DIODES INC /DEL/
Form 10-Q
November 12, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

Or

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

For the transition period from __________ to __________.

Commission file number: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

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

(972) 987-3900

(Registrant s telephone number, including area code)

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

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

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

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

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

The number of shares of the registrant s Common Stock outstanding as of November 7, 2013 was 46,659,598.

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

ASSETS

	September 30, 2013 *(Unaudited)*	December 31, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 204,214	$ 157,121
Short-term investments	21,690	
Accounts receivable, net	191,792	152,073
Inventories	194,320	153,293
Deferred income taxes, current	11,508	9,995
Prepaid expenses and other	48,741	18,928
Total current assets	672,265	491,410
PROPERTY, PLANT AND EQUIPMENT, net	328,802	243,296
DEFERRED INCOME TAXES, non-current	32,234	36,819
OTHER ASSETS		
Goodwill	89,330	87,359
Intangible assets, net	55,284	44,337
Other	24,205	16,842
Total assets	$ 1,202,120	$ 920,063

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

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DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS *(cont)*

LIABILITIES AND EQUITY

(In thousands, except share data)

	September 30, 2013 *(Unaudited)*	December 31, 2012
CURRENT LIABILITIES		
Lines of credit	$ 5,499	$ 7,629
Accounts payable	106,622	64,072
Accrued liabilities	69,893	41,139
Income tax payable	1,322	678
Total current liabilities	183,336	113,518
LONG-TERM DEBT, net of current portion	202,115	44,131
OTHER LONG-TERM LIABILITIES	63,332	41,974
Total liabilities	448,783	199,623
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Diodes Incorporated stockholders equity		
Preferred stock par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding		
Common stock par value $0.66 2/3 per share; 70,000,000 shares authorized; 46,639,997 and 46,010,815 issued and outstanding at September 30, 2013 and December 31, 2012, respectively	31,093	30,674
Additional paid-in capital	292,505	280,571
Retained earnings	420,124	399,796
Accumulated other comprehensive loss	(32,807)	(33,856)
Total Diodes Incorporated stockholders equity	710,915	677,185
Noncontrolling interest	42,422	43,255
Total equity	753,337	720,440
Total liabilities and equity	$ 1,202,120	$ 920,063

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

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DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
NET SALES	$ 224,510	$ 166,617	$ 615,853	$ 470,519
COST OF GOODS SOLD	154,951	123,012	438,818	352,180
Gross profit	69,559	43,605	177,035	118,339
OPERATING EXPENSES				
Selling, general and administrative	33,810	25,796	99,266	72,702
Research and development	13,611	9,084	35,836	24,466
Other operating (income) expenses	1,876	1,203	7,657	(155)
Total operating expenses	49,297	36,083	142,759	97,013
Income from operations	20,262	7,522	34,276	21,326
OTHER INCOME (EXPENSES)	(2,768)	1,923	(1,970)	2,861
Income before income taxes and noncontrolling interest	17,494	9,445	32,306	24,187
INCOME TAX PROVISION	3,604	509	11,653	1,983
NET INCOME	13,890	8,936	20,653	22,204
Less: NET INCOME attributable to noncontrolling interest	(271)	(383)	(325)	(2,127)
NET INCOME attributable to common stockholders	$ 13,619	$ 8,553	$ 20,328	$ 20,077
EARNINGS PER SHARE attributable to common stockholders				
Basic	$ 0.29	$ 0.19	$ 0.44	$ 0.44
Diluted	$ 0.28	$ 0.18	$ 0.43	$ 0.43
Number of shares used in computation				
Basic	46,605	45,997	46,260	45,702
Diluted	48,023	46,995	47,584	46,901

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

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DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 13,890	$ 8,936	$ 20,653	$ 22,204
Translation adjustment	11,983	4,873	3,588	5,277
Unrealized gain (loss) on defined benefit plan, net of tax	(3,687)	375	(2,506)	(3,588)
Comprehensive income	22,186	14,184	21,735	23,893
Less: Comprehensive income attributable to noncontrolling interest	(271)	(383)	(325)	(2,127)
Total comprehensive income attributable to common stockholders	$ 21,915	$ 13,801	$ 21,410	$ 21,766

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

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DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES	$ 77,834	$ 47,866
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition, net of cash acquired	(124,916)	(4,653)
Decrease in restricted cash	6,949	
Purchases of property, plant and equipment	(30,780)	(42,889)
Purchases of equity securities	(5,563)	(3,413)
Purchases of short-term investments	(21,690)	
Proceeds from sale of equity securities	7,458	
Proceeds from sale of property, plant and equipment	58	1,966
Proceeds from sale of intangibles		2,122
Other	(958)	185
Net cash used by investing activities	(169,442)	(46,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	10,196	2,629
Repayments on lines of credit	(30,029)	(8,000)
Borrowings of long-term debt	181,000	70,000
Repayments of long-term debt	(22,849)	(30,317)
Net proceeds from issuance of common stock	2,300	1,306
Other	(3,927)	(219)
Net cash provided by financing activities	136,691	35,399
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,010	2,173
INCREASE IN CASH AND CASH EQUIVALENTS	47,093	38,756
CASH AND CASH EQUIVALENTS, beginning of period	157,121	129,510
CASH AND CASH EQUIVALENTS, end of period	$ 204,214	$ 168,266
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash financing activities:		

Property, plant and equipment purchased on accounts payable	$	2,656	$	(5,963)
Acquisition:				
Fair value of assets acquired	$	247,012	$	
Liabilities assumed		(92,277)		
Cash acquired		(29,819)		
Net assets acquired	$	124,916	$	

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

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DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

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

Nature of Operations

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S.) (GAAP) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2013. The consolidated condensed financial data at December 31, 2012 is derived from audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

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

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

Recently Issued Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-05, *Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. ASU No. 2013-05 provides additional guidance with respect to the reclassification into income of the cumulative translation adjustment (CTA) recorded in accumulated other comprehensive income associated with a foreign entity of a parent company. This ASU differentiates between transactions occurring within a foreign entity and transactions affecting an investment in a foreign entity. For transactions within a foreign entity, the full CTA associated with the foreign entity would be reclassified into income only when the sale of a subsidiary or group of net assets within the foreign entity represents the substantially complete liquidation of that foreign entity. For transactions affecting an investment in a foreign entity (for example, control or ownership of shares in a foreign entity), the full CTA associated with the foreign entity would be reclassified into income only if the parent no longer has a controlling interest in that foreign entity as a result of the transaction. In addition, acquisitions of a foreign entity completed in stages (also known as step acquisitions) could trigger the release of CTA associated with an equity method investment in that entity at the point a controlling interest in the foreign entity is obtained. This ASU is effective prospectively beginning January 1, 2014, with early adoption permitted. This ASU could impact the Company s consolidated financial results in the event of a transaction as described above.

In July 2013, the FASB, issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 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. If a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU No. 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance affects presentation only and, therefore, it is not expected to have a material impact on the Company s consolidated financial results.

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NOTE B Earnings Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
BASIC				
Weighted average number of common shares outstanding used in computing basic earnings per share	46,605	45,997	46,260	45,702
Net income attributable to common stockholders	$ 13,619	$ 8,553	$ 20,328	$ 20,077
Earnings per share attributable to common stockholders	$ 0.29	$ 0.19	$ 0.44	$ 0.44
DILUTED				
Weighted average number of common shares outstanding used in computing basic earnings per share	46,605	45,997	46,260	45,702
Add: Assumed exercise of stock options and stock awards	1,418	998	1,324	1,199
	48,023	46,995	47,584	46,901
Net income attributable to common stockholders	$ 13,619	$ 8,553	$ 20,328	$ 20,077
Earnings per share attributable to common stockholders	$ 0.28	$ 0.18	$ 0.43	$ 0.43

NOTE C Business Combination

BCD Semiconductor Manufacturing Limited (BCD)

On March 5, 2013, the Company completed the acquisition of all the outstanding ordinary shares, par value $0.001 per share, of BCD (the Shares), including Shares represented by American 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 employees of BCD, payable at the 12, 18 and 24 month anniversaries of the acquisition, has been established. The employee retention plan is intended to benefit the Company and not the selling shareholders, and therefore has been excluded from the determination of the purchase price. The acquisition was funded by drawings on the Company s bank credit facility. See Note H for additional information regarding the Company s bank credit facility.

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

Purchase price (cost of shares)	$ 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 have been included in the consolidated financial statements from March 1, 2013. The consolidated revenue and earnings of BCD for the period ended September 30, 2013 were approximately $110 million and $3 million, respectively, which include purchase price accounting adjustments. The Company s purpose in making this acquisition is to further its strategy of expanding its market and growth opportunities through select strategic acquisitions. This acquisition is expected to enhance the Company s analog product portfolio by expanding its standard linear and power management offerings, including AC/DC and DC/DC solutions for power adapters and chargers, as well as other electronic products. BCD s established presence in Asia, with a particularly strong local market position in China, offers the Company even greater penetration of the consumer, computing and communications markets. Likewise, the Company believes it can achieve increased market penetration for BCD s products by leveraging the Company s own global customer base and sales channels. In addition, BCD has in-house manufacturing capabilities in China, as well as a cost-effective development team that can be deployed across multiple product families. The Company also believes it will be able to apply its packaging capabilities and expertise to BCD s products in order to improve cost efficiencies, utilization and product mix.

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Under the accounting guidance for step acquisitions, the Company is 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 that the Company remeasure its preexisting investment in BCD at fair value, and recognize any gains or losses from such remeasurement. The fair value of the Company s interest immediately before the closing date was $7 million, which resulted in the Company recognizing a non-cash gain of approximately $4 million within other income (expense) for the nine months ended September 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 *(amounts in thousands)*:

	March 1, 2013 purchase price allocation	Changes in purchase price allocation recorded during third quarter of 2013	Revised March 1, 2013 purchase price allocation
Assets acquired:			
Cash and cash equivalents	$ 29,819	$	$ 29,819
Accounts receivable, net	20,862		20,862
Inventory	42,909		42,909
Prepaid expenses and other current assets	27,205		27,205
Property, plant and equipment, net	99,716	(326)	99,390
Deferred tax assets	1,612		1,612
Other long-term assets	5,497		5,497
Other intangible assets	17,200		17,200
Goodwill	2,192	326	2,518
Total assets acquired	$ 247,012	$	$ 247,012
Liabilities assumed:			
Lines of credit	$ 17,336	$	$ 17,336
Accounts payable	34,758		34,758
Accrued liabilities and other	16,703		16,703
Deferred tax liability	5,055		5,055
Other liabilities	18,425		18,425
Total liabilities assumed	92,277		92,277
Total net assets acquired, net of cash acquired	$ 154,735	$	$ 154,735

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

The Company estimated the fair value of acquired receivables to be $21 million with a gross contractual amount of $21million. The Company expects to collect substantially all of the acquired receivables. The Company evaluated and adjusted the acquired inventory for a reasonable profit allowance, which is intended to permit the Company to report only the profits normally associated with its activities following the acquisition as it relates to the work-in-progress and finished goods inventory. As such, the Company increased 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.

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The following unaudited pro forma consolidated results of operations for the quarters ended September 30, 2013 and 2012 have been prepared as if the acquisition of BCD had occurred at January 1, 2012, for each year. (*unaudited; in thousands, except per share data*):

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net revenues	$ 204,639	$ 636,954	$ 576,406
Net income attributable to common stockholders	$ 8,768	$ 21,039	$ 13,714
Earnings per share Basic	$ 0.19	$ 0.45	$ 0.30
Earnings per share Diluted	$ 0.19	$ 0.44	$ 0.29

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.

NOTE D Restricted Cash

Restricted cash is pledged as collateral when the Company enters into agreements with banks for certain banking facilities. As of September 30, 2013, restricted cash of $5 million, included in prepaid expenses and other, was pledged as collateral for issuance of bank acceptance notes, letters of credit and forward contracts. See Note E for additional information regarding foreign currency forward contracts.

NOTE E Foreign Currency Forward Contracts

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

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

Prior to the acquisition, BCD entered into foreign currency forward contracts with various banks located in China. The contracted notional amount for forward contracts is $61 million, of which $16 million was outstanding as of September 30, 2013.

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

All the forward contracts outstanding as of September 30, 2013 will be settled by December 2013. The fair value of the outstanding derivative instruments contracts, classified within Level 2 of the fair value hierarchy, was $1 million and was recognized under other current assets in the condensed consolidated balance sheets. There was minimal valuation loss recognized under other income (expenses) for the nine months ended September 30, 2013.

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NOTE F Inventories

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

	September 30, 2013	December 31, 2012
Raw materials	$ 78,291	$ 63,410
Work-in-progress	46,677	30,564
Finished goods	69,352	59,319
Total	$ 194,320	$ 153,293

NOTE G Goodwill and Intangible Assets

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

Balance at December 31, 2012	$ 87,359
Acquisitions	2,518
Currency exchange	(547)
Balance at September 30, 2013	**$ 89,330**

Intangible assets are as follows (in thousands):

	September 30, 2013	December 31, 2012
Intangible assets subject to amortization:		
Gross carrying amount	$ 86,909	$ 69,707
Accumulated amortization	(30,240)	(24,161)
Currency exchange	(7,217)	(7,051)
Net value	49,452	38,495
Intangible assets with indefinite lives:		
Gross carrying amount	6,403	6,403
Currency exchange	(571)	(561)
Total	5,832	5,842
Total intangible assets, net	**$ 55,284**	**$ 44,337**

Amortization expense related to intangible assets subject to amortization was approximately $2 million and $1 million for the three months ended September 30, 3013 and 2012, respectively, and approximately $6 million and $3 million for the nine months ended September 30, 2013 and 2012, respectively.

NOTE H Bank Credit Agreement

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

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

On March 1, 2013, in connection with the acquisition of BCD, the Company drew down on the Revolver to fund the acquisition and pay for costs associated with the acquisition. As of September 30, 2013, the amount of the outstanding borrowings under the Credit Agreement was approximately $198 million. See Note C for additional information regarding the acquisition of BCD.

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NOTE I Income Tax Provision

Income tax expense of approximately $4 million and $1 million was recorded for the three months ended September 30, 2013 and 2012, respectively and income tax expense of approximately $12 million and $2 million was recorded for the nine months ended September 30, 2013 and 2012, respectively. This resulted in an effective tax rate of 36% for the nine months ended September 30, 2013, as compared to 8% in the same period last year and compared to 16% for the full year of 2012. The estimated annual tax rate for 2013 is expected to be approximately 20%, excluding discrete items. The effective tax rate for the nine months ended September 30, 2013 includes a $5 million charge for discrete items resulting from a tax audit in China. The Company s effective tax rates for the nine months ended September 30, 2013 and 2012, excluding discrete items, were lower than the U.S. statutory tax rate of 35%, principally from the impact of income in lower-taxed jurisdictions.

For the nine months ended September 30, 2013, the Company reported domestic and foreign pre-tax income (loss) of approximately $(16) million and $48 million, respectively. For the nine months ended September 30, 2012, the Company reported domestic and foreign pre-tax income (loss) of approximately $(20) million and $44 million, respectively. Funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. The Company intends to permanently reinvest overseas all of its earnings from its foreign subsidiaries; accordingly, U.S. taxes are not recorded on undistributed foreign earnings.

The impact of tax holidays decreased the Company s tax expense by approximately $3 million and $5 million for the nine months ended September 30, 2013 and 2012, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the nine months ended September 30, 2013 was approximately $0.06. The benefit of the tax holidays on both basic and diluted earnings per share for the nine months ended September 30, 2012 was approximately $0.11. During 2012, the China government began an audit of the Company s High and New Technology Enterprise (HNTE) status for its largest Chinese subsidiary for tax years 2009-2011 as part of an overall evaluation of the reduced tax rates provided to many high tech companies. This subsidiary has a reduced tax rate of 15%. In April 2013, the Company was notified by the China government that they had completed their tax audit and had concluded that the Company owed additional tax related to tax year 2011 in the amount of $5 million. This subsidiary has been approved for its HNTE status for the tax years 2012-2014.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2007. During the second quarter of 2013, the Internal Revenue Service (IRS) commenced an examination of the Company s U.S. federal income tax return for the 2010 tax year. The examination is ongoing, and the IRS has not proposed adjustments to any tax positions at this time. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, the Company is no longer subject to income tax audits for years before 2006. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company s reserve for any adjustments that may result from tax audits. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in interest expense. As of September 30, 2013, the gross amount of unrecognized tax benefits was approximately $28 million.

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

NOTE J Share-Based Compensation

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2013	**2012**	**2013**	**2012**
Cost of sales	$ 136	$ 126	$ 385	$ 331
Selling and administrative expense	2,958	3,170	8,679	9,417
Research and development expense	398	299	989	931
Total share-based compensation expense	$ 3,492	$ 3,595	$ 10,053	$ 10,679

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Stock Options. Stock options under the Company s 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, and expense was estimated on the date of grant using the Black-Scholes-Merton option pricing model.

In May 2013, the Company s stockholders approved the Company s 2013 Equity Incentive Plan (2013 Plan). Since the approval of the 2013 Plan, all stock options have been granted under the 2013 Plan, and the Company will not grant any further stock options under its 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, and expense was estimated on the date of grant using the Black-Scholes-Merton option pricing model. For additional information on the 2013 Plan, see the Company s definitive Proxy Statement filed with the SEC on April 19, 2013.

The total net cash proceeds received from stock option exercises during the nine months ended September 30, 2013 was approximately $2 million. Stock option expense was approximately $1 million for both the three months ended September 30, 2013 and 2012. Stock option expense was approximately $3 million and $4 million for the nine months ended September 30, 2013 and 2012, respectively.

A summary of the stock option plans is as follows:

Stock Options	**Shares (000)**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (yrs)**	**Aggregate Intrinsic Value ($000)**
Outstanding at January 1, 2013	3,713	$ 17.85	5	$ 9,744
Granted	186	23.35		
Exercised	(310)	7.43		5,334
Forfeited or expired [1]	(420)	20.34		
Outstanding at September 30, 2013	**3,169**	**$ 18.85**	**4**	**$ 20,164**
Exercisable at September 30, 2013	**2,542**	**$ 17.91**	**4**	**$ 18,369**

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

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

As of September 30, 2013, total unrecognized share-based compensation expense related to unvested stock options, net of forfeitures, was approximately $7 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 3 years.

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 share grants have been granted under the 2013 Plan, and the Company will not grant any further share grants under its 2001 Plan.

The total fair value of restricted stock awards vested during the nine months ended September 30, 2013 was approximately $6 million. Share grant expense for the three months ended September 30, 2013 and 2012 was approximately $3 million and $2 million, respectively. Share grant expense for the nine months ended September 30, 2013 and 2012 was approximately $8 million and $7 million, respectively.

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

Share Grants	Shares (000)	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value ($000)
Non-vested at January 1, 2013	1,164	$ 20.42	$
Granted	449	24.66	
Vested	(319)	20.09	6,415
Forfeited	(43)	21.24	
Non-vested at September 30, 2013	**1,251**	**$ 22.03**	**$ 28,186**

As of September 30, 2013, total unrecognized share-based compensation expense related to non-vested stock awards, net of forfeitures, was approximately $23 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 3 years.

NOTE K Segment Information and Enterprise-Wide Disclosure

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

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

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

Three Months Ended September 30, 2013	Asia	North America	Europe	Consolidated
Total sales	$ 205,505	$ 37,017	$ 50,041	$ 292,563
Inter-company sales	(22,856)	(15,561)	(29,636)	(68,053)
Net sales	$ 182,649	$ 21,456	$ 20,405	$ 224,510

Three Months Ended September 30, 2012	Asia	North America	Europe	Consolidated
Total sales	$ 149,695	$ 36,100	$ 36,462	$ 222,257
Inter-company sales	(17,312)	(18,579)	(19,749)	(55,640)

Net sales	$ 132,383	$ 17,521	$ 16,713	$ 166,617

As Of And For The Nine Months Ended September 30, 2013	**Asia**	**North America**	**Europe**	**Consolidated**
Total sales	$ 558,040	$ 109,078	$ 127,671	$ 794,789
Inter-company sales	(57,752)	(50,985)	(70,199)	(178,936)
Net sales	$ 500,288	$ 58,093	$ 57,472	$ 615,853
Property, plant and equipment	$ 274,630	$ 30,240	$ 23,932	$ 328,802
Total assets	$ 859,322	$ 149,820	$ 192,978	$ 1,202,120

As Of And For The Nine Months Ended September 30, 2012	**Asia**	**North America**	**Europe**	**Consolidated**
Total sales	$ 422,765	$ 101,902	$ 120,913	$ 645,580
Inter-company sales	(57,364)	(49,624)	(68,073)	(175,061)
Net sales	$ 365,401	$ 52,278	$ 52,840	$ 470,519
Property, plant and equipment	$ 190,408	$ 29,773	$ 26,397	$ 246,578
Total assets	$ 561,004	$ 133,192	$ 228,971	$ 923,167

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Geographic Information

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

	Net Sales for the Three Months Ended September 30,		Percentage of Net Sales	
	2013	**2012**	**2013**	**2012**
China	$ 81,694	$ 58,353	36%	35%
Taiwan	43,580	33,184	19%	20%
Korea	17,434	14,701	8%	8%
United States	15,443	15,856	7%	10%
Switzerland	13,679	14,151	6%	8%
Singapore	11,419	8,412	5%	5%
Germany	9,903	6,285	4%	4%
U.K.	5,207	7,636	3%	5%
All Others (1)	26,151	8,039	12%	5%
Total	$ 224,510	$ 166,617	100%	100%

	Net Sales for the Nine Months Ended September 30,		Percentage of Net Sales	
	2013	**2012**	**2013**	**2012**
China	$ 220,126	$ 120,787	36%	26%
Taiwan	114,991	96,632	19%	21%
Korea	50,630	36,554	8%	8%
Switzerland	45,429	42,213	7%	9%
United States	40,212	45,192	6%	10%
Singapore	34,519	19,888	5%	4%
Germany	26,615	19,224	4%	4%
U.K.	23,916	20,614	4%	4%
All Others (1)	59,415	69,415	11%	14%
Total	$ 615,853	$ 470,519	100%	100%

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

NOTE L Commitments and Contingencies

Purchase commitments As of September 30, 2013, the Company had approximately $11 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

Other commitments During 2010, the Company entered into an investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the CDHT). Under this agreement, the Company agreed to form a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited, to establish a semiconductor manufacturing facility for surface-mounted component production, assembly and test in Chengdu, China. This is a long-term, multi-year project that will provide additional capacity for the Company as needed. In order to qualify for certain financial incentives, the Company is obligated to contribute approximately $48 million to the joint venture by December 31, 2013. As of September 30, 2013, the Company has contributed approximately $25 million, primarily for capital expenditures. Any failure to meet any such requirements, delays or unforeseen circumstances may cause the Company to incur penalties or require it to contribute additional amounts or resources.

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

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

The Company is also currently a party to a putative securities class action in the United States District Court for the Eastern District of Texas, entitled *Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund v. Diodes, Inc.*, Civil Action No. 6:13-cv-00247 (E.D. Tex. filed Mar. 15, 2013), against the Company, Dr. Lu and Richard D. White. In this action, plaintiff purportedly on behalf of a class of investors who purchased the Company s Common Stock between February 9, 2011 and June 9, 2011, alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission Rule 10b-5 promulgated thereunder by making allegedly misleading public statements during the class period regarding the labor market in China and its impact on the Company s business and prospects. On June 14, 2013, the Court entered an order appointing Local 731 I.B. of T. Excavators and Pavers Pension Trust Fund as lead plaintiff and approved lead plaintiff s selection of Robbins Geller Rudman & Dowd as lead plaintiff s counsel and the Ward & Smith Law Firm as lead plaintiff s liaison counsel. On August 1, 2013, lead plaintiff filed an amended complaint reiterating the same claims for relief against the same defendants as asserted in the original complaint. On September 16, 2013, defendants filed a motion to dismiss the amended complaint. Lead plaintiff s opposition to defendants motion to dismiss was filed on October 31, 2013. No hearing date has been set for this motion. Pursuant to the Private Securities Litigation Reform Act of 1995, all discovery and other proceedings are stayed pending a ruling on any motion to dismiss. The defendants intend to defend this action vigorously.

NOTE M Employee Benefit Plans

Defined Benefit Plan

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

For the nine months ended September 30, 2013, net periodic benefit costs associated with the defined benefit plan were approximately $0 million.

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

		Defined Benefit Plan
Change in benefit obligation:		
Balance at December 31, 2012	$	124,751
Service cost		232
Interest cost		4,001
Actuarial gain		7,286
Benefits paid		(5,814)
Settlements		237
Currency changes		(182)
Benefit obligation at September 30, 2013	**$**	**130,511**
Change in plan assets:		
Fair value of plan assets at December 31, 2012	$	106,898
Actual return on plan assets		8,689
Employer contribution		822
Benefits paid		(5,814)
Currency changes		(222)
Fair value of plan assets at September 30, 2013	**$**	**110,373**
Underfunded status at September 30, 2013	**$**	**(20,138)**

Based on an actuarial study performed as of September 30, 2013, the plan is underfunded and a liability is reflected in the Company s consolidated financial statements as a long-term liability. The weighted-average discount rate assumption used to determine benefit obligations as of September 30, 2013 was 4.6%.

The following are weighted-average assumptions were used to determine net periodic benefit costs for the nine months ended September 30, 2013:

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

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

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

Deferred Compensation

The Company maintains a Non-Qualified Deferred Compensation Plan (the Deferred Compensation Plan) for executive officers, key employees and members of the Board of Directors (the Board). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. The Company offsets its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At September 30, 2013, these investments totaled approximately $3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

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NOTE N Related Parties

The Company conducts business with two related companies, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, LSC) and Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, Keylink). LSC owned approximately 18% of the Company s outstanding Common Stock as of September 30, 2013. Keylink is the Company s 5% joint venture partner in two of the Company s Shanghai manufacturing facilities.

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

Lite-On Semiconductor Corporation During both the nine months ended September 30, 2013 and 2012, the Company sold products to LSC totaling approximately 0% of the Company s net sales. For the nine months ended September 30, 2013 and 2012, approximately 5% and 3%, respectively, of the Company s net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of the Company s largest suppliers.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	$ 190	$ 530	$ 589	$ 851
Purchases	$ 10,731	$ 9,317	$ 27,890	$ 25,736

Keylink International (B.V.I.) Inc. During the nine months ended September 30, 2013 and 2012, the Company sold products to Keylink totaling approximately 1% and 3% of the Company s net sales, respectively. For both the nine months ended September 30, 2013 and 2012, approximately 1% of the Company s net sales were from semiconductor products purchased from Keylink for subsequent sale. In addition, two of the Company s subsidiaries in China lease their manufacturing facilities from, and subcontract a portion of their manufacturing process (including, but not limited to, metal plating and environmental services) to Keylink. The Company also pays a consulting fee to Keylink. The aggregate amounts for these services for the nine months ended September 30, 2013 and 2012 were approximately $13 million and $12 million, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	$ 2,638	$ 6,007	$ 8,387	$ 15,450
Purchases	$ 2,290	$ 2,125	$ 5,956	$ 6,252

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

	September 30, 2013		December 31, 2012	
Accounts receivable				
LSC	$	212	$	204
Keylink		5,231		10,457
	$	5,443	$	10,661
Accounts payable				
LSC	$	7,631	$	5,308
Keylink		6,289		5,095
	$	13,920	$	10,403

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

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

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

Highlights

Net sales for the three months ended September 30, 2013 was $225 million, an increase of $58 million, or 35%, over the same period last year, and a sequential increase of 5% compared to the $214 million in the second quarter of 2013;

Net sales for the nine months ended September 30, 2013 was $616 million, an increase of $145 million, or 31%, over the same period last year;

Gross profit for the three months ended September 30, 2013 was $70 million, an increase of $26 million, or 61%, over the same period last year, and a sequential increase of 15% compared to the $61 million in the second quarter of 2013;

Gross profit for the nine months ended September 30, 2013 was $177 million, an increase of $59 million, or 50%, over the same period last year;

Gross profit margin for the three months ended September 30, 2013 was 31%, compared to 26% in the same period last year, and 29% in the second quarter of 2013;

Gross profit margin for the nine months ended September 30, 2013 was 29%, compared to 25% in the same period last year;

Income taxes for the nine months ended September 30, 2013 was $12 million and included $5 million of tax expense regarding a tax audit by the China tax authorities;

Net income attributable to common stockholders for the three months ended September 30, 2013 was $14 million, or $0.28 per diluted share, compared to net income attributable to common stockholders of $9 million, or $0.18 per diluted share, in the same period last year, and net income attributable to common stockholders of $9 million, or $0.18 per diluted share, in the second quarter of 2013;

Net income attributable to common stockholders for the nine months ended September 30, 2013 was $20 million, or $0.43 per diluted share, compared to net income attributable to common stockholders of $20 million, or $0.43 per diluted share, in the same period last year;

Cash flows from operating activities was $78 million for the nine months ended September 30, 2013; and

Completed the acquisition of BCD Semiconductor Manufacturing Limited (BCD) during the first quarter of 2013. The purchase price accounting adjustments impacted net income attributable to common stockholders for the nine months ended September 30, 2013.

Overview

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

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

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First Three Quarters of 2013

For the first quarter of 2013, we achieved record quarterly revenue despite the typical seasonal softness in the quarter and the slowdown at certain key original equipment manufacturers (OEM) customers. Our sequential revenue growth was due to our continued design win momentum, as well as one month of revenue contribution from our acquisition of BCD. In addition, gross profit margin improved sequentially due to revenue increases in the higher margin regions of North America and Europe, but the improvements were offset by purchase price accounting adjustments in connection with the acquisition of BCD. Margins also benefited from a better than expected manufacturing recovery following the Chinese New Year holiday, lower gold prices and a more favorable product mix. Also during the quarter, we finalized our acquisition of BCD and this transaction, excluding purchase price accounting adjustments, was immediately accretive to earnings. The industrial and communication sectors improved in both North America and Europe, while computing was slightly better than expected with some expansion in WiFi modules. Although the consumer market was softer, we continued to execute our strategy and capitalize on our strong position in smartphones and tablets with new products and design wins in both devices and chargers.

For the second quarter of 2013, our past design win momentum and new product initiatives, combined with our first full quarter of revenue contribution from BCD, contributed to the achievement of record quarterly revenue and increased market share despite the slowdown at certain major OEM customers and continued weakness in the PC market. During the quarter we were also able to improve our gross margin, which included the BCD inventory valuation adjustment, due to improved product mix, lower gold prices, copper wire conversion, as well as our cost reduction efforts. Furthermore, the integration of BCD progressed as we moved ahead of schedule in transferring BCD products into our Shanghai packaging facilities. As a result of these collective factors, we reported solid earnings growth and generated strong cash flow for the quarter. North America and Europe combined were up slightly after a very strong first quarter. We continued to increase share as well as new design win revenue at Asia smartphone manufacturers, while LED TV also showed strength. The growth in both of these markets offset the continued softness in PCs. Generally speaking, the industrial and automotive sectors remained relatively consistent in both North America and Europe.

For the third quarter of 2013, we achieved record quarterly revenue, increased market share gains and solid operational performance across our business. Our past design win momentum and strength in the TV market and at certain major OEM customers were able to offset the continued weakness in the PC market. We also further improved our gross margin through our cost reduction efforts and improved BCD wafer fabrication facility loadings. Additionally, we reduced our operating expenses on a dollar basis and as a percentage of revenue, demonstrating further progress towards achieving our target model of 20% of revenue. These achievements are even more notable when considering the weakness of the U.S. dollar relative to most of the currencies where we have operations, in particular the British Pound and the Euro. Our improved operational efficiencies and cost reductions were able to mostly offset this currency impact and allowed us to exceed our operational expectations for the quarter. Our record third quarter revenue was driven by growth in all regions with strong increases in North America and Europe after a relatively flat second quarter in these regions. We also achieved record sales in the China local market. In the communications end market, our solid position with smartphone manufacturers continued to be a key driver of sales as a result of our growing new design win revenue. Computing grew slightly in the quarter, primarily due to increased sales for our products used in tablets partially offset by weakness in notebooks and motherboards. The automobile and industrial markets were also up in the quarter on the strength in both North America and Europe.

Business Acquisition

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

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Business Outlook

As we look to the fourth quarter, it is shaping up to be weaker than our normal seasonality due to a broad based market weakness, especially the continued weakness in the PC market. However, we believe we are well positioned in the coming year to benefit from ongoing operational improvements as we leverage our broadened product portfolio and additional cost savings from transferring BCD products into our packaging facilities, and eventually off-loading analog foundry wafer loadings into BCD s wafer fabrication facilities. For the fourth quarter of 2013, we expect revenue to range between $205 million and $220 million, or down 2% to 9% sequentially. We expect gross margin to be 28.0%, plus or minus 2%. Operating expenses are expected to be approximately 22.7%, plus or minus 1%. We expect our income tax rate to range between 18% and 24%, and shares used to calculate earnings per share for the fourth quarter are anticipated to be approximately 48.2 million.

Factors Relevant to Our Results of Operations

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

Net sales for the nine months ended September 30, 2013 was $616 million, compared to $471 million in the same period last year. This increase in net sales mainly reflects the inclusion of seven months of BCD revenue, an increase in units sold and an increase in average selling price (ASP).

Our gross profit margin was 29% for the nine months ended September 30, 2013, compared to 25% in the same period last year. Our gross margin percentage increased over the same period last year due primarily to lower gold prices, improved product mix, stable pricing, copper wire conversion and cost reduction efforts. Future gross profit margins will depend primarily on market prices, our product mix, manufacturing cost savings, and the demand for our products.

For the nine months ended September 30, 2013, our capital expenditures, excluding capital expenditures related to our investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the CDHT), were approximately 5% of our net sales, which is lower than our historical 10% to 12% of net sales model. For the remainder of 2013, we expect capital expenditures, excluding capital expenditures related to our investment agreement, to be lower than our historical model and range between 5% and 8%.

For the nine months ended September 30, 2013 and 2012, the percentage of our net sales derived from our Asian subsidiaries was 81% and 78%, respectively. Europe accounted for approximately 10% of our revenues for the nine months ended September 30, 2013, compared to 11% in the same period last year. In addition, North America accounted for approximately 9% of our revenues for the nine months ended September 30, 2013, compared to 11% in the same period last year. Compared to prior years, the percentage of net sales derived from our Asian subsidiaries has increased mainly due to the acquisition of BCD.

As of September 30, 2013, we had invested approximately $560 million in our manufacturing facilities in Asia, including through acquisitions. For the nine months ended September 30, 2013, we invested approximately $28 million in these manufacturing facilities, and we expect to continue to invest in our manufacturing facilities, although the amount to be invested will depend on, among other factors, product demand and new product developments.

For the nine months ended September 30, 2013, our OEM and electronic manufacturing services (EMS) customers together accounted for approximately 35% of our net sales, while our global network of distributors accounted for approximately 65% of our net sales. Compared to prior years, the percentage of net sales to our global network of distributors has increased mainly due to the fact that the majority of BCD net sales are to distributors.

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Results of Operations for the Three Months Ended September 30, 2013 and 2012

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

	Percent of Net Sales Three Months Ended September 30, 2013	2012	Percentage Dollar Increase (Decrease) 12 to 13
Net sales	100%	100%	**35**
Cost of goods sold	(69)	(74)	**26**
Gross profit	31	26	**60**
Operating expenses	(22)	(22)	**37**
Income from operations	9	4	**169**
Other income (expense)	(1)	1	**(244)**
Income before income taxes and noncontrolling interest	8	5	**85**
Income tax provision	(2)		**623**
Net income	6	5	**55**
Net income attributable to noncontrolling interest			**(29)**
Net income attributable to common stockholders	6	5	**58**

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended September 30, 2013, compared to the three months ended September 30, 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report *(in thousands)*.

	2013	2012
Net Sales	$ 224,510	$ 166,617

Net sales increased approximately $58 million for the three months ended September 30, 2013, compared to the same period last year. The 35% increase in net sales represented a 36% increase in units sold as ASP was relatively flat. The revenue increase for the three months ended September 30, 2013 was mainly attributable to the inclusion of a full quarter of BCD revenue.

	2013	2012
Cost of goods sold	$ 154,951	$ 123,012
Gross profit	$ 69,559	$ 43,605
Gross profit margin	31%	26%

Cost of goods sold increased approximately $32 million, or 26%, for the three months ended September 30, 2013, compared to the same period last year. As a percent of sales, cost of goods sold decreased to 69% for the three months ended September 30, 2013, compared to 74% in the same period last year, and average unit cost (AUP) decreased by 7%.

For the three months ended September 30, 2013, gross profit increased by approximately $26 million, or 60%, compared to the same period last year. Gross margin increased to 31% for the three months ended September 30, 2013, compared to 26% for the same period last year. This increase is mainly due to improved product mix, stable pricing and cost reduction efforts.

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	2013	2012
Operating expenses	$ 49,297	$ 36,083

Operating expenses for the three months ended September 30, 2013 increased approximately $13 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses (SG&A) increased approximately $8 million, and research and development expenses (R&D) increased approximately $5 million. SG&A, as a percentage of sales, was 15% for both the three months ended September 30, 2013 and 2012. R&D, as a percentage of sales, was 6% for the three months ended September 30, 2013, compared to 5% for the same period last year. Both SG&A and R&D for the three months ended September 30, 2013 increased due primarily to the acquisition of BCD, the acquisition of Eris Technology Corporation (Eris) in the third quarter of 2012 and the acquisition of Power Analog Microelectronics, Inc. (PAM) in the fourth quarter of 2012. Also included in operating expenses for the three months ended September 30, 2013 was an increase of approximately $1 million for amortization of acquisition related intangibles due to recent acquisitions, compared to the same period last year.

	2013	2012
Other income (expense)	$ (2,768)	$ 1,923

Other expense for the three months ended September 30, 2013 was $3 million, and other income for the three months ended September 30, 2012 was $2 million. For the three months ended September 30, 2013, other expense included approximately $2 million of foreign currency loss and $2 million of interest expense due to the increase in long-term debt incurred in connection with the BCD acquisition, which was offset in part by interest income and other miscellaneous items. For the three months ended September 30, 2012, other income included approximately $2 million for a non-cash gain for the remeasurement of the Eris investment prior to acquisition.

	2013	Consent of Grant Thornton LLP, independent registered public accounting firm.
23.3*	Consent of Vinson & Elkins L.L.P. (contained in Exhibits 5.1 and 8.1 hereto).	
24.1*	Power of Attorney (contained on the	

signature pages to this registration statement).

* Filed herewith.

** To be filed as an exhibit to a report filed by Sunoco Logistics Partners L.P. pursuant to Section 13(a) or 15(d) of the Exchange Act or in a post-effective amendment to this registration statement.

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ITEM 17. Undertakings.
The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

   a. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the Securities Act);

   b. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

   c. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, *however*, that paragraphs 1(a), 1(b) and 1(c) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), that are incorporated by reference into the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

   a. Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

b. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference

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into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

5. That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

    a. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

    b. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

    c. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

    d. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

6. That, for purposes of determining any liability under the Securities Act, each filing of the registrant s annual report pursuant to section 13(a) or section 15(d) of the Exchange Act that is incorporated by reference into the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

7. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be

governed by the final adjudication of such issue.

8. That, for purposes of determining any liability under the Securities Act,

   a. the information omitted from the form of prospectus or any prospectus supplement filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus or prospectus supplement filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

   b. each post-effective amendment that contains a form of prospectus or prospectus supplement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Philadelphia, Commonwealth of Pennsylvania, on August 11, 2015.

SUNOCO LOGISTICS PARTNERS L.P.

By:	SUNOCO PARTNERS LLC its General Partner
By:	/s/ Peter J. Gvazdauskas
Name:	Peter J. Gvazdauskas
Title:	Chief Financial Officer and Treasurer

Power of Attorney

Each person whose signature appears below appoints Michael J. Hennigan and Kathleen Shea-Ballay, and each of them, any of whom may act without the joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any Registration Statement (including any amendment thereto) for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all 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 requisite and necessary to be done, as fully to all intents and purposes as he or she might or would do in person, hereby ratifying and confirming all that said attorneys-in fact and agents or any of them or their or his or her substitute and substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Marshall S. McCrea, III	Chairman of the Board of Directors of	August 11, 2015
Marshall S. McCrea, III	Sunoco Partners LLC	
/s/ Steven R. Anderson	Director of Sunoco Partners LLC	August 11, 2015
Steven R. Anderson		
/s/ Scott A. Angelle	Director of Sunoco Partners LLC	August 11, 2015
Scott A. Angelle		

/s/ Basil Leon Bray Basil Leon Bray	Director of Sunoco Partners LLC	August 11, 2015
/s/ Michael J. Hennigan Michael J. Hennigan	President and Chief Executive Officer and Director of Sunoco Partners LLC (Principal Executive Officer)	August 11, 2015
/s/ Thomas P. Mason Thomas P. Mason	Director of Sunoco Partners LLC	August 11, 2015

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Signature	Capacity	Date
/s/ James R. Perry	Director of Sunoco Partners LLC	August 11, 2015
James R. Perry		
/s/ Jamie Welch	Director of Sunoco Partners LLC	August 11, 2015
Jamie Welch		
/s/ Michael D. Galtman	Controller and Chief Accounting Officer	August 11, 2015
Michael D. Galtman	(Principal Accounting Officer)	
/s/ Peter J. Gvazdauskas	Chief Financial Officer and Treasurer	August 11, 2015
Peter J. Gvazdauskas	(Principal Financial Officer)	

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Exhibit Index

Exhibit Number	Exhibit Title
1.1**	Form of Underwriting Agreement.
4.1	Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of January 26, 2010 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed January 28, 2010).
4.2	Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of July 1, 2011 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed July 5, 2011).
4.3	Amendment No. 2 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of November 21, 2011 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed November 28, 2011).
4.4	Amendment No. 3 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of June 12, 2014 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed June 17, 2014).
4.5	Amendment No. 4 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of July 30, 2014 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed August 4, 2014).
4.6	Form of certificate representing Common Units of Sunoco Logistics Partners L.P. (filed as Exhibit A to the Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of January 26, 2010 (incorporated by reference to Exhibit 3.1 of Sunoco Logistics Partners L.P. s Current Report on Form 8-K, File No. 1-31219, filed January 28, 2010)).
5.1*	Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered.
8.1*	Opinion of Vinson & Elkins L.L.P. relating to tax matters.
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm.
23.2*	Consent of Grant Thornton LLP, independent registered public accounting firm.
23.3*	Consent of Vinson & Elkins L.L.P. (contained in Exhibits 5.1 and 8.1 hereto).
24.1*	Power of Attorney (contained on the signature pages to this registration statement).

* Filed herewith.

** To be filed as an exhibit to a report filed by Sunoco Logistics Partners L.P. pursuant to Section 13(a) or 15(d) of the Exchange Act or in a post-effective amendment to this registration statement.