SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2001

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

For the transition period from ______________ to ______________

1-7416
Commission File Number

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

Delaware	38-1686453
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)

63 Lincoln Highway
Malvern, Pennsylvania 19355-2120
(Address of principal executive offices)

(610) 644-1300
(Registrant's telephone number, including area code)

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

As of November 8, 2001 registrant had 143,764,559 shares of its Common Stock and 15,496,634 shares of its Class B Common Stock outstanding.

VISHAY INTERTECHNOLOGY, INC.
FORM 10-Q

September 30, 2001

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 410,873	$ 337,213
Accounts receivable	372,606	452,579
Inventories:		
Finished goods	239,034	179,286
Work in process	121,923	130,682
Raw materials	210,213	215,894
Deferred income taxes	31,453	32,051
Prepaid expenses and other current assets	130,868	127,169
TOTAL CURRENT ASSETS	1,516,970	1,474,874
PROPERTY AND EQUIPMENT - AT COST		
Land	42,169	47,625
Buildings and improvements	269,465	265,311
Machinery and equipment	1,265,864	1,168,241
Construction in progress	68,215	83,768
Allowance for depreciation	(670,046)	(591,391)
	975,667	973,554
GOODWILL	330,356	295,759
OTHER ASSETS	101,221	39,471
	$ 2,924,214	$ 2,783,658

	September 30, 2001	December 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	$ 1,333	$ 8,250
Trade accounts payable	73,536	120,070
Payroll and related expenses	61,107	111,132
Other accrued expenses	179,751	146,157
Income taxes	12,133	31,915
Current portion of long-term debt	86	150
TOTAL CURRENT LIABILITIES	327,946	417,674
LONG-TERM DEBT	306,758	140,467
DEFERRED INCOME TAXES	79,722	79,109
DEFERRED INCOME	57,785	55,162
MINORITY INTEREST	66,333	63,480
OTHER LIABILITIES	98,358	93,157
ACCRUED PENSION COSTS	98,489	100,754
STOCKHOLDERS' EQUITY		
Common Stock	12,246	12,241
Class B Common Stock	1,550	1,552
Capital in excess of par value	1,319,434	1,319,426
Retained earnings	669,555	615,455
Accumulated other comprehensive loss	(112,920)	(113,571)
Unearned compensation	(1,042)	(1,248)
	1,888,823	1,833,855
	$ 2,924,214	$ 2,783,658

See Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
Net sales	$332,293	$669,784
Costs of products sold	302,905	370,408
GROSS PROFIT	29,388	299,376
Selling, general, and administrative expenses	64,568	76,010
Restructuring expense	11,802	--
Amortization of goodwill	2,777	2,553
OPERATING INCOME (LOSS)	(49,759)	220,813
Other income (expense):		
Interest expense	(3,615)	(2,602)
Gain on termination of interest rate swap agreements	--	2,544
Gain on sale of Lite-On Power Semiconductor Corporation	--	8,401
Other	2,035	618
	(1,580)	8,961
EARNINGS (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(51,339)	229,774
Income taxes (benefit)	(12,124)	52,400
Minority interest	(63)	6,263
NET EARNINGS (LOSS)	$(39,152)	$171,111
Basic earnings (loss) per share	$(0.28)	$1.24
Diluted earnings (loss) per share	$(0.28)	$1.22
Weighted average shares outstanding - basic	137,730	137,830
Weighted average shares outstanding - diluted	137,730	139,840

See Notes to Consolidated Condensed Financial Statements.

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

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net sales	$1,274,195	$1,821,449
Costs of products sold	944,902	1,080,261
GROSS PROFIT	329,293	741,188
Selling, general, and administrative expenses	200,977	218,354
Restructuring expense	47,078	--
Amortization of goodwill	8,444	8,600
OPERATING INCOME	72,794	514,234
Other income (expense):		
Interest expense	(10,564)	(23,022)
Gain on termination of interest rate swap agreements	--	8,919
Gain on sale of Lite-On Power Semiconductor Corporation	--	8,401
Other	14,599	3,158
	4,035	(2,544)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	76,829	511,690
Income taxes	18,961	115,239
Minority interest	3,768	19,216
NET EARNINGS	$54,100	$377,235
Basic earnings per share	$0.39	$2.81
Diluted earnings per share	$0.39	$2.74
Weighted average shares outstanding - basic	137,710	134,486
Weighted average shares outstanding - diluted	139,073	137,485

See Notes to Consolidated Condensed Financial Statements.

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

	Nine Months Ended September 30, 2001	2000
OPERATING ACTIVITIES		
Net earnings	$ 54,100	$ 377,235
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	120,910	108,376
Gain on sale of investment	--	(8,401)
Loss on disposal of property and equipment	441	1,928
Amortization of imputed interest	3,024	--
Writedown of inventory, machinery and equipment	77,389	--
Minority interest in net earnings of consolidated subsidiaries	3,768	19,216
Other	4,747	11,893
Changes in operating assets and liabilities	(126,296)	(90,385)
NET CASH PROVIDED BY OPERATING ACTIVITIES	138,083	419,862
INVESTING ACTIVITIES		
Purchase of property and equipment	(129,260)	(148,133)
Proceeds from sale of property and equipment	6,697	8,090
Net cash proceeds from sale of subsidiaries	--	33,162
Investment in unconsolidated affiliate	(57,800)	--
Purchase of businesses, net of cash acquired	(39,301)	(42,384)
NET CASH USED IN INVESTING ACTIVITIES	(219,664)	(149,265)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	153	--
Principal payments on long-term debt	(130)	(345)
Net payments on revolving credit lines	(140,027)	(546,262)
Issuance of convertible subordinated debentures	303,193	--
Net changes in short-term borrowings	(6,678)	(4,309)
Common stock repurchase	(851)	--
Proceeds from sale of common stock	--	395,449
Proceeds from stock options exercised	493	39,635
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	156,153	(115,832)
Effect of exchange rate changes on cash	(912)	(5,475)
INCREASE IN CASH AND CASH EQUIVALENTS	73,660	149,290
Cash and cash equivalents at beginning of period	337,213	105,193
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 410,873	$ 254,483

See Notes to Consolidated Condensed Financial Statements.

Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by generally accepted accounting principles for complete financial statements. The information furnished reflects all adjustments (consisting of 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 period presented. The financial statements should be read in conjunction with the financial statements and notes thereto filed with the Company's Form 10-K for the year ended December 31, 2000. The results of operations for the three months and nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year.

Note 2: Change in Accounting Principle

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and two related statements. The Company recorded a $51,435 derivative asset upon adoption, reflecting the cumulative effect of this change in accounting principle relating to the fair value of an interest-rate swap agreement.

Note 3: Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except earnings per share):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Numerator:				
Net income (loss)	$ (39,152)	$ 171,111	$ 54,100	$ 377,235
Denominator:				
Denominator for basic earnings per share - weighted average shares	137,730	137,830	137,710	134,486
Effect of dilutive securities:				
Stock appreciation rights	--	--	--	835
Employee stock options	--	1,811	1,198	1,965
Other	--	199	165	199
Dilutive potential common shares	--	2,010	1,363	2,999

	Three Months Ended September 30, 2001	2000	Nine Months Ended September 30, 2001	2000
Denominator for diluted earnings per share - adjusted weighted average shares	137,730	139,840	139,073	137,485
Basic earnings (loss) per share	$ (0.28)	$ 1.24	$ 0.39	$ 2.81
Diluted earnings (loss) per share	$ (0.28)	$ 1.22	$ 0.39	$ 2.74

Diluted earnings (loss) per share does not reflect the assumed conversion of convertible debentures because the effect would be antidilutive for all periods presented. For the quarter ended September 30, 2001, diluted earnings (loss) per share does not reflect the assumed exercise of stock options or other potentially dilutive securities as the effect would be antidilutive.

Note 4: Business Segment Information

The Company designs, manufactures, and markets electronic components that cover a wide range of products and technologies. The Company has two reportable segments: Passive Electronic Components (Passives) and Active Electronic Components (Actives). The Company evaluates performance and allocates resources based on several factors, of which the primary financial measure is business segment operating income excluding amortization of intangibles. The corporate component of operating income represents corporate selling, general, and administrative expenses.

	Three Months Ended September 30, 2001	2000	Nine Months Ended September 30, 2001	2000
Business Segment Information (in thousands)				
Net Sales:				
Passives	$ 189,192	$ 457,183	$ 834,270	$ 1,176,990
Actives	143,101	212,601	439,925	644,459
	$ 332,293	$ 669,784	$ 1,274,195	$ 1,821,449
Operating Income (Loss):				
Passives	$ (47,450)	$ 174,652	$ 53,707	$ 387,729
Actives	7,644	59,761	44,439	164,371
Corporate	(7,176)	(11,057)	(16,908)	(29,266)
Amortization of goodwill	(2,777)	(2,553)	(8,444)	(8,600)
	$ (49,759)	$ 220,813	$ 72,794	$ 514,234

Note 5: Comprehensive Income (Loss)

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net income (loss)	$ (39,152)	$ 171,111	$ 54,100	$ 377,235
Cumulative effect of change in accounting principle	--	--	51	--
Other comprehensive income (loss):				
Foreign currency translation adjustment	24,383	(29,464)	5,303	(47,696)
Unrealized gain (loss) on interest rate swap	(2,781)	--	(4,839)	--
Pension liability adjustment, net of tax	(399)	362	136	639
Total other comprehensive income (loss)	21,203	(29,102)	651	(47,057)
Comprehensive income (loss)	$ (17,949)	$ 142,009	$ 54,751	$ 330,178

Note 6: Restructuring Expense

The Company incurred restructuring expense of $11,802,000 for the quarter ended September 30, 2001. Restructuring of European and Israeli operations included $1,449,000 of employee termination costs covering 1,091 technical, production, administrative, and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. In the United States, $5,180,000 of restructuring expense relates to employee termination costs covering 561 technical, production, administrative and support employees. The remaining $5,173,000 of restructuring expense relates to the non-cash writedown of buildings and equipment that is no longer in use.

Restructuring expense was $47,078,000 for the nine months ended September 30, 2001. Restructuring of European and Israeli operations included $14,522,000 of employee termination costs covering approximately 2,876 technical, production, administrative and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. The European operations also recorded $2,546,000 of non-cash costs associated with the writedown of buildings and equipment that is no longer in use. In the United States, $10,633,000 of restructuring expense relates to termination costs for approximately 1,662 technical, production, administrative and support employees. The remaining $19,377,000 of restructuring expense relates to the non-cash writedown of buildings and equipment that is no longer in use.

The restructuring expense reflects a portion of the cost reduction programs currently being implemented by the Company. The Company expects to take additional restructuring charges of approximately $23 million during 2001. As of September 30, 2001, $21,081,000 of severance costs have been paid. The remaining $4,074,000 of severance costs, currently shown in other accrued expenses, should be paid by December 31, 2001.

Note 7: Acquisitions

In January 2001, the Company purchased Tansitor, a leading manufacturer of wet tantalum electrolytic capacitors and miniature conformal coated solid tantalum capacitors, for $18.2 million. The results of operations of Tansitor are included in the Company's results from January 1, 2001. Goodwill of $14,823,000 is being amortized over twenty years. The pro forma effect of this acquisition is not material.

On July 27, 2001 the Company purchased from Infineon Technologies AG, Munich the Infineon infrared components business. The total purchase price for this transaction was $120 million, subject to adjustment. A partial payment of $78 million was made to Infineon Technologies AG, Munich on July 27, 2001. The payment was funded with cash on hand. Under the terms of the agreement, the Company purchased Infineon's U.S. development, marketing, and distribution activities located in the San Jose, California headquarters and a 19% interest in another Infineon subsidiary. Upon the transfer to the Company of the remaining 81% in this subsidiary, which is expected to occur within one year and which is contingent upon the completion of construction of a plant in Malaysia, the Company will pay the remaining $42 million of the purchase price. For the fiscal year ended September 30, 2000, the Infineon infrared components business had revenues of approximately $133 million. As a result of the acquisition of Infineon's infrared components business, the Company will become one of the largest suppliers outside of Japan of optocouplers, and the largest supplier worldwide of infrared data components transceivers (IRDC). The results of operations of Infineon's U.S. infrared components business are included in the Company's results from August 1, 2001. Goodwill of $19,464,000 was recorded based on the preliminary purchase allocation. Other assets includes $57,800,000 for the investment in the unconsolidated subsidiary of Infineon.

Note 8: Proposed Purchase of Siliconix Shares

In May 2001, the Company commenced a tender offer to exchange 1.5 shares of its common stock for each share of common stock of Siliconix that it did not already own, or 5,849,040 shares. The offer was conditioned on there being validly tendered and not withdrawn a majority of such shares (2,924,521 shares). The offer remained open for approximately six weeks but expired on July 5, 2001, with only 2,347,200 shares having been tendered. Accordingly, the Company did not purchase any Siliconix shares pursuant to the tender offer.

Note 9: Pending Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) approved the issuance of Statements of Financial Accounting Standards No. 141, "Business Combinations" (Statement 141), and No. 142, "Goodwill and Other Intangible Assets" (Statement 142). These Statements change the accounting for business combinations, goodwill, and intangible assets. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. The Company is required to adopt the new rules effective January 1, 2002, except that the new rules are effective for any business combination that is completed after June 30, 2001. The Company has not yet determined what the effect of these statements will be on the earnings and financial position of the Company.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and provides a single accounting model for long-lived assets to be disposed of. Statement 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company will adopt this statement beginning January 1, 2002 and has not yet determined the impact of its adoption.

Note 10: Convertible Subordinated Debentures

On June 4, 2001, the Company completed a private placement of $550,000,000 face amount Liquid Yield Option Notes (LYONs) due 2021. In connection with the sale of the LYONs, the Company received net proceeds of $294,096,000 and used the proceeds to pay down existing bank debt. Each LYON has a $1,000 face amount and was offered at a price of $551.26 (55.126% of the principle amount at maturity). The Company will not pay interest on the LYONs prior to maturity unless contingent interest becomes payable. Instead, on June 4, 2021, the maturity date of the LYONs, the holders will receive $1,000 per LYON. The issue price of each LYON represents a yield to maturity of 3.00%, excluding any contingent interest. The LYONs are subordinated in right of payment to all of the Company's existing and future senior indebtedness.

At any time on or before the maturity date, the LYONs are convertible into Vishay common stock at a rate of 17.6686 shares of common stock per $1,000 principal amount at maturity. The conversion rate may be adjusted under certain circumstances, but it will not be adjusted for accrued original issue discount.

The Company is required to pay contingent interest to the holders of the LYONs during the six-month period commencing June 4, 2006 and during any six-month period thereafter if the average market price of a LYON for a certain measurement period immediately preceding the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest payable during any six-month period will be the sum of any contingent interest payable in the first and second three-month periods during such six-month period. During any three-month period in which contingent interest becomes payable, the contingent interest payable per LYON for such period will be equal to the greater of (1) 0.0625% of the average market price of a LYON for the measurement period referred to above or (2) the sum of all regular cash dividends paid by the Company per share on its common stock during such three-month period multiplied by the number of shares of common stock issuable upon conversion of a LYON at the then applicable conversion rate.

The holders of the LYONs may require the Company to repurchase all or a portion of their LYONs on June 4, 2004, 2006, 2011 and 2016 at various prices set forth in the Offering Memorandum. The Company may choose to pay the purchase price in cash, common stock, or a combination of both. The Company may redeem for cash all or a portion of the LYONs at any time on or after June 4, 2006 at the prices set forth in the Offering Memorandum.

Note 11: Tantalum and Palladium

Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. Due to the strong demand for its tantalum capacitors and difficulty in obtaining sufficient quantities of tantalum powder from its suppliers, the Company stockpiled tantalum ore in 2000 and early 2001. During the nine months ended September 30, 2001, the Company experienced a significant decrease in sales due to declining orders and the deferral or cancellation of existing orders. The Company's tantalum capacitor business was particularly impacted by the slowdown in sales. Prices for tantalum ore and powder decreased during this period. As a result, the Company has recorded in costs of products sold write-downs of $17,000,000 and $37,000,000, respectively, on tantalum during the quarter and nine months ended September 30, 2001. The Company has entered into long-term take or pay contracts to purchase specified quantities of tantalum powder and wire at fixed prices through 2005. Under these contracts, the annual tantalum purchase commitments are approximately $47,000,000 for 2001 and $150,000,000 for 2002 through 2005. In addition, the Company makes purchases of tantalum powder and wire from other suppliers under annual contracts at prices that are subject to periodic adjustment.

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found in primarily South Africa and Russia. Palladium is a commodity product subject to price volatility. The price of palladium has fluctuated in the range of approximately $201 to $970 per troy ounce during the last three years, and as of September 30, 2001, the price of palladium was $360 per troy ounce. During the quarter ended September 30, 2001, the Company recorded in costs of products sold a writedown of $18,000,000 on palladium inventories.

Note 12: Subsequent Events

On November 2, 2001, the Company announced that it had completed the acquisition of General Semiconductor, Inc., a leading manufacturer of power management devices, following approval of the transaction and related matters by stockholders of the two companies. Shareholders of General Semiconductor received 0.563 shares of Vishay for each General Semiconductor share in a tax-free exchange. Approximately 21,298,140 shares of the Company's common stock were issued in the transaction. Options to purchase 4,240,660 shares of Vishay common stock were issued in exchange for General Semiconductor options. General Semiconductor also has outstanding $172.5 million principal amount of 5.75% convertible notes, which as a result of the acquisition are now convertible into approximately 6.3 million shares of Vishay common stock. Vishay also assumed other indebtedness of General Semiconductor in the amount of $85,000,000. The results of operations of General Semiconductor will be included in the Company's results as of November 2, 2001.

In connection with the approval of the General Semiconductor transaction, the stockholders of the Company also approved an increase in the authorized capitalization of the Company. The authorized common stock was increased from 150,000,000 to 300,000,000 shares and the authorized Class B common stock was increased from 20,000,000 to 40,000,000 shares.

On November 7, 2001, the Company acquired Yosemite Investment, Inc. d/b/a North American Capacitor Company, also known as Mallory, for $39 million. The Company borrowed funds from its revolving credit facility to finance the acquisition. With manufacturing facilities in Greencastle, Indiana and Glasgow, Kentucky, Mallory is a leading manufacturer of wet tantalum electrolytic capacitors and also manufactures aluminum and audible signal products. Mallory also markets and distributes aluminum, tantalum, film and ceramic capacitors. In the fiscal year ended October 31, 2001, Mallory had sales of approximately $44 million.

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

Results of Operations

Income statement captions as a percentage of sales, and the effective tax rates, were as follows:

	Three Months Ended September 30, 2001		Three Months Ended September 30, 2000		Nine Months Ended September 30, 2001		Nine Months Ended September 30, 2000	
Costs of products sold	91.2	%	55.3	%	74.2	%	59.3	%
Gross profit	8.8		44.7		25.8		40.7	
Selling, general and administrative expenses	19.4		11.3		15.8		12.0	
Operating income (loss)	(15.0)		33.0		5.7		28.2	
Earnings (loss) before income taxes and minority interest	(15.4)		34.3		6.0		28.1	
Net earnings (loss)	(11.8)		25.5		4.2		20.7	
Effective tax rate (benefit)	(23.6)		22.8		24.7		22.5	

Net Sales

Net sales for the quarter and nine months ended September 30, 2001 decreased $337,491,000, or 50.4%, and $547,254,000, or 30.0%, from the comparable prior year periods. Both the passive and active components businesses contributed to this decrease. The net sales of the passive components business were $189,192,000 for the third quarter of 2001 as compared to $457,183,000 for the third quarter of 2000, a 59.0% decrease. For the nine months ended September 30, 2001, passive net sales were $834,270,000 as compared to $1,176,990,000 for the comparable prior year period, a 29.1% decrease. The decrease in quarterly and year to date sales in 2001 was primarily due to low volume and strong pricing pressure with respect to commodity products and tantalum molded capacitor products. The net sales of the active components business were $143,101,000 for the third quarter of 2001 as compared to $212,601,000 for the third quarter of 2000, a 32.7% decrease. For the nine months ended September 30, 2001, active net sales were $439,925,000 as compared to $644,459,000 for the comparable prior year period, a 31.7% decrease. The decrease in the active sales was primarily due to the decrease in net sales of Siliconix, of which Vishay owns 80.4%. Siliconix's net sales for the quarter ended September 30, 2001 were $67,478,000 as compared to $126,738,000 for the third quarter of 2000, a 46.8% decrease. Siliconix's net sales for the nine months ended September 30, 2001 were $228,903,000 as compared to $361,540,000 for the comparable period in 2000, a 36.7% decrease. Overall, the Company continues to experience a slowdown in orders. The strengthening of the U.S. dollar against foreign currencies had the effect of decreasing reported net sales by $819,000 and $22,314,000 for the quarter and nine months ended September 30, 2001, respectively, as compared to the comparable prior year periods.

Costs of Products Sold

Costs of products sold for the quarter and nine months ended September 30, 2001 were 91.2% and 74.2% of net sales, respectively, as compared to 55.3% and 59.3% for the comparable prior year periods. Gross profit as a percentage of net sales for the quarter and nine months ended September 30, 2001 was 8.8% and 25.8%, respectively, as compared to 44.7% and 40.7% for the comparable prior year periods.

The passive components business gross profit margins for the quarter and nine months ended September 30, 2001 were (3.5%) and 24.8%, respectively, as compared to 46.2% and 41.4% for the comparable prior year periods. Strong pricing pressure, particularly with respect to commodity products, excess capacity and higher costs for palladium and tantalum powder contributed to the decline in profitability. Additionally, write-downs of $35,000,000 and $55,000,000 on tantalum and palladium inventories were taken during the quarter and nine months ended September 30, 2001, respectively, negatively impacting profitability.

The active components business gross profit margins for the quarter and nine months ended September 30, 2001 were 25.2% and 27.7%, respectively, as compared to 41.4% and 39.4% for the comparable prior year periods. The Siliconix operation was primarily responsible for this decrease. The gross profit margins for Siliconix for the quarter and nine months ended September 30, 2001 were 20.2% and 26.7%, respectively, as compared to 45.6% and 46.0% for the comparable prior year periods. Reduced demand and pricing pressures caused by excess industry capacity were primarily responsible for the decrease in gross margins.

Israeli government grants, recorded as a reduction of costs of products sold, for the quarter and nine months ended September 30, 2001 were $5,072,000 and $14,269,000, respectively, as compared to $3,987,000 and $11,404,000 for the comparable prior year periods. Future grants and other incentive programs offered to the Company by the Israeli government will likely depend on the Company's continuing to increase capital investment and the number of Company employees in Israel. Deferred income at September 30, 2001 relating to Israeli government grants was $57,785,000 as compared to $55,162,000 at December 31, 2000.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the quarter and nine months ended September 30, 2001 were 19.4% and 15.8% of net sales, respectively, as compared to 11.3% and 12.0% of net sales for the comparable prior year periods. The higher percentages in 2001 were due to reduced sales levels. Selling, general and administrative expenses decreased by $11,442,000 and $17,377,000 for the quarter and nine months ended September 30, 2001, respectively, as compared to the comparable prior year periods. The Company continues to implement cost reduction initiatives company-wide, with particular emphasis on reducing headcount in high labor cost countries.

Restructuring Expense

The Company incurred restructuring expense of $11,802,000 for the quarter ended September 30, 2001. Restructuring of European and Israeli operations included $1,449,000 of employee termination costs covering 1,091 technical, production, administrative, and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. In the United States, $5,180,000 of restructuring expense relates to employee termination costs covering 561 technical, production, administrative and support employees. The remaining $5,173,000 of restructuring expense relates to the non-cash writedown of buildings and equipment that is no longer in use.

Restructuring expense was $47,078,000 for the nine months ended September 30, 2001. Restructuring of European and Israeli operations included $14,522,000 of employee termination costs covering approximately 2,876 technical, production, administrative and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. The European operations also recorded $2,546,000 of non-cash costs associated with the writedown of buildings and equipment that is no longer in use. In the United States, $10,633,000 of restructuring expense relates to termination costs for approximately 1,662 technical, production, administrative and support employees. The remaining $19,377,000 of restructuring expense relates to the non-cash writedown of buildings and equipment that is no longer in use.

The restructuring expense reflects a portion of the cost reduction programs currently being implemented by the Company. The Company expects to take additional restructuring charges of approximately $23 million during 2001. As of September 30, 2001, $21,081,000 of severance costs have been paid. The remaining $4,074,000 of severance costs, currently shown in other accrued expenses, should be paid by December 31, 2001.

Interest Expense

Interest expense for the quarter ended September 30, 2001 increased by $1,013,000 when compared to the comparable prior year period. This slight increase was due to the interest recorded on the Company's zero-coupon subordinated notes due 2021 known as LYONs. For the nine months ended September 30, 2001, interest expense decreased by $12,458,000 as compared to the comparable prior year period. This decrease was a result of lower outstanding bank borrowings in 2001 as compared to the prior year. During the second quarter of 2001, the Company paid down the debt under its revolving credit agreement with the proceeds received from the issuance of the LYONs (see Note 10).

Other Income

Other income for the quarter and nine months ended September 30, 2001 was $2,035,000 and $14,599,000, respectively, as compared to $618,000 and $3,158,000 for the comparable prior year periods. These increases were primarily due to increases in interest income and foreign exchange gains.

Gain on Termination of Interest Rate Swap Agreements

During the second quarter of 2000, proceeds received from the Company's May 2000 Common Stock offering were used to pay down a portion of the debt outstanding under the Company's long-term revolving credit agreement. In connection with this repayment of debt, the Company terminated $125,000,000 notional amount of interest rate swap agreements and recognized a pretax gain of $6,375,000. In the third quarter of 2000, the Company terminated an additional $75,000,000 notional amount of interest rate swap agreements and recognized a pretax gain of $2,544,000.

Minority Interest

Minority interest for the quarter and nine months ended September 30, 2001 decreased by $6,326,000 and $15,448,000, respectively, as compared to the comparable prior year periods, primarily due to the decrease in net earnings of Siliconix.

Income Taxes

The effective tax rate for the nine months ended September 30, 2001 was 24.7% as compared to 22.5% for the comparable prior year period. The continuing low tax rates in Israel applicable to the Company, as compared to the statutory rate in the United States, resulted in increases in net earnings of $6,560,000 and $62,490,000 for the nine months ended September 30, 2001 and 2000, respectively. The more favorable Israeli tax rates are applied to specific approved projects and are normally available for a period of ten or fifteen years.

Financial Condition and Liquidity

Cash flows from operations were $138,083,000 for the nine months ended September 30, 2001 as compared to $419,862,000 for the comparable prior year period. The decrease in cash generated from operations in 2001 was primarily due to a decrease in net earnings as compared to the prior year period. Net purchases of property and equipment were $129,260,000 for the nine months ended September 30, 2001 as compared to $148,133,000 for the comparable prior year period. Cash and cash equivalents at September 30, 2001 increased by $73,660,000 as compared to December 31, 2000. The Company's financial condition at September 30, 2001 was strong, with a current ratio of 4.63 to 1. The Company's ratio of long-term debt, less current portion, to stockholders' equity was .16 to 1 at September 30, 2001 as compared to .08 to 1 at December 31, 2000.

On June 4, 2001, the Company completed a private placement of LYONs (see Note 10). The net proceeds of $294,096,000 were used to pay down existing bank debt, providing the Company flexibility with its revolving credit facility to fund future acquisitions. On November 2, 2001, the Company acquired General Semiconductor, Inc. in a stock-for-stock transaction (see Note 12), and borrowed $140,000,000 under its revolving credit facility. The funds were used to pay down the revolving bank debt of General Semiconductor and to finance the acquisition of Mallory. In connection with their approval of the General Semiconductor transaction, the stockholders of the Company also approved an increase in the capitalization of the Company to 300,000,000 shares of common stock and 40,000,000 shares of Class B convertible common stock. A portion of the additional authorized shares of common stock was required for issuance in the General Semiconductor acquisition and to accommodate the exercise of outstanding stock options. Shares of common stock not used for those purposes are available for future acquisitions, stock option grants, stock dividends and stock splits, and capital raising transactions. The additional authorized shares of Class B common stock are available for future stock dividends and stock splits. The Company has no current plans for any such transactions.

Pending Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board approved the issuance of Statements of Financial Accounting Standards No. 141, "Business Combinations" (Statement 141), and No. 142, "Goodwill and Other Intangible Assets" (Statement 142). These Statements change the accounting for business combinations, goodwill, and intangible assets. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. The Company is required to adopt the new rules effective January 1, 2002, except that the new rules are effective for any business combination that is completed after June 30, 2001. The Company has not yet determined what the effect of these statements will be on the earnings and financial position of the Company.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and provides a single accounting model for long-lived assets to be disposed of. Statement 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company will adopt this statement beginning January 1, 2002 and has not yet determined the impact of its adoption.

Inflation

Normally inflation does not have a significant impact on the Company's operations. The Company's products are not generally sold on long-term contracts. Consequently, selling prices, to the extent permitted by competition, can be adjusted to reflect cost increases caused by inflation.

Safe Harbor Statement

From time to time, information provided by the Company, including but not limited to statements in this report, or other statements made by or on behalf of the Company, may contain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties and contingencies, many of which are beyond the Company's control, which may cause actual results, performance or achievements to differ materially from those anticipated. The Company's 2000 Annual Report on Form 10-K identifies important factors that could cause the Company's actual results, performance or achievements to differ materially from those in any forward-looking statements made by or on behalf of the Company.

Market Risk Disclosure

The Company's cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. The Company manages its exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. The Company's policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives. The Company monitors its underlying market risk exposures on an ongoing basis and believes that it can modify or adapt its hedging strategies as needed.

The Company is exposed to changes in U.S. dollar LIBOR interest rates on borrowings under its floating rate revolving credit facility. At September 30, 2001, there was no outstanding balance under this facility. In connection with the acquisitions of General Semiconductor and Mallory (see Note 12), the Company borrowed $140,000,000 under its revolving credit facility.

On a selective basis, the Company from time to time enters into interest rate swap or cap agreements to reduce the potential negative impact that increases in interest rates could have on its outstanding variable rate debt. As of September 30, 2001, a fixed rate swap agreement was in place on a notional amount of $100,000,000. The impact of interest rate instruments on the Company's results of operations was not significant.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On April 25, 2001, Siliconix filed a patent infringement lawsuit against General Semiconductor. The suit was filed in the United States District Court for the Northern District of California and alleged that certain General Semiconductor products infringe two patents held by Siliconix. On July 2, 2001, General Semiconductor filed and served its answer to the Siliconix complaint and asserted counterclaims against Siliconix. On August 3, 2001, Siliconix filed a motion to dismiss or strike certain affirmative defense alleged by General Semiconductor in its answer and to dismiss or strike down all General Semiconductor counterclaims. This motion is scheduled to be heard on January 11, 2002.

Item 6. Exhibits and Reports on Form 8-K

Not applicable.

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/ Richard N. Grubb

Richard N. Grubb
Executive Vice President, Treasurer
(Duly Authorized and Chief Financial Officer)

Date: November 14, 2001