

**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 **October 2, 2004**

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

For the transition period from _____ to _____

Commission File Number 1-7416

VISHAY INTERTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

38-1686453

(State or Other Jurisdiction of Incorporation)

(I.R.S. Employer Identification Number)

**63 Lincoln Highway
Malvern, PA 19355-2120**

610-644-1300

(Address of Principal Executive Offices)

(Registrant's Area Code and Telephone Number)

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

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). **Yes** **No**

As of November 5, 2004 registrant had 151,420,737 shares of its common stock and 14,679,440 shares of its Class B common stock outstanding.

VISHAY INTERTECHNOLOGY, INC.

FORM 10-Q

October 2, 2004

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	October 2, 2004	December 31, 2003
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 640,023	\$ 555,540
Accounts receivable, net	396,648	374,240
Inventories:		
Finished goods	154,450	171,447
Work in process	162,032	154,532
Raw materials	223,579	189,413
Deferred income taxes	50,156	48,471
Prepaid expenses and other current assets	130,420	143,610
Total current assets	1,757,308	1,637,253
Property and equipment, at cost:		
Land	106,844	110,021
Buildings and improvements	416,235	375,178
Machinery and equipment	1,632,565	1,644,270
Construction in progress	72,193	85,169
Allowance for depreciation	(1,056,417)	(994,843)
	1,171,420	1,219,795
Goodwill	1,468,798	1,466,714
Other intangible assets, net	122,259	128,955
Other assets	130,954	119,796
Total assets	\$ 4,650,739	\$ 4,572,513

Continues on following page.

	October 2, 2004	December 31, 2003
	(unaudited)	
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to banks	\$ 11,155	\$ 17,511
Trade accounts payable	118,908	158,182
Payroll and related expenses	130,074	111,842
Other accrued expenses	266,000	288,432
Income taxes	24,652	10,112
Current portion of long-term debt	52	1,282
Total current liabilities	550,841	587,361
Long-term debt less current portion	740,160	836,606
Deferred income taxes	42,523	35,036
Deferred income	21,039	27,659
Other liabilities	250,756	248,652
Accrued pension and other postretirement costs	222,412	239,950
Minority interest	92,052	83,215
Stockholders' equity:		
Common stock	15,141	14,467
Class B common stock	1,468	1,538
Capital in excess of par value	2,027,687	1,918,785
Retained earnings	649,350	550,196
Unearned compensation	(155)	(306)
Accumulated other comprehensive income	37,465	29,354
	2,730,956	2,514,034
	\$ 4,650,739	\$ 4,572,513

See accompanying notes.

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

	Fiscal Quarter Ended	
	October 2, 2004	September 30, 2003
Net sales	\$ 584,320	\$ 533,168
Costs of products sold	443,342	419,313
Loss on long-term purchase commitments	—	11,392
Gross profit	140,978	102,463
Selling, general, and administrative expenses	95,879	91,481
Purchased in-process research and development	1,500	—
Restructuring and severance costs	4,997	6,313
Operating income	38,602	4,669
Other income (expense):		
Interest expense	(8,224)	(10,239)
Loss on extinguishment of debt	—	(9,910)
Gain on insurance claim	—	30,361
Other	4,415	(951)
	(3,809)	9,261
Earnings before taxes and minority interest	34,793	13,930
Income taxes	9,455	5,211
Minority interest	3,268	1,944
Net earnings	\$ 22,070	\$ 6,775
Basic earnings per share	\$ 0.13	\$ 0.04
Diluted earnings per share	\$ 0.13	\$ 0.04
Weighted average shares outstanding - basic	166,090	159,610
Weighted average shares outstanding - diluted	182,800	160,356

See accompanying notes.

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

	Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003
Net sales	\$ 1,871,940	\$ 1,603,398
Costs of products sold	1,402,327	1,247,734
Loss on long-term purchase commitments	—	11,392
Gross profit	469,613	344,272
Selling, general, and administrative expenses	292,570	282,787
Purchased in-process research and development	1,500	—
Restructuring and severance costs	7,057	19,258
Operating income	168,486	42,227
Other income (expense):		
Interest expense	(26,161)	(30,942)
Loss on extinguishment of debt	—	(9,910)
Gain on insurance claim	—	30,361
Other	8,440	(14)
	(17,721)	(10,505)
Earnings before taxes and minority interest	150,765	31,722
Income taxes	42,495	9,380
Minority interest	9,116	5,839
Net earnings	\$ 99,154	\$ 16,503
Basic earnings per share	\$ 0.61	\$ 0.10
Diluted earnings per share	\$ 0.55	\$ 0.10
Weighted average shares outstanding - basic	162,919	159,585
Weighted average shares outstanding - diluted	203,997	160,168

See accompanying notes.

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

	Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003
Operating activities		
Net earnings	\$ 99,154	\$ 16,503
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	146,970	145,873
Loss (gain) on disposal of property and equipment	1,452	(333)
Minority interest in net earnings of consolidated subsidiaries	9,116	5,839
Accretion of interest on convertible debentures	4,184	6,695
Purchase commitment liability	(25,130)	(9,608)
Writedowns of tantalum and palladium inventories	—	5,770
Inventory write-offs for obsolescence	24,697	36,162
Deferred grant income	(6,751)	(9,780)
Loss on extinguishment of debt	—	9,910
Gain on insurance claim	—	(30,361)
Purchased in-process research and development	1,500	—
Prepayment to Tower Semiconductor	(20,000)	—
Other	26,832	25,053
Changes in operating assets and liabilities, net of businesses acquired	(65,078)	(25,206)
Net cash provided by operating activities	196,946	176,517
Investing activities		
Purchase of property and equipment	(89,450)	(71,592)
Proceeds from sale of property and equipment	4,700	15,584
Purchase of software license	(4,500)	—
Purchase of businesses, net of cash acquired	(22,969)	(25,602)
Net cash used in investing activities	(112,219)	(81,610)
Financing activities		
Proceeds from long-term borrowings, net of issuance costs	100	484,208
Principal payments on long-term debt	(3,395)	(284,263)
Net payments on revolving credit lines	—	(111,000)
Net changes in short-term borrowings	(6,278)	(881)
Stock issuance costs	(194)	—
Proceeds from stock options exercised	9,025	170
Net cash (used in) provided by financing activities	(742)	88,234
Effect of exchange rate changes on cash	498	6,301
Increase in cash and cash equivalents	84,483	189,442
Cash and cash equivalents at beginning of period	555,540	339,938
Cash and cash equivalents at end of period	\$ 640,023	\$ 529,380

See accompanying notes.

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 presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all adjustments (consisting of normal recurring accruals) 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 comparative balance sheet at December 31, 2003 presented herein has been derived from the audited consolidated financial statements at that date. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto filed with the Company's Form 10-K for the year ended December 31, 2003. The results of operations for the third quarter and nine fiscal months ended October 2, 2004 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2004 end on April 3, 2004, July 3, 2004, October 2, 2004, and December 31, 2004, respectively. The four fiscal quarters in 2003 were reported as calendar year quarters; however, they actually ended on March 29, 2003, June 28, 2003, September 27, 2003, and December 31, 2003, respectively.

Certain prior period amounts have been reclassified to conform to the current financial statement presentation. The Company now classifies amortization of deferred financing costs as "interest expense" and has reclassified prior period amounts from "selling, general, and administrative expenses" to "interest expense". Amortization of deferred financing costs for the third quarters of 2004 and 2003 were \$486,000 and \$512,000, respectively. Amortization of deferred financing costs for the first nine fiscal months of 2004 and 2003 were \$1,725,000 and \$1,751,000, respectively.

Note 2: Acquisitions

As part of its growth strategy, the Company seeks to expand through acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which the Company has substantial marketing and technical expertise. Also as part of this growth strategy, the Company seeks to explore opportunities with privately held developers of electronic components, whether through acquisition, investment in non-controlling interests, or strategic alliances.

During the third quarter of 2004, the Company made two acquisitions. On August 31, 2004, the Company acquired substantially all of the assets of RFWaves, Ltd., a fab-less integrated circuit design house located in Israel. On September 29, 2004, the Company acquired all of the outstanding shares of Aeroflex Pearl River Inc. (renamed Vishay MIC Technology), the former thin film interconnect subsidiary of Aeroflex, Incorporated. The total purchase price of these acquisitions was approximately \$12,700,000, which included cash payments of \$11,800,000 plus 120,000 stock options with an aggregate fair value of approximately \$900,000. The stock options were valued using the Black-Scholes option-pricing model. The significant assumptions used included an exercise price of \$12.75 (market price on date of grant), an expected dividend yield of 0.0%, a risk-free interest rate of 3.76%, an expected volatility of 54.3%, and expected life of 7.0 years. The purchase agreement for RFWaves includes provisions to pay additional consideration subject to achieving operational targets through 2006. The payment of this additional consideration would not be material to Vishay's financial position or cash flows.

Purchased in-process research and development represents the value assigned in a business combination to research and development projects of the acquired business that were commenced, but not completed at the date of acquisition, for which technological feasibility has not been established, and which have no alternative future use in research and development activities or otherwise. Amounts assigned to purchased in-process research and development meeting the above criteria must be charged to expense at the date of consummation of the business combination. A charge of \$1,500,000 was recorded in the third quarter of 2004 in conjunction with the RFWaves acquisition based on a preliminary allocation of purchase price.

For financial reporting purposes, the results of operations for RFWaves have been included in the actives segment from September 1, 2004. The results of operations for Vishay MIC Technology have been included in the passives segment from September 29, 2004. The inclusion of these entities did not have a material impact on consolidated results for the third fiscal quarter of 2004. After allocating the purchase price to the assets acquired and liabilities assumed based on a preliminary evaluation of their fair values, the Company recorded goodwill of \$6.7 million related to these acquisitions. This preliminary allocation is pending finalization of appraisals for property and equipment, intangible assets, and in-process research and development; adjustment of liabilities recorded subsequent to the finalization of an exit plan that management began to formulate prior to the acquisition date; and the related deferred tax effects of any adjustments. There can be no assurance that the estimated amounts represent the final purchase allocation.

Had these acquisitions occurred as of the beginning of the periods presented in these financial statements, the pro forma statements of operations would not be materially different than the statements of operations presented.

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*):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Numerator:				
Numerator for basic earnings per share - net earnings	\$ 22,070	\$ 6,775	\$ 99,154	\$ 16,503
Interest savings assuming conversion of dilutive convertible and exchangeable notes, net of tax	1,121	—	13,498	—
Numerator for diluted earnings per share - adjusted net earnings	\$ 23,191	\$ 6,775	\$ 112,652	\$ 16,503
Denominator:				
Denominator for basic earnings per share - weighted average shares	166,090	159,610	162,919	159,585
Effect of dilutive securities				
Convertible and exchangeable notes	15,493	—	38,456	—
Employee stock options	1,149	661	2,204	505
Warrants	—	—	348	—
Other	68	85	70	78
Dilutive potential common shares	16,710	746	41,078	583
Denominator for diluted earnings per share - adjusted weighted average shares	182,800	160,356	203,997	160,168
Basic earnings per share	\$ 0.13	\$ 0.04	\$ 0.61	\$ 0.10
Diluted earnings per share	\$ 0.13	\$ 0.04	\$ 0.55	\$ 0.10

Diluted earnings per share do not reflect the following, as the effect would be antidilutive for the respective period:

- Weighted average outstanding warrants of 8,824,000 and 8,824,000, for the third quarters of 2004 and 2003, respectively, and 6,490,000 and 8,824,000, for the nine fiscal months ended October 2, 2004 and September 30, 2003, respectively.
- Weighted average outstanding stock options to purchase 5,723,000 shares and 6,494,000 shares of common stock for the third quarters of 2004 and 2003, respectively, and options to purchase 2,684,000 shares and 7,163,000 shares of common stock for the nine fiscal months ended October 2, 2004 and September 30, 2003, respectively.
- Assumed conversion of the Company's 3-5/8% convertible subordinated notes, due 2023, for the third quarter of 2004 and for the third quarter and nine fiscal months ended September 30, 2003. These notes were issued during the third quarter of 2003, and are convertible into 23,496,250 shares of common stock. As described in the Company's annual report on Form 10-K for the year ended December 31, 2003, these notes are only convertible upon the occurrence of certain events. While none of these events have occurred as of October 2, 2004, certain conditions which could trigger conversion have been deemed to be non-substantive, and accordingly, the Company assumes the conversion of these notes in its earnings per share computation during periods in which they are dilutive. These notes are dilutive to the nine fiscal months ended October 2, 2004.
- Assumed conversion of the Company's LYONs, due 2021, for the third quarter and nine fiscal months ended September 30, 2003. At September 30, 2003, these notes were convertible into 6,609,000 shares of the Company's common stock, subsequent to the Company's repurchase of some of these notes during the third quarter of 2003. The Company also repurchased some of these notes pursuant to the option of the holders to require repurchase of the LYONs on June 4, 2004, as described in Note 9. The remaining outstanding notes are dilutive to the third quarter and nine fiscal months ended October 2, 2004.
- Assumed exchange of the notes of Vishay from the December 13, 2002 acquisition of BCcomponents, for the third quarter and nine fiscal months ended September 30, 2003. These notes are exchangeable for 6,176,471 shares of the Company's common stock, and are dilutive to the third quarter and nine fiscal months ended October 2, 2004.
- Assumed conversion of the convertible subordinated notes of General Semiconductor, acquired November 2, 2001, for the third quarter and nine fiscal months ended September 30, 2003. These notes were fully redeemed on September 10, 2003.

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.

Business Segment Information (in thousands)	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net sales:				
Passives	\$ 290,698	\$ 268,368	\$ 937,771	\$ 823,298
Actives	293,622	264,800	934,169	780,100
	<u>\$ 584,320</u>	<u>\$ 533,168</u>	<u>\$ 1,871,940</u>	<u>\$ 1,603,398</u>
Operating income (loss):				
Passives	\$ 7,437	\$ (18,631)	\$ 60,382	\$ (25,603)
Actives	39,562	28,565	132,554	82,465
Corporate	(8,397)	(5,265)	(24,450)	(14,635)
	<u>\$ 38,602</u>	<u>\$ 4,669</u>	<u>\$ 168,486</u>	<u>\$ 42,227</u>
Restructuring and severance costs:				
Passives	\$ 4,594	\$ 5,525	\$ 5,466	\$ 17,826
Actives	403	788	1,591	1,432
	<u>\$ 4,997</u>	<u>\$ 6,313</u>	<u>\$ 7,057</u>	<u>\$ 19,258</u>

Operating income for the passives segment for the quarter and nine fiscal months ended September 30, 2003 includes \$11,392,000 for loss on future purchase commitments of tantalum, as well as \$4,185,000 to write down inventories of tantalum on hand to market value.

Note 5: Comprehensive Income

Comprehensive income includes the following components (in thousands):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net earnings	\$ 22,070	\$ 6,775	\$ 99,154	\$ 16,503
Other comprehensive income (loss):				
Foreign currency translation adjustment	20,480	(775)	7,990	50,487
Unrealized gain on interest rate swap	—	702	—	2,462
Unrealized gain (loss) on available for sale securities	37	—	(29)	—
Pension liability adjustment	(96)	1,782	150	1,246
Total other comprehensive income	20,421	1,709	8,111	54,195
Comprehensive income	\$ 42,491	\$ 8,484	\$ 107,265	\$ 70,698

Note 6: Restructuring, Severance, and Acquisition Integration Costs

Restructuring and Severance Costs

Restructuring and severance costs reflect the cost reduction programs currently being implemented by the Company. These include the closing of facilities and the termination of employees. Severance costs also include executive severance and charges for the fair value of stock options of certain former employees which were modified such that they did not expire at termination. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements of accrual are met. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates were too low or too high, the Company could be required either to record additional expenses in future periods or to reverse part of the previously recorded charges.

Third Quarter 2004

The Company recorded restructuring and severance costs of \$4,997,000 for the third quarter 2004. Restructuring of European and Asian operations included \$2,426,000 of employee termination costs covering 31 technical, production, administrative and support employees located in Germany, Austria, the United Kingdom, Portugal, the Netherlands, Hungary, and Japan. Severance costs of \$58,000 related to termination costs for 10 technical, production, administrative and support employees located in the United States. Additional restructuring costs of \$2,513,000 were incurred to terminate leases and other agreements prior to their expiration. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company.

In August 2004, the Company announced its intention to close its Colmar, France small-signal diode assembly facility and transfer production to other Vishay facilities. The Colmar facility was acquired as part of Vishay's acquisition of General Semiconductor, Inc. in November 2001. At that time, Vishay planned to transfer certain product manufacturing from Colmar to other Vishay locations. The Company's plans have been expanded such that it will shift production of all products manufactured at Colmar. No restructuring expense was recorded associated with the Colmar facility during the

quarter and nine-fiscal months ended October 2, 2004, because the Company's ability to close the facility was contingent upon negotiation with the workers' council representing the employees, which had not been completed as of the end of the quarter. The Company reached an agreement with the workers' council regarding severance in late October 2004.

Nine Fiscal Months Ended October 2, 2004

The Company recorded restructuring and severance costs of \$7,057,000 for the nine fiscal months ended October 2, 2004. Restructuring of European and Asian operations included \$4,335,000 of employee termination costs covering 75 technical, production, administrative and support employees located in Germany, Austria, the United Kingdom, Portugal, the Netherlands, Hungary, and Japan. Severance costs of \$209,000 related to termination costs for 36 technical, production, administrative and support employees located in the United States. Additional restructuring costs of \$2,513,000 were incurred to terminate leases and other agreements prior to their expiration.

Activity related to these costs for the nine fiscal months ended October 2, 2004 is as follows (*in thousands, except number of employees*):

	Severance Costs	Other	Number of Employees Terminated	Total
Restructuring and severance costs	\$ 4,544	\$ 2,513	111	\$ 7,057
Utilized	(2,091)	(13)	(80)	(2,104)
Balance at October 2, 2004	\$ 2,453	\$ 2,500	31	\$ 4,953

Substantially all of the remaining restructuring liability, currently shown in other accrued expenses, is expected to be paid by mid-year 2005.

Third Quarter 2003

The Company recorded restructuring expense of \$6,313,000 for the quarter ended September 30, 2003. Restructuring of European and Asian operations included \$5,021,000 of employee termination costs covering 134 technical, production, administrative and support employees located in Germany, France, Hungary, Portugal, the United Kingdom, Austria and the Far East. The remaining restructuring expense relates to \$281,000 of termination costs for 47 technical, production, administrative and support employees located in the United States, and \$1,011,000 for asset impairment charges. The restructuring expense was incurred as part of the cost reduction programs currently being implemented by the Company.

Nine Fiscal Months Ended September 30, 2003

The Company recorded restructuring expense of \$19,258,000 for the nine fiscal months ended September 30, 2003. Restructuring of European and Asian operations included \$16,921,000 of employee termination costs covering 480 technical, production, administrative and support employees located in Germany, France, Hungary, Portugal, the United Kingdom, Austria and the Far East. The remaining restructuring expense relates to \$1,326,000 of termination costs for 151 technical, production, administrative and support employees located in the United States, and \$1,011,000 for asset impairment charges. The restructuring expense was incurred as part of the cost reduction programs currently being implemented by the Company.

Year Ended December 31, 2003

The Company recorded restructuring and severance costs of \$29,560,000 for the year ended December 31, 2003. Restructuring of European and Asian operations included \$23,007,000 of employee termination costs covering 546 technical, production, administrative and support employees located in Germany, France, Hungary, Portugal, the United Kingdom, Austria and the Far East. The remaining \$6,553,000 of restructuring and severance costs relates to termination costs of \$5,539,000 for 162 technical, production, administrative and support employees located in the United States, and \$1,014,000 for asset write-downs. The restructuring and severance costs were incurred as part of the cost reduction programs being implemented by the Company.

Activity related to these costs is as follows (in thousands, except number of employees):

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs	\$ 28,546	\$ 1,014	708	\$ 29,560
Utilized	(14,195)	(1,014)	(653)	(15,209)
Foreign currency translation	1,623	—	—	1,623
Balance at December 31, 2003	15,974	—	55	15,974
Utilized	(11,747)	—	(50)	(11,747)
Foreign currency translation	(489)	—	—	(489)
Balance at October 2, 2004	\$ 3,738	\$ —	5	\$ 3,738

Substantially all of the remaining restructuring liability, currently shown in other accrued expenses, is expected to be paid by December 31, 2004.

Acquisition Integration Costs

Plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities are separate from restructuring and severance costs described above. The amounts for these integration costs are included in the costs of the Company's acquisitions and do not affect earnings or losses on the Company's statement of operations.

General Semiconductor

In connection with the General Semiconductor acquisition in November 2001, the Company recorded restructuring liabilities of \$94,643,000 under an exit plan that management began to formulate prior to the acquisition date. The exit plan includes downsizing certain European and Taiwan facilities and moving production to low-labor-cost areas such as Israel, the Czech Republic, and the People's Republic of China. The plan also includes reducing selling, general and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at General Semiconductor. The Company's goal under the plan is to achieve significant production cost savings through the transfer and expansion of manufacturing operations to regions such as Israel, the Czech Republic, and the People's Republic of China, where the Company can take advantage of lower labor costs and available tax and other government-sponsored incentives. Approximately \$88,242,000 of these restructuring liabilities related to employee termination costs covering approximately 1,460 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. The remaining \$6,401,000 related to provisions for lease cancellations and other costs. The liability is recorded in other accrued expenses, and the outstanding unpaid amount of the liability is expected to be paid upon the transfer of certain production to a newly constructed facility in the People's Republic of China. Future adjustments to decrease the restructuring liabilities would decrease goodwill.

A rollforward of the activity in these restructuring liabilities is as follows (in thousands, except number of employees):

	Severance Costs	Other	Number of Employees Terminated	Total
Balance at January 1, 2002	\$ 88,242	\$ 6,401	1,460	\$ 94,643
Utilized	(52,118)	(1,249)	(426)	(53,367)
Changes in estimate	(7,900)	—	(147)	(7,900)
Balance at December 31, 2002	28,224	5,152	887	33,376
Utilized	(6,563)	(2,641)	(118)	(9,204)
Foreign currency translation	504	—	—	504
Changes in estimate	(271)	—	—	(271)
Balance at December 31, 2003	21,894	2,511	769	24,405
Utilized	(1,853)	(623)	(27)	(2,476)
Foreign currency translation	(21)	—	—	(21)
Balance at October 2, 2004	\$ 20,020	\$ 1,888	742	\$ 21,908

BCcomponents

In connection with the BCcomponents acquisition in December 2002, the Company recorded restructuring liabilities of \$47,794,000 under an exit plan that management began to formulate prior to the acquisition date. Approximately \$45,855,000 of these liabilities related to employee termination costs covering approximately 780 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. The liability is recorded in other accrued expenses, and the outstanding unpaid amount of the liability is expected to be paid upon the transfer of certain production to facilities in lower-labor-cost countries, and successful certification of those facilities. Future adjustments to decrease the restructuring liabilities would decrease goodwill. A rollforward of the activity related to these restructuring liabilities is as follows (in thousands, except number of employees):

	Severance Costs	Other	Number of Employees Terminated	Total
Balance at December 31, 2002	\$ 45,855	\$ 1,939	780	\$ 47,794
Utilized	(30,018)	(1,939)	(624)	(31,957)
Foreign currency translation	5,153	—	—	5,153
Change in estimate	(1,328)	—	(13)	(1,328)
Balance at December 31, 2003	19,662	—	143	19,662
Utilized	(8,693)	—	(71)	(8,693)
Foreign currency translation	(509)	—	—	(509)
Balance at October 2, 2004	\$ 10,460	\$ —	72	\$ 10,460

Note 7: Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages entities to record compensation expense for stock-based employee compensation plans at fair value but provides the option of measuring compensation expense using the intrinsic value method prescribed in APB Opinion No. 25, *Accounting for Stock Issued to Employees*. The Company accounts for stock-based compensation in accordance with APB No. 25 and related interpretations. The following is provided to comply with the disclosure requirements of SFAS No. 123, as amended. If compensation cost for the Company's stock option programs had been determined using the fair-value method prescribed by SFAS No. 123, the Company's results would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net income, as reported	\$ 22,070	\$ 6,775	\$ 99,154	\$ 16,503
Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects	—	—	365	—
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(305)	(451)	(1,287)	(1,316)
Pro forma net income	\$ 21,765	\$ 6,324	\$ 98,232	\$ 15,187
Earnings per share:				
Basic—as reported	\$ 0.13	\$ 0.04	\$ 0.61	\$ 0.06
Basic—pro forma	\$ 0.13	\$ 0.04	\$ 0.60	\$ 0.06
Diluted—as reported	\$ 0.13	\$ 0.04	\$ 0.55	\$ 0.10
Diluted—pro forma	\$ 0.13	\$ 0.04	\$ 0.55	\$ 0.09

As described in Note 2, the Company issued 120,000 stock options as part of acquisitions during the third quarter of 2004.

On May 12, 2004, the Company's shareholders approved the Senior Executive Phantom Stock Plan. The Phantom Stock Plan authorizes the grant of up to 300,000 shares of phantom stock to the extent provided for in employment agreements with the Company. Each share of phantom stock entitles the recipient to receive a share of common stock at the individual's termination of employment or any other future date specified in the employment agreement. The shares of phantom stock are fully vested at all times.

The Phantom Stock Plan provides for the granting of shares of phantom stock to individuals whose employment arrangements with the Company provide for such grants. The Company has such employment arrangements with six of its executives. The arrangements provide for an annual grant of 5,000 shares of phantom stock to each of these executives. If the Company later enters into other employment arrangements with other individuals that provide for the granting of phantom stock, those individuals also will be eligible for grants under the Phantom Stock Plan. No grants may be made under the Phantom Stock Plan other than under the terms of employment arrangements with the Company.

If the Company declares dividends on its common stock, the dividend amounts with respect to the phantom stock will be deemed reinvested in additional shares of phantom stock.

The Board of Directors of the Company can amend or terminate the Phantom Stock Plan at any time, except that phantom stock already granted to any individual cannot be adversely affected without the individual's consent. Furthermore, stockholder approval of an amendment is required if the amendment increases the number of shares subject to the Phantom Stock Plan or otherwise materially amends the Phantom Stock Plan or if stockholder approval is otherwise required by applicable law or stock exchange rules. If the Board of Directors does not terminate the Phantom Stock Plan, it will terminate when all phantom stock has been awarded with respect to all 300,000 shares of common stock reserved for the Phantom Stock Plan.

On May 12, 2004, the Company granted 30,000 phantom stock units and recognized compensation expense of \$561,000, equal to the value of the underlying stock at the date of grant. The fair value of such grants pursuant to SFAS No. 123 is equal to the intrinsic value as determined pursuant to APB No. 25.

Note 8: Pensions and Other Postretirement Benefits

In December 2003, the Financial Accounting Standards Board (FASB) issued a revision to SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans, and also adds certain interim disclosure requirements. The Company has adopted the disclosure requirements required by SFAS No. 132 (revised 2003) for its U.S. pension and other postretirement plans, as reflected in Note 11 of its consolidated financial statements included in its Form 10-K for the year ended December 31, 2003. The interim disclosures are presented below. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until the Company's annual report on Form 10-K for the year ending December 31, 2004.

The following table shows the components of the net periodic benefit cost for the quarters and nine fiscal months ended October 2, 2004 and September 30, 2003 for the Company's U.S. pension benefits plans (in thousands):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net service cost	\$ 992	\$ 849	2,976	2,547
Interest cost	3,497	3,514	10,396	10,542
Expected return on plan assets	(3,935)	(3,130)	(11,805)	(9,390)
Amortization of prior service cost	373	8	613	24
Amortization of losses	816	1,071	2,448	3,213
Net periodic benefit cost	\$ 1,743	\$ 2,312	\$ 4,628	\$ 6,936

The following table shows the components of the net periodic benefit cost for the quarters and nine fiscal months ended October 2, 2004 and September 30, 2003 for the Company's U.S. other postretirement benefits plans (in thousands):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net service cost	\$ 69	\$ 62	\$ 201	\$ 186
Interest cost	369	340	1,105	1,020
Expected return on plan assets	—	—	—	—
Amortization of transition obligation	48	48	144	144
Amortization of prior service cost	18	12	52	36
Net periodic benefit cost	\$ 504	\$ 462	\$ 1,502	\$ 1,386

The following table shows the components of the net periodic benefit cost for the quarters and nine fiscal months ended October 2, 2004 and September 30, 2003 for the Company's foreign defined benefit pension plans (in thousands):

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Service cost	\$ 243	\$ 208	\$ 731	\$ 615
Interest cost	1,853	1,729	5,570	5,117
Expected return on plan assets	(127)	(114)	(383)	(339)
Amortization of transition obligation	—	(1)	—	(3)
Amortization of prior service cost	—	6	—	17
Curtailments	—	(41)	—	(120)
Amortization of losses	93	(23)	279	(70)
Net periodic benefit cost	\$ 2,062	\$ 1,764	\$ 6,197	\$ 5,217

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2003, that it expected to contribute \$10 million to its U.S. pension plans in 2004. As of the end of the third quarter 2004, \$9.6 million of contributions have been made.

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). On May 19, 2004, the FASB issued Staff Position No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003*, ("FSP No. 106-2"). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004 and provides that an employer shall measure the accumulated plan benefit obligation ("APBO") and net periodic postretirement benefit cost taking into account any subsidy received under the Act. Management does not believe that the prescription drug benefits available under its retiree health care benefit plans would be considered actuarially equivalent to Medicare Part D. Accordingly, the Company's measures of APBO and net periodic postretirement benefit cost as of and for the period ended October 2, 2004, do not include any subsidies which might be received under the Act.

In 2004, the Company entered into formal employment agreements with six of its executives. Certain aspects of these arrangements requiring shareholder approval were approved at the Company's annual meeting of shareholders on May 12, 2004, and accordingly, the Company began to reflect the related costs and obligations of these employment arrangements in its financial statements as of that date. These employment agreements provide medical benefits for these executives and their surviving spouses for life, up to a \$15,000 annual premium value per person. These benefits are fully vested, and accordingly, the obligations represent prior service costs which will be amortized over the average remaining expected services period for these six executives. Pursuant to the Company's employment agreement with its chairman and chief executive officer, the Company will provide an annual retirement benefit equal to 50% of his average base pay and bonus for the five years preceding his retirement (but not to exceed \$1 million annually). These pension benefits are unfunded and fully vested. The obligations represent prior service costs which will be amortized over the remaining expected service period.

Note 9: Debt

Liquid Yield Option™ Notes

The holders of the Company's Liquid Yield Option™ Notes (LYONs) had the option to require the Company to purchase all or a portion of their LYONs on June 4, 2004 at their accreted value of \$602.77 per \$1,000 principal amount at maturity. Pursuant to the terms of the notes, the Company could choose to pay the purchase price in cash, Vishay common stock, or a combination of both. On May 5, 2004, the Company notified holders of the notes that it had elected to pay the purchase price for the notes on the June 4, 2004 purchase date in shares of common stock.

Each holder of LYONs that exercised the option received 32.6669 shares per \$1,000 principal amount at maturity, determined by dividing the total amount of cash the holder would have been entitled to receive had the purchase price been paid in cash by the average market price of a share of common stock for the five day trading period ending on the third business day prior to the purchase date, which was the period from May 25, 2004 to and including June 1, 2004. This average market price was \$18.452.

Holders of \$169,435,000 principal amount at maturity (\$102,130,000 accreted principal amount) exercised their option. The Company issued 5,534,905 shares of common stock. The transaction resulted in a non-cash charge to equity of \$2,540,000 for the write-off of a portion of unamortized debt issuance costs associated with the 2001 issuance of the LYONs. Additionally, the Company incurred stock issuance costs of \$194,000 in the transaction, which were also recorded as a reduction in equity.

The remaining LYONs holders also have the right to require Vishay to repurchase the notes on June 4, 2006, June 4, 2011, and June 4, 2016 at their accreted value on these dates, as set forth in the notes.

Revolving Credit Facility

On May 24, 2004, the Company entered into a Consent and First Amendment to Vishay Intertechnology, Inc. Second Amended and Restated Long Term Revolving Credit Agreement, effective as of May 14, 2004. The amendment provides for lender consent to the corporate restructuring of certain subsidiaries of Vishay, permits subsidiary guarantees of certain equipment leases and revises and clarifies the conditions under which Vishay and its subsidiaries may extend loans to one another. In addition, in connection with the execution of the amendment, certain additional Vishay subsidiaries, which have become "significant subsidiaries" as that term is defined under the credit agreement, have become parties to various security and guaranty documents. Effective August 6, 2004, the Company entered into a second amendment, which made certain additional technical changes to the collateral arrangements under the revolving credit agreement.

Loss on Early Extinguishment of Debt

During the third quarter of 2003, the Company sold \$500 million aggregate principal amount of 3-5/8% convertible subordinated notes, due 2023. The proceeds of this offering were used to repay \$97.0 million accreted principal amount of its LYONs and \$171 million principal amount of the 5.75% convertible subordinated notes of its General Semiconductor subsidiary. The early extinguishment of the LYONs and the General Semiconductor notes resulted in a pretax loss of \$9,910,000 in the third quarter of 2003, which included premium on redemption of approximately \$7.3 million and write-off of deferred financing costs of approximately \$2.6 million.

Note 10: Commitments and Contingencies

On May 17, 2004, the Company's 80.4% owned subsidiary Siliconix announced that it had signed a definitive long-term foundry agreement for semiconductor manufacturing with Tower Semiconductor, pursuant to which it will purchase semiconductor wafers from and transfer certain technology to Tower Semiconductor.

Siliconix will place orders valued at approximately \$200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 over a seven to ten year period. The agreement specifies minimum quantities per month and a fixed quantity for the term of the agreement. Siliconix must pay for any short-fall in minimum order quantities specified under the agreement.

The technology transfer from Siliconix to Tower has started and is estimated to be completed by the second quarter of 2005. After the completion of the technology transfer, the expected purchase commitments are approximately \$8 million for year one of the agreement; approximately \$16 million for year two of the agreement; and approximately \$28 million per year through the end of the agreement. Based on the expected date of completion of the technology transfer in the second quarter of 2005, the purchase commitments would be approximately \$4 million, \$12 million, and \$22 million for the calendar years 2005, 2006, and 2007, respectively. An acceleration or delay in the completion of the technology transfer will accelerate or delay, respectively, the timing of the future purchase commitments.

All remaining conditions of this agreement were satisfied in the third quarter of 2004. Pursuant to the agreement, Siliconix advanced \$20 million to Tower in the third quarter of 2004, to be used for the purchase of additional equipment required to satisfy Siliconix's orders. This advance is considered a prepayment on future wafer purchases, reducing the per wafer cost to Siliconix over the term of the agreement. The consolidated condensed balance sheet as of October 2, 2004 includes \$204,000 in other current assets for prepayments expected to be utilized within one year and \$19,796,000 in other assets related to credits to be utilized during the remaining term of the agreement. An acceleration or delay in the completion of the technology transfer will accelerate or delay, respectively, the utilization of these prepayment amounts.

Note 11: Concentrations

The Company is a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. 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 and entered into long-term purchase arrangements with its supplier. In 2002 and 2003, prices of tantalum declined dramatically. During the third quarter of 2003, the Company recorded a write down of \$4,185,000 to reduce its tantalum inventories to then-current market value. The Company also recorded a loss on future purchase commitments of \$11,392,000 in the third quarter of 2003.

Note 12: Gain on Insurance Claim

On February 13, 2002, a fire occurred at the Electro-Films, Inc. (EFI) facility located in Warwick, Rhode Island causing a production stoppage of this product line. The Company received insurance proceeds based on its costs to replace the assets, which were in excess of the book value of the assets at the time of the fire. Upon resolution of most significant matters with respect to this insurance claim, the Company recognized a gain of \$30,361,000 related to the claim during the third quarter of 2003.

Note 13: New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 (“FIN 46”), *Consolidation of Variable Interest Entities, an interpretation of ARB 51*. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (“variable interest entities”) and how to determine when and which business enterprise (the “primary beneficiary”) should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity’s activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), *Consolidation of Variable Interest Entities* (“FIN 46-R”) to address certain FIN 46 implementation issues. The adoption of FIN 46 and FIN 46-R did not have a material effect on the Company’s financial position, results of operations, or liquidity.

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

Overview

Vishay operates in two segments, passive components and active components. We are the leading manufacturer of passive components in the United States and Europe. These components include resistors, capacitors, and inductors. We include in this segment our Measurements Group, which manufactures and markets strain gages, load cells, transducers, instruments and weighing systems whose core components are resistors that are sensitive to various types of mechanical stress. We are also one of the world's leading manufacturers of active electronic components, also referred to as discrete semiconductors. These include transistors, diodes, rectifiers, certain types of integrated circuits and optoelectronic products. Our active segment includes our 80.4% owned subsidiary, Siliconix. The passive components business had historically predominated at Vishay until the purchase of General Semiconductor in November 2001, after which the lead position shifted to the active business. With the acquisition of BCcomponents in December 2002, revenues from our active and passive businesses are essentially split evenly between the segments.

Sales for the third quarter of 2004 were \$584.3 million, a 10% increase as compared to sales of \$533.2 million for the third quarter 2003. Net earnings for the third quarter 2004 were \$22.1 million or \$0.13 per diluted share compared to net earnings of \$6.8 million or \$0.04 per share for the third quarter 2003. Earnings for the third quarter of 2004 were impacted by restructuring and severance costs of \$5.0 million, a write-off of purchased in-process research and development of \$1.5 million, partially offset by a favorable settlement of an outstanding note receivable of \$3.1 million. These items and their related tax effects reduced earnings by \$0.01 per share. Earnings for the third quarter of 2003 were impacted by restructuring and severance costs of \$6.3 million, a loss on early extinguishment of debt of \$9.9 million, a loss on long-term purchase commitments of \$11.4 million, and a write-down of inventories on hand to market value of \$4.2 million, offset by a gain on an insurance claim of \$30.4 million. These items and their tax related consequences had a negative \$0.02 effect on earnings per share for the third quarter of 2003. The charge for early extinguishment of debt related to refinancing of debt during the third quarter of 2003.

Sales for the nine fiscal months ended October 2, 2004 were \$1,871.9 million, a 17% increase as compared to sales of \$1,603.4 million for the comparable prior year period. Net earnings for the nine fiscal months ended October 2, 2004 were \$99.2 million or \$0.55 per diluted share compared to net earnings of \$16.5 million or \$0.10 per share for the comparable prior year period. Earnings for the nine fiscal months ended October 2, 2004 were impacted by restructuring and severance costs of \$7.1 million, a write-off of purchased in-process research and development of \$1.5 million, partially offset by a favorable settlement of an outstanding note receivable of \$3.1 million. These items and their related tax effects reduced earnings by \$0.02 per share. Earnings for the nine fiscal months ended September 30, 2003 were impacted by restructuring and severance costs of \$19.3 million, a loss on early extinguishment of debt of \$9.9 million, a loss on long-term purchase commitments of \$11.4 million, and a write-down of inventories on hand to market value of \$4.2 million, offset by a gain on an insurance claim of \$30.4 million. These items and their tax related consequences had a negative \$0.08 effect on earnings per share for the nine fiscal months ended September 30, 2003. The charge for early extinguishment of debt related to refinancing of debt during the third quarter of 2003.

While the third quarter and nine fiscal months ended October 2, 2004 show significant improvement over the comparable prior year periods, during the third quarter of 2004, we noted substantially deteriorating market conditions affecting our distributors despite a relatively friendly macro economy. We do not expect a strong short-term recovery, but continue to have confidence for solid 2005 results.

Financial Metrics

We utilize several financial measures and metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include sales, end-of-period backlog, and the book-to-bill ratio. We also monitor changes in average selling prices and inventory turnover.

End-of-period backlog is one indicator of future sales. However, 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.

Another 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 orders are 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 sales.

We also 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 cost 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 quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital. For the four fiscal quarters ended October 2, 2004, our inventory turnover was 3.22, as compared to 3.12 for the comparable period ended September 30, 2003 and 3.51 for the comparable period ended July 3, 2004. We attribute the improvement between the periods ended October 2, 2004 and September 30, 2003 to improved selling conditions and enhanced selling efficiencies implemented over the past year. We attribute the decline in inventory turnover between the periods ended October 2, 2004 and July 3, 2004 to lower sales volume.

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 sales, the end-of-period backlog, and the book-to-bill ratio for our business as a whole during the five quarters beginning with the third quarter of 2003 and through the third quarter of 2004.

	3rd Quarter 2003	4th Quarter 2003	1st Quarter 2004	2nd Quarter 2004	3rd Quarter 2004
Sales	\$ 533,168,000	\$ 567,199,000	\$ 640,921,000	\$ 646,699,000	\$ 584,320,000
End-of-Period Backlog	\$ 434,000,000	\$ 532,000,000	\$ 619,900,000	\$ 607,000,000	\$ 473,900,000
Book-to-Bill Ratio	1.03	1.14	1.14	0.98	0.84

Despite relatively friendly macroeconomic conditions, we noted a substantial deterioration in market conditions during the third quarter of 2004. Sales declined in the third quarter of 2004 as compared to the second quarter, although sales levels remain higher than in prior year comparable periods. Orders from original equipment manufacturers and electronic manufacturing services companies have been stable, with a book-to-bill of 1.02 for the third quarter of 2004. Orders from distributors, however, declined about 40% during the quarter, with a book-to-bill ratio of only 0.65. We attribute this to a perception by the distributors that their inventory levels were too high. We believe that distributors reduced inventories between 5% to 10% in the Americas and Europe during the third quarter of 2004, and expect Asian distributors to do the same during the fourth quarter of 2004. The weak distributor orders during the quarter have reduced the backlog as of the end of the third quarter of 2004. We do not expect a strong short-term recovery of distributor orders, but continue to have confidence for solid 2005 results.

Pricing in our industry can be volatile. During the third quarter of 2004, selling prices were virtually unchanged versus the prior quarter. The current average pricing levels are about 3% below average prices attained in 2003 and significantly below average prices attained in prior periods. We expect flat to modestly reduced pricing for the remainder of 2004.

Capacity Utilization

Capacity utilization is a reflection, in part, of product demand trends.

Capacity load declined during the third quarter of 2004 in the passive components segment. Resistors and inductors were operating at approximately 60% to 70% of capacity on average, as compared to 70% to 80% during the first and second quarters of 2004. Our capacitor lines are operating at approximately 60% of capacity, as compared to approximately 65% during the second quarter of 2004.

We continue to operate near full capacity in most of our active components facilities. We have taken and will continue to take necessary steps to increase our capacity to accommodate increased demand. These steps have included removing production bottlenecks in our fabrication facilities and securing additional equipment to expand our backend operations. We have made significant investments in expanding capacity in our active components facilities, which will ramp up in future quarters. The significant increase in capital expenditures required to support our expansion program is expected to be funded almost entirely by cash flows from operations.

To expand future front-end capacity, our 80.4%-owned subsidiary, Siliconix, entered a long-term foundry agreement for semiconductor manufacturing with Tower Semiconductor in May 2004, pursuant to which Siliconix will purchase semiconductor wafers from and transfer certain technology to Tower Semiconductor. Siliconix will place orders valued at approximately \$200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 over a seven to ten year period. The agreement specifies minimum quantities per month and a fixed quantity for the term of the agreement. Siliconix must pay for any short-fall in minimum order quantities specified under the agreement.

The technology transfer from Siliconix to Tower has started and is estimated to be completed by the second quarter of 2005. After the completion of the technology transfer, the expected purchase commitments are approximately \$8 million for year one of the agreement; approximately \$16 million for year two of the agreement; and approximately \$28 million per year through the end of the agreement. Based on the expected date of completion of the technology transfer in the second quarter of 2005, the purchase commitments would be approximately \$4 million, \$12 million, and \$22 million for the calendar years 2005, 2006, and 2007, respectively. An acceleration or delay in the completion of the technology transfer will accelerate or delay, respectively, the timing of the future purchase commitments.

All remaining conditions of this agreement were satisfied in the third quarter of 2004. Pursuant to the agreement, Siliconix advanced \$20 million to Tower in the third quarter of 2004, to be used for the purchase of additional equipment required to satisfy Siliconix's orders. This advance is considered a prepayment on future wafer purchases, reducing the per wafer cost to Siliconix over the term of the agreement. The condensed consolidated balance sheet as of October 2, 2004 includes \$0.2 million in other current assets for prepayments expected to be utilized within one year and \$19.8 million in other assets related to credits to be utilized during the remaining term of the agreement. An acceleration or delay in the completion of the technology transfer will accelerate or delay, respectively, the utilization of these prepayment amounts.

Acquisitions

As part of our growth strategy, we seek to expand through acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. Also as part of this growth strategy, we seek to explore opportunities with privately held developers of electronic components, whether through acquisition, investment in non-controlling interests, or strategic alliances.

During the third fiscal quarter of 2004, we completed two acquisitions. On August 31, 2004, we acquired substantially all of the assets of RFWaves, Ltd., a fab-less integrated circuit design house located in Israel. On September 29, 2004, we acquired all of the outstanding shares of Aeroflex Pearl River Inc. (renamed Vishay MIC Technology), the former thin film interconnect subsidiary of Aeroflex, Incorporated. The total purchase price of these acquisitions was approximately \$12.7 million, which included cash payments of \$11.8 million plus stock options with an aggregate fair value of approximately \$0.9 million. The purchase agreement for RFWaves includes provisions to pay additional consideration subject to achieving operational targets through 2006. The payment of this additional consideration would not be material to Vishay's financial position or cash flows.

Purchased in-process research and development represents the value assigned in a business combination to research and development projects of the acquired business that were commenced, but not completed at the date of acquisition, for which technological feasibility has not been established, and which have no alternative future use in research and development activities or otherwise. Amounts assigned to purchased in-process research and development meeting the above criteria must be charged to expense at the date of consummation of the business combination. A charge of \$1.5 million was recorded in the third quarter of 2004 in conjunction with the RFWaves acquisition based on a preliminary allocation of purchase price.

For financial reporting purposes, the results of operations for RFWaves have been included in the actives segment from September 1, 2004. The results of operations for Vishay MIC Technology have been included in the passives segment from September 29, 2004. The inclusion of these entities did not have a material impact on consolidated results for the third fiscal quarter of 2004. After allocating the purchase price to the assets acquired and liabilities assumed based on a preliminary evaluation of their fair values, we recorded goodwill of \$6.7 million related to these acquisitions. This preliminary allocation is pending finalization of appraisals for property and equipment, intangible assets, and in-process research and development; adjustment of liabilities recorded subsequent to the finalization of an exit plan that management began to formulate prior to the acquisition date; and the related deferred tax effects of any adjustments. There can be no assurance that the estimated amounts represent the final purchase allocation.

Had these acquisitions occurred as of the beginning of the periods presented in these financial statements, the pro forma statements of operations would not be materially different than the statements of operations presented.

Proposed Transaction

We are continuously evaluating opportunities to expand our business, whether through acquisition, investment in non-controlling interests, or strategic alliances. When appropriate or necessary, we periodically announce the status of possible transactions to the public. On October 6, 2004, we announced that we had signed a non-binding letter of intent with SI Technologies, Inc., which contemplates the acquisition of SI Technologies by Vishay for approximately \$17.65 million in cash, plus assumption of SI Technologies debt. SI Technologies, traded on NASDAQ, is a designer, manufacturer, and marketer of high-performance industrial sensors and controls, weighing and factory automotive systems, and related products. The proposed transaction is subject to the satisfactory completion of due diligence by Vishay, the execution of a definitive purchase agreement, the approval of the SI Technologies and Vishay Boards of Directors, approval of the SI Technologies shareholders, and other conditions which are customary for a transaction of this type. There can be no assurances that a transaction will be completed, or that it will be completed pursuant to the terms contemplated in the non-binding letter of intent.

Segments

The following table shows sales and book-to-bill ratios broken out by segment for the five quarters beginning with the third quarter of 2003 through the third quarter of 2004:

	3rd Quarter 2003	4th Quarter 2003	1st Quarter 2004	2nd Quarter 2004	3rd Quarter 2004
<i>Passive Components</i>					
Sales	\$ 268,368,000	\$ 281,558,000	\$ 321,328,000	\$ 325,745,000	\$ 290,698,000
Book-to-Bill Ratio	0.97	1.06	1.08	0.95	0.89
<i>Active Components</i>					
Sales	\$ 264,800,000	\$ 285,641,000	\$ 319,593,000	\$ 320,954,000	\$ 293,622,000
Book-to-Bill Ratio	1.09	1.23	1.21	1.02	0.79

Cost Management

We place a strong emphasis on reducing our costs. One way we do this is by moving production to the extent possible from high-labor-cost markets, such as the United States and Western Europe, to lower-labor-cost markets, such as Israel, Mexico, the Republic of China (Taiwan), the People's Republic of China and Eastern Europe. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we are successful in implementing this program. This percentage was 71% at the end of the third quarter 2004, as compared to 71% at the end of the second quarter 2004, and 69% at December 31, 2003. We continue to target improvement in this area as we proceed with the integration of the business of BCcomponents, acquired in December 2002. We expect this percentage to be 73% by the end of 2004. The long-term target remains between 75% and 80% of our headcount in lower-labor-cost countries.

Results of Operations

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

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Costs of products sold	75.9%	78.6%	74.9%	77.8%
Gross profit	24.1%	19.2%	25.1%	21.5%
Selling, general & administrative expenses	16.4%	17.2%	15.6%	17.6%
Operating income	6.6%	0.9%	9.0%	2.6%
Earnings before taxes & minority interest	6.0%	2.6%	8.1%	2.0%
Net earnings	3.8%	1.3%	5.3%	1.0%
Effective tax rate	27.2%	37.4%	28.2%	29.6%

We report interim financial information for 13-week periods ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2004 end on April 3, 2004, July 3, 2004, October 2, 2004, and December 31, 2004, respectively. The four fiscal quarters in 2003 were reported as calendar year quarters; however, they actually ended on March 29, 2003, June 28, 2003, September 27, 2003, and December 31, 2003, respectively.

Net Sales, Gross Profits and Margins

Net sales for the quarter and nine fiscal months ended October 2, 2004 increased \$51.2 million or 10% and \$268.5 million or 17%, respectively, as compared to the comparable prior year periods. The increase is attributable to strong volumes and positive foreign currency effects, partially offset by lower pricing. Despite the weaker market conditions during the third quarter of 2004, sales continue to be strong as compared to prior year periods. Compared to prior year periods, virtually all market segments performed better during the quarter and nine fiscal months ended October 2, 2004, versus the comparable 2003 periods. Telecom (networks and mobile phones) was particularly strong in Asia and Europe during the first half of 2004. Automotive products have been solid, particularly in Europe. Industrial products continued to be strong through the third quarter of 2004. We noted some softening of the Asian consumer products markets during the third quarter of 2004, especially compared to the strong conditions noted during the first half of the year. The European consumer products segment continues to be weak, as noted during the second quarter of 2004. We also noted a slow-down in notebook computers and mobile phones, mainly impacting Asia. Foreign exchange rates during the quarter and nine fiscal months ended October 2, 2004 positively impacted revenues by \$17 million and \$67 million, respectively, as compared to comparable prior year periods.

We deduct from the sales that we record to distributors allowances for future credits that we expect to provide for returns, scrapped product and price adjustments under various programs made available to the distributors. We make deductions corresponding to particular sales in the period in which the sales are made, although the corresponding credits may not be issued until future periods. We estimate the deductions based on sales levels to distributors, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies and open requests for credits. We recorded deductions from gross sales under our distributor incentive programs of \$43 million and \$48 million for the nine fiscal months ended October 2, 2004 and September 30, 2003, respectively, or, as a percentage of gross sales 2.2% and 2.9%, respectively. Actual credits issued under the programs for the nine fiscal months ended October 2, 2004 and September 30, 2003, respectively, were approximately \$41 million and \$43 million, respectively. The decrease in the incentives in 2004 is indicative of the improved business climate affecting our distributors and the electronic component industry generally, as compared to the prior year period. The decline in distributor orders during the third quarter of 2004 has not had a material impact on our distributor incentive programs. We continue to monitor the factors described above in light of current market conditions.

Costs of products sold as a percentage of net sales for the quarter and nine fiscal months ended October 2, 2004 was 75.9% and 74.9%, respectively, as compared to 78.6% and 77.8%, respectively, for the comparable prior year period. Gross profit as a percentage of sales for the quarter and nine fiscal months ended October 2, 2004 was 24.1% and 25.1%, respectively, as compared to 19.2% and 21.5%, respectively, for the comparable prior year periods. Gross profit margins for the current year periods were favorably impacted by volume increases and our cost reduction programs, partially offset by lower pricing. Gross profit for the quarter and nine fiscal months ended September 30, 2003 reflects a write down of tantalum inventory to lower of cost or market of \$4.2 million, which is included in cost of goods sold, and an accrual for loss on long-term purchase commitments of \$11.4 million. Gross profit for the nine fiscal months ended September 30, 2003 also includes a write down of \$1.6 million of palladium inventory.

Discussion and analysis of sales and gross profit margins for our passive and active segments are provided below.

Passive Components

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net sales	\$ 290,698,000	\$ 268,368,000	\$ 937,771,000	\$ 823,298,000
Gross margin percentage	20.4%	12.7%	22.1%	17.2%

Net sales of the passive components business for the quarter and nine fiscal months ended October 2, 2004 increased \$22.3 million (8%) and \$114.5 million (14%), respectively, as compared to the comparable prior year periods. Sales of resistors and inductors, while down 13% sequentially from the second quarter of 2004, increased 5% and 16% for the third quarter and nine fiscal months ended October 2, 2004, respectively, versus the comparable prior year periods. We noted similar trends in our capacitor product line sales, which were down 11% sequentially from the second quarter of 2004, but increased 6% and 14%, respectively, versus the comparable prior year quarter and year-to-date periods. Products sold by our Measurements Group division, transducers and load cells, showed greater stability in sales compared to the other product lines within the passive components segment. This is consistent with indications we noted during the second quarter of 2004 that bookings for the Measurements Group division products suggested strength in future period sales. Gross margins for the passive segment were 20.4% and 22.1%, respectively, for the quarter and nine fiscal months ended October 2, 2004 as compared to 12.7% and 17.2%, respectively, for the comparable prior year periods, primarily due to the absence of inventory-related charges in the current year periods, higher volume, lower obsolescence costs, and our cost reduction programs, partially offset by lower prices. Gross profit for the nine fiscal months ended September 30, 2003 also includes a write down of \$1.6 million of palladium inventory.

Several significant cost reduction programs have been initiated in all of the products lines, including facility combinations and shifting production to lower cost regions. The impact of these cost savings plans has been partially offset by the underutilization of capacity in commodity products.

Margins for the nine fiscal months ended October 2, 2004 were positively affected by raw material related write-downs and charges recorded in 2003 and 2002. During the year ended December 31, 2003, we recorded write-downs totaling \$5.4 million to reduce tantalum inventories to then-current market value, and a loss on purchase commitments for future delivery of tantalum of \$11.4 million. In addition, we recorded a write-down of \$1.6 million of palladium inventory. In 2002, we recorded a loss on long-term purchase commitments of tantalum of \$106.0 million and write-downs of \$27.4 million on tantalum and palladium inventories. The raw material write-downs have the effect of improving gross margins in subsequent periods by reducing cost of products sold as inventory is utilized. This effect cannot be precisely quantified in any specific reporting period, however, because of the large number of affected products and the impracticality of tracking raw material inventory usage on a product-by-product basis. Management estimates that the impact on margins for the nine fiscal months ended October 2, 2004 was between approximately \$5 million to \$8 million.

Active Components

	Fiscal Quarter Ended		Nine Fiscal Months Ended	
	October 2, 2004	September 30, 2003	October 2, 2004	September 30, 2003
Net sales	\$ 293,622,000	\$ 264,800,000	\$ 934,169,000	\$ 780,100,000
Gross margin percentage	27.8%	25.9%	28.1%	26.0%

Net sales of the active components business for the quarter and nine fiscal months ended October 2, 2004 increased \$28.8 million (11%) and \$154.1 million (20%), respectively, as compared to the comparable prior year periods. The increase in sales is primarily attributable to increased volumes and favorable mix, partially offset by lower prices versus the comparable prior year period. Our active components business was particularly impacted by the decline in distributor orders noted in the third quarter of 2004. Despite sequential declines in sales as compared to the second quarter of 2004, demand was stronger across all product lines and virtually all market segments during the third quarter and nine fiscal months ended October 2, 2004, versus the comparable prior year periods. In particular, sales volume of product for end-uses in the mobile phones and networks, industrial products, and consumer products (digital cameras and DVDs) were strong. Average selling prices during the third quarter of 2004 were approximately 1% lower than the average selling prices for the comparable prior year period. Gross margins were 27.8% and 28.1%, respectively, for the quarter and nine fiscal months ended October 2, 2004 as compared to 25.9% and 26.0%, respectively, for the comparable prior year periods. The improvement in margins is attributable to higher volumes and lower costs.

Selling, General, and Administrative Expenses

Selling, general, and administrative (SG&A) expenses as a percentage of net sales, for the quarter and nine fiscal months ended October 2, 2004, were 16.4% and 15.6%, respectively, as compared to 17.2% and 17.7%, respectively, for the comparable prior year periods. The prior year included expenses due to the acquisition of BCcomponents. Our cost reduction initiatives referred to above also target selling, general, and administrative costs and offset, in part, the acquisition related increases in SG&A margins. These improvements, as a percentage of sales, were achieved despite increased costs associated with Sarbanes-Oxley compliance requirements.

Restructuring and Severance Costs

Our restructuring activities have been designed to cut both fixed and variable costs, particularly in response to the reduced demand for products occasioned by the electronics industry downturn experienced in 2001-2003. These activities include the closing of facilities and the termination of employees. Restructuring costs are accounted for under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Because costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, we could be required either to record additional expenses in future periods or to reverse previously recorded expenses. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods. We expect to continue to restructure our operations and incur restructuring and severance costs. Restructuring and severance costs for the quarter and nine fiscal months ended October 2, 2004 were \$5.0 million and \$7.1 million, respectively.

On August 27, 2004, we announced our intent to close our Colmar, France small-signal diode assembly facility and transfer production to other Vishay facilities. The closure of the Colmar facility is consistent with Vishay's on-going strategy to improve competitiveness and reduce costs by shifting production from high-labor-cost markets to lower-labor-cost markets. The amount of severance payments was subject to negotiation with the labor council which represents the employees at the Colmar facility. At the end of the third quarter, an agreement had not been reached, and accordingly, no amounts were accrued during the third quarter of 2004 related to this intended plant closure. We reached an agreement in late October in regard to severance payments, and expect to record a charge to earnings of approximately \$26 million during the fourth quarter of 2004, the majority of which will represent severance pay.

We recorded restructuring and severance costs for the year ended December 31, 2003 of \$29.6 million, \$28.6 million of which was workforce reduction expense and \$1.0 million of which was fixed asset impairment. The workforce reduction expense for the year ended December 31, 2003, was comprised of termination costs for 708 employees in Europe, Asia and the United States. As of the end of the third quarter of 2004, approximately \$3.7 million of workforce reduction costs continue to be accrued. The balance of accrued workforce reduction costs remaining at the end of the third quarter 2004 is expected to be substantially all paid by the end of 2004. The fixed asset impairment related to facility closure. As a result of restructuring activities initiated in 2003, we expect an annual increase in gross profit of approximately \$10 million.

We recorded restructuring and severance costs for the years ended December 31, 2002 and 2001 of \$31.0 million and \$61.9 million, respectively. We realized savings in 2003 and 2004 related to these restructuring charges, and we expect to continue to realize annual cost savings associated with these restructuring activities initiated in 2002 and 2001.

Restructuring and severance costs are separate from plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities. These amounts are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations. For a discussion of these costs, see Note 2 to our consolidated financial statements.

Interest Expense

Interest expense for the quarter and nine fiscal months ended October 2, 2004 decreased \$2.0 million and \$4.8 million, respectively, as compared to the comparable prior year periods. These decreases are primarily attributable to repayment of debt with the proceeds of lower interest rate debt issued in the third quarter of 2003. These proceeds, from our issuance of our 3-5/8% convertible subordinated notes, were used to repay approximately \$171 million principal amount of General Semiconductor's 5.75% convertible notes, approximately \$97 million accreted principal amount of Liquid Yield Option™ Notes (LYONs) and \$130 million in borrowings under our revolving credit facility in the third quarter of 2003. Additionally, on June 4, 2004, we repurchased \$102.1 million accreted principal amount of LYONs through the issuance of 5,534,905 shares of common stock. The repurchase of the LYONs is expected to reduce future interest expense by approximately \$3 million per year.

Other Income (Expense)

We recorded a loss of \$9.9 million for extinguishment of debt in the third quarter of 2003 on the redemption of \$171 principal amount of the General Semiconductor notes and the repurchase of \$97.0 million in accreted amount of our LYONs. Also during the 2003 third quarter, we recorded a gain of \$30.4 million on the receipt of insurance proceeds in excess of book value on account of the destruction of the thin film resistor facility of our Electro-Films, Inc. subsidiary in Warwick, Rhode Island. That facility has now been completely rebuilt into a state-of-the-art production center. No comparable losses or gains were recorded in the corresponding quarter and nine fiscal month periods of 2004.

Other income (expense) for the quarter and nine fiscal months ended October 2, 2004 was income of \$4.4 million and \$8.4 million, respectively, compared to expense of \$1.0 million and a negligible amount, respectively, for the comparable prior year periods. The quarter and nine fiscal month periods of 2004 include a one-time gain of \$3.1 million due to the favorable settlement of an outstanding note receivable. For the third quarter of 2004, we experienced foreign exchange losses of approximately \$0.7 million, as compared to exchange losses of approximately \$1.4 million during the third quarter of 2003. During the nine fiscal months ended October 2, 2004, we had foreign gains of approximately \$1.4 million, as compared to foreign exchange losses of approximately \$3.9 million for the comparable prior year period. Interest income for the third quarter and nine fiscal months ended October 2, 2004 increased approximately \$1.4 million as compared to both the third quarter and nine fiscal months ended September 30, 2003, primarily attributable to an increase in invested cash and higher average interest rates. Additionally, the nine fiscal months ended October 2, 2004 include losses on disposal of fixed assets of \$1.5 million. The comparable prior year period included gains on sale of fixed assets of \$0.3 million.

Minority Interest

Minority interest in earnings increased \$3.3 million for the nine fiscal months ended October 2, 2004, as compared to the comparable prior year period, primarily due to the increase in net earnings of Siliconix, of which we own 80.4%.

Income Taxes

The effective tax rate, based on earnings before income taxes and minority interest, for the nine fiscal months ended October 2, 2004 was 28.2% as compared to 29.6% for the comparable prior year period. Excluding the impact of the minority interest, the effective tax rate was approximately the same for both periods.

The effective tax rates reflect the fact that we could not recognize for accounting purposes the tax benefit of losses incurred in certain jurisdictions, although these losses are available to offset future taxable income. Under applicable accounting principles, we may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of temporary timing differences, that would result in the utilization of loss carryforwards for tax purposes.

We enjoy favorable tax rates on our operations in Israel. Such rates are applied to specific approved projects and are normally available for a period of ten or fifteen years. The low tax rates in Israel applicable to us ordinarily have resulted in increased earnings compared to what earnings would have been had statutory United States tax rates applied.

Accordingly, earnings of our subsidiaries subject to Israeli taxes during the first nine fiscal months of 2004 resulted in an increase in earnings of approximately \$4 million as compared to what earnings would have been had statutory United States tax rates applied. Due to losses reported in Israel for the comparable period in 2003, there was no material impact on net earnings for the comparable period.

Financial Condition and Liquidity

Cash and cash equivalents were \$640 million at the end of the third quarter 2004, of which \$311 million belonged to Siliconix. Siliconix has its own Board of Directors which must approve transactions with Vishay. Excluding cash held by Siliconix, the remaining amount of \$329 million includes approximately \$264 million held by our non-U.S. subsidiaries. Our cash and most profits generated by foreign subsidiaries, including foreign subsidiaries of Siliconix, are expected to be reinvested indefinitely. Under U.S. tax law, any repatriation of earnings and cash back to the United States would be deemed to be a dividend and would be subject to U.S. income taxes, state income taxes, and foreign withholding taxes. We are currently evaluating the impact of repatriation of earnings and cash pursuant to the American Jobs Creation Act of 2004, which was signed into law in October 2004.

Cash flows from operations were \$196.9 million for the nine fiscal months ended October 2, 2004 as compared to \$176.5 million for the comparable prior year period, primarily attributable to increased earnings.

Our financial condition at the end of the third quarter 2004 continued to be strong, with a current ratio (current assets to current liabilities) of 3.2 to 1, as compared to 3.1 to 1 as of the end of the second quarter 2004, and as compared to 2.8 to 1 at December 31, 2003. The increase in this ratio in 2004 is primarily due to cash generated by operations and increases in receivables as a result of higher sales. Our ratio of long-term debt, less current portion, to stockholders' equity was 0.27 to 1 at the end of the third quarter 2004, the same ratio as of the end of the second quarter 2004. This ratio was 0.33 to 1 at December 31, 2003. The improvement in this ratio in 2004 is due to the reduction of debt subsequent to the issuance of shares of common stock to holders of our Liquid Yield Option™ Notes (LYONs) who elected to exercise their option to require us to repurchase their LYONs on June 4, 2004.

Holders of our LYONs had the option to require us to purchase all or a portion of their LYONs on June 4, 2004 at their accreted value of \$602.77 per \$1,000 principal amount at maturity. Pursuant to the terms of the notes, we elected to pay the purchase price in Vishay common stock. Holders representing approximately 44% of outstanding LYONs exercised their option. We issued 5,534,905 shares of common stock as consideration in the purchase of approximately \$102.1 million accreted principal amount of the LYONs. The remaining LYONs holders also have the right to require us to repurchase their notes on June 4, 2006, June 4, 2011, and June 4, 2016 at their accreted value on these dates, as set forth in the notes.

Even with the reduction of debt by \$102.1 million subsequent to our repurchase of the LYONs, our debt levels have increased significantly since 2000. This is primarily attributable to acquisition activity. Additionally, in 2003, we issued \$500 million of convertible subordinated notes, using a majority of the proceeds to repay other higher interest rate debt.

We maintain a secured revolving credit facility of \$400 million, which was extended in 2003 until May 2007. At October 2, 2004 and December 31, 2003, there were no borrowings outstanding under this credit facility.

Borrowings under the revolving credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that Vishay failed to make principal or interest payments under the revolving credit facility. If any subsidiary were to borrow under the credit facility, Vishay would provide a similar guarantee with respect to the subsidiary.

On May 24, 2004, we entered into a Consent and First Amendment to Vishay Intertechnology, Inc. Second Amended and Restated Long Term Revolving Credit Agreement, effective as of May 14, 2004. The amendment provides for lender consent to the corporate restructuring of certain subsidiaries of Vishay, permits subsidiary guarantees of certain equipment leases and revises and clarifies the conditions under which Vishay and its subsidiaries may extend loans to one another. In addition, in connection with the execution of the amendment, certain additional Vishay subsidiaries, which have become "significant subsidiaries" as that term is defined under the credit agreement, have become parties to various security and guaranty documents. Effective August 6, 2004, we entered into a second amendment, which made certain additional technical changes to the collateral arrangements under the revolving credit agreement. Our Siliconix subsidiary is not a party to our revolving credit agreement.

The credit facility restricts us from paying cash dividends and requires us to comply with other covenants, including the maintenance of specific financial ratios. Pursuant to the amended and restated credit facility agreement, we must maintain a tangible net worth of \$850 million plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings since July 1, 2003. Our tangible net worth at October 2, 2004, as calculated pursuant to the terms of the credit facility, stood at \$1,085 million, which is \$180 million more than the minimum required under the related credit facility covenant.

Net purchases of property and equipment for the nine fiscal months ended October 2, 2004 were \$89.5 million, as compared to \$71.6 million in the prior year period. Our capital expenditures are projected to grow from \$127 million in 2003 to \$160 million in 2004, in part to expand capacity in the active business. Purchase of businesses, net of cash acquired, of \$23.0 million and \$25.6 million, for the nine fiscal months ended October 2, 2004 and September 30, 2003, respectively, represent cash payments for the acquisition of the assets of RFWaves and the acquisition of Aeroflex Pearl River, Inc. (renamed Vishay MIC Technology) in 2004, and payments made related to liabilities assumed from previous acquisitions in both periods.

For the next twelve months, management expects that cash flows from operations will be sufficient to meet our normal operating requirements, to meet our obligations under restructuring and acquisition integration programs, and to fund our research and development and capital expenditure plans.

Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities, an interpretation of ARB 51*. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), *Consolidation of Variable Interest Entities ("FIN 46-R")* to address certain FIN 46 implementation issues. The adoption of FIN 46 and FIN 46-R did not have a material effect on our financial position, results of operations, or liquidity.

In December 2003, the FASB issued a revision to SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans. We adopted the annual disclosure requirements required by SFAS No. 132 (revised 2003) for our U.S. pension and other postretirement plans in our annual report on Form 10-K for the year ended December 31, 2003. This quarterly report on Form 10-Q includes the required interim disclosures. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until our annual report on Form 10-K for the year ending December 31, 2004.

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). On May 19, 2004, the FASB issued Staff Position No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003*, ("FSP No. 106-2"). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004 and provides that an employer shall measure the accumulated plan benefit obligation ("APBO") and net periodic postretirement benefit cost taking into account any subsidy received under the Act. Management does not believe that the prescription drug benefits available under our retiree health care benefit plans would be considered actuarially equivalent to Medicare Part D. Accordingly, our measures of APBO and net periodic postretirement benefit cost as of and for the period ended October 2, 2004, do not include any subsidies which might be received under the Act.

Safe Harbor Statement

Statements contained herein that relate to the Company's future performance, including statements with respect to trends in revenues and bookings and the anticipated future benefits of the Company's product, acquisition and cost reduction strategies are forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations only, and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the factors that could cause actual results to materially differ include: changes in the demand for, or in the mix of, our products and services; market-wide business and economic trends, generally or in the specific areas where we sell the bulk of our products; competitive pricing and other competitive pressures; changes in the pricing for new materials used by the Company, particularly tantalum and palladium; cancellation of a material portion of the orders in our backlog; difficulties in expansion and/or new product development, including capacity constraints and skilled personnel shortages; changes in laws, including trade restrictions or prohibitions and the cancellation or reduction of government grants, tax benefits or other incentives; currency exchange rate fluctuations; labor unrest or strikes; underutilization of plants and factories in high labor cost regions and capacity constraints in low labor cost regions; the availability of acquisition opportunities on terms considered reasonable by us; and such other factors affecting our operations, markets, products, services and prices as are set forth in our Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. We manage our 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. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed. No derivative financial instruments were utilized to hedge these exposures during the third quarter of 2004.

We are exposed to changes in U.S. dollar LIBOR interest rates on borrowings under our floating rate revolving credit facility. No amounts were outstanding under this facility during the quarter or nine fiscal months ended October 2, 2004. On a selective basis, from time to time, we enter into interest rate swap or cap agreements to reduce the potential negative impact that increases in interest rates could have on our outstanding variable rate debt. No such instruments were outstanding during the quarter or nine fiscal months ended October 2, 2004.

Item 4. Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the third quarter of 2004, including for purposes of ensuring that all material information required to be filed in this report has been made known to our management, including the CEO and CFO, in a timely fashion.

There has not been any change in our internal controls over financial reporting during the third quarter of 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 10.1 Employment agreement, between Vishay Intertechnology, Inc. and Dr. Felix Zandman.
- 10.2 Employment agreement, between Vishay Israel Ltd. (an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.) and Marc Zandman.
- 10.3 Employment agreement, between Vishay Europe GmbH (an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.) and Dr. Gerald Paul.
- 10.4 Employment agreement, between Vishay Intertechnology, Inc. and Richard N. Grubb.
- 10.5 Employment agreement, between Vishay Israel Ltd. (an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.) and Ziv Shoshani.
- 10.6 Employment agreement, between Vishay Intertechnology, Inc. and Robert A. Freece.
- 31.1 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Felix Zandman, Chief Executive Officer.
- 31.2 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Richard N. Grubb, 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. Felix Zandman, 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 –
Richard N. Grubb, Chief Financial Officer.

(b) Reports on Form 8-K:

On August 3, 2004, we filed a current report under Item 7 of Form 8-K, reporting our financial results for the second fiscal quarter of 2004.

On August 31, 2004, we filed a current report dated August 27, 2004 under Item 2.05 of Form 8-K, announcing our intention to close our Colmar facility.

On September 9, 2004, we filed a current report under Items 7.01 and 9.01, updating our guidance for the third fiscal quarter of 2004.

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, and Chief Financial Officer
(Principal Financial and Accounting Officer)**

Date: November 9, 2004

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between VISHAY INTERTECHNOLOGY, INC., a Delaware corporation ("Vishay"), and DR. FELIX ZANDMAN (the "Executive").

WITNESSETH:

WHEREAS, Vishay desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, Vishay and Executive intend for this Agreement to document the terms and conditions of the employment relationship;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

(a) Executive's conviction of a felony or any other crime involving moral turpitude (whether or not involving Vishay and/or its subsidiaries);

(b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its subsidiaries; or

(c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay and/or its subsidiaries applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay.

1.4 "Code" means the Internal Revenue Code of 1986, as amended, or any successor code.

1.5 "Common Stock" means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such

common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.6 “Competing Business” means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.7 “Date of Termination” means (i) the effective date on which Executive’s employment by Vishay terminates as specified in a Notice of Termination by Vishay or Executive, as the case may be or (ii) if Executive’s employment by Vishay terminates by reason of death, the date of Executive’s death.

1.8 “Deferred Compensation Plan” means the Vishay Intertechnology, Inc. Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.9 “Good Reason” means, without Executive’s express written consent, the occurrence of any of the following events:

(a) any material and adverse change in Executive’s titles, offices, duties or responsibilities (including reporting responsibilities) from those set forth in this Agreement, provided that the change from Chief Executive Officer to Chief Technology Officer, referenced in Section 3.1 shall not constitute Good Reason;

(b) a reduction in Executive’s annual base salary (as the same may be increased from time to time after the Effective Date);

(c) relocation of Executive’s principal place of performance to a location more than 30 miles from Malvern, Pennsylvania or such other location as may be determined by the Board of Directors pursuant to Section 3.4 hereof; or

(d) any other material breach of this Agreement by Vishay that is not remedied by Vishay within 20 business days after receipt by Vishay of notice thereof from Executive.

Notwithstanding the foregoing, an isolated and inadvertent action taken by Vishay in good faith which is remedied by Vishay within twenty (20) days after receipt by Vishay of notice thereof from Executive shall not constitute Good Reason.

1.10 “Non-Competition Period” means the period commencing upon the Date of Termination and continuing for the remainder of Executive’s life or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.11 “Non-Solicitation Period” means the period commencing upon the Date of Termination and continuing for the remainder of Executive’s life or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.12 “Notice of Termination” means a written notice of termination of Executive’s employment with Vishay, signed by Executive, if to Vishay, or by a duly authorized officer of Vishay, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Executive or Vishay to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or Vishay hereunder or preclude Executive or Vishay from asserting such fact or circumstance in enforcing Executive’s or Vishay’s rights hereunder.

2. Employment; Term.

2.1 Employment. Vishay hereby employs Executive, and Executive hereby accepts employment by Vishay, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The “Term” of this Agreement shall commence on the Effective Date and continue until terminated in accordance with the provisions of this Agreement.

3. Duties.

3.1 Position. During the Term, Executive shall serve as Chairman of the Board of Directors and Chief Executive Officer of Vishay and shall report directly to the Board of Directors. It is anticipated that in the future Executive will relinquish his position as Chief Executive Officer and assume the position of Chief Technology Officer of Vishay, reporting directly to the Board of Directors, in which event all of the provisions of this Agreement shall continue in effect.

3.2 Authority and Responsibility. Executive shall have such authority and responsibility as is customary for the chairman of the board of directors and chief executive officer (or, in the event that Executive is so appointed, chief technology officer) of a major multi-national corporation.

3.3 Activities. Excluding any periods of vacation, personal and sick leave to which Executive is entitled, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of Vishay. It shall not be considered a violation of the foregoing for Executive to (i) serve on corporate, industry, civic or charitable boards or committees or (ii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive’s responsibilities as an employee of Vishay in accordance with this Agreement.

3.4 Place of Performance. Executive’s employment and office shall be based at Vishay’s offices in Malvern, Pennsylvania or such other location as the Board of Directors shall determine. Executive recognizes that his duties will require travel to domestic and international locations, at Vishay’s expense.

4. Compensation.

4.1 Base Salary. Vishay shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors, of not less than \$975,000 per year. Such base salary shall be paid in accordance with Vishay's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive (for example, 401(k) contributions).

4.2 Bonus. Executive shall be entitled to an annual performance bonus pursuant to the Vishay Intertechnology Section 162(m) Cash Bonus Plan (the "Cash Bonus Plan") or any successor plan. Such bonus shall be payable in cash, equal to the lesser of (i) 3.0% of Vishay's adjusted net income, as determined under the terms of the Cash Bonus Plan, and (ii) three times Executive's base salary for the year in which the bonus is earned. Although the Board of Directors intends that the Cash Bonus Plan be the primary vehicle for the Executive's bonus, the Board of Directors retains the authority to grant additional bonuses in excess of the limits under the Cash Bonus Plan.

4.3 Mandatory Deferral of Compensation. To the extent that all or a portion of Executive's compensation payable hereunder, after taking into account all other compensation Executive receives from Vishay, is not deductible by Vishay by operation of Section 162(m) of the Code or any other similar regulatory limitation, Vishay shall not pay such compensation to Executive and, in lieu thereof, shall credit the amount of such compensation to Executive's account under the Deferred Compensation Plan.

4.4 Phantom Stock Awards. As of January 1 of each year of the Term, Vishay shall grant Executive 5,000 shares of phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan.

5. Benefits.

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance, life insurance and retirement plans which are generally made available by Vishay to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Pension. Vishay shall provide Executive with a pension, as set forth in Attachment A hereto, providing annual annuity payments for Executive's life equal to the lesser of (i) 50% of Executive's average base salary and the average annual bonus to which Executive was entitled (without regard to whether Executive waived payment of all or part of such bonus) for the five calendar years preceding the Executive's termination of employment and (ii) \$1,000,000.

5.3 Deferred Compensation Plan. As of September 1, 2004, Vishay shall credit Executive's account under the Deferred Compensation Plan with an amount equal to the sum of (i) \$150,000 and (ii) the product of \$150,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns

on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of each January 1 of the Term beginning with January 1, 2005, Vishay shall credit \$150,000 to Executive's account under the Deferred Compensation Plan. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.4 Reimbursement of Expenses. In accordance with Vishay's standard reimbursement policies as they exist from time to time, Vishay shall reimburse Executive for all reasonable and documented travel, business entertainment and other business expenses incurred by Executive in connection with the performance of his duties under this Agreement.

5.5 Vacation, Personal and Sick Days. Executive shall be entitled to paid vacation days, holidays, personal and sick days in accordance with and subject to Vishay's policies for Vishay's senior executives, as in effect from time to time.

5.6 Indemnification. Vishay shall indemnify Executive to the extent provided in Vishay's certificate of incorporation and/or bylaws, as in effect from time to time.

5.7 Other. Executive shall be entitled to such other benefits or perquisites as Vishay generally makes available to its senior executives.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with Vishay may be terminated at any time under the following circumstances:

(a) Death. Executive's employment hereunder shall terminate upon Executive's death.

(b) Termination by Vishay. Vishay may terminate Executive's employment with or without Cause, by Notice of Termination to Executive, provided, however, that Vishay shall not terminate Executive's employment without Cause unless it gives Executive no less than thirty (30) days written notice. A termination due to Executive's disability shall be equivalent to a termination by Vishay without Cause.

(c) Termination by Executive. Executive may terminate his employment with or without Good Reason, by Notice of Termination to Vishay, provided, however, that Executive shall not terminate his employment without Good Reason unless he gives Vishay no less than thirty (30) days written notice.

6.2 Compensation Upon Termination.

(a) General. Upon termination of Executive's employment with Vishay, Executive shall be entitled to the following, except that Executive will not be entitled to item (vi) below if Executive is terminated by Vishay for Cause:

(i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.

- (ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iii) Payment of the phantom stock awards pursuant to Section 4.4.
- (iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (v) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to Vishay, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

(b) Termination by Vishay Without Cause; Termination by Executive With Good Reason. In addition to the foregoing, in the event Executive's employment with Vishay is terminated by Vishay without Cause or by Executive with Good Reason, the following shall apply:

- (i) Payment of the amount Executive would have received (if not for Executive's termination of employment) as a bonus pursuant to Section 4.2 hereof for the calendar year of the Date of Termination, which amount shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (ii) Executive and Vishay shall negotiate in good faith to provide Executive with a severance benefit that is comparable to severance arrangements paid by companies of similar size and in similar business to their most senior executives.
- (iii) Executive shall receive the payments described in Section 6.3 hereof, in recognition of the fact that a substantial portion of Vishay's profitability is due to Executive's Product Developments, as defined below.

6.3 Executive's Product Developments; Royalty.

(a) Executive's Product Developments. For purposes of this Section 6.3 the term "Executive's Product Development" or "Executive's Product Developments" shall include inventions, discoveries, improvements, results of research, processes, compounds, trade secrets, projects, devices and techniques, whether or not patentable, created, developed or discovered by, or under the direction of, Executive, as set forth on Attachment B hereto with respect to the period from March 15, 1985 to the Effective Date and, subsequent to the Effective Date, as determined by the Board of Directors, in its discretion, annually or at such other intervals as the Board may determine. Any such determination shall be recorded in the minutes of a meeting of the Board of Directors or in another document executed by a majority of the Board of Directors, a copy of which minutes or other document shall be furnished to Executive. Executive shall have the right, exercisable by written notice to the Board of Directors, to claim the existence of any such Executive's Product Developments with respect to any calendar year for which the Board of Directors did not make such a determination. If, within 30 days after receipt of such notice, the Board of Directors fails or refuses to accept such claim, Executive shall have the right to arbitrate such claim in accordance with Section 8.9 hereof.

(b) Royalty Payments. If Executive's employment hereunder shall be terminated by Vishay without Cause or by Executive for Good Reason, in addition to any other legal rights and remedies to which Executive may be entitled, Vishay shall pay to Executive (or to his estate, as the case may be) from the Date of Termination until the tenth anniversary of such date, an amount (the "Royalty") equal to 5% of gross sales, less returns and allowances, for each such year, of products of Vishay which incorporate Executive's Product Developments created, discovered, or developed by, or under the direction of, Executive after March 15, 1985; provided that if a single product incorporates more than one Executive's Product Development, the sales of such product shall be taken into account only once in calculating the Royalty with respect to any fiscal quarter.

(c) Method of Payment. The Royalty shall be payable to Executive quarterly by delivery to Executive of a check in the appropriate amount of United States Dollars drawn on a bank located within 50 miles of Vishay's headquarters (x) in the case of each of the first three fiscal quarters of Vishay, within 60 days after the end of such fiscal quarter, the calculation of such Royalty to be based upon the unaudited quarterly financial statements of Vishay, prepared in accordance with generally accepted accounting principles, for each such quarter, and (y) in the case of the fourth fiscal quarter of Vishay, within 110 days after the end of such fiscal quarter, the calculation of such Royalty to be based upon the financial statements of Vishay for such fiscal year which have been audited by Vishay's regular auditors. Payment of each such Royalty shall be accompanied by a statement setting forth the details with respect to, and the basis of, the calculation of the amount of such Royalty payment, and accompanied by the unaudited financial statements of Vishay for such quarter or the audited financial statements for such year, as the case may be; provided that such unaudited financial statements and statements with respect to calculation of the Royalty shall be certified as to accuracy in all material respects by the chief financial officer in Vishay and such audited financial statements of Vishay and statements with respect to calculation of the Royalty shall be certified as to accuracy in all material respects by Vishay's regular auditor. In the event that Vishay fails to provide in any quarter the financial statements required by this Section 6.3(c), the calculation of the Royalty for such quarter shall be based on the financial statements for the preceding quarter, subject to adjustment as set forth in the following paragraph.

(d) Adjustments. The amount of the Royalty shall be subject to adjustment at the end of each fiscal year, as follows: (A) if, based upon the audited financial statements of Vishay for such year, Vishay paid Executive for such year a Royalty lower than that indicated by such financial statements, Vishay shall promptly pay to Executive the balance owed to him; and (B) if, based upon the audited financial statements for such year, Vishay paid Executive for such year a Royalty in excess of that indicated by such financial statements, such excess amount shall automatically be deducted from the amount of the Royalty payable to Executive with respect to the next succeeding quarter.

(e) Resolution of Disputes. In the event that a dispute arises with respect to the amount of any Royalty payment, Executive shall select a nationally recognized certified public accountant, reasonably acceptable to Vishay, to resolve such dispute. The determination of such accountant shall be final and binding upon the parties.

All references in this Section 6.3 to financial statements of Vishay, whether audited or unaudited, shall mean the consolidated financial statements of Vishay.

6.4 Additional Payments By Vishay.

(a) It is the understanding of the parties hereto that neither the payments set forth in Sections 6.2 and 6.3 nor any other payment under this Agreement is contingent upon or related to a change in control of Vishay and all such payments are to be paid without regard to the occurrence of a change in control of Vishay.

(b) Notwithstanding the foregoing, in view of the fact that if Executive's employment were to terminate subsequent to a change in control of Vishay, the Internal Revenue Service might assert that all or some such payments are contingent upon a change in control of Vishay, the parties hereto agree as follows: In the event that the aggregate of all or some of the payments or benefits made or provided to Executive under this Agreement (the "Aggregate Payment") is determined to constitute a Parachute Payment, as such term is defined in Section 280G(b)(2) of the Code, or any successor provision, Vishay shall pay to Executive, prior to the time any excise tax imposed by Section 4999 of the Code, or any successor provision ("Excise Tax"), is payable with respect to such Aggregate Payment, an additional payment in an amount such that after payment by Executive of all taxes, including, without limitation, any income, employment and excise tax (including any interest or penalties imposed with respect to such taxes) imposed upon such additional payment, the Executive retains an amount of such additional payment equal to the Excise Tax imposed upon the Aggregate Payment. The determination of whether the Aggregate Payment constitutes a Parachute Payment and, if so, the amount to be paid to Executive and the time of payment pursuant to this Section 6.4, shall be made by an independent auditor (the "Auditor") selected and paid by Vishay; provided, however, that the Auditor shall be a nationally recognized United States public accounting firm. Notwithstanding the foregoing, in the event that the amount of Executive's Excise Tax liability is subsequently determined to be greater than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.4 has been made, Vishay shall pay to Executive an additional amount with respect to such additional Excise Tax (and any interest and penalties thereon) at the time that the amount of the actual Excise Tax liability is finally determined, such additional amount to be calculated in the same manner as such initial payment. In the event that the

amount of Executive's Excise Tax liability is subsequently determined to be less than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.4 has been made, Executive, at the time that the amount of the actual Excise Tax liability is finally determined, shall pay to Vishay the amount by which such initial payment exceeds the amount of Executive's Excise Tax liability. Executive and Vishay shall cooperate with each other in connection with any action, arbitration, suit, investigation or proceeding (collectively, "Proceeding") relating to the existence or amount of liability for Excise Tax, and all expenses relating to any such Proceeding (including all reasonable attorney's fees and other expenses incurred by Executive in connection therewith) shall be paid by Vishay promptly upon notice of demand from Executive.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

(a) solicit any customer of Vishay or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;

(b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to

terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries or affiliates, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;

(c) persuade or seek to persuade any customer of Vishay or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or

(d) interfere in any manner in the relationship of Vishay or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of Vishay and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated, relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and Vishay (for purposes hereof, Vishay shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Acknowledgements Respecting Restrictive Covenants.

- (a) Executive has carefully read and considered the provisions of this Section 7 and, having done so, agrees that:
- (i) the restrictive covenants contained in this Section 7, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Executive's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and

(ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Section 7 and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Section 7, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Section 7. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Section 7, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Section 7, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 7.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

7.6 Consideration. Executive hereby acknowledges that Vishay's obligation to make payments to Executive pursuant to Section 4 and Section 6 of this Agreement is in consideration of Executive's agreement to be bound by and comply with the provisions of this Section 7.

8. Miscellaneous.

8.1 Key Man Insurance. Executive recognizes and acknowledges that Vishay or its affiliates may seek and purchase one or more policies providing key man life insurance with respect to Executive, the proceeds of which would be payable to Vishay or such affiliate. Executive hereby consents to Vishay or its affiliates seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or its affiliates to seek, purchase and maintain in full force and effect such policy or policies. Vishay shall ensure that under no circumstances shall the results of any such medical examination shall be disclosed to any person or entity, including Vishay, other than to the Executive and to the applicable insurance company for purposes of providing such insurance, which insurance company shall hold such results in the strictest confidence.

8.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent by (i) personal delivery to the party entitled thereto, (ii) facsimile with confirmation of receipt, (iii) registered or certified mail, return receipt requested, or (iv) Federal Express or similar courier service. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission or courier service, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, Pennsylvania 19355-2120
Attention: Chief Financial Officer

To Executive:

Dr. Felix Zandman
[personal address omitted]

8.3 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

8.4 Successors.

(a) This Agreement is personal to Executive and, without the prior written consent of Vishay, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

(c) Vishay shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the assets of Vishay expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay" shall mean both Vishay as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

8.5 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.6 Withholding Taxes. Vishay may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable federal, state, local or other law, Vishay is required to withhold therefrom.

8.7 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.8 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law.

8.9 Arbitration. Any dispute or controversy under this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitration award in any court having jurisdiction. The arbitrator may award legal fees but shall not be obligated to do so.

8.10 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.11 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive has executed this Agreement and, pursuant to the authorization of the Compensation Committee of the Board of Directors, Vishay has caused this Agreement to be executed in its name and on its behalf, all as of the date above written.

VISHAY INTERTECHNOLOGY, INC.

By: /s/ RICHARD N. GRUBB

Name: Richard N. Grubb
Title: Chief Financial Officer

EXECUTIVE:

/s/ DR. FELIX ZANDMAN

Dr. Felix Zandman

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between Vishay Israel Ltd., a corporation organized under the laws of the State of Israel ("Vishay Israel") and a wholly-owned subsidiary of Vishay Intertechnology, a Delaware corporation ("Vishay"), and MARC ZANDMAN (the "Executive").

WITNESSETH:

WHEREAS, Vishay Israel desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, Vishay Israel and Executive intend for this Agreement to document the terms and conditions of the employment relationship;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

- (a) Executive's conviction of a felony or any other crime involving moral turpitude (whether or not involving Vishay and/or its subsidiaries);
- (b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its subsidiaries; or
- (c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay and/or Vishay Israel applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay Israel.

1.4 “Common Stock” means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.5 “Competing Business” means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.6 “Date of Termination” means (i) the effective date on which Executive’s employment by Vishay Israel terminates as specified in a Notice of Termination by Vishay Israel or Executive, as the case may be or (ii) if Executive’s employment by Vishay terminates by reason of death, the date of Executive’s death. Notwithstanding the previous sentence, if Executive’s employment is terminated by Vishay Israel without Cause or by Executive without Good Reason, then such Date of Termination shall be no earlier than thirty (30) days following the date on which a Notice of Termination is received.

1.7 “Deferred Compensation Plan” means the Vishay Interetechnology, Inc. Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.8 “Good Reason” means, without Executive’s express written consent, the occurrence of any of the following events:

(a) any material and adverse change in Executive’s titles, offices, duties or responsibilities (including reporting responsibilities) with respect to Vishay Israel or Vishay from those set forth in this Agreement;

(b) a reduction in Executive’s annual base salary (as the same may be increased from time to time after the Effective Date);

(c) relocation of Executive’s principal place of performance to a location more than 50 kilometers from Holon, Israel; or

(d) any other material breach of this Agreement by Vishay Israel that is not remedied by Vishay Israel within 20 business days after receipt by Vishay Israel of notice thereof from Executive.

1.9 Notwithstanding the foregoing, an isolated and inadvertent action taken by Vishay Israel in good faith which is remedied by Vishay Israel within twenty (20) days after receipt by Vishay Israel of Executive's Notice of Termination shall not constitute Good Reason.

1.10 "Non-Competition Period" means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.11 "Non-Solicitation Period" means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.12 "Notice of Termination" means a written notice of termination of Executive's employment with Vishay Israel, signed by Executive, if to Vishay Israel, or by a duly authorized officer of Vishay Israel, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Executive or Vishay Israel to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or Vishay Israel hereunder or preclude Executive or Vishay Israel from asserting such fact or circumstance in enforcing Executive's or Vishay Israel's rights hereunder.

2. Employment; Term.

2.1 Employment. Vishay Israel hereby continues to employ Executive, and Executive hereby accepts employment by Vishay Israel, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The Executive commenced employment with Vishay on August 13, 1984 and with Vishay Israel on January 1, 1985. This Agreement shall become effective as of January 1, 2004 and its terms and conditions shall not bind the parties for any period prior to the Effective Date. The "Initial Term" of this Agreement shall commence on the Effective Date and continue until the third anniversary of the Effective Date, unless earlier terminated in accordance with the provisions of this Agreement; provided, however, that at the end of each year of the Initial Term and at the end of each Extension Year, this Agreement shall automatically be extended for an additional one-year period (each, an "Extension Year", and, together with the Initial Term, until the Date of Termination, the "Term"), unless either Vishay or Executive gives notice to the other party at least thirty (30) days prior to the end of the year of its or his intention not to extend the Term, in which case the Term will end at the completion of the Initial Term and Extension Years already added to the Term. An election not to extend the Term shall be deemed a termination of employment by the party so electing.

3. Duties.

3.1 Position. During the Term, Executive shall serve as President of Vishay Israel and shall report to Vishay's Chief Operating Officer (COO) and President, or any other position which will be agreed by the parties. The parties hereto acknowledge that Executive also serves as Vice President and Vice Chairman of the Board of Directors of Vishay, reporting directly to the Chief Executive Officer of Vishay and the Board of Directors.

3.2 Authority and Responsibility. Executive shall have such authority and responsibility as is customary for the president of a subsidiary of a major multi-national corporation.

3.3 Activities. Excluding any periods of vacation, personal, sick leave and other permitted absences to which Executive is entitled according to this Agreement and Israeli law, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of Vishay Israel. It shall not be considered a violation of the foregoing for Executive to (i) provide services to Vishay or any of its subsidiaries or affiliates, (ii) serve on corporate, industry, civic or charitable boards or committees or (iii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive's responsibilities as an employee of Vishay Israel in accordance with this Agreement.

3.4 Place of Performance. Executive recognizes that his duties will require, at Vishay Israel's or Vishay's expense, travel to domestic and international locations. Without derogating from anything in this agreement, it is hereby agreed that in the event Executive's principal place of performance will be changed to a location outside Israel, the parties may amend this Agreement as appropriate to reflect Executive's new principal place of performance.

4. Compensation.

4.1 Base Salary. Vishay Israel shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors in consultation with the Chief Executive Officer of Vishay, of \$219,000 per year (the "Base Salary"). The Base Salary includes any remuneration for overtime work.

Such base salary shall be paid in accordance with Vishay Israel's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive.

4.2 Bonus. Executive shall be eligible for an annual performance bonus, payable in cash, in an amount of up to 42.5% of Executive's Base Salary for the year in which the bonus is earned. Such bonus granting of the bonus and its amount shall be determined by the Board of Directors upon recommendation of the Compensation Committee of the Board of Directors, in consultation with the Chief Executive Officer of Vishay, and may be based upon the achievement of such individual or company performance goals as the Compensation Committee shall determine.

4.3 Special Agreement. It is agreed between the parties that this Agreement is a personal agreement, and that the position Executive is to hold within Vishay Israel and Vishay is a management position which requires a special measure of personal trust, as such terms are defined in the Working Hours and Rest Law 5711 - 1951, as amended (the "Law"). The provisions of any collective bargaining agreement which exist or shall exist do not, and will not, apply to the employment of Executive, whether such agreement was signed among the government, the General Federation of Labor and employees organizations, or any of such parties, or whether signed by others, in relation to the field or fields of the business of Vishay Israel or in relation to the position held by or the profession of Executive. In light of this relationship of trust, the provisions of the Law, or any other law, which may apply, will not apply to the performance by Executive of his duties hereunder. Thus, Executive may be required, from time to time and according to the work load demanded of him, to work beyond the regular working hours or regular working days and Executive shall not be entitled to any further compensation other than as determined by the policy of Vishay and/or Vishay Israel applicable to Executive or other than as specified in this Agreement.

4.4 Phantom Stock Awards. As of January 1 of each year of the Term, Vishay Israel shall cause Vishay to grant Executive 5,000 shares of Vishay's phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan. Vishay Israel, upon consultation with the Board of Directors, may modify this grant in order to conform with section 102 of the Israeli Income Tax Ordinance, including the possibility to deposit the shares certificate within the hands of a trustee qualified under the above section 102.

5. Additional Rights.

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance, life insurance and retirement plans which are generally made available by Vishay and Vishay Israel to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Deferred Compensation Plan. Vishay Israel shall cause Vishay to credit Executive's account under the Deferred Compensation Plan as of September 1, 2004 with an amount equal to the sum of (i) \$100,000 and (ii) the product of \$100,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of each January 1 of the Term beginning with January 1, 2005, Vishay Israel shall cause Vishay to credit \$100,000 to Executive's account under the Deferred Compensation Plan. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.3 Life Insurance. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay or Vishay Israel in its discretion and the applicable insurance policy becoming effective, Vishay or Vishay Israel shall purchase life insurance that will provide Executive's beneficiary with a death benefit that under reasonable and standard actuarial assumptions is projected to be equal to at least (i) three times (3x) Executive's base salary at time of death if Executive dies during the Term, and (ii) subject to the provisions of Section 6.2 hereof, one times (1x) Executive's base salary on the Date of Termination if Executive dies after his Date of Termination. Executive hereby consents to Vishay or Vishay Israel seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Israel's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or Vishay Israel to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.4 Supplemental Disability Benefits. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay or Vishay Israel in its discretion and the applicable insurance policy becoming effective, Vishay Israel shall provide Executive with supplemental disability benefits equal to 60% of Executive's base salary and average annual bonus at the time of disability. The terms of the supplemental disability benefits, including the definition of disability, the computation of the average annual bonus and the reductions in benefits payable to reflect amounts received under Vishay or Vishay Israel's general disability plan and otherwise, shall be set forth in the supplemental disability plan to be established by Vishay or Vishay Israel. Executive hereby consents to Vishay or Vishay Israel seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Israel's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or Vishay Israel to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.5 Reimbursement of Expenses. In accordance with Vishay Israel's standard reimbursement policies as they exist from time to time, Vishay Israel shall reimburse Executive for all reasonable and documented travel, business entertainment and other business expenses incurred by Executive in connection with the performance of his duties under this Agreement.

5.6 Vacation, Personal and Sick Days. Executive shall be entitled to vacation days, holidays, military reserve service, personal and sick days according to the Israeli law and Vishay Israel's policies for its senior executives, as in effect from time to time. Executive shall be entitled to carry forward or to redeem his unused vacation days in accordance with and subject to Vishay Israel's policies for its senior executives, as in effect from time to time.

5.7 Indemnification. Vishay Israel shall indemnify Executive to the extent provided in Vishay Israel's certificate of incorporation and/or bylaws, as in effect from time to time.

5.8 Other. Executive shall be entitled to such other benefits or perquisites, including contributions to Managers' Insurance and the like, as is customary in Israel and as Vishay Israel generally makes available to its senior executives.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with Vishay Israel may be terminated prior to the end of the Term under the following circumstances:

- (a) Retirement. Executive may retire by Notice of Termination at any time after his 62nd birthday.
- (b) Death. Executive's employment hereunder shall terminate upon Executive's death.
- (c) Termination by Vishay Israel. Vishay Israel may terminate Executive's employment with or without Cause, by Notice of Termination to Executive. A termination due to Executive's disability shall be equivalent to a termination by Vishay Israel without Cause.
- (d) Termination by Executive. Executive may terminate his employment with or without Good Reason, by Notice of Termination to Vishay Israel.

6.2 Compensation Upon Termination.

(a) Termination by Vishay Israel Without Cause; Termination by Executive With Good Reason. In the event Executive's employment with Vishay Israel is terminated by Vishay Israel without Cause or by Executive with Good Reason, Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination, but not more than 9 days after the end of the last month of employment.
- (ii) Continued payment of Executive's then current Base Salary from the Date of Termination until the third anniversary of the Date of Termination, to be paid in accordance with Vishay Israel's standard payroll practices as in effect from time to time.
- (iii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iv) Payment of the amount Executive would have received (if not for Executive's termination of employment) as a bonus pursuant to Section 4.2 hereof for the calendar year of the Date of Termination, which amount shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.

- (v) Payment of phantom stock awards pursuant to Section 4.4.
- (vi) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (vii) A grant of 5,000 shares of Common Stock on January 1 of each of the three years following the Date of Termination.
- (viii) A lump sum cash payment equal to \$1,500,000, to be paid within 60 days after the date of termination.
- (ix) Continuation of the life insurance benefit for Executive's life, as described in Section 5.3 hereof.
- (x) If Executive is under age 62 on the Date of Termination, continued eligibility for medical benefits under the Vishay Intertechnology, Inc. Welfare Plan (or any successor plan) until the earlier of (i) the third anniversary of the Date of Termination (after which Executive will be eligible for COBRA continuation coverage) and (ii) such time as Executive becomes eligible for coverage under the plan of another employer. The cost to Executive and the other terms of such coverage shall be the same as if Executive had not terminated employment.

(b) Termination For Any Other Reason. In the event Executive's employment with Vishay Israel is terminated for any reason other than as specified in Section 6.2(a), Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination, but not more than 9 days after the end of the last month of employment.
- (ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iii) Payment of phantom stock awards pursuant to Section 4.4.
- (iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.

(c) Retirement. In the event Executive's employment with Vishay terminates for any reason other than Cause after Executive attains age 62, Executive shall be entitled to the following, in addition to any benefits provided under Sections 6.2(a) or 6.2(b):

- (i) Continuation of the life insurance benefit, as described in Section 5.3 hereof.
- (ii) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay or Vishay Israel for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to Vishay Israel, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay Israel then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

6.3 Additional Payments By Vishay.

(a) It is the understanding of the parties hereto that neither the payments set forth in Section 6.2 nor any other payment under this Agreement are contingent upon or related to a change in control of Vishay and all such payments are to be paid without regard to the occurrence of a change in control of Vishay.

(b) Notwithstanding the foregoing, in view of the fact that if Executive's employment were to terminate subsequent to a change in control of Vishay or Vishay Israel, the U.S. Internal Revenue Service might assert that all or some such payments are contingent upon such change in control, the parties hereto agree as follows: In the event that the aggregate of all or some of the payments or benefits made or provided to Executive under this Agreement (the "Aggregate Payment") is determined to constitute a Parachute Payment, as such term is defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, Vishay Israel shall pay to Executive, prior to the time any excise tax imposed by Section 4999 of the Code, or any successor provision ("Excise Tax"), is payable with respect to such Aggregate Payment, an additional payment in an amount such that after payment by Executive of all taxes, including, without limitation, any income, employment and excise tax (including any interest or penalties imposed with respect to such taxes) imposed upon such additional payment, the Executive retains an amount of such additional payment equal to the Excise Tax imposed upon the Aggregate Payment. The determination of whether the Aggregate Payment constitutes a Parachute Payment and, if so, the amount to be paid to Executive and the time of payment pursuant to this Section 6.3, shall be made by an independent auditor (the "Auditor") selected and paid by Vishay Israel; provided, however, that the Auditor shall be a nationally recognized United States public accounting firm. Notwithstanding the foregoing, in the event that the amount of

Executive's Excise Tax liability is subsequently determined to be greater than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.3 has been made, Vishay Israel shall pay to Executive an additional amount with respect to such additional Excise Tax (and any interest and penalties thereon) at the time that the amount of the actual Excise Tax liability is finally determined, such additional amount to be calculated in the same manner as such initial payment. In the event that the amount of Executive's Excise Tax liability is subsequently determined to be less than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.3 has been made, Executive, at the time that the amount of the actual Excise Tax liability is finally determined, shall pay to Vishay Israel the amount by which such initial payment exceeds the amount of Executive's Excise Tax liability. Executive and Vishay Israel shall cooperate with each other in connection with any action, arbitration, suit, investigation or proceeding (collectively, "Proceeding") relating to the existence or amount of liability for Excise Tax, and all expenses relating to any such Proceeding (including all reasonable attorney's fees and other expenses incurred by Executive in connection therewith) shall be paid by Vishay Israel promptly upon notice of demand from Executive.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

(a) solicit any customer of Vishay or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;

(b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;

(c) persuade or seek to persuade any customer of Vishay or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or

(d) interfere in any manner in the relationship of Vishay or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of Vishay and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and Vishay Israel (for purposes hereof, Vishay Israel shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay Israel, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Acknowledgements Respecting Restrictive Covenants.

(a) Executive has carefully read and considered the provisions of this Section 7 and, having done so, agrees that:

- (i) the restrictive covenants contained in this Section 7, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Executive's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and
- (ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay Israel and its affiliates.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Section 7 and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Section 7, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Section 7. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Section 7, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Section 7, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 7.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

7.6 Special Consideration. Executive hereby acknowledges that the payments to Executive pursuant to Section 4 and Section 6 of this Agreement are in consideration of Executive's agreement to be bound by and comply with the provisions of this Section 7.

8. Miscellaneous.

8.1 Key Man Insurance. Executive recognizes and acknowledges that Vishay Israel or its affiliates may seek and purchase one or more policies providing key man life insurance with respect to Executive, the proceeds of which would be payable to Vishay Israel or such affiliate. Executive hereby consents to Vishay Israel or its affiliates seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Israel's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay Israel or its affiliates to seek, purchase and maintain in full force and effect such policy or policies. Vishay shall ensure that under no circumstances shall the results of any such medical examination shall be disclosed to any person or entity, including Vishay, other than to the Executive and to the applicable insurance company for purposes of providing such insurance, which insurance company shall hold such results in the strictest confidence.

8.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent either (i) by personal delivery to the party entitled thereto, (ii) by facsimile with confirmation of receipt, or (iii) by registered or certified mail, return receipt requested. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay Israel:

Vishay Israel Ltd.
2 Haofan Street
Holon 58814, Israel
Attention: Chief Financial Officer
Facsimile No.: 972-3-550-2106

To Executive:

Marc Zandman
[personal address omitted]

8.3 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and, except as set forth in Section 6.2(a)(x) hereof, such amounts shall not be reduced whether or not Executive obtains other employment.

8.4 Successors.

(a) This Agreement is personal to Executive and, without the prior written consent of Vishay Israel, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay Israel and its successors and assigns.

(c) Vishay Israel shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the assets of Vishay Israel expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay Israel would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay Israel" shall mean both Vishay Israel as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

8.5 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, including without limitation the prior employment agreement between the Parties dated June 1996, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay Israel or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay Israel or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.6 Withholding Taxes. Vishay Israel may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable Israeli or U.S. federal, state, local or other law, Vishay Israel is required to withhold therefrom.

8.7 Non-Accountable Payments and Considerations. Without derogating from any of the above any payment under sections 4.2, 4.4, 5.2 and 5.8 shall not be taken into account with regards to any and all social benefits that Executive is entitled to under this Agreement or under applicable law, including severance pay.

8.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.9 Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, and the sole and exclusive place of jurisdiction in any matter arising out of or in connection with this Agreement shall be the regional labor court in Tel-Aviv.

8.10 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.11 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive has executed this Agreement and, pursuant to the authorization of the Compensation Committee of the Board of Directors of Vishay and the Board of Directors of Vishay Israel, Vishay Israel has caused this Agreement to be executed in its name and on its behalf, all as of the date above written.

VISHAY ISRAEL LTD.

By: /s/ MARC ZANDMAN

Name: Marc Zandman

Title: President

By: /s/ ZIV SHOSHANI

Name: Ziv Shoshani

Title: Executive Vice President Resistors &
Inductors

EXECUTIVE:

/s/ MARC ZANDMAN

Marc Zandman

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between VISHAY EUROPE GmbH, a company with limited liability ("Vishay Europe") and an indirect wholly owned subsidiary of Vishay Intertechnology, Inc. ("Vishay"), and DR. GERALD PAUL (the "Executive"). Furthermore, VISHAY ELECTRONIC GmbH, a company with limited liability ("Vishay Electronic") and an indirect wholly owned subsidiary of Vishay is a party to this Agreement.

WITNESSETH:

WHEREAS, Vishay Europe desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, Vishay Europe and Executive intend for this Agreement to document the terms and conditions of the employment relationship and the parties to this Agreement intend to replace the current employment agreement dated March 20/21, 1996 between Vishay Europe and the Executive and the Amendment Agreement dated December 20/21, 1995 between Vishay Europe, Vishay Electronic and the Executive and the Modification Agreement between Vishay Europe, Vishay Electronic and the Executive dated March 15, 1999 as well as the Agreement between Vishay Electronic and the Executive executed on December 20/21, 1995; and

WHEREAS, the parties hereto intend that the execution of this Agreement shall not cause the Executive to lose any rights which he acquired as a result of his prior activities and employment with Vishay Europe or Vishay Electronic;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

(a) Executive's condemnation because of a crime ("Verbrechen") or any other condemnation because of a crime to more than 90 daily payments ("Tagessätze") or to more than three months prison.

(b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its affiliates; or

(c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay Europe and/or its affiliates applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay Europe.

1.4 "Common Stock" means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.5 "Competing Business" means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay Europe or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.6 "Date of Termination" means (i) the effective date on which Executive's employment by Vishay Europe terminates pursuant to a Notice of Termination by Vishay Europe or Executive, as the case may be or (ii) if Executive's employment by Vishay Europe terminates by reason of death, the date of Executive's death.

1.7 "Deferred Compensation Plan" means the Vishay Intertechnology, Inc. Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.8 "Good Reason" means, without Executive's express written consent, the occurrence of any of the following events:

(a) any material and adverse change in Executive's titles, offices, duties or responsibilities (including reporting responsibilities) with respect to Vishay Europe or Vishay from those set forth in this Agreement;

(b) a reduction in Executive's annual base salary (as the same may be increased from time to time after the Effective Date);

(c) relocation of Executive's principal place of performance to a location more than 50 kilometers from Selb, Germany; or

(d) any other material breach of this Agreement by Vishay Europe that is not remedied by Vishay Europe within 20 business days after receipt by Vishay Europe of notice thereof from Executive.

Notwithstanding the foregoing, an isolated and inadvertent action taken by Vishay Europe in good faith which is remedied by Vishay Europe within twenty (20) days after receipt by Vishay Europe of notice thereof from Executive shall not constitute Good Reason.

1.9 “Non-Competition Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(a).

1.10 “Non-Solicitation Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(a).

1.11 “Notice of Termination” means a written notice of termination of Executive’s employment with Vishay Europe, signed by Executive, if to Vishay Europe, or by a duly authorized officer of Vishay as proxy of the shareholders meeting of Vishay Europe, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Executive or Vishay Europe to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or Vishay Europe hereunder or preclude Executive or Vishay Europe from asserting such fact or circumstance in enforcing Executive’s or Vishay Europe’s rights hereunder.

2. Employment; Term.

2.1 Employment. Vishay Europe hereby employs Executive, and Executive hereby accepts employment by Vishay Europe, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The “Term” of this Agreement shall commence on the Effective Date and continue until terminated in accordance with the provisions of this Agreement.

3. Duties.

3.1 Position. During the Term, Executive shall serve as managing director (Geschäftsführer) of Vishay Europe and shall report to the Chief Executive Officer of Vishay, the Board of Directors and the Chairman of the Board of Directors. The parties hereto acknowledge that Executive also serves as President and Chief Operating Officer of Vishay, reporting directly to the Chief Executive Officer, the Board of Directors, the Chairman of the Board of Directors and the Audit Committee of the Board of Directors of Vishay. It is anticipated that during the Term, Executive will be appointed Chief Executive Officer of Vishay.

3.2 Authority and Responsibility. Executive shall have such authority and responsibility as provided for in the articles of association of Vishay Europe or in the applicable law.

3.3 Activities. Excluding any periods of vacation and sick leave to which Executive is entitled, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of Vishay Europe. It shall not be considered a violation of the foregoing for Executive to (i) provide services to Vishay or any of its subsidiaries or affiliates, (ii) serve on corporate, industry, civic or charitable boards or committees or (iii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive's responsibilities as an employee of Vishay Europe in accordance with this Agreement.

3.4 Place of Performance. Executive's employment and office shall be based at Vishay Europe's offices in Selb, Germany. At such time as Executive is appointed Chief Executive Officer of Vishay, Executive's principal place of performance shall be Vishay Europe's offices in Selb, Germany and Vishay's offices in Malvern, Pennsylvania. Executive recognizes that his duties will require, from time to time and at Vishay Europe's expense, travel to domestic and international locations.

4. Compensation

4.1 Base Salary. Vishay Europe shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors in consultation with the Chief Executive Officer of Vishay, of not less than EUR 582,633 per year. Such base salary shall be paid in accordance with Vishay's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive.

4.2 Bonus. Executive shall be entitled to an annual performance bonus to be paid by Vishay Europe and to be calculated and paid pursuant to the Vishay Intertechnology Section 162(m) Cash Bonus Plan (the "Cash Bonus Plan") or any successor plan. Such bonus shall be payable in cash, equal to the lesser of (i) 1.0% of Vishay's adjusted net income, as determined under the terms of the Cash Bonus Plan, and (ii) three times Executive's base salary for the year in which the bonus is earned. Although the Board of Directors intends that the Cash Bonus Plan be the primary vehicle for the Executive's bonus, the Board of Directors retains the authority to grant additional bonuses in excess of the limits under the Cash Bonus Plan.

4.3 Payment of Salary and Bonus. The base salary shall be paid in Euros. The bonus pursuant to Section 4.2 shall be computed and paid in U.S. Dollars.

4.4 Phantom Stock Awards. Vishay Europe warrants that as of January 1 of each year of the Term, Vishay will grant Executive 5,000 shares of phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan.

5. Benefits

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance and life insurance plans which are generally made available by Vishay or Vishay Europe to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Prior Employment. The parties to this Agreement agree that the Executive shall not lose by the execution of this Agreement any rights resulting from prior agreements with Vishay Europe or Vishay Electronic with regard to already acquired pension claims. His prior employment periods (Vordienstzeiten) with all Vishay companies shall benefit the Executive also within this Agreement.

5.3 Deferred Compensation Plan. Vishay Europe warrants that as of September 1, 2004, Vishay shall credit Executive's account under the Deferred Compensation Plan with an amount equal to the sum of (i) \$100,000 and (ii) the product of \$100,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of each January 1 of the Term beginning with January 1, 2005, Executive's account under the Deferred Compensation Plan shall be credited with \$100,000. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.4 Life Insurance. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay Europe or Vishay in its discretion and the applicable insurance policy becoming effective, Vishay Europe warrants that life insurance will be purchased that will provide Executive's beneficiary with a death benefit that under reasonable and standard actuarial assumptions is projected to be equal to at least (i) three times (3x) Executive's base salary at time of death if Executive dies during the Term, and (ii) subject to the provisions of Section 6.2 hereof, one times (1x) Executive's base salary on the Date of Termination if Executive dies after his Date of Termination. Executive hereby consents to Vishay Europe or an affiliate seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Europe's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay Europe or its affiliates to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.5 Supplemental Disability Benefits. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay Europe in its discretion and the applicable insurance policy becoming effective, Vishay Europe shall provide Executive with supplemental disability benefits equal to 60% of Executive's base salary and average annual bonus at the time of disability. The terms of the supplemental disability benefits, including the definition of disability, the computation of the average annual bonus and the reductions in benefits payable to reflect amounts received under Vishay Europe's general disability plan and otherwise, shall be set forth in the supplemental disability plan to be established by Vishay Europe. Executive hereby consents to Vishay Europe or an affiliate seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Europe's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay Europe or its affiliates to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.6 Vacation. The Executive shall be entitled to paid vacation days, holidays, personal and sick days in accordance with and subject to Vishay Europe's policies for its senior executives, as in effect from time to time, including with respect to when such vacation may be taken and whether any such vacation days may be accrued to subsequent years.

5.7 Work Incapacity due to Illness. In case of work incapacity due to illness Executive shall receive the base salary as specified in section 4.1 for the duration of 12 months. In the case of illness of no more than six weeks the Executive receives also in the year of such illness the bonus pursuant to 4.2. In case of a illness of more than six weeks Executive receives a bonus reduced pro rata by the time of his illness.

5.8 Death. In case of Executive's death during the term of his employment, Vishay Europe shall continue to pay Executive's base salary as in effect at the date of death to Executive's survivors (widow and/or children entitled to support, as defined in German law), if any, until the end of the sixth calendar month following the date of death.

5.9 Pension Scheme Vishay Electronic shall continue Executive's existing pension system (Betriebliche Altersversorgung) during his employment with Vishay Europe. Vishay Europe will indemnify Vishay Electronic for all related expenses. It is expressly agreed that the pension commitment of Draloric Electronic GmbH dated October 17, 1985 continuous and is uneffected. The parties hereto acknowledge that as of Executive's retirement, Executive's aggregate annual benefit under such pension schemes shall not exceed \$200,000. Such \$200,000 limitation shall be computed using the exchange rate as reported in the Wall Street Journal for the date each payment is made pursuant to the pension.

5.10 Company Car. Vishay Europe shall make available to Executive a company car of his choice which should be of the Mercedes S-class (type and extras, etc. as in the past) for his professional and personal use. Executive shall be liable for tax payments for the personal use of such car in accordance with German Tax Law.

5.11 Expenses. Executive shall be entitled to business travel allowances and reimbursement for business travel expenses in accordance with Vishay Europe's policies for its senior executives, as in effect from time to time, and the applicable tax laws shall apply to any such payments.

5.12 Indemnification. Vishay Europe shall indemnify Executive to the extent provided in Vishay Europe's certificate of incorporation and/or bylaws, as in effect from time to time.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with Vishay Europe may be terminated prior to the end of the Term under the following circumstances:

- (a) Retirement. Executive may retire at any time after his 62nd birthday.
- (b) Death. Executive's employment hereunder shall terminate upon Executive's death.

(c) Termination by Vishay Europe. Vishay Europe may terminate Executive's employment with or without Cause, by Notice of Termination to Executive, provided, however, that Vishay Europe shall not terminate Executive's employment without Cause unless it gives Executive no less than thirty (30) days written notice. A termination due to Executive's disability shall be equivalent to a termination by Vishay Europe without Cause.

(d) Termination by Executive. Executive may terminate his employment with or without Good Reason, by Notice of Termination to Vishay Europe, provided, however, that Executive shall not terminate his employment without Good Reason unless he gives Vishay Europe no less than thirty (30) days written notice.

6.2 Compensation Upon Termination.

(a) Termination by Vishay Europe Without Cause; Termination by Executive With Good Reason. In the event Executive's employment with Vishay Europe is terminated by Vishay Europe without Cause pursuant to Section 1.3 or by Executive with Good Reason pursuant to Section 1.8, Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.
- (ii) Continued payment of Executive's then current base salary from the Date of Termination until the third anniversary of the Date of Termination, to be paid in accordance with Vishay Europe's standard payroll practices as in effect from time to time.
- (iii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iv) Payment of the amount Executive would have received (if not for Executive's termination of employment) as a bonus pursuant to Section 4.2 hereof for the calendar year of the Date of Termination, which amount shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (v) Payment of phantom stock awards pursuant to Section 4.4.
- (vi) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (vii) A grant of 5,000 shares of Common Stock on January 1 of each of the three years following the Date of Termination.

(viii) A lump sum cash payment equal to \$1,500,000, to be paid within 60 days after the date of termination.

(ix) Continuation of the life insurance benefit, as described in Section 5.3 hereof.

(b) Termination For Any Other Reason. In the event Executive's employment with Vishay Europe is terminated for any reason other than as specified in Section 6.2(a), Executive shall be entitled to the following:

(i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.

(ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.

(iii) Payment of phantom stock awards pursuant to Section 4.4.

(iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.

(c) Retirement. In the event Executive's employment with Vishay Europe terminates for any reason other than Cause after Executive attains age 62, Executive shall be entitled to the following, in addition to any benefits provided under Sections 6.2(a) or 6.2(b):

(i) Continuation of the life insurance benefit, as described in Section 5.3 hereof.

(ii) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay Europe for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to Vishay Europe, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay Europe then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor,

subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

- (a) solicit any customer of Vishay Europe or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;
- (b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay Europe or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay Europe or any of its subsidiaries or affiliates, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;
- (c) persuade or seek to persuade any customer of Vishay Europe or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay Europe or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or
- (d) interfere in any manner in the relationship of Vishay Europe or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of for the benefit of Vishay Europe and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated, relating to Vishay Europe, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay Europe or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay Europe with prior notice of the contemplated disclosure and reasonably cooperates with Vishay Europe at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and Vishay Europe (for purposes hereof, Vishay Europe shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay Europe, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Further Regulations pertaining to Restrictive Covenants. If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

8. Miscellaneous.

8.1 Key Man Insurance. Executive recognizes and acknowledges that Vishay Europe or its affiliates may seek and purchase one or more policies providing key man life insurance with respect to Executive, the proceeds of which would be payable to Vishay Europe or such affiliate. Executive hereby consents to Vishay Europe or its affiliates seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay Europe's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay Europe or its affiliates to seek, purchase and maintain in full force and effect such policy or policies. Vishay shall ensure that under no circumstances shall the results of any such medical examination shall be disclosed to any person or entity, including Vishay, other than to the Executive and to the applicable insurance company for purposes of providing such insurance, which insurance company shall hold such results in the strictest confidence.

8.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent by (i) personal delivery to the party entitled thereto, registered mail, return receipt requested, or (ii) Federal Express or similar courier service return receipt requested. The notice, consent request or other communication shall be deemed to have been received upon personal delivery. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, Pennsylvania 19355-2120
USA
Attention: Chief Financial Officer

To Executive:

Dr. rer.nat. Gerald Paul
[personal address omitted]

8.3 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

8.4 Successors.

(a) This Agreement is personal to Executive and, without the prior written consent of Vishay, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

(c) Vishay Europe shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the assets of Vishay Europe expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay Europe would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay Europe" shall mean both Vishay Europe as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

8.5 Cancellation of Contractual Agreements between the Parties. Vishay Europe and Executive herewith mutually cancel the existing employment agreement dated March 20/21, 1996, provided, however, that any claims that Executive may have under such employment

agreement shall not be affected by such cancellation. Vishay Europe, Vishay Electronic and the Executive hereby mutually cancel the Amendment to the Employment Agreement dated March 20/21, 1995 as well as the Modification Agreement dated March 15, 1999. Vishay Electronic and the Executive hereby mutually cancel the Agreement dated December 20/21, 1995.

The parties agree that the Executive as a result of the cancellation of those agreements shall not lose any rights resulting from prior agreements with Vishay Europe or Vishay Electronic with regard to already acquired pension claims. His prior employment periods (Vordienstzeiten) with all Vishay companies shall benefit the Executive also within this Agreement.

8.6 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay Europe or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay Europe or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.7 Withholding Taxes. Vishay Europe may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable law, Vishay Europe is required to withhold therefrom.

8.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.9 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the Germany, without regard to the principles of conflicts of law.

8.10 Jurisdiction. Any dispute or controversy under this Agreement shall be decided exclusively by the ordinary courts competent for Selb.

8.11 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.12 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive, Vishay Europe and Vishay Electronic have executed this Agreement

VISHAY EUROPE GmbH
represented by Vishay Intertechnology, Inc.
pursuant to a shareholders resolution (attached in copy)
dated September 2, 2004
by: _____
Signature:
/s/ DR. FELIX ZANDMAN

Name: Dr. Felix Zandman
Position: Chief Executive Officer

VISHAY ELECTRONIC GmbH
represented by Dr. Gerald Paul as Managing
Director of Vishay Europe GmbH in its
Function as sole shareholder of Vishay
Electronic GmbH

Signature:
/s/ DR. GERALD PAUL

Name: Dr. Gerald Paul

EXECUTIVE:

/s/ DR. GERALD PAUL

Dr. Gerald Paul

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between VISHAY INTERTECHNOLOGY, INC., a Delaware corporation ("Vishay"), and RICHARD N. GRUBB (the "Executive").

WITNESSETH:

WHEREAS, Vishay desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, Vishay and Executive intend for this Agreement to document the terms and conditions of the employment relationship;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

(a) Executive's conviction of a felony or any other crime involving moral turpitude (whether or not involving Vishay and/or its subsidiaries);

(b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its subsidiaries; or

(c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay and/or its subsidiaries applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay.

1.4 "Code" means the Internal Revenue Code of 1986, as amended, or any successor code.

1.5 “Common Stock” means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.6 “Competing Business” means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.7 “Date of Termination” means (i) the effective date on which Executive’s employment by Vishay terminates as specified in a Notice of Termination by Vishay or Executive, as the case may be or (ii) if Executive’s employment by Vishay terminates by reason of death, the date of Executive’s death.

1.8 “Deferred Compensation Plan” means the Vishay Intertechnology, Inc. Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.9 “Good Reason” means, without Executive’s express written consent, the occurrence of any of the following events:

- (a) any material and adverse change in Executive’s titles, offices, duties or responsibilities (including reporting responsibilities) from those set forth in this Agreement;
- (b) a reduction in Executive’s annual base salary (as the same may be increased from time to time after the Effective Date);
- (c) relocation of Executive’s principal place of performance to a location more than 30 miles from Malvern, Pennsylvania; or
- (d) any other material breach of this Agreement by Vishay that is not remedied by Vishay within 20 business days after receipt by Vishay of notice thereof from Executive.

Notwithstanding the foregoing, an isolated and inadvertent action taken by Vishay in good faith which is remedied by Vishay within twenty (20) days after receipt by Vishay of notice thereof from Executive shall not constitute Good Reason.

1.10 “Non-Competition Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.11 “Non-Solicitation Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.12 “Notice of Termination” means a written notice of termination of Executive’s employment with Vishay, signed by Executive, if to Vishay, or by a duly authorized officer of Vishay, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Executive or Vishay to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or Vishay hereunder or preclude Executive or Vishay from asserting such fact or circumstance in enforcing Executive’s or Vishay’s rights hereunder.

2. Employment; Term.

2.1 Employment. Vishay hereby employs Executive, and Executive hereby accepts employment by Vishay, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The “Initial Term” of this Agreement shall commence on the Effective Date and continue until the third anniversary of the Effective Date, unless earlier terminated in accordance with the provisions of this Agreement; provided, however, that at the end of each year of the Initial Term and at the end of each Extension Year, this Agreement shall automatically be extended for an additional one-year period (each, an “Extension Year”, and, together with the Initial Term, until the Date of Termination, the “Term”), unless either Vishay or Executive gives notice to the other party at least thirty (30) days prior to the end of the year of its or his intention not to extend the Term, in which case the Term will end at the completion of the Initial Term and any Extension Years already added to the Term. An election not to extend the Term shall be deemed a termination of employment by the party so electing.

3. Duties.

3.1 Position. During the Term, Executive shall serve as Executive Vice President and Chief Financial Officer of Vishay and shall report directly to the Chief Executive Officer of Vishay, the Board of Directors, the Chairman of the Board of Directors and the Audit Committee of the Board of Directors.

3.2 Authority and Responsibility. Executive shall have such authority and responsibility as is customary for an executive vice president and chief financial officer of a major multi-national corporation.

3.3 Activities. Excluding any periods of vacation, personal and sick leave to which Executive is entitled, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of Vishay. It shall not be considered a violation of the foregoing for Executive to (i) serve on corporate, industry, civic or charitable boards or committees or (ii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive’s responsibilities as an employee of Vishay in accordance with this Agreement.

3.4 Place of Performance. Executive's employment and office shall be based at Vishay's offices in Malvern, Pennsylvania. Executive recognizes that his duties will require, from time to time and at Vishay's expense, travel to domestic and international locations.

4. Compensation.

4.1 Base Salary. Vishay shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors in consultation with the Chief Executive Officer of Vishay, of not less than \$365,000 per year. Such base salary shall be paid in accordance with Vishay's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive (for example, 401(k) contributions).

4.2 Bonus. Executive shall be entitled to an annual performance bonus pursuant to the Vishay Intertechnology Section 162(m) Cash Bonus Plan (the "Cash Bonus Plan") or any successor plan. Such bonus shall be payable in cash, equal to the lesser of (i) 1.0% of Vishay's adjusted net income, as determined under the terms of the Cash Bonus Plan, and (ii) three times Executive's base salary for the year in which the bonus is earned. Although the Board of Directors intends that the Cash Bonus Plan be the primary vehicle for the Executive's bonus, the Board of Directors retains the authority to grant additional bonuses in excess of the limits under the Cash Bonus Plan.

4.3 Mandatory Deferral of Compensation. To the extent that all or a portion of Executive's compensation payable hereunder, after taking into account all other compensation Executive receives from Vishay, is not deductible by Vishay by operation of Section 162(m) of the Code or any other similar regulatory limitation, Vishay shall not pay such compensation to Executive and, in lieu thereof, shall credit the amount of such compensation to Executive's account under the Deferred Compensation Plan.

4.4 Phantom Stock Awards. As of January 1 of each year of the Term, Vishay shall grant Executive 5,000 shares of phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan.

5. Benefits.

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance, life insurance and retirement plans which are generally made available by Vishay to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Deferred Compensation Plan. As of September 1, 2004, Vishay shall credit Executive's account under the Deferred Compensation Plan with an amount equal to the sum of (i) \$100,000 and (ii) the product of \$100,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the

weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of each January 1 of the Term beginning with January 1, 2005, Vishay shall credit \$100,000 to Executive's account under the Deferred Compensation Plan. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.3 Life Insurance. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay in its discretion and the applicable insurance policy becoming effective, Vishay shall purchase life insurance that will provide Executive's beneficiary with a death benefit that under reasonable and standard actuarial assumptions is projected to be equal to at least (i) three times (3x) Executive's base salary at time of death if Executive dies during the Term, and (ii) subject to the provisions of Section 6.2 hereof, one times (1x) Executive's base salary on the Date of Termination if Executive dies after his Date of Termination. Executive hereby consents to Vishay or an affiliate seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or its affiliates to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.4 Supplemental Disability Benefits. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay in its discretion and the applicable insurance policy becoming effective, Vishay shall provide Executive with supplemental disability benefits equal to 60% of Executive's base salary and average annual bonus at the time of disability. The terms of the supplemental disability benefits, including the definition of disability, the computation of the average annual bonus and the reductions in benefits payable to reflect amounts received under Vishay's general disability plan and otherwise, shall be set forth in the supplemental disability plan to be established by Vishay. Executive hereby consents to Vishay or an affiliate seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or its affiliates to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.5 Reimbursement of Expenses. In accordance with Vishay's standard reimbursement policies as they exist from time to time, Vishay shall reimburse Executive for all reasonable and documented travel, business entertainment and other business expenses incurred by Executive in connection with the performance of his duties under this Agreement.

5.6 Vacation, Personal and Sick Days. Executive shall be entitled to paid vacation days, holidays, personal and sick days in accordance with and subject to Vishay's policies for Vishay's senior executives, as in effect from time to time.

5.7 Indemnification. Vishay shall indemnify Executive to the extent provided in Vishay's certificate of incorporation and/or bylaws, as in effect from time to time.

5.8 Other. Executive shall be entitled to such other benefits or perquisites as Vishay generally makes available to its senior executives.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with Vishay may be terminated prior to the end of the Term under the following circumstances:

(a) Retirement. Executive may retire by Notice of Termination at any time after his 62nd birthday.

(b) Death. Executive's employment hereunder shall terminate upon Executive's death.

(c) Termination by Vishay. Vishay may terminate Executive's employment with or without Cause, by Notice of Termination to Executive, provided, however, that Vishay shall not terminate Executive's employment without Cause unless it gives Executive no less than thirty (30) days written notice. A termination due to Executive's disability shall be equivalent to a termination by Vishay without Cause.

(d) Termination by Executive. Executive may terminate his employment with or without Good Reason, by Notice of Termination to Vishay, provided, however, that Executive shall not terminate his employment without Good Reason unless he gives Vishay no less than thirty (30) days written notice.

6.2 Compensation Upon Termination.

(a) Termination by Vishay Without Cause; Termination by Executive With Good Reason. In the event Executive's employment with Vishay is terminated by Vishay without Cause or by Executive with Good Reason, Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.
- (ii) Continued payment of Executive's then current base salary from the Date of Termination until the third anniversary of the Date of Termination, to be paid in accordance with Vishay's standard payroll practices as in effect from time to time.
- (iii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iv) Payment of the amount Executive would have received (if not for Executive's termination of employment) as a bonus pursuant to Section 4.2 hereof for the calendar year of the Date of Termination, which amount shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.

- (v) Payment of phantom stock awards pursuant to Section 4.4.
- (vi) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (vii) A grant of 5,000 shares of Common Stock on January 1 of each of the three years following the Date of Termination.
- (viii) A lump sum cash payment equal to \$1,500,000, to be paid within 60 days after the date of termination.
- (ix) Continuation of the life insurance benefit, as described in Section 5.3 hereof.
- (x) If Executive is under age 62 on the Date of Termination, continued eligibility for medical benefits under the Vishay Intertechnology, Inc. Welfare Plan (or any successor plan) until the earlier of (i) the third anniversary of the Date of Termination (after which Executive will be eligible for COBRA continuation coverage) and (ii) such time as Executive becomes eligible for coverage under the plan of another employer. The cost to Executive and the other terms of such coverage shall be the same as if Executive had not terminated employment.

(b) Termination For Any Other Reason. In the event Executive's employment with Vishay is terminated for any reason other than as specified in Section 6.2(a), Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.
- (ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iii) Payment of phantom stock awards pursuant to Section 4.4.
- (iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.

(c) Retirement. In the event Executive's employment with Vishay terminates for any reason other than Cause after Executive attains age 62, Executive shall be entitled to the following, in addition to any benefits provided under Sections 6.2(a) or 6.2(b):

- (i) Continuation of the life insurance benefit, as described in Section 5.3 hereof.
- (ii) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to Vishay, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

6.3 Additional Payments By Vishay.

(a) It is the understanding of the parties hereto that neither the payments set forth in Section 6.2 nor any other payment under this Agreement is contingent upon or related to a change in control of Vishay and all such payments are to be paid without regard to the occurrence of a change in control of Vishay.

(b) Notwithstanding the foregoing, in view of the fact that if Executive's employment were to terminate subsequent to a change in control of Vishay, the Internal Revenue Service might assert that all or some such payments are contingent upon a change in control of Vishay, the parties hereto agree as follows: In the event that the aggregate of all or some of the payments or benefits made or provided to Executive under this Agreement (the "Aggregate Payment") is determined to constitute a Parachute Payment, as such term is defined in Section 280G(b)(2) of the Code, or any successor provision, Vishay shall pay to Executive, prior to the time any excise tax imposed by Section 4999 of the Code, or any successor provision ("Excise Tax"), is payable with respect to such Aggregate Payment, an additional payment in an amount such that after payment by Executive of all taxes, including, without limitation, any income, employment and excise tax (including any interest or penalties imposed with respect to such taxes) imposed upon such additional payment, the Executive retains an amount of such additional payment equal to the Excise Tax imposed upon the Aggregate Payment. The determination of whether the Aggregate Payment constitutes a Parachute Payment and, if so, the amount to be paid to Executive and the time of payment pursuant to this Section 6.3, shall be made by an independent auditor (the "Auditor") selected and paid by Vishay; provided, however, that the Auditor shall be a nationally recognized United States public accounting firm. Notwithstanding the foregoing, in the event that the amount of Executive's Excise Tax liability is subsequently determined to be greater than the Excise Tax liability with respect to which an initial payment to Executive under this

Section 6.3 has been made, Vishay shall pay to Executive an additional amount with respect to such additional Excise Tax (and any interest and penalties thereon) at the time that the amount of the actual Excise Tax liability is finally determined, such additional amount to be calculated in the same manner as such initial payment. In the event that the amount of Executive's Excise Tax liability is subsequently determined to be less than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.3 has been made, Executive, at the time that the amount of the actual Excise Tax liability is finally determined, shall pay to Vishay the amount by which such initial payment exceeds the amount of Executive's Excise Tax liability. Executive and Vishay shall cooperate with each other in connection with any action, arbitration, suit, investigation or proceeding (collectively, "Proceeding") relating to the existence or amount of liability for Excise Tax, and all expenses relating to any such Proceeding (including all reasonable attorney's fees and other expenses incurred by Executive in connection therewith) shall be paid by Vishay promptly upon notice of demand from Executive.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

(a) solicit any customer of Vishay or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;

(b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries or affiliates, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;

(c) persuade or seek to persuade any customer of Vishay or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or

(d) interfere in any manner in the relationship of Vishay or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of for the benefit of Vishay and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated, relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and Vishay (for purposes hereof, Vishay shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Acknowledgements Respecting Restrictive Covenants.

(a) Executive has carefully read and considered the provisions of this Section 7 and, having done so, agrees that:

- (i) the restrictive covenants contained in this Section 7, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Executive's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and

(ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Section 7 and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Section 7, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Section 7. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Section 7, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Section 7, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 7.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

7.6 Consideration. Executive hereby acknowledges that Vishay's obligation to make payments to Executive pursuant to Section 4 and Section 6 of this Agreement is in consideration of Executive's agreement to be bound by and comply with the provisions of this Section 7.

8. Miscellaneous.

8.1 Key Man Insurance. Executive recognizes and acknowledges that Vishay or its affiliates may seek and purchase one or more policies providing key man life insurance with respect to Executive, the proceeds of which would be payable to Vishay or such affiliate. Executive hereby consents to Vishay or its affiliates seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or its affiliates to seek, purchase and maintain in full force and effect such policy or policies. Vishay shall ensure that under no circumstances shall the results of any such medical examination shall be disclosed to any person or entity, including Vishay, other than to the Executive and to the applicable insurance company for purposes of providing such insurance, which insurance company shall hold such results in the strictest confidence.

8.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent by (i) personal delivery to the party entitled thereto, (ii) facsimile with confirmation of receipt, (iii) registered or certified mail, return receipt requested, or (iv) Federal Express or similar courier service. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission or courier service, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, Pennsylvania 19355-2120
Attention: Chief Executive Officer

To Executive:

Richard N. Grubb
[personal address omitted]

8.3 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and, except as set forth in Section 6.2(a)(x) hereof, such amounts shall not be reduced whether or not Executive obtains other employment.

8.4 Successors.

(a) This Agreement is personal to Executive and, without the prior written consent of Vishay, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

(c) Vishay shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the assets of Vishay expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay" shall mean both Vishay as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

8.5 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.6 Withholding Taxes. Vishay may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable federal, state, local or other law, Vishay is required to withhold therefrom.

8.7 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.8 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law.

8.9 Arbitration. Any dispute or controversy under this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitration award in any court having jurisdiction. The arbitrator may award legal fees but shall not be obligated to do so.

8.10 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.11 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive has executed this Agreement and, pursuant to the authorization of the Compensation Committee of the Board of Directors, Vishay has caused this Agreement to be executed in its name and on its behalf, all as of the date above written.

VISHAY INTERTECHNOLOGY, INC.

/s/ Dr. FELIX ZANDMAN

Name: Dr. Felix Zandman

Title: Chief Executive Officer

EXECUTIVE:

/s/ RICHARD N. GRUBB

Richard N. Grubb

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between Vishay Intertechnology, Inc., a Delaware corporation ("Vishay"), Vishay Israel Ltd., a corporation organized under the laws of the State of Israel and a wholly-owned subsidiary of Vishay ("Vishay Israel," and together with Vishay, the "Vishay Group"), and ZIV SHOSHANI (the "Executive").

WITNESSETH:

WHEREAS, the Vishay Group desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, the Vishay Group and Executive intend for this Agreement to document the terms and conditions of the employment relationship;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

- (a) Executive's conviction of a felony or any other crime involving moral turpitude (whether or not involving Vishay and/or its subsidiaries);
- (b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its subsidiaries; or
- (c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay and/or Vishay Israel applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay or Vishay Israel.

1.4 “Common Stock” means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.5 “Competing Business” means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.6 “Date of Termination” means (i) the effective date on which Executive’s employment by Vishay Israel terminates as specified in a Notice of Termination by the Vishay Group or Executive, as the case may be or (ii) if Executive’s employment by the Vishay Group terminates by reason of death, the date of Executive’s death. Notwithstanding the previous sentence, if Executive’s employment is terminated by the Vishay Group without Cause or by Executive without Good Reason, then such Date of Termination shall be no earlier than thirty (30) days following the date on which a Notice of Termination is received.

1.7 “Deferred Compensation Plan” means the Vishay Intertechnology, Inc. Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.8 “Good Reason” means, without Executive’s express written consent, the occurrence of any of the following events:

- (a) any material and adverse change in Executive’s titles, offices, duties or responsibilities (including reporting responsibilities) with respect to Vishay Israel or Vishay from those set forth in this Agreement;
- (b) a reduction in Executive’s annual base salary (as the same may be increased from time to time after the Effective Date);
- (c) relocation of Executive’s principal place of performance to a location more than 50 kilometers from Holon, Israel; or
- (d) any other material breach of this Agreement by Vishay or Vishay Israel that is not remedied by Vishay or Vishay Israel, as applicable, within 20 business days after receipt by Vishay or Vishay Israel, as applicable, of notice thereof from Executive.

1.9 Notwithstanding the foregoing, an isolated and inadvertent action taken by Vishay or Vishay Israel in good faith which is remedied by Vishay or Vishay Israel within twenty (20) days after receipt by Vishay Israel of Executive’s Notice of Termination shall not constitute Good Reason.

1.10 “Non-Competition Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.11 “Non-Solicitation Period” means the period commencing upon the Date of Termination and continuing until the second anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.12 “Notice of Termination” means a written notice of termination of Executive’s employment with the Vishay Group, signed by Executive, if to the Vishay Group, or by a duly authorized officer of Vishay and Vishay Israel, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Executive or the Vishay Group to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Vishay Group hereunder or preclude Executive or the Vishay Group from asserting such fact or circumstance in enforcing Executive’s or the Vishay Group’s rights hereunder.

2. Employment; Term.

2.1 Employment. The Vishay Group hereby continues to employ Executive, and Executive hereby accepts employment by the Vishay Group, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The Executive commenced employment with Vishay Israel on June 18, 1995. This Agreement shall become effective as of January 1, 2004 and its terms and conditions shall not bind the parties for any period prior to the Effective Date. The “Initial Term” of this Agreement shall commence on the Effective Date and continue until the third anniversary of the Effective Date, unless earlier terminated in accordance with the provisions of this Agreement; provided, however, that at the end of each year of the Initial Term and at the end of each Extension Year, this Agreement shall automatically be extended for an additional one-year period (each, an “Extension Year”, and, together with the Initial Term, until the Date of Termination, the “Term”), unless either Vishay or Vishay Israel or Executive gives notice to the other party at least thirty (30) days prior to the end of the year of its or his intention not to extend the Term, in which case the Term will end at the completion of the Initial Term and Extension Years already added to the Term. An election not to extend the Term shall be deemed a termination of employment by the party so electing.

3. Duties.

3.1 Position. During the Term, Executive shall serve as Executive Vice President, Resistors and Inductors Group of Vishay, reporting directly to the Chief Operating Officer of Vishay and the Board of Directors and shall perform services for Vishay Israel.

3.2 Authority and Responsibility. Executive shall have such authority and responsibility as is customary for an executive vice president of a major multi-national corporation and for a senior executive of Vishay Israel.

3.3 Activities. Excluding any periods of vacation, personal, sick leave and other permitted absences to which Executive is entitled according to this Agreement and Israeli law, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of the Vishay Group. It shall not be considered a violation of the foregoing for Executive to (i) provide services to any subsidiaries or affiliates of Vishay, (ii) serve on corporate, industry, civic or charitable boards or committees or (iii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive's responsibilities as an employee of the Vishay Group in accordance with this Agreement.

3.4 Place of Performance. Executive recognizes that his duties will require, at Vishay Israel's or Vishay's expense, travel to domestic and international locations. Without derogating from anything in this agreement, it is hereby agreed that in the event Executive's principal place of performance will be changed to a location outside Israel, the parties may amend this Agreement as appropriate to reflect Executive's new principal place of performance.

4. Compensation.

4.1 Base Salary. The Vishay Group shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors in consultation with the Chief Executive Officer of Vishay, of \$185,200 per year (the "Base Salary"). The Base Salary includes any remuneration for overtime work.

Executive, Vishay Israel and Vishay shall determine, from time to time, the portion of Executive's Base Salary that shall be paid to Executive by Vishay and the portion to be paid by Vishay Israel.

Such base salary shall be paid in accordance with Vishay's and Vishay Israel's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive.

4.2 Bonus. Executive shall be eligible for an annual performance bonus, payable in cash, in an amount of up to 42.5% of Executive's Base Salary for the year in which the bonus is earned. Such bonus granting of the bonus and its amount shall be determined by the Board of Directors upon recommendation of the Compensation Committee of the Board of Directors, in consultation with the Chief Executive Officer of Vishay, and may be based upon the achievement of such individual or company performance goals as the Compensation Committee shall determine.

4.3 Special Agreement. It is agreed between the parties that this Agreement is a personal agreement, and that the position Executive is to hold within Vishay Israel and Vishay is a management position which requires a special measure of personal trust, as such terms are defined in the Working Hours and Rest Law 5711 - 1951, as amended (the "Law"). The provisions of any collective bargaining agreement which exist or shall exist do not, and will not, apply to the employment of Executive, whether such agreement was signed among the government, the General Federation of Labor and employees organizations, or any of such parties, or whether signed by others, in relation to the field or fields of the business of Vishay Israel or in relation to the position held by or the profession of Executive. In light of this relationship of trust, the provisions of the Law, or any other law, which may apply, will not apply to the performance by Executive of his duties hereunder. Thus, Executive may be required, from time to time and according to the work load demanded of him, to work beyond the regular working hours or regular working days and Executive shall not be entitled to any further compensation other than as determined by the policy of Vishay and/or Vishay Israel applicable to Executive or other than as specified in this Agreement.

4.4 Phantom Stock Awards. As of January 1 of each year of the Term, Vishay shall grant Executive 5,000 shares of Vishay's phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan. Vishay Israel, upon consultation with the Board of Directors, may modify this grant in order to conform with section 102 of the Israeli Income Tax Ordinance, including the possibility to deposit the shares certificate within the hands of a trustee qualified under the above section 102.

5. Additional Rights.

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance, life insurance and retirement plans which are generally made available by Vishay and Vishay Israel to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Deferred Compensation Plan. Vishay shall credit Executive's account under the Deferred Compensation Plan as of September 1, 2004 with an amount equal to the sum of (i) \$100,000 and (ii) the product of \$100,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of each January 1 of the Term beginning with January 1, 2005, Vishay shall credit \$100,000 to Executive's account under the Deferred Compensation Plan. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.3 Life Insurance. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay or Vishay Israel in its discretion and the applicable insurance policy becoming effective, Vishay or Vishay Israel shall purchase life insurance that will provide Executive's beneficiary with a death benefit that under reasonable and standard actuarial assumptions is projected to be equal to at least (i) three times (3x) Executive's base salary at time of death if Executive dies during the Term, and (ii) subject to the provisions of Section 6.2 hereof, one times (1x) Executive's base salary on the Date of Termination if Executive dies after his Date of Termination. Executive hereby consents to Vishay or Vishay Israel seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's or Vishay Israel's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or Vishay Israel to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.4 Supplemental Disability Benefits. Contingent on Executive's meeting the underwriting requirements of the insurance carrier selected by Vishay or Vishay Israel in its discretion and the applicable insurance policy becoming effective, the Vishay Group shall provide Executive with supplemental disability benefits equal to 60% of Executive's base salary and average annual bonus at the time of disability. The terms of the supplemental disability benefits, including the definition of disability, the computation of the average annual bonus and the reductions in benefits payable to reflect amounts received under Vishay or Vishay Israel's general disability plan and otherwise, shall be set forth in the supplemental disability plan to be established by Vishay or Vishay Israel. Executive hereby consents to Vishay or Vishay Israel seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at the Vishay Group's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for Vishay or Vishay Israel to seek, purchase and maintain in full force and effect such policy or any additional policies which may become necessary to provide this benefit going forward.

5.5 Reimbursement of Expenses. In accordance with the Vishay Group's standard reimbursement policies as they exist from time to time, Vishay or Vishay Israel, as applicable, shall reimburse Executive for all reasonable and documented travel, business entertainment and other business expenses incurred by Executive in connection with the performance of his duties under this Agreement.

5.6 Vacation, Personal and Sick Days. Executive shall be entitled to vacation days, holidays, military reserve service, personal and sick days according to the Israeli law and Vishay Israel's policies for its senior executives, as in effect from time to time. Executive shall be entitled to carry forward or to redeem his unused vacation days in accordance with and subject to Vishay Israel's policies for its senior executives, as in effect from time to time.

5.7 Indemnification. Vishay or Vishay Israel shall indemnify Executive to the extent provided in Vishay Israel's certificate of incorporation and/or bylaws, as in effect from time to time.

5.8 Other. Executive shall be entitled to such other benefits or perquisites, including contributions to Managers' Insurance and the like, as is customary in Israel and as Vishay or Vishay Israel generally makes available to its senior executives.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with the Vishay Group may be terminated prior to the end of the Term under the following circumstances:

(a) Retirement. Executive may retire by Notice of Termination at any time after his 62nd birthday.

(b) Death. Executive's employment hereunder shall terminate upon Executive's death.

(c) Termination by Vishay Israel. The Vishay Group may terminate Executive's employment with or without Cause, by Notice of Termination to Executive.

A termination due to Executive's disability shall be equivalent to a termination by the Vishay Group without Cause.

(d) Termination by Executive. Executive may terminate his employment with or without Good Reason, by Notice of Termination to the Vishay Group.

6.2 Compensation Upon Termination.

(a) Termination by Vishay Israel Without Cause; Termination by Executive With Good Reason. In the event Executive's employment with the Vishay Group is terminated by the Vishay Group without Cause or by Executive with Good Reason, Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination, but not more than 9 days after the end of the last month of employment.
- (ii) Continued payment of Executive's then current Base Salary from the Date of Termination until the third anniversary of the Date of Termination, to be paid in accordance with Vishay Israel's standard payroll practices as in effect from time to time.
- (iii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iv) Payment of the amount Executive would have received (if not for Executive's termination of employment) as a bonus pursuant to Section 4.2 hereof for the calendar year of the Date of Termination, which amount shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (v) Payment of phantom stock awards pursuant to Section 4.4.
- (vi) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (vii) A grant of 5,000 shares of Common Stock on January 1 of each of the three years following the Date of Termination.
- (viii) A lump sum cash payment equal to \$1,500,000, to be paid within 60 days after the date of termination.
- (ix) Continuation of the life insurance benefit for Executive's life, as described in Section 5.3 hereof.

- (x) If Executive is under age 62 on the Date of Termination, continued eligibility for medical benefits under the Vishay Intertechnology, Inc. Welfare Plan (or any successor plan) until the earlier of (i) the third anniversary of the Date of Termination (after which Executive will be eligible for COBRA continuation coverage) and (ii) such time as Executive becomes eligible for coverage under the plan of another employer. The cost to Executive and the other terms of such coverage shall be the same as if Executive had not terminated employment.

(b) Termination For Any Other Reason. In the event Executive's employment with the Vishay Group is terminated for any reason other than as specified in Section 6.2(a), Executive shall be entitled to the following:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination, but not more than 9 days after the end of the last month of employment.
- (ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.
- (iii) Payment of phantom stock awards pursuant to Section 4.4.
- (iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.

(c) Retirement. In the event Executive's employment with the Vishay Group terminates for any reason other than Cause after Executive attains age 62, Executive shall be entitled to the following, in addition to any benefits provided under Sections 6.2(a) or 6.2(b):

- (i) Continuation of the life insurance benefit, as described in Section 5.3 hereof.
- (ii) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay or Vishay Israel for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to the Vishay Group, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

6.3 Additional Payments By Vishay.

(a) It is the understanding of the parties hereto that neither the payments set forth in Section 6.2 nor any other payment under this Agreement are contingent upon or related to a change in control of Vishay and all such payments are to be paid without regard to the occurrence of a change in control of Vishay.

(b) Notwithstanding the foregoing, in view of the fact that if Executive's employment were to terminate subsequent to a change in control of Vishay or Vishay Israel, the U.S. Internal Revenue Service might assert that all or some such payments are contingent upon such change in control, the parties hereto agree as follows: In the event that the aggregate of all or some of the payments or benefits made or provided to Executive under this Agreement (the "Aggregate Payment") is determined to constitute a Parachute Payment, as such term is defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, the Vishay Group shall pay to Executive, prior to the time any excise tax imposed by Section 4999 of the Code, or any successor provision ("Excise Tax"), is payable with respect to such Aggregate Payment, an additional payment in an amount such that after payment by Executive of all taxes, including, without limitation, any income, employment and excise tax (including any interest or penalties imposed with respect to such taxes) imposed upon such additional payment, the Executive retains an amount of such additional payment equal to the Excise Tax imposed upon the Aggregate Payment. The determination of whether the Aggregate Payment constitutes a Parachute Payment and, if so, the amount to be paid to Executive and the time of payment pursuant to this Section 6.3, shall be made by an independent auditor (the "Auditor") selected and paid by the Vishay Group; provided, however, that the Auditor shall be a nationally recognized United States public accounting firm. Notwithstanding the foregoing, in the event that the amount of Executive's Excise Tax liability is subsequently determined to be greater than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.3 has been made, the Vishay Group shall pay to Executive an additional amount with respect to such additional Excise Tax (and any interest and penalties thereon) at the time that the amount of the actual Excise Tax liability is finally determined, such additional amount to be calculated in the same manner as such initial payment. In the event that the amount of Executive's Excise Tax liability is subsequently determined to be less than the Excise Tax liability with respect to which an initial payment to Executive under this Section 6.3 has been made, Executive, at the time that the amount of the actual Excise Tax liability is finally determined, shall pay to Vishay or Vishay Israel, as applicable, the amount by which such initial payment exceeds the amount of Executive's Excise Tax liability. Executive and the Vishay Group shall cooperate with each other in connection with any action, arbitration, suit, investigation or proceeding (collectively, "Proceeding") relating to the existence or amount of liability for Excise Tax, and all expenses relating to any such Proceeding (including all reasonable attorney's fees and other expenses incurred by Executive in connection therewith) shall be paid by the Vishay Group promptly upon notice of demand from Executive.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

(a) solicit any customer of Vishay or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;

(b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;

(c) persuade or seek to persuade any customer of Vishay or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or

(d) interfere in any manner in the relationship of Vishay or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of Vishay and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and the Vishay Group (for purposes hereof, the Vishay Group shall mean only the executive officers and directors of Vishay and Vishay Israel and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of the Vishay Group, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Acknowledgements Respecting Restrictive Covenants.

- (a) Executive has carefully read and considered the provisions of this Section 7 and, having done so, agrees that:
- (i) the restrictive covenants contained in this Section 7, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Executive's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and
 - (ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay and its affiliates.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Section 7 and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Section 7, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Section 7. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Section 7, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Section 7, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 7.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

7.6 Special Consideration. Executive hereby acknowledges that the payments to Executive pursuant to Section 4 and Section 6 of this Agreement are in consideration of Executive's agreement to be bound by and comply with the provisions of this Section 7.

8. Miscellaneous.

8.1 Key Man Insurance. Executive recognizes and acknowledges that the Vishay Group or its affiliates may seek and purchase one or more policies providing key man life insurance with respect to Executive, the proceeds of which would be payable to the Vishay Group or such affiliate. Executive hereby consents to the Vishay Group or its affiliates seeking and purchasing such insurance and will provide such information, undergo such medical examinations (at Vishay's or Vishay Israel's expense), execute such documents and otherwise take any and all actions necessary or desirable in order for the Vishay Group or its affiliates to seek, purchase and maintain in full force and effect such policy or policies. The Vishay Group shall ensure that under no circumstances shall the results of any such medical examination shall be disclosed to any person or entity, including Vishay and Vishay Israel, other than to the Executive and to the applicable insurance company for purposes of providing such insurance, which insurance company shall hold such results in the strictest confidence.

8.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent either (i) by personal delivery to the party entitled thereto, (ii) by facsimile with confirmation of receipt, or (iii) by registered or certified mail, return receipt requested. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To the Vishay Group:

Vishay Israel Ltd.
2 Haofan Street
Holon 58814, Israel
Attention: Chief Financial Officer
Facsimile No.: 972-3-550-2106

To Executive:

Ziv Shoshani
[personal address omitted]

8.3 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and, except as set forth in Section 6.2(a)(x) hereof, such amounts shall not be reduced whether or not Executive obtains other employment.

8.4 Successors.

(a) This Agreement is personal to Executive and, without the prior written consent of the Vishay Group, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay, Vishay Israel and their successors and assigns.

(c) Vishay shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the assets of Vishay expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay and Vishay Israel would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay," "Vishay Israel" and the "Vishay Group" shall mean both such entities as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

8.5 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, including without limitation the prior employment agreement between Executive and Vishay Israel, dated June 1996, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated

except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of the Vishay Group or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Vishay Group or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.6 Withholding Taxes. Vishay and Vishay Israel may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable Israeli or U.S. federal, state, local or other law, Vishay or Vishay Israel, as applicable, is required to withhold therefrom.

8.7 Non-Accountable Payments and Considerations. Without derogating from any of the above, any payment under sections 4.2, 4.4, 5.2 and 5.8 shall not be taken into account with regards to any and all social benefits that Executive is entitled to under this Agreement or under applicable law, including severance pay.

8.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.9 Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, and the sole and exclusive place of jurisdiction in any matter arising out of or in connection with this Agreement shall be the regional labor court in Tel-Aviv.

8.10 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.11 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive has executed this Agreement and, pursuant to the authorization of the Compensation Committee of the Board of Directors of Vishay and the Board of Directors of Vishay Israel, Vishay and Vishay Israel have caused this Agreement to be executed in their name and on their behalf, all as of the date above written.

VISHAY INTERTECHNOLOGY, INC.

By: /s/ Dr. FELIX ZANDMAN

Name: Dr. Felix Zandman

Title: Chief Executive Officer

VISHAY ISRAEL LTD.

By: /s/ MARC ZANDMAN

Name: Mr. Marc Zandman

Title: President

EXECUTIVE:

/s/ ZIV SHOSHANI

Ziv Shoshani

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 1, 2004 (the "Effective Date"), by and between VISHAY INTERTECHNOLOGY, INC., a Delaware corporation ("Vishay"), and ROBERT A. FREECE (the "Executive").

WITNESSETH:

WHEREAS, Vishay desires to continue to employ Executive and Executive desires to accept such continued employment; and

WHEREAS, Vishay and Executive intend for this Agreement to document the terms and conditions of the employment relationship;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 "Accrued Compensation" means (i) earned but unpaid base salary and (ii) unpaid expense reimbursements.

1.2 "Board of Directors" means the Board of Directors of Vishay.

1.3 "Cause" means any of the following:

(a) Executive's conviction of a felony or any other crime involving moral turpitude (whether or not involving Vishay and/or its subsidiaries);

(b) any act or failure to act by Executive involving dishonesty, fraud, misrepresentation, theft or embezzlement of assets from Vishay and/or its subsidiaries; or

(c) Executive's (i) willful and repeated failure to substantially perform his duties under this Agreement (other than as a result of total or partial incapacity due to physical or mental illness or injury) or (ii) willful and repeated failure to substantially comply with any policy of Vishay and/or its subsidiaries applicable to Executive; provided, however, that a termination pursuant to this clause (c) will not become effective unless Executive fails to cure such failure to perform or comply within twenty (20) days after written notice thereof from Vishay.

1.4 "Code" means the Internal Revenue Code of 1986, as amended, or any successor code.

1.5 “Common Stock” means the common stock, par value \$.10 per share, of Vishay and any other security exchanged or substituted for such common stock or into which such common stock is converted in any recapitalization, reorganization, merger, consolidation, share exchange or other business combination transaction, including any reclassification consisting of a change in par value or a change from par value to no par value or vice versa.

1.6 “Competing Business” means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Date of Termination.

1.7 “Date of Termination” means (i) the effective date on which Executive’s employment by Vishay terminates as specified in a Notice of Termination by Vishay or Executive, as the case may be or (ii) if Executive’s employment by Vishay terminates by reason of death, the date of Executive’s death.

1.8 “Deferred Compensation Plan” means The Vishay Nonqualified Deferred Compensation Plan, as in effect from time to time, or any successor plan.

1.9 “Non-Competition Period” means the period commencing upon the Date of Termination and continuing until the first anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.10 “Non-Solicitation Period” means the period commencing upon the Date of Termination and continuing until the first anniversary of the Date of Termination or such lesser period as is determined by a court of competent jurisdiction pursuant to Section 7.5(d).

1.11 “Notice of Termination” means a written notice of termination of Executive’s employment with Vishay, signed by Executive, if to Vishay, or by a duly authorized officer of Vishay, if to Executive, which notice shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated; and (iii) specify the Date of Termination. The failure by Vishay to set forth in such notice any fact or circumstance which contributes to a showing of Cause shall not waive any right of Vishay hereunder or preclude Vishay from asserting such fact or circumstance in enforcing its rights hereunder.

2. Employment; Term.

2.1 Employment. Vishay hereby employs Executive, and Executive hereby accepts employment by Vishay, in accordance with and subject to the terms and conditions set forth herein.

2.2 Term. The “Term” of this Agreement shall commence on the Effective Date and continue until terminated in accordance with the provisions of this Agreement.

3. Duties.

3.1 Position. During the Term, Executive shall serve as Executive Vice President of Vishay and shall report directly to the Chief Executive Officer of Vishay and the Chairman of the Board of Directors.

3.2 Authority and Responsibility. Executive primarily shall be responsible for investor relations for Vishay and also shall perform such other duties as he may be assigned by the Chief Executive Officer of Vishay.

3.3 Activities. Excluding any periods of vacation, personal and sick leave to which Executive is entitled, Executive shall devote his full professional attention and best efforts during the Term to the business and affairs of Vishay. It shall not be considered a violation of the foregoing for Executive to (i) serve on corporate, industry, civic or charitable boards or committees or (ii) manage personal investments, so long as such activities would be permitted under Section 7 and do not interfere with the performance of Executive's responsibilities as an employee of Vishay in accordance with this Agreement.

3.4 Place of Performance. Executive's employment and office shall be based at Vishay's offices in Malvern, Pennsylvania. Executive recognizes that his duties will require, from time to time and at Vishay's expense, travel to domestic and international locations.

4. Compensation.

4.1 Base Salary. Vishay shall pay Executive a base salary, subject to annual review by the Compensation Committee of the Board of Directors in consultation with the Chief Executive Officer of Vishay, of not less than \$185,000 per year. Such base salary shall be paid in accordance with Vishay's standard salary policies as they exist from time to time, subject to such deductions, if any, as are required by law or elected by Executive (for example, 401(k) contributions).

4.2 Bonus. Executive shall be eligible for an annual performance bonus, payable in cash, in an amount of up to \$100,000. Such bonus shall be determined by the Chairman of the Board of Directors and may be based upon the achievement of such individual or company performance goals as the Compensation Committee shall determine.

4.3 Phantom Stock Awards. As of January 1 of each year of the Term, Vishay shall grant Executive 5,000 shares of phantom common stock. Such phantom stock shall be fully vested on the date of grant and shall be payable in Common Stock within 30 days after the Date of Termination. Such phantom stock awards shall be granted under, and subject to the terms of, the Vishay Intertechnology, Inc. Senior Executive Phantom Stock Plan or any successor plan.

5. Benefits.

5.1 Participation in Benefit Plans and Programs. During the Term, Executive shall be entitled to participate in any and all medical insurance, group health insurance, disability insurance, life insurance and retirement plans which are generally made available by Vishay to its senior executives, subject to the eligibility requirements and other provisions of such plans and programs.

5.2 Deferred Compensation Plan. As of September 1, 2004, Vishay shall credit Executive's account under the Deferred Compensation Plan with an amount equal to the sum of (i) \$100,000 and (ii) the product of \$100,000 multiplied by the "Investment Percentage." The Investment Percentage is determined by dividing the year-to-date balance of investment returns on Vishay's qualified and non-qualified defined contribution plans as of August 31, 2004 by the weighted average plan balance for the same time period, i.e., January 1, 2004 to August 31, 2004. As of January 1, 2005 and January 1, 2006, Vishay shall credit \$100,000 to Executive's account under the Deferred Compensation Plan; provided that Executive is an employee of Vishay on such date. In addition, Executive shall be entitled to make voluntary deferrals in accordance with the terms of the Deferred Compensation Plan.

5.3 Reimbursement of Expenses. In accordance with Vishay's standard reimbursement policies as they exist from time to time, Vishay shall reimburse Executive for all reasonable and documented travel, business entertainment and other business expenses incurred by Executive in connection with the performance of his duties under this Agreement.

5.4 Vacation, Personal and Sick Days. Executive shall be entitled to paid vacation days, holidays, personal and sick days in accordance with and subject to Vishay's policies for Vishay's senior executives, as in effect from time to time.

5.5 Indemnification. Vishay shall indemnify Executive to the extent provided in Vishay's certificate of incorporation and/or bylaws, as in effect from time to time.

5.6 Other. Executive shall be entitled to such other benefits or perquisites as Vishay generally makes available to its senior executives.

6. Termination of Employment; Compensation Upon Termination.

6.1 Termination. Executive's employment with Vishay may be terminated by Executive or by Vishay for any reason.

6.2 Compensation Upon Termination. Upon termination of Executive's employment with Vishay, Executive shall be entitled to the following, except that Executive will not be entitled to item (v) below if Executive is terminated by Vishay for Cause:

- (i) A lump sum cash payment equal to all Accrued Compensation, such payment to be made within 15 days after the Date of Termination.
- (ii) Payment of Executive's bonus pursuant to Section 4.2 hereof for the calendar year preceding the Date of Termination, if not previously paid, which shall be paid at such time as such bonus would have been paid to Executive if not for Executive's termination of employment.

- (iii) Payment of phantom stock awards pursuant to Section 4.4.
- (iv) Payment of Executive's account under the Deferred Compensation Plan pursuant to the terms of such plan.
- (v) At Executive's (or his surviving spouse's) election, either continued eligibility for medical benefits under a plan sponsored by Vishay for its senior executives or a reimbursement to Executive for privately obtained coverage, in either case for the life of Executive and his surviving spouse. The annual cost to Vishay, whether as reimbursement or premium costs, shall not exceed \$15,000 (or, if less, the amount Vishay then pays for medical coverage for its senior executives), provided, however, that Executive or his surviving spouse shall be permitted to continue coverage and pay any cost in excess of such limit.

7. Restrictive Covenants.

7.1 Non-Competition. During the Non-Competition Period, Executive shall not, without the prior written consent of an authorized officer of Vishay, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business; provided, however, that nothing in this Agreement shall prevent Executive from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Executive does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Executive shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Executive obtains the prior written consent of the Company, which consent shall not be unreasonably withheld.

7.2 Non-Solicitation. During the Non-Solicitation Period, Executive shall not, directly or indirectly:

(a) solicit any customer of Vishay or any of its subsidiaries or affiliates to which Executive provided (or participated in a proposal to provide) services during the Term;

(b) hire, solicit for employment, or recruit any person who at the relevant time is or, within the preceding three months, was, an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries or affiliates, or attempt to do any of the foregoing either on Executive's own behalf or for the benefit of any third person or entity;

(c) persuade or seek to persuade any customer of Vishay or any of its subsidiaries or affiliates to cease to do business or to reduce the amount of business which the customer has customarily done or contemplates doing with Vishay or such subsidiary or affiliate, whether or not the relationship with such customer was originally established in whole or in part through Executive's efforts; or

(d) interfere in any manner in the relationship of Vishay or any of its subsidiaries or affiliates with any of their respective customers, suppliers, or independent contractors, whether or not the relationship with such customer, supplier or independent contractor was originally established in whole or in part through Executive's efforts.

7.3 Confidential Information. Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive's assigned duties hereunder and for the benefit of for the benefit of Vishay and/or its subsidiaries or affiliates, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data in any form or media, whether documentary, written, oral or computer generated, relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Executive during Executive's employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Executive; (ii) becomes known to the public subsequent to disclosure to Executive through no wrongful act of Executive or any representative of Executive; or (iii) Executive is required to disclose by applicable law, regulation or legal process (provided that Executive provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

7.4 Non-Disparagement. Each of Executive and Vishay (for purposes hereof, Vishay shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 7.4.

7.5 Acknowledgements Respecting Restrictive Covenants.

- (a) Executive has carefully read and considered the provisions of this Section 7 and, having done so, agrees that:
- (i) the restrictive covenants contained in this Section 7, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Executive's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and
 - (ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Section 7 and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Section 7, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Section 7. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Section 7, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Section 7, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 7.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Section 7 are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

7.6 Consideration. Executive hereby acknowledges that Vishay's obligation to make payments to Executive pursuant to Section 4 and Section 6 of this Agreement is in consideration of Executive's agreement to be bound by and comply with the provisions of this Section 7.

8. Miscellaneous.

8.1 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement, including any Notice of Termination, shall be in writing and shall be sent either by (i) personal delivery to the party entitled thereto, (ii) facsimile with confirmation of receipt, (iii) registered or certified mail, return receipt requested, or (iv) Federal Express or similar courier service. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission or courier service, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, Pennsylvania 19355-2120
Attention: Chief Financial Officer

To Executive:

Robert A. Freece
[personal address omitted]

8.2 No Mitigation. In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

8.3 Successors

(a) This Agreement is personal to Executive and, without the prior written consent of Vishay, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

8.4 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or

of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay or Executive of any such right or remedy shall preclude other or further exercise thereof.

8.5 Withholding Taxes. Vishay may withhold from all payments due to Executive (or his beneficiary or estate) under this Agreement all taxes which, by applicable federal, state, local or other law, Vishay is required to withhold therefrom.

8.6 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

8.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law.

8.8 Arbitration. Any dispute or controversy under this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitration award in any court having jurisdiction. The arbitrator may award legal fees but shall not be obligated to do so.

8.9 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

8.10 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Executive has executed this Agreement and, pursuant to the authorization of the Compensation Committee of the Board of Directors, Vishay has caused this Agreement to be executed in its name and on its behalf, all as of the date above written.

VISHAY INTERTECHNOLOGY, INC.

By: /s/ DR. FELIX ZANDMAN

Name: Dr. Felix Zandman

Title: Chief Executive Officer

EXECUTIVE:

/s/ ROBERT A. FREECE

Robert A. Freece

CERTIFICATIONS

I, Dr. Felix Zandman, 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)) 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) [Intentionally omitted]
 - 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: November 9, 2004

/s/ Dr. FELIX ZANDMAN

Dr. Felix Zandman
Chief Executive Officer

CERTIFICATIONS

I, Richard N. Grubb, 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)) 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) [Intentionally omitted]
 - 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: November 9, 2004

/s/ RICHARD N. GRUBB

Richard N. Grubb
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 October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Felix Zandman, 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/ Dr. FELIX ZANDMAN

Dr. Felix Zandman
Chief Executive Officer
November 9, 2004

**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 October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Grubb, 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/ RICHARD N. GRUBB

Richard N. Grubb
Chief Financial Officer
November 9, 2004