Baltic Trading Ltd
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June 15, 2015

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Subject Company: Baltic Trading Limited

Form S-4 File No.: 333-203822

JOINT PRESS RELEASE

GENCO SHIPPING & TRADING LIMITED AND BALTIC TRADING LIMITED

ANNOUNCE SHAREHOLDER MEETINGS TO APPROVE BUSINESS COMBINATION

New York June 15, 2015 Genco Shipping & Trading Limited (Genco) (OTCBB: GSKNF) and its subsidiary Baltic Trading Limited (NYSE: BALT) (Baltic Trading) today jointly announced that the Registration Statement on Form S-4 filed by Genco relating to the proposed stock-for-stock business combination between Genco and Baltic Trading has been declared effective by the Securities and Exchange Commission (the SEC). Annual meetings of the shareholders of the two companies, at which votes will be held on the proposed combination, are scheduled for July 17, 2015.

Shareholders may obtain a free copy of the joint proxy statement/prospectus related to the proposed combination and other related documents filed by Genco and Baltic Trading with the SEC at the SEC s website at www.sec.gov. The joint proxy statement/prospectus may also be obtained for free by accessing Genco s website at www.gencoshipping.com or by accessing Baltic Trading s website at www.baltictrading.com.

Baltic Trading s annual meeting of shareholders is scheduled for 9:30 a.m. (Eastern time) on July 17, 2015 at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York.

Genco s annual meeting of shareholders is scheduled for 10:15 a.m. (Eastern time) on July 17, 2015 at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York.

Each company s shareholders of record as of the close of business on June 8, 2015 will be mailed the definitive proxy materials in connection with the proposed transaction and will be entitled to vote at their company s annual meeting of shareholders.

The combined company expects to further extend its leadership position in drybulk shipping and own a combined fleet of 70 drybulk vessels with an average age of 8.8 years and an aggregate carrying capacity of approximately 5,159,000 dwt, consisting of 13 Capesize, eight Panamax, 21 Supramax, four Ultramax, six Handymax and 18 Handysize vessels, after the expected delivery of two Ultramax newbuildings previously contracted by Baltic Trading.

The Boards of Directors of both Genco and Baltic Trading established independent special committees to review the transaction and negotiate the terms on behalf of their respective companies. Both independent special committees unanimously approved the transaction. The Boards of Directors of both companies approved the merger by unanimous vote of directors present and voting, with Peter C. Georgiopoulos, Chairman of the Board of each company, recused for the vote.

Houlihan Lokey Capital, Inc. acted as financial advisor to Genco and Genco s independent special committee, and Milbank, Tweed, Hadley & McCloy LLP acted as legal advisor to Genco s independent special committee. Blackstone Advisory Partners L.P. and Peter J. Solomon Company served as financial advisors and Kaye Scholer LLP served as legal advisor to Baltic Trading s independent special committee. Evercore Partners Inc. is serving as an advisor to Baltic Trading. Kramer Levin Naftalis & Frankel LLP serves as regular corporate counsel to Genco and Baltic Trading.

About Genco Shipping & Trading Limited

Genco Shipping & Trading Limited transports iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. Excluding Baltic Trading Limited s fleet, Genco owns a fleet of 55 drybulk vessels, consisting of eleven Capesize, eight Panamax, 17 Supramax, six Handymax and 13 Handysize vessels, with an aggregate carrying capacity of approximately 4,168,000 dwt.

About Baltic Trading Limited

Baltic Trading Limited is a drybulk company focused on the spot charter market. Baltic Trading transports iron ore, coal, grain, steel products and other drybulk cargoes along global shipping routes. Baltic Trading Limited s current fleet consists of four Capesize, two Ultramax, four Supramax, and five Handysize vessels with an aggregate capacity of approximately 863,000 dwt. After the expected delivery of the remaining two Ultramax newbuildings that Baltic Trading has agreed to acquire, Baltic Trading will own 15 drybulk vessels, consisting of four Capesize, four Ultramax, four Supramax and five Handysize vessels with a total carrying capacity of approximately 991,000 dwt.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are often, but not always, made through the use of words or phrases such as may , believe , anticipate , could , should , intend , plan , will , expect(s) , estimate(s) , projects , forecast(s) , positioned , strategy , outlook terms in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on management s current expectations and observations, as well as assumptions made by and information currently available to management. Included among the factors that, in the view of Genco and Baltic Trading (collectively, the Companies), could cause actual results to differ materially from the forward-looking statements contained in this press release are the following: (i) declines in demand or rates in the drybulk shipping industry; (ii) prolonged weakness in drybulk shipping rates; (iii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iv) changes in the supply of drybulk carriers including newbuilding of vessels or lower than anticipated scrapping of older vessels; (v) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities; (vi) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general, administrative and management fee expenses; (vii) whether the Companies insurance arrangements are adequate; (viii) changes in general domestic and international political conditions; (ix) acts of war, terrorism, or piracy; (x) changes in the condition of the Companies vessels or applicable maintenance or regulatory standards (which may affect, among other things, the Companies anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (xi) the Companies acquisition or disposition of vessels; (xii) the amount of offhire time needed to complete repairs on vessels and the timing and amount of any reimbursement by the Companies insurance carriers for insurance claims, including off-hire days; (xiii) the completion of definitive documentation with respect to time charters; (xiv) charterers compliance with the terms of their charters in the current market environment; (xv) the fulfillment of the closing conditions under, or the execution of additional documentation for, Baltic Trading s agreements to acquire vessels; (xvi) obtaining, completion of definitive documentation for, and funding of financing for Baltic Trading s vessel acquisitions on acceptable terms; (xvii) the extent to which the Companies operating results continue to be affected by weakness in market conditions and charter rates; (xviii) the Companies ability to maintain contracts that are critical to their operation, to obtain and maintain acceptable terms

with their vendors, customers and service providers and to retain key executives,

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managers and employees; (xix) the timing and realization of the recoveries of assets and the payments of claims and the amount of expenses required to recognize such recoveries and reconcile such claims; (xx) Genco s ability to obtain sufficient and acceptable financing; and (xxi) factors listed in Genco s registration statement on Form S-4 filed with the Securities and Exchange Commission on May 4, 2015, as the same may be amended; and (xxii) other factors listed from time to time in the Companies filings with the Securities and Exchange Commission, including, without limitation, each company s Annual Report on Form 10-K for the year ended December 31, 2014 (as amended) and their respective reports on Form 10-Q and Form 8-K. These forward-looking statements represent the Companies views only as of the date they are made and should not be relied upon as representing their views as of any subsequent date. The Companies do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Important Information for Investors and Shareholders

In connection with the proposed transaction between Genco and Baltic Trading, Genco and Baltic Trading intend to file relevant materials with the SEC, including a Genco registration statement on Form S-4 originally filed on May 4, 2015 that includes a joint proxy statement of Genco and Baltic Trading that also constitutes a prospectus of Genco. The definitive joint proxy statement/prospectus will be delivered to shareholders of Genco and Baltic Trading. INVESTORS AND SECURITY HOLDERS OF GENCO AND BALTIC TRADING ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT GENCO, BALTIC TRADING AND THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the registration statement and the definitive joint proxy statement/prospectus (when available) and other documents filed with the SEC by Genco and Baltic Trading through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by Genco (when available) will be available free of charge on Genco s internet website at www.gencoshipping.com. Copies of the documents filed with the SEC by Baltic Trading (when available) will be available free of charge on Baltic Trading s internet website at www.baltictrading.com.

Participants in the Merger Solicitation

This communication is not a solicitation of a proxy from any investor or securityholder. However, Baltic Trading, Genco, their respective directors and certain of their executive officers and employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction under the rules of the SEC. In addition, Baltic Trading and Genco have retained D.F. King & Co., Inc. to solicit proxies in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Baltic Trading and the Company shareholders in connection with the proposed transaction and a description of their direct and indirect interests, by security holdings or otherwise, is set forth in the joint proxy statement/prospectus. Information about the directors and executive officers of Baltic Trading and of Genco is set forth in the joint proxy statement/prospectus and amendments to both companies Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on April 30, 2015. These documents are available free of charge from the sources indicated above.

Non-Solicitation

This communication does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior

to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Contact

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4.0

100

70

Interest income

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0.0

0.0

15

64

Interest expense and amortization of debt discount

(0.5

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(1.0

)

0.0

(22

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537

Gain (loss) on securities carried at fair value

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0.0

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(92

)

Other income (expenses)

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0.0

33000

(101

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Income before income

taxes and noncontrolling interest

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5.0

5.0

123

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Income tax provision

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2.0

1.0

41

200

Net income

7.4

3.0

4.0

172

(7

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Net (income) loss attributable to noncontrolling interest

(0.2

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0.0

0.0

(181

)

(233

)

Net income attributable to common stockholders

7.1

3.0

4.0

140

10

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 2014 Compared to Year 2013

	2014	2013
Net sales	$890,651	$826,846

Net sales for 2014 increased approximately $64 million to $891 million from $827 million for 2013. The 8% increase in net sales represented an approximately 8% increase in units sold, which was due primarily to net sales increases in our Asia markets. Average selling prices for 2014 were flat compared to 2013.

	2014	2013
Cost of goods sold	$613,372	$589,010
Gross profit	$277,279	$237,836
Gross profit margin	31.1 %	28.8 %

Cost of goods sold increased approximately $24 million, or 4%, for 2014 to $613 million, compared to $589 million for 2013. As a percent of sales, cost of goods sold decreased from 71.2% for 2013 to 68.9% for 2014. Our average unit cost decreased by approximately 3%.

Gross profit for 2014 increased approximately 17% to $277 million from $238 million for 2013. Gross profit as a percentage of net sales was 31.1% for 2014, compared to 28.8% for 2013. The increase in gross margin was primarily due to lower gold prices, improved product mix, copper wire conversion and cost reduction efforts.

	2014	2012
Selling, general and administrative ("SG&A")	$133,701	$132,106

SG&A for 2014 increased approximately $2 million, or 1.2%, to $134 million, compared to $132 million for 2013, due primarily to increased selling expenses, partly offset by reduced retention bonus related to the BCD acquisition. SG&A, as a percentage of net sales, improved to 15.0% in 2014, from 16.0% in 2013.

	2014	2013
Research and development ("R&D")	$52,136	$48,302

R&D for 2014 increased approximately $4 million, or 8%, to $52 million, compared to $48 million for 2013, due primarily to an increase in employee related costs. R&D, as a percentage of net sales, was 6% for both 2014 and 2013.

	2014	2013
Amortization of acquisition-related intangible assets	$7,914	$8,078

Amortization of acquisition-related intangibles was approximately $8 million for both 2014 and 2013, which was due primarily to the amortization expense on the acquired intangibles of BCD.

	2014	2013
Impairment of goodwill	$ -	$5,318

Goodwill impairment for 2013 was approximately $5 million which was related to Eris. There was no goodwill impairment for 2014.

	2014	2013
Restructuring	$ -	$1,535

There were no restructuring related costs for 2014, compared to restructuring related costs of approximately $2 million for 2013 related to termination and severance costs of our U.K. development team and the closure of our New York sales office.

	2014	2013
Loss (gain) on sale of assets	$(983)	$216

We recorded a $1 million gain on sale of assets for 2014, due to the sale of a building in Taiwan.

	2014	2013
Interest income	$1,470	$1,274

Interest income for both 2014 and 2013 was approximately $1 million from interest earned on bank deposits and short-term investments.

	2014	2013
Interest expense	$4,332	$5,580

Interest expense for 2014 was approximately $4 million, compared to $5 million for 2013, due primarily to the repayment of $40 million on our revolving senior credit facility.

	2014	2013
Gain on securities carried at fair value	$1,364	$601

Gain on securities carried at fair value was approximately $1 million for both 2014 and 2013, due primarily to unrealized and realized gains on trading securities.

	2014	2013
Other income (expense)	$2,979	$ 9

Other income for 2014 was approximately $3 million, and included approximately $2 million in currency gains. Other income for 2013 was negligible, compared to other expense of $1 million for 2012. Included in other income for 2013 were foreign currency gains and miscellaneous income.

	2014	2013
Income tax provision	$20,359	$14,481

We recognized income tax expense of approximately $20 million for 2014, resulting in an effective tax rate of approximately 24%, as compared to 38% for 2013. Income tax expense for 2013 includes approximately $5 million of additional tax expense related to a tax audit by the China tax authorities. The increase in tax expense from 2013 to 2014 is due primarily to the increase in pretax earnings during the same period.

	2014	2013
Net (income) loss attributable to noncontrolling interest	$(1,955)	$2,428

Net (income) loss attributable to noncontrolling interest primarily represents the minority investors' share of the earnings of certain China subsidiaries and Eris. The noncontrolling interest in the subsidiaries and their equity balances are reported separately in the consolidation of our financial statements. The loss attributable to noncontrolling interest for 2013 was due primarily to the goodwill impairment attributable to Eris, of which 49% was recognized in noncontrolling interest.

	2014	2013
Net income attributable to common stockholders	$63,678	$26,532

Net income attributable to common stockholders increased 140% to approximately $64 million (or $1.35 basic earnings per share and $1.31 diluted earnings per share) for 2014, compared to $27 million (or $0.57 basic earnings per share and $0.56 diluted earnings per share) for 2013. The 140% increase in net income attributable to common stockholders for 2014 was due primarily to an 8% increase in net sales, a 230 basis point increase in gross margin, a 100 basis point improvement in total operating expenses as a percentage of net sales, and a 138 basis point reduction in our effective tax rate.

Year 2013 Compared to Year 2012

	2013	2012
Net sales	$826,846	$633,806

Net sales for 2013 increased approximately $193 million to $827 million from $634 million for 2012. The 31% increase in net sales represented an approximately 25% increase in units sold and a 5% increase in ASP. The net sales increase for 2013 was primarily attributable to our past design win momentum and new product initiatives, combined with the inclusion of ten months of BCD net sales.

	2013	2012
Cost of goods sold	$589,010	$472,220

Gross profit	$237,836	$161,586
Gross profit margin	28.8 %	25.5 %

Cost of goods sold increased approximately $117 million, or 25%, for 2013 to $589 million, compared to $472 million for 2012. As a percent of sales, cost of goods sold decreased from 74.5% for 2012 to 71.2% for 2013. Our average unit cost was relatively flat.

Gross profit for 2013 increased approximately 47% to $238 million from $162 million for 2012. Gross profit as a percentage of net sales was 28.8% for 2013, compared to 25.5% for 2012. The increase in gross margin was due primarily to lower gold prices, improved product mix, stable pricing, copper wire conversion and cost reduction efforts.

	2013	2012
Selling, general and administrative ("SG&A")	$132,106	$101,363

SG&A for 2013 increased approximately $31 million, or 30%, to $132 million, compared to $101 million for 2012. SG&A, as a percentage of net sales, was approximately 16% in 2013 and 2012. The dollar amount increase in SG&A included increases in wages, including BCD retention costs, freight and professional fees, which was due primarily to the acquisition of BCD.

	2013	2012
Research and development ("R&D")	$48,302	$33,761

R&D for 2013 increased approximately $15 million to $48 million, or 6% of net sales, compared to $34 million, or 5% of net sales, for 2012. The increase in R&D included increases in wages, including BCD retention costs related to the acquisition of BCD.

	2013	2012
Amortization of acquisition-related intangible assets	$8,078	$5,122

Amortization of acquisition-related intangibles was $8 million for 2013, compared to $5 million for 2012. The $3 million increase was primarily due to the amortization expense on the acquired intangibles as part of the acquisition of BCD.

	2013	2012
Impairment of goodwill	$5,318	$ -

Impairment of goodwill was approximately $5 million for 2013. The carrying amount of a reporting unit's (Eris Technology Corporation) goodwill exceeded its implied fair value, and therefore an impairment loss was recognized

	2013	2012
Restructuring	$1,535	$ -

Restructuring expense was approximately $2 million for 2013. In the second quarter of 2013, we initiated restructuring plans primarily relating to our U.K. development team and the closure of our New York sales office. The amounts recorded primarily relate to termination and severance costs. All restructuring was completed in the third quarter of 2013.

	2013	2012
Loss (gain) on sale of assets	$216	$(3,556)

Gain on sale of assets was approximately $4 million for 2012, which was due primarily to the sale of an intangible asset located in Europe and a sale of a building located in Taiwan.

	2013	2012
Interest income	$1,274	$778

Interest income for both 2013 and 2012 was approximately $1 million, which was due primarily to interest earned on bank accounts.

	2013	2012
Interest expense	$5,580	$876

Interest expense for 2013 was approximately $6 million, compared to approximately $1 million for 2012. The $5 million increase is due primarily to the borrowing under the $300 million revolving senior credit facility in connection with acquiring BCD.

	2013	2012
Gain (loss) on securities carried at fair value	$601	$7,100

Gain on securities carried at fair value for 2013 was approximately $1 million compared to approximately $7 million for 2012. For 2013, the gain was from unrealized and realized gains in trading securities. For 2012, the gain resulted from a $4 million

unrealized gain on the shares of common stock of BCD held as an investment and a $3 million realized gain on the shares of common stock of Eris prior to obtaining a controlling interest.

	2013	2012
Other income (expense)	$ 9	$(1,091)

Other income for 2013 was negligible, compared to other expense of approximately $1 million for 2012. Included in other income for 2013 were foreign currency gains and miscellaneous income. Included in other expense for 2012 were foreign currency losses, partially offset by miscellaneous income.

	2013	2012
Income tax provision	$14,481	$4,825

We recognized income tax expense of approximately $15 million for 2013, resulting in an effective tax rate of approximately 38%, as compared to 16% for 2012. Income tax expense for 2013 includes $5 million additional tax expense in regard to a tax audit by the China tax authorities. In addition, the mix of pretax earnings among foreign and domestic subsidiaries changed from 2012 to 2013, resulting in an increased effective tax rate.

	2013	2012
Net (income) loss attributable to noncontrolling interest	$2,428	$(1,830)

Net (income) loss attributable to noncontrolling interest primarily represents the minority investors' share of the earnings of certain China subsidiaries and Eris. During 2012, we acquired approximately 51% of the outstanding common stock of Eris, and the income or loss attributable to the 49% noncontrolling interest is included in this account. The joint venture investments were eliminated in the consolidation of our financial statements, and the activities of our subsidiaries were included therein. The noncontrolling interest in the subsidiaries and their equity balances are reported separately in the consolidation of our financial statements. The loss attributable to noncontrolling interest for 2013 was impacted by the impairment of goodwill of approximately $5 million (attributable to Eris), of which 49% was recognized in noncontrolling interest.

	2013	2012
Net income attributable to common stockholders	$26,532	$24,152

Net income attributable to common stockholders increased approximately 10% to $27 million (or $0.57 basic earnings per share and $0.56 diluted earnings per share) for 2013, compared to $24 million (or $0.53 basic earnings per share and $0.51 diluted earnings per share) for 2012. Net income attributable to common stockholders for 2013 was impacted by impairment of goodwill, acquisition accounting expenses related to the acquisition of BCD and increased interest expense due to borrowings under our $300 million revolving senior credit facility.

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. As of December 31, 2014, we have a U.S. credit agreement consisting of a $300 million

revolving senior credit facility (the "Revolver"). The Revolver matures on January 8, 2018, and as of December 31, 2014, $139 million was outstanding. In addition, we have foreign credit facilities with borrowing capacity of approximately $92 million of which $1 million was outstanding and $3 million was used for import and export guarantees and bank acceptance notes as of December 31, 2014. Our primary liquidity requirements have been to meet our capital expenditure needs and to fund on-going operations. For 2014, 2013, and 2012, our working capital was $538 million, $493 million, and $378 million, respectively. Our working capital increased in 2014 due primarily to the increase in cash and cash equivalents, and a decrease in accounts payable. Our working capital increased in 2013 due primarily to the consolidation of BCD's net assets as a result of the acquisition. We expect cash generated by our operations together with existing cash, cash equivalents, 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 2014, 2013 and 2012, our capital expenditures were approximately $59 million, $44 million and $60 million, respectively, which includes approximately $18 million, $7 million and $14 million of capital expenditures related to the investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT") for 2014, 2013 and 2012, 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 2014 were approximately 7% of our net sales, which was lower than our previous historical 10% to 12% model.

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. We currently own 95% of the joint venture. The CDHT granted the joint venture a 50 year land lease, provides temporary facilities for up to three years at a subsidized rent while the manufacturing facility is constructed and 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, 2014, we have invested $65 million, primarily for infrastructure, buildings and equipment related capital expenditures.

In March 2013 we completed the acquisition of BCD for an aggregate consideration of approximately $155 million, excluding acquisition costs, fees and expenses, plus a $5 million employee retention plan. The acquisition was funded by drawings on our bank credit facility. As part of our strategy to expand our semiconductor product offerings and to maximize our market opportunities, we may acquire product lines or companies in order to enhance our portfolio and accelerate our new offerings, which could have a material impact on liquidity and require us to draw down on our credit facilities or increase our borrowings and limits.

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, 2014, our foreign subsidiaries held approximately $243 million of cash, cash equivalents and investments of which approximately $202 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, 2014, restricted cash of $2 million was pledged as collateral for issuance of bank acceptance notes and letters of credit.

As of December 31, 2014, we had short-term investments of approximately $12 million. These investments are highly liquid with maturity dates greater than three months at the date of purchase. We generally can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of interest income.

Discussion of Cash Flows

Cash and cash equivalents have increased from $157 million at December 31, 2012, to $192 million at December 31, 2013, and to $243 million at December 31, 2014. The increase from 2012 to 2013 was due primarily to cash acquired in connection with the acquisition of BCD. The increase during 2014 was due primarily to the increase in cash provided by operating activities and cash used in connection with the acquisition of BCD in 2013, and was offset by the advance on the revolving note.

	Year Ended December 31,					
	2014	2013	Change	2013	2012	Change
Net cash provided by operating activities	$134,272	$109,891	$24,381	$109,891	$64,221	$45,670
Net cash used by investing activities	(42,768)	(186,402)	143,634	(186,402)	(77,419)	(108,983)
Net cash provided by (used by) financing activities	(35,759)	112,361	(148,120)	112,361	38,542	73,819

Effect of exchange rates on cash and cash equivalents	(9,380)	3,664	(13,044)	3,664	2,267	1,397
Net increase (decrease) in cash and cash equivalents	$46,365	$39,514	$6,851	$39,514	$27,611	$11,903

Operating Activities

Net cash provided by operating activities for 2014 was approximately $134 million, due primarily to $66 million of net income, $77 million of depreciation and amortization and $14 million from non-cash share-based compensation, partially offset by decreases in prepaids and accounts payable. Net cash provided by operating activities was $110 million for 2013, due primarily to $24 million of net income, $74 million of depreciation and amortization, $14 million from non-cash, share-based compensation, and a $15 million reduction in inventories, partially offset by increases in accounts receivable and decreases in accounts payable. Net cash provided by operating activities was $64 million for 2012, due primarily to $26 million in net income, $64 million in depreciation and amortization, and $14 million in non-cash, share-based compensation, partially offset by increases in accounts receivable and inventories and a decrease in accounts payable.

Net cash provided by operating activities increased by approximately $24 million from 2013 to 2014. This increase resulted primarily from an increase in net income, non-cash related items such as depreciation, amortization, and changes in operating assets and liabilities.

Net cash provided by operating activities increased by approximately $46 million from 2012 to 2013. This increase resulted primarily from an increase in non-cash related items such as depreciation, amortization, impairment of goodwill, and changes in operating assets and liabilities.

Investing Activities

Net cash used by investing activities for 2014 was approximately $43 million, due primarily to $58 million in capital expenditures, and $2 million in equity investment, partially offset by a $14 million decrease in short-term investments and restricted cash.

Net cash used by investing activities for 2013 was approximately $186 million, due primarily to $125 million used for acquisitions, net of cash acquired, $47 million in capital expenditures and $23 million used for purchases of short-term investments, partially offset by other investing items.

Net cash used by investing activities for 2012 was approximately $77 million, due primarily to $20 million used for acquisitions, net of cash acquired and $58 million in capital expenditures.

Financing Activities

Net cash used by financing activities for 2014 was approximately $36 million, due primarily to a $47 million reduction of debt, partially offset by $6 million in proceeds from the stock options exercised.

Net cash provided by financing activities for 2013 was approximately $112 million, due primarily to a $181 million draw down on our Revolver, partially offset by $62 million of debt repayments.

Net cash provided by financing activities for 2012 was approximately $39 million, due primarily to a $40 million draw down on our previous term loan.

Debt instruments

In January 2013, we and Diodes International B.V. (the “BV Entity”) (collectively with us, the “Borrowers”) and certain subsidiaries of ours as guarantors, entered into a Credit Agreement (the “Credit Agreement”) with Bank of America (“BoA”) and other participating lenders (collectively, the “Lenders”).

The Credit Agreement provides for a five-year, $300 million Revolver, which includes $10 million swing line sublimit, a $10 million letter of credit sublimit, and $20 million alternative currency sublimit. The Borrowers may from time to time request increases in the aggregate commitment under the Credit Agreement of up to $200 million, 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 commitment being in the form of term loans (“Incremental Term Loans”), with the remaining amount of each being an increase the amount of the Revolver. Incremental Term Loans will be based on pricing and amortization terms to be agreed upon.

The Revolver matures on January 8, 2018 (the “Revolver Maturity Date”). Incremental Term Loans mature no earlier than the Revolver Maturity Date. The proceeds under the Revolver and the Incremental Term Loans may be used for the purposes of refinancing certain existing debt, for working capital and capital expenditures, and for general

corporate purposes, including financing permitted acquisitions. The B.V. Entity's obligations under the Credit Agreement are guaranteed by us. Each Borrower's obligations under the Credit Agreement are guaranteed by certain of that Borrower's subsidiaries. The Borrower's obligations under the Credit Agreement are secured by substantially all assets of the Borrowers and certain of their subsidiaries.

Under the Revolver, the Borrowers may borrow through Base Rate Loans (as defined) in United States Dollars ("USD") or through Eurocurrency Rate Loans (as defined) in USD, Euros, British Pounds Sterling or another currencies approved by the Lenders subject, as to all currencies other than USD, to the Alternative Currency sublimit. Base Rate Loans bear interest at a fluctuating rate per annum equal to the sum of (a) the highest of (i) the Federal Funds Rate plus one-half of 1.00%, (ii) the rate of interest in effect for such day as publicly announced from time to time by BoA as its "prime rate," and (iii) the Eurocurrency Rate plus 1.00%, plus (b) an amount between 0.50% per annum and 1.25% per annum, based upon the Borrowers' and their subsidiaries' Consolidated Leverage

Ratio. Eurocurrency Rate Loans bear interest at LIBOR plus an amount between 1.50% and 2.25% per annum, based upon the Borrowers' and their subsidiaries' Consolidated Leverage Ratio.

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). As of December 31, 2014, our outstanding balance was $139 million and we were in compliance with the bank covenants.

As of December 31, 2014, our U.S., Asia and Europe subsidiaries had unused and available credit lines of up to an aggregate of approximately $89 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, 2014, there was $1 million outstanding on these credit lines, and the interest rates ranged from 1.75% to 3.73%. See 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, 2014 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	$141,075	$287	$590	$139,614	$584
Interest on long-term debt [1]	10,880	2,692	5,384	2,733	71
Capital leases	399	195	204	-	-
Operating leases	27,426	8,138	13,815	5,472	-
Defined benefit obligations	12,521	2,433	4,865	5,224	-
Purchase obligations	34,927	34,927	-	-	-
Total obligations	$227,228	$48,672	$24,859	$153,043	$655

(1) Interest on long-term debt assumes there is no change in the $139 million revolver outstanding as of December 31, 2014, which expires January 2018.

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 buyers, 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 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. 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.

Share-based compensation

We use the Black-Scholes-Merton model to determine the fair value of stock options on the date of grant. 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 our 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. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant.

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. All of the securities held by the plan are publicly traded and highly liquid. Therefore, the majority of the securities are valued under Level 1 and one security is valued under Level 2 using quoted prices for identical or similar securities.

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.

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, 2014, the plan was underfunded and a liability of approximately $37 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 $36 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, 2014 was 3.7%. 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 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 $6 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 - Due to the recent fluctuations in the United Kingdom's equity markets and bond markets, changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our results of operations and financial condition." in 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. As a matter of policy, we do not enter into derivative transactions for speculative purposes. As of December 31, 2014, our outstanding principal debt included $139 million outstanding under our revolving senior credit facility, $1 million outstanding under foreign lines of credit and $3 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 $1 million.

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 2014. 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 end-user consumers' 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 of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this 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.

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 generally accepted accounting principles in the United States of America, 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.

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 (1992) 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, 2014.

Moss Adams LLP, an independent registered public accounting firm, has audited and reported on the consolidated financial statements of Diodes Incorporated and on the effectiveness of our internal control over financial reporting. The report of Moss Adams LLP is contained in this Annual Report.

Changes in Controls 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 the 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, 2014, for its annual stockholders’ meeting for 2015 (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 section entitled “Proposal One – Election of Directors” 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 section entitled “General Information – Security Ownership of Certain Beneficial Owners and Management” and “Proposal One—Election of Directors” 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 section entitled “Proposal One – Election of Directors – Certain Relationships, Related Transactions and Director Independence” and “Proposal One – Elections 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:	Page
Report of Independent Registered Public Accounting Firm	48
Consolidated Balance Sheets at December 31, 2014, and 2013	49 to 50
Consolidated Statements of Income for the Years Ended December 31, 2014, 2013 and 2012	51
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012	52
Consolidated Statements of Equity for the Years Ended December 31, 2014, 2013 and 2012	53
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012	54 to 55
Notes to Consolidated Financial Statements	56 to 83

(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 and Subsidiaries

We have audited the accompanying consolidated balance sheets of Diodes Incorporated and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of 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 include 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 consolidated 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Moss Adams, LLP

Los Angeles, California

March 2, 2015

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) December 31,	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$243,000	$196,635
Short-term investments	11,726	22,922
Accounts receivable, net	188,248	192,267
Inventories	182,026	180,396
Deferred income taxes, current	11,295	10,513
Prepaid expenses and other	50,510	47,352
Total current assets	686,805	650,085
PROPERTY, PLANT AND EQUIPMENT, net	309,931	322,013
DEFERRED INCOME TAXES, non-current	32,550	28,237
OTHER ASSETS		
Goodwill	81,229	84,714
Intangible assets, net	45,028	53,571
Other	23,614	23,638
Total assets	$1,179,157	$1,162,258

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

(Amounts in thousands, except share data) December 31,	2014	2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Lines of credit and short-term debt	$1,064	$5,814
Accounts payable	79,390	89,212
Accrued liabilities	60,436	60,684
Income tax payable	8,381	1,206
Total current liabilities	149,271	156,916
LONG-TERM DEBT, net of current portion	140,787	182,799
OTHER LONG-TERM LIABILITIES	78,932	78,866
Total liabilities	368,990	418,581
COMMITMENTS AND CONTINGENCIES (see Note 16)		
EQUITY		
Diodes Incorporated stockholders' equity		
Preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - par value $0.66 2/3 per share; 70,000,000 shares authorized; 47,591,092 and 46,680,973 issued and outstanding at December 31, 2014 and 2013, respectively	31,729	31,120
Additional paid-in capital	314,942	289,668
Retained earnings	490,006	426,328
Accumulated other comprehensive loss	(68,402)	(44,374)
Total Diodes Incorporated stockholders' equity	768,275	702,742
Noncontrolling interest	41,892	40,935
Total equity	810,167	743,677
Total liabilities and equity	$1,179,157	$1,162,258

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data) Years ended December 31,	2014	2013	2012
NET SALES	$890,651	$826,846	$633,806
COST OF GOODS SOLD	613,372	589,010	472,220
Gross profit	277,279	237,836	161,586
OPERATING EXPENSES			
Selling, general and administrative	133,701	132,106	101,363
Research and development	52,136	48,302	33,761
Amortization of acquisition related intangible assets	7,914	8,078	5,122
Impairment of goodwill	-	5,318	-
Restructuring	-	1,535	-
Loss (gain) on sale of assets	(983)	216	(3,556)
Total operating expenses	192,768	195,555	136,690
Income from operations	84,511	42,281	24,896
OTHER INCOME (EXPENSES)			
Interest income	1,470	1,274	778
Interest expense	(4,332)	(5,580)	(876)
Gain on securities carried at fair value	1,364	601	7,100
Other	2,979	9	(1,091)
Total other income (expenses)	1,481	(3,696)	5,911
Income before income taxes and noncontrolling interest	85,992	38,585	30,807
INCOME TAX PROVISION	20,359	14,481	4,825
NET INCOME	65,633	24,104	25,982
Less: NET (INCOME) LOSS attributable to noncontrolling interest	(1,955)	2,428	(1,830)
NET INCOME attributable to common stockholders	$63,678	$26,532	$24,152
EARNINGS PER SHARE attributable to common stockholders			
Basic	$1.35	$0.57	$0.53
Diluted	$1.31	$0.56	$0.51
Number of shares used in computation			
Basic	47,184	46,363	45,780

Diluted	48,594	47,658	46,899

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended December 31,		
	2014	2013	2012
Net income	$65,633	$24,104	$25,982
Foreign currency translation adjustment	(16,473)	6,453	7,317
Unrealized loss on defined benefit plan, net of tax	(7,555)	(16,971)	(5,411)
Comprehensive income	41,605	13,586	27,888
Less: Comprehensive (income) loss attributable to noncontrolling interest	(1,955)	2,428	(1,830)
Total comprehensive income attributable to common stockholders	$39,650	$16,014	$26,058

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(Amounts in thousands)
Years ended December 31, 2012, 2013 and 2014

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated Stockholders' equity	Noncontrolling interest	Total equity
BALANCE, December 31, 2011	45,432	$30,423	$263,455	$375,644	$ (35,762)	$ 633,760	$ 14,955	$648,715
Total comprehensive income	-	-	-	24,152	1,906	26,058	1,830	27,888
Acquisition of noncontrolling interest	-	-	-	-	-	-	26,470	26,470
Common stock issued for share-based plans	579	251	1,074	-	-	1,325	-	1,325
Excess tax benefit from share-based compensation	-	-	1,644	-	-	1,644	-	1,644
Share-based compensation	-	-	14,398	-	-	14,398	-	14,398
BALANCE, December 31, 2012	46,011	$30,674	$280,571	$399,796	$ (33,856)	$ 677,185	$ 43,255	$720,440
Total comprehensive income	-	-	-	26,532	(10,518)	16,014	(2,428)	13,586
Acquisition of noncontrolling interest	-	-	-	-	-	-	108	108
Common stock issued for share-based plans	670	446	2,189	-	-	2,635	-	2,635
Excess tax benefit from share-based compensation	-	-	(6,643)	-	-	(6,643)	-	(6,643)
Share-based compensation	-		13,551	-	-	13,551	-	13,551
BALANCE, December 31, 2013	46,681	$31,120	$289,668	$426,328	$ (44,374)	$ 702,742	$ 40,935	$743,677
	-	-	-	63,678	(24,028)	39,650	1,955	41,605

Total comprehensive income								
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
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

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands) Years ended December 31,	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$65,633	$24,104	$25,982
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions:			
Depreciation	68,857	65,529	59,063
Amortization of intangibles	7,914	8,078	5,130
Impairment of goodwill	-	5,318	-
Amortization of debt issuance costs	531	531	-
Share-based compensation	14,104	13,551	14,398
Excess tax benefit from share-based compensation	(6,018)	6,643	(1,644)
Loss (gain) on disposal of property, plant and equipment	(963)	270	(3,554)
Gain on securities carried at fair value	(1,364)	(601)	(7,100)
Deferred income taxes	(3,611)	(1,959)	(13,051)
Other	3,624	2,538	(334)
Changes in operating assets:			
Accounts receivable	1,810	(18,241)	(6,360)
Inventories	(2,750)	14,860	(5,492)
Prepaid expenses and other current assets	(10,537)	(3,803)	3,162
Changes in operating liabilities:			
Accounts payable	(9,512)	(8,594)	(7,440)
Accrued liabilities	2,187	171	2,257
Other liabilities	(3,584)	1,957	(4,179)
Income taxes payable	7,951	(461)	3,378
Net cash provided by operating activities	134,272	109,891	64,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	-	(124,916)	(20,048)
Decrease in restricted cash	2,872	6,886	-
Purchases of short-term investments	(18,839)	(22,922)	-
Sales of short-term investments	29,583	-	-
Purchases of equity securities	(1,842)	(5,393)	(3,413)
Proceeds from sale of equity securities	1,660	7,458	-
Purchases of property, plant and equipment	(57,766)	(47,054)	(58,166)
Proceeds from sales of property, plant and equipment	1,480	59	1,969
Proceeds from sales of intangibles	-	-	2,122
Other	84	(520)	117
Net cash used in investing activities	(42,768)	(186,402)	(77,419)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance on lines of credit and short term debt	6,778	15,101	3,659

Repayments on lines of credit and short-term debt	(11,400)	(34,573)	(9,556)
Net proceeds from the issuance of common stock	5,761	2,635	1,318
Excess tax benefit from share-based compensation	6,018	(6,643)	1,644
Proceeds from long-term debt	-	181,000	71,720
Repayments of long-term debt	(42,677)	(42,145)	(30,445)
Repayments of capital lease obligations	(246)	(627)	(295)
Other	7	(2,387)	502
Net cash provided by (used in) financing activities	(35,759)	112,361	38,547
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,380)	3,664	2,267
INCREASE IN CASH AND CASH EQUIVALENTS	46,365	39,514	27,611
CASH AND CASH EQUIVALENTS, beginning of year	196,635	157,121	129,510
CASH AND CASH EQUIVALENTS, end of year	$243,000	$196,635	$157,121

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

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31,	2014	2013	2012
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$3,276	$4,373	$914
Income taxes	$14,059	$10,396	$17,086
Non-cash activities:			
Property, plant and equipment purchased on accounts payable	$(1,167)	$2,714	$(1,957)
Dividend accrued for noncontrolling interest	$(1,336)	$-	$-
Acquisition:			
Fair value of assets acquired	$-	$247,012	$76,438
Liabilities assumed	-	(92,277)	(13,924)
Cash acquired	-	(29,819)	6,108
Net assets acquired	$-	$124,916	$68,622

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

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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.

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 $86 million, $68 million and $48 million in 2014, 2013 and 2012, 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. The short-term investments are valued under the fair value hierarchy using Level 2 Inputs.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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 million in 2014, 2013 and 2012.

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 acquired property, plant and equipment 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 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 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.

For 2014, our step zero conclusion was that goodwill is more likely than not to be not impaired and no further testing is required until the next annual test date (or sooner if conditions or events before that date raise concerns of potential impairment in the business) for all reporting units.

For 2013, our step zero conclusion was that goodwill is more likely than not to be not impaired and no further testing is required until the next annual test date (or sooner if conditions or events before that date raise concerns of potential impairment in the business) for all reporting units except for one. The reporting unit for Eris Technology Corporation failed the step zero test. Therefore, its goodwill and other indefinite lived intangible assets were tested using the two-step process. The first step required comparison of the fair value of the reporting unit to the respective carrying

value. The reporting unit failed step one as the fair value of the reporting unit was less than the carrying value. The second step was then performed to compute the amount of impairment, if any. In the second step, the impairment was computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. In this case, the carrying amount of the reporting unit's goodwill exceeded its implied fair value, and therefore an impairment loss was recognized for the excess in the amount of $5 million. In addition, all the other indefinite lived assets, such as trade name for Eris were not impaired.

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, 2014, 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. The weighted average amortization period for amortizable intangible assets is approximately 8 years.

Business combinations – We recognize all the assets acquired and liabilities assumed in the transaction and establish the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Certain accounting 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.

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.

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 $11 million, $10 million and $6 million for the years ended December 31, 2014, 2013 and 2012, 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.

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."

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

For the three years ended December 31, 2014, 2013 and 2012, options and share grants outstanding totaling approximately 2 million shares have been excluded from the computation of diluted earnings per share because their effect was anti-dilutive.

	Year Ended December 31,		
	2014	2013	2012
Basic			
Weighted average number of common shares outstanding used in computing basic earnings per share	47,184	46,363	45,780
Net income attributable to common stockholders	$63,678	$26,532	$24,152
Basic earnings per share attributable to common stockholders	$1.35	$0.57	$0.53
Diluted			
Weighted average number of common shares outstanding used in computing basic earnings per share	47,184	46,363	45,780
Add: Assumed exercise of stock options and stock awards	1,410	1,295	1,119
Weighted average number of common shares outstanding used in computing diluted earnings per share	48,594	47,658	46,899
Net income attributable to common stockholders	$63,678	$26,532	$24,152
Diluted earnings per share attributable to common stockholders	$1.31	$0.56	$0.51

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.

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 losses of $2 million, $1 million and $2 million for the years ended December 31, 2014, 2013 and 2012, 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.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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 stated at cost plus equity in undistributed net income (loss) of the joint venture. 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 (previously referred to as minority 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 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 $(68) million, $(44) million and $(34) million at December 31, 2014, 2013 and 2012, respectively.

There is no income tax expense or benefit associated with each component of comprehensive income. As of December 31, 2014, the accumulated balance for each component of comprehensive income is as follows:

	2014	2013
Translation adjustment	$(32,683)	$(16,210)
Unrealized loss on defined benefit plan	$(35,719)	$(28,164)

Reclassifications – Certain immaterial amounts from prior periods have been reclassified to conform to the current years’ presentation such as schedules included in the notes to consolidated financial statements.

Recently issued accounting pronouncements – In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity . Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations, which could include a disposal of a

major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. ASU 2014-08 also expands the disclosure requirements for disposals of operations to include more information about assets, liabilities, income and expenses and requires entities to disclose information about disposals of individually significant components. ASU 2014-08 is effective in the first quarter of 2015, with early adoption permitted and could impact our consolidated financial results in the event of a transaction as described above.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 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. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective in the first quarter of 2017, with early adoption not permitted and requires either a retrospective or a modified retrospective approach to adoption. We have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

In November 2014, FASB issued ASU 2014-17, Business Combinations (Topic 805): Pushdown Accounting. This ASU provides companies with the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014. We will evaluate this standard in the event of a future business combination.

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, 2014, we had investments in trading securities and short-term investments. Trading securities 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 $12 million consist of investments such as 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 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, 2014 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
Trading securities	$7,180	$ 7,180	$ -	$ -	$ 1,364
Short-term investments	11,726	-	11,726	-	-

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Financial assets and liabilities carried at fair value as of December 31, 2013 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
Trading securities	$5,634	$ 5,634	$ -	$ -	$ 235
Short-term investments	22,922	-	22,922	-	-

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, 2014 and 2013. Certain non-financial assets and non-financial liabilities that are measured at fair value on a recurring and non-recurring basis include goodwill, other intangible assets and other non-financial long-lived assets.

NOTE 3 – INVENTORIES

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

	2014	2013
Finished goods	$66,045	$67,487
Work-in-progress	42,417	43,031
Raw materials	73,564	69,878
	$182,026	$180,396

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31 were:

	2014	2013
Buildings and leasehold improvements	$124,920	$107,342
Machinery and equipment	577,402	549,971
	702,322	657,313
Less: Accumulated depreciation and amortization	(437,792)	(386,455)
	264,530	270,858
Construction in-progress	26,202	34,922
Land	19,199	16,233
	$309,931	$322,013

Depreciation and amortization of property, plant and equipment was $69 million, $66 million and $59 million for the years ended December 31, 2014, 2013 and 2012, respectively.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

NOTE 5 – INTANGIBLE ASSETS

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

December 31, 2014

Intangible Assets	Useful life	Gross Carrying Amount	Accumulated Amortization	Currency Exchange	Net
Amortized intangible assets:					
Patents	5-15 years	$ 11,815	$ (7,014)	$ (249)	$ 4,552
Software license	3 years	1,212	(1,149)	(63)	-
Developed product technology	2-10 years	53,509	(25,799)	(5,808)	21,902
Customer relationships	12 years	20,393	(6,202)	(1,351)	12,839
Total amortized intangible assets:		$ 86,928	$ (40,164)	$ (7,471)	$ 39,293
Intangible assets with indefinite lives:					
Trademarks and trade names	Indefinite	$ 6,403	$ -	$ (668)	$ 5,735
Total Intangible assets with indefinite lives:		$ 6,403	$ -	$ (668)	$ 5,735
Total intangible assets:		$ 93,331	$ (40,164)	$ (8,139)	$ 45,028

December 31, 2013

Intangible Assets	Useful life	Gross Carrying Amount	Accumulated Amortization	Currency Exchange and Other	Net
Amortized intangible assets:					
Patents	5-15 years	$ 11,812	$ (6,274)	$ (228)	$ 5,310
Software license	3 years	1,212	(1,149)	(63)	-

Developed product technology	2-10 years	53,508	(20,654)	(5,516)	27,338
Customer relationships	12 years	20,393	(4,168)	(1,193)	15,032
Total amortized intangible assets:		$ 86,925	$ (32,245)	$ (7,000)	$ 47,680
Intangible assets with indefinite lives:					
Trademarks and trade names	Indefinite	$ 6,403	$ -	$ (512)	$ 5,891
Total Intangible assets with indefinite lives:		$ 6,403	$ -	$ (512)	$ 5,891
Total intangible assets:		$ 93,328	$ (32,245)	$ (7,512)	$ 53,571

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Amortization expense related to intangible assets subject to amortization was $8 million, $8 million and $5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Amortization of intangible assets through 2019 is as follows:

Years	
2015	$7,429
2016	7,010
2017	6,356
2018	5,338
2019	4,764

NOTE 6 – GOODWILL

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

Balance at December 31, 2012	$87,359
Acquisitions	2,518
Impairment	(5,318)
Currency exchange	155
Balance at December 31, 2013	$84,714
Currency exchange and other	(3,485)
Balance at December 31, 2014	$81,229

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

Lines of Credit – We maintain lines of credit with several financial institutions through our entities worldwide totaling $92 million. In some cases, our foreign credit lines are unsecured, uncommitted and may be repayable on demand.

Revolving Senior Credit Facility—On January 8, 2013, we and Diodes International B.V. (the "Foreign Borrower" and collectively with us, the "Borrowers") and certain subsidiaries of ours as guarantors, entered into a Credit Agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America") and other participating lenders (collectively, the "Lenders").

The Credit Agreement provides for a five-year, $300 million revolving senior credit facility (the “Revolver”), which includes $10 million swing line sublimit, a $10 million letter of credit sublimit, and $20 million alternative currency sublimit. The Borrowers may from time to time request increases in the aggregate commitment under the Credit Agreement of up to $200 million, 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 commitment being in the form of term loans (“Incremental Term Loans”), with the remaining amount of each being an increase the amount of the Revolver. Incremental Term Loans will be on pricing and amortization terms to be agreed upon.

The Revolver matures on January 8, 2018 (the “Revolver Maturity Date”). Incremental Term Loans mature no earlier than the Revolver Maturity Date. The proceeds under the Revolver and the Incremental Term Loans may be used for the purposes of refinancing certain existing debt, for working capital and capital expenditures, and for general corporate purposes, including financing permitted acquisitions.

The Foreign Borrower’s obligations under the Credit Agreement are guaranteed by us. Each Borrower’s obligations under the Credit Agreement are guaranteed by certain of that Borrower’s subsidiaries. The Borrower’s obligations under the Credit Agreement are secured by substantially all assets of the Borrowers and certain of their subsidiaries.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Under the Revolver, the Borrowers may borrow in United States Dollars ("USD"), Euros, British Pounds Sterling or another currency approved by the Lenders. Borrowed amounts bear interest at a rate per annum equal to the sum of (a) the highest of (i) the Federal Funds Rate plus ½ of 1.00%, (ii) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," and (iii) the Eurocurrency Rate plus 1.00%, plus (b) an amount between 0.50% per annum and 1.25% per annum, based upon the Borrowers' and their subsidiaries' Consolidated Leverage Ratio. Eurocurrency loans bear interest at LIBOR plus an amount between 1.50% and 2.25% per annum, based upon the Borrowers' and their subsidiaries' Consolidated Leverage Ratio.

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 restrictive payments (including dividends). As of December 31, 2014, we were in compliance with the bank covenants.

In connection with the acquisition of BCD, we drew down on the Revolver to fund the acquisition and pay for costs associated with the acquisition. We have been paying down the balance on the Revolver, and as of December 31, 2014, the outstanding balance of the Revolver is $139 million.

The unused and available credit under the various facilities as of December 31, 2014, was approximately $89 million (net of approximately $3 million credit used for import and export guarantee), as follows:

2014 Lines of Credit	Terms	Outstanding at December 31, 2014	2013
$92,440	Unsecured, interest at LIBOR plus margin, due quarterly	$1,064	$5,814

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

	2014	2013
Notes payable to Taiwan bank, principal amount of TWD 158 million, variable interest (approximately 2.0% and 2.1% as of December 31, 2014 and 2013, respectively), of which TWD 132 million matures on July 6, 2021, and TWD 26 million matured July 6, 2013, secured by land and building.	2,074	2,500
Notes payable to Taiwan banks, variable interest between 1.8% and 2.5% as of December 31, 2013, maturity dates range from 2013 to 2023, secured by land, building and equipment.	-	2,426
Revolver	139,000	179,000
Total long-term debt	141,074	183,926
Less: Current portion	(287)	(1,127)

Long-term debt, net of current portion	$140,787	$182,799

The annual contractual maturities of long-term debt at December 31, 2014 are as follows:

2015	287
2016	292
2017	298
2018	304
2019	139,310
Thereafter	583
Total long-term debt	$141,074

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

NOTE 8 – CAPITAL LEASE OBLIGATIONS

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

For years ending December 31,	
2015	$195
2016	185
2017	19
2018	-
Thereafter	-
	399
Less: Interest	(15)
Present value of minimum lease payments	384
Less: Current portion	(185)
Long-term portion	$199

At December 31, 2014, property under capital leases had a cost of approximately $3 million, and the related accumulated depreciation was approximately $2 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:

	2014	2013
Accrued expenses	$27,384	$23,159
Compensation and payroll taxes	19,423	22,414
Equipment purchases	8,563	7,395
Accrued pricing adjustments	2,328	2,891
Accrued professional services	1,978	2,215
Other	760	2,610
	$60,436	$60,684

Other long-term liabilities at December 31 were:

	2014	2013
Accrued defined benefit plan	$37,618	$32,749
Unrecognized tax benefits	15,425	20,710
Income tax contingencies	10,210	9,829
Deferred compensation	4,978	3,535
Other	10,701	12,043
	$78,932	$78,866

NOTE 10 – STOCKHOLDERS' EQUITY

We have never declared or paid cash dividends on our Common Stock. Our credit agreement, dated January 8, 2013, with Bank of America N.A. and other lenders parties permits us to pay dividends up to $1.5 million per fiscal year to its stockholders so long as we have not defaulted and are in continuing operation at the time of 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.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

NOTE 11 – INCOME TAXES

Income (loss) before income taxes	2014	2013	2012
U.S.	$392	$(12,936)	$(24,411)
Foreign	85,600	51,521	55,218
Total	$85,992	$38,585	$30,807

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

	2014	2013	2012
Current tax provision (benefit)			
Federal	$285	$1,315	$1,424
Foreign	21,783	9,270	10,756
State	44	(187)	142
	22,112	10,398	12,322
Deferred tax provision (benefit)			
Federal	2,996	(1,531)	(8,784)
Foreign	(4,244)	(2,197)	(3,247)
State	51	9	317
	(1,197)	(3,719)	(11,714)
Liability for unrecognized tax benefits	(556)	7,802	4,217
Total income tax provision	$20,359	$14,481	$4,825

Effective Tax Rate Reconciliation

Reconciliation between the effective tax rate and the statutory tax rates for the years ended December 31, 2014, 2013, and 2012 is as follows:

	2014		2013		2012	
	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings
Federal tax	$30,097	35.0	$13,501	35.0	$10,783	35.0
State income taxes, net of federal tax	18	0.0	29	0.1	213	0.7

provision						
Foreign income taxed at lower tax rates	(9,421)	(11.0)	(8,363)	(21.7)	(15,515)	(50.4)
U.S. tax impact of foreign operations	365	0.4	608	1.6	3,631	11.8
Foreign withholding taxes (1)	3,694	4.3	866	2.2	-	-
Goodwill impairment	-	-	904	2.3	-	-
Research and development	(2,666)	(3.1)	(2,294)	(5.9)	-	-
Liability for unrecognized tax benefits	(556)	(0.6)	7,802	20.2	4,217	13.7
Provision-to-return adjustments	(1,925)	(2.2)	554	1.4	(102)	(0.3)
Other	753	0.9	874	2.3	1,598	5.2
Income tax provision	$20,359	23.7	$14,481	37.5	$4,825	15.7

(1) Certain Items have been reclassified for 2012 and 2013 for consistency in presentation with 2014.

- 67 -

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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:

	2014	2013	2012
Balance at January 1,	$20,710	$14,591	$10,177
Additions based on tax positions related to the current year	2,729	3,659	1,593
Additions for prior years tax positions	424	10,206	3,945
Reductions for prior years tax positions	(4,375)	(7,746)	(1,124)
Balance at December 31,	$19,488	$20,710	$14,591

The total amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was approximately $19 million at December 31, 2014. 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 2007, or for the 2010 tax year. We are no longer subject to China income tax examinations by tax authorities for tax years before 2004. 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, 2014, 2013 and 2012.

Deferred Taxes

At December 31, 2014 and 2013, our deferred tax assets and liabilities are comprised of the following items:

	2014	2013
Deferred tax assets, current		
Inventory cost	$6,878	$6,113
Accrued expenses and accounts receivable	2,042	2,422
Share based compensation and others	2,375	1,978

Total deferred tax assets, current	$11,295	$10,513
Deferred tax assets, non-current		
Foreign tax credits	$19,806	$20,911
Research and development tax credits	6,034	5,460
Net operating loss carryforwards	14,706	13,130
Accrued pension	22,283	17,110
Share based compensation and others	18,280	18,371
	81,109	74,982
Valuation allowances	(41,163)	(35,908)
Total deferred tax assets, non-current	39,946	39,074
Deferred tax liabilities, non-current		
Plant, equipment and intangible assets	(3,334)	(10,837)
Total deferred tax liabilities, non-current	(3,334)	(10,837)
Net deferred tax assets, non-current	$36,612	$28,237

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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, 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 $44 million net deferred tax asset presented on the balance sheet is net of $4 million of unrecognized tax benefits. The $48 million net deferred tax asset presented above is prior to the net balance sheet presentation required by ASU 2013-11.

At December 31, 2014, we had federal and state tax credit carryforwards of approximately $26 million and $1 million, respectively, which are available to offset future income tax liabilities. The federal tax credit carryforwards begin to expire in 2014 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 $16 million as of December 31, 2014.

At December 31, 2013, we had federal and state net operating loss (“NOL”) carryforwards of approximately $30 million and $17 million, respectively, and foreign NOL carryforwards of $14 million which are available to offset future taxable income. The federal NOL carryforwards will begin to expire in 2018. 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 foreign and U.S. state NOL carryforwards will begin to expire in 2020 and 2015, respectively. We determined that it is more likely than not that the foreign and U.S. state NOL carryforwards will expire before they are fully utilized and recorded a full valuation allowance on the related deferred tax assets.

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, 2013, we had undistributed earnings from its non-U.S. operations of approximately $408 million (including approximately $36 million of restricted earnings which are not available for dividends). Undistributed earnings of our China subsidiaries comprise $341 million of this total. Additional federal and state income taxes of approximately $109 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 $2 million, $2 million and $6 million for the years ended December 31, 2014, 2013 and 2012, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the years ended December 31, 2014 and 2013 was approximately $0.05. The benefit of the tax holidays on basic and diluted earnings per share for the year ended December 31, 2012 was approximately $0.14 and $0.13, 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 utilizes 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 primarily of high quality corporate bonds that 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.

Net period benefit costs associated with the defined benefit were approximately $1 million and less than $1 million for the years ended December 31, 2014 and 2013, respectively. 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.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

The following table summarizes the net periodic benefit costs of the plan for the years ended December 31, 2014 and 2013:

	Defined Benefit Plan	
	2014	2013
Components of net periodic benefit cost:		
Service cost	$329	$313
Interest cost	6,733	5,384
Recognized actuarial loss	1,036	239
Expected return on plan assets	(6,781)	(5,556)
Net periodic benefit cost	$1,317	$380

The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status as of December 31:

	Defined Benefit Plan	
	2014	2013
Change in benefit obligation:		
Beginning balance	$149,316	$124,751
Acquisition	-	-
Service cost	329	313
Interest cost	6,733	5,384
Actuarial gain (loss)	17,650	21,765
Benefits paid	(4,511)	(6,719)
Settlements	-	240
Currency changes	(9,802)	3,582
Benefit obligation at December 31	$159,715	$149,316
Change in plan assets:		
Beginning balance - fair value	$116,567	$106,898
Employer contribution	2,569	2,960
Actual return on plan assets	15,701	10,987
Benefits paid	(4,511)	(6,719)
Currency changes	(7,546)	2,441
Fair value of plan assets at December 31	$122,780	$116,567
Underfunded status at December 31	$(36,935)	$(32,749)

Based on an actuarial study performed as of December 31, 2014, the plan is underfunded by approximately $37 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 $36 million. The majority of the increase of the underfunded status in 2014 was caused by the change in discount rates, and partially offset by the better than expected investment returns and a decrease in future inflation expectations.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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 year ended December 31, 2014, the plan's total recognized loss increased by approximately $7 million. The variance between the actual and expected return to plan assets during 2014 increased the total unrecognized net loss by approximately $9 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, 2014 the average term was approximately 13 years. The following weighted-average assumptions were used to determine net periodic benefit costs for the year ended December 31:

	2014	2013
Discount rate	3.7%	4.6%
Expected long-term return on plan assets	5.2%	5.9%

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

	2014	2013
Discount rate	3.7%	4.6%

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 following summarizes the plan asset allocations of the assets in the plan and expected long-term return by asset category:

Asset category	Expected long-term return		Assets allocation	
Cash	0.5	%	2	%
Equity securities	7.2	%	42	%
Gilt securities	2.4	%	19	%
Corporate bond securities	3.4	%	25	%
Target return funds	7.2	%	12	%
Total	5.2	%	100	%

Benefit plan payments are primarily made from funded benefit plan trusts and current assets. The following summarizes the expected future benefit payments, including future benefit accrual, as of December 31, 2014:

Year	
2015	$3,727
2016	4,273
2017	4,327
2018	4,475
2019	4,756
2020-2024	31,070

We adopted a payment plan with the trustees of the defined benefit plan, in which we will pay approximately GBP2 million every year from 2012 through 2019. We are currently in negotiations with the trustees related to a new payment plan.

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.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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, 2014

Assets Category	Level 1	Level 2	Level 3	Total
Cash	$2,534	$-	$ -	$2,534
Equity securities:				
U.K.	25,236	-	-	25,236
North America	9,623	-	-	9,623
Europe (excluding U.K.)	8,621	-	-	8,621
Japan	3,872	-	-	3,872
Pacific Basin (excluding Japan)	3,259	-	-	3,259
Emerging markets	950	-	-	950
Fixed income securities:				
Corporate bonds	-	31,035	-	31,035
Index linked securities:				
U.K. Treasuries	23,669	-	-	23,669
Other types of investments:				
Absolute return funds	13,981	-	-	13,981
Total	$91,745	$31,035	$ -	$122,780

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. Therefore, the majority of the securities are valued using Level 1 Inputs and one security is valued using Level 2 Inputs using quoted prices for identical or similar securities. 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 deemed 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 makes 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 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, 2014, 2013 and 2012, total amounts expensed under these plans were approximately $13 million, $6 million and $5 million, respectively.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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, 2014, these investments totaled approximately $5 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.

NOTE 13 - SHARE-BASED COMPENSATION

The following table shows the total compensation cost charged as an expense for share-based compensation plans, including stock options and share grants, recognized in the statements of income for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Cost of goods sold	$438	$522	$458
Selling, general and administrative expense	12,438	11,645	12,715
Research and development expense	1,228	1,384	1,225
Total share-based compensation expense	$14,104	$13,551	$14,398

Stock Options – Stock options under our 2001 Omnibus Equity Incentive Plan ("2001 Plan") generally vest in equal annual installments over a four-year period and expire ten years after the grant date.

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, 2013 and 2012 was calculated on the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	2014	2013	2012
Expected volatility	53.36%	53.36%	53.86%
Expected term (years)	7.2	7.2	7.5
Risk free interest rate	2.08 %	1.49 %	1.16 %
Forfeiture rate	0.00 %	0.78 %	0.76 %

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 option's expected term assumption. For 2014, the expected volatility for grants to officers and the Board is 53.36%, while the expected volatility for grants to all other employees is 56.91%.

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. For 2014, the expected term for grants to officers and the Board is approximately 7 years, while the expected term for grants to all other employees is approximately 5 years.

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.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

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.

Dividend yield – We historically have not paid a cash dividend on our common stock; therefore this input is zero.

The weighted-average grant-date fair value of options granted during 2014, 2013 and 2012 was $15.68, $12.88, and $10.60, respectively. The total cash received from option exercises was approximately $6 million, $3 million and $1 million during 2014, 2013 and 2012, respectively.

For the years ended December 31, 2014, 2013 and 2012, stock option expense was approximately $3 million, $4 million and $5 million, respectively.

At December 31, 2014, unamortized compensation expense related to unvested options, net of estimated forfeitures, was approximately $5 million. The weighted average period over which share-based compensation expense related to these options will be recognized is approximately 2 years.

A summary of our stock option plans is as follows:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	3,587	$ 16.69		
Granted	402	19.31		
Exercised	(274)	4.81		
Forfeited or expired	(2)	20.10		
Outstanding at December 31, 2012	3,713	17.85		
Exercisable at December 31, 2012	2,715	16.48		
Outstanding at January 1, 2013	3,713	17.85		
Granted	186	23.35		
Exercised	(341)	7.70		
Forfeited or expired [1]	(432)	20.34		
Outstanding at December 31, 2013	3,126	18.93		
Exercisable at December 31, 2013	2,509	18.01		

Outstanding at January 1, 2014	3,126	18.93		
Granted	176	27.92		
Exercised	(564)	10.37		$ 10,090
Forfeited or expired	(2)	29.21		
Outstanding at December 31, 2014	2,736	$ 21.26	4.0	$ 17,840
Exercisable at December 31, 2014	2,205	$ 20.49	3.3	$ 16,036

(1) The Compensation Committee of the Board of Directors reviewed the grants of stock options to the Chief Executive Officer ("CEO") in 2009, 2010, 2011 and 2012 (each such annual grant, an "Option Grant"), and approved a Confirmation Agreement, dated April 1, 2013, in which we and our CEO agreed and confirmed that our CEO will assert no claim that any Option Grant in 2009, 2010, 2011 or 2012 provided for the purchase of more than 100,000 shares of our Common Stock, and that each Option Grant document be deemed amended to reflect the foregoing 100,000 share limitation.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

The following table summarizes information about stock options outstanding at December 31, 2014:

Plan	Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
2001 Plan	$11.53-29.21	2,377	3.6	$ 20.61
2013 Plan	$23.35-27.92	358	6.9	$ 25.60

The following summarizes information about stock options exercisable at December 31, 2014:

Plan	Range of exercise prices	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
2001 Plan	$11.53-29.21	2,160	3.2	$ 20.43
2013 Plan	$23.35	46	6.4	$ 23.35

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.

A summary of our non-vested share grants in 2014, 2013 and 2012 are presented below:

Restricted Stock Grants	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested at January 1, 2012	1,024	$ 21.48	
Granted	482	18.95	
Vested	(305)	21.48	
Forfeited	(37)	21.67	
Nonvested at December 31, 2012	1,164	$ 20.42	
Nonvested at January 1, 2013	1,164	$ 20.42	

Granted	453	24.66	
Vested	(428)	19.90	
Forfeited	(58)	21.66	
Nonvested at December 31, 2013	1,131	$ 22.35	
Nonvested at January 1, 2014	1,131	$ 22.35	
Granted	788	25.08	
Vested	(346)	22.34	$ 9,974
Forfeited	(38)	24.98	
Nonvested at December 31, 2014	1,535	$ 27.58	$ 42,324

For each of the years ended December 31 of 2014, 2013 and 2012, share-based compensation expense related to restricted stock arrangements granted was approximately $11 million, $9 million and $9 million, respectively. The total unrecognized share-based compensation expense as of December 31, 2014 was approximately $19 million, which is expected to be recognized over a weighted average period of approximately 3 years.

On September 22, 2009, we entered into an employment agreement (the “Agreement”) with Dr. Keh-Shew Lu, President and Chief Executive Officer (the “Employee”), pursuant to which he will continue to be employed by us in such positions for an additional six-year term. As part of the Agreement, we and the Employee entered into a Stock Award Agreement that provides that: (i) we shall

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

grant to the Employee 100,000 shares of Common Stock in the form of restricted stock awards on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015; (ii) each such installment would vest only if we achieved $1 billion net sales; (iii) upon the termination of the Employee's employment, our obligation to grant any subsequent installment would terminate; and (iv) any granted shares would be automatically forfeited and returned to us if the Employee's employment with us is terminated before we achieve the specified target amount of net sales, except in the case of death or disability (as defined) in which case the granted shares would become fully vested on the date of death or disability. The estimated fair value of this grant is approximately $12 million and is being expensed on a straight line basis through April 14, 2015. As of December 31, 2014, five annual installments have been granted and are included in the above table as granted but not vested. As of December 31, 2014, no installments have vested.

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 17% of our outstanding Common Stock as of December 31, 2014, and is a member of the Lite-On Group of companies. 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 also conduct business with a significant company, 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. 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.

Lite-On Semiconductor Corporation (LSC) – We sold products to LSC totaling approximately 1% of our net sales for the years ended December 31, 2014, 2013 and 2012, respectively.

Net sales to, and purchases from, LSC were as follows for years ended December 31:

	2014	2013	2012

Net sales	$751	$770	$1,054
Purchases	$31,588	$35,329	$33,928

Keylink International (B.V.I.) Inc. – We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink, totaling 1%, 1% and 3% of net sales for the years ended December 31, 2014, 2013 and 2012, respectively. 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 for these services for the years ended December 31, 2014, 2013 and 2012 were approximately $19 million, $17 million and $19 million, respectively.

Net sales to, and purchases from, companies owned by Keylink were as follows for years ended December 31:

	2014	2013	2012
Net sales	$9,465	$10,559	$19,336
Purchases	$8,122	$8,030	$7,826

Nuvoton Technology Corporation – We purchase wafers from Nuvoton that we use in the production of finished goods.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Net purchases from Nuvoton are as follows (in thousands):

	2014	2013
Purchases	$12,697	$8,317

Accounts receivable from, and accounts payable to, LSC, Keylink, and Nuvoton were as follows as of December 31:

	2014	2013
Accounts receivable		
LSC	$215	$140
Keylink	4,142	4,927
	$4,357	$5,067
Accounts payable		
LSC	$4,458	$5,670
Keylink	$6,472	$6,505
Nuvoton	$1,167	$770
	$12,097	$12,945

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 decision-making group consists of the President and CEO, Chief Financial Officer, Senior Vice President of Operations and Senior Vice President of Sales and Marketing. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities. We aggregate our products in a single segment because the products have similar economic characteristics, are similar in production process and manufacture flow, and share the same customers and target end-equipment markets.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Our primary operations include the operations in Asia, North America and Europe. Net sales are attributed to geographic areas based on the location of subsidiaries producing the net sales:

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

2013	Asia	North America	Europe	Consolidated
Total sales	$750,339	$143,251	$165,179	$1,058,769
Inter-company sales	(75,731)	(65,947)	(90,245)	(231,923)
Net sales	$674,608	$77,304	$74,934	$826,846
Property, plant and equipment	$268,196	$30,040	$23,777	$322,013
Assets	$858,114	$120,104	$184,040	$1,162,258

2012	Asia	North America	Europe	Consolidated
Total sales	$573,085	$133,973	$154,955	$862,013
Inter-company sales	(75,230)	(66,626)	(86,351)	(228,207)
Net sales	$497,855	$67,347	$68,604	$633,806
Property, plant and equipment	$186,563	$31,309	$25,424	$243,296
Assets	$554,603	$136,261	$229,199	$920,063

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

Geographic Information - Historically, we reported net sales “billed to” customers located in various countries. In 2013, we changed to net sales “shipped to” customer locations as we believe the change better represents where our customers business activities occur. All years presented reflect this change.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

Net sales were derived from (shipped to) customers located in the following countries. “All others” represents countries with less than 3% of total net sales each:

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 %

2013	Net Sales	% of Total Net Sales
China	$522,587	63 %
U.S.	72,232	9 %
Korea	68,693	8 %
Germany	45,631	6 %
Singapore	43,066	5 %
Taiwan	30,233	4 %
All others	44,404	5 %
Total	$826,846	100 %

2012	Net Sales	% of Total Net Sales
China	$381,307	60 %
U.S.	62,862	10 %
Korea	52,670	8 %
Germany	41,037	6 %
Singapore	26,877	4 %
Taiwan	20,973	3 %
All others	48,080	9 %
Total	$633,806	100 %

Major customers – No customer accounted for 10% or greater of our total net sales in 2014, 2013, and 2012.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Operating leases – We lease offices, manufacturing plants and warehouses under operating lease agreements expiring through December 2020. Rental expense amounted to approximately $10 million, $9 million and $7 million for the years ended December 31, 2014, 2013 and 2012, respectively. We do not have purchase options related to the operating lease agreements.Future minimum lease payments under non-cancelable operating leases at December 31, 2014 are approximately:

2015	$9,585
2016	7,372
2017	6,495
2018	2,947
2019	1,930
Thereafter	594
	$28,923

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

In addition, we have a 50-year land right lease in Chengdu, China, (which expires in 2061) and in Shanghai, China (which expires in 2056). Neither lease requires a rental payment.

Purchase commitments – We have entered into non-cancelable purchase contracts for capital expenditures, primarily for manufacturing equipment, for approximately $35 million at December 31, 2014.

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. Legal proceedings that we believe are material are disclosed below.

On September 9, 2014, the United States District Court for the District of Delaware issued an order regarding the purported stockholder derivative action, entitled Scherer v. Keh-Shew Lu, Civil Action No. 1:13-cv-00358-UNA (D. Del. filed Mar. 5, 2013), granting in part plaintiff's motion for attorneys' fees. On or about December 19, 2014, the parties entered into a Settlement Agreement and Release, pursuant to which the parties agreed to dismiss the litigation with prejudice. Plaintiff agreed to release all claims arising out of the conduct alleged in the action and defendants agreed to pay a total of $1.1 million.

On September 15, 2014, the United States District Court for the Eastern District of Texas issued an order regarding the putative securities class action entitled Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund v. Diodes, Inc., Civil Action No. 6:13-cv-00247 (E.D. Tex. filed Mar. 15, 2013) (the "Class Action"), granting defendants' motion to dismiss the Class Action with prejudice. On October 13, 2014, plaintiffs filed a notice of appeal to the order dismissing the Class Action to the United States Court of Appeals for the Fifth Circuit. Plaintiff-appellants filed their opening brief to the Fifth Circuit on January 14, 2015. No hearing date has been set. Defendants-respondents intend to continue defend this action vigorously.

On February 20, 2014, a purported stockholder derivative action was filed in the United States District Court for the Eastern District of Texas, entitledPersson v. Keh-Shew Lu, Case No. 4:14-cv-00108-RC-ALM (E.D. Tex. filed Feb. 20, 2014), on behalf of the Company against its directors, in which plaintiff alleges that the Board breached their fiduciary duties by allowing the Company to make allegedly misleading public statements in 2011 regarding the labor market in China and its impact on the Company's business and prospects, by failing to maintain internal controls and by selling shares of Diodes stock while allegedly in possession of material nonpublic information regarding the labor market in China and its impact on the Company's business and prospects. The complaint does not seek any damages or other relief from the Company. On April 17, 2014, the Court granted the parties' unopposed motion to stay this action until such time that the Court rules on defendants' motion to dismiss in the Class Action. On October 2, 2014, the Court granted the parties' unopposed motion to extend the stay of this action until 30 days after either the expiration of the appeal period or a final decision by the highest court of appeals regarding the defendants' motion to dismiss in the Class Action. The defendants intend to defend the action vigorously.

NOTE 17 – BUSINESS COMBINATION

BCD Semiconductor Manufacturing Limited

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

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

The purchase price for BCD and related costs were estimated as follows:

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

The results of operations of BCD are included in the consolidated financial statements from March 1, 2013. The consolidated revenue and earnings of BCD included in our consolidated financial statements for the year ended December 31, 2013 were approximately $155 million and $6 million, respectively, which include acquisition accounting adjustments. The purpose of the acquisition was to further our strategy of expanding market and growth opportunities through select strategic acquisitions.

Under the accounting guidance for step acquisitions, we were required to record all assets acquired and liabilities assumed at fair value, and recognize goodwill of the acquired business. The step acquisition guidelines also require us to remeasure the preexisting investment in BCD at fair value, and recognize any gains or losses from such remeasurement. The fair value of our interest immediately before the closing date was $7 million, which resulted in us recognizing a non-cash gain of approximately $4 million within other income (expense) for the year ended December 31, 2013. The shares of BCD common stock were valued under the fair value hierarchy as a Level 1 Input.

The following summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	March 1, 2013 Acquisition Method
Assets acquired:	
Cash and cash equivalents	$ 29,819
Accounts receivable, net	20,862
Inventory	42,909
Prepaid expenses and other current assets	27,205
Property, plant and equipment, net	99,390
Deferred tax assets	1,612
Other long-term assets	5,497
Other intangible assets	17,200
Goodwill	2,518
Total assets acquired	$ 247,012

Liabilities assumed:	
Lines of credit	$ 17,336
Accounts payable	34,758
Accrued liabilities and other	16,703
Deferred tax liability	5,055
Other liabilities	18,425
Total liabilities assumed	92,277
Total net assets acquired, net of cash acquired	$ 154,735

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

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

We estimated the fair value of acquired receivables to be $21 million with a gross contractual amount of $21million. 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 the inventory acquired from BCD by approximately $5 million, and recorded that increase into cost of goods sold, of which approximately $2 million was recorded in the first quarter of 2013 and $3 million was recorded in the second quarter of 2013 as the acquired work-in-progress and finished goods inventory was sold.

The following unaudited pro forma consolidated results of operations for the year ended December 31, 2013 have been prepared as if the acquisition of BCD had occurred at January 1, 2012:

	Twelve Months Ended December 31, 2013
Net revenues	$847,947
Net income attributable to common stockholders	$25,513
Earnings per share—Basic	$0.55
Earnings per share—Diluted	$0.54

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. These unaudited pro forma consolidated results of operations were derived, in part, from the historical consolidated financial statements of BCD and other available information and assumptions believed to be reasonable under the circumstances.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands except per share data)

NOTE 18 – SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Fiscal 2014				
Net sales	$209,986	$223,217	$233,777	$223,671
Gross profit	61,581	70,304	74,732	70,662
Net income attributable to common shareholders	10,202	17,385	19,427	16,665
Earnings per share attributable to common shareholders				
Basic	$0.22	$0.37	$0.41	$0.35
Diluted	0.21	0.36	0.40	0.34

	Quarter Ended			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Fiscal 2013				
Net sales	$176,964	$214,379	$224,510	$210,993
Gross profit	46,183	61,293	69,559	60,801
Net income (loss) attributable to common shareholders	(1,926)	8,635	13,619	6,204
Earnings (loss) per share attributable to common shareholders				
Basic	$(0.04)	$0.19	$0.29	$0.13
Diluted	(0.04)	0.18	0.28	0.13

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.

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)	March 2, 2015
By: /s/ Richard D. White RICHARD D. WHITE Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 2, 2015

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 and 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 March 2, 2015.

/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	/s/ L.P. Hsu L.P. HSU

Director	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	

- 84 -

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 dated September 6, 2014	8-K	September 10, 2014	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	Kaihong Joint Venture Agreement between the Company and Mrs. J.H. Xing	10-K	April 1, 1996	10.17	
10.2	Sale and Leaseback Agreement between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Company, Ltd.	10-Q	May 15, 2002	10.46	
10.3	Lease Agreement between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Company, Ltd.	10-Q	May 15, 2002	10.47	
10.4	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	
10.5	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	
10.6	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	
10.7	Supplementary to the Lease agreement dated as September 30, 2003 with Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 9, 2004	10.58	
10.8*	Employment agreement between the Company and Mark King, dated August 29, 2005	8-K	September 2, 2005	10.2	
10.9*	Employment agreement between the Company and Joseph Liu, dated August 29, 2005	8-K	September 2, 2005	10.3	
10.10*	Form of Indemnification Agreement between the Company and its directors and executive officers.	8-K	September 2, 2005	10.5	
10.11		8-K	January 12, 2006	2.1	

	Wafer purchase Agreement dated January 10, 2006 between Diodes Taiwan Inc. and Lite-On Semiconductor Corporation			
10.12	Supplementary to the Lease Agreement dated on September 5, 2004 with Shanghai Ding Hong Electronic Co., Ltd.	10-Q	May 10, 2006	10.14
10.13	Supplementary to the Lease Agreement dated on June 28, 2004 with Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	May 10, 2006	10.15
10.14	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
10.15	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
10.16*	Deferred Compensation Plan effective January 1, 2007	8-K	January 8, 2007	99.1

85

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.17	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	
10.18	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	
10.19	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	
10.20	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	
10.21	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	
10.22	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	
10.23	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	
10.24	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	
10.25	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	
10.26	Company's 2001 Omnibus Equity Incentive Plan, as amended December 22, 2008	10-K	February 26, 2009	10.87	

10.27*	Company's Deferred Compensation Plan Effective January 1, 2007, as amended December 22, 2008	10-K	February 26, 2009	10.88
10.28	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 16, 2009	10.1
10.29	Employment Agreement dated as of September 22, 2009, between the Company and Keh-Shew Lu	8-K	September 28, 2009	99.1
10.30	Consulting Agreement dated January 1, 2009, between Diodes Incorporated and Keylink International (B.V.I.) Co., Ltd.	10-Q	May 8, 2009	10.1

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.31	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	
10.32	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	
10.33	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	
10.34	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	
10.35	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 Limited.	10-Q	November 9, 2010	10.1	
10.36***	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	
10.37***	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	
10.38***	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	
10.39	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	
10.40		10-K		10.112	

	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 Limited.		February 28, 2012	
10.41	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 Limited.	10-K	February 28, 2011	10.113
10.42	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 Limited.	10-Q	November 9, 2011	10.1

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.43	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 Limited.	10-Q	November 9, 2011	10.2	
10.44	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 Limited.	10-Q	November 9, 2011	10.3	
10.45	Supplemental Agreement to the Power Facility Construction Agreement, dated March 21, 2011, between Shanghai Kai Hong Technology Company Limited and Shanghai Yuan Hao Electronic Company Limited.	10-Q	August 9, 2011	10.1	
10.46	Credit Agreement, dated March 21, 2011, between Mega International Commercial Bank and Diodes Taiwan Inc.	10-Q	August 9, 2011	10.2	
10.47	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	
10.48	Construction Design Consulting Agreement between Diodes Technology (Chengdu) Company Limited and Lite-On Technology Corporation.	10-Q	August 9, 2012	10.1	
10.49	Diodes Zetex Pension Scheme Recovery plan, dated February 28, 2012, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-Q	August 9, 2012	10.2	
10.50	Diodes Zetex Pension Scheme Schedule of contributions, dated March 28, 2012, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-Q	August 9, 2012	10.3	
10.51	Framework Agreement, dated March 26, 2012, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, Diodes Incorporated, HR Trustees Limited, and Trustees	10-Q	August 9, 2012	10.4	
10.52	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	
10.53		10-Q		10.6	

	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		August 9, 2012	
10.54	Legal Charge, dated March 26, 2012, among Zetex Semiconductors Limited, HR Trustees Limited, and Trustees	10-Q	August 9, 2012	10.7
10.55***	Credit Agreement, dated January 8, 2013, by and among the Company, Diodes International B.V., Diodes Investment Company, Diodes FabTech Inc., Diodes Holdings UK Limited, Diodes Zetex Limited, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders party thereto.	8-K	January 11, 2013	99.1

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.56	Agreement and Plan of Merger by and among the Company, Diodes Cayman Islands Company Limited and BCD Semiconductor Manufacturing Limited, dated as of December 26, 2012.	10-K	February 27, 2013	10.74	
10.57	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	
10.58	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	
10.59*	Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.1	
10.60*	Form of Incentive Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.2	
10.61*	Form of Stock Unit Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.4	
10.62*	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	
10.63*	Form of Nonstatutory Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.81	
10.64*	Form of Restricted Stock Agreement for the Diodes Incorporated 2013 Equity Incentive Plan, as amended (Domestic Version)	10-K	February 27, 2014	10.82	
10.65*	Form of Restricted Stock Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.83	
10.66	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	
10.67		10-Q		10.1	

	Construction Design Consulting Assignment Agreement Supplemental Agreement between Diodes Technology (Chengdu) Company Limited and Lite-On Technology Corporation		August 8, 2013	
10.68	Procurement Agreement, dated May 3, 2013, between Diodes Taiwan Inc. and Lite-On Technology Corporation	10-Q	August 8, 2013	10.2
10.69	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

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.70*	Confirmation Agreement, dated April 1, 2013, by and between Diodes Incorporated and Dr. Keh-Shew Lu	8-K	April 3, 2013	99.1	
10.71	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	
10.72	Equity Transfer Agreement, dated April 2014, between Chengdu Ya Guang Electronic Engineering Factory and Diodes (Shanghai) Investment Company Limited	10-Q	May 9, 2014	10.2	
10.73	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	10.3	
10.74	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	10.4	
10.75	Plating Processing Agreement, dated February 28, 2014, between Zetex (Chengdu) Electronic Company Limited and Diodes Technology (Chengdu) Company Limited	10-Q	May 9, 2014	10.5	
10.76	Framework Agreement, dated 2014, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, the Company, HR Trustees Limited, and Trustees	10-Q	May 9, 2014	10.6	
10.77*	Stock Award Agreement, dated as of September 22, 2009, between the Company and Keh-Shew Lu	10-Q	May 9, 2014	10.7	
10.78	Amended Consulting Agreement dated as of January 1, 2015 between Diodes Incorporated and Keylink International (B.V.I) Co., Ltd.				X
10.79	Chemical Warehouse Lease Agreement, dated November 1, 2014 between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.				X
14**	Code of Ethics for Chief Executive Officer and Senior Financial Officers				
21	Subsidiaries of the Registrant				X

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

INDEX TO EXHIBITS (continued)

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
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.

*** Confidential treatment has been requested with respect to the omitted portions of these exhibits, which portions have been filed separately with the Securities and Exchange Commission.

**** 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 and/or were used for the purpose of allocating risk among the parties rather than establishing certain matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.