VISHAY INTERTECHNOLOGY INC
Form 10-Q
August 04, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 4, 2015

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 1-7416

VISHAY INTERTECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	38-1686453
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)
63 Lancaster Avenue Malvern, PA 19355-2143	610-644-1300
(Address of Principal Executive Offices)	(Registrant's Area Code and Telephone Number)

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. ý Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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.
ýYes 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. (Check one):

Large accelerated filer ý		Accelerated filer
Non-accelerated filer	(Do not check if 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 ý No

As of July 31, 2015, the registrant had 135,440,811 shares of its common stock and 12,129,227 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.
FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Balance Sheets
(In thousands)

	July 4, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$483,020	$592,172
Short-term investments	578,975	514,776
Accounts receivable, net	294,062	271,554
Inventories:		
Finished goods	118,496	113,361
Work in process	198,382	185,769
Raw materials	123,670	125,464
Total inventories	440,548	424,594
Deferred income taxes	27,355	17,815
Prepaid expenses and other current assets	90,997	105,539
Total current assets	1,914,957	1,926,450
Property and equipment, at cost:		
Land	89,931	91,844
Buildings and improvements	554,609	560,926
Machinery and equipment	2,357,161	2,368,046
Construction in progress	68,438	82,684
Allowance for depreciation	(2,221,802)	(2,205,405)
	848,337	898,095
Goodwill	143,596	144,359
Other intangible assets, net	170,919	186,613
Other assets	141,138	143,256
Total assets	$3,218,947	$3,298,773

Continues on following page.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Balance Sheets (continued)
(In thousands)

	July 4, 2015 (Unaudited)	December 31, 2014
Liabilities and equity		
Current liabilities:		
Notes payable to banks	$17	$18
Trade accounts payable	159,086	174,451
Payroll and related expenses	119,482	120,023
Other accrued expenses	149,459	137,576
Income taxes	20,269	24,671
Total current liabilities	448,313	456,739
Long-term debt less current portion	427,294	454,922
Deferred income taxes	183,600	178,900
Other liabilities	67,519	76,811
Accrued pension and other postretirement costs	278,733	300,524
Total liabilities	1,405,459	1,467,896
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	13,544	13,532
Class B convertible common stock	1,213	1,213
Capital in excess of par value	2,056,611	2,055,246
(Accumulated deficit) retained earnings	(136,242)	(175,485)
Accumulated other comprehensive income (loss)	(126,900)	(69,140)
Total Vishay stockholders' equity	1,808,226	1,825,366
Noncontrolling interests	5,262	5,511
Total equity	1,813,488	1,830,877
Total liabilities and equity	$3,218,947	$3,298,773

See accompanying notes.
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VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Fiscal quarters ended	
	July 4, 2015	June 28, 2014
Net revenues	$590,470	$641,929
Costs of products sold	448,988	477,836
Gross profit	141,482	164,093
Selling, general, and administrative expenses	91,652	97,156
Restructuring and severance costs	5,660	9,014
Operating income	44,170	57,923
Other income (expense):		
Interest expense	(6,736)	(5,821)
Other	1,160	208
	(5,576)	(5,613)
Income before taxes	38,594	52,310
Income tax expense	12,076	16,478
Net earnings	26,518	35,832
Less: net earnings attributable to noncontrolling interests	250	190
Net earnings attributable to Vishay stockholders	$26,268	$35,642
Basic earnings per share attributable to Vishay stockholders	$0.18	$0.24
Diluted earnings per share attributable to Vishay stockholders	$0.17	$0.23
Weighted average shares outstanding - basic	147,700	147,567
Weighted average shares outstanding - diluted	151,700	154,322
Cash dividends per share	$0.06	$0.06

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statements of Comprehensive Income
(Unaudited - In thousands)

	Fiscal quarters ended	
	July 4, 2015	June 28, 2014
Net earnings	$26,518	$35,832
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	15,482	(7,479)
Pension and other post-retirement actuarial items	2,078	1,357
Unrealized gain (loss) on available-for-sale securities	(961)	660
Other comprehensive income (loss)	16,599	(5,462)
Comprehensive income	43,117	30,370
Less: comprehensive income attributable to noncontrolling interests	250	190
Comprehensive income attributable to Vishay stockholders	$42,867	$30,180

See accompanying notes.
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VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Six fiscal months ended	
	July 4, 2015	June 28, 2014
Net revenues	$1,183,906	$1,244,307
Costs of products sold	897,386	934,931
Gross profit	286,520	309,376
Selling, general, and administrative expenses	187,722	193,463
Restructuring and severance costs	7,070	15,418
Operating income	91,728	100,495
Other income (expense):		
Interest expense	(13,097)	(11,801)
Other	4,620	1,520
	(8,477)	(10,281)
Income before taxes	83,251	90,214
Income taxes	25,808	28,418
Net earnings	57,443	61,796
Less: net earnings attributable to noncontrolling interests	476	344
Net earnings attributable to Vishay stockholders	$56,967	$61,452
Basic earnings per share attributable to Vishay stockholders	$0.39	$0.42
Diluted earnings per share attributable to Vishay stockholders	$0.37	$0.40
Weighted average shares outstanding - basic	147,699	147,561
Weighted average shares outstanding - diluted	152,183	153,438
Cash dividends per share	$0.12	$0.12

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statements of Comprehensive Income
(Unaudited - In thousands)

	Six fiscal months ended	
	July 4, 2015	June 28, 2014
Net earnings	$57,443	$61,796
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(60,836)	(8,439)
Pension and other post-retirement actuarial items	4,191	2,860
Unrealized gain (loss) on available-for-sale securities	(1,115)	1,188
Other comprehensive loss	(57,760)	(4,391)
Comprehensive income (loss)	(317)	57,405
Less: comprehensive income attributable to noncontrolling interests	476	344
Comprehensive income (loss) attributable to Vishay stockholders	$(793)	$57,061

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

	Six fiscal months ended	
	July 4, 2015	June 28, 2014
Operating activities		
Net earnings	$57,443	$61,796
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	90,185	86,931
(Gain) loss on disposal of property and equipment	(115)	23
Accretion of interest on convertible debentures	2,090	1,933
Inventory write-offs for obsolescence	9,329	9,867
Other	(10,924)	1,312
Net change in operating assets and liabilities, net of effects of businesses acquired	(55,646)	(62,789)
Net cash provided by operating activities	92,362	99,073
Investing activities		
Capital expenditures	(49,550)	(53,336)
Proceeds from sale of property and equipment	1,675	1,741
Purchase of businesses, net of cash acquired	-	(20,776)
Purchase of short-term investments	(185,583)	(243,975)
Maturity of short-term investments	91,953	236,624
Sale of other investments	400	-
Other investing activities	1,274	927
Net cash used in investing activities	(139,831)	(78,795)
Financing activities		
Principal payments on long-term debt and capital leases	-	(11)
Net proceeds (payments) on revolving credit lines	(30,000)	20,000
Net changes in short-term borrowings	(1)	16
Dividends paid to common stockholders	(16,252)	(16,238)
Dividends paid to Class B common stockholders	(1,456)	(1,456)
Excess tax benefit from RSUs vested	21	-
Distributions to noncontrolling interests	(725)	(547)
Net cash provided by (used in) financing activities	(48,413)	1,764
Effect of exchange rate changes on cash and cash equivalents	(13,270)	(2,797)
Net increase (decrease) in cash and cash equivalents	(109,152)	19,245
Cash and cash equivalents at beginning of period	592,172	640,348
Cash and cash equivalents at end of period	$483,020	$659,593

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Statement of Equity
(Unaudited - In thousands, except share and per share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Vishay Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	$ 13,532	$ 1,213	$ 2,055,246	$ (175,485)	$ (69,140)	$ 1,825,366	$ 5,511	$ 1,830,877
Net earnings	-	-	-	56,967	-	56,967	476	57,443
Other comprehensive loss	-	-	-	-	(57,760)	(57,760)	-	(57,760)
Distributions to noncontrolling interests	-	-	-	-	-	-	(725)	(725)
Restricted stock issuances (116,498 shares)	12	-	(651)	-	-	(639)	-	(639)
Dividends declared ($ 0.12 per share)	-	-	16	(17,724)	-	(17,708)	-	(17,708)
Stock compensation expense	-	-	1,979	-	-	1,979	-	1,979
Tax effects of stock plan	-	-	21	-	-	21	-	21
Balance at July 4, 2015	$ 13,544	$ 1,213	$ 2,056,611	$ (136,242)	$ (126,900)	$ 1,808,226	$ 5,262	$ 1,813,488

See accompanying notes.
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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. ("Vishay" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The results of operations for the fiscal quarter and six fiscal months ended July 4, 2015 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first fiscal quarter, which always begins on January 1, and the fourth fiscal quarter, which always ends on December 31. The four fiscal quarters in 2015 end on April 4, 2015, July 4, 2015, October 3, 2015, and December 31, 2015, respectively. The four fiscal quarters in 2014 ended on March 29, 2014, June 28, 2014, September 27, 2014, and December 31, 2014, respectively.

Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU is the result of a convergence project between the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The ASU removes inconsistencies and weaknesses in revenue requirements; provides a more robust framework for addressing revenue issues; improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; provides more useful information to users of financial statements through expanded disclosure requirements; and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2018, with the ability to early adopt on January 1, 2017. Vishay is currently evaluating the effect of the ASU on its revenue contracts and its adoption alternatives.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU is the result of the FASB's simplification initiative intended to improve GAAP by reducing costs and complexity while maintaining or enhancing the usefulness of related financial statement information. The ASU specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. The ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2016. The ASU will require the Company to reclassify its capitalized debt issuance costs currently recorded as assets on the consolidated condensed balance sheets. The ASU will have no effect on the Company's results of operations or liquidity.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statements presentation.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 2 – Restructuring and Related Activities

The Company places a strong emphasis on controlling its costs.

Historically, the Company's primary cost reduction technique was through the transfer of production to the extent possible from high-labor-cost countries, such as the United States and Western Europe, to lower-labor-cost countries, such as the Czech Republic, Hungary, Israel, India, Malaysia, Mexico, the People's Republic of China, and the Philippines. Between 2001 and 2009, the Company recorded, in the consolidated statements of operations, restructuring and severance costs and related asset write-downs in order to reduce its cost structure going forward.

The Company also incurred significant costs to restructure and integrate acquired businesses, which were included in the cost of the acquisitions under then-applicable GAAP.

The Company did not initiate any new restructuring projects in the years ended December 31, 2012, 2011, or 2010.

On October 28, 2013, the Company announced various cost reduction programs as part of its continuous efforts to improve efficiency and operating performance. The cash costs of these programs, primarily severance, are expected to be approximately $32,000. Complete implementation of all of the programs is expected to occur before the end of the first fiscal quarter of 2016. Many of the severance costs will be recognized ratably over the required stay periods.

On August 3, 2015, the Company announced additional global cost reduction programs as part of its continuous efforts to improve efficiency and operating performance. These programs include a facility closure in the Netherlands that was previously announced in the second fiscal quarter of 2015. The cash costs of these programs, primarily severance, are expected to aggregate to approximately $30,000. Complete implementation of these programs is expected to occur before the end of 2017.

The following table summarizes restructuring and related expenses which were recognized and reported on a separate line in the accompanying consolidated statements of operations:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
MOSFETs Enhanced Competitiveness Program	$939	$1,492	$2,292	$3,219
Voluntary Separation / Retirement Program	20	7,522	77	12,199
Modules Production Transfer Program	-	-	-	-
Global Cost Reduction Programs	4,701	-	4,701	-
Total	$5,660	$9,014	$7,070	$15,418

MOSFETs Enhanced Competitiveness Program

Over a period of approximately 2 years and in a series of discrete steps, the manufacture of wafers for a substantial share of products will be transferred into a more cost-efficient fab. As a consequence, certain other manufacturing currently occurring in-house will be transferred to third-party foundries.

The total severance costs associated with these initiatives are expected to be approximately $16,000. Employees generally must remain with the Company during the production transfer period. Accordingly, the Company will

accrue these severance costs ratably over the respective employees' remaining service periods.

The following table summarizes the activity to date related to this program:

Expense recorded in 2013	$2,328
Cash paid	(267)
Balance at December 31, 2013	$2,061
Expense recorded in 2014	6,025
Cash paid	(856)
Balance at December 31, 2014	$7,230
Expense recorded in 2015	2,292
Cash paid	(399)
Balance at July 4, 2015	$9,123

Severance benefits are generally paid in a lump sum at cessation of employment. The entire amount of the liability is considered current and is included in other accrued expenses in the accompanying consolidated condensed balance sheets.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Voluntary Separation / Retirement Program

The voluntary separation / early retirement program was offered to employees worldwide who were eligible because they met job classification, age, and years-of-service criteria as of October 31, 2013. The program benefits vary by country and job classification, but generally include a cash loyalty bonus based on years of service. All employees eligible for the program have been identified, and have left or will leave the Company after the expiration of their respective transition periods.

These employees generally were not aligned with any particular segment. The effective separation / retirement date for most employees who accepted the offer was June 30, 2014 or earlier, with a few exceptions to allow for a transition period.

The following table summarizes the activity to date related to this program:

Expense recorded in 2013	$486
Cash paid	(98)
Foreign currency translation	3
Balance at December 31, 2013	$391
Expense recorded in 2014	12,792
Cash paid	(8,054)
Foreign currency translation	(455)
Balance at December 31, 2014	$4,674
Expense recorded in 2015	77
Cash paid	(2,058)
Foreign currency translation	(244)
Balance at July 4, 2015	$2,449

The payment terms vary by country, but generally are paid in a lump sum at cessation of employment. Certain participants are being paid in installments. The entire amount of the liability is considered current and is included in other accrued expenses in the accompanying consolidated balance sheets.

Modules Production Transfer

In an effort to reduce costs and streamline production of its module products within its Diodes segment, the Company committed to two smaller cost reduction programs related to the transferring of production of certain of its products.

The following table summarizes the activity to date related to this program:

Expense recorded in 2014	$2,080
Cash paid	(464)
Foreign currency translation	(121)
Balance at December 31, 2014	$1,495
Cash paid	(563)
Foreign currency translation	(111)
Balance at July 4, 2015	$821

Severance benefits are generally paid in a lump sum at cessation of employment. The entire amount of the liability is considered current and is included in other accrued expenses in the accompanying consolidated condensed balance

sheets.

Global Cost Reduction Programs

The Global Cost Reduction Programs announced in 2015 include a plan to reduce selling, general, and administrative costs company-wide, and targeted streamlining and consolidation of production for certain product lines within its Capacitors and Resistors & Inductors segments. During the second fiscal quarter of 2015, restructuring expenses of $4,701 were recorded related to these programs. No amounts were paid during the second fiscal quarter of 2015 pursuant to these programs. The entire amount of the liability is considered current and is included in other accrued expenses in the accompanying consolidated balance sheets.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 3 – Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the periods ended July 4, 2015 and June 28, 2014 reflect the Company's expected tax rate on reported income from continuing operations before income tax and tax adjustments. The Company operates in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting the Company's earnings and the applicable tax rates in the various jurisdictions where the Company operates.

During the six fiscal months ended July 4, 2015, the liabilities for unrecognized tax benefits increased by $378 on a net basis, principally due to increases for tax positions taken in prior periods and interest.

During 2014, the Company borrowed $53,000 on its revolving credit facility to achieve future flexibility given the legal entity and the financial structure utilized for the Capella Microsystems Inc. ("Capella") acquisition. Subsequent to the acquisition of the noncontrolling interests in Capella on December 31, 2014, the Company planned to repatriate cash from the 2014 earnings of non-U.S. subsidiaries to the United States primarily to repay those borrowings on the revolving credit facility, and also to realign the acquired entity structure to have Capella's U.S. subsidiary directly owned by Vishay Intertechnology, Inc. The tax provision for the year ended December 31, 2014 included all U.S. federal and state income taxes, incremental foreign income taxes, and withholding taxes payable related to that anticipated repatriation transaction. During the second fiscal quarter of 2015, we reduced the balance of the revolving credit facility by approximately $45,000 using cash that was repatriated. An additional $11,000 is expected to be repatriated in August 2015 and used to further reduce the balance of the revolving credit facility.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 4 – Long-Term Debt

Long-term debt consists of the following:

	July 4, 2015	December 31, 2014
Credit facility	$170,000	$200,000
Exchangeable unsecured notes, due 2102	38,642	38,642
Convertible senior debentures, due 2040	104,986	103,841
Convertible senior debentures, due 2041	53,914	53,249
Convertible senior debentures, due 2042	59,752	59,190
	427,294	454,922
Less current portion	-	-
	$427,294	$454,922

Convertible Senior Debentures

Vishay currently has three issuances of convertible senior debentures outstanding with generally congruent terms. The quarterly cash dividend program of the Company results in adjustments to the conversion rate and effective conversion price for each issuance of the Company's convertible senior debentures effective as of the ex-dividend date of each cash dividend.

The following table summarizes some key facts and terms regarding the three series of outstanding convertible senior debentures following the adjustment made to the conversion rate of the debentures on the ex-dividend date of the June 25, 2015 dividend payment:

	Due 2040	Due 2041	Due 2042
Issuance date	November 9, 2010	May 13, 2011	May 31, 2012
Maturity date	November 15, 2040	May 15, 2041	June 1, 2042
Principal amount	$275,000	$150,000	$150,000
Cash coupon rate (per annum)	2.25 %	2.25 %	2.25 %
Nonconvertible debt borrowing rate at issuance (per annum)	8.00 %	8.375 %	7.50 %
Conversion rate effective June 9, 2015 (per $1 principal amount)	73.8821	53.9153	86.8677
Effective conversion price effective June 9, 2015 (per share)	$13.54	$18.55	$11.51
130% of the conversion price (per share)	$17.60	$24.12	$14.96
Call date	November 20, 2020	May 20, 2021	June 7, 2022

Prior to three months before the maturity date, the holders may only convert their debentures under the following circumstances: (1) during any fiscal quarter after the first full quarter subsequent to issuance, if the sale price of Vishay common stock reaches 130% of the conversion price for a specified period; (2) the trading price of the debentures falls below 98% of the product of the sale price of Vishay's common stock and the conversion rate for a specified period; (3) Vishay calls any or all of the debentures for redemption, at any time prior to the close of business on the third scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events.

Based on an evaluation of the conversion criteria at July 4, 2015 and December 31, 2014, none of the convertible senior debentures due 2040, due 2041, or due 2042 were convertible. The conversion criteria of the debentures will continue to be evaluated and the debentures may become convertible in the future. At the direction of the Company's Board of Directors, the Company intends, upon conversion, to repay the principal amount of the convertible debentures in cash and settle any additional amounts in shares of the Company's common stock. The Company intends to finance the principal amount of any converted debentures using borrowings under its credit facility.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

GAAP requires an issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

The carrying values of the liability and equity components of the convertible debentures are reflected in the Company's consolidated condensed balance sheets as follows:

	Principal amount of the debentures	Unamortized discount	Embedded derivative	Carrying value of liability component	Equity component - net carrying value
July 4, 2015					
Due 2040	$ 275,000	(170,646)	$ 632	$ 104,986	$ 110,094
Due 2041	$ 150,000	(96,564)	$ 478	$ 53,914	$ 62,246
Due 2042	$ 150,000	(90,525)	$ 277	$ 59,752	$ 57,874
Total	$ 575,000	$ (357,735)	$ 1,387	$ 218,652	$ 230,214
December 31, 2014					
Due 2040	$ 275,000	(171,685)	$ 526	$ 103,841	$ 110,094
Due 2041	$ 150,000	(97,092)	$ 341	$ 53,249	$ 62,246
Due 2042	$ 150,000	(91,048)	$ 238	$ 59,190	$ 57,874
Total	$ 575,000	$ (359,825)	$ 1,105	$ 216,280	$ 230,214

Interest is payable on the debentures semi-annually at the cash coupon rate; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate equal to the Company's estimated nonconvertible debt borrowing rate at the time of issuance. In addition to ordinary interest, contingent interest will accrue in certain circumstances relating to the trading price of the debentures and under certain other circumstances beginning ten years subsequent to issuance.

Interest expense related to the debentures is reflected on the consolidated condensed statements of operations for the fiscal quarters ended:

	Contractual coupon interest	Non-cash amortization of debt discount	Non-cash amortization of deferred financing costs	Non-cash change in value of derivative liability	Total interest expense related to the debentures
July 4, 2015					
Due 2040	$ 1,547	524	22	165	$ 2,258
Due 2041	$ 844	267	12	124	$ 1,247
Due 2042	$ 844	263	14	46	$ 1,167
Total	$ 3,235	$ 1,054	$ 48	$ 335	$ 4,672
June 28, 2014					
Due 2040	$ 1,547	485	22	(76)	$ 1,978
Due 2041	$ 844	245	13	(20)	$ 1,082

Due 2042	$ 844	245	14	(21)	$ 1,082
Total	$ 3,235	$ 975	$ 49	$ (117)	$ 4,142

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Interest expense related to the debentures is reflected on the consolidated condensed statements of operations for the six fiscal months ended:

	Contractual coupon interest	Non-cash amortization of debt discount	Non-cash amortization of deferred financing costs	Non-cash change in value of derivative liability	Total interest expense related to the debentures
July 4, 2015					
Due 2040	$ 3,094	1,039	44	106	$ 4,283
Due 2041	$ 1,688	528	24	137	$ 2,377
Due 2042	$ 1,688	523	27	39	$ 2,277
Total	$ 6,470	$ 2,090	$ 95	$ 282	$ 8,937
June 28, 2014					
Due 2040	$ 3,094	961	44	(31)	$ 4,068
Due 2041	$ 1,688	486	24	(6)	$ 2,192
Due 2042	$ 1,688	486	27	(1)	$ 2,200
Total	$ 6,470	$ 1,933	$ 95	$ (38)	$ 8,460

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 5 – Accumulated Other Comprehensive Income (Loss)

The cumulative balance of each component of other comprehensive income (loss) and the income tax effects allocated to each component are as follows:

	Pension and other post-retirement actuarial items	Currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Total
Balance at January 1, 2015	$ (155,760)	$ 84,703	1,917	$(69,140)
Other comprehensive income (loss) before reclassifications	-	(60,836)	(1,035)	$(61,871)
Tax effect	-	-	362	$362
Other comprehensive income (loss) before reclassifications, net of tax	-	(60,836)	(673)	$(61,509)
Amounts reclassified out of AOCI	6,374	-	(680)	$5,694
Tax effect	(2,183)	-	238	$(1,945)
Amounts reclassified out of AOCI, net of tax	4,191	-	(442)	$3,749
Net other comprehensive income (loss)	$ 4,191	$ (60,836)	$ (1,115)	$(57,760)
Balance at July 4, 2015	$ (151,569)	$ 23,867	$ 802	$(126,900)

Reclassifications of pension and other post-retirement actuarial items out of AOCI are included in the computation of net periodic benefit cost. (See Note 6 for further information). The amount of unrealized gains (losses) on available-for-sale securities reclassified out of AOCI as a result of sales of securities held by the Company's rabbi trust used to fund a deferred compensation plan was $680 for the six fiscal months ended July 4, 2015. These reclassifications are recorded as a component of compensation expense within Selling, General, and Administrative expenses on our consolidated condensed statements of operations.

Other comprehensive income (loss) includes Vishay's proportionate share of other comprehensive income (loss) of nonconsolidated subsidiaries accounted for under the equity method.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 6 – Pensions and Other Postretirement Benefits

The Company maintains various retirement benefit plans.

The following table shows the components of the net periodic pension cost for the second fiscal quarters of 2015 and 2014 for the Company's defined benefit pension plans:

	Fiscal quarter ended July 4, 2015		Fiscal quarter ended June 28, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	$-	$ 826	$-	$ 831
Interest cost	2,885	1,419	3,834	2,195
Expected return on plan assets	(3,398)	(456)	(4,058)	(532)
Amortization of prior service cost (credit)	16	-	(23)	1
Amortization of losses	2,074	1,282	1,810	691
Net periodic benefit cost	$1,577	$ 3,071	$1,563	$ 3,186

The following table shows the components of the net periodic pension cost for the six fiscal months ended July 4, 2015 and June 28, 2014 for the Company's defined benefit pension plans:

	Six fiscal months ended July 4, 2015		Six fiscal months ended June 28, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	$-	$ 1,655	$-	$ 1,655
Interest cost	5,828	2,851	7,668	4,376
Expected return on plan assets	(6,783)	(910)	(8,116)	(1,057)
Amortization of prior service cost (credit)	32	-	(46)	2
Amortization of losses	4,096	2,581	3,620	1,378
Net periodic benefit cost	$3,173	$ 6,177	$3,126	$ 6,354

In the second fiscal quarter of 2015, the Company began the process of terminating the Vishay Retirement Plan, the Company's U.S. qualified pension plan. Plan participants will not be adversely affected by the plan termination, but rather will have their benefits either converted into a lump sum cash payment or an annuity contract placed with an insurance carrier.

The completion of this proposed termination and settlement is contingent upon the receipt of a favorable determination letter from the Internal Revenue Service ("IRS") and meeting certain IRS and Pension Benefit Guarantee Corporation ("PBGC") requirements, which is expected to take at least one year.

As of the last fiscal year-end measurement date (December 31, 2014), the Vishay Retirement Plan was fully-funded on a GAAP basis. In order to terminate the plan in accordance with IRS and PBGC requirements, the Company is required to fully fund the plan on a termination basis and will commit to contribute the additional assets necessary to

do so. The amount necessary to do so is not yet known, but is currently estimated to be between zero and $35,000.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

The following table shows the components of the net periodic benefit cost for the second fiscal quarters of 2015 and 2014 for the Company's other postretirement benefit plans:

	Fiscal quarter ended July 4, 2015		Fiscal quarter ended June 28, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$30	$ 68	$29	$ 79
Interest cost	84	36	88	63
Amortization of prior service (credit)	(209)	-	(206)	-
Amortization of losses (gains)	23	19	(35)	10
Net periodic benefit cost	$(72)	$ 123	$(124)	$ 152

The following table shows the components of the net periodic pension cost for the six fiscal months ended July 4, 2015 and June 28, 2014 for the Company's other postretirement benefit plans:

	Six fiscal months ended July 4, 2015		Six fiscal months ended June 28, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$60	$ 137	$58	$ 158
Interest cost	167	73	176	126
Amortization of prior service (credit)	(418)	-	(412)	-
Amortization of losses (gains)	45	38	(70)	20
Net periodic benefit cost	$(146)	$ 248	$(248)	$ 304

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 7 – Stock-Based Compensation

The Company has various stockholder-approved programs which allow for the grant of stock-based compensation to officers, employees, and non-employee directors of the Company.

The amount of compensation cost related to stock-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Company determines compensation cost for restricted stock units ("RSUs"), phantom stock units, and restricted stock based on the grant-date fair value of the underlying common stock adjusted for expected dividends paid over the required vesting period for non-participating awards. Compensation cost is recognized over the period that an officer, employee, or non-employee director provides service in exchange for the award.

The following table summarizes stock-based compensation expense recognized:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Stock options	$ -	$ -	$ -	-
Restricted stock units	924	804	1,838	1,614
Phantom stock units	-	-	141	131
Total	$ 924	$ 804	$ 1,979	1,745

The Company recognizes compensation cost for RSUs that are expected to vest and records cumulative adjustments in the period that the expectation changes.

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at July 4, 2015 (amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Stock options	$ -	0.0
Restricted stock units	9,480	1.5
Phantom stock units	-	0.0
Total	$ 9,480	

Unrecognized compensation cost presented in the table above includes $2,935 of unrecognized compensation cost for performance-based RSUs that are not currently expected to vest and for which no compensation cost is currently being recognized.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)
2007 Stock Incentive Plan

The Company's 2007 Stock Incentive Program (the "2007 Program"), as amended and restated, permits the grant of up to 6,500,000 shares of restricted stock, unrestricted stock, RSUs, stock options, and phantom stock units, to officers, employees, and non-employee directors of the Company. Such instruments are available for grant until May 20, 2024.

Restricted Stock Units

RSU activity under the 2007 Program as of July 4, 2015 and changes during the six fiscal months then ended are presented below (number of RSUs in thousands):

	Number of RSUs	Weighted Average Grant-date Fair Value per Unit
Outstanding:		
January 1, 2015	1,147	$ 12.75
Granted	349	13.60
Vested*	(162)	11.34
Cancelled or forfeited	(276)	12.88
Outstanding at July 4, 2015	1,058	$ 13.21
Expected to vest at July 4, 2015	836	

* The number of RSUs vested includes shares that the Company withheld on behalf of employees to satisfy the statutory tax withholding requirements.

The number of performance-based RSUs that are scheduled to vest increases ratably based on the achievement of defined performance criteria between the established target and maximum levels. RSUs with performance-based vesting criteria are expected to vest as follows (number of RSUs in thousands):

Vesting Date	Expected to Vest	Not Expected to Vest	Total
January 1, 2016	-	222	222
January 1, 2017	192	-	192
January 1, 2018	202	-	202

Phantom Stock Units

The 2007 Program authorizes the grant of phantom stock units to the extent provided for in the Company's employment agreements with certain executives. Each phantom stock unit entitles the recipient to receive a share of common stock at the individual's termination of employment or any other future date specified in the applicable employment agreement. Phantom stock units participate in dividend distribution on the same basis as the Company's common stock and Class B common stock. Dividend equivalents are issued in the form of additional units of phantom stock. The phantom stock units are fully vested at all times.

Phantom stock unit activity under the phantom stock plan as of July 4, 2015 and changes during the six fiscal months then ended are presented below (number of phantom stock units in thousands):

	Number of units	Grant-date Fair Value per Unit
Outstanding:		
January 1, 2015	119	
Granted	10	$ 14.09
Dividend equivalents issued	2	
Redeemed for common stock	-	
Outstanding at July 4, 2015	131	

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Stock Options

In addition to stock options outstanding pursuant to the 2007 Program, during the periods presented, the Company had stock options outstanding under previous stockholder-approved stock option programs. These programs are more fully described in Note 12 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2014. No additional options may be granted pursuant to these programs.

At December 31, 2014 and July 4, 2015, there were 105,000 options outstanding with a weighted average exercise price of $15.38. At July 4, 2015, the weighted average remaining contractual life of all outstanding options was 1.82 years.

At July 4, 2015, there were no unvested options outstanding.

The pretax aggregate intrinsic value (the difference between the closing stock price on the last trading day of the second fiscal quarter of 2015 of $11.63 per share and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on July 4, 2015 was zero because all outstanding options have exercise prices in excess of market value. This amount changes based on changes in the market value of the Company's common stock. During the six fiscal months ended July 4, 2015, no options were exercised.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 8 – Segment Information

Vishay operates, and its chief operating decision maker makes strategic and operating decisions with regards to assessing performance and allocating resources based on, five reporting segments: MOSFETs, Diodes, Optoelectronic Components, Resistors & Inductors, and Capacitors.

The Company evaluates business segment performance on operating income, exclusive of certain items ("segment operating income"). Only dedicated, direct selling, general, and administrative expenses of the segments are included in the calculation of segment operating income. The Company's calculation of segment operating income excludes such selling, general, and administrative costs as global operations, sales and marketing, information systems, finance and administration groups, as well as restructuring and severance costs, executive compensation charges (credits), material gains and losses on sales of property, and other items. Management believes that evaluating segment performance excluding such items is meaningful because it provides insight with respect to intrinsic operating results of the Company. These items represent reconciling items between segment operating income and consolidated operating income. Business segment assets are the owned or allocated assets used by each business.

The following tables set forth business segment information:

	MOSFETs	Diodes	Optoelectronic Components	Resistors & Inductors	Capacitors	Total
Fiscal quarter ended July 4, 2015:						
Product Sales	$ 106,348	$ 138,722	$ 72,977	$ 178,786	$ 92,891	$ 589,724
Royalty Revenues	-	-	-	746	-	$ 746
Total Revenue	$ 106,348	$ 138,722	$ 72,977	$ 179,532	$ 92,891	$ 590,470
Gross Margin	$ 14,708	$ 31,600	$ 24,331	$ 53,342	$ 17,501	$ 141,482
Fiscal quarter ended June 28, 2014:						
Product Sales	$ 123,971	$ 149,571	$ 63,258	$ 192,536	$ 111,744	$ 641,080
Royalty Revenues	71	-	-	778	-	$ 849
Total Revenue	$ 124,042	$ 149,571	$ 63,258	$ 193,314	$ 111,744	$ 641,929
Gross Margin	$ 18,871	$ 34,706	$ 22,788	$ 61,395	$ 26,333	$ 164,093

Six fiscal months ended July 4, 2015:						
Product Sales	$ 213,107	$ 275,233	$ 141,602	$ 365,178	$ 186,927	$ 1,182,047
Royalty Revenues	11	-	-	1,848	-	$ 1,859
Total Revenue	$ 213,118	$ 275,233	$ 141,602	$ 367,026	$ 186,927	$ 1,183,906
Gross Margin	$ 28,466	$ 61,490	$ 46,514	$ 112,191	$ 37,859	$ 286,520
Six fiscal months ended June 28, 2014:						
Product Sales	$ 237,084	$ 286,500	$ 120,756	$ 380,525	$ 217,255	$ 1,242,120
Royalty Revenues	99	-	-	2,088	-	$ 2,187
Total Revenue	$ 237,183	$ 286,500	$ 120,756	$ 382,613	$ 217,255	$ 1,244,307

Gross Margin	$31,488	$64,471	$44,025	$121,515	$47,877	$309,376
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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Operating margin reconciliation:				
MOSFETs	$5,140	$9,493	$9,667	$11,980
Diodes	25,528	28,130	49,013	51,188
Optoelectronic Components	19,163	18,945	36,250	36,349
Resistors & Inductors	44,470	51,969	93,995	102,305
Capacitors	11,786	20,122	26,350	35,463
Restructuring and Severance Costs	(5,660)	(9,014)	(7,070)	(15,418)
Unallocated Selling, General, and Administrative Expenses	(56,257)	(61,722)	(116,477)	(121,372)
Consolidated Operating Income	$44,170	$57,923	$91,728	$100,495

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 9 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share attributable to Vishay stockholders (shares in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Numerator:				
Numerator for basic earnings per share:				
Net earnings	$26,268	$35,642	$56,967	$61,452
Adjustment to the numerator for continuing operations and net earnings:				
Interest savings assuming conversion of dilutive convertible and exchangeable notes, net of tax	17	15	33	30
Numerator for diluted earnings per share:				
Net earnings	$26,285	$35,657	$57,000	$61,482
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	147,570	147,449	147,569	147,444
Outstanding phantom stock units	130	118	130	117
Adjusted weighted average shares	147,700	147,567	147,699	147,561
Effect of dilutive securities:				
Convertible and exchangeable debt instruments	3,788	6,513	4,283	5,647
Restricted stock units	212	234	198	222
Other	-	8	3	8
Dilutive potential common shares	4,000	6,755	4,484	5,877
Denominator for diluted earnings per share:				
Adjusted weighted average shares	151,700	154,322	152,183	153,438
Basic earnings per share attributable to Vishay stockholders	$0.18	$0.24	$0.39	$0.42
Diluted earnings per share attributable to Vishay stockholders	$0.17	$0.23	$0.37	$0.40

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Diluted earnings per share for the periods presented do not reflect the following weighted average potential common shares that would have an antidilutive effect or have unsatisfied performance conditions (in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Convertible and exchangeable notes:				
Convertible Senior Debentures, due 2040	20,248	-	10,124	-
Convertible Senior Debentures, due 2041	8,060	7,924	8,042	7,911
Weighted average employee stock options	105	77	91	77
Weighted average other	842	693	731	702

In periods in which they are dilutive, if the potential common shares related to the exchangeable notes are included in the computation, the related interest savings, net of tax, assuming conversion/exchange is added to the net earnings used to compute earnings per share.

The Company's convertible debt instruments are only convertible for specified periods upon the occurrence of certain events. None of the conversion criteria were met for the periods presented. In periods that the debentures are not convertible, the certain conditions which could trigger conversion of the remaining debentures have been deemed to be non-substantive, and accordingly, the Company has always assumed the conversion of these instruments in its diluted earnings per share computation during periods in which they are dilutive.

At the direction of its Board of Directors, the Company intends, upon conversion, to repay the principal amounts of the convertible senior debentures, due 2040, due 2041, and due 2042, in cash and settle any additional amounts in shares of Vishay common stock. Accordingly, the debentures are included in the diluted earnings per share computation using the "treasury stock method" (similar to options and warrants) rather than the "if converted method" otherwise required for convertible debt. Under the "treasury stock method," Vishay calculates the number of shares issuable under the terms of the debentures based on the average market price of Vishay common stock during the period, and that number is included in the total diluted shares figure for the period. If the average market price is less than $13.54, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2040, if the average market price is less than $18.55, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2041, and if the average market price is less than $11.51, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2042.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 10 – Fair Value Measurements

The fair value measurement accounting guidance establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the Company's own assumptions.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. There have been no changes in the classification of any financial instruments within the fair value hierarchy in the periods presented.

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis:

	Total Fair Value	Level 1	Level 2	Level 3
July 4, 2015:				
Assets:				
Assets held in rabbi trusts	$39,008	$25,382	$13,626	$-
Available for sale securities	$4,697	3,965	732	-
	$43,705	$29,347	$14,358	$-
Liabilities:				
Embedded derivative - convertible debentures due 2040	$(632)	$-	$-	$(632)
Embedded derivative - convertible debentures due 2041	$(478)	-	-	(478)
Embedded derivative - convertible debentures due 2042	$(277)	-	-	(277)
	$(1,387)	$-	$-	$(1,387)
December 31, 2014:				
Assets:				
Assets held in rabbi trusts	$40,270	$26,853	13,417	$-
Available for sale securities	$15,432	4,439	10,993	-
	$55,702	$31,292	$24,410	$-
Liabilities:				
Embedded derivative - convertible debentures due 2040	$(526)	$-	$-	$(526)
Embedded derivative - convertible debentures due 2041	$(341)	-	-	(341)
Embedded derivative - convertible debentures due 2042	$(238)	-	-	(238)
	$(1,105)	$-	$-	$(1,105)

The Company maintains non-qualified trusts, referred to as "rabbi" trusts, to fund payments under deferred compensation and non-qualified pension plans. Rabbi trust assets consist primarily of marketable securities, classified as available-for-sale and company-owned life insurance assets. The marketable securities held in the rabbi trusts are

valued using quoted market prices on the last business day of the period. The company-owned life insurance assets are valued in consultation with the Company's insurance brokers using the value of underlying assets of the insurance contracts. The fair value measurement of the marketable securities held in the rabbi trust is considered a Level 1 measurement and the measurement of the company-owned life insurance assets is considered a Level 2 measurement within the fair value hierarchy.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

The Company holds available for sale investments in debt securities that are intended to fund a portion of its pension and other postretirement benefit obligations outside of the United States. The investments are valued based on quoted market prices on the last business day of the year. The fair value measurement of the investments is considered a Level 1 measurement within the fair value hierarchy.

The convertible senior debentures, due 2040, due 2041, and due 2042, issued by the Company on November 9, 2010, May 13, 2011, and May 31, 2012, respectively, contain embedded derivative features that GAAP requires to be bifurcated and remeasured each reporting period. Each quarter, the change in the fair value of the embedded derivative features, if any, is recorded in the consolidated condensed statements of operations. The Company uses a derivative valuation model to derive the value of the embedded derivative features. Key inputs into this valuation model are the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility, and the debentures' credit spread over LIBOR. The first three aforementioned inputs are based on observable market data and are considered Level 2 inputs while the last two aforementioned inputs are unobservable and thus require management's judgment and are considered Level 3 inputs. The fair value measurement is considered a Level 3 measurement within the fair value hierarchy.

In the third fiscal quarter of 2014, the Company entered into forward contracts with a highly-rated financial institution to mitigate the foreign currency risk associated with an intercompany loan denominated in a currency other than the legal entity's functional currency. The notional amount of the forward contract was $14,000 as of July 4, 2015. The intercompany loan was used to finance a portion of the purchase price for Capella. The forward contracts settle monthly and are expected to be renewed at the Company's discretion on a monthly basis until the intercompany loan is repaid. The forward contract was renewed on the last day of the second fiscal quarter. We have not designated the forward contract as a hedge for accounting purposes, and as such the change in the fair value of the contract is recognized in the consolidated condensed statements of operations as a component of other income (expense). The Company estimates the fair value of the forward contract based on applicable and commonly used pricing models using current market information and is considered a Level 2 measurement within the fair value hierachy. Due to the timing of the renewal of the forward contract, the value of the forward contract was immaterial as of July 4, 2015. The Company does not utilize derivatives or other financial instruments for trading or other speculative purposes.

The fair value of the long-term debt, excluding the derivative liabilities, at July 4, 2015 and December 31, 2014 is approximately $726,400 and $853,500, respectively, compared to its carrying value, excluding the derivative liabilities, of $425,907, and $453,817, respectively. The Company estimates the fair value of its long-term debt using a combination of quoted market prices for similar financing arrangements and expected future payments discounted at risk-adjusted rates, which are considered Level 2 inputs.

At July 4, 2015 and December 31, 2014, the Company's short-term investments were comprised of time deposits with financial institutions that have maturities that exceed 90 days from the date of acquisition; however they all mature within one year from the respective balance sheet dates. The short-term investments acquired in the 2014 Capella acquisition are accounted for as available for sale instruments, at fair value. The Company's remaining short-term investments are accounted for as held-to-maturity debt instruments, at amortized cost, which approximates their fair value. The investments are funded with excess cash not expected to be needed for operations prior to maturity; therefore, the Company believes it has the intent and ability to hold the short-term investments until maturity. At each reporting date, the Company performs an evaluation to determine if any unrealized losses are other-than-temporary. No other-than-temporary impairments have been recognized on these securities, and there are no unrecognized holding gains or losses for these securities during the periods presented. There have been no transfers to or from the held-to-maturity classification. All decreases in the account balance are due to returns of principal at the securities' maturity dates. Interest on the securities is recognized as interest income when earned.

At July 4, 2015 and December 31, 2014, the Company's cash and cash equivalents were comprised of demand deposits, time deposits with maturities of three months or less when purchased, and money market funds. The Company estimates the fair value of its cash, cash equivalents, and short-term investments using level 2 inputs. Based on the current interest rates for similar investments with comparable credit risk and time to maturity, the fair value of the Company's cash, cash equivalents, and held-to-maturity short-term investments approximate the carrying amounts reported in the consolidated condensed balance sheets.

The Company's financial instruments also include accounts receivable, short-term notes payable, and accounts payable. The carrying amounts for these financial instruments reported in the consolidated condensed balance sheets approximate their fair values.

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

Overview

Vishay Intertechnology, Inc. ("Vishay," "we," "us," or "our") is a global manufacturer and supplier of discrete semiconductors and passive components, including power MOSFETs, power integrated circuits, transistors, diodes, optoelectronic components, resistors, capacitors, and inductors. Discrete semiconductors and passive components manufactured by Vishay are used in virtually all types of electronic products, including those in the industrial, computing, automotive, consumer electronic products, telecommunications, power supplies, military/aerospace, and medical industries.

We operate in five product segments: MOSFETs; Diodes; Optoelectronic Components; Resistors & Inductors; and Capacitors.

Since 1985, we have pursued a business strategy of growth through focused research and development and acquisitions. Through this strategy, we have grown to become one of the world's largest manufacturers of discrete semiconductors and passive components. We expect to continue our strategy of acquisitions while also maintaining a prudent capital structure.

We are focused on enhancing stockholder value and improving earnings per share. We plan to grow our business through intensified internal growth supplemented by opportunistic acquisitions, while at the same time maintaining a prudent capital structure. To foster intensified internal growth, we have increased our R&D and engineering technical staff and plan to further increase it; we are expanding critical manufacturing capacities; we are increasing our technical field sales force in Asia to increase our market access to the industrial segment and increase the design-in of our products in local markets; and we are directing increased funding and focus on developing products to capitalize on the connectivity, mobility, and sustainability growth drivers of our business. In 2014, our Board of Directors instituted a quarterly dividend payment program. We also have opportunistically repurchased our stock. The permitted capacity to repurchase shares of stock or pay dividends under our credit facility increases each quarter by an amount equal to 20% of net income. At July 4, 2015, our total permitted capacity to repurchase shares of stock or pay dividends under our credit facility is $186.4 million. Although we have no current plans, we will continue to evaluate attractive stock repurchase opportunities.

Our business and operating results have been and will continue to be impacted by worldwide economic conditions. Our revenues are dependent on end markets that are impacted by consumer and industrial demand, and our operating results can be adversely affected by reduced demand in those global markets. For several years, we implemented aggressive cost reduction programs. We continue to monitor the current economic environment and its potential effects on our customers and the end markets that we serve. Additionally, we continue to closely monitor our costs, inventory, and capital resources to respond to changing conditions and to ensure we have the management, business processes, and resources to meet our future needs. In response to the economic environment, we began implementing targeted cost reduction programs in the fourth fiscal quarter of 2013 to support our profitability without jeopardizing our growth plan. Complete implementation of these targeted cost reduction programs is expected to occur before the end of the first fiscal quarter of 2016. We initiated additional cost reduction programs in 2015, as more fully described in Note 2 to the consolidated condensed financial statements included in Item 1, and in "Cost Management" below. See additional information regarding our competitive strengths and key challenges as disclosed in Part 1 of our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the "SEC") on February 19, 2015.

We utilize several financial metrics, including net revenues, gross profit margin, segment operating income, end-of-period backlog, book-to-bill ratio, inventory turnover, change in average selling prices, net cash and short-term investments (debt), and free cash generation to evaluate the performance and assess the future direction of our

business. (See further discussion in "Financial Metrics" and "Financial Condition, Liquidity, and Capital Resources.") Revenues continued to be negatively impacted by foreign currency exchange rates in the second fiscal quarter of 2015. Demand did not develop as anticipated in the second fiscal quarter of 2015 and resulted in revenues below our expected range. Excluding the foreign currency exchange rate impact, revenues in the second fiscal quarter of 2015 were relatively unchanged versus the prior fiscal quarter, but decreased versus the second fiscal quarter of 2014. Operating results met our expectations at this relatively low revenue level. Less than expected revenues and orders resulted in a decrease in key financial metrics compared to the prior fiscal quarter and the second fiscal quarter of 2014.

Net revenues for the fiscal quarter ended July 4, 2015 were $590.5 million, compared to $641.9 million for the fiscal quarter ended June 28, 2014. The net earnings attributable to Vishay stockholders for the fiscal quarter ended July 4, 2015 were $26.3 million, or $0.17 per diluted share, compared to $35.6 million, or $0.23 per diluted share for the fiscal quarter ended June 28, 2014.

Net revenues for the six fiscal months ended July 4, 2015 were $1,183.9 million, compared to $1,244.3 million for the six fiscal months ended June 28, 2014. The net earnings attributable to Vishay stockholders for the six fiscal months ended July 4, 2015 were $57.0 million, or $0.37 per diluted share, compared to $61.5 million, or $0.40 per diluted share for the six fiscal months ended June 28, 2014.

Net earnings attributable to Vishay stockholders for the fiscal quarters and six fiscal months ended July 4, 2015 and June 28, 2014 include items affecting comparability. The reconciliation below includes certain financial measures which are not recognized in accordance with GAAP, including adjusted net earnings and adjusted earnings per share. These non-GAAP measures should not be viewed as an alternative to GAAP measures of performance. Non-GAAP measures such as adjusted net earnings and adjusted earnings per share do not have uniform definitions. These measures, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies. Management believes that these measures are meaningful because they provide insight with respect to our intrinsic operating results. Reconciling items to arrive at adjusted net earnings represent significant charges or credits that are important to understanding our intrinsic operations.

The items affecting comparability are (in thousands, except per share amounts):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
GAAP net earnings attributable to Vishay stockholders	$26,268	$35,642	$56,967	$61,452
Reconciling items affecting operating margin:				
Restructuring and severance costs	$5,660	$9,014	$7,070	$15,418
Reconciling items affecting tax expense:				
Tax effects of items above and other one-time tax expense (benefit)	$(1,988)	$(2,747)	$(2,496)	$(4,844)
Adjusted net earnings	$29,940	$41,909	$61,541	$72,026
Adjusted weighted average diluted shares outstanding	151,700	154,322	152,183	153,438
Adjusted earnings per diluted share *	$0.20	$0.27	$0.40	$0.47

* Includes add-back of interest on exchangeable notes in periods where the notes are dilutive.

Our results for the fiscal quarter and six fiscal months ended July 4, 2015 represent the effects of a weaker business environment in several of our customer end markets versus the prior year periods. The business environment was improving in the first fiscal quarter of 2015, but unexpectedly weakened in the second fiscal quarter. Our revenue results for the fiscal quarter and the six fiscal months ended ended July 4, 2015 were negatively affected by foreign currency effects, especially from the euro. Despite the negative foreign currency effect on revenues, we were able to maintain our profitability. Our percentage of euro-based sales approximates our percentage of euro-based expenses so the negative foreign currency impact on revenues was substantially offset by the positive impact on expenses. Despite

revenues below our expected run-rate and the anticipated range for the second fiscal quarter of 2015, our pre-tax results were as we would expect based on our business model.

Financial Metrics

We utilize several financial metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include net revenues, gross profit margin, operating margin, segment operating income, end-of-period backlog, and the book-to-bill ratio. We also monitor changes in inventory turnover and our or publicly available average selling prices ("ASP").

Gross profit margin is computed as gross profit as a percentage of net revenues. Gross profit is generally net revenues less costs of products sold, but also deducts certain other period costs, particularly losses on purchase commitments and inventory write-downs. Losses on purchase commitments and inventory write-downs have the impact of reducing gross profit margin in the period of the charge, but result in improved gross profit margins in subsequent periods by reducing costs of products sold as inventory is used. Gross profit margin is clearly a function of net revenues, but also reflects our cost management programs and our ability to contain fixed costs.

Operating margin is computed as gross profit less operating expenses as a percentage of net revenues. We evaluate business segment performance on segment operating margin. Only dedicated, direct selling, general, and administrative expenses of the segments are included in the calculation of segment operating income. Segment operating margin is computed as operating income less items such as restructuring and severance costs, asset write-downs, goodwill and indefinite-lived intangible asset impairments, inventory write-downs, gains or losses on purchase commitments, global operations, sales and marketing, information systems, finance and administrative groups, and other items, expressed as a percentage of net revenues. We believe that evaluating segment performance excluding such items is meaningful because it provides insight with respect to intrinsic operating results of the segment. Operating margin is clearly a function of net revenues, but also reflects our cost management programs and our ability to contain fixed costs.

End-of-period backlog is one indicator of future revenues. We include in our backlog only open orders that we expect to ship in the next twelve months. If demand falls below customers' forecasts, or if customers do not control their inventory effectively, they may cancel or reschedule the shipments that are included in our backlog, in many instances without the payment of any penalty. Therefore, the backlog is not necessarily indicative of the results to be expected for future periods.

An important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period as compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that our backlog is building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining revenues.

We focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our costs of products sold for the four fiscal quarters ending on the last day of the reporting period divided by our average inventory (computed using each fiscal quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital.

Pricing in our industry can be volatile. We analyze trends and changes in average selling prices to evaluate likely future pricing. The erosion of average selling prices of established products is typical for semiconductor products. We attempt to offset this deterioration with ongoing cost reduction activities and new product introductions. Our specialty passive components are more resistant to average selling price erosion.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows net revenues, gross profit margin, operating margin, end-of-period backlog, book-to-bill ratio, inventory turnover, and changes in ASP for our business as a whole during the five fiscal quarters beginning with the second fiscal quarter of 2014 through the second fiscal quarter of 2015 (dollars in thousands):

	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	1st Quarter 2015	2nd Quarter 2015
Net revenues	$641,929	$638,211	$610,764	$593,436	$590,470
Gross profit margin	25.6 %	24.8 %	23.5 %	24.4 %	24.0 %
Operating margin [1]	9.0 %	7.1 %	7.1 %	8.0 %	7.5 %
End-of-period backlog [2]	$663,800	$598,000	$554,700	$559,600	$556,100
Book-to-bill ratio	1.00	0.91	0.95	1.05	0.99
Inventory turnover	4.19	4.18	4.21	4.20	4.11
Change in ASP vs. prior quarter	-0.6 %	-0.9 %	-0.9 %	-0.9 %	-1.3 %

(1) Operating margin for the second, third, and fourth fiscal quarters of 2014 and the first and second fiscal quarters of 2015 includes $9.0 million, $3.5 million, $2.0 million, $1.4 million, and $5.7 million, respectively, of restructuring and severance expenses (see Note 2 to our consolidated condensed financial statements). Operating margin for the third fiscal quarter of 2014 includes $15.6 million of U.S. pension settlement charges.
(2) End of period backlog for the second fiscal quarter of 2014 reflects a total of $1.3 million related to the backlog of Holy Stone Polytech Co., Ltd. as of the date of acquisition. End of period backlog for the third fiscal quarter of 2014 reflects a total of $8.2 million related to the backlog of Capella as of the date of acquisition.

See "Financial Metrics by Segment" below for net revenues, book-to-bill ratio, and gross profit margin broken out by segment.

Revenues were below our expected range and decreased versus the prior fiscal quarters and second fiscal quarter of 2014. Foreign currency exchange rates negatively impacted revenues. The order level in the second fiscal quarter of 2015 was relatively flat compared to the prior fiscal quarter, but below expectations. Our average selling prices continue to decline primarily due to our commodity semiconductor products and the effects of growing our Resistors & Inductors business in Asia.

Gross margins decreased versus the prior fiscal quarter and second fiscal quarter of 2014. The decreases are primarily due to volume decreases. Gross margins have been negatively impacted by additional depreciation associated with our cost reduction programs beginning with the fourth fiscal quarter of 2013 and will continue to be negatively impacted until the complete implementation of our cost reduction programs.

The book-to-bill ratio in the second fiscal quarter of 2015 decreased to 0.99 from 1.05 in the first fiscal quarter of 2015. The book-to-bill ratios for distributors and original equipment manufacturers ("OEM") were 0.98 and 1.00, respectively, versus ratios of 1.04 and 1.06, respectively, during the first fiscal quarter of 2015.

For the third fiscal quarter of 2015, we anticipate revenues between $560 million and $600 million (assuming a 1.10 U.S. dollar to euro exchange rate) and gross margins between 22% and 24%.

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Financial Metrics by Segment

The following table shows net revenues, book-to-bill ratio, gross profit margin, and segment operating margin broken out by segment for the five fiscal quarters beginning with the second fiscal quarter of 2014 through the second fiscal quarter of 2015 (dollars in thousands):

	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	1st Quarter 2015	2nd Quarter 2015
MOSFETs					
Net revenues	$124,042	$121,659	$111,695	$106,770	$106,348
Book-to-bill ratio	1.05	0.83	0.95	0.99	1.04
Gross profit margin	15.2 %	14.3 %	9.6 %	12.9 %	13.8 %
Segment operating margin	7.7 %	6.4 %	1.2 %	4.2 %	4.8 %
Diodes					
Net revenues	$149,571	$151,444	$141,344	$136,511	$138,722
Book-to-bill ratio	1.07	0.89	0.83	1.01	0.97
Gross profit margin	23.2 %	23.9 %	22.2 %	21.9 %	22.8 %
Segment operating margin	18.8 %	19.6 %	17.8 %	17.2 %	18.4 %
Optoelectronic Components					
Net revenues	$63,258	$67,549	$69,943	$68,625	$72,977
Book-to-bill ratio	1.04	0.96	0.99	1.09	1.02
Gross profit margin	36.0 %	36.4 %	32.2 %	32.3 %	33.3 %
Segment operating margin	29.9 %	30.5 %	23.7 %	24.9 %	26.3 %
Resistors & Inductors					
Net revenues	$193,314	$190,454	$186,549	$187,494	$179,532
Book-to-bill ratio	0.98	0.98	1.02	1.05	0.99
Gross profit margin	31.8 %	31.3 %	32.2 %	31.4 %	29.7 %
Segment operating margin	26.9 %	26.4 %	27.3 %	26.4 %	24.8 %
Capacitors					
Net revenues	$111,744	$107,105	$101,233	$94,036	$92,891
Book-to-bill ratio	0.88	0.90	0.94	1.15	0.92
Gross profit margin	23.6 %	19.3 %	18.9 %	21.6 %	18.8 %

Segment operating margin	18.0	%	13.5	%	12.7	%	15.5	%	12.7	%

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Acquisition Activity

As part of our growth strategy, we seek to expand through targeted acquisitions of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. This includes exploring opportunities to acquire targets to gain market share, penetrate different geographic markets, enhance new product development, round out our existing product lines, or grow our high margin niche market businesses. Acquisitions of passive components businesses would likely be made to strengthen and broaden our position as a specialty product supplier; acquisitions of discrete semiconductor businesses would be made to increase market share and to generate synergies. To limit our financial exposure, we have implemented a policy not to pursue acquisitions if our post-acquisition debt would exceed 2.5x our pro forma earnings before interest, taxes, depreciation, and amortization ("EBITDA"). For these purposes, we calculate pro forma EBITDA as the adjusted EBITDA of Vishay and the target for Vishay's four preceding fiscal quarters, with a pro forma adjustment for savings which management estimates would have been achieved had the target been acquired by Vishay at the beginning of the four fiscal quarter period.

Our growth plan targets adding, through acquisitions, an average of approximately $100 million of revenues per year. Depending on the opportunities available, we might make several smaller acquisitions or a few larger acquisitions. We intend to make such acquisitions using mainly cash, rather than debt or equity, although we do have capacity on our revolving credit facility if necessary. We are not currently targeting acquisitions with a purchase price larger than $500 million.

Since 2011, we have acquired the specialty product businesses of Huntington Electric, HiRel Systems, LLC, and MCB Industrie. In 2014, we made strategic acquisitions of Holy Stone Polytech and Capella and plan to use the technology and engineering capabilities acquired to further grow our business. We continue to explore additional acquisition opportunities despite the current economic volatility.

There is no assurance that we will be able to identify and acquire suitable acquisition candidates at price levels and on terms and conditions we consider acceptable.

Cost Management

We place a strong emphasis on controlling our costs, and use various measures and metrics to evaluate our cost structure.

We define variable costs as expenses that vary with respect to quantity produced. Fixed costs do not vary with respect to quantity produced over the relevant time period. Contributive margin is calculated as net revenue less variable costs. It may be expressed in dollars or as a percentage of net revenue. Management uses this measure to determine the amount of profit to be expected for any change in revenues. While these measures are typical cost accounting measures, none of these measures are recognized in accordance with GAAP. The classification of expenses as either variable or fixed is judgmental and other companies might classify such expenses differently. These measures, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies.

We closely monitor variable costs and seek to achieve the contributive margin in our business model. Over a period of many years, we have generally maintained a contributive margin of between 46% - 48% of revenues. The erosion of average selling prices, particularly of our semiconductor products, that is typical of our industry and inflation negatively impact contributive margin and drive us to continually seek ways to reduce our variable costs. Our variable cost reduction efforts include increasing the efficiency in our production facilities by expending capital for automation, reducing materials costs, materials substitution, increasing wafer size and shrinking dies to maximize efficiency in our semiconductor production processes, and other yield improvement activities.

Our cost management strategy also includes a focus on controlling fixed costs recorded as costs of products sold or selling, general, and administrative expenses and maintaining our break-even point (adjusted for acquisitions). We seek to limit increases in selling, general, and administrative expenses to the rate of inflation, excluding foreign currency exchange effects and substantially independent of sales volume changes. At constant fixed costs, we would expect each $1 million increase in revenues to increase our operating margin by approximately $460,000 to $480,000. Sudden changes in the business conditions, however, may not allow us to quickly adapt our manufacturing capacity and cost structure.

Historically, our primary cost reduction technique was through the transfer of production to the extent possible from high-labor-cost countries, such as the United States and Western Europe, to lower-labor-cost countries, such as the Czech Republic, Hungary, Israel, India, Malaysia, Mexico, the People's Republic of China, and the Philippines. Between 2001 and 2009, we recorded, in the consolidated condensed statements of operations, restructuring and severance costs totaling $320 million and related asset write-downs totaling $89 million in order to reduce our cost structure going forward. We also incurred significant costs to restructure and integrate acquired businesses, which was included in the cost of the acquisitions under then-applicable GAAP.

We did not initiate any new restructuring projects in 2010, 2011, or 2012 and thus did not record any restructuring and severance expenses during such periods. Occasionally, our ongoing cost containment activities are not adequate and we must take actions to maintain our cost competitiveness. On October 28, 2013, we announced various cost reduction programs as part of our continuous efforts to improve efficiency and operating performance. We recorded $1.0 million of restructuring and severance expenses in the second fiscal quarter of 2015 for expenses that were recognizable under GAAP during the period and $26.1 million of restructuring and severance expenses since these cost reduction programs were implemented. The remaining expenses associated with these programs will be recorded as they become recognizable under GAAP.

The programs initiated in 2013 primarily focus on a plan to enhance the competitiveness of our MOSFETs segment and a voluntary separation / early retirement offer to certain employees Company-wide. We also implemented two other smaller cost reduction programs concerning the manufacturing of products within our Diodes segment. The programs in total are expected to lower costs by approximately $36 million per year when fully implemented at

expected cash costs of approximately $32 million.

The project for the MOSFETs segment is occurring over a period of approximately two years, to be completed in the first fiscal quarter of 2016. The manufacture of wafers for a substantial share of products will be transferred into a more cost-efficient fab. As a consequence, certain other wafer manufacturing currently occurring in-house will be transferred to third-party foundries.

The total cash costs associated with the MOSFETs initiatives, principally severance, are expected to be approximately $16 million. Once fully implemented, we anticipate that the MOSFETs programs will result in an annual reduction in variable and fixed manufacturing costs of approximately $23 million at current volumes.

The voluntary separation / early retirement offer was made to employees worldwide who were eligible because they met job classification, age, and/or years-of-service criteria as of October 31, 2013. The program was substantially completed in 2014. The total costs associated with the voluntary separation / early retirement program were approximately $13.3 million. We will realize an annual reduction in fixed costs of approximately $10 million, split approximately 35% in manufacturing and 65% in selling, general, and administrative expenses.

Two other smaller cost reduction programs relate to the transfer of production of certain products within our Diodes segment, which were initiated in the third fiscal quarter of 2014. Both programs are connected to production moves, in order to take advantage of lower labor costs in one program and from the consolidation of manufacturing locations in the other. We expect annual cost savings of approximately $3 million when fully implemented.

Additional programs were initiated in 2015. The programs initiated in 2015 include a plan to reduce selling, general, and administrative costs company-wide, and targeted streamlining and consolidation of production for certain product lines within our Capacitors and Resistors & Inductors segments. The programs in total are expected to lower costs by approximately $35 million annually (at current volumes) when fully implemented, at expected cash costs of approximately $30 million. The implementation of these programs will not impact planned R&D activities, or our growth initiatives in Asian markets.

The programs announced in 2015 are expected to reduce selling, general, and administrative costs by approximately $17 million annually. These selling, general, and administrative cost reductions should be fully achieved by the end of 2016. We will first solicit volunteers to accept a voluntary separation / early retirement offer. The voluntary separation benefits vary by country and job classification, but generally offer a cash loyalty bonus. Additional involuntary terminations will likely be necessary to achieve the cost reduction targets.

The targeted plans to streamline and consolidate production of certain product lines are expected to decrease costs of products sold by approximately $18 million annually (at current volumes). These plans include the Zwolle, Netherlands aluminum capacitors facility closure announced on June 30, 2015. Except for the Zwolle facility, no other facility closures are currently expected pursuant to these programs. These production transfers will be completed in steps by the end of 2017. These newly announced programs do not alter or expand the MOSFETs Enhanced Competitiveness Program, announced in 2013 and currently being implemented by the Company.

We believe that our manufacturing footprint is generally suitable to serve our customers and end markets, while maintaining lower manufacturing costs. Although the current cost reduction plans include streamlining and consolidating production of certain product lines, only one facility closure is currently expected pursuant to these programs. Except for the distinct and targeted programs noted above, we do not anticipate any other material restructuring activities in 2015 or 2016. We believe that we can substantially maintain our trained workforce, even at lower manufacturing activity levels, by reducing hours and limiting the use of subcontractors and foundries. However, a continued sluggish business environment for the electronics industry or the recurrence of a significant economic downturn may require us to implement additional restructuring initiatives.

Our long-term strategy includes growth through the integration of acquired businesses, and GAAP requires plant closure and employee termination costs that we incur in connection with our acquisition activities to be recorded as expenses in our consolidated statement of operations, as such expenses are incurred. We have not incurred any material plant closure or employee termination costs related to our acquisitions of Huntington Electric, HiRel Systems, LLC, MCB Industrie, Holy Stone Polytech, or Capella, but we expect to have some level of future restructuring expenses due to acquisitions.

Even as we seek to manage our costs, we continue to pursue our growth plans through investing in capacities for strategic product lines, and through increasing our resources for R&D, technical marketing, and field application engineering; supplemented by opportunistic acquisitions of specialty businesses.

Pension and Other Postretirement Benefits

As more fully described in our annual report on Form 10-K for the year ended December 31, 2014, we continue to seek to de-risk our pension exposures, especially given the frozen status of the U.S. plans and the current funded status. Such actions could result in increased net periodic pension cost due to lower expected rates of return on plan assets and/or possible additional charges to recognize unamortized actuarial items if all or a portion of the obligations were to be settled.

In the second fiscal quarter of 2015, we began the process of terminating the Vishay Retirement Plan, our U.S. qualified pension plan. Plan participants will not be adversely affected by the plan termination, but rather will have their benefits either converted into a lump sum cash payment or an annuity contract placed with an insurance carrier.

The completion of this proposed termination and settlement is contingent upon the receipt of a favorable determination letter from the Internal Revenue Service ("IRS") and meeting certain IRS and Pension Benefit Guarantee Corporation ("PBGC") requirements, which is expected to take at least one year.

As of the last fiscal year-end measurement date (December 31, 2014), the Vishay Retirement Plan was fully-funded on a GAAP basis. In order to terminate the plan in accordance with IRS and PBGC requirements, we are required to fully fund the plan on a termination basis and will commit to contribute the additional assets necessary to do so. The amount necessary to do so is not yet known, but is currently estimated to be between zero and $35 million.

Foreign Currency Translation

We are exposed to foreign currency exchange rate risks, particularly due to transactions in currencies other than the functional currencies of certain subsidiaries. We occasionally use forward exchange contracts to economically hedge a portion of these exposures.

GAAP requires that we identify the "functional currency" of each of our subsidiaries and measure all elements of the financial statements in that functional currency. A subsidiary's functional currency is the currency of the primary economic environment in which it operates. In cases where a subsidiary is relatively self-contained within a particular country, the local currency is generally deemed to be the functional currency. However, a foreign subsidiary that is a direct and integral component or extension of the parent company's operations generally would have the parent company's currency as its functional currency. We have both situations among our subsidiaries.

Foreign Subsidiaries which use the Local Currency as the Functional Currency

We finance our operations in Europe and certain locations in Asia in local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. For those subsidiaries where the local currency is the functional currency, assets and liabilities in the consolidated condensed balance sheets have been translated at the rate of exchange as of the balance sheet date. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity.

For those subsidiaries where the local currency is the functional currency, revenues and expenses incurred in the local currency are translated at the average exchange rate for the year. While the translation of revenues and expenses incurred in the local currency into U.S. dollars does not directly impact the statements of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies. The dollar generally was significantly stronger during the second fiscal quarter and first six fiscal months of 2015 compared to the prior year periods, with the translation of foreign currency revenues and expenses into U.S. dollars decreasing reported revenues and expenses versus the prior year periods.

Foreign Subsidiaries which use the U.S. Dollar as the Functional Currency

Our operations in Israel and most significant locations in Asia are largely financed in U.S. dollars, and accordingly, these subsidiaries utilize the U.S. dollar as their functional currency. For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations. While these subsidiaries transact most business in U.S. dollars, they may have significant costs, particularly payroll-related, which are incurred in the local currency. The cost of products sold and selling, general, and administrative expense for the second fiscal quarter and first six fiscal months of 2015 have been favorably impacted (compared to the prior year periods) by local currency transactions of subsidiaries which use the U.S. dollar as their functional currency.

Beginning in the third fiscal quarter of 2014, we entered into a forward contract with a highly-rated financial institution to mitigate the foreign currency risk associated with an intercompany loan denominated in a currency other than the legal entity's functional currency. The notional amount of the forward contract was $14 million as of July 4, 2015. The intercompany loan was used to finance a portion of the purchase price for Capella. The forward contracts settle monthly and are expected to be renewed at our discretion on a monthly basis until the intercompany loan is repaid. The forward contract was renewed on the last day of the second fiscal quarter. The forward contracts are carried at fair value in our consolidated condensed balance sheets. We have not designated the forward contract as a hedge for accounting purposes, and as such the change in the fair value of contract is recognized in our consolidated condensed statements of operations as a component of other income (expense). We do not utilize derivatives or other

financial instruments for trading or other speculative purposes.

Results of Operations

Statements of operations' captions as a percentage of net revenues and the effective tax rates were as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Cost of products sold	76.0%	74.4%	75.8%	75.1%
Gross profit	24.0%	25.6%	24.2%	24.9%
Selling, general & administrative expenses	15.5%	15.1%	15.9%	15.5%
Operating income	7.5%	9.0%	7.7%	8.1%
Income before taxes and noncontrolling interest	6.5%	8.1%	7.0%	7.3%
Net earnings attributable to Vishay stockholders	4.4%	5.6%	4.8%	4.9%
Effective tax rate	31.3%	31.5%	31.0%	31.5%

Net Revenues

Net revenues were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$590,470	$641,929	$1,183,906	$1,244,307
Change versus comparable prior year period	$(51,459)		$(60,401)	
Percentage change versus comparable prior year period	-8.0%		-4.9%	

Changes in net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Change in volume	-0.5%	2.4%
Decrease in average selling prices	-3.0%	-2.5%
Foreign currency effects	-6.5%	-6.4%
Acquisitions	1.9%	1.9%
Other	0.1%	-0.3%
Net change	-8.0%	-4.9%

Revenues continue to be below our expected run-rate and were below our anticipated range for the fiscal quarter ended ended July 4, 2015. Our revenue results for the fiscal quarter and six fiscal months ended ended July 4, 2015 were negatively affected by foreign currency effects. Demand for our products in the second fiscal quarter of 2015 was lower than anticipated and overall lower compared to the second fiscal quarter of 2014.

We deduct, from the sales that we record to distributors, allowances for future credits that we expect to provide for returns, scrapped product, and price adjustments under various programs made available to the distributors. We make

deductions corresponding to particular sales in the period in which the sales are made, although the corresponding credits may not be issued until future periods. We estimate the deductions based on sales levels to distributors, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies, and open requests for credits. We recorded deductions from gross revenues under our distributor incentive programs of $41.6 million and $43.7 million for the six fiscal months ended July 4, 2015 and June 28, 2014, respectively, or 3.4% and 3.4% of gross revenues, respectively. Actual credits issued under the programs during the six fiscal months ended July 4, 2015 and June 28, 2014 were $43.5 million and $41.9 million, respectively. Increases and decreases in these incentives are largely attributable to the then-current business climate.

Royalty revenues, included in net revenues in the consolidated condensed statements of operations, were approximately $1.9 million and $2.2 million for the six fiscal months ended July 4, 2015 and June 28, 2014, respectively.

Gross Profit and Margins

Gross profit margins for the fiscal quarter and six fiscal months ended July 4, 2015 were 24.0% and 24.2%, respectively, versus 25.6% and 24.9%, respectively, for the comparable prior year periods. The decrease in gross profit margins for the fiscal quarter and six fiscal months ended July 4, 2015 versus the prior year periods is primarily due to the decrease in sales volume.

Segments

Analysis of revenues and gross profit margins for our segments is provided below.

MOSFETs

Net revenues of the MOSFETs segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$106,348	$124,042	$213,118	$237,183
Change versus comparable prior year period	$(17,694)		$(24,065)	
Percentage change versus comparable prior year period	-14.3 %		-10.1 %	

Changes in MOSFETs segment net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-7.8 %	-3.6 %
Decrease in average selling prices	-4.6 %	-4.5 %
Foreign currency effects	-2.8 %	-2.6 %
Other	0.9 %	0.6 %
Net change	-14.3 %	-10.1 %

Gross profit as a percentage of net revenues for the MOSFETs segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross profit margin	13.8%	15.2 %	13.4%	13.3 %

In the fiscal quarter and six fiscal months ended July 4, 2015, Vishay's MOSFETs segment could not maintain the revenue level of the corresponding prior year periods. Revenues were negatively impacted by a decrease in volume, negative impacts from declining selling prices, and the change in the euro foreign currency exchange rate. Revenues were stable versus the prior fiscal quarter as the increase in volume mostly offset the declining selling prices and foreign currency exchange rate changes.

The gross profit margin increased slightly versus the prior fiscal quarter primarily due to inventory build associated with the restructuring program and increased slightly versus the six fiscal months ended June 28, 2014 primarily due to stronger first fiscal quarter results in 2015. The gross profit margin decreased versus the fiscal quarter ended June 28, 2014 primarily due to volume decreases and lower selling prices. The negative foreign currency exchange rate impact on revenues was offset by the positive impact on corresponding costs. Other cost reductions offset general cost inflation.

The pricing pressure for our established MOSFETs products continues. We have experienced a moderate decline in average selling prices versus the prior year periods and a slight decline versus the prior fiscal quarter.

In 2013, we announced a cost reduction program to enhance the competitiveness of our MOSFETs segment. We continue to implement the program, which is long-term in nature and will not provide significant improvement until the program is close to full implementation. See "Cost Management" above.

We continue to be optimistic about the long-term prospects of the MOSFETs segment and continue to make capital and R&D investments in this business.

Diodes

Net revenues of the Diodes segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$138,722	$149,571	$275,233	$286,500
Change versus comparable prior year period	$(10,849)		$(11,267)	
Percentage change versus comparable prior year period	-7.3 %		-3.9 %	

Changes in Diodes segment net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Increase in volume	1.4 %	4.3 %
Decrease in average selling prices	-3.4 %	-2.8 %
Foreign currency effects	-5.2 %	-5.2 %
Other	-0.1 %	-0.2 %
Net change	-7.3 %	-3.9 %

Gross profit as a percentage of net revenues for the Diodes segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross profit margin	22.8%	23.2 %	22.3%	22.5 %

The Diodes segment was negatively affected by a reduction in sales to Asia distributors in second fiscal quarter of 2015. Diodes segment revenues for fiscal quarter and six fiscal months ended July 4, 2015 decreased versus the corresponding prior year periods despite increases in volume due to lower average selling prices and foreign currency exchange rate effects, especially from the euro. Revenues increased slightly versus the prior fiscal quarter due to volume increases that were able to fully offset lower average selling prices and foreign currency exchange rate effects.

The gross profit margin decreased slightly versus the corresponding prior year periods and increased slightly versus prior fiscal quarter due to the increase in sales volume and the effects of our cost reduction programs that partially offset the decreased average selling prices and effects of general cost inflation. The negative foreign currency rate impact on revenues was mostly offset by the positive impact on corresponding costs.

The pricing pressure for our established Diodes products was slightly reduced. We have experienced a moderate price decline versus the prior year periods and a slight price decline versus the prior fiscal quarter.

The cost reduction programs announced in 2013 include two smaller projects to improve the results of the Diodes segment. These projects, which were initiated in the third fiscal quarter of 2014 and substantially implemented in the

fourth fiscal quarter of 2014, demonstrate our ongoing effort to improve the results of this segment. See "Cost Management" above.

Optoelectronic Components

Net revenues of the Optoelectronic Components segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$72,977	$63,258	$141,602	$120,756
Change versus comparable prior year period	$9,719		$20,846	
Percentage change versus comparable prior year period	15.4 %		17.3 %	

Changes in Optoelectronic Components segment net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Increase in volume	12.9 %	14.6 %
Decrease in average selling prices	-4.8 %	-4.0 %
Foreign currency effects	-7.7 %	-7.7 %
Acquisition	16.8 %	16.3 %
Other	-1.8 %	-1.9 %
Net change	15.4 %	17.3 %

Gross profit as a percentage of net revenues for the Optoelectronic Components segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross profit margin	33.3%	36.0 %	32.8%	36.5 %

In the fiscal quarter and six fiscal months ended July 4, 2015, the Optoelectronic Components segment achieved significant increases in revenue versus the corresponding prior year periods primarily due to the Capella acquisition (see below), a growing business in Asia, and higher distribution sales in Europe. Revenues increased slightly versus the prior fiscal quarter. Negative foreign currency exchange rate effects, especially from the euro, and declining average selling prices partially offset the increase.

The increase in sales volume did not lead to an increase in gross profit margin versus the prior year periods due to lower average selling prices, foreign currency effects, and general cost inflation. The Capella acquisition also contributed at a lower gross margin percentage than our existing Optoelectronic Components businesses. The gross profit margin increased slightly versus the prior fiscal quarter.

Typical pricing pressure for our established Optoelectronic Components products continues. We have experienced moderate declines in average selling prices versus the prior year periods and the prior fiscal quarter.

In 2014, we acquired Capella, a fabless IC design company specializing in optoelectronic products, in a two step transaction completed on December 31, 2014. Capella is included in the Optoelectronic Components segment results from the date we obtained control in September 2014.

Resistors & Inductors

Net revenues of the Resistors & Inductors segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$179,532	$193,314	$367,026	$382,613
Change versus comparable prior year period	$(13,782)		$(15,587)	
Percentage change versus comparable prior year period	-7.1 %		-4.1 %	

Changes in Resistors & Inductors segment net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Increase in volume	3.5 %	6.7 %
Decrease in average selling prices	-1.5 %	-1.6 %
Foreign currency effects	-8.6 %	-8.4 %
Other	-0.5 %	-0.8 %
Net change	-7.1 %	-4.1 %

Gross profit as a percentage of net revenues for the Resistors & Inductors segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross profit margin	29.7%	31.8 %	30.6%	31.8 %

Net revenues in the fiscal quarter and six fiscal months ended July 4, 2015 for the Resistors & Inductors Segment decreased versus the prior year periods. The increase in sales volume was not enough to offset the unfavorable impact of foreign currency exchange rate changes. Region Europe experienced a significant decrease in revenues versus the prior year periods mainly due to the unfavorable foreign currency exchange rate changes. Sales to distribution and the industrial market sector have experienced the greatest declines.

The gross profit margin has declined slightly, impacted by unfavorable exchange rate changes and inflationary effects.

Our average selling prices decreased slightly versus the prior quarter and prior year quarter, in line with our expectations for this segment.

In 2015, we announced global cost reduction programs which include targeted plans to streamline and consolidate certain product lines, including within our Resistors & Inductors segment. See "Cost Management" above.

Capacitors

Net revenues of the Capacitors segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net revenues	$92,891	$111,744	$186,927	$217,255
Change versus comparable prior year period	$(18,853)		$(30,328)	
Percentage change versus comparable prior year period	-16.9 %		-14.0 %	

Changes in Capacitors segment net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-9.5 %	-7.9 %
Decrease in average selling prices	-1.7 %	-0.7 %
Foreign currency effects	-8.0 %	-7.7 %
Acquisition	1.3 %	1.8 %
Other	1.0 %	0.5 %
Net change	-16.9 %	-14.0 %

Gross profit as a percentage of net revenues for the Capacitors segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross profit margin	18.8%	23.6 %	20.3%	22.0 %

Revenues in the fiscal quarter and six fiscal months ended July 4, 2015 for the Capacitors segment were relatively weak compared to prior year periods. All end markets experienced a decline in revenues versus the prior year periods. Region Europe experienced the sharpest decline in revenues versus the prior year periods. Sales volume increased slightly versus the previous quarter, offset by impact from foreign currency exchange rate changes and lower average selling prices. Sales to distribution increased versus the prior fiscal quarter.

The gross profit margin was unfavorably impacted by lower sales volume, inflationary effects, and foreign currency exchange rate changes.

Our average selling prices decline versus prior year periods and versus the prior quarter was in line with expectations.

On June 11, 2014, we acquired Holy Stone Polytech, a Japanese manufacturer of tantalum capacitors and formerly a subsidiary of Holy Stone Enterprise Co. Ltd., for $20.6 million, net of cash acquired. The acquisition is expected to strengthen our position in tantalum capacitors, especially in Asia. We plan to use the technology acquired to develop new products and enter new product markets.

In 2015, we announced global cost reduction programs which include targeted plans to streamline and consolidate certain product lines, including within our Capacitors segment. See "Cost Management" above.

Selling, General, and Administrative Expenses

Selling, general, and administrative ("SG&A") expenses are summarized as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Total SG&A expenses	$91,652	$97,156	$187,722	$193,463
as a percentage of revenues	15.5 %	15.1 %	15.9 %	15.5 %

The overall decrease in SG&A expenses is primarily attributable to foreign currency exchange rate effects, the benefits of our voluntary separation / early retirement program (see "Cost Management" above), and the non-repetition of additional SG&A expenses incurred in 2014 to close acquisitions, partially offset by SG&A expenses of acquired companies and additional compensation costs in general.

In 2015, we announced additional cost reduction programs which are expected to decrease SG&A expenses by approximately $17 million annually, when fully implemented. See "Cost Management" above.

Several items included in SG&A expenses impact the comparability of these amounts, as summarized below (in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Amortization of intangible assets	$6,071	$3,826	$12,372	$7,626
Net loss (gain) on sales of assets	(32)	83	(115)	23

The acquisitions of Capella and Holy Stone Polytech in 2014 increased our amortizable intangible assets balance by $78.2 million.

Other Income (Expense)

Interest expense for the fiscal quarter ended July 4, 2015 increased $0.9 million versus the fiscal quarter ended June 28, 2014. Interest expense for the six fiscal months ended July 4, 2015 increased by $1.3 million versus the six fiscal months ended June 28, 2014. The increases are primarily due to higher average outstanding balances on our revolving credit facility and increases in the estimated values of the embedded derivatives associated with our convertible senior debentures.

The following tables analyze the components of the line "Other" on the consolidated condensed statements of operations (in thousands):

	Fiscal quarters ended		
	July 4, 2015	June 28, 2014	Change
Foreign exchange gain (loss)	$23	$(1,001)	$1,024

Interest income	1,028	1,261	(233)
Other	109	(52)	161
	$1,160	$208	$952

	Six fiscal months ended		
	July 4, 2015	June 28, 2014	Change
Foreign exchange gain (loss)	$1,748	$(1,113)	$2,861
Interest income	2,225	2,484	(259)
Other	647	149	498
	$4,620	$1,520	$3,100

Income Taxes

For the fiscal quarter and six fiscal months ended July 4, 2015, our effective tax rate was 31.3% and 31.0%, respectively, as compared to 31.5% for both the fiscal quarter and six fiscal months ended June 28, 2014. The effective tax rate is generally less than the U.S. statutory rate primarily because of earnings in foreign jurisdictions.

We operate in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, our consolidated income tax rate is a composite rate reflecting our earnings and the applicable tax rates in the various jurisdictions where we operate. Part of our strategy is to achieve cost savings by operating in countries where we can take advantage of lower labor costs and available tax and other government-sponsored incentives. Accordingly, our effective tax rate is generally less than the U.S. statutory tax rate. Changes in our effective tax rate are largely attributable to changes in the mix of pretax income among our various taxing jurisdictions.

During the six fiscal months ended July 4, 2015, the liabilities for unrecognized tax benefits increased by $0.4 million on a net basis, principally due to increases for tax positions taken in prior periods and interest.

Financial Condition, Liquidity, and Capital Resources

We focus on our ability to generate cash flows from operations. The cash generated from operations is used to fund our capital expenditure plans, and cash in excess of our capital expenditure needs is available to fund our acquisition strategy, to reduce debt levels, and to pay dividends and repurchase stock. We have generated cash flows from operations in excess of $200 million in each of the past 13 years, and cash flows from operations in excess of $100 million in each of the past 20 years.

We refer to the amount of cash generated from operations in excess of our capital expenditure needs and net of proceeds from the sale of assets as "free cash," a measure which management uses to evaluate our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends. Vishay has generated positive "free cash" in each of the past 18 years, and "free cash" in excess of $80 million in each of the past 13 years. In this volatile economic environment, we continue to focus on the generation of free cash, including an emphasis on cost controls.

We generated positive cash flows from operations and free cash during the fiscal quarter ended July 4, 2015. Despite a slow start in terms of free cash generation, we continue to expect cash generation in 2015 in line with our history. There is no assurance, however, that we will be able to continue to generate cash flows from operations and free cash at the same levels, or at all, going forward if the current economic environment worsens.

Beginning in the fourth fiscal quarter of 2010, we have reacted to favorable market conditions to significantly reshape the company's capital structure. We have completed three issuances of low-coupon convertible debentures utilizing the proceeds of those debenture offerings to repurchase 44.3 million shares of our common stock.

We also entered into a new, larger, revolving credit facility in 2010, which was amended and restated on August 8, 2013. The total revolving commitment of our credit facility is currently $640 million, and we have the ability to request up to an additional $50 million of incremental commitments, subject to the satisfaction of certain conditions. At July 4, 2015 and December 31, 2014, $170 million and $200 million, respectively, were outstanding under our credit facility. The credit facility provides a revolving commitment through August 8, 2018.

Borrowings under the credit facility bear interest at LIBOR plus an interest margin. The applicable interest margin is based on our leverage ratio. Based on our current leverage ratio, borrowings bear interest at LIBOR plus 1.75%. The interest rate on our borrowings will increase to LIBOR plus 2.00% if our leverage ratio equals or exceeds 2.50 to 1 and will decrease to LIBOR plus 1.50% if our leverage ratio decreases below 1.50 to 1. We are also required to pay facility fees on the entire commitment amount based on our leverage ratio. Based on our current leverage ratio, the facility fee is 0.35% per annum. Such facility fee will increase to 0.50% per annum if our leverage ratio equals or exceeds 2.50 to 1 and will decrease to 0.30% per annum if our leverage ratio decreases below 1.50 to 1.

The borrowings under the credit facility are secured by a lien on substantially all assets, including accounts receivable, inventory, machinery and equipment, and general intangibles (but excluding real estate, intellectual property registered or licensed for use in, or arising under the laws of, any country other than the United States, assets located outside of the United States and deposit and securities accounts), of Vishay and certain significant subsidiaries located in the United States, and pledges of stock in certain significant domestic and foreign subsidiaries; and are guaranteed by certain significant subsidiaries. Certain of our subsidiaries are permitted to borrow under the credit facility, subject to the satisfaction of specified conditions. Any borrowings by these subsidiaries under the credit facility will be guaranteed by Vishay and certain subsidiaries.

The credit facility also limits or restricts us, from, among other things, incurring indebtedness, incurring liens on assets, making investments and acquisitions, and making asset sales, and making other restricted payments, and requires us to comply with other covenants, including the maintenance of specific financial ratios.

The financial maintenance covenants include (a) an interest expense coverage ratio of not less than 2.00 to 1; and (b) a leverage ratio of not more than 3.25 to 1 (and a pro forma ratio of 2.75 to 1 on the date of incurrence of additional debt). The computation of these ratios is prescribed in Article VI of the Credit Agreement between Vishay Intertechnology, Inc. and JPMorgan Chase Bank, N.A., which has been filed with the SEC as Exhibit 10.1 to our current report on Form 8-K filed August 8, 2013.

We were in compliance with all financial covenants under the credit facility at July 4, 2015. Our interest expense coverage ratio and leverage ratio were 12.30 to 1 and 1.89 to 1, respectively. We expect to continue to be in compliance with these covenants based on current projections.

If we are not in compliance with all of the required financial covenants, the credit facility could be terminated by the lenders, and all amounts outstanding pursuant to the credit facility could become immediately payable. Additionally, our exchangeable unsecured notes due 2102 and our convertible senior debentures due 2040, due 2041, and due 2042 have cross-default provisions that could accelerate repayment in the event the indebtedness under the credit facility is accelerated.

Our permitted capacity to repurchase shares of our outstanding common stock or pay cash dividends under the credit facility increases each quarter by an amount equal to 20% of net income. At July 4, 2015, our credit facility allowed us to repurchase our common stock or pay cash dividends up to $186.4 million. In 2014, our Board of Directors instituted a quarterly dividend payment program and declared the first cash dividend in the history of Vishay. Cash dividends of $0.06 per share of common stock and Class B common stock were paid each quarter in 2014 and the first two fiscal quarters of 2015. The amount and timing of any future stock repurchases or cash dividend payments remains subject to authorization of our Board of Directors.

The balance of our revolving credit facility was $200 million at December 31, 2014. We borrowed $83 million and repaid $113 million on our credit facility during the six fiscal months ended July 4, 2015. We borrowed $53 million in 2014 to partially fund the Capella acquisition while achieving future flexibility given the legal entity and financial structure utilized for the acquisition. During the second fiscal quarter of 2015, we reduced the balance of the revolving credit facility by approximately $45 million using cash that was repatriated. An additional $11 million is expected to be repatriated in August 2015 and used to further reduce the balance of the revolving credit facility. The average outstanding balance on our credit facility calculated at fiscal month-ends was $201.2 million and the highest amount outstanding on our credit facility at a month end was $215 million during the six fiscal months ended July 4, 2015.

Prior to three months before the maturity date, our convertible senior debentures are convertible by the holders under certain circumstances. The convertible senior debentures are not currently convertible, but the conversion criteria of the debentures will continue to be evaluated and the debentures may become convertible in the future. At the direction of our Board of Directors, we intend, upon conversion, to repay the principal amount of the convertible debentures in cash and settle any additional amounts in shares of our common stock. We intend to finance the principal amount of any converted debentures using borrowings under our credit facility.

Management expects to periodically pay down the balance of our revolving credit facility with available cash or use the credit facility to meet short-term financing needs. We expect that cash on-hand and cash flows from operations will be sufficient to meet our longer-term financing needs related to normal operating requirements, regular dividend payments, and our research and development and capital expenditure plans. Additional acquisition activity, share repurchases, or conversion of our convertible debentures may require additional borrowing under our credit facility or may otherwise require us to incur additional debt. No principal payments on our outstanding debt are due before the maturity of our revolving credit facility in August 2018.

Substantially all of our July 4, 2015 cash and cash equivalents and short-term investments balances were held by our non-U.S. subsidiaries. At the present time, we expect that cash and profits generated by our non-U.S. subsidiaries prior to 2014, cash generated in 2014 which is not funding the dividend program or the Capella acquisition, and cash generated in 2015 which is not funding the dividend program will continue to be reinvested outside of the United States indefinitely. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to U.S. income taxes (subject to an adjustment for foreign tax credits), state income taxes, incremental foreign income taxes, and withholding taxes payable to various foreign countries.

We expect to fund the quarterly dividend program initiated in 2014, by, at least in part, repatriating current year income of certain non-U.S. subsidiaries and providing appropriate U.S. federal and state income taxes, incremental foreign income taxes, and withholding taxes payable on that current period non-U.S. income.

Additionally, our substantially undrawn credit facility provides us with significant liquidity in the United States.

We invest a portion of our excess cash in highly liquid, high-quality instruments with maturities greater than 90 days, but less than 1 year, which we classify as short-term investments on our consolidated balance sheets. As these investments were funded using a portion of excess cash and represent a significant aspect of our cash management

strategy, we include the investments in the calculation of net cash and short-term investments (debt).

The interest rates on our short-term investments average 0.6% and are approximately 38 basis points higher than interest rates on our cash accounts. Transactions related to these investments are classified as investing activities on our consolidated statements of cash flows.

The following table summarizes the components of net cash and short-term investments (debt) at July 4, 2015 and December 31, 2014 (in thousands):

	July 4, 2015	December 31, 2014
Credit facility	$170,000	$200,000
Exchangeable unsecured notes, due 2102	38,642	38,642
Convertible senior debentures, due 2040*	104,986	103,841
Convertible senior debentures, due 2041*	53,914	53,249
Convertible senior debentures, due 2042*	59,752	59,190
Total debt	427,294	454,922
Cash and cash equivalents	483,020	592,172
Short-term investments	578,975	514,776
Net cash and short-term investments (debt)	$634,701	$652,026

*Represents the carrying amount of the convertible debentures, which is comprised of the principal amount of the debentures, net of the unamortized discount and the associated embedded derivative liability.

Measurements such as "free cash" and "net cash and short-term investments (debt)" do not have uniform definitions and are not recognized in accordance with GAAP. Such measures should not be viewed as alternatives to GAAP measures of performance or liquidity. However, management believes that "free cash" is a meaningful measure of our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends, and that an analysis of "net cash and short-term investments (debt)" assists investors in understanding aspects of our cash and debt management. These measures, as calculated by us, may not be comparable to similarly titled measures used by other companies.

Our financial condition as of July 4, 2015 continued to be strong, with a current ratio (current assets to current liabilities) of 4.3 to 1, as compared to 4.2 to 1 as of December 31, 2014. The increase in the ratio is primarily due to an increase in accounts receivable and a decrease in accounts payable. Our ratio of total debt to Vishay stockholders' equity was 0.24 to 1 at July 4, 2015 as compared to a ratio of 0.25 to 1 at December 31, 2014. The decrease in the ratio is primarily due to credit facility repayments.

Cash flows provided by operating activities were $92.4 million for the six fiscal months ended July 4, 2015, as compared to cash flows provided by operations of $99.1 million for the six fiscal months ended June 28, 2014. The decrease is primarily due to lower net earnings and changes in deferred taxes in 2015.

Cash paid for property and equipment for the six fiscal months ended July 4, 2015 was $50.0 million, as compared to $53.3 million for the six fiscal months ended June 28, 2014. We expect capital spending of approximately $150 million in 2015. Our expectation has been adjusted based on the current business environment.

Cash paid for dividends to our common and Class B common stockholders totalled $17.7 million and $17.7 million for the six fiscal months ended July 4, 2015 and June 28, 2014, respectively. We expect dividend payments in 2015 to total approximately $35.4 million. However, any future dividend declaration and payment remains subject to authorization by our Board of Directors.

Contractual Commitments and Off-Balance Sheet Arrangements

Our Annual Report on Form 10-K for the year ended December 31, 2014 filed on February 19, 2015, includes a table of contractual commitments. Except as described below, there were no material changes to these commitments since the filing of our Annual Report on Form 10-K.

In the second fiscal quarter of 2015, we began the process of terminating the Vishay Retirement Plan, our U.S. qualified pension plan. In order to terminate the plan in accordance with IRS and PBGC requirements, we are required to fully fund the plan on a termination basis and will commit to contribute the additional assets necessary to do so. The amount necessary to do so is not yet known, but is currently estimated to be between zero and $35 million. While possibly requiring an up-front payment, the termination and settlement of all obligations related to the Vishay Retirement Plan is expected to significantly reduce our annual amounts for "expected pension and postretirement funding" disclosed in the contractual commitments table included in our Annual Report on Form 10-K for the year ended December 31, 2014.

We do not participate in nor have we created any off-balance sheet variable interest entities or other off-balance sheet financing, other than the operating leases described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Dividends

In 2014, our Board of Directors approved the initiation of a quarterly cash dividend program. Cash dividends of $0.06 per share of common stock and Class B common stock were paid in each quarter of 2014 and the first two fiscal quarters of 2015. We expect to continue to pay quarterly dividends, although each dividend is subject to approval by our Board of Directors.

The following table summarizes the quarterly cash dividends declared (in thousands):

Fiscal Period	Amount	Month of Payment
Three fiscal months ended April 4, 2015	$ 8,854	March
Three fiscal months ended July 4, 2015	8,854	June

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "estimate," "will be," "will," "would," "expect," "anticipate," "plan," "project," "intend," "could," "should," or other similar words or expressions often identify forward-looking statements.

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions, many of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements may vary materially from those anticipated, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions; difficulties in identifying suitable acquisition candidates, consummating a transaction on terms which we consider acceptable, and integration and performance of acquired businesses; difficulties in new product development; changes in competition and technology in the markets that we serve and the mix of our products required to address these changes; an inability to attract and retain highly qualified personnel, particularly in respect of our acquired businesses; uncertainty related to the effects of changes in foreign

currency exchange rates; delays or difficulties in implementing our cost management strategies; and other factors affecting our operations, markets, products, services, and prices that are set forth in our filings with the SEC, including our annual reports on Form 10-K and our quarterly reports on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Our 2014 Annual Report on Form 10-K listed various important factors that could cause actual results to differ materially from projected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I, Item 1A, of that filing under the heading "Risk Factors." You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 19, 2015, describes our exposure to market risks. There have been no material changes to our market risks since December 31, 2014.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act are: (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (2) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 3 of Part I of our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 19, 2015, describes certain of our legal proceedings. Except as set forth below, there have been no material developments to the legal proceedings previously disclosed.

Vishay and Vishay Polytech Co., Ltd. ("VPC"), which is a subsidiary of Vishay purchased from Holy Stone Enterprises Co., Ltd. ("Holy Stone"), in June 2014, amongst other unrelated parties, were named as defendants in purported antitrust class action complaints in the United States and Canada. The complaints allege restraints of trade in aluminum and tantalum electrolytic capacitors, and in some cases, film capacitors, by Vishay, VPC and other manufacturers, and seek injunctive relief and unspecified joint and several treble damages.

The complaints in the United States have been consolidated into complaints from direct purchasers, indirect purchasers and one individual plaintiff. In the consolidated U.S. complaints, Vishay and VPC were only named in the direct purchaser complaint, In Re: Capacitors Antitrust Litigation, before the United States District Court for the Northern District of California. In December 2014, Vishay and VPC, along with the other defendants, filed motions to dismiss the putative direct purchaser class action complaint. In May 2015, the court dismissed Vishay and certain other defendants, without prejudice. In an amended direct purchaser purported class action complaint, filed on June 16, 2015, the plaintiffs agreed not to name Vishay.

Holy Stone has agreed to indemnify Vishay and VPC for any losses, including penalties and expenses, that arise from the acquisition of VPC or the actions of VPC prior to its acquisition by Vishay. Notwithstanding this indemnity obligation, the Company intends to defend vigorously against the complaints.

Item 1A. Risk Factors

Except as previously disclosed under Item 1A of Part II of our Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2015, there have been no material changes to the risk factors we previously disclosed under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 19, 2015.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Gerald Paul, Chief Executive Officer.
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Lori Lipcaman, Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Dr. Gerald Paul, Chief Executive Officer.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Lori Lipcaman, Chief Financial Officer.
101	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended July 4, 2015, furnished in XBRL (eXtensible Business Reporting Language)).

SIGNATURES

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

VISHAY
INTERTECHNOLOGY,
INC.

/s/ Lori Lipcaman
Lori Lipcaman
Executive Vice President
and Chief Financial
Officer
(as a duly authorized
officer and principal
financial and
accounting officer)

Date: August 4, 2015