

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 3, 2021**

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 **001-07416**

Vishay Intertechnology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

38-1686453

(I.R.S. Employer Identification Number)

**63 Lancaster Avenue
Malvern, Pennsylvania 19355-2143**

(Address of Principal Executive Offices)

610-644-1300

(Registrant's Area Code and Telephone Number)

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

Title of each class	Trading symbol	Name of exchange on which registered
Common stock, par value \$0.10 per share	VSH	New York Stock Exchange LLC

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 every Interactive Data File required to be submitted 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 such files.)

Yes No

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

Large Accelerated Filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 6, 2021 the registrant had 132,710,732 shares of its common stock and 12,097,148 shares of its Class B common stock outstanding.



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VISHAY INTERTECHNOLOGY, INC.
FORM 10-Q
July 3, 2021
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Balance Sheets

(In thousands)

	<u>July 3, 2021</u> (Unaudited)	<u>December</u> <u>31, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 726,759	\$ 619,874
Short-term investments	129,035	158,476
Accounts receivable, net	398,651	338,632
Inventories:		
Finished goods	144,993	120,792
Work in process	218,414	201,259
Raw materials	144,472	126,200
Total inventories	<u>507,879</u>	<u>448,251</u>
Prepaid expenses and other current assets	<u>149,346</u>	<u>132,103</u>
Total current assets	<u>1,911,670</u>	<u>1,697,336</u>
Property and equipment, at cost:		
Land	75,547	76,231
Buildings and improvements	636,540	641,041
Machinery and equipment	2,745,465	2,732,771
Construction in progress	91,386	86,520
Allowance for depreciation	<u>(2,633,944)</u>	<u>(2,593,398)</u>
Property and equipment, net	<u>914,994</u>	<u>943,165</u>
Right of use assets	<u>107,426</u>	<u>102,440</u>
Goodwill	<u>157,991</u>	<u>158,183</u>
Other intangible assets, net	<u>61,799</u>	<u>66,795</u>
Other assets	<u>196,903</u>	<u>186,554</u>
Total assets	<u>\$ 3,350,783</u>	<u>\$ 3,154,473</u>

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

	<u>July 3, 2021</u> (Unaudited)	<u>December</u> <u>31, 2020</u>
Liabilities, temporary equity, and equity		
Current liabilities:		
Trade accounts payable	\$ 224,226	\$ 196,203
Payroll and related expenses	151,668	141,034
Lease liabilities	21,542	22,074
Other accrued expenses	210,061	182,642
Income taxes	31,617	20,470
Total current liabilities	<u>639,114</u>	<u>562,423</u>
Long-term debt less current portion	454,031	394,886
U.S. transition tax payable	110,681	125,438
Deferred income taxes	1,869	1,852
Long-term lease liabilities	91,880	86,220
Other liabilities	105,631	104,356
Accrued pension and other postretirement costs	288,159	300,113
Total liabilities	<u>1,691,365</u>	<u>1,575,288</u>
Redeemable convertible debentures	-	170
Equity:		
Vishay stockholders' equity		
Common stock	13,271	13,256
Class B convertible common stock	1,210	1,210
Capital in excess of par value	1,346,132	1,409,200
Retained earnings	296,629	138,990
Accumulated other comprehensive income (loss)	(221)	13,559
Total Vishay stockholders' equity	<u>1,657,021</u>	<u>1,576,215</u>
Noncontrolling interests	2,397	2,800
Total equity	<u>1,659,418</u>	<u>1,579,015</u>
Total liabilities, temporary equity, and equity	<u>\$ 3,350,783</u>	<u>\$ 3,154,473</u>

See accompanying notes.

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

	Fiscal quarters ended	
	July 3, 2021	July 4, 2020
Net revenues	\$ 819,120	\$ 581,717
Costs of products sold	<u>589,848</u>	<u>451,047</u>
Gross profit	229,272	130,670
Selling, general, and administrative expenses	103,900	89,127
Restructuring and severance costs	<u>-</u>	<u>743</u>
Operating income	125,372	40,800
Other income (expense):		
Interest expense	(4,443)	(8,430)
Loss on early extinguishment of debt	-	(1,146)
Other	<u>(3,749)</u>	<u>(1,484)</u>
Total other income (expense)	<u>(8,192)</u>	<u>(11,060)</u>
Income before taxes	117,180	29,740
Income tax expense	<u>23,799</u>	<u>4,845</u>
Net earnings	93,381	24,895
Less: net earnings attributable to noncontrolling interests	189	242
Net earnings attributable to Vishay stockholders	<u>\$ 93,192</u>	<u>\$ 24,653</u>
Basic earnings per share attributable to Vishay stockholders	\$ 0.64	\$ 0.17
Diluted earnings per share attributable to Vishay stockholders	\$ 0.64	\$ 0.17
Weighted average shares outstanding - basic	145,017	144,846
Weighted average shares outstanding - diluted	145,445	145,170
Cash dividends per share	\$ 0.095	\$ 0.095

See accompanying notes.

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

	Fiscal quarters ended	
	July 3, 2021	July 4, 2020
Net earnings	\$ 93,381	\$ 24,895
Other comprehensive income, net of tax		
Pension and other post-retirement actuarial items	2,020	1,760
Foreign currency translation adjustment	<u>9,285</u>	<u>20,088</u>
Other comprehensive income	<u>11,305</u>	<u>21,848</u>
Comprehensive income	<u>104,686</u>	<u>46,743</u>
Less: comprehensive income attributable to noncontrolling interests	189	242
Comprehensive income attributable to Vishay stockholders	<u>\$ 104,497</u>	<u>\$ 46,501</u>

See accompanying notes.

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

	Six fiscal months ended	
	July 3, 2021	July 4, 2020
Net revenues	\$ 1,583,752	\$ 1,194,558
Costs of products sold	<u>1,151,531</u>	<u>916,648</u>
Gross profit	432,221	277,910
Selling, general, and administrative expenses	209,585	188,959
Restructuring and severance costs	<u>-</u>	<u>743</u>
Operating income	222,636	88,208
Other income (expense):		
Interest expense	(8,819)	(16,982)
Loss on early extinguishment of debt	-	(4,066)
Other	<u>(9,480)</u>	<u>(1,286)</u>
Total other income (expense)	<u>(18,299)</u>	<u>(22,334)</u>
Income before taxes	204,337	65,874
Income tax expense	<u>39,313</u>	<u>13,595</u>
Net earnings	165,024	52,279
Less: net earnings attributable to noncontrolling interests	397	407
Net earnings attributable to Vishay stockholders	<u>\$ 164,627</u>	<u>\$ 51,872</u>
Basic earnings per share attributable to Vishay stockholders	\$ 1.14	\$ 0.36
Diluted earnings per share attributable to Vishay stockholders	\$ 1.13	\$ 0.36
Weighted average shares outstanding - basic	144,992	144,818
Weighted average shares outstanding - diluted	145,453	145,232
Cash dividends per share	\$ 0.19	\$ 0.19

See accompanying notes.

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

	Six fiscal months ended	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>
Net earnings	\$ 165,024	\$ 52,279
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	3,884	3,361
Foreign currency translation adjustment	<u>(17,664)</u>	<u>(3,041)</u>
Other comprehensive income (loss)	<u>(13,780)</u>	<u>320</u>
Comprehensive income	<u>151,244</u>	<u>52,599</u>
Less: comprehensive income attributable to noncontrolling interests	397	407
Comprehensive income attributable to Vishay stockholders	<u>\$ 150,847</u>	<u>\$ 52,192</u>

See accompanying notes.

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

	Six fiscal months ended	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>
Operating activities		
Net earnings	\$ 165,024	\$ 52,279
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	83,879	82,158
Gain on disposal of property and equipment	(207)	(43)
Accretion of interest on convertible debt instruments	-	7,125
Inventory write-offs for obsolescence	9,550	11,587
Deferred income taxes	519	(4,370)
Loss on early extinguishment of debt	-	4,066
Other	5,758	954
Change in U.S. transition tax liability	(14,757)	-
Change in repatriation tax liability	-	(16,258)
Net change in operating assets and liabilities	(74,983)	(12,589)
Net cash provided by operating activities	<u>174,783</u>	<u>124,909</u>
Investing activities		
Capital expenditures	(60,710)	(48,832)
Proceeds from sale of property and equipment	234	230
Purchase of short-term investments	(27,488)	(157,086)
Maturity of short-term investments	53,679	108,044
Other investing activities	347	(529)
Net cash used in investing activities	<u>(33,938)</u>	<u>(98,173)</u>
Financing activities		
Repurchase of convertible debt instruments	(300)	(90,525)
Net proceeds on revolving credit lines	-	-
Net changes in short-term borrowings	-	(113)
Dividends paid to common stockholders	(25,216)	(25,185)
Dividends paid to Class B common stockholders	(2,298)	(2,299)
Distributions to noncontrolling interests	(800)	(600)
Cash withholding taxes paid when shares withheld for vested equity awards	(1,963)	(2,016)
Net cash used in financing activities	<u>(30,577)</u>	<u>(120,738)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,383)</u>	<u>(201)</u>
Net increase (decrease) in cash and cash equivalents	106,885	(94,203)
Cash and cash equivalents at beginning of period	619,874	694,133
Cash and cash equivalents at end of period	<u>\$ 726,759</u>	<u>\$ 599,930</u>

See accompanying notes.

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

	<u>Common Stock</u>	<u>Class B Convertible Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Vishay Stockholders' Equity</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance at December 31, 2019	\$ 13,235	\$ 1,210	\$ 1,425,170	\$ 72,180	\$ (26,646)	\$ 1,485,149	\$ 2,540	\$ 1,487,689
Cumulative effect of accounting change for adoption of ASU 2016-13	-	-	-	(1,070)	-	(1,070)	-	(1,070)
Net earnings	-	-	-	27,219	-	27,219	165	27,384
Other comprehensive income	-	-	-	-	(21,528)	(21,528)	-	(21,528)
Temporary equity reclassification	-	-	174	-	-	174	-	174
Issuance of stock and related tax withholdings for vested restricted stock units (199,251 shares)	20	-	(2,011)	-	-	(1,991)	-	(1,991)
Dividends declared (\$0.095 per share)	-	-	18	(13,759)	-	(13,741)	-	(13,741)
Stock compensation expense	-	-	2,998	-	-	2,998	-	2,998
Repurchase of convertible senior debentures due 2041	-	-	(10,089)	-	-	(10,089)	-	(10,089)
Balance at April 4, 2020	\$ 13,255	\$ 1,210	\$ 1,416,260	\$ 84,570	\$ (48,174)	\$ 1,467,121	\$ 2,705	\$ 1,469,826
Net earnings	-	-	-	24,653	-	24,653	242	24,895
Other comprehensive income	-	-	-	-	21,848	21,848	-	21,848
Distributions to noncontrolling interests	-	-	-	-	-	-	(600)	(600)
Issuance of stock and related tax withholdings for vested restricted stock units (13,141 shares)	1	-	(26)	-	-	(25)	-	(25)
Dividends declared (\$0.095 per share)	-	-	18	(13,761)	-	(13,743)	-	(13,743)
Stock compensation expense	-	-	875	-	-	875	-	875
Repurchase of convertible senior notes due 2025	-	-	(4,352)	-	-	(4,352)	-	(4,352)
Balance at July 4, 2020	\$ 13,256	\$ 1,210	\$ 1,412,775	\$ 95,462	\$ (26,326)	\$ 1,496,377	\$ 2,347	\$ 1,498,724
Balance at December 31, 2020	\$ 13,256	\$ 1,210	\$ 1,409,200	\$ 138,990	\$ 13,559	\$ 1,576,215	\$ 2,800	\$ 1,579,015
Cumulative effect of accounting change for adoption of ASU 2020-06 (see Note 1)	-	-	-	(66,078)	20,566	(45,512)	-	(45,512)
Net earnings	-	-	-	-	71,435	71,435	208	71,643
Other comprehensive income	-	-	-	-	(25,085)	(25,085)	-	(25,085)
Issuance of stock and related tax withholdings for vested restricted stock units (149,722 shares)	15	-	(1,978)	-	-	(1,963)	-	(1,963)
Dividends declared (\$0.095 per share)	-	-	20	(13,777)	-	(13,757)	-	(13,757)
Stock compensation expense	-	-	4,120	-	-	4,120	-	4,120
Balance at April 3, 2021	\$ 13,271	\$ 1,210	\$ 1,345,284	\$ 217,214	\$ (11,526)	\$ 1,565,453	\$ 3,008	\$ 1,568,461
Net earnings	-	-	-	93,192	-	93,192	189	93,381
Other comprehensive income	-	-	-	-	11,305	11,305	-	11,305
Distributions to noncontrolling	-	-	-	-	-	-	(800)	(800)

interests									
Dividends declared (\$0.095 per share)	-	-	20	(13,777)	-	(13,757)	-	(13,757)	
Stock compensation expense	-	-	828	-	-	828	-	828	
Balance at July 3, 2021	<u>\$ 13,271</u>	<u>\$ 1,210</u>	<u>\$ 1,346,132</u>	<u>\$ 296,629</u>	<u>\$ (221)</u>	<u>\$ 1,657,021</u>	<u>\$ 2,397</u>	<u>\$ 1,659,418</u>	

See accompanying notes.

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, 2020. The results of operations for the fiscal quarter and six fiscal months ended July 3, 2021 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 2021 end on April 3, 2021, July 3, 2021, October 2, 2021, and December 31, 2021, respectively. The four fiscal quarters in 2020 ended on April 4, 2020, July 4, 2020, October 3, 2020, and December 31, 2020, respectively.

Recently Adopted Accounting Guidance

In August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-06, *Debt – Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU simplifies the accounting for certain financial instruments with characteristics of liability and equity, including convertible debt instruments. The ASU reduces the number of accounting models available for convertible debt instruments, requires the use of the if-converted method for the calculation of diluted earnings per share for convertible debt instruments, and increases disclosure requirements. The Company adopted the ASU effective January 1, 2021 using a modified retrospective approach. Upon adoption, Company recorded a \$66,078 decrease in additional paid in capital from the derecognition of the bifurcated equity component of the convertible debt instruments, a \$59,246 increase in debt from the derecognition of the discount associated with the bifurcated equity component of the convertible debt instruments and a \$20,566 increase to the opening balance of retained earnings, representing the cumulative interest expense, net of tax effects, recognized related to the amortization of the bifurcated conversion option. The adoption of the ASU did not have a significant impact on the diluted sharecount due to Vishay exercising existing rights to legally amend the indenture governing the convertible senior notes due 2025. See Note 5.

Reclassifications

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

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

Note 2 – Leases

The net right of use assets and lease liabilities recognized on the consolidated condensed balance sheets for the Company's operating leases were as follows:

	<u>July 3, 2021</u>	<u>December 31, 2020</u>
Right of use assets		
<i>Operating Leases</i>		
Buildings and improvements	\$ 102,214	\$ 97,429
Machinery and equipment	5,212	5,011
Total	<u>\$ 107,426</u>	<u>\$ 102,440</u>
Current lease liabilities		
<i>Operating Leases</i>		
Buildings and improvements	\$ 18,805	\$ 19,370
Machinery and equipment	2,737	2,704
Total	<u>\$ 21,542</u>	<u>\$ 22,074</u>
Long-term lease liabilities		
<i>Operating Leases</i>		
Buildings and improvements	\$ 89,446	\$ 83,926
Machinery and equipment	2,434	2,294
Total	<u>\$ 91,880</u>	<u>\$ 86,220</u>
Total lease liabilities	<u>\$ 113,422</u>	<u>\$ 108,294</u>

Lease expense is classified in the statements of operations based on asset use. Total lease cost recognized on the consolidated condensed statements of operations is as follows:

	<u>Fiscal quarters ended</u>		<u>Six fiscal months ended</u>	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>	<u>July 3, 2021</u>	<u>July 4, 2020</u>
<u>Lease expense</u>				
Operating lease expense	\$ 6,248	\$ 5,760	\$ 12,400	\$ 11,412
Short-term lease expense	428	225	753	419
Variable lease expense	66	6	193	29
Total lease expense	<u>\$ 6,742</u>	<u>\$ 5,991</u>	<u>\$ 13,346</u>	<u>\$ 11,860</u>

The Company paid \$12,176 and \$12,867 for its operating leases in the six fiscal months ended July 3, 2021 and July 4, 2020, respectively, which are included in operating cash flows on the consolidated condensed statements of cash flows. The weighted-average remaining lease term for the Company's operating leases is 9.3 years and the weighted-average discount rate is 5.7% as of July 3, 2021.

The undiscounted future lease payments for the Company's operating lease liabilities are as follows:

	<u>July 3, 2021</u>
2021 (excluding the six fiscal months ended July 3, 2021)	\$ 11,475
2022	20,560
2023	17,899
2024	15,929
2025	14,653
Thereafter	67,251

The undiscounted future lease payments presented in the table above include payments through the term of the lease, which may include periods beyond the noncancellable term. The difference between the total payments above and the lease liability balance is due to the discount rate used to calculate lease liabilities.

Note 3 – Restructuring and Related Activities

In 2019, the Company announced global cost reduction and management rejuvenation programs as part of its continuous efforts to improve efficiency and operating performance. The programs were primarily designed to reduce manufacturing fixed costs and selling, general, and administrative costs company-wide, and provide management rejuvenation. These programs are fully implemented. The Company incurred total charges of \$24,882, primarily related to cash severance costs, to implement these programs.

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

Expense recorded in 2019	\$ 24,139
Cash paid	(1,330)
Foreign currency translation	35
Balance at December 31, 2019	\$ 22,844
Expense recorded in 2020	743
Cash paid	(10,813)
Foreign currency translation	683
Balance at December 31, 2020	\$ 13,457
Cash paid	(9,962)
Foreign currency translation	(19)
Balance at July 3, 2021	<u>\$ 3,476</u>

The payment terms vary by country, but generally are paid in a lump sum at cessation of employment. Some payments are made over an extended period. The current portion of the liability is \$2,326 and is included in other accrued expenses on the consolidated condensed balance sheet. The non-current portion of the liability is \$1,150 and is included in other liabilities on the consolidated condensed balance sheet.

Note 4 – 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 3, 2021 and July 4, 2020 reflect the Company's expected tax rate on reported income 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.

The Company adjusted its deferred tax balances by \$12,127 upon the adoption of ASU No. 2020-06 on January 1, 2021, which was included in the cumulative-effect adjustment recorded to retained earnings. See Note 1.

The Company recognized tax benefits of \$3,881 and \$8,276 due to changes in tax regulations during the fiscal quarter and six fiscal months ended July 3, 2021, respectively.

During the six fiscal months ended July 3, 2021, the liabilities for unrecognized tax benefits decreased by \$1,362 on a net basis, primarily due to a payment, statute expiration, and currency translation adjustments, partially offset by accruals for current year tax positions and interest.

Note 5 – Long-Term Debt

Long-term debt consists of the following:

	<u>July 3, 2021</u>	<u>December 31, 2020</u>
Credit facility	\$ -	\$ -
Convertible senior notes, due 2025	465,344	406,268
Convertible senior debentures, due 2040	-	130
Deferred financing costs	(11,313)	(11,512)
	<u>454,031</u>	<u>394,886</u>
Less current portion	-	-
	<u>\$ 454,031</u>	<u>\$ 394,886</u>

The following table summarizes some key facts and terms regarding the outstanding convertible senior notes due 2025 as of July 3, 2021:

	<u>Convertible Senior Notes Due 2025</u>
Issuance date	June 12, 2018
Maturity date	June 15, 2025
Principal amount as of July 3, 2021	\$ 465,344
Cash coupon rate (per annum)	2.25%
Nonconvertible debt borrowing rate at issuance (per annum)	5.50%
Conversion rate effective June 17, 2021 (per \$1 principal amount)	31.9104
Effective conversion price effective June 17, 2021 (per share)	\$ 31.34
130% of the conversion price (per share)	\$ 40.74
Call date	n/a

Effective January 1, 2021, Vishay adopted ASU No. 2020-06. Upon adoption, Vishay derecognized the bifurcated equity component, debt discount, and deferred taxes and remeasured the deferred financing costs associated with its convertible debt instruments. See Note 1. The carrying value of Vishay's convertible debt instruments is now equal to the outstanding principal amount and interest expense is now equal to the cash interest paid. The remeasured deferred financing costs continue to be recognized as non-cash interest expense.

Prior to December 15, 2024, the holders of the convertible senior notes due 2025 may convert their notes only under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ending September 29, 2018, if the sale price of Vishay common stock reaches 130% of the conversion price for a specified period; (2) the trading price of the notes falls below 98% of the product of the sale price of Vishay's common stock and the conversion rate for a specified period; or (3) upon the occurrence of specified corporate transactions. The convertible senior notes due 2025 are not currently convertible.

Upon conversion of the convertible senior notes due 2025, Vishay will satisfy its conversion obligations by paying \$1 cash per \$1 principal amount of converted notes and settle any additional amounts due in common stock.

The quarterly cash dividend program of the Company results in adjustments to the conversion rate and effective conversion price for the convertible senior notes due 2025 effective as of the ex-dividend date of each cash dividend. The conversion rate and effective conversion price for the convertible senior notes due 2025 is adjusted for quarterly cash dividends to the extent such dividends exceed \$0.085 per share of common stock.

As of December 31, 2020, there were \$300 of convertible senior debentures due 2040 outstanding. On January 5, 2021, Vishay gave notice to the holders of its convertible senior debentures due 2040 that Vishay would redeem the debentures on February 4, 2021. The redemption price was paid in cash and was equal to 100% of the principal amount plus accrued but unpaid interest to, but excluding February 4, 2021.

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

The carrying value of the convertible senior notes due 2025 was \$465,344 as of July 3, 2021. The carrying value of the liability and equity components of the convertible debt instruments prior to the adoption of ASU No. 2020-06 are reflected in the Company's consolidated condensed balance sheet as follows:

	<u>Principal amount of the debt instruments</u>	<u>Unamortized discount</u>	<u>Carrying value of liability component</u>	<u>Equity component (including temporary equity) -net carrying value</u>
December 31, 2020				
Convertible senior notes due 2025	\$ 465,344	(59,076)	\$ 406,268	\$ 66,127
Convertible senior debentures due 2040	\$ 300	(170)	\$ 130	\$ 121
Total	<u>\$ 465,644</u>	<u>\$ (59,246)</u>	<u>\$ 406,398</u>	<u>\$ 66,248</u>

Interest is payable on the convertible debt instruments semi-annually at the cash coupon rate. Prior to the adoption of ASU 2020-06 on January 1, 2021, the debt discount associated with the convertible debt instruments was 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.

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

	<u>Contractual coupon interest</u>	<u>Non-cash amortization of debt discount</u>	<u>Other non- cash interest expense</u>	<u>Total interest expense related to the debt instruments</u>
July 3, 2021				
Convertible senior notes due 2025	\$ 2,618	-	433	\$ 3,051
July 4, 2020				
Convertible senior notes due 2025	\$ 3,266	3,479	435	\$ 7,180
Convertible senior debentures	\$ 16	9	-	\$ 25
Total	<u>\$ 3,282</u>	<u>\$ 3,488</u>	<u>\$ 435</u>	<u>\$ 7,205</u>

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

	<u>Contractual coupon interest</u>	<u>Non-cash amortization of debt discount</u>	<u>Other non- cash interest expense</u>	<u>Total interest expense related to the debt instruments</u>
July 3, 2021				
Convertible senior notes due 2025	\$ 5,236	-	866	\$ 6,102
July 4, 2020				
Convertible senior notes due 2025	\$ 6,641	7,096	889	\$ 14,626
Convertible senior debentures	\$ 60	29	-	\$ 89
Total	<u>\$ 6,701</u>	<u>\$ 7,125</u>	<u>\$ 889</u>	<u>\$ 14,715</u>

Other non-cash interest expense includes amortization of deferred financing costs. Interest expense related to the convertible senior debentures was immaterial in 2021.

Note 6 – Revenue Recognition

Sales returns and allowances accrual activity is shown below:

	Fiscal quarters ended		Six fiscal months ended	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>	<u>July 3, 2021</u>	<u>July 4, 2020</u>
Beginning balance	\$ 34,449	\$ 34,812	\$ 39,629	\$ 40,508
Sales allowances	22,043	19,224	45,839	41,856
Credits issued	(15,350)	(14,991)	(43,796)	(42,973)
Foreign currency	120	387	(410)	41
Ending balance	<u>\$ 41,262</u>	<u>\$ 39,432</u>	<u>\$ 41,262</u>	<u>\$ 39,432</u>

Note 7 – 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	Total
Balance at January 1, 2021	\$ (77,075)	\$ 90,634	\$ 13,559
Other comprehensive income before reclassifications	-	(17,664)	\$ (17,664)
Tax effect	-	-	\$ -
Other comprehensive income before reclassifications, net of tax	-	(17,664)	\$ (17,664)
Amounts reclassified out of AOCI	5,323	-	\$ 5,323
Tax effect	(1,439)	-	\$ (1,439)
Amounts reclassified out of AOCI, net of tax	3,884	-	\$ 3,884
Net other comprehensive income	\$ 3,884	\$ (17,664)	\$ (13,780)
Balance at July 3, 2021	\$ (73,191)	\$ 72,970	\$ (221)

Reclassifications of pension and other post-retirement actuarial items out of AOCI are included in the computation of net periodic benefit cost. See Note 8 for further information.

Note 8 – Pensions and Other Postretirement Benefits

The Company maintains various retirement benefit plans. The service cost component of net periodic pension cost is classified in costs of products sold or selling, general, and administrative expenses on the consolidated condensed statements of operations based on the respective employee's function. The other components of net periodic pension cost are classified as other expense on the consolidated condensed statements of operations.

Defined Benefit Pension Plans

The following table shows the components of the net periodic pension cost for the second fiscal quarters of 2021 and 2020 for the Company's defined benefit pension plans:

	Fiscal quarter ended July 3, 2021		Fiscal quarter ended July 4, 2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$ -	\$ 1,191	\$ -	\$ 1,071
Interest cost	254	754	341	919
Expected return on plan assets	-	(419)	-	(491)
Amortization of prior service cost	36	50	36	30
Amortization of losses	446	1,887	297	1,588
Curtailement and settlement losses	-	202	-	231
Net periodic benefit cost	<u>\$ 736</u>	<u>\$ 3,665</u>	<u>\$ 674</u>	<u>\$ 3,348</u>

The following table shows the components of the net periodic pension cost for the six fiscal months ended July 3, 2021 and July 4, 2020 for the Company's defined benefit pension plans:

	Six fiscal months ended July 3, 2021		Six fiscal months ended July 4, 2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$ -	\$ 2,381	\$ -	\$ 2,145
Interest cost	508	1,508	683	1,843
Expected return on plan assets	-	(836)	-	(986)
Amortization of prior service cost	72	101	72	60
Amortization of losses	893	3,771	595	3,180
Curtailement and settlement losses	-	401	-	460
Net periodic benefit cost	<u>\$ 1,473</u>	<u>\$ 7,326</u>	<u>\$ 1,350</u>	<u>\$ 6,702</u>

Other Postretirement Benefits

The following table shows the components of the net periodic benefit cost for the second fiscal quarters of 2021 and 2020 for the Company's other postretirement benefit plans:

	Fiscal quarter ended July 3, 2021		Fiscal quarter ended July 4, 2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 26	\$ 70	\$ 28	\$ 68
Interest cost	41	11	59	16
Amortization of losses (gains)	13	30	6	31
Net periodic benefit cost	<u>\$ 80</u>	<u>\$ 111</u>	<u>\$ 93</u>	<u>\$ 115</u>

The following table shows the components of the net periodic pension cost for the six fiscal months ended July 3, 2021 and July 4, 2020 for the Company's other postretirement benefit plans:

	Six fiscal months ended July 3, 2021		Six fiscal months ended July 4, 2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 51	\$ 141	\$ 56	\$ 137
Interest cost	82	22	118	31
Amortization of losses (gains)	26	59	13	62
Net periodic benefit cost	<u>\$ 159</u>	<u>\$ 222</u>	<u>\$ 187</u>	<u>\$ 230</u>

Note 9 – 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 Company determines compensation cost for restricted stock units (“RSUs”) and phantom stock units 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 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Restricted stock units	\$ 828	\$ 875	\$ 4,739	3,658
Phantom stock units	-	-	209	215
Total	\$ 828	\$ 875	\$ 4,948	3,873

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at July 3, 2021 (amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Restricted stock units	\$ 5,057	1.0
Phantom stock units	-	n/a
Total	\$ 5,057	

The Company currently expects all performance-based RSUs to vest and all of the associated unrecognized compensation cost for performance-based RSUs presented in the table above to be recognized.

Restricted Stock Units

RSU activity under the 2007 Program as of July 3, 2021 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, 2021	793	\$ 18.90
Granted	319	22.07
Vested*	(235)	18.79
Cancelled or forfeited	-	-
Outstanding at July 3, 2021	877	\$ 20.08
Expected to vest at July 3, 2021	877	

* 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, 2022	174	-	174
January 1, 2023	152	-	152
January 1, 2024	165	-	165

Phantom Stock Units

Phantom stock unit activity under the phantom stock plan as of July 3, 2021 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, 2021	198	
Granted	10	\$ 20.89
Dividend equivalents issued	2	
Outstanding at July 3, 2021	210	

Note 10 – Segment Information

The following tables set forth business segment information:

	<u>MOSFETs</u>	<u>Diodes</u>	<u>Optoelectronic Components</u>	<u>Resistors</u>	<u>Inductors</u>	<u>Capacitors</u>	<u>Corporate / Other*</u>	<u>Total</u>
Fiscal quarter ended July 3, 2021:								
Net revenues	\$ 167,937	\$ 174,815	\$ 75,795	\$ 194,722	\$ 85,539	\$ 120,312	\$ -	\$ 819,120
Gross profit	\$ 47,434	\$ 41,757	\$ 24,522	\$ 57,929	\$ 28,680	\$ 28,950	\$ -	\$ 229,272
Segment operating income	\$ 37,510	\$ 36,120	\$ 20,152	\$ 51,365	\$ 26,244	\$ 23,686	\$ -	\$ 195,077
Fiscal quarter ended July 4, 2020:								
Net revenues	\$ 118,944	\$ 124,187	\$ 49,130	\$ 140,412	\$ 65,185	\$ 83,859	\$ -	\$ 581,717
Gross profit	\$ 26,978	\$ 24,904	\$ 11,728	\$ 32,513	\$ 20,252	\$ 15,218	\$ (923)	\$ 130,670
Segment operating income	\$ 17,602	\$ 19,814	\$ 7,948	\$ 27,879	\$ 17,713	\$ 10,524	\$ (923)	\$ 100,557
Six fiscal months ended July 3, 2021:								
Net revenues	\$ 321,160	\$ 331,993	\$ 153,566	\$ 381,324	\$ 168,997	\$ 226,712	\$ -	\$ 1,583,752
Gross Profit	\$ 84,542	\$ 76,173	\$ 50,148	\$ 111,902	\$ 56,431	\$ 53,025	\$ -	\$ 432,221
Segment Operating Income	\$ 64,717	\$ 64,941	\$ 41,362	\$ 98,741	\$ 51,534	\$ 42,549	\$ -	\$ 363,844
Six fiscal months ended July 4, 2020:								
Net revenues	\$ 235,837	\$ 239,530	\$ 103,309	\$ 299,620	\$ 138,970	\$ 177,292	\$ -	\$ 1,194,558
Gross Profit	\$ 55,130	\$ 44,422	\$ 26,313	\$ 77,286	\$ 43,239	\$ 35,573	\$ (4,053)	\$ 277,910
Segment Operating Income	\$ 36,260	\$ 34,236	\$ 18,634	\$ 66,764	\$ 38,023	\$ 25,594	\$ (4,053)	\$ 215,458

*Amounts reported in Corporate/Other above represent unallocated costs directly related to the COVID-19 pandemic, which are reported as costs of products sold on the consolidated condensed statements of operations.

	Fiscal quarters ended		Six fiscal months ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Reconciliation:				
Segment Operating Income	\$195,077	\$100,557	\$ 363,844	\$ 215,458
Restructuring and Severance Costs	-	(743)	-	(743)
Impact of the COVID-19 Pandemic on Selling, General, and Administrative Expenses	-	747	-	430
Unallocated Selling, General, and Administrative Expenses	(69,705)	(59,761)	(141,208)	(126,937)
Consolidated Operating Income	<u>\$125,372</u>	<u>\$ 40,800</u>	<u>\$ 222,636</u>	<u>\$ 88,208</u>
Unallocated Other Income (Expense)	(8,192)	(11,060)	(18,299)	(22,334)
Consolidated Income Before Taxes	<u>\$117,180</u>	<u>\$ 29,740</u>	<u>\$ 204,337</u>	<u>\$ 65,874</u>

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(dollars in thousands, except per share amounts)

The Company has a broad line of products that it sells to OEMs, EMS companies, and independent distributors. The distribution of sales by customer type is shown below:

	Fiscal quarters ended		Six fiscal months ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Distributors	\$ 492,809	\$ 349,562	\$ 916,934	\$ 655,008
OEMs	277,418	190,799	572,055	451,928
EMS companies	48,893	41,356	94,763	87,622
Total Revenue	<u>\$ 819,120</u>	<u>\$ 581,717</u>	<u>\$ 1,583,752</u>	<u>\$ 1,194,558</u>

Net revenues were attributable to customers in the following regions:

	Fiscal quarters ended		Six fiscal months ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Asia	\$ 347,343	\$ 260,625	\$ 669,803	\$ 477,709
Europe	268,828	179,928	537,151	412,980
Americas	202,949	141,164	376,798	303,869
Total Revenue	<u>\$ 819,120</u>	<u>\$ 581,717</u>	<u>\$ 1,583,752</u>	<u>\$ 1,194,558</u>

The Company generates substantially all of its revenue from product sales to end customers in the industrial, automotive, telecommunications, computing, consumer products, power supplies, military and aerospace, and medical end markets. Sales by end market are presented below:

	Fiscal quarters ended		Six fiscal months ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Industrial	\$ 322,133	\$ 226,877	\$ 592,934	\$ 441,988
Automotive	247,029	133,834	503,002	335,777
Telecommunications	22,956	33,496	47,858	63,188
Computing	64,632	55,719	124,531	100,942
Consumer Products	43,609	22,571	84,404	43,124
Power Supplies	42,045	32,176	77,291	57,370
Military and Aerospace	43,173	41,451	84,711	85,386
Medical	33,543	35,593	69,021	66,783
Total revenue	<u>\$ 819,120</u>	<u>\$ 581,717</u>	<u>\$ 1,583,752</u>	<u>\$ 1,194,558</u>

Note 11 – 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	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>	<u>July 3, 2021</u>	<u>July 4, 2020</u>
Numerator:				
Net earnings attributable to Vishay stockholders	\$ 93,192	\$ 24,653	\$ 164,627	\$ 51,872
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	144,808	144,651	144,784	144,624
Outstanding phantom stock units	209	195	208	194
Adjusted weighted average shares	<u>145,017</u>	<u>144,846</u>	<u>144,992</u>	<u>144,818</u>
Effect of dilutive securities:				
Convertible debt instruments	-	5	5	50
Restricted stock units	428	319	456	364
Dilutive potential common shares	<u>428</u>	<u>324</u>	<u>461</u>	<u>414</u>
Denominator for diluted earnings per share:				
Adjusted weighted average shares - diluted	<u>145,445</u>	<u>145,170</u>	<u>145,453</u>	<u>145,232</u>
Basic earnings per share attributable to Vishay stockholders	\$ 0.64	\$ 0.17	\$ 1.14	\$ 0.36
Diluted earnings per share attributable to Vishay stockholders	\$ 0.64	\$ 0.17	\$ 1.13	\$ 0.36

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	
	<u>July 3, 2021</u>	<u>July 4, 2020</u>	<u>July 3, 2021</u>	<u>July 4, 2020</u>
Convertible debt instruments:				
Convertible Senior Notes, due 2025	-	18,321	-	18,704
Convertible Senior Debentures, due 2041	-	155	-	122
Weighted average other	317	387	317	356

If the average market price of Vishay common stock is less than the effective conversion price of the convertible senior notes due 2025, no shares are included in the diluted earnings per share computation for the convertible senior notes due 2025. Upon Vishay exercising its existing right to legally amend the indenture governing the convertible senior notes due 2025, Vishay will satisfy its conversion obligations by paying \$1 cash per \$1 principal amount of converted notes and settle any additional amounts due in common stock. Accordingly, the notes are not anti-dilutive when the average market price of Vishay common stock is less than the effective conversion price of the convertible senior notes due 2025.

Note 12 – 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:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
July 3, 2021				
<u>Assets:</u>				
Assets held in rabbi trusts	\$ 58,326	\$ 32,479	\$ 25,847	\$ -
Available for sale securities	\$ 4,710	4,710	-	-
	<u>\$ 63,036</u>	<u>\$ 37,189</u>	<u>\$ 25,847</u>	<u>\$ -</u>
December 31, 2020				
<u>Assets:</u>				
Assets held in rabbi trusts	\$ 57,892	\$ 34,145	23,747	\$ -
Available for sale securities	\$ 4,917	4,917	-	-
	<u>\$ 62,809</u>	<u>\$ 39,062</u>	<u>\$ 23,747</u>	<u>\$ -</u>

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 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 period. The fair value measurement of the investments is considered a Level 1 measurement within the fair value hierarchy.

The Company enters into forward contracts with highly-rated financial institutions to mitigate the foreign currency risk associated with intercompany loans denominated in a currency other than the legal entity's functional currency. The notional amount of the forward contracts was \$100,000 as of July 3, 2021 and December 31, 2020. The forward contracts are short-term in nature and are expected to be renewed at the Company's discretion until the intercompany loans are repaid. We have not designated the forward contracts as hedges for accounting purposes, and as such the change in the fair value of the contracts 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 contracts based on applicable and commonly used pricing models using current market information and is considered a Level 2 measurement within the fair value hierarchy. The value of the forward contracts was immaterial as of July 3, 2021 and December 31, 2020. 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 and deferred financing costs, at July 3, 2021 and December 31, 2020 is approximately \$494,800 and \$491,400, respectively, compared to its carrying value, excluding the deferred financing costs, of \$465,344 and \$406,398, 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 3, 2021 and December 31, 2020, 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 Company's 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 3, 2021 and December 31, 2020, 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 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

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Vishay's financial condition, results of operations and cash flows by focusing on changes in certain key measures from period to period. The MD&A should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes included in Item 1. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in our Annual Report on Form 10-K, particularly in Item 1A. "Risk Factors," filed with the Securities and Exchange Commission on February 24, 2021.

Overview

Vishay Intertechnology, Inc. ("Vishay," "we," "us," or "our") manufactures one of the world's largest portfolios of discrete semiconductors and passive electronic components that are essential to innovative designs in the automotive, industrial, computing, consumer, telecommunications, military, aerospace, and medical markets.

We operate in six segments based on product functionality: MOSFETs, Diodes, Optoelectronic Components, Resistors, Inductors, and Capacitors.

We are focused on enhancing stockholder value by growing our business and improving earnings per share. Since 1985, we have pursued a business strategy of growth through focused research and development and acquisitions. We plan to continue 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 worldwide R&D and engineering technical staff; 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 addition to our growth plan, we also have opportunistically repurchased our stock and, as further described below, reduced dilution risks by repurchasing all of our convertible senior debentures. Over the next few years, we expect to experience higher growth rates than over the last decade. This expectation is based upon accelerated electrification, such as factory automation, electrical vehicles, and 5G infrastructure.

In 2014, our Board of Directors instituted a quarterly dividend payment program and declared the first cash dividend in the history of Vishay. We have paid dividends each quarter since the first fiscal quarter of 2014, and currently pay quarterly cash dividends of \$0.095 per share. We expect to continue to pay quarterly dividends, although each dividend is subject to approval by our Board of Directors.

On May 20, 2020, our Board of Directors authorized a program to repurchase up to \$200 million of the outstanding convertible senior notes due 2025 in open market repurchases or through privately negotiated transactions. Such transactions provide us more flexibility to adjust our debt levels if necessary. We have repurchased \$134.7 million principal amount of convertible senior notes pursuant to this program. On February 4, 2021, we redeemed the remaining convertible senior debentures.

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. The worldwide economy and, specifically, our business were impacted by the outbreak of the coronavirus ("COVID-19"), particularly in 2020. The pandemic significantly impacted the global market, including our customers, suppliers, and shipping partners, which impacted our net revenues. In 2020, we also incurred incremental costs separable from normal operations that are directly attributable to the pandemic and containment efforts, primarily salaries and wages for employees impacted by quarantines and additional safety measures, including masks and temperature scanners, which were partially offset by government subsidies. Directly attributable costs of the pandemic are no longer incremental and have become part of normal operations. Accordingly, in 2021, they are considered in our normal operating costs. We excluded indirect financial changes such as general macroeconomic effects and higher shipping costs due to reduced shipping capacity from the COVID-19 amounts reported.

While the COVID-19 pandemic continues to have a global impact, the economic impact of the COVID-19 pandemic on Vishay was temporary as evidenced by record revenues in the second fiscal quarter of 2021. In this volatile economic environment, we continue to closely monitor our fixed costs, capital expenditure plans, 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. We will react quickly and professionally to changes in demand to minimize manufacturing inefficiencies and excess inventory build in periods of decline and maximize opportunities in periods of growth. We have significant liquidity to withstand temporary disruptions in the economic environment. The global cost reduction and management rejuvenation programs that we began as part of our continuous efforts to improve efficiency and operating performance in 2019 have been fully implemented.

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” below. The COVID-19 pandemic impacted almost all key financial metrics in 2020. We experienced a broad recovery in orders and sales beginning in the third fiscal quarter of 2020 that continued in the second fiscal quarter of 2021. Our continued increase of manufacturing capacities and continued high order levels and backlogs increased sales and positively impacted almost all key financial metrics.

Net revenues for the fiscal quarter ended July 3, 2021 were \$819.1 million, compared to \$764.6 million and \$581.7 million for the fiscal quarters ended April 3, 2021 and July 4, 2020, respectively. The net earnings attributable to Vishay stockholders for the fiscal quarter ended July 3, 2021 were \$93.2 million, or \$0.64 per diluted share, compared to \$71.4 million, or \$0.49 per diluted share for the fiscal quarter ended April 3, 2021, and \$24.7 million, or \$0.17 per diluted share for the fiscal quarter ended July 4, 2020.

Net revenues for the six fiscal months ended July 3, 2021 were \$1,583.8 million, compared to \$1,194.6 million for the six fiscal months ended July 4, 2020. The net earnings attributable to Vishay stockholders for the six fiscal months ended July 3, 2021 were \$164.6 million, or \$1.13 per diluted share, compared to \$51.9 million, or \$0.36 per diluted share for the six fiscal months ended July 4, 2020.

We define adjusted net earnings as net earnings determined in accordance with GAAP adjusted for various items that management believes are not indicative of the intrinsic operating performance of our business. We define free cash as the cash flows generated from continuing operations less capital expenditures plus net proceeds from the sale of property and equipment. The reconciliations below include certain financial measures which are not recognized in accordance with GAAP, including adjusted net earnings, adjusted earnings per share, and free cash. These non-GAAP measures should not be viewed as alternatives to GAAP measures of performance or liquidity. Non-GAAP measures such as adjusted net earnings, adjusted earnings per share, and free cash 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 adjusted net earnings and adjusted earnings per share are meaningful because they provide insight with respect to our intrinsic operating results. 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.

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

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
GAAP net earnings attributable to Vishay stockholders	\$ 93,192	\$ 71,435	\$ 24,653	\$ 164,627	\$ 51,872
<u>Reconciling items affecting gross income:</u>					
Impact of COVID-19 pandemic	-	-	923	-	4,053
<u>Other reconciling items affecting operating income:</u>					
Restructuring and severance costs	-	-	743	-	743
Impact of COVID-19 pandemic	-	-	(747)	-	(430)
<u>Reconciling items affecting other income (expense):</u>					
Loss on early extinguishment of debt	-	-	1,146	-	4,066
<u>Reconciling items affecting tax expense:</u>					
Changes in tax regulation	\$ (3,881)	\$ (4,395)	\$ -	\$ (8,276)	\$ -
Effects of cash repatriation program	-	-	(190)	-	(190)
Change in deferred taxes due to early extinguishment of debt	-	-	-	-	(1,346)
Tax effects of pre-tax items above	-	-	(589)	-	(2,071)
Adjusted net earnings	<u>\$ 89,311</u>	<u>\$ 67,040</u>	<u>\$ 25,939</u>	<u>\$ 156,351</u>	<u>\$ 56,697</u>
Adjusted weighted average diluted shares outstanding	145,445	145,463	145,170	145,453	145,232
Adjusted earnings per diluted share	\$ 0.61	\$ 0.46	\$ 0.18	\$ 1.07	\$ 0.39

Although the term "free cash" is not defined in GAAP, each of the elements used to calculate free cash for the year-to-date period is presented as a line item on the face of our consolidated condensed statement of cash flows prepared in accordance with GAAP and the quarterly amounts are derived from the year-to-date GAAP statements as of the beginning and end of the respective quarter.

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net cash provided by continuing operating activities	\$ 117,461	\$ 57,322	\$ 90,431	\$ 174,783	\$ 124,909
Proceeds from sale of property and equipment	34	200	177	234	230
Less: Capital expenditures	(32,183)	(28,527)	(24,504)	(60,710)	(48,832)
Free cash	<u>\$ 85,312</u>	<u>\$ 28,995</u>	<u>\$ 66,104</u>	<u>\$ 114,307</u>	<u>\$ 76,307</u>

Our results for the fiscal quarters ended July 3, 2021 and April 3, 2021 represent the continuation of the sharp and broad recovery that we began to experience in the third fiscal quarter of 2020. Our results for the fiscal quarter ended July 4, 2020 were severely negatively impacted by the COVID-19 pandemic. Our percentage of euro-based sales approximates our percentage of euro-based expenses so the foreign currency impact on revenues was substantially offset by the impact on expenses. Our pre-tax results were consistent with expectations based on our business model.

Our free cash results were significantly impacted by the installment payment of the U.S. transition tax of \$14.8 million in the second fiscal quarter of 2021 and the payment of cash taxes related to the cash repatriated to the U.S. in the second fiscal quarter of 2020 of \$16.3 million pursuant to the cash repatriation program that we initiated in 2017 in response to the U.S. Tax Cuts and Jobs Act ("TCJA") enacted in the United States.

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. Using our and publicly available data, we analyze trends and changes in average selling prices to evaluate likely future pricing. We attempt to offset deterioration in the average selling prices of established products with ongoing cost reduction activities and new product introductions. Our specialty passive components are more resistant to average selling price erosion. All pricing is subject to governing market conditions and is independently set by us.

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 2020 through the second fiscal quarter of 2021 (*dollars in thousands*):

	<u>2nd Quarter 2020</u>	<u>3rd Quarter 2020</u>	<u>4th Quarter 2020</u>	<u>1st Quarter 2021</u>	<u>2nd Quarter 2021</u>
Net revenues	\$ 581,717	\$ 640,160	\$ 667,180	\$ 764,632	\$ 819,120
Gross profit margin ⁽¹⁾	22.5%	23.7%	22.8%	26.5%	28.0%
Operating margin ⁽²⁾	7.0%	9.6%	9.0%	12.7%	15.3%
End-of-period backlog	\$ 914,300	\$ 927,900	\$ 1,239,800	\$ 1,731,200	\$ 2,050,200
Book-to-bill ratio	0.82	0.99	1.44	1.67	1.38
Inventory turnover	3.9	4.4	4.6	4.8	4.8
Change in ASP vs. prior quarter	0.1%	(1.1)%	(0.3)%	(0.5)%	1.0%

(1) Gross margin for the second, third, and fourth fiscal quarters of 2020 includes \$0.9 million, \$0.2 million, and \$0.3 million, respectively, of expenses directly related to the COVID-19 pandemic.

(2) Operating margin for the second fiscal quarter of 2020 includes \$0.7 million of restructuring and severance expenses (see Note 3 to our consolidated condensed financial statements). Operating margin for the second, third, and fourth fiscal quarters of 2020 also includes in total \$0.2 million, \$(0.2) million, and \$(0.3) million, respectively, of expenses (benefits) directly related to the COVID-19 pandemic.

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

Revenues increased versus the prior fiscal quarter and the second fiscal quarter of 2020. The recovery in demand that began in the third fiscal quarter of 2020 continued in the second fiscal quarter of 2021. Sales at this time are limited by our capacity. Quarterly revenues and backlog reached all-time highs. The high order level and rapid increase in our manufacturing capacities substantially increased revenues. Orders remained at a high level and further increased the backlog, but decreased slightly from the prior fiscal quarter. The slight decrease in orders and increased revenues decreased the book-to-bill ratio. Distributor inventory levels have stabilized at a very low level. Pressure on average selling prices is very low and select price increases are being implemented to offset increased materials and transportation costs.

Gross profit margin increased versus the prior fiscal quarter and the second fiscal quarter of 2020. The increases are primarily due to increased volume and manufacturing efficiencies.

The book-to-bill ratio in the second fiscal quarter of 2021 remained strong, but decreased to 1.38 versus 1.67 in the first fiscal quarter of 2021. The book-to-bill ratios in the second fiscal quarter of 2021 for distributors and original equipment manufacturers (“OEM”) were 1.41 and 1.34, respectively, versus ratios of 1.89 and 1.41, respectively, during the first fiscal quarter of 2021.

For the third fiscal quarter of 2021, we anticipate revenues between \$810 million and \$850 million at a gross margin of 28.3% plus/minus 50 basis points.

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 2020 through the second fiscal quarter of 2021 (*dollars in thousands*):

	<u>2nd Quarter 2020</u>	<u>3rd Quarter 2020</u>	<u>4th Quarter 2020</u>	<u>1st Quarter 2021</u>	<u>2nd Quarter 2021</u>
<u><i>MOSFETs</i></u>					
Net revenues	\$ 118,944	\$ 133,976	\$ 131,567	\$ 153,223	\$ 167,937
Book-to-bill ratio	0.97	0.93	1.64	1.97	1.26
Gross profit margin	22.7%	22.1%	22.4%	24.2%	28.2%
Segment operating margin	14.8%	15.0%	15.3%	17.8%	22.3%
<u><i>Diodes</i></u>					
Net revenues	\$ 124,187	\$ 123,744	\$ 139,274	\$ 157,178	\$ 174,815
Book-to-bill ratio	0.61	1.05	1.65	1.85	1.45
Gross profit margin	20.1%	16.8%	17.8%	21.9%	23.9%
Segment operating margin	16.0%	12.8%	14.1%	18.3%	20.7%
<u><i>Optoelectronic Components</i></u>					
Net revenues	\$ 49,130	\$ 64,955	\$ 68,352	\$ 77,771	\$ 75,795
Book-to-bill ratio	0.96	0.97	1.46	1.66	1.69
Gross profit margin	23.9%	32.8%	27.7%	33.0%	32.4%
Segment operating margin	16.2%	26.5%	21.3%	27.3%	26.6%
<u><i>Resistors</i></u>					
Net revenues	\$ 140,412	\$ 145,362	\$ 161,201	\$ 186,602	\$ 194,722
Book-to-bill ratio	0.73	1.06	1.24	1.50	1.39
Gross profit margin	23.2%	24.2%	25.3%	28.9%	29.7%
Segment operating margin	19.9%	20.7%	21.0%	25.4%	26.4%
<u><i>Inductors</i></u>					
Net revenues	\$ 65,185	\$ 79,399	\$ 75,260	\$ 83,458	\$ 85,539
Book-to-bill ratio	0.96	0.96	1.03	1.13	1.21
Gross profit margin	31.1%	33.5%	30.1%	33.3%	33.5%
Segment operating margin	27.2%	30.4%	27.0%	30.3%	30.7%
<u><i>Capacitors</i></u>					
Net revenues	\$ 83,859	\$ 92,724	\$ 91,526	\$ 106,400	\$ 120,312
Book-to-bill ratio	0.90	0.95	1.54	1.73	1.37
Gross profit margin	18.1%	19.8%	17.5%	22.6%	24.1%
Segment operating margin	12.5%	14.8%	12.5%	17.7%	19.7%



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 45% - 47% 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 income by approximately \$450,000 to \$470,000. Sudden changes in the business conditions, however, may not allow us to quickly adapt our manufacturing capacity and cost structure.

Occasionally, our ongoing cost containment activities are not adequate and we must take actions to maintain our cost competitiveness. We incurred significant restructuring expenses in our past to reduce our cost structure. Historically, our primary cost reduction technique was through the transfer of production to the extent possible from high-labor-cost countries to lower-labor-cost countries. We believe that our manufacturing footprint is suitable to serve our customers and end markets, while maintaining lower manufacturing costs. Since 2013, our cost reduction programs have primarily focused on reducing fixed costs, including selling, general, and administrative expenses.

We continue to monitor the economic environment and its potential effects on our customers and the end markets that we serve.

We do not anticipate any material restructuring activities in 2021. However, a worsening business environment for the electronics industry, a prolonged impact of the COVID-19 pandemic, or a significant economic downturn may require us to implement additional restructuring initiatives.

In uncertain times, we focus on managing our production capacities in accordance with customer requirements, and maintain discipline in terms of our fixed costs and capital expenditures. Even as we seek to manage our costs, we remain cognizant of the future requirements of our demanding markets. 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.

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 any of the businesses acquired since 2011, but we expect to have some level of future restructuring expenses due to acquisitions.

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 weaker during the second fiscal quarter and first six fiscal months of 2021 compared to the prior year periods, with the translation of foreign currency revenues and expenses into U.S. dollars increasing reported revenues and expenses versus the prior year periods. The translation of foreign currency revenues and expenses into U.S. dollars had a minimal impact versus the prior fiscal quarter.

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 for the second fiscal quarter and first six fiscal months of 2021 have been unfavorably impacted compared to the prior fiscal quarter and prior year periods by local currency transactions of subsidiaries which use the U.S. dollar as their functional currency.

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 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Cost of products sold	72.0%	73.5%	77.5%	72.7%	76.7%
Gross profit	28.0%	26.5%	22.5%	27.3%	23.3%
Selling, general & administrative expenses	12.7%	13.8%	15.3%	13.2%	15.8%
Operating income	15.3%	12.7%	7.0%	14.1%	7.4%
Income before taxes and noncontrolling interest	14.3%	11.4%	5.1%	12.9%	5.5%
Net earnings attributable to Vishay stockholders	11.4%	9.3%	4.2%	10.4%	4.3%
Effective tax rate	20.3%	17.8%	16.3%	19.2%	20.6%

Net Revenues

Net revenues were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 819,120	\$ 764,632	\$ 581,717	\$ 1,583,752	\$ 1,194,558

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 54,488	7.1%		
July 4, 2020	\$ 237,403	40.8%	\$ 389,194	32.6%

Changes in net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	6.1%	35.4%	28.5%
Change in average selling prices	1.0%	(0.3)%	(0.8)%
Foreign currency effects	(0.1)%	3.8%	3.6%
Acquisition	0.0%	1.0%	1.0%
Other	0.1%	0.9%	0.3%
Net change	7.1%	40.8%	32.6%

Net revenues for the fiscal quarter and six fiscal months ended July 4, 2020 were negatively impacted by a significant decrease in demand due to the COVID-19 pandemic. We experienced a broad recovery beginning in the third fiscal quarter of 2020 that continued through the second fiscal quarter of 2021. The increasing demand and manufacturing capacities resulted in increased net revenues compared to the prior fiscal quarter and prior year periods.

Gross Profit and Margins

Gross profit margins for the fiscal quarter ended July 3, 2021 were 28.0%, versus 26.5% and 22.5%, for the comparable prior quarter and prior year period, respectively. Gross profit margins for the six fiscal months ended July 3, 2021 were 27.3%, versus 23.3% for the comparable prior year period. The increases versus the prior fiscal quarter and the prior year periods are primarily due to increased volume. We were able to offset the negative impacts of inflation and average selling price decline versus the prior year periods and maintain our contributive margin.

Segments

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

MOSFETs

Net revenues and gross profit margin of the MOSFETs segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 167,937	\$ 153,223	\$ 118,944	\$ 321,160	\$ 235,837
Gross profit margin	28.2%	24.2%	22.7%	26.3%	23.4%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 14,714	9.6%		
July 4, 2020	\$ 48,993	41.2%	\$ 85,323	36.2%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	8.3%	43.7%	40.4%
Change in average selling prices	1.2%	(2.5)%	(3.4)%
Foreign currency effects	(0.1)%	1.8%	1.8%
Other	0.2%	(1.8)%	(2.6)%
Net change	9.6%	41.2%	36.2%

The MOSFET segment net revenues increased significantly versus the prior fiscal quarter and prior year periods. Net revenues increased for customers in all regions. The increase versus the prior fiscal quarter was primarily due to increased sales to distribution customers, particularly in Asia. All end markets and all customer channels contributed to the increases versus the prior year periods.

Gross profit margin increased versus the prior fiscal quarter and the prior year periods. The increases were primarily due to the higher sales volume. An increase in average selling prices and cost reduction measures contributed to the increase versus the prior fiscal quarter. The increase versus the prior year periods primarily due to higher sales volume and cost reduction measures was partially offset by lower average selling prices, cost inflation, and negative foreign currency impact.

Average selling prices increased slightly versus the prior fiscal quarter, but decreased slightly versus the prior year quarter and moderately versus the prior year-to-date period.

We continue to invest to expand mid- and long-term manufacturing capacity for strategic product lines.

Diodes

Net revenues and gross profit margin of the Diodes segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 174,815	\$ 157,178	\$ 124,187	\$ 331,993	\$ 239,530
Gross profit margin	23.9%	21.9%	20.1%	22.9%	18.5%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 17,637	11.2%		
July 4, 2020	\$ 50,628	40.8%	\$ 92,463	38.6%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	9.2%	36.2%	34.8%
Change in average selling prices	1.7%	0.2%	(0.2)%
Foreign currency effects	(0.1)%	3.1%	3.3%
Other	0.4%	1.3%	0.7%
Net change	<u>11.2%</u>	<u>40.8%</u>	<u>38.6%</u>

Net revenues of the Diodes segment increased significantly versus the prior fiscal quarter and prior year periods. The increase versus the prior fiscal quarter was primarily due to increased sales to distributor customers. All end markets and all customer channels contributed to the increases versus the prior year periods.

Gross profit margin increased versus the prior fiscal quarter and the prior year periods. The increases were primarily due to higher sales volume. Higher average selling prices also contributed to the increase versus the prior fiscal quarter. The increases versus the prior year periods are primarily due to increased sales volume, cost reduction measures, and the positive impact of an inventory increase were partially offset by cost inflation, higher metals prices, and negative foreign currency impacts.

Average selling prices increased slightly versus the prior fiscal quarter and the prior year quarter, but decreased slightly versus the prior year-to-date period.

Optoelectronic Components

Net revenues and gross profit margin of the Optoelectronic Components segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 75,795	\$ 77,771	\$ 49,130	\$ 153,566	\$ 103,309
Gross profit margin	32.4%	33.0%	23.9%	32.7%	25.5%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ (1,976)	(2.5)%		
July 4, 2020	\$ 26,665	54.3%	\$ 50,257	48.6%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Change in volume	(3.9)%	44.8%	41.5%
Increase in average selling prices	1.7%	1.5%	0.7%
Foreign currency effects	(0.1)%	5.3%	4.9%
Other	(0.2)%	2.7%	1.5%
Net change	<u>(2.5)%</u>	<u>54.3%</u>	<u>48.6%</u>

Net revenues of our Optoelectronic Components segment decreased slightly versus the prior fiscal quarter, but increased significantly versus the prior year periods. Customers in all regions contributed to the slight decrease versus the prior fiscal quarter. Net revenues increased for customers in all regions and all sales channels versus the prior year periods.

Gross profit margin decreased versus the prior fiscal quarter, but increased versus the prior year periods. The decrease versus the prior fiscal quarter is primarily due to lower sales volume and cost inflation, partially offset by higher average selling prices and positive product mix. The increases versus the prior year periods are primarily due to increased sales volume, higher average selling prices, and cost reduction measures, partially offset by cost inflation and higher metals prices.

Average selling prices increased slightly versus the prior fiscal quarter and prior year periods.

Resistors

Net revenues and gross profit margins of the Resistors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 194,722	\$ 186,602	\$ 140,412	\$ 381,324	\$ 299,620
Gross profit margin	29.7%	28.9%	23.2%	29.3%	25.8%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 8,120	4.4%		
July 4, 2020	\$ 54,310	38.7%	\$ 81,704	27.3%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	3.8%	26.3%	17.7%
Change in average selling prices	0.5%	0.6%	(0.3)%
Foreign currency effects	(0.1)%	5.3%	4.9%
Acquisition	0.0%	4.2%	3.9%
Other	0.2%	2.3%	1.1%
Net change	<u>4.4%</u>	<u>38.7%</u>	<u>27.3%</u>

Net revenues of the Resistors segment increased moderately versus the prior fiscal quarter and significantly versus the prior year periods. The increase versus the prior fiscal quarter is primarily due to increased sales to distributor customers and customers in the Americas and Asia regions. The increases versus the prior year periods are primarily due to increased sales to distributor customers and automotive and industrial end market customers in all regions.

The gross profit margin increased versus the prior fiscal quarter and prior year periods. The increase versus the prior fiscal quarter is primarily due to increased sales volume, increased average selling prices, and greater efficiencies. The increases versus the prior year periods are due to the significant increase in sales volume, greater efficiencies, and positive exchange rate impact, partially offset by higher metals prices.

Average selling prices increased slightly versus the prior fiscal quarter and prior year quarter, but decreased slightly versus the prior year-to-date period.

We are increasing critical manufacturing capacities for certain product lines.

Inductors

Net revenues and gross profit margins of the Inductors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 85,539	\$ 83,458	\$ 65,185	\$ 168,997	\$ 138,970
Gross profit margin	33.5%	33.3%	31.1%	33.4%	31.1%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarters ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 2,081	2.5%		
July 4, 2020	\$ 20,354	31.2%	\$ 30,027	21.6%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	1.8%	33.2%	23.3%
Change in average selling prices	0.8%	(2.2)%	(2.3)%
Foreign currency effects	0.0%	1.7%	1.5%
Other	(0.1)%	(1.5)%	(0.9)%
Net change	2.5%	31.2%	21.6%

Net revenues of the Inductors segment increased slightly versus the prior fiscal quarter and significantly versus the prior year periods. The increase versus the prior fiscal quarter is primarily due to increased sales to distributor customers and customers in the Americas and Asia regions. The increases versus the prior year periods are primarily due to increased sales to distributor customers and automotive, medical, and industrial end market customers in all regions.

The gross profit margin increased versus the prior fiscal quarter and the prior year periods. The increase versus the prior fiscal quarter is primarily due to higher sales volume and higher average selling prices, partially offset by higher metals prices. The increases versus the prior year periods are primarily due to higher sales volume and improved efficiencies, partially offset by lower average selling prices and higher metals prices.

Average selling prices increased versus the prior fiscal quarter, but decreased versus the prior year periods.

We expect long-term growth in this segment, and are accelerating capacity expansion to capitalize on future market upturns.

Capacitors

Net revenues and gross profit margin of the Capacitors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Six fiscal months ended	
	July 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenues	\$ 120,312	\$ 106,400	\$ 83,859	\$ 226,712	\$ 177,292
Gross profit margin	24.1%	22.6%	18.1%	23.4%	20.1%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended July 3, 2021		Six fiscal months ended July 3, 2021	
	Change in net revenues	% change	Change in net revenues	% change
April 3, 2021	\$ 13,912	13.1%		
July 4, 2020	\$ 36,453	43.5%	\$ 49,420	27.9%

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

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to- Date
Change attributable to:			
Increase in volume	13.0%	34.2%	19.8%
Increase in average selling prices	0.2%	1.0%	1.3%
Foreign currency effects	(0.1)%	5.7%	5.0%
Other	0.0%	2.6%	1.8%
Net change	13.1%	43.5%	27.9%

Net revenues of the Capacitors segment increased significantly versus the prior fiscal quarter and prior year periods. The increase versus the prior fiscal quarter is primarily due to increased sales to distributor customers in all regions. The increases versus the prior year periods are primarily due to increased sales to distributor customers and the industrial and automotive end markets in all regions.

The gross profit margin increased versus the prior fiscal quarter and the prior year periods. The increase versus the prior fiscal quarter is primarily due to higher sales volume and manufacturing efficiencies. The increases versus the prior year periods are primarily due to higher sales volume, manufacturing efficiencies, and increased average selling prices, partially offset by the negative impact of product mix and increased metals prices.

Average selling prices increased slightly versus the prior fiscal quarter and the prior year periods.

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 3, 2021	April 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Total SG&A expenses	\$ 103,900	\$ 105,685	\$ 89,127	\$ 209,585	\$ 188,959
as a percentage of revenues	12.7%	13.8%	15.3%	13.2%	15.8%

The sequential decrease in SG&A expenses is primarily attributable to uneven attribution of stock compensation expense in the first fiscal quarter of 2021. SG&A expenses increased versus the prior year periods due to increased incentive compensation accruals and foreign exchange rates. SG&A expenses for the fiscal quarter and six fiscal months ended July 4, 2020 include \$(0.7) million and \$(0.4) million, respectively, of incremental costs (benefits) separable from normal operations directly attributable to the COVID-19 pandemic.

Other Income (Expense)

Interest expense for the fiscal quarter ended July 3, 2021 decreased \$0.1 million and \$4.0 million versus the fiscal quarters ended April 3, 2021 and July 4, 2020, respectively. Interest expense for the six fiscal months ended July 3, 2021 decreased by \$8.2 million versus the six fiscal months ended July 4, 2020. The decreases versus the prior year periods are primarily due to the elimination of non-cash debt discount amortization upon the adoption of ASU No. 2020-06 effective January 1, 2021 and repurchases of convertible notes in the second and third fiscal quarters of 2020. See Note 1 to the consolidated condensed financial statements.

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

	Fiscal quarters ended		
	July 3, 2021	July 4, 2020	Change
Foreign exchange gain (loss)	\$ (1,824)	\$ (1,183)	\$ (641)
Interest income	325	956	(631)
Other components of net periodic pension expense	(3,305)	(3,063)	(242)
Investment income	1,055	1,806	(751)
	<u>\$ (3,749)</u>	<u>\$ (1,484)</u>	<u>\$ (2,265)</u>

	Fiscal quarters ended		
	July 3, 2021	April 3, 2021	Change
Foreign exchange gain (loss)	\$ (1,824)	\$ (611)	\$ (1,213)
Interest income	325	287	38
Other components of net periodic pension expense	(3,305)	(3,302)	(3)
Investment income (expense)	1,055	(2,121)	3,176
Other	-	16	(16)
	<u>\$ (3,749)</u>	<u>\$ (5,731)</u>	<u>\$ 1,982</u>

	Six fiscal months ended		
	July 3, 2021	July 4, 2020	Change
Foreign exchange gain (loss)	\$ (2,435)	\$ 681	\$ (3,116)
Interest income	612	2,810	(2,198)
Other components of net periodic pension expense	(6,607)	(6,131)	(476)
Investment income (expense)	(1,066)	1,369	(2,435)
Other	16	(15)	31
	<u>\$ (9,480)</u>	<u>\$ (1,286)</u>	<u>\$ (8,194)</u>

Income Taxes

For the fiscal quarter ended July 3, 2021, our effective tax rate was 20.3%, as compared to 17.8% and 16.3% for the fiscal quarters ended April 3, 2021 and July 4, 2020, respectively. For the six fiscal months ended July 3, 2021, our effective tax rate was 19.2%, as compared to 20.6% for the six fiscal months ended July 4, 2020. With the reduction in the U.S. statutory rate to 21% beginning January 1, 2018, we expect that our effective tax rate will now be higher than the U.S. statutory rate, excluding unusual transactions. Historically, the effective tax rates were generally less than the U.S. statutory rate primarily because of earnings in foreign jurisdictions. Discrete tax items impacted our effective tax rate for each fiscal quarter presented. These items were \$(3.9) million (tax benefit) in the fiscal quarter ended July 3, 2021, \$(4.4) million (tax benefit) in the fiscal quarter ended April 3, 2021, and \$(0.2) million (tax benefit) in the fiscal quarter ended July 4, 2020.

The effective tax rate for the fiscal quarter ended July 3, 2021 was impacted by a \$3.9 million tax benefit recognized due to a change in tax regulations.

The effective tax rate for the fiscal quarter ended April 3, 2021 was also impacted by a \$4.4 million tax benefit recognized due to a change in tax regulations.

The effective tax rate for the fiscal quarter ended July 4, 2020 was impacted by the repatriation of \$104.1 million to the United States, which completed the cash repatriation program that we initiated in 2017 in response to the enactment of the TCJA. The effective tax rate for the six fiscal months ended July 4, 2020 was also impacted by the effect of the repurchase of convertible debentures. We recognized tax benefits of \$1.3 million reflecting the reduction in deferred tax liabilities related to the special tax attributes of the convertible debentures.

During the six fiscal months ended July 3, 2021, the liabilities for unrecognized tax benefits decreased by \$1.4 million on a net basis, primarily due to a payment, statute expiration, and currency translation adjustments, partially offset by accruals for current year tax positions and interest.

We operate 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 our earnings and the applicable tax rates in the various locations where we operate. Part of our historical strategy has been to achieve cost savings through the transfer and expansion of manufacturing operations to countries where we can take advantage of lower labor costs and available tax and other government-sponsored incentives.

Additional information about income taxes is included in Note 4 to our consolidated condensed financial statements.

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 last 19 years, and cash flows from operations in excess of \$100 million in each of the last 26 years.

Management uses a non-GAAP measure, "free cash," to evaluate our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends. See "Overview" above for "free cash" definition and reconciliation to GAAP. Vishay has generated positive "free cash" in each of the past 24 years, and "free cash" in excess of \$80 million in each of the last 19 years. In this volatile economic environment, we continue to focus on the generation of free cash, including an emphasis on cost controls.

We expect our business to continue to be a reliable generator of free cash. 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 economic environment worsens. We generated cash flows from operations of \$174.8 million and "free cash" of \$114.3 million in the six fiscal months ended July 3, 2021.

The COVID-19 pandemic and the mitigation efforts by governments to control its spread did not have a significant impact on our financial condition, liquidity, or capital resources.

We completed our cash repatriation program that we initiated in response to the TCJA in 2020. We continue to evaluate the TCJA's provisions and may further adjust our financial and capital structure and business practices accordingly.

We maintain a revolving credit facility, which provides an aggregate commitment of \$750 million of revolving loans available until June 5, 2024. The maximum amount available on the revolving credit facility is restricted by the financial covenants described below. The credit facility also provides us the ability to request up to \$300 million of incremental facilities, subject to the satisfaction of certain conditions, which could take the form of additional revolving commitments, incremental "term loan A" or "term loan B" facilities, or incremental equivalent debt.

At December 31, 2020, we had no amounts outstanding on our revolving credit facility. We had no amounts outstanding at July 3, 2021. We borrowed \$467 million and repaid \$467 million on the revolving credit facility during the six fiscal months ended July 3, 2021. The average outstanding balance on our revolving credit facility calculated at fiscal month-ends was \$97.5 million and the highest amount outstanding on our revolving credit facility at a fiscal month end was \$162 million during the six fiscal months ended July 3, 2021.

The revolving credit facility limits or restricts us from, among other things, incurring indebtedness, incurring liens on its respective assets, making investments and acquisitions (assuming our pro forma leverage ratio is greater than 2.75 to 1.00), making asset sales, and paying cash dividends and making other restricted payments (assuming our pro forma leverage ratio is greater than 2.50 to 1.00), and requires us to comply with other covenants, including the maintenance of specific financial ratios.

The financial maintenance covenants include (a) an interest 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 3.00 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 June 5, 2019.

We were in compliance with all financial covenants under the credit facility at July 3, 2021. Our interest coverage ratio and leverage ratio were 25.47 to 1 and 0.94 to 1, respectively. We expect to continue to be in compliance with these covenants based on current projections. Based on our current EBITDA and outstanding revolver balance, the full amount of the revolving credit facility is useable.

If we are not in compliance with all of the required financial covenants, the credit facility could be terminated by the lenders, and any amounts then outstanding pursuant to the credit facility could become immediately payable. Additionally, our convertible senior notes due 2025 have cross-default provisions that could accelerate repayment in the event the indebtedness under the credit facility is accelerated.

The credit facility allows an unlimited amount of defined "Investments," which include certain intercompany transactions and acquisitions, provided our pro forma leverage ratio is equal to or less than 2.75 to 1.00. If our pro forma leverage ratio is greater than 2.75 to 1.00, such Investments are subject to certain limitations.

The credit facility also allows an unlimited amount of defined "Restricted Payments," which include cash dividends and share repurchases, provided our pro forma leverage ratio is equal to or less than 2.50 to 1.00. If our pro forma leverage ratio is greater than 2.50 to 1.00, the credit facility allows such payments up to \$100 million per annum (subject to a cap of \$300 million for the term of the facility, with up to \$25 million of any unused amount of the \$100 million per annum base available for use in the next succeeding calendar year).

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, any new borrowings will bear interest at LIBOR plus 1.50%. The interest rate on any borrowings increases to LIBOR plus 1.75% if our leverage ratio is between 1.50 to 1 and 2.50 to 1 and further increases to 2.00% if our leverage ratio equals or exceeds 2.50 to 1.

We also pay a commitment fee, also based on our leverage ratio, on undrawn amounts. The undrawn commitment fee, based on our current leverage ratio, is 0.25% per annum. Such undrawn commitment fee increases to 0.30% per annum if our leverage ratio is between 1.50 to 1 and 2.50 to 1 and further increases to 0.35% per annum if our leverage ratio equals or exceeds 2.50 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 solely for use in, or arising solely under the laws of, any country other than the United States, assets located solely 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.

During the first fiscal quarter of 2021, we redeemed the remaining \$0.3 million principal amount of convertible senior debentures due 2041 for \$0.3 million. We have no remaining convertible senior debentures.

As of July 3, 2021, substantially all of our cash and cash equivalents and short-term investment were held in countries outside of the United States. Our substantially undrawn credit facility provides us with significant operating liquidity in the United States. We expect, at least initially, to fund any future repurchases of convertible debt instruments, as well as other obligations required to be paid by the U.S. parent company, Vishay Intertechnology, Inc., including cash dividends to stockholders, share repurchases, and principal and interest payments on our debt instruments by borrowing under our revolving credit facility. Our U.S. subsidiaries also have operating cash needs.

Management expects to use the credit facility from time-to-time to meet certain 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, convertible debt repurchases, or conversion of our convertible debt may require additional borrowing under our credit facility or may otherwise require us to incur additional debt. No principal payments on our debt are due before 2025 and our revolving credit facility expires in June 2024.

The convertible senior notes due 2025 are not currently convertible. Pursuant to the indenture governing the convertible senior notes due 2025 and the amendments thereto incorporated in the Supplemental Indenture dated December 23, 2020, we will cash-settle the principal amount of \$1,000 per note and settle any additional amounts in shares of our common stock. We intend to finance the principal amount of any converted notes using borrowings under our credit facility. No conversions have occurred to date.

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 vary by location. The average interest rate on our short-term investments was 0.1% due to the negative interest rate environment in Europe and the low interest rate environment in the U.S. Transactions related to these investments are classified as investing activities on our consolidated condensed statements of cash flows.

The following table summarizes the components of net cash and short-term investments (debt) at July 3, 2021 and December 31, 2020 (in thousands):

	July 3, 2021	December 31, 2020
Credit facility	\$ -	\$ -
Convertible senior notes, due 2025*	465,344	406,268
Convertible senior debentures, due 2040*	-	130
Deferred financing costs	(11,313)	(11,512)
Total debt	454,031	394,886
Cash and cash equivalents	726,759	619,874
Short-term investments	129,035	158,476
Net cash and short-term investments (debt)	\$ 401,763	\$ 383,464

*Represents the carrying amount of the convertible instruments, which was significantly impacted by the adoption of ASU No. 2020-06. See Notes 1 and 5 to the consolidated condensed financial statements.

"Net cash and short-term investments (debt)" does not have a uniform definition and is not recognized in accordance with GAAP. This measure should not be viewed as an alternative to GAAP measures of performance or liquidity. However, management believes that an analysis of "net cash and short-term investments (debt)" assists investors in understanding aspects of our cash and debt management. The measure, as calculated by us, may not be comparable to similarly titled measures used by other companies.

Our financial condition as of July 3, 2021 continued to be strong, with no change to the current ratio (current assets to current liabilities) of 3.0 to 1 from December 31, 2020. The increases in cash, accounts receivable, and inventory were offset by increases in trade accounts payable and accrued expenses. Our ratio of total debt to Vishay stockholders' equity was 0.27 to 1 at July 3, 2021, as compared to 0.25 to 1 at December 31, 2020. The increase in the ratio is primarily due to the increase in the carrying value of our long-term debt upon the adoption of ASU No. 2020-06. See Notes 1 and 5 to the consolidated condensed financial statements.

Cash flows provided by operating activities were \$174.8 million for the six fiscal months ended July 3, 2021, as compared to cash flows provided by operations of \$124.9 million for the six fiscal months ended July 4, 2020.

Cash paid for property and equipment for the six fiscal months ended July 3, 2021 was \$60.7 million, as compared to \$48.8 million for the six fiscal months ended July 4, 2020. To be well positioned to service our customers and to fully participate in growing markets, we intend to increase our capital expenditures for expansion in the mid-term. For the year 2021, we expect to invest approximately \$250 million in capital expenditures.

Cash paid for dividends to our common and Class B common stockholders totalled \$27.5 million and \$27.5 million for the six fiscal months ended July 3, 2021 and July 4, 2020, respectively. We expect dividend payments in 2021 to total approximately \$55.0 million. However, any future dividend declaration and payment remains subject to authorization by our Board of Directors.

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; delays or difficulties in implementing our cost reduction strategies; delays or difficulties in expanding our manufacturing capacities; manufacturing or supply chain interruptions or changes in customer demand because of COVID-19; an inability to attract and retain highly qualified personnel; changes in foreign currency exchange rates; uncertainty related to the effects of changes in foreign currency exchange rates; competition and technological changes in our industries; difficulties in new product development; difficulties in identifying suitable acquisition candidates, consummating a transaction on terms which we consider acceptable, and integration and performance of acquired businesses; changes in applicable domestic and foreign tax regulations and uncertainty regarding the same; changes in U.S. and foreign trade regulations and tariffs and uncertainty regarding the same; changes in applicable accounting standards and other factors affecting our operations, markets, capacity to meet demand, 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 2020 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, 2020, filed with the SEC on February 24, 2021, describes our exposure to market risks. There have been no material changes to our market risks since December 31, 2020.

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, 2020, filed with the SEC on February 24, 2021 describes certain of our legal proceedings. There have been no material developments to the legal proceedings previously disclosed.

Item 1A. Risk Factors

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, 2020, filed with the SEC on February 24, 2021.

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

- [10.1](#) [Amendment to Employment Agreement, dated July 1, 2021, between Vishay Europe GmbH \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Electronic GmbH \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\), and Dr. Gerald Paul.](#)
- [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 3, 2021, furnished in iXBRL (Inline eXtensible Business Reporting Language)).
- 104 Cover Page Interactive Data File (formatted as Inline eXtensible Business Reporting Language and contained in Exhibit 101)

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 10, 2021

CERTIFICATIONS

I, Dr. Gerald Paul, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vishay Intertechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2021

/s/ Gerald Paul
Dr. Gerald Paul
Chief Executive Officer

CERTIFICATIONS

I, Lori Lipcaman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vishay Intertechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2021

/s/ Lori Lipcaman

Lori Lipcaman

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended July 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Gerald Paul, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerald Paul
Dr. Gerald Paul
Chief Executive Officer
August 10, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended July 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lori Lipcaman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lori Lipcaman

Lori Lipcaman
Chief Financial Officer
August 10, 2021

Amendment to Employment Agreement of Gerald Paul

Amendment to Employment Agreement (this “Amendment”), made as of July 1, 2021 by and between VISHAY EUROPE GMBH (“Vishay Europe GmbH”), VISHAY ELECTRONIC GMBH (“Vishay Electronic”) (each, an indirect wholly-owned subsidiary of Vishay Intertechnology, Inc., a Delaware corporation (“Vishay”)) and GERALD PAUL (“Executive”) (collectively the “Parties”).

WHEREAS, Executive has been employed by Vishay GmbH pursuant to an Employment Agreement, made between the Parties as of January 1, 2004, as amended (the “Employment Agreement”).

WHEREAS, Section 8.6 of the Employment Agreement provides that the parties hereto may amend the Employment Agreement by mutual agreement in writing; and

WHEREAS, the parties hereto desire to amend the Employment Agreement as set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Section 8.13 is hereby added to the Employment Agreement to read as follows:

8.13 Section 409A. Notwithstanding any contrary provision of this Agreement or any other applicable plan, policy, agreement or arrangement, to the extent necessary to avoid the application of a tax under Section 409A of the Code (collectively, “Section 409A”) to Executive:

(a) To the extent any expense, reimbursement or in-kind benefit provided to Executive constitutes a “deferral of compensation” within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year; (ii) reimbursements of expenses shall be made no later than the last day of the calendar year following the calendar year in which the applicable expense is incurred; and (iii) the right to payment or reimbursement or in-kind benefits may not be liquidated or exchanged for any other benefit.

(b) Any payment or benefit described in Section 6 that represents a “deferral of compensation” within the meaning of Section 409A shall only be paid or provided to Executive upon his “separation from service” within the meaning of Treas. Reg. §1.409A-1(h) (or any successor regulation).

(c) To the extent compliance with the requirements of Treas. Reg. §1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of a tax under Section 409A to payments due to Executive upon or following his “separation from service,” whether under this Agreement or otherwise, then any such payments that are otherwise due to Executive before the later of (x) the six month anniversary of Executive’s “separation from service”, or (y) January 1, 2023 (the later of (x) or (y), the “Later Payment Date”) will be deferred (without interest) and paid to Executive in a lump sum on the date immediately following the Later Payment Date. However, in the event Executive dies prior to the Later Payment Date, the amounts deferred on account of Treas. Reg. §1.409A-3(i)(2) (or any successor provision) shall be paid within sixty (60) days following Executive’s death.

(d) All benefits or payments provided to Executive are intended to comply with or be exempt from Section 409A, and should be interpreted accordingly. Payments to Executive may only be accelerated or deferred in a manner consistent with Section 409A or an applicable exemption.

2. Except as set forth in this Amendment, all other terms and conditions of the Employment Agreement shall remain unchanged and in full force and effect.

3. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original agreement and all of which shall constitute one and the same agreement. The counterparts of this Amendment may be executed and delivered by facsimile or other electronic signature (including portable document format) by any of the Parties and the receiving Parties may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Amendment to be executed on its behalf as of the date first above written.

VISHAY EUROPE GMBH

By: /s/ Gerald Paul

Name: Dr. Gerald Paul
Title: Managing Director

VISHAY ELECTRONIC GMBH

By: /s/ Torsten Muellner

Name: Torsten Muellner
Title: Managing Director

/s/ Martina Winterwerber

Name: Martina Winterwerber
Title: Managing Director

/s/ Gerald Paul
GERALD PAUL