sales price of our Common Stock as reported by NasdaqGS was $25.93, and there were approximately 288 holders of record of our Common Stock.

Dividends

We have never declared or paid cash dividends on our Common Stock, and currently do not intend to pay dividends in the foreseeable future as we intend to retain any earnings for use in our business. Our U.S. banking credit facility permits us to pay dividends up to $3.0 million per fiscal year to our stockholders so long as we have not defaulted at the time of such dividend and no default would result from declaring and paying such dividend. The payment of dividends is within the discretion of our Board of Directors, and will depend upon, among other things, our earnings, financial condition, capital requirements, and general business conditions.

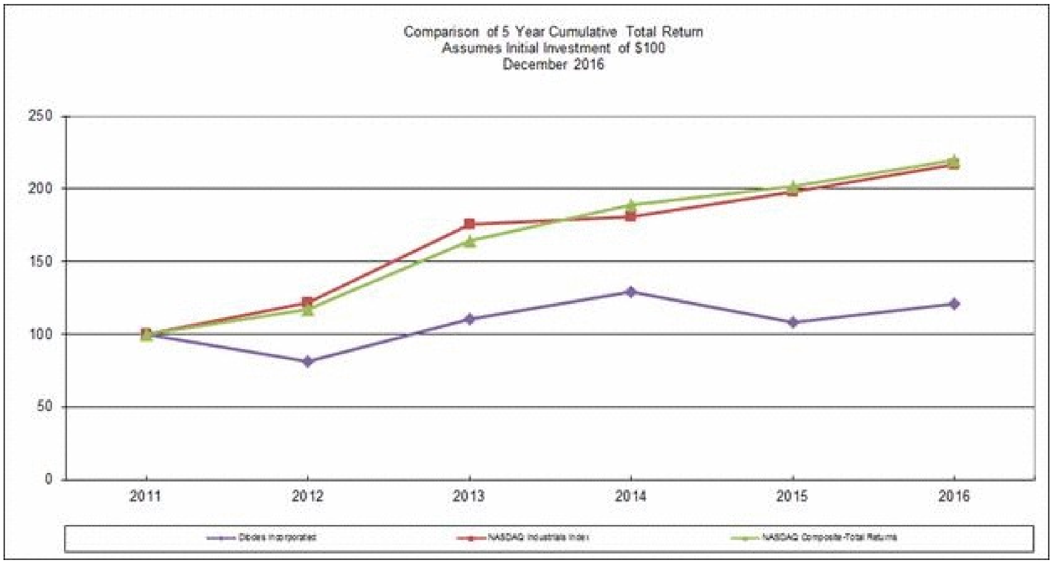
Securities Authorized for Issuance Under Equity Compensation Plans

The information regarding our equity compensation plans required to be disclosed by Item 201(d) of Regulation S-K is incorporated by reference from our 2017 definitive proxy statement into Item 12 of Part III of this Annual Report.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total stockholder return of our Common Stock against the cumulative total return of the Nasdaq Composite and the Nasdaq Industrial Index for the five calendar years ending December 31, 2016. The graph is not necessarily indicative of future price performance.

The graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.



Source: Prepared by Zacks Investment Research, Inc. Used with permission.

The graph assumes $100 invested on December 31, 2011 in our Common Stock, the stock of the companies in the Nasdaq Composite Index and the stock of companies in the Nasdaq Industrial Index, and that all dividends received within a quarter, if any, were reinvested in that quarter.

December 2016

		2011	2012	2013	2014	2015	2016
Diodes Incorporated	Return %		(18.54)	35.79	17.02	(16.65)	11.71
	Cum $	100	81.46	110.61	129.44	107.89	120.52
NASDAQ Industrial Index	Return %		21.52	44.54	2.98	9.56	9.47
	Cum $	100	121.52	175.64	180.88	198.18	216.95
NASDAQ Composite-Total Returns	Return %		17.45	40.12	14.75	6.96	8.87
	Cum $	100	117.45	164.57	188.84	201.98	219.89

Issuer Purchases of Equity Securities

The Company repurchases shares of its Common Stock from time to time pursuant to publicly announced share repurchase programs. During 2016, the Company repurchased 691,196 shares of its common shares at a cost of $18.0 million. All purchases were made through open market transactions and were recorded as treasury stock. The following table contains information for shares repurchased during the fourth quarter of 2016. None of the shares in this table were repurchased directly from any of our officers or directors.

Period	Total Number of Shares Purchased *(a)*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Dec-16	691,196	$ 26.06	1,157,206	$ 71,000,026

(a) Share repurchases are made pursuant to a share repurchase program authorized in November 2015 by the Company's Board of Directors to repurchase up to an aggregate of $100,000,000 of the Company's outstanding Common Stock, $0.66 2/3 par value per share. The share repurchase program is expected to continue through the end of 2019 unless extended or shortened by the Board of Directors. Average price paid per share includes broker commissions.

Item 6. Selected Financial Data.

The following selected consolidated financial data for the fiscal years ended December 31, 2016 through 2012 is qualified in its entirety by, and should be read in conjunction with, the other information and consolidated financial statements, including the notes thereto, appearing elsewhere herein. Certain immaterial amounts as presented in the accompanying consolidated financial statements have been reclassified to conform to 2016 financial statement presentation.

(In thousands, except per share data)	Twelve Months Ended December 31,				
Statement of Income Data	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	$ 942,162	$ 848,904	$ 890,651	$ 826,846	$ 633,806
Gross profit	286,923	248,583	277,279	237,836	161,586
Selling, general and administrative	158,256	139,245	133,701	132,106	101,363
Research and development	69,937	57,027	52,136	48,302	33,761
Amortization of acquisition related intangible assets	20,478	8,596	7,914	8,078	5,122
Other operating expenses	196	1,613	(983)	7,069	(3,556)
Total operating expenses	248,867	206,481	192,768	195,555	136,690
Income from operations	38,056	42,102	84,511	42,281	24,896
Interest income	1,357	1,006	1,470	1,274	778
Interest expense	(13,257)	(4,232)	(4,332)	(5,580)	(876)
Gain on securities carried at fair value	-	400	1,364	601	7,100
Impairment of cost-basis investment	(3,218)	-	-	-	-
Other income (expense)	2,097	1,319	2,979	9	(1,091)
Income before income taxes and noncontrolling interest	25,035	40,595	85,992	38,585	30,807
Income tax provision	6,558	14,082	20,359	14,481	4,825
Net income	18,477	26,513	65,633	24,104	25,982
Less: net (income) loss attributable to noncontrolling interest	(2,542)	(2,239)	(1,955)	2,428	(1,830)
Net income attributable to common stockholders	15,935	24,274	63,678	26,532	24,152
Earnings per share attributable to common stockholders					
Basic	$ 0.33	$ 0.50	$ 1.35	$ 0.57	$ 0.53
Diluted	$ 0.32	$ 0.49	$ 1.31	$ 0.56	$ 0.51
Number of shares used in computation:					
Basic	48,597	48,210	47,184	46,363	45,780
Diluted	49,789	49,500	48,594	47,658	46,899

	As of December 31,				
Balance Sheet Data	**2016**	**2015**	**2014**	**2013**	**2012**
Total assets	$ 1,528,552	$ 1,598,827	$ 1,179,157	$ 1,162,258	$ 920,063
Working capital	547,409	570,888	526,239	493,169	377,892
Long-term debt, net of current portion	413,126	453,738	140,787	182,799	44,131
Total Diodes Incorporated stockholders' equity	776,019	795,345	768,275	702,742	677,185

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following section discusses management's view of the financial condition, results of operations and cash flows of Diodes Incorporated and its subsidiaries (collectively, "the Company," "our Company," "we," "our," "ours," or "us") and should be read together with the consolidated financial statements and the notes to consolidated financial statements included elsewhere in this Form 10-K.

The following discussion contains forward-looking statements and information relating to our Company. 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," "project," or similar phrases or the negatives of such terms. We base these statements on our beliefs as well as assumptions we made using information currently available to us. Such statements are subject to risks, uncertainties and assumptions, including those identified in Part I, Item 1A."Risk Factors," as well as other matters not yet known to us or not currently considered material by us. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance and should not be considered as statements of fact.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new *information or future events or otherwise. 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 Annual Report on Form 10-K are made pursuant to the Act.*

Summary of the Twelve Months Ended December 31, 2016

- Revenue grew to $942.2 million, an increase of 11.0% over the $848.9 million in 2015;
- We had full year of Pericom included in our results;
- Gross profit was $286.9 million as compared to $248.6 million in 2015;
- Gross margin improved 120 basis points to 30.5% from 29.3% in 2015;
- Selling and administrative expenses were up $19.0 million, due to $26.5 million of incremental Pericom SG&A cost;
- Net income attributable to common stockholders was $15.9 million, or $0.32 per diluted share, compared to $24.3 million, or $0.49 per diluted share in 2015;
- Cash flow from operations was $124.7 million compared to $118.1 million in 2015, an increase of 5.6%;
- We repurchased approximately $18.0 million or 691,196 shares of our outstanding common stock.
- We recorded a $3.2 million impairment on a cost-basis equity investment.
- We suffered fire damage at our wafer manufacturing plant located in Lee's Summit, Mo, ("KFAB") leading to lower output and lower revenue and higher repair expenses related to the fire. During 2017 we will close KFAB and move operations to other Diodes wafer fabrication facilities or external foundries.

Summary of the Twelve Months Ended December 31, 2015

- We acquired Pericom Semiconductor Corporation in November for approximately $403.2 million;
- During the fourth quarter we incurred costs of approximately $8 million for Pericom employees for restricted stock awards and change-in-control agreements.
- Net sales were $848.9 million, a decrease of 4.7% from the $891 million in 2014;
- Gross profit was $248.6 million, or 29.3% of net sales, a decrease of 10.1% from the $277.3 million, in 2014, or 31.1% of net sales in 2014;
- Selling and administrative expenses were up $5.5 million, primarily related to costs associated with the Pericom acquisition, when compared to 2014;
- Net income attributable to common stockholders was $24.3 million, or $0.49 per diluted share, compared to $63.7 million, or $1.31 per diluted share, in 2014;
- Cash flow from operations was $118.1 million compared to $134.3 million in 2014; and
- We repurchased approximately $11.0 million or 466,010 shares of our outstanding common stock.

Business Acquisitions

In the fourth quarter of 2015, we completed the acquisition of Pericom for aggregate consideration of approximately $403.2 million, excluding acquisition costs, fees and expenses. The cash portion of the acquisition price was funded by borrowings under our bank credit facilities and use of existing cash. Pericom's financial results have been included in our consolidated financial statements from November 24, 2015.

Business Outlook

Looking forward, we remain focused on achieving our goal of $1 billion in annual revenue with model gross margins of 35%. Acquisitions remain a key part of our growth strategy to reach our revenue goal. We have a solid pipeline of designs and expanded customer relationships across all regions and product lines. The success of our business depends on, among other factors, the strength of the global economy and the stability of the financial markets, our customers' demand for our products, the ability of our customers to meet their payment obligations, the likelihood of customers not canceling or deferring existing orders, and the strength of consumers' demand for items containing our products in the end-markets we serve. We believe the long-term outlook for our business remains generally favorable despite the uncertainties in the global economy as we continue to execute on the strategy that has proven successful for us over the years. See "Risk Factors – *The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

Factors Relevant to Our Results of Operations

In 2016, the following factors affected, and, we believe, will continue to affect, our results of operations:

- We continue to experience pressure from our customers to reduce the selling price for our products, and we expect future improvements in net income to result primarily from increases in sales volume and improvements in product mix, as well as manufacturing cost reductions in order to offset any reduction in average selling prices of our products;
- Our 2016 results included 12 months of Pericom operations, and the results from Pericom led to higher revenue and higher margins;
- In terms of our end markets, our automotive business reached 7 percent of revenue;
- During 2016, we invested approximately $40.7 million in our manufacturing and wafer fabrication facilities in China, and we expect to continue to invest in our facilities, although the amount to be invested will depend on product demand and new product developments;
- We have had higher borrowing levels for the full year of 2016 compared to 2015, leading to higher interest expense, than in previous periods reflecting the debt incurred to acquire Pericom in the fourth quarter of 2015;
- We suffered fire damage at KFAB leading to lower output and lower revenue and higher repair expenses related to the fire. During 2017 we will close KFAB and move operations to other Diodes wafer fabrication facilities or external foundries.

Description of Sales and Expenses

Net sales

The principal factors that have affected or could affect our net sales from period to period are:

- The condition of the economy in general and of the semiconductor industry in particular.
- Our customers' adjustments in their order levels.
- Changes in our pricing policies or the pricing policies of our competitors or suppliers.
- The addition or termination of key supplier relationships.
- The rate of introduction and acceptance by our customers of new products.
- Our ability to compete effectively with our current and future competitors.
- Our ability to enter into and renew key corporate and strategic relationships with our customers, vendors and strategic alliances,
- Changes in foreign currency exchange rates.
- A major disruption of our information technology infrastructure.
- Unforeseen catastrophic events, such as armed conflict, terrorism, fires, typhoons and earthquakes, and
- Any other disruptions, such as change in the political or governmental environments, labor shortages, unplanned maintenance or other manufacturing problems.

Cost of goods sold

Cost of goods sold includes manufacturing costs for our semiconductors and our wafers. These costs include raw materials used in our manufacturing processes as well as labor costs and overhead expenses. Cost of goods sold is also impacted by yield improvements, capacity utilization and manufacturing efficiencies. In addition, cost of goods sold includes the cost of products that we purchase from other manufacturers and sell to our customers. Cost of goods sold is also affected by inventory obsolescence if our inventory management is not efficient.

Selling, general and administrative expenses

Selling, general and administrative expenses relate primarily to compensation and associated expenses for personnel in general management, sales and marketing, information technology, engineering, human resources, procurement, planning and finance, and sales commissions, as well as outside legal, investor relations, accounting, consulting and other operating expenses. Also included in selling, general and administrative expenses are acquisition costs from business combinations.

Research and development expenses

Research and development expenses consist of compensation and associated costs of employees engaged in research and development projects, as well as materials and equipment used for these projects. Research and development expenses are primarily associated with our wafer facilities in China, Lee's Summit, Missouri and Oldham, U.K. and our manufacturing facilities in Taiwan and China, as well as with our engineers in the U.S. and Taiwan. All research and development expenses are expensed as incurred.

Amortization of acquisition-related intangible assets

Amortization of acquisition-related intangible assets consists of assets such as developed technologies and customer relationships.

Impairment of goodwill

Impairment of goodwill consists of the impairment amount recognized as a result of a reporting unit's goodwill exceeding its implied fair value.

Gain on sale of assets

Gain on sale of assets consists of the sale of certain assets such as intangibles or buildings.

Interest income / expense

Interest income consists of interest earned on our cash and investment balances. Interest expense consists of interest payable on our outstanding credit facilities and other debt instruments.

Gain (loss) on securities carried at fair value

From time to time we may hold investments in the form of common stock or some other similar equivalent and have elected fair value accounting treatment.

Income tax provision

Our global presence requires us to pay income taxes in a number of jurisdictions. See Note 11 of "Notes to Consolidated Financial Statements" for additional information.

Net income attributable to noncontrolling interest

This represents the minority investors' share of our subsidiaries' earnings.

Net income attributable to common stockholders

Net income attributable to common stockholders is net income less net income attributable to noncontrolling interest.

Results of Operations

The following table sets forth, for the periods indicated, the percentage that certain items in the statements of income bear to net sales:

	Percent of Net Sales Twelve Months Ended December 31, 2016	 2015	 2014
Net sales	100%	100%	100%
Cost of goods sold	(69.5)	(70.7)	(68.9)
Gross profit	30.5	29.3	31.1
Operating expenses	(26.4)	(24.3)	(21.6)
Income from operations	4.1	5.0	9.5
Interest income	0.1	0.1	0.2
Interest expense and amortization of debt discount	(1.4)	(0.5)	(0.5)
Gain (loss) on securities carried at fair value	-	-	0.2
Impairment of cost-basis investment	(0.3)	-	0.2
Other income (expenses)	0.2	0.2	0.3
Income before income taxes and noncontrolling interest	2.7	4.7	9.9
Income tax provision	0.7	1.7	2.3
Net income	2.0	3.1	7.6
Net (income) loss attributable to noncontrolling interest	(0.3)	(0.2)	(0.2)
Net income attributable to common stockholders	1.7	2.9	7.3

The following discussion explains in greater detail our consolidated operating results and financial condition. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report *(in thousands)*.

Year 2016 Compared to Year 2015

	Twelve Months Ended December 31, 2016	 2015	 Increase/(Decrease)	 % Change
Net sales	$ 942,162	$ 848,904	$ 93,258	11.0%
Cost of goods sold	655,239	600,321	54,918	9.1%
Gross profit	286,923	248,583	38,340	15.4%
Operating expenses				
Selling, general and administrative	158,256	139,245	19,011	13.7%
Research and development	69,937	57,027	12,910	22.6%
Amortization of acquisition related intangible assets	20,478	8,596	11,882	138.2%
Other operating expenses	196	1,613	(1,417)	(87.8%)
Other (expense)/income				
Interest income	1,357	1,006	351	34.9%
Interest expense	(13,257)	(4,232)	9,025	213.3%
Gain on securities carried at fair value	-	400	(400)	(100.0%)
Impairment of cost-basis investment	(3,218)	-	(3,218)	N/A
Other	2,097	1,319	778	59.0%
Income tax provision	6,558	14,082	(7,524)	(53.4%)

In 2016 we had 12 months of Pericom results recorded in our results of operations, compared to approximately one month of Pericom results included in our 2015 results of operations.

Net sales increased for the twelve months ended December 31, 2016, compared to the same period last year due to an incremental Pericom contribution of approximately $110.6 million. This increase was partially offset by the impact of the fire at KFAB and weaker consumer market along with weak domestic demand in China.

Cost of goods sold increased approximately $54.9 million for the twelve months ended December 31, 2016, compared to the same period last year. The increase in cost of goods sold was driven by cost of goods sold from Pericom of $69.3 million for the twelve months ended December 31, 2016 compared to Pericom cost of goods of $10.7 million in 2015. The increase in cost of goods sold related to Pericom was partially offset by the impact of the KFAB fire resulting in lower costs and the related business interruption insurance recovery. As a percent of sales, cost of goods sold was 69.5% and 70.7% for the twelve months ended December 31, 2016 and 2015, respectively. Excluding Pericom, average unit cost decreased 1.4% for the twelve months ended December 31, 2016, compared to the same period last year. Including Pericom, average unit cost increased 6.6% for the twelve months ended December 31, 2016, compared to the same period last year. For the twelve months ended December 31, 2016, gross profit increased approximately 15.4% when compared to the same period last year. Gross profit margin for the twelve months ended December 31, 2016 and 2015 was 30.5% and 29.3%, respectively.

Operating expenses

Operating expenses for the twelve months ended December 31, 2016 increased approximately $42.4 million, or 20.5%, compared to the same period last year. The increase in operating expense reflects approximately $56.7 million of incremental operating expenses from Pericom. SG&A increased approximately $19.0 million due primarily to an increase of $26.5 million of incremental Pericom SG&A recognized in 2016 partially offset by lower stock compensation and change in control expense. R&D increased approximately $12.9 million due to an increase in Pericom R&D expense of $18.0 million recognized in 2016. The increase in R&D expense of $12.9 million was partially offset by reversals of previously recorded liability reserves resulting from prior acquisitions. Amortization of acquisition- related intangibles increased approximately $11.9 million reflecting the amortization of the intangible assets acquired in the Pericom acquisition. SG&A, as a percentage of sales, was 16.8% and 16.4% for the twelve months ended December 31, 2016 and 2015, respectively. R&D, as a percentage of sales, was 7.4% and 6.7% for the twelve months ended September 30, 2016 and 2015, respectively.

Other (expense)/income

Interest income increased for the twelve months ended December 31, 2016 due to a higher amount of invested funds, reflecting the investments acquired in the Pericom acquisition. The increase in interest expense for the twelve months ended December 31, 2016 is due to higher levels of borrowing to effect the Pericom acquisition. During 2016 we recognized the impairment of a cost-basis equity investment of $3.2 million. During 2015, we recognized losses on the sale of marketable securities that was not repeated in 2016.

Income tax provision

We recognized an income tax expense of approximately $6.6 million for the twelve months ended December 31, 2016 and income tax expense of approximately $14.1 million for the twelve months ended December 31, 2015, resulting in effective income tax rates of 26.2% and 34.7%, respectively. The decrease in income taxes for 2016 compared to 2015 is primarily attributable to changes in the proportion of income generated in North America, Europe and Asia, respectively.

Year 2015 Compared to Year 2014

	Twelve Months Ended			
	December 31,			
	2015	2014	Increase/(Decrease)	% Change
Net sales	$ 848,904	$ 890,651	$ (41,747)	(4.7%)
Cost of goods sold	600,321	613,372	(13,051)	(2.1%)
Gross profit	248,583	277,279	(28,696)	(10.3%)
Operating expenses				
Selling, general and administrative	139,245	133,701	5,544	4.1%
Research and development	57,027	52,136	4,891	9.4%
Amortization of acquisition related intangible assets	8,596	7,914	682	8.6%
Other operating expenses	1,613	(983)	2,596	(264.1%)
Other (expense)/income				
Interest income	1,006	1,470	(464)	(31.6%)
Interest expense	(4,232)	(4,332)	(100)	(2.3%)
Gain on securities carried at fair value	400	1,364	(964)	(70.7%)
Other	1,319	2,979	(1,660)	(55.7%)
Income tax provision	14,082	20,359	(6,277)	(30.8%)

The decrease in net sales for 2015 compared to 2014 was representative of weaker demand across several key end markets and geographies and lower average selling prices. The decrease in net sales was partially offset by revenue of approximately $15 million recorded related to Pericom. The softer environment negatively impacted the loading and utilization at our manufacturing facilities. As a percent of sales, cost of goods sold increased to 70.7% for 2015, compared to 68.9% in the same period last year, reflecting the decline in total revenue, the lower average selling prices, and the reduction in factory utilization. Cost of sales included $10.7 million from Pericom operations. Additionally there was approximately $1 million of expense for restricted stock awards and change-in-control agreements for Pericom employees.

Operating expenses

Total operating expenses for 2015 increased approximately $13.7 million, or 7.1% when compared to 2014. Included in operating expenses for 2015 are approximately $5.0 million from Pericom operations and additional expenses of approximately $7.0 million for Pericom employees for restricted stock awards and change-in-control agreements. Of the components within operating expenses, R&D, as a percentage of sales, increased slightly to 6.7% for 2015, compared to 5.9% in the same period last year. R&D expense increased primarily due $1.0 million of expense for restricted stock grants and change-in-control agreements for Pericom employees, packaging related development activity and increased investment associated with the Pericom acquisition in November 2015, amortization of acquisition-related intangible assets increased reflecting the Pericom acquisition, and the loss on sale of assets reflects the impairment of old assets during 2015 in our BCD wafer fab that are not able to convert from six inch to eight inch wafer diameter production, and the gain realized on the sale of fixed assets in 2014 that did not repeat in 2015. SG&A, as a percentage of sales, increased slightly to 16.4% of sales for 2015, compared to 15.0% in the same period last year. Included in SG&A expense for 2015 was approximately $6.0 million for Pericom employees related to restricted stock grants and change-in-control agreements.

Other (expense)/income

Interest income and gains on securities carried at fair value decreased as we held lower investable balances during the year. Our investment balance increased at year end due to the investments acquired in the Pericom acquisition. Other income (expense) decreased due to a higher level of currency gains on Taiwan currency recorded in 2014 when compared to 2015.

Income tax provision

We recognized income tax expense of approximately $14.1 million for 2015, resulting in an effective tax rate of approximately 35%, as compared to 24% for 2014. The decrease in tax expense from 2014 to 2015 was due primarily to the decrease in pretax earnings during the same period. The increase in the effective tax rate from 2014 to 2015 was due primarily to an increase in earnings in higher tax jurisdictions, relative to earnings in lower tax jurisdictions, and to the decrease in overall pretax earnings during the same period.

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. On October 26, 2016, 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 an Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, as Administrative Agent, Swing Line Lender and L/C Issuer, and the Lenders named therein, that amends and restates that certain Credit Agreement dated as of January 8, 2013, as previously amended (the "Prior Credit Agreement"). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement.

The Credit Agreement rebalances the Company's senior credit facilities under the Prior Credit Agreement from a $400,000,000 revolving senior credit facility and a $100,000,000 term loan to a $250,000,000 revolving senior credit facility (the "Revolver"), which includes a $10,000,000 swing line sublimit, a $10,000,000 letter of credit sublimit, and a $20,000,000 alternative currency sublimit, and a $250,000,000 term loan (the "Term Loan"). The Borrowers may from time to time request increases in the aggregate commitments under the Credit Agreement of up to a total of increase of $200,000,000, subject to the Lenders electing to increase their commitments or by means of the addition of new Lenders, and subject to at least half of each increase in aggregate commitments being in the form of term loans, with the remaining amount of each increase being an increase in the amount of the Revolver.

The Revolver and the Term Loan mature on October 26, 2021 (the "Maturity Date"). The Company used the proceeds of the Term Loan and a portion of the proceeds available under the Revolver and the Term Loan to refinance certain existing indebtedness of the Borrowers and their subsidiaries under the Prior Credit Agreement and has used and plans to use proceeds available under the Revolver for working capital, capital expenditures, and other lawful corporate purposes, including, without limitation, financing permitted acquisitions.

On February 13, 2017, the Company, the Foreign Borrower and certain subsidiaries of the Company as guarantors, entered into an Amendment No. 1 to Amended and Restated Credit Agreement and Limited Waiver (the "Amendment") with Bank of America, N.A., as Administrative Agent, and the Lenders named therein, that among other things, does the following: (a) expands the definition of cash equivalents to include certain cash equivalent investments made by foreign subsidiaries of the Company and held in foreign jurisdictions, and modifies the requirements for cash equivalent investments in money market investment programs, all as is more fully described in the Amendment; and (b) waives any Events of Default that have occurred prior to the date of the Amendment as a result of investments made by foreign subsidiaries of the Company in foreign financial products that were not permitted investments prior to giving effect to the Amendment, as is more fully described in the Amendment.

As of December 31, 2016, in addition to the Credit Agreement, our Asia subsidiaries had unused and available credit lines of up to an aggregate of approximately $66.0 million, with several financial institutions. In some cases, our foreign credit lines are unsecured, uncommitted and may be repayable on demand, except for two Taiwanese credit facilities that are collateralized by assets. Our foreign credit lines bear interest at LIBOR or similar indices plus a specified margin. At December 31, 2016, there were no amounts outstanding on these credit lines.

Our primary liquidity requirements have been to meet our capital expenditure needs and to fund on-going operations. For 2016, 2015, and 2014, our working capital was $547.4 million, $570.9 million, and $526.2 million, respectively. In 2016 our working capital decreased due to decreases in short-term investments and decrease in inventories. In 2015 our working capital increased due to increases in short-term investments, accounts receivable and inventories. These increases were driven by the Pericom acquisition. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with our existing operations for at least the next 12 months.

In 2016, 2015 and 2014, our capital expenditures were approximately $52.2 million, $137.7 million and $58.9 million, respectively, which includes approximately $10.5 million, $62.1 million and $18.0 million of capital expenditures related to the investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT") for 2016, 2015 and 2014, respectively. Our capital expenditures for these periods were primarily related to manufacturing expansion in our facilities in China and, to a lesser extent, our wafer fabrication facility in the U.S. and office buildings. Capital expenditures in 2016 were approximately 5.5% of our net sales, which was in line with spending target range of 5% to 9%.

In 2010, we announced an investment agreement with the Management Committee of the CDHT. Under this agreement, we formed a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited ("Ya Guang"), to establish a semiconductor assembly and test facility in Chengdu, China. In December 2016, we increased our investment and currently own approximately 98% of the joint venture. The CDHT granted the joint venture a 50 year land lease, provides corporate and employee tax incentives, tax refunds, subsidies and other financial support. This is a long-term, multi-year project that will provide us additional capacity as needed. As of December 31, 2016, we have invested $130.0 million, primarily for infrastructure, buildings and equipment related capital expenditures.

In November 2015, we completed the acquisition of Pericom for an aggregate consideration of approximately $403 million, excluding acquisition costs, fees and expenses. The acquisition was funded by drawings on our bank credit facility and use of existing funds. The acquisition is a continuation of our strategy to expand our semiconductor product offerings and to maximize our market opportunities. In the future 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.

We intend to permanently reinvest overseas all of our earnings from our foreign subsidiaries, except to the extent such undistributed earnings have previously been subject to U.S. tax. Accordingly, deferred U.S. taxes are not recorded on undistributed foreign earnings. As of December 31, 2016, our foreign subsidiaries held approximately $269.6 million of cash, cash equivalents and investments of which approximately $201.4 million would be subject to a potential tax if repatriated to the U.S as dividends.

Restricted cash is pledged as collateral when we enter into agreements with banks for certain banking facilities. As of December 31, 2016, restricted cash of $1.9 million was pledged as collateral for issuance of bank acceptance notes and letters of credit.

As of December 31, 2016, we had short-term investments of approximately $29.8 million. These investments are highly liquid with maturity dates greater than three months at the date of purchase. The decrease from $64.7 million in 2015, to 2016 reflects the liquidation of a portion of the short-term investment portfolio acquired as part of Pericom, as we used the funds to reduce our debt and purchase our Common Stock. We generally can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of interest income.

Discussion of Cash Flows

Cash and cash equivalents increased approximately $29.4 million to $247.8 million in 2016 from $218.4 million in 2015. The increase was due to higher cash flow from operations and lover levels of cash used in investing and financing activities when compared to the prior year. Cash and cash equivalents decreased approximately $24.5 million to $218.4 million in 2015 from $243.0 million in 2014. The decrease is primarily driven by lower revenue, funds used to purchase Pericom, to pay down long-term debt and fund operating expenses.

	Twelve Months Ended December 31,					
	2016	2015	Change	2015	2014	Change
Net cash provided by operating activities	$ 124,742	$ 118,111	$ 6,631	$ 118,111	$ 134,272	$ (16,161)
Net cash used by investing activities	(27,351)	(459,446)	432,095	(459,446)	(42,768)	(416,678)
Net cash provided by (used by) financing activities	(63,458)	321,362	(384,820)	321,362	(35,759)	357,121
Effect of exchange rates on cash and cash equivalents	(4,566)	(4,592)	26	(4,592)	(9,380)	4,788
Net increase (decrease) in cash and cash equivalents	$ 29,367	$ (24,565)	$ 53,932	$ (24,565)	$ 46,365	$ (70,930)

Operating Activities

Net cash provided by operating activities for 2016 was approximately $124.7 million, due primarily to $18.5 million of net income, $100.9 million in depreciation and amortization, $14.0 million from non-cash share-based compensation and a net increase in operating capital assets and liabilities of $5.5 million. These positive effects to operating cash flow were partially offset by the negative effect of a change in deferred income taxes of $14.9 million. Net cash provided by operating activities for 2015 was approximately $118.1 million, due primarily to $26.5 million of net income, $80.8 million in depreciation and amortization, $19.0 million from non-cash share-based compensation, partially offset by a total of approximately $9.9 million net decrease in other operating asset and operating liability accounts. Net cash provided by operating activities for 2014 was approximately $134.3 million, due primarily to $65.6 million of net income, $77.3 million of depreciation and amortization and $14.1 million from non-cash share-based compensation, partially offset by decreases in prepaids and accounts payable.

Investing Activities

Net cash used by investing activities for 2016 was approximately $27.4 million, due primarily to $58.5 million used for purchases of property, plant and equipment. This uses of cash for investing was partially offset by a net decrease in short-term investments of $32.7 million. Net cash used by investing activities for 2015 was approximately $459.4 million. Included in our investing activities is $348.9 million of acquisitions, net of cash acquired. We had capital expenditures of $133.2 million. We had sales of short-term investments, net of purchases of approximately $18.0 million. Net cash used by investing activities for 2014 was approximately $42.8 million, due primarily to $57.8 million in capital expenditures, and $1.8 million in equity investments, partially offset by a $13.6 million decrease in short-term investments and restricted cash.

Financing Activities

Net cash used in financing activities for 2016 was approximately $63.5 million, due primarily to the net repayment of long-term debt of $36.4 million, the repurchase of 691,196 shares of the Company's common stock for $18.0 million, the payment of dividends to noncontrolling interest of $4.9 million, payment of taxes on net share settlement of $2.5 million related to vesting of Diodes stock awards for Pericom employees and payment of $2.0 million of debt issuance costs from refinancing our long-term debt. Net cash provided by financing activities for 2015 was approximately $321.4 million, due primarily to the additional debt of approximately $391.2 million we incurred to purchase Pericom. This increase was partially offset by the repayment of approximately $66.0 million of long-term debt during 2015. Net cash used by financing activities for 2014 was approximately $35.8 million, due primarily to a $47.3 million reduction of debt, partially offset by $5.8 million in proceeds from the stock options exercised.

Debt instruments

The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Fixed Charge Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases) (as such terms are defined in the Amendment or the Credit Agreement).

As of December 31, 2016, our U.S. and Asia subsidiaries had unused and available credit lines of up to an aggregate of approximately $66.0 million, with several financial institutions. In some cases, our foreign credit lines are unsecured, uncommitted and may be repayable on demand, except for two Taiwanese credit facilities that are collateralized by assets. Our foreign credit lines bear interest at LIBOR or similar indices plus a specified margin. At December 31, 2016, no amounts were outstanding under these lines of credit. See “Liquidity and Capital Resources” above and Note 7 of “Notes to Consolidated Financial Statements” of this Annual Report for additional information.

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 provided off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, hedging or research and development services, that could expose us to liability that is not reflected on the face of our financial statements.

Contractual Obligations

The following table represents our contractual obligations as of December 31, 2016 (in thousands):

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Debt	$ 429,841	$ 14,355	$ 47,477	$ 368,009	$ -
Interest on long-term debt [1]	50,710	11,702	21,859	17,149	-
Operating leases	35,858	10,863	13,046	8,206	3,743
Capital leases	1,800	677	1,123	-	-
Defined benefit obligations	33,090	2,545	5,090	5,090	20,365
Purchase obligations	15,602	15,602	-	-	-
Total obligations	$ 566,901	$ 55,744	$ 88,595	$ 398,454	$ 24,108

(1) Interest on long-term debt assumes there is no change in current interest rates and no change in long-term debt from the balance outstanding as of December 31, 2016, other than required principal payments. The Revolver and Term Loan mature in October 2021.

Tax liabilities are not included in the above contractual obligations as we cannot make reasonable estimates of the amount and period in which those tax liabilities would be paid. See *“Accounting for income taxes”* below and Note 11 of “Notes to Consolidated Financial Statements” of this Annual Report for additional information.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. On an on-going basis, we evaluate our estimates, which are based upon historical experiences, market trends and financial forecasts and projections, and upon various other assumptions that management believes to be reasonable under the circumstances at that certain point in time. Actual results may differ, significantly at times, from these estimates under different assumptions or conditions.

We believe the following critical accounting policies and estimates affect the significant estimates and judgments we use in the preparation of our consolidated financial statements, and may involve a higher degree of judgment and complexity than others.

Revenue recognition

Net sales (revenue) are recognized when there is persuasive evidence that an arrangement exists, when delivery has occurred, when the price to the buyer is fixed or determinable and when collectability of the receivable is reasonably assured. These elements are met when title to the products is passed to the buyer, which is generally when product is shipped to the customer or when product is delivered to the customer. Generally, we recognize net sales upon shipment to manufacturers (direct ship) as well as upon sales to distributors using the “sell in” model, which is when product is shipped to the distributors (point of purchase).

Certain customers have limited rights of return or are entitled to price adjustments on products held in their inventory or upon sale to their end customers. We reduce net sales in the period of sale for estimates of product returns, distributor price adjustments and other allowances. Our reserve estimates are based upon historical data as well as projections of sales, distributor inventories, price adjustments, average selling prices and market conditions. Actual returns and adjustments could be significantly different from our estimates and provisions, resulting in an adjustment to net sales.

We record allowances/reserves for the following items: (i) ship and debit, which arise when we, from time to time based on market conditions, issue credit to certain distributors upon their shipments to their end customers; (ii) stock rotation, which are contractual obligations that permit certain distributors, up to four times a year, to return a portion of their inventory based on historical shipments to them in exchange for an equal and offsetting order; and (iii) price protection, which arise when market conditions cause average selling prices to decrease and we issue credit to certain distributors on their inventory.

Ship and debit reserves are recorded as a reduction to net sales with a corresponding reduction to accounts receivable. Stock rotation reserves are recorded as a reduction to net sales with a corresponding reduction to cost of goods sold for the estimated cost of inventory that is expected to be returned. Price protection reserves are recorded as a reduction to net sales with a corresponding increase in accrued liabilities.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method. On an on-going basis, we evaluate our inventory for obsolescence and slow-moving items. This evaluation includes analysis of sales levels, sales projections, and purchases by item, as well as raw material usage related to our manufacturing facilities. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis. If future demand or market conditions are different than our current estimates, an inventory adjustment may be required, and would be reflected in cost of goods sold in the period the revision is made.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. A valuation allowance is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized. This analysis requires considerable judgment and is subject to change to reflect future events and changes in the tax laws.

The benefit of a tax position is recognized only if it is more likely than not that the tax position would be sustained based on its technical merits in a tax examination, using the presumption the tax authority has full knowledge of all relevant facts regarding the position. The amount of benefit recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on ultimate settlement with the tax authority. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Goodwill and other indefinite lived intangible assets

Goodwill is tested for impairment on an annual basis, on October 1, and between annual tests if indicators of potential impairment exist. We use the simplified goodwill impairment test, which allows us to first assess qualitatively whether it is necessary to perform step one of the two-step annual goodwill impairment test. We are required to perform step one and calculate the fair value of our reporting units only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying value (that is, a likelihood of more than 50%). The qualitative analysis, which is referred to as step zero, is performed, and we consider all relevant factors specific to our reporting units. Some factors considered in step zero are macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, events affecting a reporting unit and other relevant entity-specific events. If any reporting unit fails step zero, its goodwill and other indefinite lived intangible assets will be tested using the two-step process. The first step requires a comparison of the fair value of the reporting unit to the respective carrying value. If the reporting unit fails step one, meaning that its carrying value exceeds its fair value, then the second step must be performed. The second step computes the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss will be recognized.

Fair value measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an assets or liability. Fair value is based on a hierarchy of valuation techniques, which is determined on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Our defined benefit plan assets are valued under methods of fair value.

Defined benefit plan

We maintain a pension plan covering certain of our employees in the U.K. For financial reporting purposes, the net pension and supplemental retirement benefit obligations and the related periodic pension costs are calculated based upon, among other things, assumptions of the discount rate for plan obligations, estimated return on pension 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. See *"Fair value measurements"* above in regard to pension plan assets.

Contingencies

From time to time, we are involved in a variety of legal matters that arise in the normal course of business. Based on information available, we evaluate the likelihood of potential outcomes. We record the appropriate liability when the amount is deemed probable and reasonably estimable. In addition, we do not accrue for estimated legal fees and other directly related costs as they are expensed as incurred.

Derivative Instruments and Hedging Activities

Accounting Standards Codification 815, *Derivatives and Hedging* ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Recently Issued Accounting Pronouncements

See Note 1 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information regarding the status of recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Risk

We face exposure to adverse movements in foreign currency exchange rates, primarily in Asia and Europe. Our foreign currency risk may change over time as the level of activity in foreign markets grows and could have a material adverse impact upon our financial results. Certain of our assets, including certain bank accounts and accounts receivable, and liabilities exist in non–U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Euro, and the British Pound Sterling and, to a lesser extent, the Japanese Yen and the Hong Kong dollar. In the future, we may enter into hedging arrangements designed to mitigate foreign currency fluctuations. See "Risk Factors – *We are subject to foreign currency risk as a result of our international operations."* in Part I, Item 1A of this Annual Report for additional information.

Effect on Reporting Income

Certain of our subsidiaries have a functional currency that differs from the currencies in which some of their expenses are denominated. Our income and expenses are based on a mix of currencies and a decline in one currency relative to the other currencies could adversely affect our results of operations. Furthermore, our results of operations are reported in U.S. dollars, which is our reporting currency. In the event the U.S. dollar weakens against a foreign currency, we will experience a currency transaction loss, which could adversely affect our results of operations. If a foreign currency were to weaken (or strengthen) by 1.0% against the U.S. dollar, we would experience currency transaction gain (or loss) of less than $1 million per quarter.

Foreign Currency Transaction Risk

We also are subject to foreign currency risk arising from intercompany transactions that are expected to be settled in cash in the near term where the cash balances are held in denominations other than our subsidiaries' functional currency. If exchange rates weaken against the functional currency, we would incur a remeasurement gain in the value of the cash balances, and if the exchange rates strengthen against the functional currency, we would incur a remeasurement loss in the value of the cash balances, assuming the net monetary asset balances remained constant. Our ultimate realized gain or loss with respect to currency fluctuations will generally depend on the size and type of transaction, the size and currencies of the net monetary assets and the changes in the exchange rates associated with these currencies. If the Chinese Yuan, the Taiwanese dollar, the Euro and the British Pound Sterling were to weaken (or strengthen) by 1.0% against the U.S. dollar, we would experience currency transaction gain (or loss) of less than $1 million per quarter. Net foreign exchange transaction gains (or losses) are included in other income and expense.

Foreign Currency Translation Risk

When our foreign subsidiaries' books are maintained in their functional currency, fluctuations in foreign currencies impact the amount of total assets and liabilities that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars for reporting purposes. All elements of the subsidiaries' financial statements, except for stockholders' equity accounts, are translated using a currency exchange rate. Assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Income and expense accounts denominated in foreign currencies are translated at the weighted-average exchange rate during the period presented. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss within stockholders' equity in the consolidated balance sheets, which are accumulated in this account until sale or liquidation of the foreign entity investment, at which time they are reported as adjustments to the gain or loss on sale of investment.

Foreign Currency Denominated Defined Benefit Plans

We have a contributory defined benefit plan that covers certain employees in the U.K., which is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. December 31 is our annual measurement date, and on the measurement date, defined benefit plan assets are determined based on fair value. Defined benefit plan assets consist primarily of high quality corporate bonds and stocks that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of 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.

As of December 31, 2016, the plan was underfunded and a liability of approximately $28.1 million was reflected in our consolidated financial statements as a noncurrent liability. The amount recognized in accumulated other comprehensive income was a net loss of $39.1 million. If the British Pound Sterling were to (weaken) or strengthen by 1.0% against the U.S. dollar, we would experience currency translation liability (decrease) or increase of less than $1 million. The weighted-average discount rate assumption used to determine benefit obligations as of December 31, 2016 was 2.8%. A 0.2% increase/(decrease) in the discount rate used to calculate the net period benefit cost for the year would reduce/increase annual benefit cost by less than $1.0 million. A 0.2% increase/(decrease) in the discount rate used to calculate the year-end projected benefit obligation would increase/(decrease) the year–end projected benefit obligation by approximately $5.8 million. The expected return on plan assets is determined based on historical and expected future returns of the various assets classes and as such, each 1.0% increase/(decrease) in the expected rate of return assumption would increase/(decrease) the net period benefit cost by approximately $1 million. The asset value of the defined benefit plan has been volatile in recent years due primarily to wide fluctuations in the U.K. equity markets and bond markets. See "Risk Factors - *Changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our cash flows, operating results and financial condition*" in Part I, Item 1A of this Annual Report for additional information.

Interest Rate Risk

We have credit facilities with financial institutions in the U.S., Asia and Europe as well as other debt instruments with interest rates equal to LIBOR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon our cost of working capital and our interest expense. Through the use of interest rate swaps, we have hedged $150.0 million of our floating rate debt. As a matter of policy, we do not enter into derivative transactions for speculative purposes. As of December 31, 2016, our outstanding principal debt included $428.4 million outstanding under our revolving senior credit facility and term loan, $1.5 million outstanding under foreign long term liabilities and $0.5 million used for import and export guarantees and bank acceptance notes. Based on an increase or decrease in interest rates by 1.0% for the year on our credit facilities, our annual interest rate expense would increase or decrease by approximately $2.8 million, net of the amounts realized from our interest rate swaps.

Political Risk

We have a significant portion of our assets in mainland China, Taiwan and the U.K. The possibility of political conflict between any of these countries or with the U.S. could have a material adverse impact upon our ability to transact business through these important business channels and to generate profits. See "Risk Factors" – Risks Related to our International Operations*"* in Part I, Item 1A of this Annual Report for additional information.

Inflation Risk

Inflation did not have a material effect on net sales or net income in fiscal year 2016. A significant increase in inflation could affect future performance.

Credit Risk

The success of our business depends, among other factors, on the strength of the global economy and the stability of the financial markets, which in turn affect our customers' demand for our products, the ability of our customers to meet their payment obligations, the likelihood of customers canceling or deferring existing orders and the strength of consumer demand for items containing our products in the end-markets we serve. We provide credit to customers in the ordinary course of business and perform ongoing credit evaluations, while at times providing extended terms. We believe that our exposure to concentrations of credit risk with respect to trade receivables is largely mitigated by dispersion of our customers over various geographic areas, operating primarily in electronics manufacturing and distribution. We believe our allowance for doubtful accounts is sufficient to cover customer credit risks.

Item 8. Financial Statements and Supplementary Data.

See Part IV, Item 15 "Exhibits and Financial Statement Schedules" for our consolidated financial statements and the notes and schedules thereto filed as part of this Annual Report.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. 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 our management, carried out an evaluation as of December 31, 2016 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended). 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 report, 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.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and the Chief Financial Officer and implemented by our Board of Directors, management and other personnel, 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 in the United States of America ("U.S. GAAP").

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of ours are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Following the Pericom acquisition in 2015, our management concluded that our internal control over financial reporting was ineffective as of December 31, 2015 as a result of certain errors in accounting for equity awards and change-in-control agreements related to the Pericom acquisition.

We took the following steps to improve our internal control over financial reporting related to equity awards and change-in-control agreements in a business combination:

- prepared a work flow document detailing the policies and procedures (and related controls) for future acquisitions;
- committed to hiring external resources at an early stage to prepare and analyze non-routine or complex transactions;
- planned for close oversight and supervision of and communication with those external resources; and
- committed to complete and substantive documentation around the review processes in acquisitions for equity awards and change-in-control agreements.

With the above improvements in place, under the supervision and with the participation of management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation included review of the documentation of controls, testing of operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information concerning our directors, executive officers and corporate governance is incorporated herein by reference from the section entitled "Proposal One – Election of Directors" contained in our definitive proxy statement to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 within 120 days after our fiscal year end of December 31, 2016, for our annual stockholders' meeting for 2017 (the "Proxy Statement").

We have adopted a code of ethics that applies to our Chief Executive Officer and senior financial officers. The code of ethics has been posted on our website under the Corporate Governance portion of the Investor Relations section at www.diodes.com. We intend to satisfy disclosure requirements regarding amendments to, or waivers from, any provisions of our code of ethics on our website.

Item 11. Executive Compensation.

The information concerning executive compensation is incorporated herein by reference from the sections entitled "Compensation Discussion and Analysis," "Executive Compensation," and "Compensation Committee Interlocks and Insider Participation" contained in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information concerning the security ownership of certain beneficial owners and management and related stockholder matters is incorporated herein by reference from the sections entitled "General Information – Security Ownership of Certain Beneficial Owners and Management," and "Executive Compensation - Equity Compensation Plan Information" contained in the Proxy Statement.

Item 13. Certain Relationships, Related Transactions and Director Independence.

The information concerning certain relationships, related transactions and director independence is incorporated herein by reference from the sections entitled "Corporate Governance – Certain Relationships and Related Person Transactions" and "Corporate Governance – Director Independence" and "Proposal One – Election of Directors" contained in the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information concerning our principal accountant's fees and services is incorporated herein by reference from the section entitled "Ratification of the Appointment of Independent Registered Public Accounting Firm" contained in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **Financial Statements and Schedules**

Our consolidated financial statements are as set forth under Item 8 of this report on Form 10-K.

(1) Financial statements:

(2) Schedules:

None

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements and note thereto.

(b) **Exhibits**

The exhibits listed on the Index to Exhibits are filed as exhibits or incorporated by reference to this Annual Report.

(c) **Financial Statements of Unconsolidated Subsidiaries and Affiliates**

Not Applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Diodes Incorporated

We have audited the accompanying consolidated balance sheets of Diodes Incorporated and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive (loss) income, equity, and cash flows for each of the three years in the period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diodes Incorporated and Subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Diodes Incorporated and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Moss Adams LLP

Los Angeles, California
February 27, 2017

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 247,802	$ 218,435
Short-term investments	29,842	64,685
Accounts receivable, net of allowances of $2,141 and $2,652 at December 31, 2016 and December 31, 2015, respectively	217,217	218,496
Inventories	193,483	202,832
Prepaid expenses and other	44,438	46,103
Total current assets	732,782	750,551
Property, plant and equipment, net	401,988	439,340
Deferred income tax	56,047	45,120
Goodwill	129,412	132,913
Intangible assets, net	174,876	196,409
Other	33,447	34,494
Total assets	$ 1,528,552	$ 1,598,827
Liabilities		
Current liabilities:		
Accounts payable	87,600	86,463
Accrued liabilities	71,562	77,801
Income tax payable	11,855	5,117
Current portion of long-term debt	14,356	10,282
Total current liabilities	185,373	179,663
Long-term debt, net of current portion	413,126	453,738
Deferred tax liabilities	28,213	32,276
Other long-term liabilities	81,373	90,153
Total liabilities	708,085	755,830
Commitments and contingencies (See Note 16)		
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; 48,219,376 and 48,148,077, issued and outstanding at December 31, 2016 and December 31, 2015, respectively	32,919	32,404
Additional paid-in capital	354,574	344,086
Retained earnings	530,215	514,280
Treasury stock, at cost, 1,157,206 and 466,010 shares held at December 31, 2016 and December 31, 2015, respectively	(29,023)	(11,009)
Accumulated other comprehensive loss	(112,666)	(84,416)
Total stockholders' equity	776,019	795,345
Noncontrolling interest	44,448	47,652
Total equity	820,467	842,997
Total liabilities and stockholders' equity	$ 1,528,552	$ 1,598,827

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

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

	Twelve Months Ended December 31,		
	2016	2015	2014
Net sales	$ 942,162	$ 848,904	$ 890,651
Cost of goods sold	655,239	600,321	613,372
Gross profit	286,923	248,583	277,279
Operating expenses			
Selling, general and administrative	158,256	139,245	133,701
Research and development	69,937	57,027	52,136
Amortization of acquisition related intangible assets	20,478	8,596	7,914
Other operating expenses	196	1,613	(983)
Total operating expenses	248,867	206,481	192,768
Income from operations	38,056	42,102	84,511
Other (expense)/income			
Interest income	1,357	1,006	1,470
Interest expense	(13,257)	(4,232)	(4,332)
Gain on securities carried at fair value	-	400	1,364
Impairment of cost-basis investment	(3,218)	-	-
Other	2,097	1,319	2,979
Total other (expense) income	(13,021)	(1,507)	1,481
Income before income taxes and noncontrolling interest	25,035	40,595	85,992
Income tax provision	6,558	14,082	20,359
Net income	18,477	26,513	65,633
Less: net (income) loss attributable to noncontrolling interest	(2,542)	(2,239)	(1,955)
Net income attributable to common stockholders	$ 15,935	$ 24,274	$ 63,678
Earnings per share attributable to common stockholders			
Basic	$ 0.33	$ 0.50	$ 1.35
Diluted	$ 0.32	$ 0.49	$ 1.31
Number of shares used in computation			
Basic	48,597	48,210	47,184
Diluted	49,789	49,500	48,594

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

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

	Twelve Months Ended December 31,		
	2016	2015	2014
Net income	$ 18,477	$ 26,513	$ 65,633
Unrealized (loss) gain on defined benefit plan, net of tax	(7,777)	4,399	(7,555)
Unrealized gain on interest rate swap, net of tax	2,317	-	-
Unrealized foreign currency loss, net of tax	(22,790)	(20,413)	(16,473)
Comprehensive (loss) income	(9,773)	10,499	41,605
Less: Comprehensive income attributable to noncontrolling interest	(2,542)	(2,239)	(1,955)
Total comprehensive (loss) income attributable to common stockholders	$ (12,315)	$ 8,260	$ 39,650

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

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

(Amounts in thousands)	Common stock Shares	Common stock Amount	Treasury stock Shares	Treasury stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated Stockholders' equity	Noncontrolling interest	Total equity
Balance, December 31, 2013	46,681	31,120	-	-	289,668	426,328	(44,374)	702,742	40,935	743,677
Total comprehensive income	-	-	-	-	-	63,678	(24,028)	39,650	1,955	41,605
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	338	338
Dividend to noncontrolling interest	-	-	-	-	-	-	-	-	(1,336)	(1,336)
Common stock issued for share-based plans	910	609	-	-	5,152	-	-	5,761	-	5,761
Net excess tax benefit from share-based compensation	-	-	-	-	6,018	-	-	6,018	-	6,018
Share-based compensation	-	-	-	-	14,104	-	-	14,104	-	14,104
Balance, December 31, 2014	47,591	31,729	-	-	314,942	490,006	(68,402)	768,275	41,892	810,167
Total comprehensive income	-	-	-	-	-	24,274	(16,014)	8,260	2,239	10,499
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	3,521	3,521
Common stock issued for share-based plans	1,023	675	-	-	9,523	-	-	10,198	-	10,198
Net excess tax benefit from share-based compensation	-	-	-	-	(4,029)	-	-	(4,029)	-	(4,029)
Stock buyback	-	-	(466)	(11,009)	-	-	-	(11,009)	-	(11,009)
Share-based compensation	-	-	-	-	18,970	-	-	18,970	-	18,970
Restricted awards related to Pericom acquisition	-	-	-	-	4,680	-	-	4,680	-	4,680
Balance, December 31, 2015	48,614	$ 32,404	(466)	$ (11,009)	$ 344,086	$ 514,280	$ (84,416)	$ 795,345	$ 47,652	$ 842,997
Total comprehensive income	-	-	-	-	-	15,935	(28,250)	(12,315)	2,542	(9,773)
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(5,746)	(5,746)
Common stock issued for share-based plans	762	515	-	-	(395)	-	-	120	-	120
Net excess tax benefit from share-based compensation	-	-	-	-	(567)	-	-	(567)	-	(567)
Stock buyback	-	-	(691)	(18,014)	-	-	-	(18,014)	-	(18,014)
Share-based compensation	-	-	-	-	13,978	-	-	13,978	-	13,978
Tax related to net share settlement	-	-	-	-	(2,528)	-	-	(2,528)	-	(2,528)
Balance, December 31, 2016	49,376	$ 32,919	(1,157)	$ (29,023)	$ 354,574	$ 530,215	$ (112,666)	$ 776,019	$ 44,448	$ 820,467

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

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

	Twelve Months Ended December 31,		
	2016	2015	2014
Operating Activities			
Net income	$ 18,477	$ 26,513	$ 65,633
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions:			
Depreciation	78,482	71,504	68,857
Amortization of intangibles	20,483	8,596	7,914
Amortization of debt issuance costs	1,889	660	531
Share-based compensation	14,029	18,970	14,104
Excess tax benefit from share-based compensation	(1,078)	(829)	(6,018)
Loss (gain) on disposal of property, plant and equipment	1,091	1,440	(963)
Gain (loss) on securities carried at fair value	-	(400)	(1,364)
Deferred income taxes	(15,978)	1,484	(3,611)
Other	1,811	(135)	3,624
Changes in operating assets:			
Accounts receivable	533	(9,710)	1,810
Inventories	5,176	(2,165)	(2,750)
Prepaid expenses and other current assets	2,456	12,115	(10,537)
Changes in operating liabilities:			
Accounts payable	2,640	(8,617)	(9,512)
Accrued liabilities	(3,158)	8,365	2,187
Other liabilities	(8,623)	(1,015)	(3,584)
Income taxes payable	6,512	(8,665)	7,951
Net cash provided by operating activities	124,742	118,111	134,272
Investing Activities			
Acquisitions, net of cash acquired	-	(348,887)	-
(Increase) decrease in restricted cash	(944)	786	2,872
Purchases of short-term investments	(23,459)	(57,878)	(18,839)
Sales of short-term investments	56,168	75,834	29,583
Purchases of equity securities	-	(4,553)	(1,842)
Proceeds from sale of equity securities	-	8,652	1,660
Purchases of property, plant and equipment	(58,549)	(133,244)	(57,766)
Proceeds from sales of property, plant and equipment	156	143	1,480
Other	(723)	(299)	84
Net cash used in investing activities	(27,351)	(459,446)	(42,768)
Financing Activities			
Advance on lines of credit and short-term debt	9,000	1,228	6,778
Repayments on lines of credit and short-term debt	(9,000)	(4,287)	(11,400)
Taxes related to net share settlement	(2,528)	-	-
Net proceeds from the issuance of common stock	120	10,192	5,761
Excess tax benefit from share-based compensation	1,078	829	6,018
Proceeds from long-term debt	43,500	391,200	-
Debt issuance costs	(2,045)	(1,270)	-
Repayments of long-term debt	(79,913)	(65,986)	(42,677)
Repayments of capital lease obligations	(19)	(218)	(246)
Purchase of treasury stock	(18,014)	(11,009)	-
Dividend distribution to noncontrolling interest	(4,869)	-	(1,336)
Other	(768)	683	1,343
Net cash provided by (used in) financing activities	(63,458)	321,362	(35,759)
Effect of exchange rate changes on cash and cash equivalents	(4,566)	(4,592)	(9,380)
(Decrease) increase in cash and cash equivalents	29,367	(24,565)	46,365
Cash and cash equivalents, beginning of year	218,435	243,000	196,635
Cash and cash equivalents, end of year	$ 247,802	$ 218,435	$ 243,000

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

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

	Twelve Months Ended December 31,		
	2016	2015	2014
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 11,708	$ 2,799	$ 3,276
Income taxes	$ 17,099	$ 17,229	$ 14,059
Non-cash activities:			
Property, plant and equipment purchased on accounts payable	$ 6,393	$ (4,498)	$ (1,167)
Dividend accrued for noncontrolling interest	$ (915)	$ -	$ (1,336)
Share-based awards issued for Pericom acquisition	$ -	$ (4,680)	$ -
Acquisition:			
Fair value of assets acquired	$ -	$ 496,625	$ -
Fair value of liabilities assumed	-	(88,284)	-
Less cash acquired	-	(54,774)	-
Net assets acquired	$ -	$ 353,567	$ -

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

Note 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Diodes Incorporated and its subsidiaries (collectively, the "Company" or "we" or "our") is a leading global designer, manufacturer and supplier of high-quality, application-specific standard products within the broad discrete, logic and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. Our primary focus is on low pin count semiconductor devices with one or more active and/or passive components. Our products include diodes, rectifiers, transistors, MOSFETs, protection devices, functional specific arrays, single gate, dual gate and standard logic, amplifiers and comparators, Hall-effect and temperature sensors, power management devices including LED drivers, AC-DC and DC-DC switching, linear voltage regulators, and voltage references along with special function devices, such as USB power switches, load switches, voltage supervisors and motor controllers. Our products are sold primarily throughout Asia, North America and Europe.

On November 24, 2015 we acquired Pericom Semiconductor Corporation. Pericom designs, develops and markets high-performance integrated circuits ("ICs") and frequency control products ("FCPs") used in many of today's advanced electronic systems. ICs include functions that support the connectivity, timing and signal conditioning of high-speed parallel and serial protocols that transfer data among a system's microprocessor, memory and various peripherals, such as displays and monitors, and between interconnected systems. FCPs are electronic components that provide frequency references such as crystals and oscillators for computer, communication and consumer electronic products. Analog, digital and mixed-signal ICs, together with FCPs enable higher system bandwidth and signal quality, resulting in better operating reliability, signal integrity, and lower overall system cost in applications such as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players. Analog, digital and mixed-signal ICs, together with FCPs enable higher system bandwidth and signal quality, resulting in better operating reliability and signal integrity, and lower overall system cost in applications such as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players.

Principles of consolidation – The consolidated financial statements include the accounts of Diodes Incorporated, its wholly-owned subsidiaries and its controlled majority-owned subsidiaries. We account for equity investments in companies over which we have the ability to exercise significant influence, but do not hold a controlling interest, under the equity method, and we record our proportionate share of income or losses in interest and other, net in the consolidated statements of income. All significant intercompany balances and transactions have been eliminated.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires that management make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results may differ from these estimates in amounts that may be material to the consolidated financial statements and accompanying notes.

Revenue recognition – Net sales (revenue) are recognized when there is persuasive evidence that an arrangement exists, when delivery has occurred, when the price to the buyer is fixed or determinable and when collectability of the receivable is reasonably assured. These elements are met when title to the products is passed to the buyers, which is generally when product is shipped to the customers. Generally, we recognize net sales upon shipment to manufacturers (direct ship) as well as upon sales to distributors using the "sell in" model, which is when product is shipped to the distributors (point of purchase).

Certain customers have limited rights of return and/or are entitled to price adjustments on products held in their inventory or upon sale to their end customers. We reduce net sales in the period of sale for estimates of product returns, distributor price adjustments and other allowances. Our reserve estimates are based upon historical data as well as projections of sales, distributor inventories, price adjustments, average selling prices and market conditions.

We record allowances/reserves for the following items: (i) ship and debit, which arise when we, from time to time based on market conditions, issue credit to certain distributors upon their shipments to their end customers; (ii) stock rotation, which are contractual obligations that permit certain distributors, up to four times a year, to return a portion of their inventory based on historical shipments to them in exchange for an equal and offsetting order; and (iii) price protection, which arise when market conditions cause average selling prices to decrease and we issue credit to certain distributors on their inventory.

Ship and debit reserves are recorded as a reduction to net sales with a corresponding reduction to accounts receivable. Stock rotation reserves are recorded as a reduction to net sales with a corresponding reduction to cost of goods sold for the estimated cost of inventory that is expected to be returned. Price protection reserves are recorded as a reduction to net sales with a corresponding increase in accrued liabilities. Net sales are reduced in the period of sale for estimates of product returns and other allowances including distributor adjustments, which were approximately $132.9 million, $113.5 million and $85.8 million in 2016, 2015 and 2014, respectively.

Product warranty – We generally warrant our products for a period of one year from the date of sale. Historically, warranty expense has not been material.

Cash, cash equivalents, and short-term investments – We consider all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents. We currently maintain substantially all of our day-to-day operating cash balances with major financial institutions. We hold short-term investments consisting of time deposits, which are highly liquid with maturity dates greater than three months at the date of purchase. Generally, we can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of interest income. See Note 2 below for additional information regarding fair value of financial instruments.

Allowance for doubtful accounts – We evaluate the collectability of our accounts receivable based upon a combination of factors, including the current business environment and historical experience. If we are aware of a customer's inability to meet its financial obligations, we record an allowance to reduce the receivable to the amount we reasonably believe will be collected from the customer. For all other customers, we record an allowance based upon the amount of time the receivables are past due. If actual accounts receivable collections differ from these estimates, an adjustment to the allowance may be necessary with a resulting effect on operating expense. Accounts receivable are presented net of valuation allowance, which were approximately $2.1 million in 2016 and $2.7 million 2015.

Inventories – Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. Any write-down of inventory to the lower of cost or market at the close of a fiscal period creates a new cost basis that subsequently would not be marked up based on changes in underlying facts and circumstances. On an on-going basis, we evaluate inventory for obsolescence and slow-moving items. This evaluation includes analysis of sales levels, sales projections, and purchases by item, as well as raw material usage related to our manufacturing facilities. If our review indicates a reduction in utility below carrying value, we reduce inventory to a new cost basis. If future demand or market conditions are different than our current estimates, an inventory adjustment to write down inventory may be required, and would be reflected in cost of goods sold in the period the revision is made.

Property, plant and equipment – Purchased property, plant and equipment is recorded at historical cost, and property, plant and equipment acquired in a business combination is recorded at fair value on the date of acquisition. Property, plant and equipment is depreciated using straight-line methods over the estimated useful lives, which range from 20 to 55 years for buildings and 3 to 10 years for machinery and equipment. The estimated lives of leasehold improvements range from 3 to 5 years, and are amortized over the shorter of the remaining lease term or their estimated useful lives.

Goodwill and other indefinite lived intangible assets – Goodwill is tested for impairment on an annual basis, on October 1, and between annual tests if indicators of potential impairment exist. We have the option to use the qualitative analysis method goodwill impairment test, which allows us to first assess qualitatively whether it is necessary to perform step one of the two-step annual goodwill impairment test. We are required to perform step one and calculate the fair value of our reporting units only if we conclude that it is more likely than not (that is, a likelihood of more than 50%) that a reporting unit's fair value is less than its carrying value. The qualitative analysis, which is referred to as step zero, was performed and we considered all relevant factors specific to our reporting units. Some factors considered in step zero were macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, events affecting a reporting unit and other relevant entity-specific events. After our analysis no impairment was recorded in 2016 or 2015.

Impairment of long-lived assets – Our long-lived assets are reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We consider assets to be impaired if the carrying value exceeds the undiscounted projected cash flows from operations. If impairment exists, the assets are written down to fair value or to the projected discounted cash flows from related operations. As of December 31, 2016, we expect the remaining carrying value of assets to be recoverable. No impairment of long-lived assets has been identified during any of the periods presented.

Business combinations – The Company recognizes all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions prescribe, among other things, the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration) and the exclusion of transaction and acquisition-related restructuring costs from acquisition accounting. During the normal course of business the Company makes acquisitions. In the event that an individual acquisition (or an aggregate of acquisitions) is material, appropriate disclosure of such acquisition activity is provided. See Note 16, for additional information regarding business combinations.

Income taxes – Income taxes are accounted for using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. If it is more likely than not that some portion of deferred tax assets will not be realized, a valuation allowance is recorded.

GAAP prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. All deferred income taxes are classified as noncurrent assets or noncurrent liabilities on the consolidated balance sheet as of December 31, 2016 and 2015, respectively.

Research and development costs – Internally-developed research and development costs are expensed as incurred. Acquired in-process research and development ("IPR&D") is capitalized as an indefinite-lived intangible asset and evaluated periodically for impairment. When the project is completed, an expected life is determined and the IPR&D is amortized as an expense over the expected life.

Shipping and handling costs – Shipping and handling costs for products shipped to customers, which are included in selling, general and administrative expenses, were approximately $14.2 million, $8.3 million and $10.8 million for the twelve months ended December 31, 2016, 2015 and 2014, respectively.

Concentration of credit risk – Financial instruments, which potentially subject us to concentrations of credit risk, include trade accounts receivable. Credit risk is limited by the dispersion of our customers over various geographic areas, operating primarily in electronics manufacturing and distribution. We perform on-going credit evaluations of our customers, and generally require no collateral. Historically, credit losses have not been significant.

We currently maintain substantially all of our day-to-day cash balances and short-term investments with major financial institutions. Cash balances are usually in excess of Federal and/or foreign deposit insurance limits.

Derivative Instruments and Hedging Activities - FASB ASC 815, Derivatives and Hedging ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Valuation of financial instruments – The carrying value of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, credit line, and long-term debt approximate fair value due to their current market conditions, maturity dates and other factors.

Earnings per share – Basic earnings per share is calculated by dividing net earnings attributable to common stockholders 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. Earnings per share are computed using the "treasury stock method."

For the twelve months ended December 31, 2016, 2015 and 2014, options and share grants outstanding totaling approximately 1.4 million shares, 1.4 million shares and 2.0 million shares have been excluded from the computation of diluted earnings per share because their effect was anti-dilutive.

	Twelve Months Ended December 31,		
	2016	2015	2014
Earnings (numerator)			
Net income attributable to common stockholders	$ 15,935	$ 24,274	$ 63,678
Shares (denominator)			
Weighted average common shares outstanding (basic)	48,597	48,210	47,184
Dilutive effect of stock options and stock awards outstanding	1,192	1,290	1,410
Adjusted weighted average common shares outstanding (diluted)	49,789	49,500	48,594
Earnings per share attributable to common stockholders			
Basic	$ 0.33	$ 0.50	$ 1.35
Diluted	$ 0.32	$ 0.49	$ 1.31

Share-based compensation – We use the Black-Scholes-Merton model to determine the fair value of stock options on the date of grant and recognize compensation expense for stock options on a straight-line basis. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant and compensation expense is recognized on a straight-line basis over the requisite four-year service period.

The amount of compensation expense recognized using the Black-Scholes-Merton model requires us to exercise judgment and make assumptions relating to the factors that determine the fair value of our stock option grants. The fair value calculated by this model is a function of several factors, including the grant price, the expected future volatility, the expected term of the option and the risk-free interest rate of the option. The expected term and expected future volatility of the options require judgment. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those stock options expected to vest. We estimate the forfeiture rate based on historical experience, and to the extent our actual forfeiture rate is different from our estimate, share-based compensation expense is adjusted accordingly.

Treasury stock – Under a program authorized by our board of directors we have purchased shares of our common stock. These shares are recorded as treasury stock, at cost, as a reduction to stockholder' equity.

Functional currencies and foreign currency translation – We translate the assets and liabilities of our non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates on the balance sheet date. Net sales and expense for these subsidiaries are translated at the weighted-average exchange rate during the period presented. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss within stockholders' equity in the consolidated balance sheets. Included in other income are foreign exchange gains of $2.2 million, $1.3 million and $1.8 million for the twelve months ended December 31, 2016, 2015 and 2014, respectively.

Defined benefit plan – We maintain pension plans covering certain of our employees in the U.K. The overfunded or underfunded status of pension and postretirement benefit plans are recognized on the balance sheet. Actuarial gains and losses, and prior service costs or credits, are recognized in other comprehensive income (loss), net of tax effects, until they are amortized as a component of net periodic benefit cost. For financial reporting purposes, the net pension and supplemental retirement benefit obligations and the related periodic pension costs are calculated based upon, among other things, assumptions of the discount rate for plan obligations, estimated return on pension 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. The expected long-term return on plan assets was determined based on historical and expected future returns of the various asset classes. The plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return and is currently invested in a variety of funds representing most standard equity and debt security classes. Trustees of the plan may make changes at any time.

Investment in joint ventures – Investment in joint ventures over which we have the ability to exercise significant influence and that, in general, are at least 20 percent owned are accounted for using the equity method of accounting. These investments are evaluated for impairment, in which an impairment loss would be recorded whenever a decline in the value of an equity investment below its carrying amount is determined to be "other than temporary." In judging "other than temporary," we consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the investee, and our longer-term intent of retaining the investment in the investee.

Noncontrolling interest - Noncontrolling interest primarily relates to the minority investors' share of the earnings of certain China and Taiwan subsidiaries. Noncontrolling interests are a separate component of equity and not a liability. Increases or decreases in noncontrolling interest, due to changes in our ownership interest of the subsidiaries that leave control intact, are recorded as equity transactions. The noncontrolling interest in our subsidiaries and their equity balances are reported separately in the consolidated financial statements, and activities of these subsidiaries are included therein.

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

Comprehensive income (loss) – GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income or loss. The components of accumulated other comprehensive income or loss include foreign currency translation adjustments and unrealized gain or loss on defined benefit plan. Accumulated other comprehensive loss was approximately $112.7 million, $84.4 million and $68.4 million at December 31, 2016, 2015 and 2014, respectively.

There is no income tax expense or benefit associated with each component of comprehensive income. As of December 31, the accumulated balance for each component of comprehensive income is as follows:

	2016	2015
Unrealized foreign currency losses	$ (75,706)	$ (36,164)
Unrealized gain on interest rate swap, net of tax	$ 2,317	$ -
Unrealized loss on defined benefit plan	$ (39,097)	$ (31,320)

Reclassifications – Certain immaterial amounts from prior periods have been reclassified to conform to the current years' presentation.

Recently Accounting Pronouncements - The Financial Accounting Standards Board ("FASB") issued the following Accounting Standards Updates ("ASU") which could have potential impact to the Company's financial statements:

ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard sets forth a five-step revenue recognition model which replaces the current revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance. To further assist with adoption and implementation of ASU 2014-09, the FASB issued the following ASUs:

- ASU 2016-08 (Issued March 2016) — Principal versus Agent Consideration (Reporting Revenue Gross versus Net)
- ASU 2016-10 (Issued April 2016) — Identifying Performance Obligations and Licensing
- ASU 2016-12 (Issued May 2016) — Narrow-Scope Improvements and Practical Expedients
- ASU 2016-20 (Issued December 2016) — Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers

This standard is effective in the first quarter of 2018 for public companies and requires either a retrospective or a modified retrospective approach to adoption. We will adopt this standard using the modified retrospective method. We have established a cross-functional coordinated implementation team to implement ASU 2014-09. We are in the process of identifying and implementing changes to our systems, processes and internal controls to meet the reporting and disclosure requirements. We have engaged outside expertise to assist us in determining the effect this standard will have on our financial statements, to assist us in making necessary changes in our accounting practices and making certain we are capturing the necessary detail to fulfill the disclosure requirements promulgated in this standard.

Upon initial evaluation, we believe that the key revenue streams will be based on method of distribution. The key revenue streams identified are distribution and OEM sales which comprised the majority of our business. Based upon evaluation completed to-date, the Company believes that the pattern of revenue recognition for these revenue streams will be at a point-in-time consistent with current guidance. The Company is still in the process of evaluating the impact of the standard and its effect on the Company's financial statements and related disclosures.

ASU 2014-09 also introduces new qualitative and quantitative disclosure requirements about contracts with customers including revenue and impairments recognized, disaggregation of revenue and information about contract balance and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract. The Company is still in the process of evaluating the disclosures to be presented, but expects the level of disclosures related to revenue recognition to increase.

ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* - This update provides GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. This update is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. The Company adopted this standard in fiscal year 2016 and there was no impact on its consolidated financial statements.

ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30). Simplifying the Presentation of Debt Issuance Cost* ("ASU 2015-03"). This standard requires that costs associated with the issuance of debt previously recorded as deferred assets on the balance sheet now are reported as a direct reduction of the related debt balance. This standard is effective for interim and annual periods beginning January 1, 2016, but early adoption is permitted. We adopted this standard in the first quarter of 2016 and applied the standard retrospectively to all prior periods presented. The adoption of ASU 2015-03 resulted in a $2.2 million retrospective reduction of both our other assets and long-term notes payable, net of current portion, as of December 31, 2015. Adoption of this standard had no impact on the consolidated statements of operations.

ASU No. 2015-11, *Simplifying the Measurement of Inventory ("ASU 2015-11").* This standard requires in scope inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments do not apply to inventory that is measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out ("FIFO") or average cost. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and requires prospective application, with earlier application permitted as of the beginning of an interim or annual reporting period. We anticipate adoption of this standard will have no material impact on our financial statements.

ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). This standard eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. These changes became effective for fiscal years beginning after December 31, 2015. We adopted this standard in the first quarter of 2016 and had adjustments to the previously reported fair values recorded related to the Pericom transaction. See Note 17 for additional information related to these adjustments. Adoption of this standard had no impact on the consolidated statements of operations.

ASU No. 2016-02, *Leases (Topic 842) ("ASU 2016-02")* - In February 2016, the FASB issued ASU 2016-02, which amends the accounting treatment for leases. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 may have on its consolidated financial statements and has not elected early adoption as of the year ended December 31, 2016. During 2017 we will be engaging accounting experts to assist us in the implementation of this new standard.

ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting* - In March 2016, the FASB issued guidance to simplify the accounting for share-based payment transactions by requiring all excess tax benefits and deficiencies to be recognized in income tax expense or benefit in earnings, thus eliminating the requirement to classify the excess tax benefit and deficiencies as additional paid-in capital. Under the new guidance, an entity makes an accounting policy election to either estimate the expected forfeiture awards or account for forfeitures as they occur. This accounting guidance is effective for the Company beginning in the first quarter of 2017. The Company has excess tax benefits for which a benefit could not be previously be recognized of approximately$13.6 million. Upon adoption of this pronouncement the Company will recognize approximately $13.6 million of additional deferred tax assets.

ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* - In November 2016, the FASB issued an accounting standard update related to the presentation of restricted cash in the Company's Consolidated Statement of Cash Flows. The update requires that the Consolidated Statement of Cash Flows explain the change during the period in cash, cash equivalents, and restricted cash. Restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows. This accounting guidance is effective for the Company beginning in the first quarter of 2018. The Company plans to adopt this guidance for our fiscal year beginning January 1, 2018, and the guidance will result in changes to the Company's Consolidated Statement of Cash Flows such that restricted cash amounts will be included in the beginning-of-period and end-of-period cash and cash equivalents totals, and will have no impact on our results of operations.

ASU No. 2016-16, *Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory.* This standard requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The amendments in this standard are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The Company does not expect the adoption of this new standard to have a material effect on its financial statements.

ASU No. 2017-01, *Clarifying the Definition of a Business.* This standard classifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update is effective for annual periods beginning after December 15, 2017, including interim periods within those annual reporting periods.

ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment.* This standard simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The revised guidance will be applied prospectively, and is effective for calendar year-end SEC filers for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is evaluating the effect this new standard will have on its financial statements but will early adopt this standard.

Note 2 – FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We use valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. These two types of inputs create a three-tier fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

As of December 31, 2016, we had short-term investments. Trading securities held at December 31, 2015, were purchased on the open market and unrealized gains and losses are included in other income (expense). The trading securities are valued under the fair value hierarchy using Level 1 Inputs. Short-term investments of $29.8 million consist of investments such as time deposits, which are highly liquid with maturity dates greater than three months at the date of purchase. See Note 17, for additional information related to our interest rate swaps. Generally, we can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of earned and future interest income. The short-term investments are valued under the fair value hierarchy using Level 2 Inputs.

Financial assets and liabilities carried at fair value as of December 31, 2016 are classified in the following table:

Description		Fair Market Value		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Changes in Fair Values Included in Current Period Earnings
Short-term investments	$	29,842	$	2,737	$	27,105	$	-	$	-
Interest rate swap assets		2,317		-		2,317		-		-

Financial assets and liabilities carried at fair value as of December 31, 2015 are classified in the following table:

Description		Fair Market Value		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Changes in Fair Values Included in Current Period Earnings
Short-term investments	$	64,685	$	2,035	$	62,650	$	-	$	-

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). We believe our long-term debt under our revolving credit facility approximates fair value and is valued under the fair value hierarchy using Level 2 Inputs. Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at December 31, 2016 and 2015.

Note 3 – INVENTORIES

Inventories, stated at the lower of cost or market value, at December 31 were:

		2016		2015
Finished goods	$	66,930	$	70,668
Work-in-progress		45,408		46,061
Raw materials		81,145		86,103
	$	193,483	$	202,832

Note 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31 were:

		2016		2015
Buildings and leasehold improvements	$	192,290	$	183,174
Machinery and equipment		685,249		660,406
		877,539		843,580
Less: Accumulated depreciation and amortization		(535,407)		(479,898)
		342,132		363,682
Construction in-progress		24,049		39,426
Land		35,807		36,232
	$	401,988	$	439,340

Depreciation and amortization of property, plant and equipment was $78.5 million, $71.5 million and $68.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. We have capital lease obligations totaling approximately $1.1 million and $0.2 million at December 31, 2016 and 2015, included in other long-term liabilities on the balance sheet.

Note 5 – INTANGIBLE ASSETS

Intangible assets subject to amortization at December 31 were as follows:

December 31, 2016

Intangible Assets	Useful life	Gross Carrying Amount	Accumulated Amortization	Currency Exchange	**Net**
Amortized intangible assets					
Patents	5-15 years	$ 11,823	$ (8,431)	$ (255)	$ 3,137
Software license	3 years	1,212	(1,149)	(63)	-
Developed product technology	2-10 years	153,009	(41,416)	(6,299)	105,294
Customer relationships	12 years	62,093	(13,915)	(1,750)	46,428
Other	4-7 years	4,610	(4,336)	(75)	199
Total amortized intangible assets		232,747	(69,247)	(8,442)	155,058
Intangible assets with indefinite lives					
In process research and development	Indefinite	10,700	-	-	10,700
Trademarks and trade names	Indefinite	10,303	-	(1,185)	9,118
Total Intangible assets with indefinite lives		21,003	-	(1,185)	19,818
Total intangible assets		$ 253,750	$ (69,247)	$ (9,627)	$ 174,876

December 31, 2015

Intangible Assets	Useful life	Gross Carrying Amount	Accumulated Amortization	Currency Exchange	**Net**
Amortized intangible assets					
Patents	5-15 years	$ 11,823	$ (7,722)	$ (261)	$ 3,840
Software license	3 years	1,212	(1,212)	-	-
Developed product technology	2-10 years	152,309	(28,969)	(5,929)	117,411
Customer relationships	12 years	62,093	(8,491)	(1,460)	52,142
Other	4-7 years	4,610	(2,434)	(75)	2,101
Total amortized intangible assets		232,047	(48,828)	(7,725)	175,494
Intangible assets with indefinite lives					
In process research and development	Indefinite	11,400	-	-	11,400
Trademarks and trade names	Indefinite	10,303	-	(788)	9,515
Total Intangible assets with indefinite lives		21,703	-	(788)	20,915
Total intangible assets		$ 253,750	$ (48,828)	$ (8,513)	$ 196,409

Amortization expense related to intangible assets subject to amortization was $20.5 million, $8.6 million and $7.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Amortization of intangible assets is as follows:

2017	$ 18,639
2018	17,758
2019	17,295
2020	15,289
2021 and thereafter	86,077
Total	$ 155,058

NOTE 6 – GOODWILL

Changes in goodwill for the years ended December 31 were as follows:

Balance at December 31, 2014		81,229
Acquisitions		54,280
Foreign currency translation adjustment		(2,596)
Balance at December 31, 2015		132,913
Pericom measurement period adjustment		2,741
Foreign currency translation adjustment		(6,242)
Balance at December 31, 2016	$	129,412

NOTE 7 – BANK CREDIT AGREEMENTS AND OTHER SHORT-TERM AND LONG-TERM DEBT

On October 26, 2016, 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 an Amended and Restated Credit Agreement (the “Credit Agreement”) with Bank of America, as Administrative Agent, Swing Line Lender and L/C Issuer, and the Lenders named therein, that amends and restates that certain Credit Agreement dated as of January 8, 2013, as previously amended (the “Prior Credit Agreement”). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement.

The Credit Agreement rebalances the Company’s senior credit facilities under the Prior Credit Agreement from a $400,000,000 revolving senior credit facility and a $100,000,000 term loan to a $250,000,000 revolving senior credit facility (the “Revolver”), which includes a $10,000,000 swing line sublimit, a $10,000,000 letter of credit sublimit, and a $20,000,000 alternative currency sublimit, and a $250,000,000 term loan (the “Term Loan”). The Borrowers may from time to time request increases in the aggregate commitments under the Credit Agreement of up to a total of increases of $200,000,000, subject to the Lenders electing to increase their commitments or by means of the addition of new Lenders, and subject to at least half of each increase in aggregate commitments being in the form of term loans, with the remaining amount of each increase being an increase in the amount of the Revolver.

The Revolver and the Term Loan mature on October 26, 2021 (the “Maturity Date”). The Company used the proceeds of the Term Loan and a portion of the proceeds available under the Revolver to refinance certain existing indebtedness of the Borrowers and their subsidiaries under the Prior Credit Agreement and has used and plans to use proceeds available under the Revolver for working capital, capital expenditures, and other lawful corporate purposes, including, without limitation, financing permitted acquisitions.

The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Fixed Charge Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases). These covenants are generally similar to the corresponding covenants in the Prior Credit Agreement, except that certain amounts permitted as exceptions to negative covenants restricting liens, indebtedness, investments, dispositions and restricted payments have been increased, and the maximum Consolidated Leverage Ratio set forth in the Credit Agreement has been increased. Under the Credit Agreement, restricted payments, including dividends and share repurchases, are permitted in certain circumstances, including while the Consolidated Leverage Ratio is at least 0.25 to 1.00 less than the maximum permitted under the Credit Agreement.

On February 13, 2017, the Company, the Foreign Borrower and certain subsidiaries of the Company as guarantors, entered into an Amendment No. 1 to Amended and Restated Credit Agreement and Limited Waiver (the “Amendment”) with Bank of America, N.A., as Administrative Agent, and the Lenders named therein, that among other things, does the following: (a) expands the definition of cash equivalents to include certain cash equivalent investments made by foreign subsidiaries of the Company and held in foreign jurisdictions, and modifies the requirements for cash equivalent investments in money market investment programs, all as is more fully described in the Amendment; and (b) waives any Events of Default that have occurred prior to the date of the Amendment as a result of investments made by foreign subsidiaries of the Company in foreign financial products that were not permitted investments prior to giving effect to the Amendment, as is more fully described in the Amendment.

We maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $66.5 million. In some cases, our foreign credit lines are unsecured, uncommitted and may be repayable on demand. As of December 31, 2016, in addition to the Credit Agreement, our Asia subsidiaries had unused and available credit lines of up to an aggregate of approximately $66.0 million, with several financial institutions. In some cases, our foreign credit lines are unsecured, uncommitted and may be repayable on demand, except for two Taiwanese credit facilities that are collateralized by assets. Our foreign credit lines bear interest at LIBOR or similar indices plus a specified margin. At December 31, 2016, there were no amounts outstanding on these credit lines.

The unused and available credit under the various facilities as of December 31, 2016, was approximately $66.0 million (net of approximately $0.5 million credit used for import and export guarantee), as follows:

2016 Lines of Credit	Terms	Outstanding at December 31, 2016	2015
$ 66,455	Unsecured, interest at LIBOR plus margin, due quarterly	$ -	$ -

Long-term debt – The balances as of December 31, consist of the following:

	2016	2015
Notes payable to Taiwan bank, original principal amount of TWD 132 million, variable interest (approximately 1.9% as of December 31, 2015), matures July 6, 2021.	1,466	1,723
Term loan and revolver	428,375	464,500
Total long-term debt	429,841	466,223
Less: Current portion	(14,356)	(10,282)
Less: Unamortized debt issuance costs	(2,359)	(2,203)
Long-term debt, net of current portion	$ 413,126	$ 453,738

The table below sets forth the annual contractual maturities of long-term debt at December 31, 2016:

2017	$ 14,356
2018	20,611
2019	26,866
2020	33,122
2021	334,886
Total long-term debt	$ 429,841

NOTE 8 – CAPITAL LEASE OBLIGATIONS

Future minimum lease payments under capital lease agreements are summarized as follows:

For years ending December 31,

2017	$ 677
2018	658
2019	465
2020	-
Thereafter	-
	1,800
Less: Interest	(71)
Present value of minimum lease payments	1,729
Less: Current portion	(677)
Long-term portion	$ 1,052

At December 31, 2016, property under capital leases had a cost of $4.2 million, and the related accumulated depreciation was $2.5 million. Depreciation of assets held under capital lease is included in depreciation expense.

NOTE 9 – ACCRUED LIABILITIES AND OTHER LONG-TERM LIABILITIES

Accrued liabilities and other current liabilities at December 31 were:

	2016	2015
Accrued expenses	$ 33,947	$ 34,108
Compensation and payroll taxes	23,720	23,867
Equipment purchases	6,377	13,060
Accrued pricing adjustments	3,817	3,767
Accrued professional services	2,645	2,082
Other	1,056	917
	$ 71,562	$ 77,801

Other long-term liabilities at December 31 were:

	2016	2015
Accrued defined benefit plan	$ 30,515	$ 30,406
Unrecognized tax benefits	15,340	20,933
Deferred grant and subsidy	18,259	20,361
Income tax contingencies	8,163	10,782
Deferred compensation	6,433	5,600
Other	2,663	2,071
	$ 81,373	$ 90,153

NOTE 10 – STOCKHOLDERS' EQUITY

We have never declared or paid cash dividends on our Common Stock. Our credit agreement with Bank of America N.A. and other lenders parties permits us to pay dividends up to $3.0 million per fiscal year to its stockholders so long as we have not defaulted at the time of such dividend and no default would result from declaring or paying such dividend. The payment of dividends is within the discretion of our Board of Directors. See Note 7 for additional information regarding our credit agreements.

During November 2015 the Company's board of directors authorized a share repurchase plan to repurchase up to an aggregate of $100 million of the Company's outstanding common stock, $0.66 2/3 par value per share. The share repurchase program is expected to continue through the end of 2019 unless extended or shortened by the Board of Directors. During 2016 the Company repurchased 691,196 of its commons shares at a cost of $18.0 million and in 2015, the Company repurchased 466,010 of its common shares at a cost of $11.0 million. All purchases were made through open market transactions and were recorded as treasury stock.

NOTE 11 – INCOME TAXES

Income (loss) before income taxes	2016	2015	2014
U.S.	$ (40,861)	$ (21,091)	$ 392
Foreign	65,896	61,686	85,600
Total	$ 25,035	$ 40,595	$ 85,992

The components of the income tax provision (benefit) are as follows for the years ended December 31:

	2016	2015	2014
Current tax provision (benefit)			
Federal	$ -	$ 12	$ 285
Foreign	28,993	17,983	21,783
State	13	29	44
	29,006	18,024	22,112
Deferred tax provision (benefit)			
Federal	(10,517)	(2,739)	2,996
Foreign	(13,847)	(1,063)	(4,244)
State	101	(228)	51
	(24,263)	(4,030)	(1,197)
Liability for unrecognized tax benefits	1,815	88	(556)
Total income tax provision	$ 6,558	$ 14,082	$ 20,359

Effective Tax Rate Reconciliation

Reconciliation between the effective tax rate and the statutory tax rates for the years ended December 31, 2016, 2015, and 2014 is as follows:

	2016		2015		2014	
	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings
Federal tax	$ 8,762	35.0	$ 14,214	35.0	$ 30,097	35.0
State income taxes, net of federal tax provision	(65)	(0.3)	(152)	(0.4)	18	-
Foreign income taxed at lower tax rates	(6,955)	(27.8)	(10,126)	(24.9)	(9,421)	(11.0)
U.S. tax impact of foreign operations	324	1.3	2,046	5.0	365	0.4
Foreign withholding taxes	4,834	19.3	2,268	5.6	3,694	4.3
Research and development	(2,241)	(9.0)	(2,068)	(5.1)	(2,666)	(3.1)
Liability for unrecognized tax benefits	1,815	7.3	88	0.2	(556)	(0.6)
Valuation allowance	(2,600)	(10.4)	3,580	8.8	876	1.0
Provision-to-return adjustments	(61)	(0.2)	994	2.4	(1,925)	(2.2)
Other	2,745	11.0	3,238	8.1	(123)	(0.1)
Income tax provision	$ 6,558	26.2	$ 14,082	34.7	$ 20,359	23.7

Uncertain Tax Positions

In accordance with the provisions related to accounting for uncertainty in income taxes, we recognize the benefit of a tax position if the position is "more likely than not" to prevail upon examination by the relevant tax authority. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2016	2015	2014
Balance at January 1,	$ 26,503	$ 19,488	$ 20,710
Additions based on tax positions related to the current year	6,746	3,450	2,729
Additions for prior year tax positions	960	6,963	424
Reductions for prior year tax positions	(5,360)	(3,398)	(4,375)
Balance at December 31,	$ 28,849	$ 26,503	$ 19,488

If the $28.8 million of unrecognized tax benefits as of December 31, 2016 is recognized, approximately $28.3 million would affect the effective tax rate. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our 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.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2008, or for the 2010 and 2011 tax years. We are no longer subject to China income tax examinations by tax authorities for tax years before 2006. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, we are no longer subject to income tax audits for years before 2011. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest and penalties, if any, have been provided for in our reserve for any adjustments that may result from future tax audits. We recognize accrued interest and penalties, if any, related to unrecognized tax benefits in interest expense. We had an immaterial amount of accrued interest and penalties at December 31, 2016, 2015 and 2014.

Deferred Taxes

At December 31, 2016 and 2015, our deferred tax assets and liabilities are comprised of the following items:

	2016	2015
Deferred tax assets		
Inventory cost	$ 6,923	$ 7,944
Accrued expenses and accounts receivable	2,112	2,206
Foreign tax credits	19,610	20,133
Research and development tax credits	13,633	12,306
Net operating loss carryforwards	37,379	25,878
Accrued pension	5,494	7,169
Share based compensation and others	16,992	18,238
	102,143	93,874
Valuation allowances	(32,082)	(35,738)
Total deferred tax assets, non-current	70,061	58,136
Deferred tax liabilities		
Plant, equipment and intangible assets	(28,639)	(39,722)
Total deferred tax liabilities, non-current	(28,639)	(39,722)
Net deferred tax assets	$ 41,422	$ 18,414

We prospectively adopted ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, ("ASU 2013-11") effective in the first quarter of 2014. ASU No. 2013-11 provides that an entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The $27.8 million net deferred tax asset presented on the balance sheet as of December 31, 2016, is net of $13.6 million of unrecognized tax benefits. The $41.4 million net deferred tax asset presented above is prior to the net balance sheet presentation required by ASU 2013-11. The $12.8 million net deferred tax assets presented as of December 31, 2015, is net of $5.6 million of unrecognized tax benefits. The $18.4 million net deferred tax asset presented above is the net balance sheet presentation required by ASU 2013-11.

At December 31, 2016, we had federal and state tax credit carryforwards of approximately $26.8 million and $6.6 million, respectively, which are available to offset future income tax liabilities. The federal tax credit carryforwards begin to expire in 2017 and the state tax credit carryforwards will begin to expire in 2020. We determined that it is more likely than not that a portion of our federal foreign tax credit and federal and state research credit carryforwards will expire before they are utilized. The valuation allowances recorded against the related deferred tax assets totaled $22.4 million as of December 31, 2016.

At December 31, 2016, we had federal and state net operating loss ("NOL") carryforwards of approximately $81.6 million and $3.7 million, respectively, and foreign NOL carryforwards of $26.3 million which are available to offset future taxable income. The federal NOL carryforwards will begin to expire in 2032. We determined that it is more likely than not that the U.S. federal NOL carryforwards will be utilized; thus, no valuation allowance has been recorded. The U.S. state NOL carryforwards will begin to expire in 2017. We determined that it is more likely than not that the U.S. state NOL carryforwards will expire before they are fully utilized and recorded a full valuation allowance on the related deferred tax assets. The foreign NOL carryforwards will begin to expire in 2020. We determined that it is more likely than not that a portion of the foreign NOL carryforwards will expire before they are fully utilized. The valuation allowances recorded against the related deferred tax assets totaled $5.9 million as of December 31, 2016.

Supplemental Information

Funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. We intend to permanently reinvest overseas all of our earnings from our foreign subsidiaries, except to the extent such undistributed earnings have previously been subject to U.S. tax; accordingly, U.S. taxes are not being recorded on undistributed foreign earnings. As of December 31, 2016, we had undistributed earnings from our non-U.S. operations of approximately $507.6 million (including approximately $38.9 million of restricted earnings which are not available for dividends). Undistributed earnings of our China subsidiaries comprise $357.8 million of this total. Additional federal and state income taxes of approximately $151.3 million would be required should such earnings be repatriated to the U.S. as dividends.

The impact of tax holidays decreased our tax expense by approximately $7.3 million, $2.9 million and $2.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the years ended December 31, 2016 was approximately $0.15. The benefit of the tax holidays on both basic and diluted earnings per share for the years ended December 31, 2015 and 2014 was approximately $0.6 and $0.05, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Defined Benefit Plan

In connection with the Zetex acquisition, we adopted a contributory defined benefit plan that covers certain employees in the U.K. The defined benefit plan is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. We determined the fair value of the defined benefit plan assets and utilize an annual measurement date of December 31. At subsequent measurement dates, defined benefit plan assets will be determined based on fair value. Defined benefit plan assets consist of a diverse range of listed and unlisted securities including corporate bonds and mutual funds and are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of 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. All unrecognized actuarial gains and losses, prior service costs and accumulated other comprehensive income are eliminated and the balance sheet liability is set equal to the funded status of the defined benefit plan at acquisition date.

The table below sets forth net periodic benefit costs of the plan for the years ended December 31, 2016 and 2015:

	Defined Benefit Plan	
	2016	**2015**
Components of net periodic benefit cost:		
Service cost	$ 270	$ 305
Interest cost	5,151	5,712
Recognized actuarial loss	993	1,429
Expected return on plan assets	(6,210)	(6,213)
Net periodic benefit cost	$ 204	$ 1,233

The table below sets forth the benefit obligation, the fair value of plan assets, and the funded status as of December 31:

	Defined Benefit Plan	
	2016	2015
Change in benefit obligation:		
Beginning balance	$ 145,019	$ 159,715
Service cost	270	305
Interest cost	5,151	5,712
Actuarial loss (gain)	29,793	(9,043)
Benefits paid	(6,816)	(4,072)
Currency changes	(26,616)	(7,598)
Benefit obligation at December 31	$ 146,801	$ 145,019
Change in plan assets:		
Beginning balance - fair value	$ 116,386	$ 122,780
Employer contribution	2,105	3,144
Actual return on plan assets	28,422	514
Benefits paid	(6,816)	(4,072)
Currency changes	(21,439)	(5,980)
Fair value of plan assets at December 31	$ 118,658	$ 116,386
Underfunded status at December 31	$ (28,143)	$ (28,633)

Based on an actuarial study performed as of December 31, 2016, the plan is underfunded by approximately $28.1 million and the liability is reflected in our consolidated balance sheets as a noncurrent liability and the amount recognized in accumulated other comprehensive loss was approximately $39.1 million.

We apply the “10% corridor” approach to amortize unrecognized actuarial gains (losses). Under this approach, only actuarial gains (losses) that exceed 10% of the greater of the projected benefit obligation or the market-related value of the plan assets are amortized. For the twelve months ended December 31, 2016, the plan’s total recognized loss increased by approximately $7.2 million. The variance between the actual and expected return to plan assets during 2016 increased the total unrecognized net loss by approximately $22.2 million. The total unrecognized net loss is more than 10% of the projected benefit obligation and 10% of the plan assets. Therefore, the excess amount will be amortized over the average term to retirement of plan participants not yet in receipt of pension, which as of December 31, 2016 the average term was approximately 13 years. The following weighted-average assumptions were used to determine net periodic benefit costs for the twelve months ended December 31:

	2016	2015
Discount rate	2.8%	4.0%
Expected long-term return on plan assets	5.4%	6.0%

The following weighted-average assumption was used to determine the benefit obligations at December 31:

	2016	2015
Discount rate	2.8%	4.0%

The expected long-term return on plan assets was determined based on historical and expected future returns of the various asset classes. The plan’s investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return and is currently invested in a variety of funds representing most standard equity and debt security classes. Trustees of the plan may make changes at any time. The table below sets forth the plan asset allocations of the assets in the plan and expected long-term return by asset category:

Asset category	Expected long-term return	Asset allocation
Growth assets	7.6%	61%
Hedging assets	2.0%	35%
Cash	0.3%	4%
Total	5.4%	100%

Benefit plan payments are primarily made from funded benefit plan trusts and current assets. The table below sets forth the expected future benefit payments, including future benefit accrual, as of December 31, 2016:

2017	$	3,379
2018		3,509
2019		3,651
2020		3,997
2021		4,374
2022-2025		21,265

We adopted a payment plan with the trustees of the defined benefit plan, in which we would make annual contributions each year through 2030, of approximately GPB 2 million (approximately $2.4 million based on a GBP:USD exchange rate of 1.2). The annual contributions were expected to meet the deficit disclosed in the plan as of April 5, 2013 by December 31, 2030. The trustees are required to review the funding position every three years, and a further review was carried out as of April 5, 2016. The outcome of the review, as agreed with the trustees during the first quarter of 2017, was that contributions would continue at the existing level until December 31, 2029.

Our overall defined benefit plan investment strategy is to achieve a mix of investments for long-term growth and for near-term benefit payments with a wide diversification of asset types and fund strategies. The target allocations for plan assets are 48% equity securities, 40% corporate bonds and government securities, and 12% to absolute return funds. Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the U.K. Fixed income securities include corporate bonds of companies from diversified industries, and U.K. government bonds. The absolute return fund is mainly invested in a mixture of equities and bonds.

The plan's trustees appoint fund managers to carry out all the day-to-day functions relating to the management of the fund and its administration. The fund managers must invest their portion of the plan's assets in accordance with their investment manager agreement agreed by the trustees. The trustees are responsible for agreeing these investment manager agreements and for deciding on the portion of the plan's assets that will be invested with each fund manager. When making decisions, the trustees take advice from experts including the plan's actuary and also consult with us.

The following table summarizes the major categories of the plan assets:

	December 31, 2016			
Asset category	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 1,577	$ 5,752	$ -	$ 7,329
Equity securities:				
U.K.	-	2,327	-	2,327
North America	-	17,336	-	17,336
Europe (excluding U.K.)	-	5,416	-	5,416
Japan	-	2,837	-	2,837
Pacific Basin (excluding Japan)	-	1,270	-	1,270
Emerging markets	-	3,564	-	3,564
Fixed income securities:				
Corporate bonds	-	6,671	-	6,671
Others	-	1,823	-	1,823
Index linked securities:				
Others	-	43	-	43
Other types of investments:				
Absolute return funds	-	1,897	-	1,897
Hedge funds	-	17,651	-	17,651
Development REITS	-	4,882	-	4,882
Insurance linked securities	-	3,755	-	3,755
Liability driven investments	-	41,758	-	41,758
Other	-	99	-	99
Total	$ 1,577	$ 117,081	$ -	$ 118,658

Fair value is taken to mean the bid value of securities, as supplied by the fund managers. All the plan's securities are publically traded and highly liquid. The plan does not hold any Level 3 securities. See Note 2 for additional information regarding fair value and Levels 1, 2 and 3.

The investment manager agreements require the fund managers to invest in a diverse range of stocks and bonds across each particular asset class. The stocks held by the plan in a particular asset class should therefore match closely the underlying stocks in the relevant index. We believe that this leads to minimal concentration of risk within each asset class; although we recognize that some asset classes are inherently more risky than others.

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

401(k) Retirement Plan

We maintain a 401(k) retirement plan ("the Plan") for the benefit of qualified employees at our U.S. locations. Employees who participate may elect to make salary deferral contributions to the Plan up to 100% of the employees' eligible payroll subject to annual Internal Revenue Code maximum limitations. We currently make a matching contribution of $1 for every $2 contributed by the participant up to 6% (3% maximum matching) of the participant's eligible payroll, which vests over an initial four years. In addition, we may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan.

As stipulated by the regulations of China, we maintain a retirement plan pursuant to the local municipal government for the employees in China. We are required to make contributions to the retirement plan at a rate between 10% and 22% of the employee's eligible payroll. Pursuant to the Taiwan Labor Standard Law and Factory Law, we maintain a retirement plan for the employees in Taiwan, whereby we make contributions at a rate of 6% of the employee's eligible payroll.

For the years ended December 31, 2016, 2015 and 2014, total amounts expensed under these plans were approximately $13.9 million, $14.0 million and $13.0 million, respectively.

Deferred Compensation Plan

We maintain a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") for executive officers, key employees and members of the Board of Directors (the "Board"). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. We offset our obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At December 31, 2016, these investments totaled approximately $6.3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the deferred compensation plan liabilities.

Share-Based Plans

We maintain share-based compensation plans for our Board, officers and key employees, which provide for stock options and stock awards under our equity incentive plans, as described in Note 13.

NOTE 13 - SHARE-BASED COMPENSATION

The table below sets forth the line items where share-based compensation expense was recorded for the twelve months ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Cost of goods sold	$ 775	$ 716	$ 438
Selling, general and administrative expense	10,567	16,228	12,438
Research and development expense	2,687	2,026	1,228
Total share-based compensation expense	$ 14,029	$ 18,970	$ 14,104

The table below sets forth share-based compensation expense by type for the twelve months ended December 31, 2016, 2015 and 2014:

	2016		2015		2014	
Stock options	$	1,511	$	2,516	$	3,259
Share grants		12,518		16,454		10,845
Total share-based compensation expense	$	14,029	$	18,970	$	14,104

In 2016, approximately $2.7 million of the decrease in share grant expense is related to reversal of previously recorded expense related to performance grants and in 2015 approximately $4.0 million of the increase in restricted stock expense was related to Diodes restricted stock grants issued as replacement for unvested Pericom employee awards outstanding at the date of the acquisition.

In May 2013, our stockholders approved our 2013 Equity Incentive Plan (“2013 Plan”). Since the approval of the 2013 Plan, all stock options are granted under the 2013 Plan, and we will not grant any further stock options under our 2001 Plan. Stock options under the 2013 Plan generally vest in equal annual installments over a four-year period and expire eight years after the grant date. The number of shares authorized to be awarded under the 2013 Plan is 6 million shares. For additional information on the 2013 Plan, see our definitive proxy statement filed with the SEC.

Share-based compensation expense for stock options granted during 2014 was calculated on the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

		2014
Weighted-average grant date fair value (1)	$	15.68
Weighted-average assumptions used:		53.36%
Expected volatility		7.2
Expected term (years)		2.08%
Risk-free interest rate		0.00%
Expected dividend yield		

(1) No stock options were granted in 2016 or 2015.

Expected volatility – We estimate expected volatility using historical volatility. Public trading volume on options in our stock is not material. As a result, we determined that utilizing an implied volatility factor would not be appropriate. We calculate historical volatility for the period that is commensurate with the options’ expected term assumption.

Expected term – We have evaluated expected term based on history and exercise patterns across our demographic population. We believe that this historical data is the best estimate of the expected term of a new option.

Risk free interest rate – We estimate the risk-free interest rate based on zero-coupon U.S. treasury securities for a period that is commensurate with the expected term assumption.

Forfeiture rate - The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest as forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term “forfeitures” is distinguished from “cancellations” or “expirations” and represents only the unvested portion of the surrendered option. This analysis will be re-evaluated at least annually, and the forfeiture rate for all grants will be adjusted as necessary.

Total cash received from option exercises was approximately $0.1 million, $10.2 million and $5.8 million during 2016, 2015 and 2014, respectively.

At December 31, 2016, unamortized compensation expense related to unvested options, net of estimated forfeitures, was approximately $1.2 million. The weighted average period over which share-based compensation expense related to these options will be recognized is approximately 1.1 years.

The table below sets forth a summary of activity in our stock option plans:

Stock Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (years)**	**Aggregate Intrinsic Value**
Outstanding at January 1, 2014	3,126	$ 18.93		
Granted	176	27.92		
Exercised	(564)	10.37		
Forfeited or expired	(2)	29.21		
Outstanding at December 31, 2014	2,736	21.26		
Granted	-	-		
Exercised	(653)	15.63		
Forfeited or expired	(20)	22.91		
Outstanding at December 31, 2015	2,063	23.03		
Granted	-	-		
Exercised	(7)	18.48		
Forfeited or expired	(223)	22.75		
Outstanding at December 31, 2016	1,833	23.08	3.3	$ 6,597
Exercisable at December 31, 2016	1,706	22.83	3.2	$ 6,497

The table below sets forth information about stock options outstanding at December 31, 2016:

Plan	Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
2001 Plan	$ 15.05-28.45	1,492	3.0	$ 22.50
2013 Plan	$ 23.35-27.92	341	4.9	$ 25.61

The table below summarizes information about stock options exercisable at December 31, 2016:

Share Grants—Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period. Since the approval of the 2013 Plan, all new grants are granted under the 2013 Plan, and we will not grant any further grants under our 2001 Plan.

The table below sets forth a summary of our non-vested share grants in 2016, 2015 and 2014:

Restricted Stock Grants	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested at January 1, 2014	1,131	$ 22.35	
Granted	788	25.08	
Vested	(346)	22.34	
Forfeited	(38)	24.98	
Nonvested at December 31, 2014	1,535	23.32	
Granted	1,557	22.46	
Vested	(370)	25.02	
Forfeited	(43)	26.08	
Nonvested at December 31, 2015	2,679	23.51	$ 61,247
Granted	880	18.63	
Vested	(877)	18.92	$ 17,078
Forfeited	(62)	20.80	
Nonvested at December 31, 2016	2,620	21.31	$ 67,247

Included in the restricted stock grant for 2015 were 724,000 shares granted to Pericom employees. During 2016, the Company paid $2.5 million in taxes related to the net share settlement on shares of stock that vested for Pericom employees. The total unrecognized share-based compensation expense as of December 31, 2015 was approximately $31.5 million, which is expected to be recognized over a weighted average period of approximately 2.7 years.

NOTE 14 – RELATED PARTY TRANSACTIONS

We conduct business with a related party company, Lite-On Semiconductor Corporation, and its subsidiaries and affiliates ("LSC"), and Nuvoton Technology Corporation and its subsidiaries and affiliates (collectively, "Nuvoton"). LSC is our largest stockholder, owning approximately 16.7% of our outstanding Common Stock as of December 31, 2016, and is a member of the Lite-On Group of companies. We sold products to LSC totaling less than 1% of our net sales for the years ended December 31, 2016, 2015 and 2014, respectively. Raymond Soong, the Chairman of the Board of Directors, is the Chairman of LSC, and is the Chairman of Lite-On Technology Corporation ("LTC"), a significant shareholder of LSC. C.H. Chen, our former President and Chief Executive Officer and currently the Vice Chairman of the Board of Directors, is also Vice Chairman of LSC and a board member of LTC. Dr. Keh-Shew Lu, our President and Chief Executive Officer and a member of our Board of Directors, is a board member of LTC, and a board member of Nuvoton. L.P. Hsu, a member of our Board of Directors serves as a consultant to LTC, and is a supervisor of the board of Nuvoton. We consider our relationships with LSC, a member of the Lite-On Group of companies, and Nuvoton to be mutually beneficial and we plan to continue our strategic alliance with LSC and Nuvoton. We purchase wafers from Nuvoton for use in our production process.

We also conduct business with Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates ("Keylink"). Keylink is our 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink, totaling approximately 1% of net sales for each of the years ended December 31, 2016, 2015 and 2014. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink. The aggregate amounts paid to Keylink for the years ended December 31, 2016, 2015 and 2014 were approximately $16.1 million, $17.9 million and $19.4 million, respectively. In addition, Chengdu Ya Guang Electronic Company Limited ("Ya Guang") is our 5% joint venture partner in our two Chengdu assembly and test facilities; however, we have no material transactions with Ya Guang.

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

The table below sets forth net sales and purchases from related parties for the twelve months ended December 31:

	2016	2015	2014
LSC			
Net sales	$ 852	$ 588	$ 751
Purchases	$ 21,936	$ 22,378	$ 31,588
Keylink			
Net sales	$ 9,125	$ 9,749	$ 9,465
Purchases	$ 5,054	$ 6,272	$ 8,122
Nuvoton			
Purchases	$ 10,386	$ 12,598	$ 12,697

The table below sets forth accounts receivable from and accounts payable to related parties at December 31:

	2016	2015
LSC		
Accounts receivable	$ 301	$ 55
Accounts payable	$ 4,333	$ 2,845
Keylink		
Accounts receivable	$ 5,394	$ 4,112
Accounts payable	$ 4,295	$ 5,147
Nuvoton		
Accounts payable	$ 950	$ 1,477

NOTE 15 – SEGMENT INFORMATION AND ENTERPRISE-WIDE DISCLOSURES

An operating segment is defined as a component of an enterprise about which separate financial information is available that is evaluated regularly by the chief decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our CEO. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities.

Our primary operations include the operations in Asia, North America and Europe. The table below sets forth net sales by geographic areas based on the location of subsidiaries producing the net sales:

2016	**Asia**	**North America**	**Europe**	**Consolidated**
Total sales	$ 895,608	$ 109,442	$ 157,343	$ 1,162,393
Inter-company sales	(137,959)	(22,034)	(60,238)	(220,231)
Net sales	$ 757,649	$ 87,408	$ 97,105	$ 942,162
Property, plant and equipment	$ 329,587	$ 57,145	$ 15,256	$ 401,988
Assets	$ 948,923	$ 400,472	$ 179,157	$ 1,528,552

2015	**Asia**	**North America**	**Europe**	**Consolidated**
Total sales	$ 793,960	$ 143,800	$ 164,304	$ 1,102,064
Inter-company sales	(118,415)	(60,882)	(73,863)	(253,160)
Net sales	$ 675,545	$ 82,918	$ 90,441	$ 848,904
Property, plant and equipment	$ 362,186	$ 58,152	$ 19,002	$ 439,340
Assets	$ 969,352	$ 463,967	$ 165,508	$ 1,598,827

2014	Asia	North America	Europe	Consolidated
Total sales	$ 814,589	$ 154,861	$ 179,021	$ 1,148,471
Inter-company sales	(106,728)	(63,945)	(87,147)	(257,820)
Net sales	$ 707,861	$ 90,916	$ 91,874	$ 890,651
Property, plant and equipment	$ 262,582	$ 26,363	$ 20,986	$ 309,931
Assets	$ 874,331	$ 128,174	$ 176,652	$ 1,179,157

The accounting policies of the operating entities are the same as those described in the summary of significant accounting policies.

The table below sets forth net sales by country. We report net sales based on "shipped to" customer locations as we believe this best represents where our customers' business activities occur. "All others" represents countries with less than 3% of total net sales each.

2016	Net Sales	% of Total Net Sales
China	$ 548,015	58%
U.S.	79,869	8%
Korea	60,672	6%
Germany	61,415	7%
Singapore	48,464	5%
Taiwan	59,087	6%
All others	84,640	10%
Total	$ 942,162	100%

2015	Net Sales	% of Total Net Sales
China	$ 507,783	60%
U.S.	76,870	9%
Korea	66,605	8%
Germany	57,036	7%
Singapore	51,742	6%
Taiwan	30,127	4%
All others	58,741	6%
Total	$ 848,904	100%

2014	Net Sales	% of Total Net Sales
China	$ 555,478	62%
U.S.	82,599	9%
Korea	66,772	7%
Germany	59,240	7%
Singapore	49,191	6%
Taiwan	27,207	3%
All others	50,164	6%
Total	$ 890,651	100%

Major customers – No customer accounted for 10% or greater of our total net sales in 2016, 2015, and 2014.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Operating leases – We lease offices, manufacturing plants, equipment, vehicles and warehouses under operating lease agreements expiring through December 2020. Rental expense amounted to approximately $10.5 million, $10.1 million and $9.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. We do not have purchase options related to the operating lease agreements. The table below sets forth the approximate amount for future minimum lease payments under non-cancelable operating leases at December 31, 2016:

2017	$ 10,863
2018	6,864
2019	6,182
2020	4,737
2021	3,469
Thereafter	3,743
	$ 35,858

In addition, we have the following land right leases. None of the leases requires a rental payment.

Location	Term (years)	Expiration Date
Chengdu, China	50	2061
Shanghai, China	50	2056
Shandong, China	50	2058
Shanghai, China	50	2058
Yangzhou, China	50	2065

Purchase commitments – We have entered into non-cancelable purchase contracts for capital expenditures, primarily for manufacturing equipment, for approximately $15.6 million at December 31, 2016.

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

NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During November 2016, the Company entered into six interest rate swaps with a total notional amount of $150.0 million and a maturity date of October 26, 2021.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2016, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the twelve months ended December 31, 2016, the Company recorded no impacts related to hedge ineffectiveness in earnings.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During 2016, the Company recorded $0.1 million as interest expense.

The table below sets forth outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional	
Interest rate swaps	6	$	150,000

The Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

The table below sets forth the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of December 31, 2016 and December 31, 2015:

Fair Value of Derivative Instruments

Asset Derivatives				Liability Derivatives			
December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Other assets	$ 3,052	N/A	$ -	Other liabilities	$ 735	N/A	$ -

The table below sets forth the effectiveness of the Company's derivative financial instruments on the Consolidated Statement of Operations for the twelve months ended December 31, 2016:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2016	2015		2016	2015		2016	2015
Interest rate products	$ 2,317	$ -	Interest expense	$ 112	$ -	N/A	$ -	$ -

At December 31, 2016, the fair value of derivatives in a net Asset position, which includes accrued interest but excludes any adjustments for nonperformance risk, related to these agreements was $2.3 million. As of December 31, 2016, the Company had not posted any collateral related to these agreements.

NOTE 18 – BUSINESS COMBINATION

Pericom Semiconductor Corporation

On November 24, 2015, we completed our acquisition of Pericom Semiconductor Corporation ("Pericom") pursuant to the Agreement and Plan of Merger dated as of September 2, 2015 (the "Merger Agreement"), as amended on November 6, 2015, by Amendment No. 1 (the "Merger Agreement Amendment"). Under the Merger Agreement and the Merger Agreement Amendment and in accordance with the General Corporation Law of the State of California (1) PSI Merger Sub, Inc., a California corporation and wholly-owned subsidiary of the Company, was merged with and into Pericom, with Pericom continuing as the surviving corporation and a wholly-owned subsidiary of the Company, and (2) each outstanding share of common stock, without par value, of Pericom (other than shares owned by Pericom or certain of its affiliates or shares held by Pericom shareholders who have perfected their appraisal rights in accordance with applicable California law) was automatically converted into the right to receive $17.75 in cash per share, without interest. The aggregate consideration was approximately $403.2 million including the value of Pericom equity awards paid out or converted to Diodes equity awards pursuant to the Merger Agreement and Merger Agreement Amendment.

The table below sets forth the estimated purchase price and related costs for Pericom:

Cash consideration for shares outstanding	$ 391,123
Cash consideration for vested stock awards, including taxes of $88	7,371
Value of Diodes stock to be issued in exchange for unvested Pericom employee stock awards.	4,680
Total purchase price	$ 403,174

The results of operations of Pericom are included in our consolidated financial statements from November 24, 2015. The consolidated revenue and earnings of Pericom included in our consolidated financial statements for the twelve months ended December 31, 2015 was approximately $14.6 million and $(1.0) million, respectively, which include acquisition accounting adjustments. The purpose of the acquisition was to further our strategy of expanding market and growth opportunities through selected strategic acquisitions.

Under the acquisition accounting guidelines we were required to record all assets acquired and liabilities assumed at fair value, and recognize intangible assets and goodwill of the acquired business. The table below sets forth the preliminary fair values, adjustment and final values assigned to the assets and liabilities acquired in the Pericom acquisition. The preliminary purchase price allocation was used to prepare pro forma adjustments in the pro forma condensed combined balance sheet and statements of earnings. U.S. GAAP permits companies to complete the final determination of the fair values of assets and liabilities up to one year from the acquisition date. The size and breadth of the Pericom acquisition necessitated the use of this one year measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date. The final accounting for the Pericom acquisition resulted in changes in the line items shown under the "Measurement Period Adjustment" column in the table below.

	Preliminary November 24, 2015	Measurement Period Adjustments	Adjusted November 24, 2015
Assets acquired:			
Cash and cash equivalents	$ 48,806	$ -	$ 48,806
Short-term investments	72,537	-	72,537
Accounts receivable	22,740	-	22,740
Inventory	22,488	-	22,488
Prepaid expenses and other current assets	5,793	(1,622)	4,171
Fixed assets	72,210	-	72,210
Intangible assets	156,700	-	156,700
Goodwill	54,304	2,741	57,045
Other long-term assets	16,069	-	16,069
Total assets acquired	$ 471,647	$ 1,119	$ 472,766
Liabilities assumed:			
Accounts payable	$ 16,925	$ -	$ 16,925
Accrued liabilities and other	8,818	695	9,513
Income tax payable	1,498	333	1,831
Deferred tax liability	29,077	91	29,168
Other liabilities	12,155	-	12,155
Total liabilities assumed	68,473	1,119	69,592
Total net assets acquired	$ 403,174	$ -	$ 403,174
Total net assets acquired, net of cash acquired	$ 354,368	$ -	$ 354,368

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 was $141 million, with a weighted-average amortization period 11.6 years. We also acquired approximately $11.4 million of in process research and development. 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.

We estimated the fair value of acquired receivables to be $22.8 million with a gross contractual amount of $24.9 million. We expected to collect substantially all of the acquired receivables. We evaluated and adjusted the acquired inventory for a reasonable profit allowance, which is intended to permit us to report only the profits normally associated with the activities following the acquisition as it relates to the work-in-progress and finished goods inventory. As such, we increased fair value of the inventory acquired from Pericom by approximately $6.1 million. Subsequent to the closing date of the acquisition we expensed that increase into cost of goods sold, of which approximately $3.1 million was recorded in the fourth quarter of 2015 and $3.0 million recorded in the first quarter of 2016 as the acquired work-in-progress and finished goods inventory is sold.

The table below sets for the unaudited pro forma consolidated results of operations for the years ended December 31, 2015 and December 31, 2014 as if the acquisition of Pericom had occurred at January 1, 2014:

	Twelve Months Ended December 31, 2015	**Twelve Months Ended December 31, 2014**
Net revenues	$ 960,019	$ 1,020,585
Net income attributable to common stockholders	$ 40,180	$ 52,934
Earnings per share—Basic	$ 0.82	$ 1.10
Earnings per share—Diluted	$ 0.80	$ 1.07

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 proforma consolidated results for December 31, 2015, exclude $10.0 million of acquisition related costs and $8.0 million of costs from Diodes restricted stock grants and change-in-control agreements for Pericom employees, and include additional amortization and depreciation of $12.0 million, additional interest expense of $11.0 million and additional income tax expense of $1.0 million. These unaudited pro forma consolidated results of operations were derived, in part, from the historical consolidated financial statements of Pericom and other available information and assumptions believed to be reasonable under the circumstances. Pericom will be conformed to Diodes' reporting calendar.

NOTE 19 – SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2016				
Net sales	$ 222,738	$ 236,645	$ 250,694	$ 232,085
Gross profit	64,220	74,817	80,623	67,263
Net income attributable to common shareholders	(1,733)	5,752	10,648	1,268
Earnings per share attributable to common shareholders				
Basic	$ (0.04)	$ 0.12	$ 0.22	$ 0.07
Diluted	$ (0.04)	$ 0.12	$ 0.21	$ 0.07

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2015				
Net sales	$ 206,182	$ 219,453	$ 208,888	$ 214,381
Gross profit	63,913	69,437	61,636	53,597
Net income attributable to common shareholders	11,132	15,078	2,837	(4,773)
Earnings per share attributable to common shareholders				
Basic	$ 0.23	$ 0.31	$ 0.06	$ (0.10)
Diluted	$ 0.23	$ 0.31	$ 0.06	$ (0.10)

Note: The sum of the quarterly earnings per share may not equal the full year amount, as the computations of the weighted average number of common shares outstanding for each quarter and for the full year are performed independently.

During the fourth quarter of 2015, we acquired Pericom Semiconductor Corporation. See Note 18 above for additional information.

NOTE 20 – SUBSEQUENT EVENT (unaudited)

In light of the landlord's decision not to renew the KFAB lease when the current term expires, on February 14 we announced we had begun activities to transfer the KFAB wafer manufacturing operations to other Diodes' wafer fabrication plants and external foundries. We expect to cease operations at KFAB late in third quarter 2017 and to vacate the premises no later than November 15, 2017. Employees will be offered retention and standard severance packages. Total KFAB shutdown costs are expected to be approximately $10.0 million to $12.0 million, on a pretax basis, which will be expensed and paid throughout 2017. Expenses to be incurred include cash costs of approximately $4.0 million for employee retention and severance, $2.0 million for contract termination costs, $2.0 million for equipment and building decommissioning costs as well as non-cash costs of $2.0 million for equipment impairment and $1.0 million of inventory write-off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Keh-Shew Lu KEH-SHEW LU President and Chief Executive Officer (Principal Executive Officer)	February 27, 2017
By: /s/ Richard D. White RICHARD D. WHITE Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	February 27, 2017

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Dr. Keh-Shew Lu, President and Chief Executive Officer, and Richard D. White, Chief Financial Officer and Secretary, his true and lawful attorneys-in-fact and agents, with full power of substitution, to sign and execute on behalf of the undersigned any and all amendments to this report, and to perform any acts necessary in order to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requested and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, or their or his or her substitutes, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2017.

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

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

/s/ Raymond Soong RAYMOND SOONG Chairman of the Board of Directors	/s/ C.H. Chen C.H. CHEN Director
/s/ Michael R. Giordano MICHAEL R. GIORDANO Director	/s/ L.P. Hsu L.P. HSU Director
/s/ Keh-Shew Lu KEH-SHEW LU Director	/s/ John M. Stich JOHN M. STICH Director
/s/ Michael K.C. Tsai MICHAEL K.C. TSAI Director	

INDEX TO EXHIBITS

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Incorporation, as amended.	10-Q	May 10, 2013	3.1	
3.2	Amended By-laws of the Company amended as of January 6, 2016	8-K	January 11, 2016	3.1	
4.1	Form of Certificate for Common Stock, par value $0.66 2/3 per share	S-3	August 25, 2005	4.1	
10.1*	Stock Award Agreement, dated as of September 22, 2009, between the Company and Keh-Shew Lu	10-Q	May 9, 2014	10.6	
10.2*	Confirmation Agreement, dated April 1, 2013, by and between Diodes Incorporated and Dr. Keh-Shew Lu	8-K	April 3, 2013	99.1	
10.3*	Employment Agreement dated as of July 21, 2015, between the Company and Keh-Shew Lu	8-K	July 27, 2015	99.1	
10.4*	Stock Unit Agreement dated as of July 21, 2015, between the Company and Keh-Shew Lu	8-K	July 27, 2015	99.3	
10.5*	Amendment No. 1 to Employment Agreement dated as of February 22, 2017, between the Company and Dr. Keh-Shew Lu.	8-K	February 27, 2017	99.1	
10.6*	Employment agreement between the Company and Mark King, dated August 29, 2005	8-K	September 2, 2005	10.2	
10.7*	Form of Indemnification Agreement between the Company and its directors and executive officers	8-K	September 2, 2005	10.5	
10.8*	Company's 2001 Omnibus Equity Incentive Plan, as amended December 22, 2008	10-K	February 26, 2009	10.87	
10.9*	Second Amended and Restated Deferred Compensation Plan effective January 1, 2009				X
10.10*	First Amendment to the Diodes Incorporated Second Amended and Restated Deferred Compensation Plan, effective June 1, 2013				X
10.11*	Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.1	
10.12*	Form of Incentive Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.2	
10.13*	Form of Stock Unit Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.4	
10.13.1*	Form of Restricted Stock Unit Agreement	8-K	February 27, 2017	99.2	
10.13.2*	Form of Performance Stock Unit Agreement	8-K	February 27, 2017	99.3	
10.14*	Form of Nonstatutory Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan, as amended (Domestic Version)	10-K	February 27, 2014	10.80	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.15*	Form of Nonstatutory Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.81	
10.16*	Form of Restricted Stock Agreement for the Diodes Incorporated 2013 Equity Incentive Plan, as amended (Domestic Version)	10-K	February 27, 2014	10.82	
10.17*	Form of Restricted Stock Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.83	
10.18*	Form of Stock Unit Agreement (Substitute for Pericom Semiconductor Corporation Domestic Existing RSUs and Options)	S-8	June 30, 2016	99.2	
10.19*	Form of Stock Unit Agreement (Substitute for Pericom Semiconductor Corporation International Existing RSUs and Options)	S-8	June 30, 2016	99.3	
10.20	Kaihong Joint Venture Agreement between the Company and Mrs. J.H. Xing	10-K	April 1, 1996	10.17	
10.21	Sale and Leaseback Agreement between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Company, Ltd.	10-Q	May 15, 2002	10.46	
10.22	Lease Agreement between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Company, Ltd.	10-Q	May 15, 2002	10.47	
10.23	Lease Agreement for Plant #2 between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Equipment Limited	10-Q	August 9, 2004	10.52	
10.24	Amendment to The Sale and Lease Agreement dated as January 31, 2002 with Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 9, 2004	10.56	
10.25	Lease Agreement between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	August 9, 2004	10.57	
10.26	Supplementary to the Lease agreement dated as September 30, 2003 with Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 9, 2004	10.58	
10.27	Wafer purchase Agreement dated January 10, 2006 between Anachip Corporation and Lite-On Semiconductor Corporation	8-K	January 12, 2006	2.1	
10.28	Supplementary to the Lease Agreement dated on September 5, 2004 with Shanghai Ding Hong Electronic Co., Ltd.	10-Q	May 10, 2006	10.14	
10.29	Supplementary to the Lease Agreement dated on June 28, 2004 with Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	May 10, 2006	10.15	
10.30	Agreement on Application, Construction and Transfer of Power Facilities, dated as of March 15, 2006, between the Company and Shanghai Yahong Electronic Co., Ltd.	10-Q	May 10, 2006	10.16	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.31	Amended and Restated Lease Agreement dated as of September 1, 2006, between Diodes FabTech Inc. with Townsend Summit, LLC	8-K	October 11, 2006	10.1	
10.32	A Supplement dated January 1, 2007 to the Lease Agreement on Disposal of Waste and Scraps between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-K	February 29, 2008	10.50	
10.33	A Supplement dated January 1, 2007 to the Lease Agreement on Disposal of Waste and Scraps between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.	10-K	February 29, 2008	10.51	
10.34	Supplementary Agreement dated December 31, 2007 to the Lease Agreement dated June, 28, 2004 for Leasing Diodes Shanghai New Building's Fourth and Fifth Floor between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-K	February 29, 2008	10.53	
10.35	Accommodation Building Fourth and Fifth Floor Lease Agreement dated December 31, 2007 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-K	February 29, 2008	10.54	
10.36	Fourth Floor of the Accommodation Building Lease Agreement dated January 1, 2008, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 11, 2008	10.5	
10.37	Factory Building Lease Agreement dated March 1, 2008 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co. Ltd.	10-Q	August 11, 2008	10.6	
10.38	Supplemental Agreement to the Factory Building Lease Agreement dated as of August 11, 2008 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	November 7, 2008	10.2	
10.39	Distributorship Agreement dated November 1, 2008 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Keylink Logistic Co., Ltd.	10-K	February 26, 2009	10.83	
10.40	Lease Facility Safety Management Agreement dated December 31, 2008 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronic Co., Ltd.	10-K	February 26, 2009	10.84	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.41	Second Supplemental Agreement to the Factory Building Lease Agreement dated August 19, 2009 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	November 6, 2009	10.1	
10.42	Consulting Agreement dated January 1, 2009, between Diodes Incorporated and Keylink International (B.V.I.) Co., Ltd.	10-Q	May 8, 2009	10.1	
10.43	Power Facility Construction Agreement dated October 29, 2009 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Co., Ltd.	10-K	March 1, 2010	10.97	
10.44	First Amendment to the DSH #2 Building Lease Agreement dated December 31, 2009 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronics Co., Ltd.	10-K	March 1, 2010	10.98	
10.45	Construction Project Contract between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronic Co., Ltd.	10-Q	May 7, 2010	10.2	
10.46	Third Floor of the Accommodation Building Lease Agreement, dated April 12, 2010, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	May 7, 2010	10.3	
10.47	Second Floor of the Accommodation Building Lease Agreement, dated September 1, 2010, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2010	10.1	
10.48	Investment Cooperation Agreement effective as of September 10, 2010, between Diodes Hong Kong Holding Company Limited and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	8-K	September 16, 2010	99.1	
10.49	Supplementary Agreement to the Investment Cooperation Agreement effective as of September 10, 2010, between Diodes Hong Kong Holding Company Limited and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	8-K	September 16, 2010	99.2	
10.50	Joint Venture Agreement effective as of November 5, 2010 between Diodes Hong Kong Holding Company Limited and Chengdu Ya Guang Electronic Company Limited	8-K	November 12, 2010	99.1	
10.51	Joint Venture Agreement Supplement Concerning the Establishment of Diodes Technology (Chengdu) Company Limited effective as of November 5, 2010, between Diodes Hong Kong Holding Company Limited and Chengdu Ya Guang Electronic Company Limited	8-K	November 12, 2010	99.2	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.52	Second Amendment to the DSH #2 Building Lease Agreement, dated November 15, 2010, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronics Company, Ltd.	10-K	February 28, 2011	10.112	
10.53	Power Facility Expansion Construction Contract, dated January 24, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronics Company, Ltd.	10-K	February 28, 2011	10.113	
10.54	First Floor of the Accommodation Building Agreement, dated June 1, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2011	10.1	
10.55	Third Floor of the Dormitory Building Lease Agreement, dated July 1, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2011	10.2	
10.56	Third Supplemental Agreement to the Factor Building Lease Agreement, dated May 16, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Company, Ltd.	10-Q	November 9, 2011	10.3	
10.57	Supplement Agreement to the Power Facility Construction Application Agreement, dated March 21, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Hao Electronic Company, Ltd.	10-Q	August 9, 2011	10.1	
10.58	Plating Process Agreement made and entered into among Shanghai Kaihong Electronic Co., Ltd., Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology), Diodes Shanghai, Shanghai Ding Hong Electronic Co., Ltd. and Shanghai Micro-Surface Co., Ltd.	10-K	February 29, 2008	10.52	
10.59	Construction Design Consulting Agreement between Diodes Technology (Chengdu) Company Limited and Lite-On Technology Corporation	10-Q	August 9, 2012	10.1	
10.60	Second Supplementary Agreement, dated as of January 23, 2013, to the Investment Cooperation Agreement effective as of September 10, 2010, by and among Diodes Hong Kong Holding Company Limited, Diodes (Shanghai) Investment Company Limited, Diodes Technology (Chengdu) Company Limited, and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	10-K	February 27, 2013	10.75	
10.61	DSH #2 Building Lease Agreement dated as of January 28, 2013 between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronics Co., Ltd.	10-K	February 27, 2013	10.76	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.62	Supplement Agreement to Lease Agreement dated September 2013 between Shanghai Kaihong Electronic Co., Ltd and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	November 12, 2013	10.6	
10.63	Construction Design Consulting Assignment Agreement Supplemental Agreement between Diodes Technology (Chengdu) Company Limited and Lite-On Technology Corporation	10-Q	August 8, 2013	10.1	
10.64	Procurement Agreement, dated May 3, 2013, between Diodes Taiwan Inc. and Lite-On Technology Corporation	10-Q	August 8, 2013	10.2	
10.65	Share Transfer Memorandum of Understanding, date June 18, 2013, among Diodes Incorporated, Chengdu Ya Guang Electronic Engineering Factory, and Zetex Chengdu Electronics Limited	10-Q	August 8, 2013	10.3	
10.66	Plating Process Agreement between Zetex (Chengdu) Electronic Company Limited and Diodes Technology (Chengdu) Company Limited, dated February 8, 2013	10-Q	May 10, 2013	10.1	
10.67	Equity Transfer Agreement, dated April 2014, between Chengdu Ya Guang Electronic Engineering Factory and Diodes (Shanghai) Investment Company Limited	10-Q	May 9, 2014	10.1	
10.68	Equity Transfer Agreement Amendment, dated April 2014, between Chengdu Ya Guang Electronic Engineering Factory and Diodes (Shanghai) Investment Company Limited	10-Q	May 9, 2014	10.2	
10.69	Fourth Supplemental Agreement to the Factory Building Lease Agreement, dated April 23, 2014, between Shanghai Kaihong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	May 9, 2014	10.3	
10.70	Plating Processing Agreement, dated February 28, 2014, between Zetex (Chengdu) Electronic Company Limited and Diodes Technology (Chengdu) Company Limited	10-Q	May 9, 2014	10.4	
10.71	Amended Consulting Agreement dated as of January 1, 2015 between Diodes Incorporated and Keylink International (B.V.I) Co., Ltd.	10-K	March 2, 2015	10.78	
10.72	Chemical Warehouse Lease Agreement, dated November 1, 2014 between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.	10-K	March 2, 2015	10.79	
10.73	Chemical Warehouse Lease Agreement between Shanghai Kaihong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	November 5, 2015	10.1	
10.74	Fifth Supplemental Facility Lease Agreement between Shanghai Kaihong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	November 5, 2015	10.2	
10.75	Property Lease Safety Agreement, dated July 2016, between Zetex (Chengdu) Electronics Ltd. and Chengdu Yaguang Electronic Co., Ltd.	10-Q	August 9, 2016	99.1	

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.76	Property Lease Agreement, dated July 2016, between Zetex (Chengdu) Electronics Ltd. and Chengdu Yaguang Electronic Co., Ltd.	10-Q	August 9, 2016	99.2	
10.77	2016 Amendment to Joint Venture Agreement, effective as of December 7, 2016, between Diodes (Shanghai) Investment Company Limited and Chengdu Ya Guang Electronic Company Limited	8-K	December 13, 2016	99.1	
10.78	Diodes Zetex Pension Scheme Recovery plan, dated February 22, 2017, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited				X
10.79	Diodes Zetex Pension Scheme Schedule of contributions, dated February 22, 2017, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited				X
10.80	Framework Agreement, dated January 16, 2017, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, Diodes Incorporated, HR Trustees Limited, and Trustees				X
10.81	Guarantee, dated March 26, 2012, among Diodes Zetex Semiconductors Limited, Diodes Zetex Limited, HR Trustees Limited, and Trustees	10-Q	August 9, 2012	10.5	
10.82	Diodes Zetex Pension Scheme Information Protocol, dated April 10, 2012, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, the Company, HR Trustees Limited and Trustees	10-Q	August 9, 2012	10.6	
10.83	Legal Charge, dated March 26, 2012, among Zetex Semiconductors Limited, HR Trustees Limited, and Trustees	10-Q	August 9, 2012	10.7	
10.84	Credit Agreement, dated March 21, 2011, between Mega International Commercial Bank and Diodes Taiwan Inc.	10-Q	August 9, 2011	10.2	
10.85	Amended and Restated Credit Agreement, dated October 26, 2016, by and among Diodes Incorporated, Diodes International B.V., Diodes Holding B.V., Diodes Investment Company, Diodes FabTech Inc., Diodes Holdings UK Limited, Diodes Zetex Limited, Pericom Semiconductor Corporation, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders party thereto	8-K	November 1, 2016	10.1	
10.85.1	Amendment No. 1 and Limited Waiver dated February 13, 2017 by and among the parties to the Amended and Restated Credit Agreement dated October 26, 2016 (Exhibit 10.85 above).	8-K	February 14, 2017	10.1	
14**	Code of Ethics for Chief Executive Officer and Senior Financial Officers				
21	Subsidiaries of the Registrant				X

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
23.1	Consent of Independent Registered Public Accounting Firm				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.LAB	XBRL Taxonomy Extension Labels Linkbase				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				X

* Constitute management contracts, or compensatory plans or arrangements, which are required to be filed pursuant to Item 601 of Regulation S-K.

** Provided in the Corporate Governance portion of the Investor Relations section of the Company's website at http://www.diodes.com.

*** 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.

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 Annual Report on Form 10-K. 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 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.

Exhibit 10.9

DIODES INCORPORATED

SECOND AMENDED AND RESTATED DEFERRED COMPENSATION PLAN

ORIGINALLY EFFECTIVE JANUARY 1, 2007 FIRST AMENDED AND RESTATED DECEMBER 22, 2008

AS

FURTHER AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2009 (EXCEPT AS OTHERWISE PROVIDED)

Diodes Incorporated Second Amended and Restated Deferred Compensation Plan

Article I
Establishment and Purpose

Diodes Incorporated (the "Company") hereby amends and restates the Diodes Incorporated Deferred Compensation Plan (the "Plan"), effective January 1, 2009, except as otherwise provided.

The purpose of the Plan is to attract and retain key employees and Directors by providing Participants with an opportunity to defer receipt of a portion of their salary, bonus, and other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401(a), but is intended to meet the requirements of Code Section 409A, and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, as applicable. Each Participating Employer shall be solely responsible for payment of the benefits of its employees and their beneficiaries. The Plan is unfunded for federal tax purposes and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets of the Company or the Adopting Employer and shall remain subject to the claims of the Company's or the Adopting Employer's creditors until such amounts are distributed to the Participants.

Article II
Definitions

2.1 Account. Account means a bookkeeping account maintained by the Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Committee may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Committee, as the context requires. Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

2.3 Adopting Employer. Adopting Employer means an Affiliate who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees.

2.4 Affiliate. Affiliate means a corporation, trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).

2.5 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan. The Participant's spouse, if living, otherwise the Participant's estate, shall be the Beneficiary if: (i) the Participant has failed to properly designate a Beneficiary, or (ii) all designated Beneficiaries have predeceased the Participant.

A former spouse shall have no interest under the Plan, as Beneficiary or otherwise, unless the Participant designates such person as a Beneficiary after dissolution of the marriage, except to the extent provided under the terms of a domestic relations order as described in Code Section 414(p)(1)(B).

2.6 Business Day. Business Day means each day on which the New York Stock Exchange is open for business.

2.7 Change in Control. Change in Control means, with respect to a Participating Employer that is organized as a corporation, any of the following events: (i) a change in the ownership of the Participating Employer, (ii) a change in the effective control of the Participating Employer, or (iii) a change in the ownership of a substantial portion of the assets of the Participating Employer.

For purposes of this Section, a change in the ownership of the Participating Employer occurs on the date on which any one person, or more than one person acting as a group, acquires ownership of stock of the Participating Employer that, together with stock held by such person or group constitutes more than 50% of the total fair market value or total voting power of the stock of the Participating Employer. A change in the effective control of the Participating Employer occurs on the date on which either: (i) a person, or more than one person acting as a group, acquires ownership of stock of the Participating Employer possessing 30% or more of the total voting power of the stock of the Participating Employer, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition, or (ii) a majority of the members of the Participating Employer's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such Board of Directors prior to the date of the appointment or election, but only if no other corporation is a majority shareholder of the Participating Employer. A change in the ownership of a substantial portion of assets occurs on the date on which any one person, or more than one person acting as a group, other than a person or group of persons that is related to the Participating Employer, acquires assets from the Participating Employer that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Participating Employer immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the 12-month period ending on the date of the most recent acquisition.

An event constitutes a Change in Control with respect to a Participant only if the Participant performs services for the Participating Employer that has experienced the Change in Control, or the Participant's relationship to the affected Participating Employer otherwise satisfies the requirements of Treasury Regulation Section 1.409A-3(i)(5)(ii).

Notwithstanding anything to the contrary herein, with respect to a Participating Employer that is a partnership, Change in Control means only a change in the ownership of the partnership or a change in the ownership of a substantial portion of the assets of the partnership, and the provisions set forth above respecting such changes relative to a corporation shall be applied by analogy.

The determination as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Code Section 409A.

2.8 Claimant. Claimant means a Participant or Beneficiary filing a claim under Article XII of this Plan.

2.9 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.

2.10 Code Section 409A. Code Section 409A means section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

2.11 Committee. Committee means the committee appointed by the Board of Directors of the Company (or the appropriate committee of such board) to administer the Plan. If no designation is made, the Chief Executive Officer of the Company or his delegate shall have and exercise the powers of the Committee.

2.12 Company. Company means Diodes Incorporated.

2.13 Company Contribution. Company Contribution means a credit by a Participating Employer to a Participant's Account(s) in accordance with the provisions of Article V of the Plan. Company Contributions are credited at the sole discretion of the Participating Employer and the fact that a Company Contribution is credited in one year shall not obligate the Participating Employer to continue to make such Company Contribution in subsequent years. Unless the context clearly indicates otherwise, a reference to Company Contribution shall include Earnings attributable to such contribution.

2.14 Company Stock. Company Stock means phantom shares of common stock issued by Company.

2.15 Compensation. Compensation means a Participant's base salary, bonus, commission, Director fees, and such other cash or equity-based compensation (if any) approved by theCommittee as Compensation that may be deferred under this Plan. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Code Section 409A.

2.16 Compensation Deferral Agreement. Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the amount of each component of Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV, and (ii) the Payment Schedule applicable to one or more Accounts. The Committee may permit different deferral amounts for each component of Compensation and may establish a minimum or maximum deferral amount for each such component. Unless otherwise specified by the Committee in the Compensation Deferral Agreement, Participants may defer up to 75% of their base salary and up to 100% of other types of Compensation for a Plan Year. A Compensation Deferral Agreement may also specify the investment allocation described in Section 8.4.

2.17 Death Benefit. Death Benefit means the benefit payable under the Plan to a Participant's Beneficiary(ies) upon the Participant's death as provided in Section 6.1 of the Plan.

2.18 Deferral. Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.

Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Committee as necessary so that it does not exceed 100% of the cash Compensation of the Participant remaining after deduction of all required income and employment taxes, employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

2.19 Director. Director means a member of the Board of Directors of the Company.

2.20 Disability Benefit. Disability Benefit means the benefit payable under the Plan to a Participant in the event such Participant is determined to be Disabled.

2.21 Disabled. Disabled means that a Participant is, by reason of any medically-determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (i) unable to engage in any substantial gainful activity, or (ii) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer. The Committee shall determine whether a Participant is Disabled in accordance with Code Section 409A provided, however, that a Participant shall be deemed to be Disabled if determined to be totally disabled by the Social Security Administration.

2.22 Earnings. Earnings means a positive or negative adjustment to the value of an Account, based upon the allocation of the Account by the Participant among deemed investment options in accordance with Article VIII.

2.23 Effective Date. Effective Date means January 1, 2009 except as otherwise provided for specific Plan provisions.

2.24 Eligible Employee. Eligible Employee means a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, as determined by the Committee from time to time in its sole discretion.

2.25 Employee. Employee means a common-law employee of an Employer.

2.26 Employer. Employer means, with respect to Employees it employs, the Company and each Affiliate.

2.27 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.28 Fiscal Year Compensation. Fiscal Year Compensation means Compensation earned during one or more consecutive fiscal years of a Participating Employer, all of which is paid after the last day of such fiscal year or years.

2.29 Participant. Participant means an Eligible Employee or a Director who has received notification of his or her eligibility to defer Compensation under the Plan under Section

3.1 and any other person with an Account Balance greater than zero, regardless of whether such individual continues to be an Eligible Employee or a Director. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.

2.30 Participating Employer. Participating Employer means the Company and each Adopting Employer.

2.31 Payment Schedule. Payment Schedule means the date as of which payment of an Account under the Plan will commence and the form in which payment of such Account will be made.

2.32 Performance-Based Compensation. Performance-Based Compensation means Compensation where the amount of, or entitlement to, the Compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether Compensation qualifies as "Performance- Based Compensation" will be made in accordance with Treas. Reg. Section 1.409A-1(e) and subsequent guidance.

2.33 Plan. Generally, the term Plan means the "Diodes Incorporated Deferred Compensation Plan" as amended and restated herein and as may be further amended from time to time hereafter. However, to the extent permitted or required under Code Section 409A, the term Plan may in the appropriate context also mean a portion of the Plan that is treated as a single plan under Treas. Reg. Section 1.409A-1(c), or the Plan or portion of the Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.

2.34 Plan Year. Plan Year means January 1 through December 31.

2.35 Retirement. Retirement means a Participant's Separation from Service after attainment of age 65, or age 60 and the completion of twenty (20) Years of Service.

2.36 Retirement Benefit. Retirement Benefit means the benefit payable to a Participant under the Plan following the Retirement of the Participant.

2.37 Retirement/Termination Account. Retirement/Termination Account means an Account, or Accounts, established by the Committee to record the amounts payable to a Participant upon Separation from Service. Unless the Participant has established a Specified Date Account, all Deferrals and Company Contributions shall be allocated to the most recently established Retirement/Termination Account on behalf of the Participant.

2.38 Separation from Service. Separation from Service means an Employee's termination of employment with the Employer. A Director incurs a Separation from Service upon the expiration of all contracts with the Employer, provided the contractual relationship has in good faith been completely terminated/upon the 12-month anniversary of the date all contracts with the Employer have expired, provided the Participant does not perform services for the Employer during that time. Whether a Separation from Service has occurred shall be determined by the Committee in accordance with Code Section 409A.

Except in the case of an Employee on a bona fide leave of absence as provided below, an Employee is deemed to have incurred a Separation from Service if the Employer and the Employee reasonably anticipate that the level of services to be performed by the Employee after a date certain would be reduced to 20% or less of the average services rendered by the Employee during the immediately preceding 36-month period (or the total period of employment, if less than 36 months) disregarding periods during which the Employee was on a bona fide leave of absence.

An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence shall incur a Separation from Service on the first date immediately following the later of: (i) the six month anniversary of the commencement of the leave, or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract. Notwithstanding the preceding, however, an Employee who is absent from work due to a physical or mental impairment that is expected to result in death or last for a continuous period of at least six months and that prevents the Employee from performing the duties of his or her position of employment or a similar position shall incur a Separation from Service on the first date immediately following the 29-month anniversary of the commencement of the leave.

If a Participant is both a Director and an Employee, the services provided as a Director shall be disregarded in determining whether there has been a Separation from Service as an Employee, and the services provided as an Employee shall be disregarded in determining whether there has been a Separation from Service as a Director, provided the portion of the Plan in which the Participant participates as a Director is substantially similar to arrangements covering non-Employee Directors.

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.26 of the Plan, except that in applying Code sections 1563(a)(1), (2) and (3) for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(b), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(c), "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in those sections.

The Committee specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.

2.39 Specified Date Account. Specified Date Account means an Account established by the Committee to record the amounts payable at a future date as specified in the Participant's Compensation Deferral Agreement. Unless otherwise determined by the Committee, a Participant may maintain no more than five Specified Date Accounts for deferrals of cash Compensation and an additional five Specified Date Accounts for deferrals of restricted stock units or other equity-based Compensation. A Specified Date Account may be identified in enrollment materials as an "In-Service Account" or such other name as established by the Committee without affecting the meaning thereof.

2.40 Specified Date Benefit. Specified Date Benefit means the benefit payable to a Participant under the Plan in accordance with Section 6.1(c).

2.41 Specified Employee. Specified Employee means an Employee who, as of the date of his or her Separation from Service, is a "key employee" of the Company or any Affiliate, any stock of which is actively traded on an established securities market or otherwise. An Employee is a key employee if he or she meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with applicable regulations thereunder and without regard to Code Section 416(i)(5)) at any time during the 12-month period ending on the Specified Employee Identification Date. Such Employee shall be treated as a key employee for the entire 12-month period beginning on the Specified Employee Effective Date.

For purposes of determining whether an Employee is a Specified Employee, the compensation of the Employee shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c)-2(d)(3) (wages within the meaning of Code section 3401(a) for purposes of income tax withholding at the source, plus amounts excludible from gross income under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b), without regard to rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed); provided, however, that, with respect to a nonresident alien who is not a Participant in the Plan, compensation shall not include compensation that is not includible in the gross income of the Employee under Code Sections 872, 893, 894, 911, 931 and 933, provided such compensation is not effectively connected with the conduct of a trade or business within the United States.

Notwithstanding anything in this paragraph to the contrary: (i) if a different definition of compensation has been designated by the Company with respect to another nonqualified deferred compensation plan in which a key employee participates, the definition of compensation shall be the definition provided in Treas. Reg. Section 1.409A-1(i)(2), and the Company may through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company, elect to use a different definition of compensation.

In the event of corporate transactions described in Treas. Reg. Section 1.409A-1(i)(6), the identification of Specified Employees shall be determined in accordance with the default rules described therein, unless the Employer elects to utilize the available alternative methodology through designations made within the timeframes specified therein.

2.42 Specified Employee Identification Date. Specified Employee Identification Date means December 31, unless the Employer has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.

2.43 Specified Employee Effective Date. Specified Employee Effective Date means the first day of the fourth month following the Specified Employee Identification Date, or such earlier date as is selected by the Committee.

2.44 Substantial Risk of Forfeiture. Substantial Risk of Forfeiture means the description specified in Treas. Reg. Section 1.409A-1(d).

2.45 Termination Benefit. Termination Benefit means the benefit payable to a Participant under the Plan following the Participant's Separation from Service prior to Retirement.

2.46 Unforeseeable Emergency. Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Committee.

2.47 Valuation Date. Valuation Date means each Business Day.

2.48 Year of Service. Year of Service means each 12-month period of continuous service with the Employer.

ARTICLE III
Eligibility and Participation

3.1 Eligibility and Participation. An Eligible Employee or a Director]becomes a Participant upon the earlier to occur of: (i) a credit of Company Contributions under Article V, or (ii) receipt of notification of eligibility to participate.

3.2 Duration. A Participant shall be eligible to defer Compensation and receive allocations of Company Contributions, subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee or a Director. A Participant who is no longer an Eligible Employee or a Director but has not Separated from Service may not defer Compensation under the Plan beyond the Plan Year in which he or she became ineligible but may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero (0), and during such time may continue to make allocation elections as provided in Section 8.4. An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he or she is entitled have been paid.

ARTICLE IV
Deferrals

4.1 Deferral Elections, Generally.

(a) A Participant may elect to defer Compensation by submitting a Compensation Deferral Agreement during the enrollment periods established by the Committee and in the manner specified by the Committee, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely filed with respect to a service period or component of Compensation shall be considered void and shall have no effect with respect to such service period or Compensation. The Committee may modify any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2.

(b) The Participant shall specify on his or her Compensation Deferral Agreement the amount of Deferrals and whether to allocate Deferrals to a Retirement/Termination Account or to a Specified Date Account. If no designation is made, Deferrals shall be allocated to the Retirement/Termination Account. A Participant may also specify in his or her Compensation Deferral Agreement the Payment Schedule applicable to his or her Plan Accounts. If the Payment Schedule is not specified in a Compensation Deferral Agreement, the Payment Schedule shall be the Payment Schedule specified in Section 6.2.

(c) Effective for the Plan Year beginning January 1, 2011, Participants may also elect to defer an additional amount of Compensation equal to any “corrective distribution” received during the Plan Year from the Company 401(k) plan because of ADP/ACP testing. Unless otherwise determined by the Committee, the additional Deferral amount shall be applied to base salary and added to base salary Deferrals (if any) remaining during the Plan Year as determined by the Committee without regard to any maximum permissible Deferral limit imposed by the Committee pursuant to Section 2.16 hereof and, if necessary, to the bonus Deferral, until the deferral obligation has been met. Deferrals of the “corrective distribution” will be allocated to the participant’s Retirement/Termination Account, regardless of allocations to other Accounts made with respect to other base salary Deferrals or bonus Deferrals.

4.2 Timing Requirements for Compensation Deferral Agreements.

(a) *First Year of Eligibility.* In the case of the first year in which an Eligible Employee or a Director becomes eligible to participate in the Plan, he or she has up to 30 days following his or her initial eligibility to submit a Compensation Deferral Agreement with respect to Compensation to be earned during such year. The Compensation Deferral Agreement described in this paragraph becomes irrevocable upon the end of such 30-day period. The determination of whether an

Eligible Employee or a Director may file a Compensation Deferral Agreement under this paragraph shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treas. Reg. Section 1.409A-2(a)(7).

A Compensation Deferral Agreement filed under this paragraph applies to Compensation earned on and after the date the Compensation Deferral Agreement becomes irrevocable.

(b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, Participants may defer Compensation by filing a Compensation Deferral Agreement no later than December 31 of the year prior to the year in which the Compensation to be deferred is earned. A Compensation Deferral Agreement described in this paragraph shall become irrevocable with respect to such Compensation as of January 1 of the year in which such Compensation is earned.

(c) *Performance-Based Compensation.* Participants may file a Compensation Deferral Agreement with respect to Performance-Based Compensation no later than the date that is six months before the end of the performance period, provided that:

(i) the Participant performs services continuously from the later of the beginning of the performance period or the date the criteria are established through the date the Compensation Deferral Agreement is submitted; and

(ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

A Compensation Deferral Agreement becomes irrevocable with respect to Performance-Based Compensation as of the day immediately following the latest date for filing such election. Any election to defer Performance-Based Compensation that is made in accordance with this paragraph and that becomes payable as a result of the Participant’s death or disability (as defined in Treas. Reg. Section 1.409A-1(e)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)) prior to the satisfaction of the performance criteria, will be void.

(d) *Sales Commissions.* Sales commissions (as defined in Treas. Reg. Section 1.409A-2(a)(12)(i)) are considered to be earned by the Participant in the taxable year of the Participant in which the customer remits payment to the Employer. The Compensation Deferral Agreement must be filed before the last day of the year preceding the year in which the sales commissions are earned, and becomes irrevocable after that date.

(e) *Fiscal Year Compensation.* A Participant may defer Fiscal Year Compensation by filing a Compensation Deferral Agreement prior to the first day of the fiscal year or years in which such Fiscal Year Compensation is earned. The Compensation Deferral Agreement described in this paragraph becomes irrevocable on the first day of the fiscal year or years to which it applies.

(f) *Short-Term Deferrals.* Compensation that meets the definition of a "short-term deferral" described in Treas. Reg. Section 1.409A-1(b)(4) may be deferred in accordance with the rules of Article VII, applied as if the date the Substantial Risk of Forfeiture lapses is the date payments were originally scheduled to commence, provided, however, that the provisions of Section 7.3 shall not apply to payments attributable to a Change in Control (as defined in Treas. Reg. Section 1.409A- 3(i)(5)).

(g) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least 12 months from the date the Participant obtains the legally binding right, an election to defer such Compensation may be made on or before the 30th day after the Participant obtainsthe legally binding right to the Compensation, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable after such 30th day. If the forfeiture condition applicable to the payment lapses before the end of the required service period as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-3(i)(4)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)), the Compensation Deferral Agreement will be void unless it would be considered timely under another rule described in this Section.

(h) *"Evergreen" Deferral Elections.* The Committee, in its discretion, may provide in the Compensation Deferral Agreement that such Compensation Deferral Agreement will continue in effect for each subsequent year or performance period. Such "evergreen" Compensation Deferral Agreements will become effective with respect to an item of Compensation on the date such election becomes irrevocable under this Section 4.2. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2.A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

4.3 Allocation of Deferrals. A Compensation Deferral Agreement may allocate Deferrals to one or more Specified Date Accounts and/or to the Retirement/Termination Account.

The Committee may, in its discretion, establish a minimum deferral period for the establishment of a Specified Date Account (for example, the third Plan Year following the year Compensation is first allocated to such accounts).

4.4 Deductions from Pay. The Committee has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's Compensation.

4.5 Vesting. Participant Deferrals shall be 100% vested at all times.

4.6 Cancellation of Deferrals. The Committee may cancel a Participant's Deferrals: (i) for the balance of the Plan Year in which an Unforeseeable Emergency occurs, (ii) if the Participant receives a hardship distribution under the Employer's qualified 401(k) plan, through the end of the Plan Year in which the six month anniversary of the hardship distribution falls, and (iii) during periods in which the Participant is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the 15th day of the third month following the date the Participant incurs the disability (as defined in this paragraph).

ARTICLE V
Company Contributions

5.1 Discretionary Company Contributions. The Participating Employer may, from time to time in its sole and absolute discretion, credit Company Contributions to any Participant in any amount determined by the Participating Employer. Such contributions will be credited to a Participant's Retirement/Termination Account.

5.2 Vesting. Company Contributions described in Section 5.1 above, and the Earnings thereon, shall vest in accordance with the vesting schedule(s) established by the Committee at the time that the Company Contribution is made. All Company Contributions shall become 100% vested upon the occurrence of the earliest of: (i) the death of the Participant while actively employed, (ii) the Disability of the Participant, (iii) Retirement of the Participant, or (iv) a Change in Control. The Participating Employer may, at any time, in its sole discretion, increase a Participant's vested interest in a Company Contribution. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.2 shall be forfeited.

ARTICLE VI
Benefits

6.1 Benefits, Generally. A Participant shall be entitled to the following benefits under the Plan:

(a) *Retirement Benefit.* Upon the Participant's Separation from Service due to Retirement, he or she shall be entitled to a Retirement Benefit. The Retirement Benefit shall be equal to the vested portion of all Retirement/Termination Accounts and (i) if the applicable (see Section 6.2(c)) Retirement/Termination Account is payable in a lump sum, the unpaid balances of any Specified Date Accounts, or (ii) if the applicable (see Section 6.2(c)) Retirement/Termination Account is payable in installments, the vested portion of any Specified Date Accounts with respect to which payments have not yet commenced. Except for Specified Employees, the Retirement Benefit shall be based on the value of that Account(s) as of the end of the month in which Separation from Service occurs or in the event of a delayed payment the end of the month prior to the month in which payment is made , and payment of the Retirement Benefit will be made or begin in the month following the month in which Separation from Service occurs. In the case of a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service, such Participant's Retirement Benefit shall be based on the value of that Account(s) as of the end of the sixth month following the month in which such Participant's Separation from Service occurs, or in the event of a delayed payment the end of the month prior to the month in which payment is made and payment will be made or begin in the seventh month following the month in which such Separation from Service occurs. If the Retirement Benefit is to be paid in the form of installments, any subsequent installment payments to a Specified Employee will be paid on the anniversary of the date the initial the first payment would have been made had the Participant not been classified as a Specified Employee.

(b) *Termination Benefit.* Upon the Participant's Separation from Service for reasons other than death, Disability or Retirement, he or she shall be entitled to a Termination Benefit. The Termination Benefit shall be equal to the vested portion of all Retirement/Termination Accounts and the unpaid balances of any Specified Date Accounts. Except for Specified Employees, the Termination Benefit shall be based on the value of that Account(s) as of the end of the month in which Separation from Service occurs or in the event of a delayed payment the end of the month prior to the month in which payment is made, and payment of the Termination Benefit will be made or begin in the month following the month in which Separation from Service occurs. In the case of a Participant who is aSpecified Employee as of the date such Participant incurs a Separation from Service, the Termination Benefit shall be based on the value of that Account(s) as of the end of the sixth month following the month in which Separation from

Service occurs or in the event of delayed payment the end of the month prior to the month in which payment is made , and payment will be made or begin in the seventh month following the month in which such Separation from Service occurs.

(c) *Specified Date Benefit.* If the Participant has established one or more Specified Date Accounts, he or she shall be entitled to a Specified Date Benefit with respect to each such Specified Date Account. Except as provided in Section 6.1 (a) and (b), and Section 6.2 (c), the Specified Date Benefit shall be equal to the vested portion of the Specified Date Account based on the value of that Account as of the end of the month designated by the Participant at the time the Account was established and payment of the Specified Date Benefit will be made or begin in the month following the designated month.

(d) *Disability Benefit.* Upon a determination by the Committee that a Participant is Disabled, he or she shall be entitled to a Disability Benefit. The Disability Benefit shall be equal to the vested portion of the Retirement/Termination Account and the unpaid balances of any Specified Date Accounts. The Disability Benefit shall be based on the value of the Accounts as of the last day of the month in which Disability occurs and will be paid in the following month.

(e) *Death Benefit.* In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit. The Death Benefit shall be equal to the vested portion of the Retirement/Termination Account and the unpaid balances of any Specified Date Accounts. The Death Benefit shall be based on the value of the Accounts as of the end of the month in which death occurred, with payment made in the following month.

(f) *Unforeseeable Emergency Payments.* A Participant who experiences an Unforeseeable Emergency may submit a written request to the Committee to receive payment of all or any portion of his or her vested Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Deferrals under this Plan. If an emergency payment is approved by the Committee, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the vested portion of the Participant's Retirement/Termination Account until depleted and then from the vested Specified Date Accounts, beginning with the Specified Date Account with the latest payment commencement date. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Committee.

6.2 Form of Payment.

(a) *Retirement Benefit.* A Participant who is entitled to receive a Retirement Benefit shall receive payment of such benefit in a single lump sum, unless the Participant elects on his or her applicable Compensation Deferral Agreement or in accordance with Section 7.6 to have such benefit paid in one of the following alternative forms of payment: (i) substantially equal annual installments over a period of two (2) to fifteen (15) years, as elected by the Participant, or (ii) a lump sum payment of a percentage of the balance in the Retirement/Termination Account, with the balance paid in substantially equal annual installments over a period of two (2) to fifteen (15) years, as elected by the Participant.

(b) *Termination Benefit.* A Participant who is entitled to receive a Termination Benefit shall receive payment of such benefit in a single lump sum.

(c) *Specified Date Benefit.* The Specified Date Benefit shall be paid in a single lump sum unless the Participant elects, as part of the initial Deferral election that creates a new Specified Date Account, to have the Specified Date Account paid in substantially equal annual installments over a period of two (2) to five (5) years, as elected by the Participant.

Notwithstanding any election of a form of payment by the Participant and except as provided in Section 6.1(a) and (b), upon an intervening Separation from Service which occurs prior to the Specified Date Account payment date the unpaid balance of a Specified Date Account with respect to which payments have not commenced shall be paid in accordance with the form of payment applicable to the Retirement, Termination, Disability or Death Benefit, as applicable. If such benefit is payable in a single lump sum, the unpaid balance of all Specified Date Accounts (including those in pay status) will be paid in a lump sum.

In the event a Participant has more than one Retirement/Termination Account, for purposes of Section 6.1(a) and (b) the “applicable” Retirement/Termination Account shall be the most recently established Retirement/Termination Account as of date the Deferral elections allocating Deferrals to a newly established Specified Date Account become irrerevocable.

(d) *Disability Benefit.* A Participant who is entitled to receive a Disability Benefit shall receive payment of such benefit in a single lump sum.

(e) *Death Benefit.* A designated Beneficiary who is entitled to receive a Death Benefit shall receive payment of such benefit in a single lump sum.

(f) *Change in Control.* A Participant will receive his or her Retirement or Termination Benefit in a single lump sum payment equal to the unpaid balance of all of his or her Accounts if Separation from Service occurs within 24 months following a Change in Control. A Participant or Beneficiary receiving installment payments when a Change in Control occurs will receive the remaining account balance in a single lump sum within 90 days following the Change in Control.

(g) *Small Account Balances.* The Committee shall pay the value of the Participant's Accounts upon a Separation from Service in a single lump sum if the balance of such Accounts is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the Plan.

(h) *Rules Applicable to Installment Payments.* If a Payment Schedule specifies installment payments, annual payments will be made beginning as of the payment commencement date for such installments and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. The amount of each installment payment shall be determined by dividing (a) by (b), (a) equals where the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments.

For purposes of Article VII, installment payments will be treated as a single form of payment. If a lump sum equal to less than 100% of the Retirement/Termination Account is paid, the payment commencement date for the installment form of payment will be the first anniversary of the payment of the lump sum.

6.3 Acceleration of or Delay in Payments. The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A- 3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7). If the Plan receives a domestic relations order (within the meaning of Code Section 414(p)(1)(B)) directing that all or a portion of a Participant's Accounts be paid to an "alternate payee," any amounts to be paid to the alternate payee(s) shall be paid in a single lump sum.

ARTICLE VII
Modifications to Payment Schedules

7.1 Participant's Right to Modify. A Participant may modify any or all of the alternative Payment Schedules with respect to an Account, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Article VII.

7.2 Time of Election. The date on which a modification election is submitted to the Committee must be at least 12 months prior to the date on which payment is scheduled to commence under the Payment Schedule in effect prior to the modification.

7.3 Date of Payment under Modified Payment Schedule. Except with respect to modifications that relate to the payment of a Death Benefit or a Disability Benefit, the date payments are to commence under the modified Payment Schedule must be no earlier than five years after the date payment would have commenced under the original Payment Schedule. Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.

7.4 Effective Date. A modification election submitted in accordance with this Article VII is irrevocable upon receipt by the Committee and becomes effective 12 months after such date.

7.5 Effect on Accounts. An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules of any other Accounts.

7.6 Modifications authorized Under Notice 2007-86 ("Transition Relief"). Notwithstanding any provision of this Plan to the contrary, during calendar year 2007 or 2008 a Participant may modify a Payment Schedule of any Account without regard to the requirements of Section 7.2, 7.3, and 7.4; provided, however, that any modification election purporting to modify an Account with a Payment Schedule commencing during the same year as the year in which the modification election is made or which would cause the commencement date of the Payment Schedule for an Account to be accelerated into the same year as the year in which the modification election is made shall be null and void to the extent such election is inconsistent with the requirements of Code Section 409A. The Committee may prescribe the manner and time pursuant to which modifications under this Section 7.6 may be made; provided, however, that in no event may a modification made pursuant to this Section 7.6 be made after December 31, 2008.

ARTICLE VIII
Valuation of Account Balances; Investments

8.1 Valuation. Deferrals shall be credited to appropriate Accounts on the date such Compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Company Contributions shall be credited to the Retirement/Termination Account at the times determined by the Committee. Valuation of Accounts shall be performed under procedures approved by the Committee.

8.2 Adjustment for Earnings. Each Account will be adjusted to reflect Earnings on each Business Day. Adjustments shall reflect the net earnings, gains, losses, expenses, appreciation and depreciation associated with an investment option for each portion of the Account allocated to such option ("investment allocation").

8.3 Investment Options. Investment options will be determined by the Committee. The Committee, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.

8.4 Investment Allocations. A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account Balances.

A Participant shall specify an investment allocation for each of his or her Accounts in accordance with procedures established by the Committee. Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day.

A Participant may change an investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Committee. Changes shall become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day, and shall be applied prospectively.

8.5 Unallocated Deferrals and Accounts. If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Committee.

8.6 Company Stock. The Committee may include Company Stock as one of the investment options described in Section 8.3. The Committee may, in its sole discretion, limit the investment allocation of Company Contributions to Company Stock. The Committee may also require Deferrals consisting of equity-based Compensation to be allocated to Company Stock, either during the vesting period or thereafter.

8.7 Diversification. A Participant may not re-allocate an investment in Company Stock into another investment option. The portion of an Account that is invested in Company Stock will be paid under Article VI in the form of whole shares of Company Stock.

8.8 Effect on Installment Payments. If an Account is to be paid in installments, the Committee will determine the portion of each payment that will be paid in the form of Company Stock.

8.9 Dividend Equivalents. Dividend equivalents with respect to Company Stock will be credited to the applicable Accounts in the form of additional shares or units of Company Stock.

ARTICLE IX
Administration

9.1 Plan Administration. This Plan shall be administered by the Committee which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Committee and resolved in accordance with the claims procedures in Article XII.

9.2 Administration Upon Change in Control. Upon a Change in Control, the Committee, as constituted immediately prior to such Change in Control, shall continue to act as the Committee. The individual who was the Chief Executive Officer of the Company (or if such person is unable or unwilling to act, the next highest ranking officer) prior to the Change in Control shall have the authority (but shall not be obligated) to appoint an independent third party to act as the Committee.

Upon such Change in Control, the Company may not remove the Committee, unless 2/3rds of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances consent to the removal and replacement of the Committee. Notwithstanding the foregoing, neither the Committee nor the officer described above shall have authority to direct investment of trust assets under any rabbi trust described in Section 11.2.

The Participating Employer shall, with respect to the Committee identified under this Section: (i) pay all reasonable expenses and fees of the Committee, (ii) indemnify the Committee (including individuals serving as Committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Committee's duties hereunder, except with respect to matters resulting from the Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Committee may reasonably require.

9.3 Withholding. The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any taxes required by law to be withheld in respect of such payment (or credit). Withholdings with respect to amounts credited to the Plan shall be deducted from Compensation that has not been deferred to the Plan.

9.4 Indemnification. The Participating Employers shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration of the Plan, including, without limitation, the Committee and its agents, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or her or it (including but not limited to reasonable attorneys' fees) which arise as a result of his or her or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person or organization if his or her or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.

9.5 Delegation of Authority. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who shall be legal counsel to the Company.

9.6 Binding Decisions or Actions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE X
Amendment and Termination

10.1 Amendment and Termination. The Company may at any time and from time to time amend the Plan or may terminate the Plan as provided in this Article X. Each Participating Employer may also terminate its participation in the Plan.

10.2 Amendments. The Company, by action taken by its Board of Directors, may amend the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a voluntary Separation from Service on such date) or reduce any rights of a Participant under the Plan or other Plan features with respect to Deferrals made prior to the date of any such amendment or restatement without the consent of the Participant. The Board of Directors of the Company may delegate to the Committee the authority to amend the Plan without the consent of the Board of Directors for the purpose of: (i) conforming the Plan to the requirements of law; (ii) facilitating the administration of the Plan; (iii) clarifying provisions based on the Committee's interpretation of the document; and (iv) making such other amendments as the Board of Directors may authorize.

10.3 Termination. The Company, by action taken by its Board of Directors, may terminate the Plan and pay Participants and Beneficiaries their Account Balances in a single lump sum at any time, to the extent and in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix). If a Participating Employer terminates its participation in the Plan, the benefits of affected Employees shall be paid at the time provided in Article VI.

10.4 Accounts Taxable Under Code Section 409A. The Plan is intended to constitute a plan of deferred compensation that meets the requirements for deferral of income taxation under Code Section 409A. The Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result in a violation of Code Section 409A.

ARTICLE XI
Informal Funding

11.1 General Assets. Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article XI. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.

11.2 Rabbi Trust. A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

If a rabbi trust is in existence upon the occurrence of a "change in control", as defined in such trust, the Participating Employer shall, upon such change in control, and on each anniversary of the change in control, contribute in cash or liquid securities such amounts as are necessary so that the value of assets after making the contributions equal or exceed the total value of all Account Balances multiplied by 125%.

ARTICLE XII
Claims

12.1 Filing a Claim. Any controversy or claim arising out of or relating to the Plan shall be filed in writing with the Committee which shall make all determinations concerning such claim. Any claim filed with the Committee and any decision by the Committee denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim (the "Claimant").

(a) *In General.* Notice of a denial of benefits (other than Disability benefits) will be provided within 90 days of the Committee's receipt of the Claimant's claim for benefits. If the Committee determines that it needs additional time to review the claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Committee expects to make a decision.

(b) *Disability Benefits.* Notice of denial of Disability benefits will be provided within forty-five (45) days of the Committee's receipt of the Claimant's claim for Disability benefits. If the Committee determines that it needs additional time to review the Disability claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial 45-day period. If the Committee determines that a decision cannot be made within the first extension period due to matters beyond the control of the Committee, the time period for making a determination may be further extended for an additional 30 days. If such an additional extension is necessary, the Committee shall notify the Claimant prior to the expiration of the initial 30-day extension. Any notice of extension shall indicate the circumstances necessitating the extension of time, the date by which the Committee expects to furnish a notice of decision, the specific standards on which such entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and any additional information needed to resolve those issues. A Claimant will be provided a minimum of 45 days to submit any necessary additional information to the Committee. In the event that a 30-day extension is necessary due to a Claimant's failure to submit information necessary to decide a claim, the period for furnishing a notice of decision shall be tolled from the date on which the notice of the extension is sent to the Claimant until the earlier of the date the Claimant responds to the request for additional information or the response deadline.

(c) *Contents of Notice.* If a claim for benefits is completely or partially denied, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language. The notice shall: (i) cite the pertinent provisions of the Plan document, and (ii) explain, where appropriate, how the Claimant can perfect the claim, including a description of any additional material or information necessary to complete the claim and why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review. In the case of a complete or partial denial of a Disability benefit claim, the notice shall provide a statement that the Committee will provide to the Claimant, upon request and free of charge, a copy of any internal rule, guideline, protocol, or other similar criterion that was relied upon in making the decision.

12.2 Appeal of Denied Claims. A Claimant whose claim has been completely or partially denied shall be entitled to appeal the claim denial by filing a written appeal with a committee designated to hear such appeals (the "Appeals Committee"). A Claimant who timely requests a review of the denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Appeals Committee. All written comments, documents, records, and other information shall be considered "relevant" if the information: (i) was relied upon in making a benefits determination, (ii) was submitted, considered or generated in the course of making a benefits decision regardless of whether it was relied upon to make the decision, or (iii) demonstrates compliance with administrative processes and safeguards established for making benefit decisions. The Appeals Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal.

(a) *In General.* Appeal of a denied benefits claim (other than a Disability benefits claim) must be filed in writing with the Appeals Committee no later than 60 days after receipt of the written notification of such claim denial. The Appeals Committee shall make its decision regarding the merits of the denied claim within 60 days following receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. The review will take into account comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.

(b) *Disability Benefits.* Appeal of a denied Disability benefits claim must be filed in writing with the Appeals Committee no later than 180 days after receipt of the written notification of such claim denial. The review shall be conducted by the Appeals Committee (exclusive of the person who made the initial adverse decision or such person's subordinate). In reviewing the appeal, the Appeals Committee shall: (i) not afford deference to the initial denial of the claim, (ii) consult a medical professional who has appropriate training and experience in the field of medicine relating to the Claimant's disability and who was neither consulted as part of the initial denial nor is the subordinate of such individual, and(iii) identify the medical or vocational experts whose advice was obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decision. The Appeals Committee shall make its decision regarding the merits of the denied claim within 45 days following receipt of the appeal (or within 90 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. Following its review of any additional information submitted by the Claimant, the Appeals Committee shall render a decision on its review of the denied claim.

(c) *Contents of Notice.* If a benefits claim is completely or partially denied on review, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language.

The decision on review shall set forth: (i) the specific reason or reasons for the denial, (ii) specific references to the pertinent Plan provisions on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant (as defined above) to the Claimant's claim, and (iv) a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

(d) For the denial of a Disability benefit, the notice will also include a statement that the Appeals Committee will provide, upon request and free of charge: (i) any internal rule, guideline, protocol or other similar criterion relied upon in making the decision, (ii) any medical opinion relied upon to make the decision, and (iii) the required statement under Section 2560.503-1(j)(5)(iii) of the Department of Labor regulations.

12.3 Claims Appeals Upon Change in Control. Upon a Change in Control, the Appeals Committee, as constituted immediately prior to such Change in Control, shall continue to act as the Appeals Committee. Upon such Change in Control, the Company may not remove any member of the Appeals Committee, but may replace resigning members if 2/3rds of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances consent to the replacement.

The Appeals Committee shall have the exclusive authority at the appeals stage to interpret the terms of the Plan and resolve appeals under the Claims Procedure.

Each Participating Employer shall, with respect to the Committee identified under this Section: (i) pay its proportionate share of all reasonable expenses and fees of the Appeals Committee, (ii) indemnify the Appeals Committee (including individual committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Appeals Committee hereunder, except with respect to matters resulting from the Appeals Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Appeals Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Appeals Committee may reasonably require.

12.4 Legal Action. A Claimant may not bring any legal action, including commencement of any arbitration, relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures. Any such legal action must be commenced within one year of a final determination hereunder with respect to such claim.

If a Participant or Beneficiary prevails in a legal proceeding brought under the Plan to enforce the rights of such Participant or any other similarly situated Participant or Beneficiary, in whole or in part, the Participating Employer shall reimburse such Participant or Beneficiary for all legal costs, expenses, attorneys' fees and such other liabilities incurred as a result of such proceedings. If the legal proceeding is brought in connection with a Change in Control, or a "change in control" as defined in a rabbi trust described in Section 11.2, the Participant or Beneficiary may file a claim directly with the trustee for reimbursement of such costs, expenses and fees. For purposes of the preceding sentence, the amount of the claim shall be treated as if it were an addition to the Participant's or Beneficiary's Account Balance and will be included in determining the Participating Employer's trust funding obligation under Section 11.2.

12.5 Discretion of Appeals Committee. All interpretations, determinations and decisions of the Appeals Committee with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

12.6 Arbitration.

(a) *Prior to Change in Control.* If, prior to a Change in Control, any claim or controversy between a Participating Employer and a Participant or Beneficiary is not resolved through the claims procedure set forth in Article XII, such claim shall be submitted to and resolved exclusively by expedited binding arbitration by a single arbitrator. Arbitration shall be conducted in accordance with the following procedures:

The complaining party shall promptly send written notice to the other party identifying the matter in dispute and the proposed remedy. Following the giving of such notice, the parties shall meet and attempt in good faith to resolve the matter. In the event the parties are unable to resolve the matter within 21 days, the parties shall meet and attempt in good faith to select a single arbitrator acceptable to both parties. If a single arbitrator is not selected by mutual consent within ten Business Days following the giving of the written notice of dispute, an arbitrator shall be selected from a list of nine persons each of whom shall be an attorney who is either engaged in the active practice of law or recognized arbitrator and who, in either event, is experienced in serving as an arbitrator in disputes between employers and employees, which list shall be provided by the main office of either JAMS, the American Arbitration Association ("AAA") or the Federal Mediation and Conciliation Service. If, within three Business Days of the parties' receipt of such list, the parties are unable to agree on an arbitrator from the list, then the parties shall each strike names alternatively from the list, with the first to strike being determined by the flip of a coin. After each party has had four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

Unless the parties agree otherwise, within 60 days of the selection of the arbitrator, a hearing shall be conducted before such arbitrator at a time and a place agreed upon by the parties. In the event the parties are unable to agree upon the time or place of the arbitration, the time and place shall be designated by the arbitrator after consultation with the parties. Within 30 days of the conclusion of the arbitration hearing, the arbitrator shall issue an award, accompanied by a written decision explaining the basis for the arbitrator's award.

In any arbitration hereunder, the Participating Employer shall pay all administrative fees of the arbitration and all fees of the arbitrator, except that the Participant or Beneficiary may, if he/she/it wishes, pay up to one-half of those amounts. Each party shall pay its own attorneys' fees, costs, and expenses, unless the arbitrator orders otherwise. The prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees. The arbitrator shall have no authority to add to or to modify this Plan, shall apply all applicable law, and shall have no lesser and no greater remedial authority than would a court of law resolving the same claim or controversy. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that it would be entitled to summary judgment if the matter had been pursued in court litigation.

The parties shall be entitled to discovery as follows: Each party may take no more than three depositions. The Participating Employer may depose the Participant or Beneficiary plus two other witnesses, and the Participant or Beneficiary may depose the Participating Employer, pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, plus two other witnesses. Each party may make such reasonable document discovery requests as are allowed in the discretion of the arbitrator.

The decision of the arbitrator shall be final, binding, and non-appealable, and may be enforced as a final judgment in any court of competent jurisdiction.

This arbitration provision of the Plan shall extend to claims against any parent, subsidiary, or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, Participant, Beneficiary, or agent of any party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law or under this Plan.

Notwithstanding the foregoing, and unless otherwise agreed between the parties, either party may apply to a court for provisional relief, including a temporary restraining order or preliminary injunction, on the ground that the arbitration award to which the applicant may be entitled may be rendered ineffectual without provisional relief.

Any arbitration hereunder shall be conducted in accordance with the Federal Arbitration Act: provided, however, that, in the event of any inconsistency between the rules and procedures of the Act and the terms of this Plan, the terms of this Plan shall prevail.

If any of the provisions of this Section 12.6(a) are determined to be unlawful or otherwise unenforceable, in the whole part, such determination shall not affect the validity of the remainder of this section and this section shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the provisions of this Section 12.6(a) are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact and treated as determinative to the maximum extent permitted by law.

The parties do not agree to arbitrate any putative class action or any other representative action. The parties agree to arbitrate only the claims(s) of a single Participant or Beneficiary.

(b) *Upon Change in Control.* If, upon the occurrence of a Change in Control, any dispute, controversy or claim arises between a Participant or Beneficiary and the Participating Employer out of or relating to or concerning the provisions of the Plan, such dispute, controversy or claim shall be finally settled by a court of competent jurisdiction which, notwithstanding any other provision of the Plan, shall apply a de novo standard of review to any determination made by the Company or its Board of Directors, a Participating Employer, the Committee, or the Appeals Committee.

ARTICLE XIII
General Provisions

13.1 Assignment. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary. Notwithstanding anything to the contrary herein, however, the Committee has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).

The Company may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting a Participating Employer without the consent of the Participant.

13.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.

13.3 No Employment Contract. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and a Participating Employer.

13.4 Notice. Any notice or filing required or permitted to be delivered to the Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

DIODES INCORPORATED
ATTN: CHIEF FINANCIAL OFFICER
15660 DALLAS PARKWAY
SUITE 850
DALLAS, TX 75248

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

13.5 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

13.6 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

13.7 Lost Participants or Beneficiaries. Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Committee advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Committee shall presume that the payee is missing. The Committee, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.

13.8 Facility of Payment to a Minor. If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Committee may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his or her residence, or (ii) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Committee, the Company, and the Plan from further liability on account thereof.

13.9 Governing Law. To the extent not preempted by ERISA, the laws of the State of California shall govern the construction and administration of the Plan.

IN WITNESS WHEREOF, the undersigned executed this Plan as of the __ day of ------, 2010, to be effective as of the Effective Date.

DIODES INCORPORATED

By: Richard D. White (Print Name)

Its CFO (Title)

/s/ Richard D. White (Signature)

Exhibit 10.10

Specimen Document For Use By Counsel

First Amendment
To the
Diodes Incorporated
Second Amended and Restated
Deferred Compensation Plan

This First Amendment to the Diodes Incorporated Second Amended and Restated Deferred Compensation Plan is effective this I” day of June, 2013, by the Plan Administrator as delegated by the Board of Directors of Diodes Incorporated (the “Company”).

WITNESSETH:

WHEREAS, the Company maintains the Diodes Incorporated Second Amended and Restated Deferred Compensation Plan, last amended and restated effective January 1, 2009 (the “Plan”); and

WHEREAS, Article X of the Plan permits the Company, acting through its Plan Administrator by delegation of the Board of Directors, to make such amendments necessary to clarity provisions based on the Plan Administrator's interpretation of the document and administration of the Plan; and

WHEREAS, the Plan Administrator desires that Restricted Stock Unit deferrals be initially credited into the Plan Accounts as units of stock, rather than in equivalent dollar amounts; and

WHEREAS, the Plan Administrator also desires that a participant may elect to diversifY his or her Account to which Restricted Stock Unit deferrals are credited into other notional investment options provided on the investment menu determined by the Company;

NOW, THEREFORE:

The plan is hereby amended with respect to Article VII, Section 7.2(d) as follows:
Sub-section (1) under 7.2(d) is hereby deleted. Sub-sections (2) and (3) are hereby re-numbered as Sub-sections (1) and (2).

IN WITNESS WHEREOF:

The Company, acting through its authorized member of the Plan Administration Committee, hereby executes this First Amendment to the Plan on this day of 2013, to be effective as of the effective date first above written.

SIGNATURES ON NEXT PAGE

DIODES INCORPORATED hereby executes the First Amendment to the Plan.

BY: (Print Name) Richard D. White

ITS: (Title) CFO

SIGNATURE: Richard D White

Date: 7/23/2013

Exhibit 10.78

Diodes Zetex Pension Scheme
Recovery Plan

Status

This recovery plan has been prepared by the Trustees of the Diodes Zetex Pension Scheme ("the Scheme") on 22 February 2017 after obtaining the advice of the Scheme Actuary appointed by the Trustees.

Steps to be taken to ensure that the statutory funding objective is met

The actuarial valuation of the Scheme as at 5 April 2016 revealed a funding shortfall (technical provisions minus value of assets) of £30,693,000. To eliminate this funding shortfall, the Trustees, Diodes Zetex Limited and Diodes Zetex Semiconductors Limited ("the Employers") have agreed that additional contributions will be paid to the Scheme by the Employers (together) from 5 April 2016 as follows:

- £1,860,000 p.a. to be paid by 31 December each year from 1 January 2017 to 31 December 2029.

In addition to these amounts, the Employers have paid £1,360,000 in the year to 31 December 2016 and also agreed to pay the following amounts, although they have not been included in the Recovery Plan calculation.

- £200,000 p.a. in respect of expenses to be paid towards the Scheme on or before 31 March each year until 31 December 2029, or such other amount as agreed between the Trustees and the Employers.

- The Employers will meet the PPF levy in addition.

Period in which the statutory funding objective should be met

The funding shortfall is expected to be eliminated in 13 years from 1 January 2017, which is by 31 December 2029.

This expectation is based on the following assumptions:

- Technical provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 22 February 2017;

- the return on existing assets and the return on new contributions during the period being 1% p.a. above that assumed in the calculation of the technical provisions as at 5 April2016 .

This statement has been agreed by the Trustees and Employers

22-2-17

Signed on b9Aalf of the Trustees of the Diodes Zetex Pension Scheme Date

22-02-17.

Signed on behalf of Diodes Zetex Limited and Diodes Zetex Semiconductors Limited Date

Diodes Zetex Pension Scheme
Schedule of Contributions

Status

This Schedule of Contributions has been prepared by the Trustees of the Diodes Zetex Pension Scheme ("the Scheme"), after obtaining the advice of the Scheme Actuary appointed by the Trustees .

Contributions to be paid by the Employers from 1 January 2017 to 31 December 2029

1. Defined Benefits Section

By active members :	Nil
In respect of the shortfall in funding as set out in the Recovery Plan dated 22 February 2017:	£1 ,860,000 p.a. to be paid towards the Scheme on or before 31 December each year from 1 January 2017 until 31 December 2029.
In respect of expenses:	£200,000 p.a. to be paid towards the Scheme on or before 31 March each year until 31 December 2029, or such other amount as agreed between the Trustees and the Employers.

The Employers may pay contributions in addition to the amounts shown above at any time. Any contributions paid at a rate higher than that required can be offset against later payments due at the request of the Employers.

2. Defined Contribution Section

By active members:	3%, 5% or 7% of basic salary as elected, or such higher amounts as agreed by the Trustees and Employers which are required for auto-enrolment purposes
By the Employers:	Matching contributions of 3%, 5% or 7% of the member's basic salary, or such higher amounts as agreed by the Trustees and Employers which are required for auto-enrolment purposes
Due date :	Not later than the 19th day of each month in respect of the contributions due for the preceding month.

Additional Voluntary Contributions

Members may elect to pay AVCs into either section of the Scheme. AVCs will not be matched by additional employer contributions. AVCs are due to be paid to the Scheme not later than the 19th day of each month in respect of the contributions due for the preceding month.

Salary sacrifice arrangement

Members of the Defined Contribution section of the Scheme may elect to participate in a "salary sacrifice" arrangement. In this case, the member's contributions are paid by the Employers rather than being deducted from the member's pay. The total contribution received by the Scheme is unchanged.

Expenses and Life Assurance Premiums

The Employers will meet the cost of the Pension Protection Fund (PPF) Levy. Investment management expenses in respect of the Defined Contribution Section will be met from the Scheme's Defined Contribution Section funds.

Other expenses of running the Scheme and life assurance premiums will be met from the Scheme's Defined Benefit funds, although the Trustees and Employers may agree for the Employers to meet some or all of the expenses directly.

In addition, the Employers will also separately meet expenses incurred by the Trustees which are associated with liability reduction exercises.

This schedule has been agreed by the Trustees and the Employers

22-2-17

Signed on behalf of the Trustees of the Diodes Zetex Pension Scheme Date

22-2-17

Signed on behalf of Diodes Zetex Limited and Diodes Zetex Semiconductors Limited Date

Exhibit 10.80

FRAMEWORK AGREEMENT

GNLG

DATED 16 JANUARY 201V

BETWEEN

DIODES ZETEX LIMITED
AND
DIODES ZETEX SEMICONDUCTORS LIMITED
AND
DIODES INCORPORATED

and

HR TRUSTEES LIMITED AND OTHERS

relating to the

DIODES ZETEX PENSION SCHEME

We hereby certify that this is a true copy of the original document, which was executed in identical counterparts, and of each of the signature pages.

Gowling WLG (UK) LLP
Gowling WLG (UK) LLP

Dated 2 FEBUARY 2017

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of the

THIS DEED is dated \ e 2017
BETWEEN:

(1) IAN J E SMITH of 27 Selsey Avenue, sale, Cheshire M33 4RN, JAMES BROOKS of 41 Springside Road, Waimersley, Bury BL9 5JB and HR TRUSTEES LIMITED (No. 745598) whose registered office is at Phoenix House, Station Hill, Reading RGI INB as trustees of the Diodes Zetex Pension Scheme (the Trustees);

(2) DIODES INCORPORATED of 4949 Hedgcoxe Roads Suite 200, Plano, Texas 75024 USA (Diodes Incorporated);

(3) DIODES ZETEX LIMITED of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 01378777) (Diodes Zetex Limited); and

(4) DIODES ZETEX SEMICONDUCTORS LIMITED of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 02387949) (Diodes Zetex Semiconductors Limited).

collectively, the Parties.

BACKGROUND

A The Trustees are the trustees of the Scheme,

(B) On 26 March 2012 the Parties entered into a framework agreement setting out a minimum net asset holding in aggregate for Diodes Zetex Limited and Diodes Zetex Semiconductors Limited, which was subsequently updated to provide for a new minimum amount of net assets to be held by the Companies of £48,000,000.00. This updated framework agreement was dated 31 March 2014, which was subsequently replaced by a framework agreement dated 10 March 2015 (the "Current Framework Agreement").

(C) Diodes Zetex Semiconductors Limited, Diodes Zetex Limited and Diodes Incorporated wish to put in place a new framework agreement, as set out by this Deed.

1. DEFINITIONS

THIS DEED WITNESSES as follows:

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

Companies means Diodes Zetex Semiconductors Limited and Diodes Zetex Limited.

Current Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2016.

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

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

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

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

New Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2019.

Scheme means the Diodes Zetex Pension Scheme which is governed by a Definitive Trust Deed and Rules dated 7 January 2009 (as amended),

2. MINIMUM LEVEL OF NET ASSETS

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

(a) the final payment has been made under the Current Schedule of Contributions; or

(b) the date on which a new schedule of contributions has been prepared and agreed in accordance with Part 3 of the Pensions Act 2004 relating to the New Actuarial Valuation.

3. ASSESSMENT OF THE NET ASSETS

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

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

(a) within 14 Business Days of the Date of the Assessment, each Company's latest internal monthly management accounts;

(b) as soon as reasonably practicable after their preparation, the latest quarterly management accounts for each Company, which shall have been reviewed (but not fully audited) by each Company's auditor; and

(c) as soon as reasonably practicable after their preparation, the latest annual management accounts which shall have been audited by each Company's auditor.

3.3 The internal management accounts described in sub-clauses 3.2 (a) to (c) shall be sent and deemed delivered via e-mail to the Trustees.

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

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

4. GRACE PERIOD AND UNDERTAKING TO PAY

4.1 If an assessment of the Net Assets under clause 3 shows that the Net Assets are less than the Minimum Level of Assets, Diodes Incorporated shall have the following grace period in which to ensure that the Net Assets are brought above the Minimum Level of Assets:

(a) in the case of the internal monthly management accounts described in sub-clause 3.2(a), 45 days (or such longer time as the Trustees may without obligation, agree) from the Date of the Assessment; and

(b) in the case of the quarterly and annual accounts delivered under sub-clauses 3.2(b) and (c), 45 days from the date the accounts are delivered (or such longer time as the Trustees may without obligation, agree).

4.2 After the expiry of the 45 days set out in clause 4.1, if the Net Assets are below the Minimum Level of Assets, Diodes Zetex Limited shall within 10 days of demand by the Trustees pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Current Schedule of Contributions.

5. LIMITATION OF LIABILITY

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

6. MISCELLANEOUS

6.1 This Deed and the documents referred to in it contain the whole agreement between the Parties relating to the transactions contemplated by this Deed and supersede all previous Deeds between the Parties relating to these transactions,

6.2 This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Deed, and any Party (including any duly authorised representative of a Party) may enter into this Deed by executing a counterpart.

6.3 A person who is not a Party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

6.4 This Deed is governed by English law.

6.5 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and the parties submit to the exclusive jurisdiction of the English courts.

AS EVIDENCE of their acceptance of the terms of this Deed, the parties have executed and delivered it as a deed,

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

Director)

Witness signature

Witness name Tony K.T. CHUANG

Witness address 4949 Hedgcoxe Rd. Suite 200, Plano, TX 75024

EXECUTED as a deed by DIODES ZETEX LIMITED acting by
Director

Witness signature

Witness name Tony K.T. CHUANG

Witness address 4949 Hedgcoxe Rd, Suite 200, Plano, TX 7502

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

Witness signature

Witness name Tony K.T. CHUANG

Witness address 4949 Hedgcoxe Rd, Suite 200, Plano, TX 7502

Trustees

IAN J E SMITH

as trustee of the Diodes Zetex Pension Scheme acting by

Witness signature
Witness name
Witness address

JAMES BROOKS as trustee of the Diodes Zetex Pension Scheme acting by

Witness signature
Witness name
Witness address

HR TRUSTEES LIMITED as trustee of the Diodes Zetex Pension Scheme

Director:

Witness signature
Witness name
Witness address

C021160094.1

FRAMEWORK AGREEMENT

GNLG
DATED : 6 JANUARY 2017

BETWEEN

DIODES ZETEX LIMITED
AND
DIODES Z,ETEX SEMICONDUCTORS LIMITED
AND
DIODES INCORPORATED

and

HR TRUSTEES LIMITED AND OTHERS

relating to the

DIODES ZETEX PENSION SCHEME

We hereby certify that this is a true copy of original document, which was executed in identical counterparts, and of each of the signature pages.

Gowling WLG (UK) LLP
Gowling WLG (UK) LLP

Dated 2 FEBRUARY 2017

original
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THIS DEED is dated I b JANUARY 2017

BETWEEN:

(1) IAN J E SMITH of 27 Selsey Avenue, sale, Cheshire M33 4RN, JAMES BROOKS of 41 Springside Road, Waimersley, Bun, BL9 5JB and HR TRUSTEES LIMITED (No, 745598) whose registered office is at Phoenix House, Station Hill, Reading RGI INB as trustees of the Diodes Zetex Pension Scheme (the Trustees);

(2) DIODES INCORPORATED of 4949 Hedgcoxe Road, suite 200, Plano, Texas 75024 USA (Diodes Incorporated);

(3) DIODES ZETEX LIMITED of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 01378777) (Diodes Zetex Limited); and

(4) DIODES ZETEX SEMICONDUCTORS LIMITED of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 02387949) (Diodes Zetex Semiconductors Limited).

collectively, the Parties.

BACKGROUND

A The Trustees are the trustees of the Scheme.

(B) On 26 March 2012 the Parties entered into a framework agreement setting out a minimum net asset holding in aggregate for Diodes Zetex Limited and Diodes Zetex Semiconductors Limited, which was subsequently updated to provide for a new minimum amount of net assets to be held by the Companies of £48,000,000.00 This updated framework agreement was dated 3 1 March 2014, which was subsequently replaced by a framework agreement dated 10 March 2015 (the l'Current Framework Agreement").

(C) Diodes Zetex Semiconductors Limited, Diodes Zetex Limited and Diodes Incorporated wish to put in place a new framework agreement, as set out by this Deed.

1. DEFINITIONS

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

Companies means Diodes Zetex Semiconductors Limited and Diodes Zetex Limited.

Current Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2016.

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

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

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

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

New Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2019,

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

2. MINIMUM LEVEL OF NET ASS CTS

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

(a) the final payment has been made under the Current Schedule of Contributions; or

(b) the date on which a new schedule of contributions has been prepared and agreed in accordance with Part 3 of the Pensions Act 2004 relating to the New Actuarial Valuation.

3. ASSESSMENT OF THE NET ASSETS

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

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

(a) within 14 Business Days of the Date of the Assessment, each Company's latest internal monthly management accounts;

(b) as soon as reasonably practicable after their preparation, the latest quarterly management accounts for each Company, which shall have been reviewed (but not fully audited) by each Company's auditor; and

(c) as soon as reasonably practicable after their preparation, the latest annual management accounts which shall have been audited by each Company's auditor.

3.3 The internal management accounts described in sub-clauses 3.2 (a) to (c) shall be sent and deemed delivered via e-mail to the Trustees.

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

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

4. GRACE PERIOD AND UNDERTAKING TO PAY

4.1 If an assessment of the Net Assets under clause 3 shows that the Net Assets are less than the Minimum Level of Assets, Diodes Incorporated shall have the following grace period in which to ensure that the Net Assets are brought above the Minimum Level of Assets:

(a) in the case of the internal monthly management accounts described in sub-clause 3.2(a), 45 days (or such longer time as the Trustees may without obligation, agree) from the Date Of the Assessment; and

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(b) in the case of the quarterly and annual accounts delivered under sub-clauses 32(b) and (c), 45 days from the date the accounts are delivered (or such longer time as the Trustees may without obligation, agree).

4.2 After the expiry of the 45 days set out in clause 4, I , if the Net Assets are below the Minimum Level of Assets, Diodes Zetex Limited shall within 10 days of demand by the Trustees pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Current Schedule of Contributions,

5. LIMITATION OF LIABILITY

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

6. MISCELLANEOUS

6.1 This Deed and the documents referred to in it contain the whole agreement between the Parties relating to the transactions contemplated by this Deed and supersede all previous Deeds between the Parties relating to these transactions.

6.2 This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Deed, and any Party (including any duly authorised representative of a Party) may enter into this Deed by executing a counterpart,

6.3 A person who is not a Party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999,

6.4. This Deed is governed by English law.

6.5 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and the parties submit to the exclusive jurisdiction of the English courts.

AS EVIDENCE of their acceptance of the terms of this Deed, the parties have executed and delivered it as a deed,

EXECUTED as a deed by
DIODES ZETEX SEMICONDUCTORS LIMITED acting by
Director

co;21160094.1

Witness signature
Witness name
Witness address

EXECUTED as a deed by DIODES ZETEX LIMITED acting by

Director

Witness signature
Witness name
Witness address

EXECUTED as a deed by DIODES INCORPORATED acting by
Director

Witness signature
Witness name
Witness address

Trustees

IAN J E SMITH

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as trustee of the Diodes Zetex Pension Scheme acting by

TIMOTHY MONAGHAN

Witness signature
Witness name
Witness address

3 SPRINGWOOD, GLOSSOP, DERBYSHIRE, SK13 6XR

JAMES BROOKS as trustee of the Diodes Zetex acting by

Witness signature

Witness name

MR M. J. SOUTHERDEN

Witness address

8, CLOUGH ROAD, SHAW,
OLDHAM
OL2 8QD

PIR TRUSTEES LIMITED as trustee of the Diodes Zetex Pension Scheme
Director:

Witness signature

Witness name

KEVIN KENNEALLY

Witness address

PIC TRUSTEES LTD
PHOENIX HOUSE
1 STATION HILL

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Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiary Name	Incorporated Location	Holding Company (1) or Subsidiary (2)	Percentage Owned
BCD (Shanghai) Micro-Electronics Limited	China	2	100%
BCD Semiconductor Limited (Hong Kong)	Hong Kong	1	100%
BCD Semiconductor Manufacturing Limited	Cayman Islands	2	100%
Diodes (Shanghai) Investment Company Limited	China	1	100%
Diodes Electronic (Shenzhen) Company Limited	China	2	100%
Diodes FabTech Inc.	Delaware	2	100%
Diodes Holding B.V	Netherlands	1	100%
Diodes Holdings UK Limited	United Kingdom	1	100%
Diodes Hong Kong Holding Company Limited	Hong Kong	1	100%
Diodes Hong Kong Limited	Hong Kong	2	100%
Diodes International B.V.	Netherlands	1	100%
Diodes Investment Company	Delaware	1	100%
Diodes Kaihong Shanghai Limited	China	2	100%
Diodes Korea Inc	Korea	2	100%
Diodes Taiwan Inc.	Taiwan	2	100%
Diodes Taiwan S.A.R.L	Luxembourg	1	100%
Diodes Taiwan S.A.R.L. Taiwan Branch	Taiwan	2	100%
Diodes Technology (Chengdu) Company Limited	China	2	98.02%
Diodes Zetex GmbH	Germany	2	100%
Diodes Zetex Limited	United Kingdom	2	100%
Diodes Zetex Neuhaus GmbH	Germany	2	100%
Diodes Zetex Semiconductors Limited	United Kingdom	2	100%
Diodes Zetex UK Limited	United Kingdom	2	100%
Eric Technology Co	Taiwan	2	51%
Excel Power Technology Limited (Cayman)	Cayman Islands	1	100%
Pericom Asia Limited	Hong Kong	2	100%
Pericom Global Limited	Cayman Islands	2	100%
Pericom International Limited	Cayman Islands	2	100%
Pericom Semiconductor (HK) Limited	Hong Kong	2	100%
Pericom Semiconductor Corporation	California	2	100%
Pericom Technology (Yangzhou) Corporation	China	2	100%
Pericom Technology Inc.	British Virgin Islands	2	100%
Pericom Technology Inc.	Hong Kong	2	100%
Pericom Technology Inc.	China	2	100%
PSE Technology (Shandong) Corporation	China	2	100%
PSE Technology Corporation	Taiwan	2	100%
Shanghai Kaihong Electronic Co., Ltd.	China	2	95%
Shanghai Kaihong Technology Company Limited	China	2	95%
Shanghai SIM-BCD Semiconductor Manufacturing Co. Ltd.	China	2	100%
TF Semiconductor Solutions, Inc	Delaware	2	58%
Zetex (Chengdu) Electronics Company Limited	China	2	95%

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Diodes Incorporated of our report dated February 27, 2017, related to the consolidated financial statements of Diodes Incorporated and Subsidiaries (the “Company”) and the effectiveness of internal control over financial reporting of the Company appearing in this Annual Report on Form 10-K for the year ended December 31, 2016:

- Registration Statement on Form S-8 (No. 333-78716) pertaining to the Incentive Bonus Plan and 1993 Non-Qualified Stock Option Plan of Diodes Incorporated;
- Registration Statements on Form S-8 (No. 333-106775 and No. 333-124809) pertaining to the 2001 Omnibus Equity Incentive Plan of Diodes Incorporated;
- Registration Statement on Form S-8 (No. 333-189299) pertaining to the 2001 Omnibus Equity Incentive Plan of Diodes Incorporated; and
- Registration Statements on Form S-8 (No. 333-189298 and No. 333-212327) pertaining to the Diodes Incorporated 2013 Equity Incentive Plan.

/s/ Moss Adams LLP

Los Angeles, California
February 27, 2017

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this Annual Report on Form 10-K 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: February 27, 2017

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

1.I have reviewed this Annual Report on Form 10-K 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: February 27, 2017

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. 1350 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 Annual Report on Form 10-K for the twelve-month period ended December 31, 2016 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 Annual 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: February 27, 2017

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

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. 1350 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 Annual Report on Form 10-K for the twelve-month period ended December 31, 2016 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 Annual 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: February 27, 2017

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