

VISHAY INTERTECHNOLOGY INC
Form 10-Q
May 03, 2011

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 April 2, 2011

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 610-644-1300
Malvern, PA 19355-2143
(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. 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. Yes No

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

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

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

As of April 29, 2011, the registrant had 152,043,447 shares of its common stock and 13,452,549 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.
FORM 10-Q
APRIL 2, 2011
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	April 2, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 668,551	\$ 897,338
Short-term investments	339,449	-
Accounts receivable, net	339,263	330,556
Inventories:		
Finished goods	118,264	109,762
Work in process	190,859	178,844
Raw materials	151,264	139,216
Total inventories	460,387	427,822
Deferred income taxes	33,341	31,903
Prepaid expenses and other current assets	114,951	106,885
Total current assets	1,955,942	1,794,504
Property and equipment, at cost:		
Land	94,600	93,020
Buildings and improvements	496,500	477,518
Machinery and equipment	2,085,332	2,025,793
Construction in progress	62,276	75,051
Allowance for depreciation	(1,826,000)	(1,759,268)
	912,708	912,114
Intangible assets, net	110,551	113,830
Other assets	139,310	145,645
Total assets	\$ 3,118,511	\$ 2,966,093

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

	April 2, 2011	December 31, 2010
Liabilities and equity		
Current liabilities:		
Notes payable to banks	\$ 511	\$ 23
Trade accounts payable	166,746	167,795
Payroll and related expenses	113,072	122,234
Other accrued expenses	183,568	186,049
Income taxes	73,883	51,060
Total current liabilities	537,780	527,161
Long-term debt less current portion	431,997	431,682
Deferred income taxes	82,171	82,043
Deferred grant income	2,607	2,788
Other liabilities	136,968	134,152
Accrued pension and other postretirement costs	297,955	291,117
Total liabilities	1,489,478	1,468,943
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	15,197	15,061
Class B convertible common stock	1,345	1,435
Capital in excess of par value	2,165,438	2,156,981
(Accumulated deficit) retained earnings	(666,950)	(742,237)
Accumulated other comprehensive income (loss)	108,764	60,491
Total Vishay stockholders' equity	1,623,794	1,491,731
Noncontrolling interests	5,239	5,419
Total equity	1,629,033	1,497,150
Total liabilities and equity	\$ 3,118,511	\$ 2,966,093

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	
	April 2, 2011	April 3, 2010
Net revenues	\$ 695,151	\$ 640,460
Costs of products sold	480,488	473,447
Gross profit	214,663	167,013
Selling, general, and administrative expenses	92,465	101,888
Operating income	122,198	65,125
Other income (expense):		
Interest expense	(4,054)	(2,434)
Other	(507)	44
	(4,561)	(2,390)
Income before taxes	117,637	62,735
Income tax expense	42,030	17,096
Net earnings	75,607	45,639
Less: net earnings attributable to noncontrolling interests	320	219
Net earnings attributable to Vishay stockholders	\$ 75,287	\$ 45,420
Basic earnings per share attributable to Vishay stockholders	\$ 0.46	\$ 0.24
Diluted earnings per share attributable to Vishay stockholders	\$ 0.43	\$ 0.24
Weighted average shares outstanding - basic	165,186	186,641
Weighted average shares outstanding - diluted	175,661	193,067

See accompanying notes.

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

	Three fiscal months ended	
	April 2, 2011	April 3, 2010
Continuing operating activities		
Net earnings	\$ 75,607	\$ 45,639
Adjustments to reconcile net earnings (loss) to net cash provided by continuing operating activities:		
Depreciation and amortization	45,401	50,445
(Gain) loss on disposal of property and equipment	(959)	(68)
Accretion of interest on convertible debentures	376	-
Inventory write-offs for obsolescence	5,237	6,005
Deferred grant income	(147)	(156)
Other	25,222	5,186
Net change in operating assets and liabilities, net of effects of businesses acquired or spun-off	(52,980)	(39,003)
Net cash provided by continuing operating activities	97,757	68,048
Continuing investing activities		
Capital expenditures	(18,600)	(18,086)
Proceeds from sale of property and equipment	1,194	292
Purchase of short-term investments	(339,449)	-
Other investing activities	(6)	-
Net cash used in continuing investing activities	(356,861)	(17,794)
Continuing financing activities		
Principal payments on long-term debt and capital leases	-	(1,614)
Net changes in short-term borrowings	489	9
Proceeds from stock options exercised	6,793	-
Excess tax benefit from stock options exercised	302	-
Distributions to noncontrolling interests	(500)	(516)
Net cash provided by (used in) continuing financing activities	7,084	(2,121)
Effect of exchange rate changes on cash and cash equivalents	23,233	(14,138)
Net (decrease) increase in cash and cash equivalents from continuing activities	(228,787)	33,995
Net cash used in discontinued operating activities	-	(82)
Net cash used in discontinued investing activities	-	-
Net cash used in discontinued financing activities	-	-
Net cash used in discontinued operations	-	(82)
Net (decrease) increase in cash and cash equivalents	(228,787)	33,913
Cash and cash equivalents at beginning of period	897,338	579,189
Cash and cash equivalents at end of period	\$ 668,551	\$ 613,102

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except 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, 2011	\$ 15,061	\$ 1,435	\$ 2,156,981	\$ (742,237)	\$ 60,491	\$ 1,491,731	\$ 5,419	\$ 1,497,150
Net earnings	-	-	-	75,287	-	75,287	320	75,607
Other comprehensive income	-	-	-	-	48,273	48,273	-	48,273
Comprehensive income						123,560	320	123,880
Distributions to noncontrolling interests Phantom and restricted stock issuances (5,000 shares)	-	-	-	-	-	-	(500)	(500)
Stock compensation expense	-	-	1,408	-	-	1,408	-	1,408
Stock options exercised (452,628 shares)	45	-	6,748	-	-	6,793	-	6,793
Tax effects of stock plan	-	-	302	-	-	302	-	302
Conversions from Class B to common stock (900,290 shares)	90	(90)	-	-	-	-	-	-
Balance at April 2, 2011	\$ 15,197	\$ 1,345	\$ 2,165,438	\$ (666,950)	\$ 108,764	\$ 1,623,794	\$ 5,239	\$ 1,629,033

Vishay Intertechnology, Inc.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

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, 2010. The results of operations for the three fiscal months ended April 2, 2011 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 2011 end on April 2, 2011, July 2, 2011, October 1, 2011, and December 31, 2011. The four fiscal quarters in 2010 ended on April 3, 2010, July 3, 2010, October 2, 2010, and December 31, 2010, respectively.

On July 6, 2010, Vishay completed the spin-off of Vishay Precision Group, Inc. (“VPG”) through a tax-free stock dividend to Vishay’s stockholders. Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the balances reported in these consolidated condensed financial statements for periods prior to the completion of the spin-off.

In preparation for the spin-off of VPG, the Company realigned its reportable business segments structure in the second fiscal quarter of 2010 to be consistent with changes made to its management reporting. Segment results for the fiscal quarter ended April 3, 2010 have been adjusted to reflect the new segment reporting structure. Refer to Note 8 for a description of the new segment reporting structure.

Recently Adopted Accounting Guidance

In January 2010, the Financial Accounting Standards Board (“FASB”) updated the accounting guidance related to fair value measurements disclosures. The updated guidance (i) requires separate disclosure of significant transfers in and out of Levels 1 and 2 fair value measurements, (ii) requires disclosure of Level 3 fair value measurements activity on a gross basis, (iii) clarifies existing disaggregation requirements, (iv) and clarifies existing input and valuation technique disclosure requirements. The updated guidance was effective for the Company for interim and annual periods beginning after January 1, 2010, except for the Level 3 fair value measurement disclosure requirements, which are effective for fiscal years beginning after January 1, 2011. Vishay adopted the then-effective aspects of the guidance on January 1, 2010 and adopted the remaining guidance on January 1, 2011. The adoption of the guidance had no effect on the Company’s financial position, results of operations, or liquidity.

Reclassifications

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

Note 2 – Acquisition and Divestiture Activities

As part of its growth strategy, the Company seeks 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 the Company has substantial marketing and technical expertise.

Spin-off of Vishay Precision Group, Inc.

On October 27, 2009, Vishay announced that it intended to spin off its measurements and foil resistors businesses into an independent, publicly-traded company to be named Vishay Precision Group, Inc.

On June 15, 2010, the Board of Directors of Vishay approved the spin-off of VPG and on July 6, 2010, Vishay completed the spin-off through a tax-free stock dividend to Vishay's stockholders. Vishay's common stockholders received 1 share of VPG common stock for every 14 shares of Vishay common stock they held on the record date, June 25, 2010, and Vishay's Class B common stockholders received 1 share of VPG Class B common stock for every 14 shares of Vishay Class B common stock they held on the record date.

Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the amounts reported in these consolidated condensed financial statements for periods prior to the completion of the spin-off. The product lines that comprise VPG are included in the VPG reporting segment. See Note 8 for further information on the effect that VPG had on Vishay's consolidated results.

Relationship with VPG after Spin-off

Following the spin-off, VPG is an independent company and Vishay retains no ownership interest. However, two members of the VPG board of directors also serve on Vishay's board of directors.

In connection with the completion of the spin-off, on July 6, 2010, Vishay and its subsidiaries entered into several agreements with VPG and its subsidiaries that govern the relationship of the parties following the spin-off. Among the agreements entered into with VPG and its subsidiaries were a transition services agreement, several lease agreements, and supply agreements. None of the agreements are expected to have a material impact on Vishay's financial position, results of operations, or liquidity.

Vishay also entered into a trademark license agreement with VPG pursuant to which Vishay granted VPG the license to use certain trademarks, service marks, logos, trade names, entity names, and domain names which include the term "Vishay." The license granted VPG the limited, exclusive, royalty-free right and license to use certain marks and names incorporating the term "Vishay" in connection with the design, development, manufacture, marketing, provision and performance of certain VPG products that do not compete with any products within Vishay's product range as constituted immediately following the separation and certain services provided in connection with the products. The license cannot be terminated except as a result of willful misconduct or liquidation bankruptcy of VPG.

As a result of this continuing involvement, Vishay did not restate prior periods to present VPG as a discontinued operation.

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 April 2, 2011 and April 3, 2010 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 locations 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 locations where the Company operates.

In January 2011, a new tax law was enacted in Israel which effectively lowered the corporate income tax rate on certain types of income earned after December 31, 2010. Accordingly, the Company's deferred tax assets in Israel were written down to reflect the lower rate and a one-time tax expense of \$10.0 million was recorded in the consolidated condensed statement of operations during the three fiscal months ended April 2, 2011.

During the three fiscal months ended April 2, 2011, the liabilities for unrecognized tax benefits increased by \$2.2 million on a net basis, principally due to increases for positions taken during prior periods, interest, and foreign exchange effects.

Note 4 – Long-Term Debt

Long-term debt consists of the following (in thousands):

	April 2, 2011	December 31, 2010
Credit facility	\$ 240,000	\$ 240,000
Exchangeable unsecured notes, due 2102	95,042	95,042
Convertible senior debentures, due 2040	96,955	96,640
	431,997	431,682
Less current portion	-	-
	\$ 431,997	\$ 431,682

Convertible Senior Debentures, due 2040

On November 9, 2010, Vishay issued \$275 million principal amount of 2.25% convertible senior debentures due 2040 to qualified institutional investors. GAAP requires an issuer to separately account for the liability and equity components of a convertible debt 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 (in thousands):

	April 2, 2011	December 31, 2010
Liability component:		
Principal amount of the debentures	\$ 275,000	\$ 275,000
Unamortized discount	(178,303)	(178,679)
Embedded derivative	258	319
Carrying value of liability component	\$ 96,955	\$ 96,640
Equity component - net carrying value		
	\$ 110,094	\$ 110,094

Interest is payable on the debentures semi-annually at a rate of 2.25% per annum; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate of 8.00% based on the Company's estimated nonconvertible debt borrowing rate at the time of issuance. In addition to ordinary interest, beginning on November 15, 2020, contingent interest will accrue in certain circumstances relating to the trading price of the debentures and under certain other circumstances.

Interest expense related to the debentures is reflected on the consolidated condensed statement of operations as follows (in thousands):

	Fiscal quarter ended April 2, 2011
Contractual coupon interest	\$ 1,547
Non-cash amortization of debt discount	376
Non-cash amortization of deferred financing costs	22
Non-cash change in value of derivative liability	(61)
Total interest expense related to the debentures	\$ 1,884

Note 5 – Comprehensive Income (Loss)

Comprehensive income (loss) includes the following components (in thousands):

	Fiscal quarters ended	
	April 2, 2011	April 3, 2010
Net earnings	\$ 75,607	\$ 45,639
Other comprehensive income (loss):		
Foreign currency translation adjustment	45,728	(29,484)
Unrealized gain (loss) on available for sale securities	611	395
Pension and other postretirement adjustments	1,934	1,770
Total other comprehensive income (loss)	48,273	(27,319)
Comprehensive income	\$ 123,880	\$ 18,320
Less: Comprehensive income attributable to noncontrolling interests	320	219
Comprehensive income attributable to Vishay stockholders	\$ 123,560	\$ 18,101

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

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 first fiscal quarters of 2011 and 2010 for the Company's defined benefit pension plans (in thousands):

	Fiscal quarter ended April 2, 2011		Fiscal quarter ended April 3, 2010	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$ -	\$ 827	\$ -	\$ 777
Interest cost	4,068	2,562	4,065	2,877
Expected return on plan assets	(4,653)	(391)	(4,401)	(466)
Amortization of transition obligation	-	14	-	-
Amortization of prior service cost	641	-	44	-
Amortization of losses	2,102	235	2,305	42
Net periodic benefit cost	\$ 2,158	\$ 3,247	\$ 2,013	\$ 3,230

The following table shows the components of the net periodic benefit cost for the first fiscal quarters of 2011 and 2010 for the Company's other postretirement benefit plans (in thousands):

	Fiscal quarter ended April 2, 2011		Fiscal quarter ended April 3, 2010	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 19	\$ 67	\$ 28	\$ 67
Interest cost	146	69	195	76
Amortization of prior service (credit) cost	(110)	-	(110)	-
Amortization of transition obligation	12	-	19	-
Amortization of gains	(61)	-	(51)	-
Net periodic benefit cost	\$ 6	\$ 136	\$ 81	\$ 143

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.

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. 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 (in thousands):

	Fiscal quarters ended	
	April 2, 2011	April 3, 2010
Stock options	\$ 120	\$ 193
Restricted stock units	1,066	220
Phantom stock units	222	175
Total	\$ 1,408	\$ 588

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at April 2, 2011 (dollars in thousands, amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Stock options	\$ 507	1.7
Restricted stock units	9,731	2.1
Phantom stock units	-	0.0
Total	\$ 10,238	

2007 Stock Incentive Plan

The Company’s 2007 Stock Incentive Program (the “2007 Program”) permits the grant of up to 3,000,000 shares of restricted stock, unrestricted stock, RSUs, and stock options, to officers, employees, and non-employee directors. Such instruments are available for grant until May 22, 2017.

The 2007 Program was originally approved by stockholders of the Company on May 22, 2007, as the “2007 Stock Option Program.” On May 28, 2008, the Company’s stockholders approved amendments to the 2007 Stock Option Program, which was then renamed the “2007 Stock Incentive Program.”

On February 23, 2011, the Board of Directors of the Company amended and restated the 2007 Program. The amendment eliminated share recycling, so that on the exercise of an option where the exercise price is paid via the tender of previously-owned shares or pursuant to an “immaculate cashless exercise,” the total “gross” number of option shares exercised is removed from the pool of shares available for future issuance. Similarly, shares withheld to pay income taxes in connection with the exercise of an option are also removed from the pool. The amendment also restricts re-pricing and cash repurchases of options without the prior approval of stockholders.

Stock Options

In addition to stock options outstanding pursuant to the 2007 Program, the Company has 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, 2010. No additional options may be granted pursuant to these programs.

Option activity under the stock option plans as of April 2, 2011 and changes during the three fiscal months then ended are presented below (number of options in thousands, contractual life in years):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding:			
January 1, 2011	1,254	\$ 15.04	
Granted	-	-	
Exercised	(453)	14.88	
Cancelled or forfeited	(34)	14.74	
Outstanding at April 2, 2011	767	\$ 15.15	3.25
Vested and expected to vest			
at April 2, 2011	767	\$ 15.15	3.25
Exercisable at April 2, 2011	519	\$ 15.13	1.84

During the three fiscal months ended April 2, 2011, 5,000 options vested. At April 2, 2011, there are 248,000 unvested options outstanding, with a weighted average grant-date fair value of \$9.37 per option.

The pretax aggregate intrinsic value (the difference between the closing stock price on the last trading day of the first fiscal quarter of 2011 of \$18.08 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 April 2, 2011 is \$2,249,000. This amount changes based on changes in the market value of the Company's common stock. During the three fiscal months ended April 2, 2011, 453,000 options were exercised. The total intrinsic value of options exercised during the three fiscal months ended April 2, 2011 was approximately \$1,337,000.

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Restricted Stock Units

RSU activity under the 2007 Program as of April 2, 2011 and changes during the three 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, 2011	634	\$ 9.61
Granted	392	16.93
Vested	-	-
Cancelled or forfeited	-	-
Outstanding at April 2, 2011	1,026	\$ 12.41
Expected to vest at April 2, 2011	1,026	

The Company recognizes compensation cost for RSUs that are expected to vest. The Company expects all performance-based vesting criteria to be achieved. RSUs with performance-based vesting criteria are expected to vest as follows (number of RSUs in thousands):

Vesting Date	Number of RSUs
January 1, 2013	324
January 1, 2014	215

Phantom Stock Plan

The Company maintains a phantom stock plan for certain senior executives. The Phantom Stock Plan authorizes the grant of up to 300,000 phantom stock units to the extent provided for in employment agreements with the Company. Following the completion of the spin-off of VPG in 2010, the Company has such employment arrangements with three of its executives. The arrangements provide for an annual grant of 5,000 shares of phantom stock to each of these executives on the first trading day of the year. If the Company later enters into other employment arrangements with other individuals that provide for the granting of phantom stock, those individuals also will be eligible for grants under the Phantom Stock Plan. No grants may be made under the Phantom Stock Plan other than under the terms of employment arrangements with the Company. 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 employment agreement. The phantom stock units are fully vested at all times.

Phantom stock units activity under the 2007 Program as of April 2, 2011 and changes during the three 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, 2011	116	
Granted	15	\$ 14.78
Redeemed for common stock	-	
Outstanding at April 2, 2011	131	

Note 8 – Segment Information

In preparation for the spin-off of VPG, which was completed on July 6, 2010, the Company realigned its reportable business segments structure in the second fiscal quarter of 2010 to be consistent with changes made to its management reporting. The changes made to management reporting included separating the former Semiconductors reporting segment into MOSFETs, Diodes, and Optoelectronic Components and separating the former Passive Components reporting segment into Resistors & Inductors, Capacitors, and Vishay Precision Group. The changes were necessary due to the former Passive Components segment no longer being comparable after the completion of the spin-off of VPG, the need for discrete information regarding VPG, and the increased interest of management and outside investors in more discrete financial information. Effective beginning in the second fiscal quarter of 2010, the chief operating decision maker began making strategic and operating decisions with regards to assessing performance and allocating resources based on this new segment structure. Following the completion of the spin-off in the third fiscal quarter of 2010, the Company has five reporting segments.

The Company evaluates business segment performance on operating income, exclusive of certain items (“segment operating income”). Beginning in the second fiscal quarter of 2010, the Company changed its definition of segment operating income to exclude such costs as global operations, sales and marketing, information systems, finance and administration groups. These costs are managed by executives that report to the chief operating decision maker and were formerly included in segment operating income. Only dedicated, direct selling, general, and administrative expenses of the segments are included in the calculation of segment operating income. Additionally, management has always evaluated segment performance excluding 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, 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.

Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the amounts reported in these consolidated condensed financial statements for the three fiscal months ended April 3, 2010. Excluding the non-recurring costs of the spin-off incurred by Vishay, VPG contributed \$3,630,000 of income before taxes, \$1,776,000 of net earnings attributable to Vishay stockholders, and \$0.01 per diluted share attributable to Vishay stockholders to Vishay’s results for the three fiscal months ended April 3, 2010.

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Results for the fiscal quarter ended April 3, 2010 have been adjusted to reflect the new reporting segment structure. The following table sets forth business segment information (in thousands):

	MOSFETs	Diodes	Optoelectronics	Resistors Inductors	Capacitors	Vishay Precision Group	Unallocated Selling, General, and Administrative Expenses	Total
Fiscal quarter ended April 2, 2011:								
Product Sales	\$ 142,901	\$ 159,417	\$ 57,706	\$ 171,919	\$ 161,852	\$ -	\$ -	\$ 693,795
Royalty Revenues	97	-	42	1,217	-	-	-	\$ 1,356
Total Revenue	\$ 142,998	\$ 159,417	\$ 57,748	\$ 173,136	\$ 161,852	\$ -	\$ -	\$ 695,151
Gross Margin	\$ 39,439	\$ 39,140	\$ 19,948	\$ 61,158	\$ 54,978	\$ -	\$ -	\$ 214,663
Operating Income	\$ 29,410	\$ 32,800	\$ 16,357	\$ 54,104	\$ 48,333	\$ -	\$ (58,806)	\$ 122,198
Fiscal quarter ended April 3, 2010:								
Product Sales	\$ 127,624	\$ 140,246	\$ 58,396	\$ 147,457	\$ 117,331	\$ 48,175	\$ -	\$ 639,229
Royalty Revenues	-	-	33	1,198	-	-	-	\$ 1,231
Total Revenue	\$ 127,624	\$ 140,246	\$ 58,429	\$ 148,655	\$ 117,331	\$ 48,175	\$ -	\$ 640,460
Gross Margin	\$ 27,018	\$ 27,646	\$ 19,656	\$ 51,920	\$ 23,725	\$ 17,048	\$ -	\$ 167,013
Operating Income	\$ 18,290	\$ 21,835	\$ 16,661	\$ 45,240	\$ 17,762	\$ 8,078	\$ (62,741)	\$ 65,125

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Note 9 – Earnings Per Share

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

	Fiscal quarters ended	
	April 2, 2011	April 3, 2010
Numerator:		
Numerator for basic earnings per share:		
Net earnings	\$ 75,287	\$ 45,420
Adjustment to the numerator for continuing operations and net earnings:		
Interest savings assuming conversion of dilutive convertible and exchangeable notes, net of tax	47	43
Numerator for diluted earnings per share:		
Net earnings	\$ 75,334	\$ 45,463
Denominator:		
Denominator for basic earnings per share:		
Weighted average shares	165,186	186,641
Effect of dilutive securities:		
Convertible and exchangeable debt instruments	9,761	6,176
Employee stock options	240	5
Other	474	245
Dilutive potential common shares	10,475	6,426
Denominator for diluted earnings per share:		
Adjusted weighted average shares	175,661	193,067
Basic earnings per share attributable to Vishay stockholders	\$ 0.46	\$ 0.24
Diluted earnings per share attributable to Vishay stockholders	\$ 0.43	\$ 0.24

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Diluted earnings (loss) 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	
	April 2, 2011	April 3, 2010
Convertible and exchangeable notes:		
Convertible Subordinated Notes, due 2023	-	87
Weighted average employee stock options	5	2,676
Weighted average warrants	8,824	8,824
Weighted average other	36	85

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 upon the occurrence of certain events. While none of these events has occurred as of April 2, 2011, certain conditions which could trigger conversion 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 amount of the convertible senior debentures, due 2040, 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 notes 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 \$13.88, no shares are included in the diluted earnings per share computation.

The Company purchased 99.6% of the outstanding convertible subordinated notes due 2023 pursuant to the option of the holders to require the Company to repurchase their notes on August 1, 2008. The remaining notes, with an aggregate principal amount of \$1,870,000, were redeemed at Vishay's option on August 1, 2010.

The Company waived its rights to settle the principal amount of the convertible subordinated notes, due 2023, in shares of Vishay common stock. Accordingly, the notes were 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. If the average market price was less than \$21.28, no shares were included in the diluted earnings per share computation. The convertible subordinated notes were anti-dilutive for the fiscal quarter ended April 3, 2010 and therefore are not included in the computation of diluted earnings per share.

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 (in thousands):

	Total Fair Value	Level 1	Level 2	Level 3
April 2, 2011:				
Assets held in rabbi trusts	\$ 26,462	\$ 15,297	\$ 11,165	\$ -
Available for sale securities	\$ 6,117	6,117	-	-
Derivative liability	\$ (258)	-	-	(258)
	\$ 32,321	\$ 21,414	\$ 11,165	\$ (258)
December 31, 2010:				
Assets held in rabbi trusts	\$ 25,585	\$ 15,575	\$ 10,010	\$ -
Available for sale securities	\$ 5,736	5,736	-	-
Derivative liability	\$ (319)	-	-	(319)
	\$ 31,002	\$ 21,311	\$ 10,010	\$ (319)

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.

The Company holds available for sale investments in debt securities that are intended to fund a portion of its other postretirement benefit obligations outside of the U.S. 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, issued by the Company on November 9, 2010 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 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 debenture's credit spread over London Interbank Offered Rate (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.

The fair value of the long-term debt, excluding the derivative liability, at April 3, 2011 and December 31, 2010 is approximately \$719.7 million and \$624.8 million, respectively, compared to its carrying value, excluding the derivative liability, of \$431.7 million and \$431.4 million, 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.

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

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

Overview

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

On July 6, 2010, we completed the spin-off of Vishay Precision Group, Inc. ("VPG") through a tax-free stock dividend to our stockholders. Our common stockholders received 1 share of VPG common stock for every 14 shares of Vishay common stock they held on the record date, June 25, 2010, and our Class B common stockholders received 1 share of VPG Class B common stock for every 14 shares of Vishay Class B common stock they held on the record date. Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the balances reported in the accompanying consolidated condensed financial statements for periods prior to the spin-off.

Prior to the completion of the spin-off of VPG, we operated in six product segments, MOSFETs, Diodes, Optoelectronic Components, Resistors & Inductors, Capacitors, and Vishay Precision Group. Following the spin-off we operate in five product segments.

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

We are focused on enhancing stockholder value by buying back our stock and improving earnings per share. In the fourth fiscal quarter of 2010, we completed the repurchase of 21.7 million shares of our common stock for \$275 million. Should circumstances be advantageous, we would consider another stock buy-back.

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 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. 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, 2010, filed with the Securities and Exchange Commission (the "SEC") on February 25, 2011.

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.") The improvement in economic conditions that we continue to experience has increased overall demand for our products and the effects of the cost reductions initiated in prior years has resulted in overall improvements in nearly all key financial metrics over the prior year period.

Net revenues for the fiscal quarter ended April 2, 2011 were \$695.2 million, compared to \$640.5 million for the fiscal quarter ended April 3, 2010. The net earnings attributable to Vishay stockholders for the fiscal quarter ended April 2, 2011 were \$75.3 million, or \$0.43 per diluted share, compared to \$45.4 million, or \$0.24 per diluted share for the fiscal quarter ended April 3, 2010.

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The net earnings attributable to Vishay stockholders for the fiscal quarter ended April 2, 2011 includes a one-time tax expense of approximately \$10 million, related to the write-down of deferred tax assets in Israel to reflect the lower corporate income tax rate enacted in January 2011 on certain types of income earned after December 31, 2010. The reconciliation below includes certain financial measures which are not recognized in accordance with generally accepted accounting principles ("GAAP"), including adjusted net earnings and adjusted net 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 net 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. There were no such reconciling items for the fiscal quarter ended April 3, 2010.

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

	Fiscal quarters ended	
	April 2, 2011	April 3, 2010
GAAP net earnings attributable to Vishay stockholders	\$ 75,287	\$ 45,420
Reconciling items affecting tax expense:		
One-time tax expense	\$ 10,024	\$ -
Adjusted net earnings	\$ 85,311	\$ 45,420
Adjusted weighted average diluted shares outstanding	175,661	193,067
Adjusted earnings per diluted share *	\$ 0.49	\$ 0.24

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

Our results for the fiscal quarter ended April 2, 2011 represent the continuation of a favorable business environment with sales normalizing at pre-global economic recession levels and the effects of the cost reductions initiated in the prior years enabling us to achieve significantly higher earnings than before the beginning of the global economic recession at the same sales volume. Our results for the fiscal quarter ended April 3, 2010 represent the acceleration of the upturn of our business due to increased overall demand for electronic components over previous periods and the effects of the cost reductions initiated in the prior years that enabled us to achieve higher earnings than before the beginning of the global economic recession despite lower sales volume.

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 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, gain 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 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.

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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 first fiscal quarter of 2010 through the first fiscal quarter of 2011 (dollars in thousands):

	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010	4th Quarter 2010	1st Quarter 2011
Net revenues (1)	\$ 640,460	\$ 701,655	\$ 694,365	\$ 688,612	\$ 695,151
Gross profit margin	26.1%	30.0%	31.5%	30.7%	30.9%
Operating margin	10.2%	14.4%	18.9%	17.5%	17.6%
End-of-period backlog (2)	\$ 907,700	\$ 987,900	\$ 1,009,900	\$ 880,700	\$ 911,600
Book-to-bill ratio	1.46	1.15	1.04	0.83	1.01
Inventory turnover	4.22	4.35	4.55	4.43	4.35
Change in ASP vs. prior quarter	-0.5%	1.9%	2.0%	1.3%	-0.2%

(1) Net revenues include VPG through the second fiscal quarter of 2010. See “Financial Metrics by Segment” for further information on VPG net revenues.

(2) End-of-period backlog includes backlog attributable to VPG of \$36.2 million and \$38.4 million for the first and second fiscal quarters of 2010, respectively.

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

We experienced the continuation of an excellent business environment in the first fiscal quarter of 2011 with results mirroring those of the fourth fiscal quarter of 2010. Better than anticipated order activity has led to an increase in the book-to-bill ratio and backlog, which remains at historically high levels after a phase of adjustment appears to have ended. After a period of increasing average selling prices in 2010, prices are stabilizing with typical pricing pressure for our established semiconductor products returning. Despite the slight decline in average selling prices versus the fourth fiscal quarter of 2010, average selling prices remain moderately higher versus the prior year period. The favorable pricing environment and continued high levels of overall market demand for electronic components allowed us to increase net revenues over the prior year period and the previous quarters, excluding VPG. Net revenues exclusive of VPG for the first and second fiscal quarters of 2010 were \$592.3 and \$648.7 million, respectively.

Due to the pre-crisis sales volume, favorable pricing environment, and continued low fixed costs resulting from the restructuring implemented in prior years and our on-going cost controlling initiatives, gross margins remained at historically high levels.

Due in part to the better than anticipated order activity, the book-to-bill ratio increased to 1.01 in the first fiscal quarter of 2011 from 0.83 in the fourth fiscal quarter of 2010. The book-to-bill ratios for distributors and original equipment manufacturers (“OEM”) were 0.99 and 1.04, respectively, versus ratios of 0.71 and 0.97, respectively, during the fourth fiscal quarter of 2010. Due to a book-to-bill ratio over 1.0 and historically high backlogs, we expect our current revenue trends to continue.

For the second fiscal quarter of 2011, we anticipate revenues of between \$695 million and \$735 million at performance levels close to those of the first fiscal quarter of 2011.

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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 first fiscal quarter of 2010 through the first fiscal quarter of 2011 (dollars in thousands):

	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010	4th Quarter 2010	1st Quarter 2011
MOSFETs					
Net revenues	\$ 127,624	\$ 153,255	\$ 181,965	\$ 163,854	\$ 142,998
Book-to-bill ratio	1.65	0.75	1.17	0.70	1.07
Gross profit margin	21.2%	30.6%	34.5%	32.0%	27.6%
Segment operating margin	14.3%	24.7%	29.6%	26.1%	20.6%
Diodes					
Net revenues	\$ 140,246	\$ 151,026	\$ 157,193	\$ 147,889	\$ 159,417
Book-to-bill ratio	1.63	1.35	0.91	0.88	1.00
Gross profit margin	19.7%	23.7%	25.5%	23.5%	24.6%
Segment operating margin	15.6%	19.9%	21.9%	19.5%	20.6%
Optoelectronic Components					
Net revenues	\$ 58,429	\$ 57,684	\$ 56,836	\$ 53,549	\$ 57,748
Book-to-bill ratio	1.25	1.26	0.86	0.99	1.13
Gross profit margin	33.6%	35.2%	33.9%	31.0%	34.5%
Segment operating margin	28.5%	30.3%	29.1%	25.1%	28.3%
Resistors & Inductors					
Net revenues	\$ 148,655	\$ 153,430	\$ 158,455	\$ 167,764	\$ 173,136
Book-to-bill ratio	1.26	1.22	1.01	0.84	0.94
Gross profit margin	34.9%	36.0%	35.3%	35.8%	35.3%
Segment operating margin	30.4%	31.6%	30.7%	31.8%	31.2%
Capacitors					
Net revenues	\$ 117,331	\$ 133,346	\$ 139,916	\$ 155,556	\$ 161,852
Book-to-bill ratio	1.54	1.31	1.11	0.85	1.00
Gross profit margin	20.2%	24.4%	28.9%	30.6%	34.0%
Segment operating margin	15.1%	20.3%	25.3%	26.6%	29.9%
Vishay Precision Group					
Net revenues	\$ 48,175	\$ 52,914	n/a	n/a	n/a
Book-to-bill ratio	1.12	1.06	n/a	n/a	n/a
Gross profit margin	35.4%	37.8%	n/a	n/a	n/a
Segment operating margin	16.8%	20.5%	n/a	n/a	n/a

Acquisition and Divestiture 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 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 will 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.

We did not announce or complete any acquisitions in 2010 or the first fiscal quarter of 2011. 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.

Spin-off of Vishay Precision Group, Inc.

On October 27, 2009, we announced that we intended to spin off our measurements and foil resistors businesses into an independent, publicly-traded company to be named Vishay Precision Group, Inc.

On July 6, 2010, we completed the spin-off through a tax-free stock dividend to our stockholders. Our common stockholders received 1 share of VPG common stock for every 14 shares of Vishay common stock they held on the record date, June 25, 2010, and our Class B common stockholders received 1 share of VPG Class B common stock for every 14 shares of Vishay Class B common stock they held on the record date.

Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the balances reported in the accompanying consolidated condensed financial statements for periods prior to the spin-off. The product lines that comprise VPG are included in the VPG reporting segment. See Note 8 to our accompanying consolidated condensed financial statements for further information on the effect that VPG had on our consolidated results.

Cost Management

We place a strong emphasis on controlling our costs.

The erosion of average selling prices of established products, particularly our semiconductor products, that is typical of our industry and inflation drive us to continually seek ways to reduce our variable costs. Our variable cost reduction efforts include expending capital to increase automation and maximize the efficiency in our production facilities, consolidating materials purchasing across regions and divisions to achieve economies of scale, materials substitution, maintaining an appropriate mix of in-house production and subcontractor production, 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. After the spin-off of VPG, we seek to maintain selling, general, and administrative expenses at current quarterly levels, excluding foreign currency exchange effects and substantially independent of sales volume changes. Our fixed cost control efforts include automating administrative processes through the expansion of IT systems, gradually migrating to common IT systems across our organization, streamlining our legal entity structure, and reducing our external resource needs by utilizing more cost-effective in-house personnel, while utilizing external resources when day-to-day expertise is not required in-house.

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, Israel, India, Malaysia, Mexico, the People's Republic of China, and the Philippines. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we were successful in implementing this program. This percentage was 76.5% at the end of the first fiscal quarter of 2011 as compared to 76.5% and 74.6% at the end of 2010 and 2009, respectively, and 57% when this program began in 2001. We believe that our workforce is now appropriately located to serve our customers, while maintaining lower manufacturing costs.

Between 2001 and 2007, we recorded, in the consolidated statements of operations, restructuring and severance costs totaling \$223 million and related asset write-downs totaling \$81 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.

In response to the economic downturn which began during the latter half of 2008 and continued into 2009, we undertook significant measures to cut costs. This included a strict adaptation of manufacturing capacity to sellable volume, limiting the building of product for inventory, headcount reductions in virtually every facility and every country in which we operated, temporary layoffs and shutdowns, minimizing the use of foundries and subcontractors in order to maximize the load of our owned facilities, as well as selected plant closures. We closed two facilities in the United States and consolidated manufacturing for these product lines into other facilities. We also consolidated our optoelectronics packaging facilities in Asia. We successfully closed a film capacitor plant in Shanghai and increased production on existing equipment in Loni, India to replace the production volume of the closed plant.

We incurred restructuring and severance costs of \$62.5 million during the year ended December 31, 2008, including \$28.6 million during the fourth fiscal quarter of 2008, and incurred additional restructuring and severance costs of \$37.9 million during the year ended December 31, 2009. These costs were incurred as part of our goal to reduce manufacturing and SG&A fixed costs in 2009 by \$200 million compared to the year ended December 31, 2008 in response to the global economic downturn. Our fixed costs for the year ended December 31, 2009 decreased by \$176 million versus the comparable prior year. Of these amounts, approximately 45% reduced costs of products sold and approximately 55% reduced SG&A expenses. Some of our cost reductions realized in 2009 were the result of temporary measures, which we replaced with more permanent actions, and certain components of our costs, while fixed in that they do not vary with changes in volume, are subject to volatility. This would include, for example, the effect of certain assets that are marked-to-market through the statement of operations, and certain transactions in foreign currencies. Accordingly, there is no assurance that all of the cost reductions achieved in 2009 will be maintained in future periods.

We have realized, and expect to continue to realize, significant annual net cost savings associated with our restructuring activities. Since the latter half of 2008, we drastically reduced our break-even point by approximately \$450 million. While streamlining and reducing fixed overhead, we exercised caution so that we will not negatively impact our customer service or our ability to further develop products and processes. The risks associated with our cost reduction programs are further detailed in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 25, 2011.

We did not initiate any new restructuring projects in 2010 or the first fiscal quarter of 2011 and thus did not record any restructuring and severance expenses during the periods.

Because we believe that our manufacturing footprint is sui