UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended ______September 27, 2008______

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

For the transition period from __________ to __________

Commission File Number 1-7416

VISHAY INTERTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

As of October 31, 2008, the registrant had 172,200,536 shares of its common stock and 14,352,888 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.

FORM 10-Q
SEPTEMBER 27, 2008

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 27, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 312,021**	$ 537,295
Accounts receivable, net	**449,162**	441,772
Inventories:		
Finished goods	**162,411**	159,713
Work in process	**240,394**	224,667
Raw materials	**159,242**	170,329
Deferred income taxes	**24,793**	26,426
Prepaid expenses and other current assets	**162,762**	153,988
Assets held for sale (see Note 2)	**-**	28,611
Total current assets	**1,510,785**	1,742,801
Property and equipment, at cost:		
Land	**101,076**	101,938
Buildings and improvements	**505,395**	485,342
Machinery and equipment	**2,082,847**	2,001,390
Construction in progress	**91,418**	101,659
Allowance for depreciation	**(1,597,549)**	(1,469,331)
	1,183,187	1,220,998
Goodwill	**572,257**	1,676,497
Other intangible assets, net	**188,154**	192,591
Other assets	**208,674**	162,348
Total assets	**$ 3,663,057**	$ 4,995,235

Continues on following page.

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

	September 27, 2008 (Unaudited)	December 31, 2007
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to banks	**$ 2,285**	$ 30
Trade accounts payable	**144,053**	173,039
Payroll and related expenses	**143,260**	140,879
Other accrued expenses	**233,358**	235,728
Income taxes	**38,846**	34,653
Current portion of long-term debt	**25,488**	1,346
Liabilities related to assets held for sale (see Note 2)	**-**	11,253
Total current liabilities	**587,290**	596,928
Long-term debt less current portion	**333,538**	607,237
Deferred income taxes	**19,593**	24,216
Deferred grant income	**3,361**	1,044
Other liabilities	**127,622**	122,958
Accrued pension and other postretirement costs	**270,455**	280,713
Minority interest	**5,414**	5,364

Stockholders' equity:		
Common stock	**17,209**	17,198
Class B common stock	**1,435**	1,435
Capital in excess of par value	**2,255,082**	2,252,297
(Accumulated deficit) retained earnings	**(153,549)**	925,575
Accumulated other comprehensive income	**195,607**	160,270
Total stockholders' equity	**2,315,784**	3,356,775
Total liabilities and stockholders' equity	**$ 3,663,057**	$ 4,995,235

See accompanying notes.

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

	Fiscal quarter ended	
	September 27, 2008	**September 29, 2007**
Net revenues	**$ 739,092**	$ 729,616
Cost of products sold	**579,591**	554,816
Gross profit	**159,501**	174,800
Selling, general, and administrative expenses	**112,844**	110,586
Restructuring and severance costs	**6,849**	9,920
Impairment of goodwill and indefinite-lived intangibles	**357,917**	-
Terminated tender offer expenses	**4,000**	-
Operating income (loss)	**(322,109)**	54,294
Other income (expense):		
Interest expense	**(4,873)**	(7,441)
Loss on early extinguishment of debt	**(13,601)**	-
Other	**6,853**	2,279
	(11,621)	(5,162)
Income (loss) from continuing operations before taxes and minority interest	**(333,730)**	49,132
Income tax expense (benefit)	**(21,007)**	11,597
Minority interest	**144**	436
Income (loss) from continuing operations	**(312,867)**	37,099
Loss from discontinued operations, net of tax	**-**	(1,924)
Net earnings (loss)	**$ (312,867)**	$ 35,175
Basic earnings (loss) per share:*		
Continuing operations	**$ (1.68)**	$ 0.20
Discontinued operations	**$ -**	$ (0.01)
Net earnings (loss)	**$ (1.68)**	$ 0.19
Diluted earnings (loss) per share:*		
Continuing operations	**$ (1.68)**	$ 0.20
Discontinued operations	**$ -**	$ (0.01)
Net earnings (loss)	**$ (1.68)**	$ 0.19
Weighted average shares outstanding - basic	**186,425**	186,335
Weighted average shares outstanding - diluted	**186,425**	192,779

See accompanying notes.

* May not add due to rounding.

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

	Nine fiscal months ended	
	September 27, 2008	**September 29, 2007**
Net revenues	**$ 2,246,769**	$ 2,103,669
Cost of products sold	**1,735,086**	1,575,803
Gross profit	**511,683**	527,866
Selling, general, and administrative expenses	**352,928**	329,308
Restructuring and severance costs	**33,960**	13,186
Asset write-downs	**4,195**	2,665
Impairment of goodwill and indefinite-lived intangibles	**1,157,917**	-
Terminated tender offer expenses	**4,000**	-
Operating income (loss)	**(1,041,317)**	182,707
Other income (expense):		
Interest expense	**(17,535)**	(22,039)
Loss on early extinguishment of debt	**(13,601)**	-
Other	**11,328**	12,192
	(19,808)	(9,847)
Income (loss) from continuing operations before taxes and minority interest	**(1,061,125)**	172,860
Income tax expense (benefit)	**(25,028)**	42,769
Minority interest	**891**	983
Income (loss) from continuing operations	**(1,036,988)**	129,108
Loss from discontinued operations, net of tax	**(42,136)**	(3,222)
Net earnings (loss)	**$ (1,079,124)**	$ 125,886
Basic earnings (loss) per share:*		
Continuing operations	**$ (5.56)**	$ 0.70
Discontinued operations	**$ (0.23)**	$ (0.02)
Net earnings (loss)	**$ (5.79)**	$ 0.68
Diluted earnings (loss) per share:*		
Continuing operations	**$ (5.56)**	$ 0.67
Discontinued operations	**$ (0.23)**	$ (0.02)
Net earnings (loss)	**$ (5.79)**	$ 0.66
Weighted average shares outstanding - basic	**186,380**	185,408
Weighted average shares outstanding - diluted	**186,380**	200,062

See accompanying notes.

* May not add due to rounding.

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

	Nine fiscal months ended	
	September 27, 2008	**September 29, 2007**
Continuing operating activities		

Net earnings (loss)	$ **(1,079,124)**	$ 125,886
Adjustments to reconcile net earnings (loss) to net cash provided by continuing operating activities:		
Loss on discontinued operations, net of tax	**42,136**	3,222
Impairment of goodwill and indefinite-lived intangibles, net of tax	**1,098,796**	-
Depreciation and amortization	**166,579**	158,161
Gain on disposal of property and equipment	**(3,217)**	(740)
Minority interest in net earnings of consolidated subsidiaries	**891**	983
Asset write-downs	**4,195**	2,665
Inventory write-offs for obsolescence	**22,805**	19,603
Loss on early extinguishment of debt	**13,601**	-
Deferred grant income	**(1,166)**	(4,023)
Other	**2,569**	(5,225)
Changes in operating assets and liabilities, net of effects of businesses acquired	**(76,826)**	(90,172)
Net cash provided by continuing operating activities	**191,239**	210,360
Continuing investing activities		
Purchase of property and equipment	**(99,074)**	(107,779)
Proceeds from sale of property and equipment	**10,894**	3,040
Purchase of businesses, net of cash acquired	**(73,924)**	(331,815)
Proceeds from sale of businesses	**-**	18,667
Other investing activities	**450**	(1,862)
Net cash used in continuing investing activities	**(161,654)**	(419,749)
Continuing financing activities		
Principal payments on long-term debt and capital lease obligations	**(501,701)**	(1,318)
Proceeds of long-term debt, net of issuance costs	**123,379**	-
Net proceeds (repayment) of revolving credit lines	**125,000**	(2,683)
Net changes in short-term borrowings	**1,570**	2,831
Proceeds from stock options exercised	**172**	20,671
Net cash (used in) provided by continuing financing activities	**(251,580)**	19,501
Effect of exchange rate changes on cash and cash equivalents	**5,673**	16,576
Net decrease in cash and cash equivalents from continuing activities	**(216,322)**	(173,312)
Net cash used by discontinued operating activities	**(10,382)**	(19,936)
Net cash provided (used) by discontinued investing activities	**1,430**	(1,341)
Net cash used by discontinued financing activities	**-**	-
Net cash used by discontinued operations	**(8,952)**	(21,277)
Net decrease in cash and cash equivalents	**(225,274)**	(194,589)
Cash and cash equivalents at beginning of period	**537,295**	671,586
Cash and cash equivalents at end of period	$ **312,021**	$ 476,997

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

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. (“Vishay” or the “Company”) have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the nine fiscal months ended September 27, 2008 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2008 end on March 29, 2008, June 28, 2008, September 27, 2008, and December 31, 2008. The four fiscal quarters in 2007 ended on March 31, 2007, June 30, 2007, September 29, 2007, and December 31, 2007, respectively.

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

Note 2 – Acquisition and Divestiture Activities

As part of its growth strategy, the Company seeks to expand through the 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.

Vishay made three acquisitions during the third quarter of 2008, as further described below. Also see Note 13.

As further described below, the Company acquired the Power Control Systems ("PCS") business of International Rectifier Corporation on April 1, 2007. Vishay sold the automotive module and subsystems business acquired as part of the PCS business on April 7, 2008.

The Company also acquired PM Group PLC ("PM Group") in April 2007. Concurrent with the acquisition of PM Group, Vishay sold PM Group's electrical contracting business.

During the first quarter of 2007, the Company sold two non-core product lines and recognized a gain of $1.8 million in operating income.

2008 Acquisitions

Acquisition of Partner's Interest in India Joint Venture

On June 30, 2008, the Company acquired its partner's interest in a joint venture in India for approximately $9.6 million in cash, in the Company's fiscal third quarter. Vishay previously owned 49% of this entity, which is engaged in the manufacture and distribution of transducers. The entity has been renamed Vishay Transducers India, Ltd.

As a non-controlled investment, Vishay Transducers India, Ltd. had been accounted for using the equity basis. Effective June 30, 2008, Vishay began reporting this entity as a consolidated subsidiary, included in the Passive Components segment.

The cost to acquire the partner's 51% interest has been allocated on a pro rata basis to assets acquired and liabilities assumed based on their fair values, with the excess being allocated to goodwill. As a result of this transaction, the Company recorded goodwill of $3.2 million. The goodwill associated with this transaction is not deductible for income tax purposes. The Company will test the goodwill for impairment at least annually in accordance with U.S. generally accepted accounting principles.

The preliminary purchase price allocation is pending finalization of appraisals for property and equipment and intangible assets. There can be no assurance that the estimated amounts will represent the final purchase price allocation.

Acquisition of Powertron GmbH

On July 23, 2008, the Company acquired Powertron GmbH, a manufacturer of specialty precision resistors, for approximately $14.3 million, including the repayment of certain debt of Powertron. For financial reporting purposes, the results of operations for Powertron have been included in the Passive Components segment from July 23, 2008. 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 $9.3 million related to this acquisition. The goodwill associated with this transaction is not deductible for income tax purposes. The Company will test the goodwill for impairment at least annually in accordance with U.S. generally accepted accounting principles.

The preliminary purchase price allocation is pending finalization of appraisals for property and equipment and intangible assets. There can be no assurance that the estimated amounts will represent the final purchase price allocation.

Acquisition of Wet Tantalum Business

On September 15, 2008, the Company acquired the wet tantalum capacitor business of KEMET Corporation for $35.2 million and other consideration in the form of a three-year term loan of $15 million. For financial reporting purposes, the results of operations for the wet tantalum business have been included in the Passive Components segment from September 15, 2008. 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 $18.8 million related to this acquisition. The goodwill associated with this transaction is not deductible for income tax purposes. The Company will test the goodwill for impairment at least annually in accordance with U.S. generally accepted accounting principles (see Note 3).

The preliminary purchase price allocation is pending finalization of appraisals for property and equipment and intangible assets. There can be no assurance that the estimated amounts will represent the final purchase price allocation.

Terms of the secured loan of $15 million to KEMET from Vishay include a three-year non-amortizing maturity, an interest rate of LIBOR plus four percent, and security consisting of accounts receivable. The loan receivable balance is recorded in other noncurrent assets.

2007 Acquisition of Power Control Systems Business

On April 1, 2007, Vishay completed its acquisition of the PCS business of International Rectifier Corporation for approximately $285.6 million, net of cash acquired. The transaction was funded using cash on-hand. The final purchase price is pending the resolution of a net working capital adjustment dispute as of the date of acquisition. Resolution of the net working capital adjustment dispute was deferred until International Rectifier could complete an internal investigation of its accounting practices. International Rectifier completed this investigation and reported its restated financial results on August 1, 2008. Resumption of negotiations to resolve the net working capital adjustment dispute did not occur during the third quarter due to Vishay's tender offer to acquire all outstanding shares of International Rectifier (see Note 13).

The PCS business product lines include planar high-voltage MOSFETs, Schottky diodes, diode rectifiers, fast-recovery diodes, high-power diodes and thyristors, power modules (a combination of power diodes, thyristors, MOSFETs, and IGBTs), and automotive modules and subsystems. Vishay sold the automotive module and subsystems business acquired as part of the PCS business on April 7, 2008.

Vishay acquired all of the outstanding stock of six International Rectifier subsidiaries engaged in the conduct of the PCS business. Vishay also acquired certain assets of International Rectifier used in connection with the PCS business, principally intellectual property, inventory, and equipment.

The main purchase agreement provides that, for a period of seven years after the closing, International Rectifier and its affiliates will not engage in the PCS business anywhere in the world, subject to certain specified product exceptions.

At the closing of the transaction, Vishay and International Rectifier entered into four license agreements. Pursuant to these agreements, International Rectifier is licensing to Vishay certain of its patents and technology related to the PCS business on a non-exclusive, perpetual and royalty-free basis; International Rectifier is licensing to Vishay certain of its trademarks for specified periods of up to two years after closing; and Vishay is licensing back to International Rectifier patents and technology relating to the PCS business purchased by Vishay in the transaction, on a non-exclusive, perpetual and royalty-free basis. International Rectifier's use of the license back is subject to the non-competition arrangements described above.

Vishay and International Rectifier also entered into transition services and supply agreements, including a transition products services agreement relating to the provision by International Rectifier to Vishay of certain wafer and packaging services; an IGBT auto die supply agreement relating to the provision of certain die and other products by International Rectifier to Vishay; and a transition buyback agreement relating to the provision of certain die products by Vishay to International Rectifier.

The results of operations of the PCS business are included in the results of the Semiconductors segment from April 1, 2007, excluding the automotive modules and subsystems business unit, which is reported as discontinued operations as described below.

The acquisition has been accounted for under the purchase method of accounting in accordance with U.S. generally accepted accounting principles. Accordingly, the purchase price has been preliminarily allocated as follows, to the assets acquired and liabilities assumed based on their fair values, with the excess being allocated to goodwill *(in thousands)*:

Working capital	$	4,272
Property and equipment		55,858
Completed technology		16,300
Customer relationships		21,900
Tradenames		2,300
Other intangible assets		2,200
Net assets held for sale		4,000
Deferred taxes		(6,500)
Total identified assets and liabilities	$	100,330
Purchase price, net of cash acquired	$	282,652
Direct costs of acquisition		2,950
Total purchase price	$	285,602
Goodwill	$	185,272

The completed technology, customer relationships, tradenames, and other intangible assets will be amortized over weighted average useful lives of 10 years, 10 years, 3 years, and 1.5 years, respectively.

The goodwill associated with the transaction has been allocated to the Semiconductors reporting unit. The Company will test the goodwill for impairment at least annually in accordance with U.S. generally accepted accounting principles, or more frequently if there are triggering events (see Note 3). The goodwill associated with this acquisition is not deductible for income tax purposes.

In evaluating the acquisition of the PCS business, the Company focused primarily on the business's revenues and customer base, the strategic fit of the business's product line with the Company's existing product offerings, and opportunities for cost reductions and other synergies, rather than on the business's tangible assets, such as its property, equipment, and inventory. As a result, the fair value of the acquired assets corresponds to a relatively smaller portion of the acquisition price, with the Company recording a substantial amount of goodwill associated with the acquisition.

On April 9, 2007, International Rectifier announced an internal investigation of accounting irregularities. While the investigation was on-going, International Rectifier was precluded from discussing certain matters with Vishay, such as the parties' dispute with respect to a net working capital adjustment to the acquisition purchase price and certain tax issues associated with acquired subsidiaries. These matters could have an impact on the purchase price allocation.

International Rectifier completed this investigation and reported its restated financial results on August 1, 2008. International Rectifier has not yet provided this requested information to Vishay (see Note 13). Any future changes to the purchase price allocation related to the acquisition of the PCS business will be directly related to this information. Until such information is obtained, the purchase price allocation is still considered to be "preliminary." There can be no assurance that the estimated amounts will represent the final purchase price allocation.

Sale of Automotive Modules and Subsystems Business

On April 7, 2008, Vishay sold the automotive modules and subsystems business unit ("ASBU") to a private equity firm. ASBU was originally acquired by Vishay as part of the April 1, 2007 acquisition of International Rectifier's Power Control Systems business. Vishay determined that ASBU would not satisfactorily complement Vishay's operations.

During Vishay's period of ownership of ASBU, the assets and liabilities of ASBU were separately reported in the consolidated condensed balance sheet as "assets held for sale" and "liabilities related to assets held for sale." Long-lived assets held for sale were not depreciated or amortized. The Company allocated no goodwill to ASBU in the purchase accounting for the PCS business.

Financial results of discontinued operations for the fiscal quarter and nine fiscal months ended September 27, 2008 and September 29, 2007 are as follows *(in thousands)*:

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Net revenues	**$ -**	$ 14,237	**$ 10,995**	$ 29,558
Loss before income taxes	**$ -**	$ (2,057)	**$ (38,224)**	$ (3,919)
Tax expense (benefit)	**-**	(133)	**3,912**	(697)
Loss from discontinued operations, net of tax	**$ -**	$ (1,924)	**$ (42,136)**	$ (3,222)

The loss before income taxes includes an impairment charge of $32.3 million, recorded in the first quarter of 2008, to reduce the carrying value of the net assets held for sale to the proceeds received on April 7, 2008.

The Company retained responsibility for the collection of certain customer accounts receivable on behalf of the buyer. These amounts are being remitted to the buyer upon collection. The Company also retained responsibility for certain severance costs and lease termination costs associated with ASBU.

The selling price for ASBU is subject to a working capital adjustment which has not been finalized.

As additional consideration for the sale, Vishay is eligible to receive a portion of the proceeds of certain liquidity events involving ASBU, after the private equity firm has received distributions of its invested capital plus a specified return and after certain other payments. Given the uncertainties of this possible future receipt of proceeds, Vishay has ascribed zero value to this contingent consideration in estimating the impairment charge. Any consideration received upon future sale of ASBU by the private equity firm will be recorded as a gain on disposal of discontinued operations in future periods.

Pro Forma Results

The unaudited pro forma results would have been as follows, assuming the acquisitions of the PCS business and PM Group had occurred as of January 1, 2007 *(in thousands, except per share amounts):*

	Nine fiscal months ended September 29, 2007
Pro forma net revenues	$ 2,175,554
Pro forma income from continuing operations	$ 135,811
Pro forma loss from discontinued operations	(4,069)
Pro forma net earnings	$ 131,742
Pro forma per share - basic:	
Income from continuing operations	$ 0.73
Loss from discontinued operations	$ (0.02)
Net earnings	$ 0.71
Pro forma per share - diluted:	
Income from continuing operations	$ 0.71
Loss from discontinued operations	$ (0.02)
Net earnings	$ 0.69

The pro forma information reflects adjustments to depreciation based on the fair value of property and equipment acquired, adjustments to amortization based on the fair value of intangible assets, and tax related effects.

The unaudited pro forma results are not necessarily indicative of the results that would have been attained had the acquisitions occurred at the beginning of the period presented.

Had the 2008 acquisitions occurred as of the beginning of the periods presented in these consolidated condensed financial statements, the pro forma statements of operations would not be materially different than the consolidated statements of operations presented.

Note 3 – Goodwill and Intangible Assets

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually. The Company performs its annual impairment test as of the first day of the fiscal fourth quarter. These impairment tests must be performed more frequently if there are triggering events.

In light of a sustained decline in market capitalization for Vishay and its peer group companies, and other factors, Vishay determined that an interim impairment test was necessary as of the end of the second and third fiscal quarters of 2008.

Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, prescribes a two-step method for determining goodwill impairment. In the first step, the Company determines the fair value of the reporting unit and compares that fair value to the net book value of the reporting unit. Since the adoption of SFAS No. 142 in 2002, the Company has applied a comparable companies market multiple approach to determine the fair value of its reporting units for step one of the SFAS No. 142 impairment test. The Company also utilized other valuation techniques, including a discounted cash flow analysis, to evaluate the reasonableness of the fair value determined using the market multiple approach.

Passive Components segment goodwill is allocated to two reporting units for SFAS No. 142 evaluation purposes, namely Other Passives and Measurements Group. The Semiconductors segment represents a single reporting unit for SFAS No. 142 evaluation purposes.

After completing step one of the impairment test as of June 28, 2008, the Company determined that the estimated fair value of its Semiconductors and Other Passives reporting units was less than the net book value of those reporting units, requiring the completion of the second step of the impairment test. The estimated fair value of the Measurements Group reporting unit was greater than the net book value of that unit, and accordingly, no second step was required for the Measurement Group reporting unit.

To measure the amount of the impairment, SFAS No. 142 prescribes that the Company determine the implied fair value of goodwill in the same manner as if the Company had acquired those business units. Specifically, the Company must allocate the fair value of the reporting unit to all of the assets of that unit, including any unrecognized intangible assets, in a hypothetical calculation that would yield the implied fair value of goodwill. The impairment loss is measured as the difference between the book value of the goodwill and the implied fair value of the goodwill computed in step two.

Upon completion of a preliminary step two analysis, the Company recorded its best estimate of the impairment loss as of June 28, 2008, as permitted by SFAS No. 142 when an impairment indicator arises toward the end of an interim reporting period. This estimate was refined during the third quarter of 2008.

Given the further deterioration of market conditions, an additional impairment test was performed as of September 27, 2008. After completing step one of the impairment test as of September 27, 2008, the Company determined that the estimated fair value of its Other Passives reporting unit was less than the net book value of this reporting unit. This required the completion of the second step of the impairment test. The estimated fair value of the Semiconductors and Measurements Group reporting units was greater than the net book value of the respective reporting units as of September 27, 2008, and accordingly, no second step was required for the Semiconductors and Measurement Group reporting units at September 27, 2008.

As a result of these impairment tests, the Company recorded goodwill impairment charges, as follows *(in thousands)*:

	Fiscal quarter ended Sept. 27, 2008	Nine fiscal months ended Sept. 27, 2008
Semiconductors	$ 20,000	$ 570,000
Other Passives	310,917	560,917
Total	$ 330,917	$ 1,130,917

The third quarter impairment loss is based on a preliminary step two analysis prepared as of September 27, 2008, which is subject to completion in the fourth quarter of 2008. The completion of this analysis may result in the recognition of an additional impairment charge in the fourth quarter of 2008.

As a result of the analysis described above, the Company's goodwill associated with its Other Passives and Semiconductors reporting units was recorded at fair value. In accordance with FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, the Company has not applied SFAS No. 157 to the determination of the fair value of these assets (see Note 14). However, the provisions of SFAS No. 157 were applied to the determination of the fair value of financial assets and financial liabilities that were part of the SFAS No. 142 step two analysis.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Company competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, and capital expenditures. The allocation requires several analyses to determine fair value of assets and liabilities including, among others, completed technology, tradenames, in-process research and development, customer relationships, and certain property and equipment (valued at replacement costs).

Due to the inherent uncertainty involved in making these estimates, actual financial results could differ from those estimates. Changes in assumptions concerning future financial results or other underlying assumptions would have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

The goodwill impairment charge is noncash in nature and does not affect Vishay's liquidity, cash flows from operating activities, or debt covenants, and will not have a material impact on future operations.

The changes in the carrying amounts of goodwill by segment for the nine fiscal months ended September 27, 2008 were as follows *(in thousands):*

	Semiconductors	Passive Components	Total
Balance at December 31, 2007	$ 1,057,910	$ 618,587	$ 1,676,497
Goodwill acquired during the year	-	31,331	31,331

Purchase price allocation adjustments	**(13,220)**	**-**	**(13,220)**
Impairment charges	**(570,000)**	**(560,917)**	**(1,130,917)**
Currency translation adjustments	**1,747**	**6,819**	**8,566**
Balance at September 27, 2008	**$ 476,437**	**$ 95,820**	**$ 572,257**

As described above, Passive Components segment goodwill is allocated to the Other Passives and Measurements Group reporting units for SFAS No. 142 evaluation purposes. Goodwill allocated to the Other Passives reporting unit at September 27, 2008 and December 31, 2007 was zero and $533,199,000, respectively. Goodwill allocated to the Measurements Group reporting unit at September 27, 2008 and December 31, 2007 was $95,820,000 and $85,389,000, respectively.

Purchase price allocation adjustments recorded in 2008 are attributable to revisions of the purchase accounting for the 2007 acquisition of the PCS business.

Prior to completing the interim assessment of goodwill for impairment during the second and third quarters of 2008, the Company performed a recoverability test of certain long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and certain indefinite-lived intangible assets in accordance with SFAS No. 142. As a result of those assessments, the Company recorded impairment charges totaling $27 million during the third quarter of 2008 related to indefinite-lived intangible assets (certain tradenames), allocated $12 million to the Passive Components segment and $15 million to the Semiconductors segment. The Company will amortize the remaining balances of these intangible assets, aggregating approximately $35.4 million, over a ten-year life.

The fair value of the tradenames was measured as the discounted cash flow savings realized from owning such tradenames and not having to pay a royalty for their use.

As part of this analysis, the Company determined that its Siliconix tradenames, with a carrying value of approximately $20.4 million, were not impaired and will continue to be reported as indefinite-lived intangible assets.

Other intangible assets consist of the following *(in thousands)*:

	September 27, 2008	December 31, 2007
Intangible Assets Subject to Amortization (Definite-lived):		
Patents and acquired technology	**$ 119,544**	$ 115,171
Capitalized software	**53,684**	47,375
Customer relationships	**60,312**	37,169
Tradenames	**40,041**	4,311
Non-competition agreements	**14,500**	6,225
Other	**2,400**	2,000
	290,481	212,251
Accumulated amortization:		
Patents and acquired technology	**(64,664)**	(55,952)
Capitalized software	**(40,644)**	(35,714)
Customer relationships	**(10,958)**	(6,876)
Tradenames	**(2,066)**	(970)
Non-competition agreements	**(2,239)**	(1,427)
Other	**(2,115)**	(1,000)
	(122,686)	(101,939)
Net Intangible Assets Subject to Amortization	**167,795**	110,312
Intangible Assets Not Subject to Amortization (Indefinite-lived):		
Tradenames	**20,359**	82,279
	$ 188,154	$ 192,591

Note 4 – Restructuring and Severance Costs and Related Asset Write-Downs

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. Restructuring and severance costs include onetime exit costs recognized pursuant to SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, severance benefits pursuant to an on-going benefit arrangement recognized pursuant to SFAS No. 112, *Employers' Accounting for Postemployment Benefits*, and related pension curtailment and settlement charges recognized pursuant to SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.* 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 are 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. Asset write-downs are principally related to buildings and equipment that will not be used subsequent to the completion of restructuring plans presently being implemented, and cannot be sold for amounts in excess of carrying value.

Third Quarter 2008

The Company recorded restructuring and severance costs of $6,849,000 for the third quarter of 2008. Employee termination costs were $5,819,000, covering technical, production, administrative, and support employees located in Austria, Belgium, Brazil, Germany, Hungary, Ireland, the Netherlands, Portugal, and the United States. Severance costs for the third quarter of 2008 also include executive severance (see Note 10). The Company also incurred $1,030,000 of other exit costs during the quarter, principally related to the closure of a facility in Germany. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company.

Nine Fiscal Months Ended September 27, 2008

The Company recorded restructuring and severance costs of $33,960,000 for the nine fiscal months ended September 27, 2008. Employee termination costs were $30,770,000, covering technical, production, administrative, and support employees located in Austria, Belgium, Brazil, the People's Republic of China, France, Germany, Hungary, Ireland, Korea, the Netherlands, and the United States. Severance costs for the third quarter of 2008 also include executive severance (see Note 10). The Company also incurred $3,190,000 of other exit costs, principally related to the closures of facilities in Brazil and Germany. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company.

As a result of the decision to close its facility in Brazil, the Company completed a long-lived asset impairment analysis during the first quarter of 2008 and determined that various fixed assets and intangible assets were impaired. The Company recorded fixed asset write-downs of $3,419,000 and intangible asset write-downs of $776,000.

The following table summarizes activity to date related to restructuring programs initiated in 2008 *(in thousands, except for number of employees):*

	Severance Costs	Other Exit Costs	Total	Employees to be Terminated
Restructuring and severance costs	$ 30,770	$ 3,190	$ 33,960	601
Utilized	(15,018)	(773)	(15,791)	(530)
Foreign currency translation	(657)	(107)	(764)	-
Balance at September 27, 2008	$ 15,095	$ 2,310	$ 17,405	71

Most of the accrued restructuring liability, currently shown in other accrued expenses, is expected to be paid by December 31, 2008. The payment terms related to these restructuring programs varies, usually based on local customs and laws. Most severance amounts are paid in a lump sum at termination, while some payments are structured to be paid in installments.

Third Quarter 2007

The Company recorded restructuring and severance costs of $9,920,000 for the third quarter of 2007. Employee termination costs were $8,783,000, covering technical, production, administrative and support employees located in Belgium, China, France, Germany, and the United States. The Company also incurred $1,137,000 of other exit costs during the quarter, principally to consolidate warehouse facilities in the United States. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company.

Nine Fiscal Months Ended 2007

The Company recorded restructuring and severance costs of $13,186,000 for the nine fiscal months ended September 29, 2007. Employee termination costs were $10,604,000, covering technical, production, administrative and support employees located in Belgium, China, France, Germany, Hungary, and the United States. The Company also incurred $2,582,000 of other exit costs, principally to consolidate warehouse facilities in the United States. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company. The Company also recorded an asset write-down of $2,665,000 to reduce the carrying value of a building to its expected selling price. The building had been vacated as part of restructuring activities.

Year Ended December 31, 2007

The Company recorded restructuring and severance costs during the year ended December 31, 2007 as follows *(in thousands)*:

	Severance Costs	Other Exit Costs	Total
Programs initiated in 2007	$ 15,432	$ 2,572	$ 18,004
Changes in estimate from prior year programs	(3,323)	-	(3,323)
Net restructuring and severance costs	$ 12,109	$ 2,572	$ 14,681

Employee termination costs covered technical, production, administrative and support employees located in Belgium, China, France, Germany, Hungary, and the United States. Other exit costs were principally to consolidate warehouse facilities in the United States. The restructuring and severance costs were incurred as part of the continuing cost reduction programs currently being implemented by the Company. The Company also recorded asset write-downs of $3,869,000 to reduce the carrying value of buildings. The buildings had been vacated as part of restructuring activities. Certain of these buildings are held-for-sale and classified as "other assets". Others are being leased to third-parties and were reduced to their fair value based on the present value of future lease receipts.

Also during the year ended December 31, 2007, the Company sold a building that had been vacated as part of its restructuring programs and recognized a gain of $3,118,000, which is recorded within selling, general, and administrative expenses.

The following table summarizes activity to date related to restructuring programs initiated in 2007 *(in thousands, except for number of employees):*

	Severance Costs	Other Exit Costs	Total	Employees to be Terminated
Restructuring and severance costs	**$ 15,432**	**$ 2,572**	**$ 18,004**	**326**
Utilized	**(2,553)**	**(2,557)**	**(5,110)**	**(209)**
Foreign currency translation	**356**	**-**	**356**	**-**
Balance at December 31, 2007	**$ 13,235**	**$ 15**	**$ 13,250**	**117**
Utilized	**(5,684)**	**(16)**	**(5,700)**	**(93)**
Foreign currency translation	**448**	**1**	**449**	**-**
Balance at September 27, 2008	**$ 7,999**	**$ -**	**$ 7,999**	**24**

Most of the accrued restructuring liability, currently shown in other accrued expenses, is expected to be paid by December 31, 2008. The payment terms related to these restructuring programs varies, usually based on local customs and laws. Most severance amounts are paid in a lump sum at termination, while some payments are structured to be paid in installments.

Year Ended December 31, 2006

At December 31, 2007, approximately $2.0 million of costs were accrued related to programs initiated in 2006. Most of the remaining accrued restructuring liability for plans initiated in 2006 was paid during the second quarter of 2008.

Note 5 – Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the periods ended September 27, 2008 and September 29, 2007 reflect the Company's expected tax rate on reported income from continuing operations before income tax and tax adjustments. The Company operates in an international environment with significant operations in various locations outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting the Company's earnings and the applicable tax rates in the various locations where the Company operates.

The vast majority of the Company's goodwill is not deductible for income tax purposes. The Company recognized tax benefits of approximately $29.1 million and $59.1 million during the third quarter and nine fiscal months ended September 27, 2008, respectively, associated with the goodwill and indefinite-lived intangible asset impairment charges discussed in Note 3.

In connection with the repurchase of the convertible subordinated notes on August 1, 2008 (see Note 6), the Company repatriated approximately $250 million of cash from non-U.S. subsidiaries. This repatriation of cash resulted in net tax expense of approximately $9.9 million, recorded in the second quarter of 2008, after the utilization of net operating losses and tax credits.

Although the Company utilized cash and profits generated by its foreign subsidiaries to fund the repurchase transaction, at the present time, the Company expects that the remaining cash and profits generated by foreign subsidiaries will continue to be reinvested indefinitely.

During the nine fiscal months ended September 27, 2008, the liabilities for unrecognized tax benefits decreased by a net $7.6 million, due principally to the settlement of tax audits (approximately $14.7 million), partially offset by increases for tax positions taken during the period (approximately $5.4 million) and foreign currency effects (approximately $1.9 million).

Income tax expense for the nine fiscal months ended September 29, 2007, includes additional tax expense of approximately $3.3 million for changes in uncertain tax positions related to tax positions taken in prior years. Income tax expense for the third quarter and nine fiscal months ended September 29, 2007 reflects a benefit of $0.8 million, representing the effects of adjusting deferred income taxes for a tax rate decrease enacted in Germany.

Note 6 – Long-Term Debt

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

	September 27, 2008	December 31, 2007
Convertible subordinated notes, due 2023	**$ 1,870**	$ 500,000
Exchangeable unsecured notes, due 2102	**105,000**	105,000
Credit facility - revolving debt	**125,000**	-
Credit facility - term loan	**125,000**	-
Other debt	**2,156**	3,583
	359,026	608,583

Less current portion	**25,488**	1,346
	$ 333,538	$ 607,237

Convertible Subordinated Notes, due 2023

Holders of the Company's 3-5/8% convertible subordinated notes had the right to require the Company to repurchase all or some of their notes at a purchase price equal to 100% of their principal amount of the notes, plus accrued and unpaid interest on August 1, 2008 (and other dates specified in the notes).

Substantially all (99.6%) of the holders of the 3-5/8% notes exercised their option to require the Company to repurchase their notes on August 1, 2008. The purchase price was paid in cash and funded from approximately $250 million of cash on-hand, $125 million of borrowings under the revolving credit facility described below, and $125 million from the term loan commitment described below.

The purchase price for the notes was equal to their principal amount, and accordingly, the Company did not recognize any gain or loss on the repurchase of the Notes. However, as a consequence of the extinguishment of the notes prior to their stated maturity date of 2023, in the third quarter of 2008, the Company recorded a loss on early extinguishment of debt of $13,601,000, to write-off unamortized debt issuance costs associated with the 2003 issuance of the notes.

Credit Facility

On June 24, 2008, the Company entered into its Fourth Amended and Restated Credit Agreement. The amended credit facility amends certain terms of the Third Amended and Restated Credit Agreement, dated as of April 20, 2007, including the applicable interest rates with respect to borrowings under the revolving credit commitment. The new credit facility continues to provide a revolving credit commitment of up to $250 million through April 20, 2012.

Interest on the revolving credit commitment is payable at prime or other variable interest rate options. The Company is required to pay facility commitment fees. The amended credit facility continues to restrict the Company from paying cash dividends and requires the Company to comply with other covenants, including the maintenance of specific financial ratios. The Company is in compliance with all covenants. In July 2008, the Company borrowed $125 million under the revolving credit facility for the purpose of repurchasing the Company's 3-5/8% convertible subordinated notes due 2023 (as further described above). Borrowings outstanding on the revolving credit facility at September 27, 2008 bear interest at LIBOR plus 1.00%.

The borrowings under the amended credit facility continue to be 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 the Company failed to make principal or interest payments under the credit facility. Certain of the Company's subsidiaries are permitted to borrow under the credit facility. Any borrowings by these subsidiaries under the credit facility are guaranteed by the Company.

In addition, the amended credit facility provides for a new senior secured term loan commitment of up to $125 million. The $125 million principal amount of such loan was drawn in July 2008 for the purpose of repurchasing the Company's 3-5/8% convertible subordinated notes due 2023 (as further described below). The principal amount of such term loan will be due as follows:

January 1, 2009	$12.5 million
July 1, 2009	$12.5 million
January 1, 2010	$12.5 million
July 1, 2010	$12.5 million
January 1, 2011	$37.5 million
July 1, 2011	$37.5 million

Pursuant to the terms of the amended credit facility, there are no penalties for early payments of the term loan. Prepayments of the term loan principal would reduce all future principal payments under the term loan.

The borrowings under the new term loan commitment, based on current leverage ratios, will bear interest at LIBOR plus 2.50%.

Other Borrowings Information

Aggregate annual maturities of long-term debt, based on the terms stated in the respective agreements, are as follows *(in thousands)*:

Remainder of 2008	$ 419
2009	25,345
2010	25,047
2011	75,000
2012	125,000
Thereafter	108,215

<u>Note 7 – Comprehensive Income (Loss)</u>

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	Sept. 29, 2007	Sept. 27, 2008	Sept. 29, 2007
Net earnings (loss)	**$ (312,867)**	$ 35,175	**$ (1,079,124)**	$ 125,886
Other comprehensive income (loss):				
Foreign currency translation adjustment	**(49,449)**	46,289	**31,530**	64,858
Unrealized gain (loss) on available for sale securities	**(130)**	38	**(523)**	-
Pension and other postretirement adjustments	**1,316**	1,588	**4,330**	6,507
Total other comprehensive income (loss)	**(48,263)**	47,915	**35,337**	71,365
Comprehensive income (loss)	**$ (361,130)**	$ 83,090	**$ (1,043,787)**	$ 197,251

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

Note 8 – Pensions and Other Postretirement Benefits

The Company maintains various retirement benefit plans.

The following table shows the components of the net periodic pension cost for the third quarters of 2008 and 2007 for the Company's defined benefit pension plans *(in thousands)*:

	Fiscal quarter ended September 27, 2008		Fiscal quarter ended September 29, 2007	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	**$ 1,035**	**$ 1,154**	$ 1,163	$ 1,185
Interest cost	**4,155**	**3,293**	3,968	2,736
Expected return on plan assets	**(5,220)**	**(651)**	(5,138)	(745)
Amortization of prior service cost	**(42)**	-	81	-
Amortization of losses	**564**	**867**	831	1,232
Net periodic benefit cost	**$ 492**	**$ 4,663**	$ 905	$ 4,408

The following table shows the components of the net periodic pension cost for the nine fiscal months ended September 27, 2008 and September 29, 2007 for the Company's defined benefit pension plans *(in thousands)*:

	Nine fiscal months ended September 27, 2008		Nine fiscal months ended September 29, 2007	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	**$ 3,105**	**$ 3,502**	$ 3,489	$ 3,512
Interest cost	**12,464**	**9,966**	11,903	8,062
Expected return on plan assets	**(15,660)**	**(2,008)**	(15,414)	(2,196)
Amortization of prior service cost	**(126)**	-	243	-
Amortization of losses	**1,692**	**2,601**	2,493	3,671
Net periodic benefit cost	**$ 1,475**	**$ 14,061**	$ 2,714	$ 13,049

The following table shows the components of the net periodic benefit cost for the third quarters of 2008 and 2007 for the Company's other postretirement benefit plans *(in thousands)*:

	Fiscal quarter ended September 27, 2008		Fiscal quarter ended September 29, 2007	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	**$ 54**	**$ 100**	$ 59	$ 116
Interest cost	**275**	**105**	286	92
Amortization of prior service cost	**19**	-	21	-

Amortization of transition obligation	**48**	**-**	48	-
Amortization of gains	**(157)**	**-**	(5)	-
Net periodic benefit cost	**$ 239**	**$ 205**	$ 409	$ 208

The following table shows the components of the net periodic pension cost for the nine fiscal months ended September 27, 2008 and September 29, 2007 for the Company's other postretirement benefit plans *(in thousands)*:

	Nine fiscal months ended September 27, 2008		**Nine fiscal months ended September 29, 2007**	
	U.S. Plans	**Non-U.S. Plans**	**U.S. Plans**	**Non-U.S. Plans**
Service cost	**$ 162**	**$ 302**	$ 177	$ 341
Interest cost	**825**	**317**	858	270
Amortization of prior service cost	**57**	**-**	63	-
Amortization of transition obligation	**144**	**-**	144	-
Amortization of gains	**(472)**	**-**	(17)	-
Net periodic benefit cost	**$ 716**	**$ 619**	$ 1,225	$ 611

Note 9 – Stock-Based Compensation

As of December 31, 2007, the Company had four active stockholder-approved stock option programs, namely the 1997 Stock Option Program, the 1998 Stock Option Program, a stock option plan assumed in the 2001 acquisition of General Semiconductor, Inc., and the 2007 Stock Option Program.

The Company also has a stockholder-approved Phantom Stock Plan which grants phantom stock units to certain executives as part of their employment agreements with the Company, and two employee stock plans under which restricted stock may be granted.

These plans are more fully described in Note 12 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2007.

On March 16, 2008, the stockholder approval for the 1998 Stock Option Program expired. No additional options may be granted pursuant to this plan.

On May 28, 2008, the Company's stockholders approved amendments to the 2007 Stock Option Program (renamed the 2007 Stock Incentive Program) (the "2007 Program"). The amended 2007 Program permits the grant of restricted stock, unrestricted stock, and restricted stock units ("RSUs"), in addition to stock options, to officers, employees, and non-employee directors.

Stock Options

Option activity under the stock option plans as of September 27, 2008 and changes in the nine fiscal months then ended are presented below *(number of options in thousands)*:

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**
Outstanding:			
December 31, 2007	**4,691**	**$ 18.09**	
Granted	**36**	**8.76**	
Exercised	**(31)**	**5.60**	
Cancelled	**(330)**	**20.91**	
Outstanding at September 27, 2008	**4,366**	**$ 17.89**	**2.55**
Vested and expected to vest at September 27, 2008	**4,366**	**$ 17.89**	**2.55**
Exercisable at September 27, 2008	**3,916**	**$ 18.07**	**2.33**

The Company determines compensation cost for stock options based on the grant-date fair value of the options granted. Compensation cost is recognized over the period that an employee provides service in exchange for the award.

The weighted average fair value of the options granted was estimated using the Black-Scholes option-pricing model, with the assumptions presented below. Options granted during the nine fiscal months ended September 27, 2008 had a weighted average fair value of $4.93, and an exercise price equal to the market value of the underlying shares of Vishay common stock on the date of grant.

	2008 Grants
Expected dividend yield	**0.0%**
Risk-free interest rate	**3.5%**
Expected volatility	**58.3%**
Expected life (in years)	**7.23**

During the nine fiscal months ended September 27, 2008, 98,000 options vested and 62,000 unvested options were cancelled. At September 27, 2008, there are 450,000 unvested options outstanding, with a weighted average grant-date fair value of $9.46 per option.

During the nine fiscal months ended September 27, 2008 and September 29, 2007, the Company recorded pretax compensation expense (within selling, general, and administrative expenses) associated with employee stock options of $1,022,000 and $905,000, respectively. At September 27, 2008, there was approximately $2.6 million of unrecognized compensation cost related to unvested stock options.

The aggregate pretax intrinsic value (the difference between the closing stock price on the last trading day of the third quarter of 2008 of $6.81 per share and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 27, 2008 would be approximately $0.2 million. This amount changes based on changes in the market value of the Company's common stock. The total intrinsic value of options exercised during the nine fiscal months ended September 27, 2008 was approximately $0.2 million.

Phantom Stock Plan

On both January 2, 2008 and January 3, 2007, the Company granted 25,000 phantom stock units pursuant to employment agreements between the Company and certain executives. In the first quarter of 2008 and 2007, the Company recognized compensation expense of $286,000 and $344,000, respectively, equal to the market value of the underlying stock on the date of grant.

Restricted Stock Units

In May 2008, 480,000 RSUs were granted to certain officers and directors. Each RSU entitles the recipient to receive a share of common stock when the RSU vests. The RSUs granted in May 2008 were scheduled to vest as follows:

- 168,000 RSUs granted to officers vest in six equal installments beginning on the grant date and each of the first five anniversaries of that date.
- 144,000 RSUs granted to directors vest in three equal installments beginning on the grant date and each of the first two anniversaries of that date.
- 168,000 RSUs granted to officers will vest, provided that certain 2008 performance conditions are attained, in six equal installments on the first six anniversaries of the grant date. If the performance conditions are not attained, these RSUs will be forfeited.

RSUs granted to an officer were cancelled during the third quarter of 2008 (see Note 10).

RSU activity for the period ended September 27, 2008 is presented below *(number of RSUs in thousands)*:

	Number of RSUs	Grant date fair value per unit	Weighted Average Remaining Vesting Period (Years)
Outstanding:			
Granted	**480**	**$ 9.88**	
Vested	**(76)**		
Cancelled	**(51)**		
Outstanding at September 27, 2008	**353**		**2.46**
Expected to vest at September 27, 2008	**213**		**1.99**

The Company determines compensation cost for RSUs based on the grant-date fair value of the underlying common stock. Compensation cost is recognized over vesting period for those RSUs expected to vest. During the nine fiscal months ended September 27, 2008, the Company recorded pretax compensation expense (within selling, general, and administrative expenses) associated with RSUs of $1,163,000. At September 27, 2008, there was approximately $3.1 million of unrecognized compensation cost related to unvested RSUs, including approximately $1.2 million of unrecognized compensation cost for RSUs for which the achievement of performance-based vesting criteria is not probable.

<u>Note 10 – Commitments and Contingencies</u>

Semiconductor Foundry Agreements

Our Siliconix subsidiary maintains long-term foundry agreements with subcontractors to ensure access to external front-end capacity.

In 2004, Siliconix signed a definitive long-term foundry agreement for semiconductor manufacturing with Tower Semiconductor (the "2004 agreement"), pursuant to which Siliconix would purchase semiconductor wafers from and transfer certain technology to Tower Semiconductor. Pursuant to the 2004 agreement, Siliconix was required to place orders valued at approximately $200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 facility over a seven to ten year period. The 2004 agreement specified minimum quantities per month and a fixed quantity for the term of the agreement. Siliconix was required to pay for any short-fall in minimum order quantities specified under the agreement through the payment of penalties equal to unavoidable fixed costs.

Pursuant to the 2004 agreement, Siliconix advanced $20 million to Tower in 2004, to be used for the purchase of additional equipment required to satisfy Siliconix's orders. This advance was considered a prepayment on future wafer purchases, reducing the per wafer cost to Siliconix over the term of the agreement.

During 2007, Siliconix was committed to purchase approximately $22 million of semiconductor wafers, but did not meet its commitments due to changing market demand for products manufactured using wafers supplied by Tower. Siliconix was required to pay penalties of approximately $1.7 million, which were recorded as a component of cost of products sold.

In January 2008, Siliconix reached an agreement in principle to revise the 2004 agreement to more accurately reflect market demand. Based on the penalties paid in 2007 and the agreement in principle, during the fourth quarter of 2007, the Company recorded a write-off of the balance of the prepayment amount of $16,393,000, and accrued an additional $2,500,000 based on its best estimate of additional contract termination charges related to the original agreement.

At December 31, 2007, the remaining future purchase commitments under the 2004 agreement were approximately $160 million.

In March 2008, Siliconix and Tower entered into an amended and restated foundry agreement (the "2008 agreement"). Pursuant to the 2008 agreement, Tower will continue to manufacture wafers covered by the 2004 agreement, but at lower quantities and at lower prices, through 2009. Tower will also begin manufacturing wafers for other product lines acquired as part of the PCS acquisition through 2012, pending a scheduled technology transfer. Siliconix must pay for any short-fall in the reduced minimum order quantities specified under the 2008 agreement through the payment of penalties equal to unavoidable fixed costs. Additionally, as contemplated by the 2007 contract termination charge, Siliconix agreed to forgive the prepayment amount and pay a $2,500,000 contract termination charge.

Management estimates its minimum purchase commitments under the 2008 agreement as follows *(in thousands)*:

2008	$ 20,400
2009	14,700
2010	8,400
2011	8,800
2012	8,800

Siliconix has granted Tower an option to produce additional wafers under this agreement, as needed by Siliconix, and accordingly, actual purchases from Tower may be greater than the commitments disclosed above.

These purchase commitments are for the manufacture of proprietary products using Siliconix-owned technology licensed to Tower by Siliconix, and accordingly, management can only estimate the "market price" of the wafers which are the subject of the 2008 agreement. Management believes that these commitments are at prices that are not in excess of current market prices.

Executive Employment Agreements

The Company has employment agreements with certain of its executives. With the exception of the employment arrangement with Dr. Felix Zandman, Executive Chairman and founder of the Company, the executive employment agreements contain severance provisions providing generally for 3 years of compensation in the case of a termination without cause or a voluntary termination by the executive for "good reason" as defined in the employment agreement. Specifically, severance items include:

- salary continuation for three years, payable over three years;
- 5,000 shares of common stock annually for three years;
- bonus for the year of termination;
- $1,500,000 lump sum cash payment. This payment replaces the annual deferred compensation credits and the annual bonus for the 3-year severance period; and
- lifetime continuation of executive's life insurance and medical benefit up to $15,000 annual premium value.

On July 30, 2008, the Board of Directors was notified that Richard N. Grubb, the Company's Chief Financial Officer, would be stepping down for "good reason" effective September 1, 2008, in connection with a change in the corporate finance and accounting function of the Company. The Company recorded severance charges associated with Mr. Grubb's termination during the third quarter of 2008. These costs are reported in "restructuring and severance costs" on the consolidated condensed statements of operations.

<u>Note 11 – Segment Information</u>

Vishay designs, manufactures, and markets electronic components that cover a wide range of products and technologies. The Company has two reportable segments: Semiconductors, consisting principally of diodes, transistors, power MOSFETs, power conversion and motor control integrated circuits, optoelectronic components, and IRDCs; and Passive Components, consisting principally of fixed resistors, solid tantalum surface mount chip capacitors, solid tantalum leaded capacitors, wet/foil tantalum capacitors, multi-layer ceramic chip capacitors, film capacitors, inductors, transducers, strain gages, and load cells.

The Company evaluates business segment performance based upon operating income, exclusive of certain items ("segment operating income"). Management believes that evaluating segment performance excluding items such as goodwill impairment, restructuring and severance, asset write-downs, inventory write-downs, losses on purchase commitments, contract termination charges, charges for in-process research and development, and other items is meaningful because it provides insight with respect to intrinsic operating results of the Company. These items, and unallocated corporate expenses, represent reconciling items between segment operating income and consolidated operating income. Business segment assets are the owned or allocated assets used by each business segment. The following table sets forth business segment information for the fiscal quarters and nine fiscal months ended September 27, 2008 and September 29, 2007 *(in thousands)*:

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Net revenues:				
Semiconductors				
Product sales	**$ 391,748**	$ 398,476	**$ 1,185,075**	$ 1,097,826
Royalty revenues	**1,186**	2,491	**3,082**	5,761
Total Semiconductors	**392,934**	400,967	**1,188,157**	1,103,587
Passive Components				
Product sales	**346,158**	328,649	**1,058,612**	1,000,082
Total Passive Components	**346,158**	328,649	**1,058,612**	1,000,082
	$ 739,092	$ 729,616	**$ 2,246,769**	$ 2,103,669
Segment operating income:				
Semiconductors	**$ 33,187**	$ 46,066	**$ 107,911**	$ 130,184
Passive Components	**20,705**	22,968	**74,528**	89,023
Corporate	**(7,235)**	(4,820)	**(23,684)**	(20,649)
Restructuring and severance costs	**(6,849)**	(9,920)	**(33,960)**	(13,186)
Asset write-downs	**-**	-	**(4,195)**	(2,665)
Impairment of goodwill and intangibles	**(357,917)**	-	**(1,157,917)**	-
Terminated tender offer expenses	**(4,000)**	-	**(4,000)**	-
Consolidated operating income (loss)	**$ (322,109)**	$ 54,294	**$ (1,041,317)**	$ 182,707
Restructuring and severance costs:				
Semiconductors	**$ 1,085**	$ 343	**$ 5,287**	$ 1,179
Passive Components	**5,764**	9,577	**28,673**	12,007
	$ 6,849	$ 9,920	**$ 33,960**	$ 13,186
Asset write-downs:				
Semiconductors	**$ -**	$ -	**$ -**	$ 2,665
Passive Components	**-**	-	**4,195**	-
	$ -	$ -	**$ 4,195**	$ 2,665
Impairment of goodwill and intangibles:				
Semiconductors	**$ 35,000**	$ -	**$ 585,000**	$ -
Passive Components	**322,917**	-	**572,917**	-
	$ 357,917	$ -	**$ 1,157,917**	$ -

The goodwill and indefinite-lived intangible asset impairment charges (see Note 3) and the repurchase of the convertible subordinated notes (see Note 6) result in a material change in the total assets by segment from the amount disclosed in the Company's last annual report.

Total assets by segment are as follows *(in thousands)*:

	September 27, 2008	**December 31, 2007**
Semiconductors	**$ 1,912,893**	$ 2,693,668
Passive Components	**1,707,209**	2,209,724
Corporate	**42,955**	91,843
	$ 3,663,057	$ 4,995,235

Corporate assets include corporate cash, property and equipment, and certain other assets.

<u>Note 12 – Earnings Per Share</u>

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	Sept. 29, 2007	**Sept. 27, 2008**	Sept. 29, 2007
Numerator:				
Numerator for basic earnings (loss) per share:				
Income (loss) from continuing operations	**$ (312,867)**	$ 37,099	**$ (1,036,988)**	$ 129,108
Loss from discontinued operations	**-**	(1,924)	**(42,136)**	(3,222)
Net earnings (loss)	**$ (312,867)**	$ 35,175	**$ (1,079,124)**	$ 125,886
Adjustment to the numerator for continuing operations and net earnings (loss):				
Interest savings assuming conversion of dilutive convertible and exchangeable notes, net of tax	**-**	915	**-**	5,832
Numerator for diluted earnings (loss) per share:				
Income (loss) from continuing operations	**$ (312,867)**	$ 38,014	**$ (1,036,988)**	$ 134,940
Loss from discontinued operations	**-**	(1,924)	**(42,136)**	(3,222)
Net earnings (loss)	**$ (312,867)**	$ 36,090	**$ (1,079,124)**	$ 131,718
Denominator:				
Denominator for basic earnings (loss) per share:				
Weighted average shares	**186,425**	186,335	**186,380**	185,408
Effect of dilutive securities:				
Convertible and exchangeable notes	**-**	6,176	**-**	14,009
Employee stock options	**-**	162	**-**	539
Other	**-**	106	**-**	106
Dilutive potential common shares	**-**	6,444	**-**	14,654
Denominator for diluted earnings (loss) per share:				
Adjusted weighted average shares	**186,425**	192,779	**186,380**	200,062
Basic earnings (loss) per share:*				
Continuing operations	**$ (1.68)**	$ 0.20	**$ (5.56)**	$ 0.70
Discontinued operations	**$ -**	$ (0.01)	**$ (0.23)**	$ (0.02)
Net earnings (loss)	**$ (1.68)**	$ 0.19	**$ (5.79)**	$ 0.68
Diluted earnings (loss) per share:*				
Continuing operations	**$ (1.68)**	$ 0.20	**$ (5.56)**	$ 0.67
Discontinued operations	**$ -**	$ (0.01)	**$ (0.23)**	$ (0.02)
Net earnings (loss)	**$ (1.68)**	$ 0.19	**$ (5.79)**	$ 0.66

* May not add due to rounding.

Diluted earnings (loss) per share for the periods presented do not reflect the following weighted average potential common shares, as the effect would be antidilutive *(in thousands)*:

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	Sept. 29, 2007	**Sept. 27, 2008**	Sept. 29, 2007
Convertible and exchangeable notes:				
Convertible Subordinated Notes, due 2023	**8,545**	23,496	**18,512**	15,664
Exchangeable Unsecured Notes, due 2102	**6,176**	-	**6,176**	-
Weighted average employee stock options	**4,416**	4,289	**4,461**	3,627
Weighted average warrants	**8,824**	8,824	**8,824**	8,824
Weighted average other	**518**	-	**307**	-

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

The Convertible Subordinated Notes, due 2023 are only convertible upon the occurrence of certain events. While none of these events has occurred as of September 27, 2008, certain conditions which could trigger conversion have been deemed to be non-substantive, and accordingly, the Company has always

considered these notes in its diluted earnings per share computation during periods in which they are dilutive. (As described in Note 6, substantially all of these notes were repurchased on August 1, 2008.)

In June 2007, the Company's Board of Directors adopted a resolution pursuant to which the Company intends to waive its rights to settle the principal amount of the Convertible Subordinated Notes, due 2023, in shares of Vishay common stock. Accordingly, the notes are included in the diluted earnings per share computation using the "treasury stock method" (similar to options and warrants) rather than the "if converted method" otherwise required for convertible debt. Under the "treasury stock method," Vishay calculates the number of shares issuable under the terms of the notes based on the average market price of Vishay common stock during the period, and that number is included in the total diluted shares figure for the period. If the average market price is less than $21.28, no shares are included in the diluted earnings per share computation. For the nine fiscal months ended September 29, 2007, the computation of diluted earnings per share is weighted for the periods that the notes were considered conventional convertible debt and for the period the notes were considered net share settlement securities.

Note 13 – International Rectifier Tender Offer

On August 15, 2008, Vishay announced that it made a non-binding proposal to the International Rectifier Corporation Board of Directors to acquire all the outstanding shares of International Rectifier common stock for $21.22 per share in cash.

On August 29, 2008, International Rectifier announced that its board of directors had rejected Vishay's acquisition proposal.

On September 10, 2008, Vishay announced that it had increased the price of its all-cash proposal to acquire all of the outstanding shares of International Rectifier common stock to $23.00 per share and that Vishay intended to commence a tender offer to purchase all of the outstanding shares of International Rectifier for $23.00.

Also on September 10, 2008, Vishay delivered a notice to International Rectifier indicating Vishay's intent to nominate three independent directors for election to the International Rectifier Board at International Rectifier's delayed 2007 annual shareholders meeting, and to propose certain amendments to International Rectifier's Amended and Restated Bylaws to ensure, among other things, that International Rectifier would be required to hold the 2008 annual meeting and election of Class Two directors prior to the end of 2008.

In addition, on September 10, 2008, Vishay filed a complaint in the Court of Chancery of the State of Delaware naming as defendants International Rectifier and its eight directors. The complaint sought an order directing International Rectifier to hold its delayed 2007 annual meeting on October 10, 2008, as then-currently scheduled, and to hold its 2008 annual meeting not later than December 21, 2008, among other relief.

On September 29, 2008, Vishay filed its definitive proxy statement in connection with International Rectifier's 2007 annual meeting and commenced a tender offer to purchase all outstanding shares of International Rectifier for $23.00 per share in cash.

On October 10, 2008, International Rectifier held its delayed 2007 annual meeting of stockholders. At that meeting, a plurality of shares voted favored International Rectifier's slate of three directors to Vishay's nominees. On October 13, 2008, Vishay announced that it had terminated its offer to acquire all shares of International Rectifier and dismissed its complaint against International Rectifier and its eight directors.

Vishay incurred $4 million of costs associated with the International Rectifier tender offer, which are presented as a separate line item in the accompanying consolidated condensed statements of operations.

Note 14 – New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, provides guidance for measuring fair value, and requires additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 was to be effective for Vishay as of January 1, 2008. In February 2008, the FASB issued Staff Position ("FSP") No. 157-2, which provides a one-year delayed application of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Accordingly, Vishay has only partially applied SFAS No. 157 as of January 1, 2008, and will be required to apply the additional provisions related to nonfinancial assets and liabilities as of January 1, 2009. The partial application of this standard did not have a material effect on the Company's financial position, results of operations, or liquidity, and the adoption of the remaining aspects which were deferred by FSP No. 157-2 is not expected to have a material effect on the Company's financial position, results of operations, or liquidity.

The Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The adoption of this standard did not have a material effect on the Company's financial position, results of operations, or liquidity.

In December 2007, the FASB issued SFAS No. 141-R, *Business Combinations*. While retaining the fundamental requirements of SFAS No. 141, this new statement makes various modifications to the requirements of SFAS No. 141 in regards to the accounting for contingent consideration, preacquisition contingencies, purchased in-process research and development, acquisition-related transaction costs, acquisition-related restructuring costs, and changes in tax valuation allowances and tax uncertainty accruals. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is presently evaluating the impact of adopting this standard.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. This statement is effective for fiscal years, and

interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is presently evaluating the impact of adopting this standard.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities.* This statement will require enhanced disclosures about an entity's derivative and hedging activities, and therefore improves the transparency of financial reporting. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early application encouraged. The adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations, or liquidity.

In May 2008, the FASB staff issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (including partial cash settlement).* The guidance included in the new staff position will significantly impact the accounting for convertible bonds that may be settled in cash. FSP APB 14-1 will require an issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 will require bifurcation of a component of the debt, classification of that component in equity, and then accretion of the resulting discount on the debt as part of the interest expense being reflected in the statement of operations. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 and earlier adoption is prohibited. The adoption of the FSP will require retrospective application to all periods presented. For Vishay, this would include the convertible subordinated notes due 2023, which were repurchased in August 2008. Given the retrospective application requirement, upon adoption, Vishay will report an increase in interest expense associated with these notes for the full year of 2007 and the first three quarters of 2008. The Company is presently evaluating the quantitative impact of adoption of the FSP.

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

Overview

Vishay Intertechnology, Inc. is an international manufacturer and supplier of discrete semiconductors and passive electronic components, including power MOSFETs, power conversion and motor control integrated circuits, transistors, diodes, optoelectronic components, resistors, capacitors, inductors, strain gages, load cells, force measurement sensors, displacement sensors, and photoelastic sensors. Semiconductors and passive electronic components manufactured by Vishay are used in virtually all types of electronic products, including those in the industrial, computer, automotive, consumer electronic products, telecommunications, military/aerospace, and medical industries.

Vishay operates in two segments, Semiconductors and Passive Components. Semiconductors segment products include transistors, diodes, rectifiers, certain types of integrated circuits, and optoelectronic products. Passive Components segment products include resistors, capacitors, and inductors. We include in the Passive Components 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. While the passive components business had historically predominated at Vishay, following several acquisitions of semiconductor businesses, revenues from our Semiconductors and Passive Components segments were essentially split evenly from 2003 through the first quarter of 2007. On April 1, 2007, Vishay acquired the Power Control Systems ("PCS") business of International Rectifier Corporation, which has been included in the Semiconductors segment. Going forward, revenues from our Semiconductors segment are expected to represent slightly more than half of our total revenues.

Net revenues for the fiscal quarter ended September 27, 2008 were $739.1 million, compared to $729.6 million for the fiscal quarter ended September 29, 2007.

Vishay reported a loss from continuing operations in the third quarter of 2008 of $312.9 million, or $1.68 per share. The loss includes noncash goodwill and indefinite-lived intangible asset impairment charges, totaling $357.9 million ($328.8 million, net of tax). The amount of the impairment charge is based on a preliminary analysis and may be adjusted in the fourth quarter.

The third quarter 2008 results also include a pretax charge for restructuring and severance costs of $6.8 million, a loss on early extinguishment of debt of $13.6 million, and $4.0 million of costs associated with Vishay's terminated tender offer for all outstanding shares of International Rectifier. On an after tax basis, these items and the impairment charges had a negative $1.86 per share effect on earnings (loss) from continuing operations.

Income from continuing operations for the fiscal quarter ended September 29, 2007 was $37.1 million, or $0.20 per diluted share. Income from continuing operations for the fiscal quarter ended September 29, 2007 was impacted by pretax charges for restructuring and severance costs of $9.9 million. Additionally, reported income tax expense is net of benefits totaling $0.9 million for changes in uncertain tax positions and a change in enacted tax rates. These items, net, had a negative $0.05 per share effect on income from continuing operations.

Net revenues for the nine fiscal months ended September 27, 2008 were $2,246.8 million, compared to $2,103.7 million for the nine fiscal months ended September 29, 2007. The loss from continuing operations for the nine fiscal months ended September 27, 2008 was $1,037.0 million or $5.56 per share, compared to income from continuing operations of $129.1 million or $0.67 per diluted share for the nine fiscal months ended September 29, 2007.

The loss from continuing operations for the nine fiscal months ended September 27, 2008 was impacted by pretax charges for goodwill and indefinite-lived asset impairments of $1,157.9 million, restructuring and severance costs of $34.0 million, related asset write-downs of $4.2 million, a loss on early extinguishment of debt of $13.6 million, $4.0 million of costs associated with Vishay's terminated tender offer for all outstanding shares of International Rectifier, and $9.9 million of tax expense associated with the repatriation of cash from certain non-U.S. subsidiaries. Including the tax effects of the pretax charges, these items had a negative $6.15 per share effect on earnings (loss) from continuing operations.

Income from continuing operations for the nine fiscal months ended September 29, 2007 was impacted by pretax charges for restructuring and severance costs of $13.2 million and related asset write-downs of $2.7 million. These items and their tax-related consequences, plus additional tax expense for changes in uncertain tax positions net of benefits for a change in enacted tax rates totaling $2.5 million, had a negative $0.09 per share effect on income from continuing operations.

On April 7, 2008, Vishay sold the automotive modules and subsystems business unit ("ASBU") acquired on April 1, 2007 as part of the acquisition of the PCS business of International Rectifier. The operations of ASBU have been classified as discontinued operations. Including the loss from discontinued operations, the net loss for the fiscal quarter and nine fiscal months ended September 27, 2008 was $312.9 million and $1,079.1 million, respectively, compared to net earnings of $35.2 million and $125.9 million, respectively, for the comparable prior year periods.

During the third quarter of 2008, the electronics industry abruptly experienced the impact of the present macro economic turbulences. Despite results that were below our expectations, we continued to generate strong cash flows. We remain confident for the long-term prospects of our businesses, although we expect further deterioration of market conditions in the short-term.

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 net revenues, gross profit margin, end-of-period backlog, and the book-to-bill ratio. We also monitor changes in inventory turnover and average selling prices ("ASP").

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

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

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 backlog is building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining sales.

We focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our costs of products sold for the four 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. The inventory balance used for computation of this ratio includes tantalum inventories in excess of one year supply, which are classified as other assets in the consolidated balance sheet. See Note 14 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. A higher level of inventory turnover reflects more efficient use of our capital.

Pricing in our industry can be volatile. We analyze trends and changes in average selling prices to evaluate likely future pricing. The erosion of average selling prices of established products is typical of the industry. However, we attempt to offset this deterioration with on-going cost reduction activities and new product introductions, as newer products typically yield larger gross margins.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows net revenues, gross profit margin, end-of-period backlog, book-to-bill ratio, inventory turnover, and changes in ASP for our business as a whole during the five quarters beginning with the third quarter of 2007 through the third quarter of 2008 *(dollars in thousands)*:

	3rd Quarter 2007	4th Quarter 2007	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008
Net revenues	$ 729,616	$ 729,597	$ 733,313	$ 774,364	$ 739,092
Gross profit margin	24.0%	22.9%	23.5%	23.2%	21.6%
End-of-period backlog	$ 678,300	$ 646,700	$ 696,700	$ 695,900	$ 619,000
Book-to-bill ratio	0.98	0.96	1.04	1.00	0.92
Inventory turnover	3.62	3.76	3.74	3.89	3.85
Change in ASP vs. prior quarter	-1.3%	-1.2%	-0.4%	-0.9%	-1.4%

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

Revenues for the third quarter of 2008 were below our expectations. During the quarter, we experienced a substantial slow down in our order-rate, which has continued into fourth quarter. Gross profit margin decreased, principally due to lower volume and decreases in ASPs, particularly in our Semiconductors segment businesses. The book-to-bill ratio decreased to 0.92 from 1.00 in the second quarter of 2008. Orders were particularly weak for Semiconductor segment products from Asian distributors. For the third quarter of 2008, the book-to-bill ratios for distribution customers and original equipment manufacturers ("OEM") were 0.88 and 0.95, respectively, versus ratios of 1.01 and 1.00, respectively, during the second quarter of 2008. We remain confident for the long-term prospects of the electronics industry, but it is difficult in the current environment to make precise short term projections. We expect revenues between $640 million and $670 million for the fourth quarter of 2008, at flat gross margins. The expected revenues have been negatively impacted by the strengthening of the U.S. dollar compared to other currencies, principally the Euro.

We have continued to see relatively modest pricing pressure in 2008, continuing the trend experienced in 2006 and 2007, although we have experienced accelerating price declines for our Semiconductors segment products, and expect increasing pricing pressure for the remainder of the year.

Financial Metrics by Segment

The following table shows net revenues, book-to-bill ratio, and gross profit margin broken out by segment for the five quarters beginning with the third quarter of 2007 through the third quarter of 2008 *(dollars in thousands):*

	3rd Quarter 2007	4th Quarter 2007	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008
Semiconductors					
Net revenues	$ 400,967	$ 386,013	$ 387,780	$ 407,443	$ 392,934
Book-to-bill ratio	0.95	0.94	1.03	1.01	0.85
Gross profit margin	23.3%	22.5%	22.9%	22.5%	21.8%
Passive Components					
Net revenues	$ 328,649	$ 343,584	$ 345,533	$ 366,921	$ 346,158
Book-to-bill ratio	1.02	0.99	1.05	0.99	0.98
Gross profit margin	24.9%	23.3%	24.3%	24.1%	21.4%

Acquisition and Divestiture Activity

As part of our growth strategy, we seek to expand through the 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. This includes exploring opportunities to acquire smaller targets to gain market share, effectively penetrate different geographic markets, enhance new product development, round out our product lines, or grow our high margin niche market businesses. 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 quarter of 2008, Vishay made three acquisitions. On June 30, 2008, Vishay acquired its partner's 51% interest in a transducer manufacturing joint venture in India for approximately $9.6 million. On July 23, 2008, Vishay acquired Powertron GmbH, a manufacturer of specialty precision resistors, for approximately $14.3 million, including the repayment of certain debt of Powertron. On September 15, 2008, Vishay acquired the wet tantalum capacitor business of KEMET Corporation for $35.2 million and other consideration in the form of a three-year term loan of $15 million. Terms of the secured loan of $15 million to KEMET from Vishay include a three-year non-amortizing maturity, an interest rate of LIBOR plus four percent, and security consisting of accounts receivable.

As further described in Note 13 to our consolidated condensed financial statements, during the third quarter, Vishay made an unsolicited offer to acquire all outstanding shares of International Rectifier. This tender offer was terminated on October 13, 2008. Vishay incurred $4 million of costs associated with the International Rectifier tender offer, which are presented as a separate line item in the consolidated condensed statements of operations.

In April 2007, Vishay acquired the PCS business of International Rectifier. On April 7, 2008, Vishay sold the automotive modules and subsystems business unit ("ASBU") it had acquired as part of the acquisition of the PCS business. During the first quarter of 2008, we recorded an impairment charge of $32.3 million to reduce the carrying value of the net assets of ASBU to the selling price.

Vishay has notified International Rectifier of damage claims concerning forecasts provided to Vishay regarding ASBU in advance of the PCS business acquisition that Vishay believes International Rectifier knew to be unsupportable. Vishay has also notified International Rectifier of certain other claims that it has regarding the sale of the PCS business to Vishay. International Rectifier has stated that it does not believe that Vishay's claims have merit and that it intends to vigorously defend its position.

Cost Management

We place a strong emphasis on reducing our costs. Since 2001, we have been implementing aggressive cost reduction programs to enhance our competitiveness, particularly in light of the erosion of average selling prices of established products that is typical of the industry.

One way we have reduced costs 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 the Czech Republic, Israel, India, Malaysia, Mexico, the People's Republic of China, and the Philippines. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we are successful in implementing this program. This percentage was 75.6% at the end of the third quarter of 2008, compared to 74.0% at the end of 2007, 74.2% at the end of 2006, and 57% when this program began in 2001. Our target is to have between 75% and 80% of our headcount in lower-labor-cost countries.

These production transfers and other long-term cost cutting measures require us to initially incur significant severance and other exit costs and to record losses on excess buildings and equipment. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods. Since 2001, we recorded over $225 million of restructuring and severance costs and recorded related asset write-downs of over $80 million in order to reduce our cost structure going forward. We have realized, and expect to continue to realize, annual net cost savings associated with these restructuring activities.

Restructuring and severance costs, as presented on the consolidated condensed statement of operations, are separate from plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities. These plant closure and employee termination costs subsequent to acquisitions are also integral to our cost reduction program. These amounts, which were not significant in recent years, are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations.

We evaluate potential restructuring projects based on an expected payback period. The payback period represents the number of years of annual cost savings necessary to recover the initial cash outlay for severance and other exit costs. In general, a restructuring project must have a payback of less than 3 years to be considered beneficial. On average, our restructuring projects have a payback of between 1 and 1.5 years.

During 2005 and the first quarter of 2006, we completed a broad-based fixed cost reduction program. In April 2005, we began evaluating additional restructuring initiatives to improve the results of underperforming divisions. Annual pretax savings resulting from restructuring projects initiated under these programs were expected to be approximately $50 million, of which approximately 70% of the savings would reduce costs of products sold, and approximately 30% of the savings would result in reduced selling, general, and administrative costs. Our actual costs savings from these programs in 2007 were approximately $40 million. Of this $40 million of annualized savings, approximately $20 million began to be realized in 2006, and $20 million began to be realized in 2007. We expect to realize an additional $10 million of savings from these programs in 2008. The expected and actual savings quantified above are net of additional costs incurred after production was transferred to lower-labor-cost regions.

We expect these restructuring programs to result in higher profitability through better gross margins and lower selling, general, and administrative expenses. However, these programs to improve our profitability also involve certain risks which could materially impact our future operating results, as further detailed in Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for the year ended December 31, 2007.

In light of the current uncertain market conditions, we expanded our restructuring programs in 2008 to further reduce costs. Most of the costs related to our anticipated 2008 restructuring projects were recorded in the first quarter of 2008. These projects include the transfer of production of resistor products from Brazil to India and Czech Republic and the transfer of certain processes in Belgium and the United States to third party subcontractors. We also announced our intention to transfer production from the Netherlands and the United States to Israel later in 2008. We expect to continue to incur restructuring expenses to reduce our fixed costs, particularly in light of the current economic environment. We expect the restructuring projects anticipated for 2008 (including those projects initiated in the nine fiscal months ended September 27, 2008) will generate approximately $25 million of annual cost savings, of which approximately 60% of the savings would reduce costs of products sold, and approximately 40% of the savings would result in reduced selling, general, and administrative costs. We began to realize some of these savings in the third quarter of 2008.

While streamlining and reducing fixed overhead, we are exercising caution so that we will not negatively impact our customer service or our ability to further develop products and processes. Our cost management plans also include expansion of certain critical capacities, which we hope will reduce average materials and processing costs.

Foreign Currency Translation

We are exposed to foreign currency exchange rate risks, particularly due to transactions in currencies other than the functional currencies of certain subsidiaries. While we have in the past used forward exchange contracts to hedge a portion of our projected cash flows from these exposures, we generally have not done so in recent periods.

Statement of Financial Accounting Standards ("SFAS") No. 52 requires that entities identify the "functional currency" of each of their subsidiaries and measure all elements of the financial statements in that functional currency. A subsidary's functional currency is the currency of the primary economic environment in which it operates. In cases where a subsidiary is relatively self-contained within a particular country, the local currency is generally deemed to be the functional currency. However, a foreign subsidiary that is a direct and integral component or extension of the parent company's operations generally would have the parent company's currency as its functional currency. Vishay has both situations among its subsidiaries.

Foreign Subsidiaries which use the Local Currency as the Functional Currency

We finance our operations in Europe and certain locations in Asia in local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. For those subsidiaries where the local currency is the functional currency, assets and liabilities in the consolidated balance sheets have been translated at the rate of exchange as of the balance sheet date. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity. With the general weakening of the U.S. dollar over the past year, this translation of these subsidiaries' financial statements into U.S. dollars has resulted in a significant increase in the translation adjustment recorded in accumulated other comprehensive income on our balance sheet. As the U.S. dollar modestly strengthened in the third quarter, we saw a moderate decrease in the translation adjustment recorded in accumulated other comprehensive income on our balance sheet. See Note 7 to our consolidated condensed financial statements.

For those subsidiaries where the local currency is the functional currency, revenues and expenses are translated at the average exchange rate for the year. While the translation of revenues and expenses into U.S. dollars does not directly impact the statement of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies. As a result of the general weakening of the U.S. dollar versus several foreign currencies, the translation of foreign currency revenues and expenses into U.S. dollars has significantly increased reported revenues and expenses during the nine fiscal months ended September 27, 2008. Expected general strengthening of the U.S. dollar during the fourth quarter of 2008, as experienced in October, is expected to reduce the U.S. dollar equivalent of revenues generated and expenses incurred in foreign currencies, particularly the Euro.

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

Our operations in Israel and most significant locations in Asia are largely financed in U.S. dollars, and accordingly, these subsidiaries utilize the U.S. dollar as their functional currency. For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations. While these subsidiaries transact most business in U.S. dollars, they may have significant costs, particularly payroll-related, which are incurred in the local currency. The cost of products sold and selling, general, and administrative expense for the nine fiscal months ended September 27, 2008 have been significantly increased by local currency transactions of subsidiaries which use the U.S. dollar as their functional currency, particularly our subsidiaries in Israel.

Critical Accounting Policies and Estimates

We supplement our discussion of critical accounting policies and estimates, which appears in Item 7 of our Annual Report on Form 10-K, as follows.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the related net assets at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually. We perform our annual impairment test as of the first day of the fiscal fourth quarter. These impairment tests must be performed more frequently if there are triggering events.

SFAS No. 142, *Goodwill and Other Intangible Assets*, prescribes a two-step method for determining goodwill impairment. In the first step, we determine the fair value of the reporting unit using a comparable companies market multiple approach. The comparable companies utilized in our evaluation are generally the members of our peer group included in the presentation of our stock performance graph in Item 5 of our Annual Report on Form 10-K. We also utilized other valuation techniques, including a discounted cash flow analysis, to evaluate the reasonableness of the fair value determined using the market multiple approach.

If the net book value of the reporting unit exceeds the fair value, we would then perform the second step of the impairment test, which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

In light of a sustained decline in market capitalization for Vishay and its peer group companies, and other factors, Vishay determined that an interim impairment test was necessary as of the end of the second and third fiscal quarters of 2008.

Passive Components segment goodwill is allocated to two reporting units for SFAS No. 142 evaluation purposes, namely Other Passives and Measurements Group. The Semiconductors segment represents a single reporting unit for SFAS No. 142 evaluation purposes.

After completing step one of the impairment test as of June 28, 2008, we determined that the estimated fair value of our Semiconductors and Other Passives reporting units was less than the net book value of those reporting units, requiring the completion of the second step of the impairment test. The estimated fair value of the Measurements Group reporting unit was greater than the net book value of that unit, and accordingly, no second step was required for the Measurement Group reporting unit.

To measure the amount of the impairment, SFAS No. 142 prescribes that we determine the implied fair value of goodwill in the same manner as if we had acquired those business units. Specifically, we must allocate the fair value of the reporting unit to all of the assets of that unit, including any unrecognized intangible assets, in a hypothetical calculation that would yield the implied fair value of goodwill. The impairment loss is measured as the difference between the book value of the goodwill and the implied fair value of the goodwill computed in step two.

Upon completion of a preliminary step two analysis, we recorded our best estimate of the impairment loss as of June 28, 2008, which was refined during the third quarter of 2008.

Given the further deterioration of market conditions, an additional impairment test was performed as of September 27, 2008. After completing step one of the impairment test as of September 27, 2008, we determined that the estimated fair value of our Other Passives reporting unit was less than the net book value of this reporting unit. This required the completion of the second step of the impairment test. The estimated fair value of the Semiconductors and Measurements Group reporting units was greater than the net book value of the respective reporting units as of September 27, 2008, and accordingly, no second step was required for the Semiconductors and Measurement Group reporting units at September 27, 2008.

As a result of these impairment tests, we recorded goodwill impairment charges aggregating $1,130.9 million.

The third quarter impairment loss is based on a preliminary step two analysis prepared as of September 27, 2008, which is subject to completion in the fourth quarter of 2008. The completion of this analysis may result in the recognition of an additional impairment charge in the fourth quarter of 2008.

As a result of the analysis described above, the goodwill associated with our Other Passives and Semiconductors reporting units was recorded at fair value. In accordance with FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, we have not applied SFAS No. 157 to the determination of the fair value of these assets (see Note 14 to our consolidated condensed financial statements included in Part I, Item 1). However, the provisions of SFAS No. 157 were applied to the determination of the fair value of financial assets and financial liabilities that were part of the SFAS No. 142 step two analysis.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which we compete; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, and capital expenditures. The allocation requires several analyses to determine fair value of assets and liabilities including, among others, completed technology, tradenames, in-process research and development, customer relationships, and certain property and equipment (valued at replacement costs).

Due to the inherent uncertainty involved in making these estimates, actual financial results could differ from those estimates. In addition, changes in assumptions concerning future financial results or other underlying assumptions would have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

The goodwill impairment charge is noncash in nature and does not affect Vishay's liquidity, cash flows from operating activities, or debt covenants, and will not have a material impact on future operations.

Long-Lived Assets and Indefinite-Lived Intangible Assets

We assess the impairment of our long-lived assets, other than goodwill and tradenames, including property and equipment, long-term prepaid assets, and identifiable intangible assets subject to amortization, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant changes in the manner of our use of the asset, changes in historical or projected operating performance, and significant negative economic trends. The carrying value of a long-lived asset is considered impaired when the total projected

undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset, primarily determined using discounted future cash flows.

Indefinite-lived intangible assets (which for Vishay are comprised entirely of tradenames) are not amortized, but similar to goodwill, are tested for impairment at least annually. These tests are performed more frequently if there are triggering events. The fair value of the tradenames is measured as the discounted cash flow savings realized from owning such tradenames and not having to pay a royalty for their use.

As a result of the decision to close our facility in Brazil, we completed a long-lived asset impairment analysis during the first quarter of 2008 and determined that various fixed assets and definite-lived intangible assets were impaired. We recorded fixed asset write-downs of $3.4 million and intangible asset write-downs of $0.8 million.

Prior to completing the interim assessment of goodwill for impairment during the second quarter of 2008, we performed a recoverability test of certain long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and certain indefinite-lived intangible assets in accordance with SFAS No. 142. As a result of those assessments, we recorded indefinite-lived intangible asset impairment charges totaling $27 million during the third quarter of 2008.

The evaluation of the recoverability of long-lived assets, and the determination of their fair value, requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the identification of the asset group at the lowest level of independent cash flows and the principal asset of the group; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, and capital expenditures.

The evaluation of the fair value of indefinite-lived trademarks also requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the assumed market-royalty rate; the discount rate; terminal growth rates; and forecasts of revenue.

Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. In addition, changes in underlying assumptions would have a significant impact on the conclusion that an asset group's carrying value is recoverable, that an indefinite-lived asset is not impaired, or the determination of any impairment charge if it was determined that the asset values were indeed impaired.

Results of Operations

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

	Fiscal quarter ended		**Nine fiscal months ended**	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Cost of products sold	**78.4%**	76.0%	**77.2%**	74.9%
Gross profit	**21.6%**	24.0%	**22.8%**	25.1%
Selling, general & administrative expenses	**15.3%**	15.2%	**15.7%**	15.7%
Operating income (loss)	**-43.6%**	7.4%	**-46.3%**	8.7%
Income (loss) from continuing operations before taxes and minority interest	**-45.2%**	6.7%	**-47.2%**	8.2%
Income (loss) from continuing operations	**-42.3%**	5.1%	**-46.2%**	6.1%
Net earnings (loss)	**-42.3%**	4.8%	**-48.0%**	6.0%
Effective tax rate	**6.3%**	23.6%	**2.4%**	24.7%

Net Revenues

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

	Fiscal quarter ended		**Nine fiscal months ended**	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Net revenues	$ 739,092	$ 729,616	$ 2,246,769	$ 2,103,669
Change versus comparable prior year period	$ 9,476		$ 143,100	
Percentage change versus comparable prior year period	1.3%		6.8%	

Changes in net revenues were attributable to the following:

	vs. Prior Year Quarter	**vs. Prior Year-to-Date**
Change attributable to:		
Increase in volume	1.6%	2.5%
Decrease in average selling prices	-3.4%	-3.1%
Foreign currency effects	3.1%	4.3%
Acquisitions	0.2%	3.3%
Other	-0.2%	-0.2%

Net change	1.3%	6.8%

During the third quarter of 2008, we have experienced a substantial slow down in our order rate. While sales volume is higher for both the third quarter and fiscal nine months ended September 27, 2008, this is in part due to sales from our backlog. The markets for our products, which had been relatively healthy through most of 2008, began to be impacted by the economic downturn in September of 2008. The automotive industry seems most heavily impacted, and sales of products for end-uses in the computer, mobile phone, and consumer industries were below seasonal expectations. Sales of products for end-uses in the industrial and military/aerospace industries continued to be stable. The overall increase in net revenues for the nine fiscal months ended September 27, 2008 was principally driven by acquisitions and foreign currency effects. The weakening U.S. dollar effectively increased the amount reported for revenues during the third quarter and nine fiscal months ended September 27, 2008 versus the 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 $60 million and $61 million for the nine fiscal months ended September 27, 2008 and September 29, 2007, respectively, or 2.6% and 2.8% of gross sales, respectively. Actual credits issued under the programs during the nine fiscal months ended September 27, 2008 and September 29, 2007, were $57 million and $58 million, respectively. Increases and decreases in these incentives are largely attributable to the then-current business climate.

As a result of a concentrated effort to defend our intellectual property and generate additional licensing income, we began receiving royalties in the fourth quarter of 2004. We continue to seek to expand our royalty streams. Royalty revenues, included in net revenues on the consolidated condensed statements of operations, were approximately $3.1 million and $5.8 million for the nine fiscal months ended September 27, 2008 and September 29, 2007, respectively.

Gross Profit and Margins

Gross profit margins for the fiscal quarter and nine fiscal months ended September 27, 2008 were 21.6% and 22.8%, respectively, versus 24.0% and 25.1%, respectively, for the comparable prior year periods. These decreases in gross profit margin reflect lower average selling prices, negative foreign currency effects, generally higher precious metals and raw materials costs, and a less favorable product mix. When compared to the nine fiscal months ended September 29, 2007, gross profit margin for the nine fiscal months ended September 27, 2008 was also negatively impacted by the acquisition of the PCS business, which has lower gross profit margins than legacy Vishay products.

Segments

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

Semiconductors

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Net revenues	$ 392,934	$ 400,967	$ 1,188,157	$ 1,103,587
Change versus comparable prior year period	$ (8,033)		$ 84,570	
Percentage change versus comparable prior year period	-2.0%		7.7%	

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

	vs. Prior Year Quarter	**vs. Prior Year-to-Date**
Change attributable to:		
Increase in volume	1.2%	4.5%
Decrease in average selling prices	-5.3%	-4.9%
Foreign currency effects	2.3%	3.2%
Acquisitions	0.0%	5.4%
Other	-0.2%	-0.5%
Net change	-2.0%	7.7%

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Gross margin percentage	21.8%	23.3%	22.4%	24.2%

The decrease in gross margin percentages for the third quarter and nine fiscal months ended September 27, 2008 versus the comparable prior year periods reflects accelerated average selling price decline and generally higher precious metals and raw materials costs. When compared to the nine fiscal months ended

September 29, 2007, gross profit margin for the nine fiscal months ended September 27, 2008 was also negatively impacted by the acquisition of the PCS business, which has lower gross profit margins than legacy Vishay products.

Passive Components

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Net revenues	$ 346,158	$ 328,649	$ 1,058,612	$ 1,000,082
Change versus comparable prior year period	$ 17,509		$ 58,530	
Percentage change versus comparable prior year period	5.3%		5.9%	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Increase (decrease) in volume	2.0%	0.5%
Decrease in average selling prices	-1.2%	-1.2%
Foreign currency effects	4.0%	5.5%
Acquisitions	0.5%	1.0%
Other	0.0%	0.1%
Net change	5.3%	5.9%

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

	Fiscal quarter ended		Nine fiscal months ended	
	Sept. 27, 2008	**Sept. 29, 2007**	**Sept. 27, 2008**	**Sept. 29, 2007**
Gross margin percentage	21.4%	24.9%	23.2%	26.1%

The decrease in gross margin percentage for the third quarter and nine fiscal months ended September 27, 2008 versus the comparable prior year period largely reflects negative foreign currency effects, principally from changes in the Israeli shekel, Chinese renminbi, and Czech koruna, which more than offset cost reduction initiatives.

Selling, General, and Administrative Expenses

Selling, general, and administrative ("SG&A") expenses in 2008 have increased versus 2007 largely due to increased sales. SG&A expenses for the third quarter and nine fiscal months ended September 27, 2008 were 15.3% and 15.7%, respectively, of net revenues, versus 15.2% and 15.7% for the comparable prior year periods. Amortization of intangible assets, included in SG&A expenses, was $5.2 million and $14.9 million for the quarter and nine fiscal months ended September 27, 2008, respectively, versus $4.3 million and $12.1 million, respectively, for the comparable prior year periods. This increase in amortization expense is principally due to the acquisition of the PCS business, and to a lesser extent, PM Group. The nine fiscal months ended September 27, 2008 also includes higher legal costs attributable to a patent infringement case. A weaker U.S. dollar and increases in salaries and wages versus the prior year also contributed to the increased level of SG&A costs. Also, SG&A expense for the quarter and nine fiscal months ended September 27, 2008 are net of gains on sales of assets totaling $2.5 million and $3.2 million, respectively, compared to a gain (loss) on sales of assets of $(0.6) million and $0.7 million for the comparable prior year periods.

Restructuring and Severance Costs and Related Asset Write-Downs

Our restructuring programs have been on-going since 2001. Our restructuring activities have been designed to reduce both fixed and variable costs. These activities include the closing of facilities and the termination of employees. 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 continued our restructuring activities during the nine fiscal months ended September 27, 2008, recording restructuring and severance costs of $34.0 million, and related asset write-downs of $4.2 million. We expect to continue to incur restructuring expenses to reduce our fixed costs, particularly in light of the current economic environment, as further explained in "Cost Management" above, in Note 4 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, and in Note 4 to our consolidated condensed financial statements included in Part I of this document.

Other Income (Expense)

Interest expense for the fiscal quarter and nine fiscal months ended September 27, 2008 decreased by $2.6 million and $4.5 million versus the comparable prior year periods. These decreases are primarily due to the repayment of the convertible subordinated notes on August 1, 2008 and lower interest rates on our variable

rate debt.

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

	Fiscal quarter ended		
	Sept. 27, 2008	**Sept. 29, 2007**	**Change**
Foreign exchange (loss) gain	**$ 4,131**	$ (2,546)	$ 6,677
Interest income	**2,426**	3,887	(1,461)
Dividend income	**-**	148	(148)
Other	**296**	790	(494)
	$ 6,853	$ 2,279	$ 4,574

	Nine fiscal months ended		
	Sept. 27, 2008	**Sept. 29, 2007**	**Change**
Foreign exchange loss	**$ (2,456)**	$ (2,790)	$ 334
Interest income	**10,642**	14,230	(3,588)
Dividend income	**92**	368	(276)
Incentive from Chinese government	**800**	-	800
Other	**2,250**	384	1,866
	$ 11,328	$ 12,192	$ (864)

Income Taxes

The effective tax rate, based on income from continuing operations before income taxes and minority interest, for the quarter and nine fiscal months ended September 27, 2008 was 6.3% and 2.4%, respectively, compared to 23.6% and 24.7%, respectively, for the comparable prior year periods.

The relatively low effective tax rates for the quarter and nine fiscal months ended September 27, 2008 are principally attributable to the goodwill and indefinite-lived intangible asset impairment charges recorded in the second and third quarters. The vast majority of our goodwill is not deductible for income tax purposes. We recognized tax benefits of $29.1 million and $59.1 million during the third quarter and nine fiscal months ended September 27, 2008, respectively, associated with the goodwill and indefinite-lived intangible asset impairment charges.

In connection with the repurchase of the convertible subordinated notes on August 1, 2008, we repatriated approximately $250 million of cash from non-U.S. subsidiaries. This repatriation of cash resulted in net tax expense of approximately $9.9 million, recorded in the third quarter of 2008, after the utilization of net operating losses and tax credits.

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

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 taxable temporary differences, that would result in the utilization of loss carryforwards for tax purposes.

During the nine fiscal months ended September 27, 2008, the liabilities for unrecognized tax benefits decreased by a net $7.6 million, due principally to the settlement of tax audits (approximately $14.7 million), partially offset by increases for tax positions taken during the period (approximately $5.4 million) and foreign currency effects (approximately $1.9 million).

Income tax expense for the nine fiscal months ended September 29, 2007, includes additional tax expense of approximately $3.3 million for changes in uncertain tax positions related to tax positions taken in prior years. Income tax expense for the third quarter and nine fiscal months ended September 29, 2007 reflects a benefit of $0.8 million, representing the effects of adjusting deferred income taxes for a tax rate decrease enacted in Germany.

Financial Condition, Liquidity, and Capital Resources

As more fully described in Note 6 to the consolidated condensed financial statements in Item 1, on August 1, 2008, Vishay repurchased substantially all of the convertible subordinated notes due 2023 for an aggregate purchase price of $498.1 million. The purchase price was paid in cash and funded from approximately $250 million of cash on-hand, $125 million of borrowings under the revolving credit facility, and $125 million from the term loan commitment.

The following table summarizes the components of net debt at September 27, 2008 and December 31, 2007 *(in thousands)*:

	Sept. 27, 2008	**December 31, 2007**
Convertible subordinated notes, due 2023	$ 1,870	$ 500,000

Exchangeable unsecured notes, due 2102	105,000	105,000
Credit facility - revolving debt	125,000	-
Credit facility - term loan	125,000	-
Other debt	2,156	3,583
Total debt	359,026	608,583
Cash	312,021	537,295
Net debt	$ 47,005	$ 71,288

Measurements such as "net debt" do not have a uniform definition and are not recognized in accordance with generally accepted accounting principles ("GAAP"). Such measures should not be viewed as an alternative to GAAP measures of performance or liquidity. However, management believes that an analysis of net debt assists investors in understanding aspects of our cash and debt management. This measure, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies.

The early extinguishment of the notes will have a negligible impact on future net interest expense, as both interest expense and interest income will decrease.

We repatriated approximately $250 million of cash from our foreign subsidiaries in order to meet the obligation to repurchase the convertible subordinated notes due 2023 pursuant to the option of the holders on August 1, 2008. Substantially all of the September 27, 2008 cash and cash equivalents balance was held by our non-U.S. subsidiaries. Although we utilized cash and profits generated by our foreign subsidiaries to fund the repurchase transaction, at the present time, we expect the remaining cash and profits generated by foreign subsidiaries will continue to be reinvested indefinitely.

Our financial condition as of September 27, 2008 continued to be strong, with a current ratio (current assets to current liabilities) of 2.6 to 1, as compared to 2.9 to 1 as of December 31, 2007. The change in this ratio is principally due to a decrease in cash subsequent to the repurchase of the convertible subordinated notes on August 1, 2008 and increases in current maturities of debt due to the financing of a portion of that repurchase using the term loan described in Note 6 to our consolidated condensed financial statements. Our ratio of total debt to stockholders' equity was 0.16 to 1 at September 27, 2008, as compared to 0.18 to 1 as of December 31, 2007. The change in this ratio reflects both the reduction of debt subsequent to the repurchase of the convertible subordinated notes and also the reduction of equity resulting from to the noncash goodwill and indefinite-lived intangible asset impairment charges recorded during the second and third quarters of 2008.

Cash flows provided by continuing operating activities were $191.2 million for the nine fiscal months ended September 27, 2008, as compared to cash flows provided by operations of $210.4 million for the comparable prior year period. This decrease is principally due to less favorable operating results (adjusted for noncash expenses and charges), partially offset by smaller changes in net working capital during the nine fiscal months ended September 27, 2008 versus the comparable prior year period.

Cash used by discontinued operating activities of $10.4 million for the nine fiscal months ended September 27, 2008 primarily reflects receivables collected by Vishay and remitted to the purchaser of the ASBU business pursuant to the transaction agreement. Cash provided by discontinued investing activities reflects the proceeds of sale of the ASBU business, net of capital spending for information technology systems.

Cash paid for property and equipment for the nine fiscal months ended September 27, 2008 was $99.1 million, as compared to $107.8 million for the fiscal quarter ended September 29, 2007. Our total capital expenditures are projected to be between $150 million and $160 million for the full year 2008, principally to expand capacity in the Semiconductors businesses.

Cash paid for acquisitions for the nine fiscal months ended September 27, 2008 totaled $73.9 million for the acquisitions of our partner's 51% interest in a transducer manufacturing joint venture, Powertron GmbH, and the KEMET wet tantalum business. This amount also includes a $15 million loan extended to KEMET as part of the wet tantalum business acquisition. Cash paid for acquisitions for the nine fiscal months ended September 29, 2007 was $331.8 million, representing the acquisitions of the PCS business and PM Group, net of cash acquired. Proceeds from sale of businesses of $18.7 million include approximately $16.1 million from the sale of PM Group's electrical contracting business.

We maintain a credit facility, which provides a revolving commitment of up to $250 million through April 20, 2012. As more fully described in Note 6 to the consolidated condensed financial statements, we entered into an amendment to this credit facility to also provide a term loan commitment up to $125 million. This term loan commitment was drawn in July 2008 to fund a portion of the repurchase of the convertible subordinated notes and remains outstanding at September 27, 2008. We also utilized $125 million of our revolving credit facility to fund a portion of the repurchase of the convertible subordinated notes, which also remains outstanding at September 27, 2008. At December 31, 2007, there were no amounts outstanding under the credit facility.

Interest on the credit facility is payable at prime or other variable interest rate options. We are required to pay facility commitment fees. The credit facility also restricts us from paying cash dividends and requires us to comply with other covenants, including the maintenance of specific financial ratios. We were in compliance with all covenants at September 27, 2008.

Borrowings under the 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 credit facility. Certain of our subsidiaries are permitted to borrow under the credit facility. Any borrowings by these subsidiaries under the credit facility are guaranteed by Vishay.

As described above, we have utilized the credit facility, including the new term loan commitment, to repurchase the convertible subordinated notes in August 2008. The timing and location of scheduled payments have also required us to draw on our revolving credit facilities from time to time over the past year. While the timing and location of scheduled payments for certain liabilities will require us to draw additional amounts on our credit facility from time to time, for the next twelve months, management expects that cash on-hand and 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. Acquisition activity may require additional borrowing under our credit facility or may otherwise require us to incur additional debt.

Economic Outlook and Impact on Operations and Future Financial Results

A worldwide financial crisis became more pronounced and intensified significantly in September and October 2008. This has resulted in significant volatility in capital and commodities markets, decreased access to credit markets, and produced recessionary pressures through most of the world's economies.

We believe that Vishay has adequate financial resources to weather a short-term recession, and we remain confident for the long-term prospects for the electronics industry. However, the factors driving the current economic crisis are different than in previous recessions, and as a result, there is limited historical experience available to guide our business strategy.

The worldwide financial crisis will have direct and indirect impacts on our business operations and the amounts reported in our consolidated financial statements. Many of these impacts are related to inherent risks of our business, as more fully described in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2007. Specifically, these impacts could include, but are not limited to, the following:

Orders, Revenues, and Margins

A decline in product demand on a global basis could result in order cancellations and deferrals, lower total revenues, and lower average selling prices. Our customers may cancel orders if business is weak and their inventories are excessive. The prospect of a slowdown in demand or recessionary trends in the global economy makes it more difficult for us to predict our future sales and manage our operations.

Declines in demand are driven by market conditions in the end-use markets for our products. Changes in the demand mix, needed technologies, and these end-use markets may adversely affect our ability to match our products, inventory, and capacity to meet customer demand. This may result in a material increase in excess or obsolete inventory and excess capacity, which will reduce gross margins.

Prices of Raw Materials

The prices of certain raw materials used in our products, particularly precious metals, are highly volatile. For example, palladium, a metal used to produce certain capacitors, has fluctuated in a range from $168 to $588 per troy ounce during 2008. From time-to-time, we enter into purchase commitments to acquire these materials at fixed prices. For periods when the prices of these materials are declining, we may be required to record losses on adverse purchase commitments or write down our inventory carrying costs for these raw materials, because we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost or committed purchase price, this write-down could have a material adverse effect on our net earnings. For periods when the prices of these materials are increasing, we may be unable to pass on the increased cost to our customers, which would result in decreased margins for the products in which these materials are used.

Collectibility of Accounts Receivable

Due to Vishay's large number of customers and their dispersion across many countries and industries, we have limited exposure to concentrations of credit risk. However, further deterioration of economic conditions could result in customers defaulting on payment or delaying payment, which could have a material impact on our cash flows and results of operations.

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. Our ability to identify suitable acquisition targets and to successfully negotiate their acquisition may be limited. Furthermore, our ability to finance the acquisition of suitable targets may be limited, particularly in light of the current credit crisis.

Access to Capital Markets

We presently have a revolving credit facility with approximately $125 million of unused borrowing capacity. We also have other committed and uncommitted lines of credit available on a short-term basis in various countries around the world. In light of the current environment, credit markets are functioning differently than in the past, with key interest rate spreads increasing substantially, and banks tightening lending standards. If Vishay were to require additional capital, either to sustain normal operations or to pursue a strategic acquisition, we may be unable to obtain financing on terms which we consider acceptable, if at all.

Interest Rates

We are exposed to changes in interest rates as a result of our borrowing activities and our cash balances. Our credit facility and our exchangeable notes due 2102 bear interest at variable rates based on LIBOR. LIBOR has increased from approximately 2.8% at the end of June 2008 to 4.1% at the end of September 2008, and has fluctuated between 3.3% and 4.6% during October 2008. A significant increase in LIBOR would significantly increase our interest expense. A general increase in interest rates would be largely offset by an increase in interest income earned on our cash balances. However, their can be no assurance that the interest rate earned on cash balances will move in tandem with the interest rate paid on our variable-rate debt.

Impairment of Goodwill and Long-Lived Assets

During 2008, we have recorded material impairment charges to reduce the carrying value of our goodwill, certain intangible assets, and certain property and equipment. These impairments are generally measured based on expected future cash flows. A material decline in market conditions could require us to assess whether or not our assets are further impaired, and may require additional, material impairment charges.

Capital Expenditures

To preserve cash, we might defer capital expenditures. This could limit our new product introductions or our ability to meet customer demands. When the economy rebounds, we may experience intense demand for our products. During such future periods, we may not have adequate manufacturing capacity, or we may have difficulty expanding our manufacturing capacity, to satisfy future demand.

Pension and Other Postretirement Benefits

Accounting for defined benefit pension and other postretirement plans involves numerous assumptions and estimates. The expected long-term rate of return on plan assets (for funded plans) and the discount rate at which obligations could effectively be settled are two critical assumptions in measuring the cost and benefit obligations of our pension and other postretirement benefit plans.

The expected return on plan assets is incorporated into the computation of pension expense. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset losses (gains) affects the calculated value of plan assets and, ultimately, future pension expense (income).

Events in financial markets have led to declines in the fair value of investment securities held by our pension plans. In addition, negative investment returns could ultimately affect the funded status of the plans, requiring additional cash contributions.

Restructuring

Due to the recessionary pressures, we may be required to restructure our operations to reduce our cost structure and to remain competitive. In such restructuring programs, we seek to eliminate redundant facilities and staff positions and move operations, where possible, to jurisdictions with lower labor costs. During this process, we may experience under-utilization of certain plants in high-labor-cost regions and capacity constraints in plants located in low-labor-cost regions. This under-utilization may result initially in production inefficiencies and higher costs. These costs include those associated with compensation in connection with work force reductions and increased depreciation costs in connection with the initiation or expansion of production in lower-labor-cost regions. In addition, as we implement transfers of certain of our operations we may experience strikes or other types of labor unrest as a result of lay-offs or termination of our employees in high-labor-cost countries.

Income Taxes

We have recorded deferred tax assets representing future tax benefits, but may not be able to generate sufficient income to realize these future tax benefits in certain jurisdictions. A sustained decline in economic conditions could affect the ultimate realizability of these deferred tax assets.

Foreign Currency

Foreign currency exchange rates have fluctuated significantly over the past year. We are exposed to foreign currency exchange rate risks, particularly due to transactions in currencies other than the functional currencies of certain subsidiaries. See also “Foreign Currency Translation” above for additional discussion and analysis of the effects of foreign currency.

Contractual Commitments

Our Annual Report on Form 10-K includes a table of contractual commitments as of December 31, 2007. Material changes to these commitments which occurred in 2008 are described below.

Tower Purchase Commitments

We maintain long-term foundry agreements with subcontractors to ensure access to external front-end capacity for our semiconductor products. Our Siliconix division entered into an agreement in 2004 with Tower Semiconductor (the “2004 agreement”), pursuant to which we were required to place orders valued at approximately $200 million for the purchase of semiconductor wafers to be manufactured in Tower’s Fab 1 facility over a seven to ten year period. During 2007, Siliconix was committed to purchase approximately $22 million of semiconductor wafers, but did not meet its commitments due to changing market demand for products manufactured using wafers supplied by Tower. At December 31, 2007, the remaining future purchase commitments under the 2004 agreement were approximately $160 million.

In March 2008, Siliconix and Tower entered into an amended and restated foundry agreement (the “2008 agreement”). Pursuant to the 2008 agreement, Tower will continue to manufacture wafers covered by the 2004 agreement, but at lower quantities and at lower prices, through 2009. Tower will also begin manufacturing wafers for other product lines acquired as part of the PCS acquisition through 2012, pending a scheduled technology transfer. Siliconix must pay for any short-fall in the reduced minimum order quantities specified under the 2008 agreement through the payment of penalties equal to unavoidable fixed costs.

Management estimates its minimum purchase commitments under the 2008 agreement as follows *(in thousands)*:

2008	$ 20,400
2009	14,700
2010	8,400
2011	8,800
2012	8,800

Siliconix has granted Tower an option to produce additional wafers under this agreement, as needed by Siliconix, and accordingly, actual purchases from Tower may be greater than the commitments disclosed above.

These purchase commitments are for the manufacture of proprietary products using Siliconix-owned technology licensed to Tower by Siliconix, and accordingly, management can only estimate the “market price” of the wafers which are the subject of the 2008 agreement. Management believes that these commitments are at prices that are not in excess of current market prices.

Long-term Debt and Interest Payments on Long-term Debt

On August 1, 2008, Vishay repurchased substantially all of the convertible subordinated notes due 2023 for an aggregate purchase price of $498.1 million. The purchase price was paid in cash and funded from $250 million of cash on-hand, $125 million of borrowings under the revolving credit facility, and $125 million from the term loan commitment.

Based on the debt outstanding at September 27, 2008, future maturities of long-term debt and related interest payments are estimated as follows *(in thousands)*:

	Debt	Interest
Remainder of 2008	$ 419	4,872
2009	25,345	18,253
2010	25,047	17,433
2011	75,000	16,614
2012	125,000	8,918
Thereafter	108,215	383,706

Commitments for interest payments on long-term debt are based on the stated maturity dates of each agreement, one of which bears a maturity date of 2102. Various factors could have a material effect on the amount of future interest payments. These factors include the facts that $105 million of our debt is exchangeable for common stock (although the exchange ratio is based on a stock price which is substantially higher than the current market price), and that the variable-rate debt included in the table above are based on the rate prevailing at September 27, 2008. Commitments for interest payments on long-term debt also include commitment fess under our revolving credit facility, which expires in April 2012.

Recent Accounting Pronouncements

As more fully described in Note 14 to our consolidated condensed financial statements, several new accounting pronouncements became effective in 2008 or will become effective in future periods.

The adoption of SFAS No. 141-R, *Business Combinations*, effective January 1, 2009, will change the manner in which Vishay accounts for acquisitions. While this new standard will impact all companies, certain aspects of the new standard will have a particular impact on Vishay.

A primary tenet of our business strategy is the expansion within the electronic components industry through the 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. Our acquisition strategy relies upon reducing selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies, and achieving significant production cost savings through the transfer and expansion of manufacturing operations to countries where we can benefit from lower labor costs and available tax and other government-sponsored incentives.

Under present accounting standards, plant closure and employee termination costs that we incur in connection with our acquisition activities are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations. SFAS No. 141-R will require such costs to be recorded as expenses in our statement of operations, as such expenses are incurred.

The adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (including partial cash settlement)* on January 1, 2009 will require retroactive restatement of interest expense for the years ended December 31, 2007 and 2008. For Vishay, this would represent imputed interest expense related to the convertible subordinated notes due 2023, which were substantially all repurchased in August 2008. The impact of FSP APB 14-1 on the remaining outstanding convertible notes is expected to be immaterial to future periods. Vishay will report an increase in interest expense associated with these notes for the full year of 2007 and the first three quarters of 2008. We are presently evaluating the quantitative impact of adoption of the FSP.

Except as described above, the adoption of the new standards described in Note 14 to our consolidated condensed financial statements is not expected to have a material effect on our financial position, results of operations, or liquidity.

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain “forward-looking” information within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties, and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from those anticipated.

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: general business and economic conditions, particularly in the markets that we serve; difficulties in integrating acquired companies, the inability to realize anticipated synergies and expansion possibilities, and other unanticipated conditions adversely affecting the operation of these companies; difficulties in new product development; changes in competition and technology in the markets that we serve and the mix of our products required to address these changes; an inability to attract and retain highly qualified personnel, particularly in respect of our acquired businesses; changes in foreign currency exchange rates; difficulties in implementing our cost reduction strategies such as labor unrest or legal challenges to our lay-off or termination plans, underutilization of production facilities in lower-labor-cost countries, operation of redundant facilities due to difficulties in transferring production to lower-labor-cost countries; and other factors affecting our operations, markets, products, services, and prices that are set forth in our

Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission (the "SEC"). 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

We are exposed to changes in interest rates as a result of our borrowing activities and our cash balances.

We had no interest rate exposure to our convertible subordinated notes, as the interest payable on these notes was fixed. On August 1, 2008, we repurchased substantially all of the convertible subordinated notes for an aggregate purchase price of $498.1 million. We utilized approximately $250 million of cash on-hand, $125 million borrowed under the revolving credit commitment under our credit facility, and $125 million from a new term loan under the credit facility to fund the purchase price.

We are exposed to changes in interest rates on our credit facility. At December 31, 2007, there were no amounts outstanding under the credit facility. At September 27, 2008, we had $125 million outstanding under the revolving credit facility and $125 million outstanding under the term loan facility, due to the repurchase of the convertible subordinated notes. Cash utilized under the revolving credit facility for the repurchase of the convertible subordinated notes bears interest at LIBOR plus 1.00%, and cash utilized under the term loan commitment for the repurchase of the convertible subordinated notes bears interest at LIBOR plus 2.50%.

At September 27, 2008 and December 31, 2007, we had cash totaling $312.0 million and $537.3 million, respectively. Our cash balance was reduced by approximately $250 million by the repurchase of the convertible subordinated notes in August 2008.

We are also exposed to interest rate changes with respect to our variable rate exchangeable notes, which bear interest at LIBOR, reset quarterly. The aggregate principal amount of the exchangeable notes is $105 million.

Based on the debt and cash positions at September 27, 2008, we would expect a 50 basis point increase or decrease in interest rates to increase or decrease our annualized net earnings by approximately $0.6 million.

See Note 6 to our consolidated financial statements, included in our annual report on Form 10-K, and Note 6 to our consolidated condensed financial statements included in Item 1 of this quarterly report on Form 10-Q for additional information about our long-term debt.

See "Economic Outlook and Impact on Operations and Future Financial Results" included in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of market risks.

Except as described above, there have been no material changes in the market risks previously disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 27, 2008.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

See "Economic Outlook and Impact on Operations and Future Financial Results" included in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion and analysis of market risks, which is hereby incorporated by reference.

Except as incorporated by reference above, there have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 27, 2008.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

None.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

2.1 Asset Purchase Agreement dated as of September 15, 2008, by and between KEMET Electronics Corporation (a wholly-owned subsidiary of KEMET Corporation) and Siliconix Technology C.V. (a wholly-owned subsidiary of Vishay Intertechnology, Inc.).

10.1 Loan Agreement dated as of September 15, 2008, between KEMET Electronics Corporation and Vishay Intertechnology, Inc.

10.2 Pledge and Security Agreement dated as of September 15, 2008 made by KEMET Electronics Corporation in favor of Vishay Intertechnology, Inc.

31.1 Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Gerald Paul, Chief Executive Officer.

31.2 Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Lior E. Yahalomi, Chief Financial Officer.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Dr. Gerald Paul, Chief Executive Officer.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Dr. Lior E. Yahalomi, Chief Financial Officer.

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/ Lior E. Yahalomi
Dr. Lior E. Yahalomi
Executive Vice President and Chief Financial Officer
(as a duly authorized officer and principal financial officer)

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

Date: November 4, 2008

Exhibit 2.1

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of September 15, 2008, by and between KEMET Electronics Corporation ("Seller"), a Delaware corporation and a wholly-owned subsidiary of KEMET Corporation ("Seller Guarantor") and Siliconix Technology C.V. ("Buyer"), a company organized under the laws of the Netherlands and a wholly-owned subsidiary of Vishay Intertechnology, Inc. ("Buyer Guarantor"). Capitalized terms used herein have the meanings set forth in Exhibit A hereto.

RECITALS

WHEREAS, Seller is engaged in the business of developing, manufacturing, distributing and selling wet tantalum capacitors (the "Business").

WHEREAS, Seller owns certain inventory located in Matamoros, Tamaulipas, Mexico and Ciudad Victoria, Tamaulipas, Mexico, owns certain machinery, equipment, tooling and other personal tangible property located in Matamoros, Mexico and Victoria, Mexico, and owns certain intellectual property, all used in the Business.

WHEREAS, Buyer and Seller desire that Buyer purchase from Seller, and that Seller sell to Buyer, certain operating and intangible assets used in the Business on the terms and conditions set forth herein.

WHEREAS, simultaneously with the execution of this Agreement, Buyer and Seller are entering into (i) that certain Loan Agreement, dated the date hereof (the "Loan Agreement"), pursuant to which Buyer is lending to Seller $15,000,000 on the terms and subject to the conditions set forth in the Loan Agreement, (ii) that certain Transition Services Agreement, dated the date hereof (the "Transition Services Agreement"), pursuant to which Seller will provide Buyer with certain services relating to the Business, and (iii) that certain Commodatum Agreement, dated as of the date hereof (the "Commodatum Agreement") to be executed by Seller and its Mexican subsidiaries with respect to the Transferred Assets in order to fulfill its obligations under the Transition Services Agreement.

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition to Seller's willingness to enter into this Agreement, Buyer Guarantor has agreed fully and unconditionally to guarantee the representations, warranties, covenants, agreements and other obligations of Buyer in this Agreement (the "Buyer Guarantee").

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition to Buyer's willingness to enter into this Agreement, Seller Guarantor has agreed fully and unconditionally to guarantee the representations, warranties, covenants, agreements and other obligations of Seller in this Agreement (the "Seller Guarantee").

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual covenants, representations, warranties and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

PURCHASE AND SALE

Section 1.01. Purchase and Sale of Assets.

(a) On the terms and conditions set forth herein, at the Closing as described in Article II hereto, Buyer shall purchase from Seller, and Seller shall (or with respect to the Arco Intellectual Property owned by Seller's wholly-owned subsidiary Arcotronics Italia S.p.A. or Arcotronics Limited, a wholly-owned subsidiary of Arcotronics Italia (Arcotronics Italia S.p.A and Arcotronics Limited collectively, "Arcotronics"), shall cause Arcotronics to) irrevocably sell, transfer, convey, assign and deliver to Buyer (or one or more direct or indirect wholly-owned subsidiaries of Buyer Guarantor as Buyer may designate), good and valid title to, and all rights, title and interests of Seller (or, with respect to the Arco Intellectual Property owned by Arcotronics, all rights, title and interests of Arcotronics) in and to the following property, free and clear of all liens, charges, pledges, security interests, encumbrances, restrictions and claims of any nature whatsoever other than Permitted Liens (collectively, the "Transferred Assets"):

(i) all of Seller's rights with respect to the customer orders of Inventory set forth on Schedule 1.01(a)(i);

(ii) the Inventory;

(iii) the Intellectual Property listed on Schedule 1.01(a)(iii) and the Intellectual Property, to the extent such exists, reflected in the documents listed on Schedule A (the "Transferred Core Intellectual Property");

(iv) the Arco Intellectual Property and the Intellectual Property, to the extent such exists, reflected in the documents listed on Schedule B (together, with the Transferred Core Intellectual Property, the "Transferred Intellectual Property");

(v) the Tangible Personal Property;

(vi) the Transferred Agreements and all rights of Seller under any confidentiality or similar agreement entered into with any employee of Seller relating to the Business; and

(vii) All part number lists, design drawings, design specifications, packaging designs, product engineering designs and engineering documents, written processes, written methodologies, written formulae, written algorithms, written technical information, marketing data, import manifests, certificates of origin, invoices of the assets located in Matamoros and Cuidad Victoria, Tamaulipas, Mexico, business and financial records, files, books and records, and the documents listed on Schedule A and Schedule B, in each case, specifically relating to the products set forth on Schedule 3.05(a)(i) and Schedule 3.05(a)(ii) or the Business and any records listed on Schedule 1.01(a)(vii).

(b) Notwithstanding anything contained in this Agreement to the contrary, the following rights, properties and assets of Seller (the "Excluded Assets") shall not be included in the Transferred Assets:

(i) all rights of Seller under this Agreement and the Ancillary Agreements and the instruments and agreements delivered to Seller by Buyer pursuant to this Agreement;

(ii) rights with respect to agreements other than Transferred Agreements;

(iii) cash and cash equivalents, bank accounts, deposits and other financial assets;

(iv) except as otherwise set forth in the Trademark License Agreement, the names "KEMET," "Arcotronics" or any like or similar name;

(v) Seller's tax returns and financial statements;

(vi) any benefit, claim or receivable of Seller for federal, state or local income taxes, refunds or any other receivables whether accrued or not;

(vii) policies of insurance and any rights or proceeds arising out of such policies;

(viii) existing lawsuits in which Seller is a plaintiff or defendant;

(ix) any pension plan assets or other employee benefit plans of Seller;

(x) any investments and prepaid assets (other than packaging design costs);

(xi) the Receivables;

(xii) administrative and accounting systems, provided, however, that the information relating to the Business stored on such systems shall be included in the Transferred Assets to the extent provided under Section 1.01(a)(vii);

(xiii) any security deposits;

(xiv) those fixed assets, machinery and equipment purchased by Seller from Blue Skye (Lux) S.à.r.l., previously used by Seller or its predecessor in the manufacture of wet tantalum capacitors at its Towcester, England facility, but redeployed by Seller in the manufacturing of other products (other than wet tantalum capacitors) at the facilities of Seller's wholly-owned Mexican subsidiary, listed on Schedule 1.01(b)(xiv); and

(xv) any and all property, business and assets of every kind, nature and description, wherever located and whether real, personal or mixed, tangible or intangible, that (A) is not used in the Business or (B) that is not otherwise defined as a "Transferred Asset".

(c) Simultaneously herewith and partially in consideration for the Purchase Price, Buyer and Seller are entering into a separate trademark license agreement governing the use of certain of Seller's trademarks in the form attached as Exhibit B hereto (the "Trademark License Agreement").

Section 1.02. Assumption of Liabilities under Transferred Agreements. At Closing, Buyer shall assume and be liable for, and shall pay, perform and discharge directly when due the following Liabilities (collectively, the "Assumed Liabilities"):

(a) all of Seller's obligations on the date hereof to fill orders, and all of Seller's warranty obligations relating to such orders (to the extent that products subject to such orders have not been delivered as of the Closing Date), for wet tantalum capacitors set forth on Schedule 1.01(a)(i);

(b) all of Seller's outstanding commitments for the purchase of raw materials and supplies set forth on Schedule 1.02(b);

(c) all of Seller's obligations and liabilities under the Transferred Agreements, all as more fully set forth in the Assignment and Assumption Agreement; and

(d) all of Seller's obligations and liabilities under other Contracts that Buyer agrees to assume pursuant to Section 1.06.

Section 1.03. Buyer Not Responsible for Liabilities Except Section 1.02 Liabilities.

(a) Notwithstanding anything contained in this Agreement to the contrary, Buyer does not assume or agree to undertake to pay, satisfy, discharge or perform in respect of, and will not be deemed by virtue of the execution and delivery of this Agreement or any document delivered at the Closing pursuant to this Agreement, or as a result of the consummation of the transactions contemplated by this Agreement, to have assumed, or to have agreed to pay, satisfy, discharge or perform in respect of, any liability, obligation, indebtedness or Taxes of Seller or of any other Person or in any way relating to the Business (whether primary or secondary, direct or indirect, known or unknown, absolute or contingent, matured or unmatured, or otherwise) other than the Assumed Liabilities, (such liabilities and obligations retained by Seller, including Seller's transaction expenses and all liabilities and obligations with respect to the Excluded Assets and any amounts due by Seller to licensors of the Business arising prior to the Closing Date, being referred to herein as the "Retained Liabilities"). It is specifically agreed that Seller shall retain, and as between Seller and Buyer, shall remain solely liable for, all of the Retained Liabilities, which Retained Liabilities shall be satisfied in full or otherwise discharged by Seller in the ordinary course of business following the Closing. Without limiting the foregoing, the Retained Liabilities include Liabilities of or owing by Seller:

(i) related to any Taxes;

(ii) to sales representatives, distributors (including those Liabilities associated with services performed by Seller's distributors prior to the Closing but that are otherwise incurred by Buyer after the Closing), vendors or customers, except as expressly provided under this Agreement;

(iii) to any Affiliates, directors, officers, personnel, former personnel, independent contractors, agents, representatives or other personnel of Seller or their respective agents or representatives, including pursuant to any retention agreement with employees of the Business entered into prior to the Closing;

(iv) associated with or relating to any compensation or benefits of any director, officer, personnel, former personnel, independent contractor, agent, or other representative of Seller, including, without limitation, in respect of workers' compensation or claims relating to employment of personnel by Seller prior to the Closing, including severance obligations;

(v) associated with or relating to any Action brought by any Governmental Authority or any Person whatsoever, arising from any condition in existence on or before the Closing Date relating to any Transferred Asset or to any of the premises where the Business has been conducted or any location where any of the assets used or related to the Business and products manufactured by the Business have been stored, transported, remodeled or otherwise delivered for or on behalf of Seller;

(vi) associated with or relating to any Excluded Asset;

(vii) associated with or relating to Seller's issuance or endorsement of any check, note, draft or instrument;

(viii) associated with any accounts payable; or

(ix) associated with any warranty or product liability claims in respect of products manufactured and delivered in connection with the Business prior to the Closing Date (including any incidental or consequential damages relating to such claims or products).

Section 1.04. Purchase Price. The aggregate purchase price for the Transferred Assets shall be Thirty Five Million Two Hundred Thousand Dollars ($35,200,000) (the "Purchase Price"). Buyer shall pay the Purchase Price as follows:

(a) At the time of the Closing by delivering to Seller, by wire transfer in immediately available funds, the amount equal to Thirty Three Million Seven Hundred Thousand Dollars ($33,700,000) ("Closing Date Cash Payment").

(b) At the time of the Closing by delivering to the Escrow Agent, by wire transfer in immediately available federal funds, the amount equal to One Million Five Hundred

Thousand Dollars ($1,500,000), consistent with the Escrow Agreement (the "Escrow Amount"). The Escrow Amount shall be held in an escrow account to secure Seller's obligations under this Agreement and shall be transferred to Seller (subject to pending claims) or Buyer (or Buyer Guarantor on behalf of Buyer) as provided in the Escrow Agreement.

Section 1.05. Allocation of Buyer's Consideration. As soon as practicable, Buyer shall provide to Seller a preliminary allocation of the Purchase Price delivered hereunder to the Transferred Assets, the parties' agreements as contemplated by this Agreement and the Trademark License Agreement, it being understood that only a nominal valuation is to be assigned to the Trademark License Agreement. Once the parties have agreed on such allocation, each party agrees to report the transaction contemplated by this Agreement for tax purposes in accordance with such allocation.

Section 1.06. Assignment of Contracts and Rights.

(a) Schedule 1.06(a)(i) lists all written Contracts (including Contracts that consist only of open purchase orders) in effect between Seller and other Persons for the purchase of wet tantalum capacitors by such Persons from Seller (the "Customer Contracts") and identifies those Customer Contracts that are between Seller and a distributor ("Distributor Contracts") and those that are between Seller and Persons that are not distributors ("Other Customer Contracts").

(b) Distributor Contracts shall not be assigned to Buyer. Buyer shall fulfill Seller's obligations with respect to any open orders under Distributor Contracts for wet tantalum capacitors listed on Schedule 1.01(a)(i) and shall be entitled to receive the amount of any payments due to Seller with respect to such orders. After fulfillment of such open orders, any further orders and sales of wet tantalum capacitors given to Buyer by the respective distributors party to the Distributor Contracts shall be governed by the terms of Buyer's agreements with the distributors party to the Distributor Contracts. Seller shall direct any payor of amounts to which Buyer is entitled to receive pursuant to this Section 1.06(b), to pay such amounts, net of any discounts and credits which are applicable to such amounts payable under the relevant Distributor Contract, directly to Buyer except with respect to any orders for which Seller provided the invoice, provided, however, that in all cases where Seller receives any amounts due to Buyer pursuant to this Section 1.06(b), Seller shall promptly forward such amounts to Buyer.

(c) Transferred Agreements shall consist of (i) Other Customer Contracts that relate solely to the sale of wet tantalum capacitors and that are assignable by their terms without Consent or for which all required consents are obtained prior to the Closing Date and (ii) the portion of Other Customer Contracts relating to the sale of wet tantalum capacitors to the extent that such portion can be and is severed from the remainder of the Contract pursuant to documentation satisfactory to Seller and Buyer and executed by the other party to the Contract prior to the Closing Date. Seller shall provide Buyer with copies of all Transferred Agreements on or prior to the Closing. Anything contained in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement or attempted agreement to transfer, sublease or assign any Contract or any claim or right with respect to any benefit arising thereunder or resulting therefrom, if an attempted transfer, sublease or assignment thereof, without the required Consent of any other party thereto, would constitute a breach thereof or in any way affect the rights of Buyer or Seller thereunder. Within a commercially reasonable time after Closing,

Seller shall use its commercially reasonable efforts to obtain the Consent of any such third party to the transfer, sublease or assignment to Buyer of Other Customer Contracts that relate solely to the sale of wet tantalum capacitors in cases in which such Consent is required for such transfer, sublease or assignment. If any such Consent is not obtained, Seller shall use its commercially reasonable efforts to cooperate with Buyer in reasonable and lawful arrangements designed to provide Buyer the benefits thereunder and provide for Buyer to perform the obligations thereunder, including (a) adherence to reasonable procedures established by Buyer for the immediate transfer to Buyer of any payments or other funds received by Seller thereunder (other than the Receivables) and (b) enforcement for the benefit of Buyer, at Buyer's expense, of any and all rights of Seller thereunder against the other party or parties thereto arising out of the breach or cancellation thereof by such other party or parties or otherwise and performance by Buyer, at Buyer's expense, on behalf of Seller, of the obligations thereunder. For the avoidance of doubt, Buyer agrees to assume all obligations and liabilities of Seller with respect to the Business and the sale of wet tantalum capacitors arising under Other Customer Contracts that are not assigned to Buyer but only if and to the extent that Buyer is entitled to receive the corresponding amounts due to Buyer with respect to wet tantalum capacitors sold pursuant to such Other Customer Contracts. Consistent with the foregoing, Buyer agrees to assume Seller's warranty obligations concerning all Products shipped on or after the Closing Date for which Seller issues invoices to the customer pursuant to Other Customer Contracts that are not assigned to Buyer.

(d) To the extent assignable, Seller hereby assigns to Buyer so much of the rights of Seller under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors relating directly to products sold or services provided in connection with the Business or affecting the property, machinery or equipment used by Seller in the Business, to the extent that such rights related to Transferred Assets.

Section 1.07. No Other Representations. Except for the express representations and warranties of Seller contained in Article III, Buyer acknowledges that Seller has not made, and Buyer has not relied upon, any other representation or warranty, express or implied, with respect to the Business or the Transferred Assets. SELLER HEREBY EXPRESSLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, AND WARRANTIES ARISING FROM CUSTOM AND PRACTICE. EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE III, SELLER SELLS, AND BUYER ACCEPTS, THE TRANSFERRED ASSETS ON AN "AS IS, WHERE IS" BASIS; provided, however, that nothing herein shall relieve Seller of its liability for fraud or intentional misstatement or misrepresentation.

ARTICLE II

CLOSING

Section 2.01. Upon the terms and subject to the conditions of this Agreement, the closing of the transaction contemplated by this Agreement (the "Closing") is taking place at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, on September 15, 2008 (the "Closing Date"); provided that the effective time of the Closing shall be 8:00 a.m. on the Closing Date.

Section 2.02. Seller's Deliveries at Closing. At the Closing, Seller shall deliver or cause to be delivered to Buyer, the following:

(a) each of the Ancillary Agreements, in each case executed by a duly authorized officer of Seller;

(b) such other duly executed documents and certificates as may be required to be delivered by Seller pursuant to the terms of this Agreement; and

Section 2.03. Buyer's Deliveries at Closing. At the Closing, Buyer shall deliver, or cause to be delivered, the following:

(a) the Closing Date Cash Payment to Seller by wire transfer of immediately available funds in accordance with Section 1.04 hereto;

(b) each of the Ancillary Agreements, in each case executed by a duly authorized officer of Buyer that is a party thereto (or by a duly authorized officer of any direct or indirect subsidiary of Buyer Guarantor to which a Transferred Agreement is assigned) and delivered to Seller;

(c) the Escrow Amount to the Escrow Agent; and

(d) such other duly executed documents and certificates to Seller as may be required to be delivered by Buyer pursuant to the terms of this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

Section 3.01. Organization and Authority of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has the requisite corporate power and authority to own, operate, lease, possess or dispose of the properties, including the Transferred Assets, that it purports to own, operate, possess or lease and to carry on its business (including the Business) as it is presently conducted. Seller has the full legal right and all corporate power and authority to enter into this Agreement, and each of the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. This Agreement, and each of the Ancillary Agreements has been duly authorized, executed and delivered by Seller and no other corporate action on part of Seller is necessary to authorize this Agreement and the Ancillary Agreements or to consummate the transactions so contemplated. This Agreement and each of the Ancillary Agreements (assuming due authorization, execution and delivery by Buyer) constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms.

Section 3.02. No Conflict. Except as set forth on Schedule 3.02, neither the execution nor delivery of this Agreement, or the Ancillary Agreements by Seller nor the

consummation by Seller of any of the transactions contemplated hereby or thereby, will (a) conflict with or violate the Certificate of Incorporation or By-laws of Seller (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, modification, cancellation or acceleration or loss of benefits) under, any of the terms, conditions or provisions of any Contract to which Seller is a party or to which it or the Transferred Assets may be subject or which is included in the Transferred Assets or the Assumed Liabilities or (c) violate any Permit applicable to Seller, the Transferred Assets, the Assumed Liabilities or the Business; except in the cases of clauses (b) or (c) for those violations, breaches or defaults that would reasonably be expected to not have a Material Adverse Effect.

Section 3.03. Consents and Approvals. Except as set forth on Schedule 3.03, the execution and delivery of this Agreement and the Ancillary Agreements by Seller do not, and the performance of this Agreement and each of the Ancillary Agreements by Seller will not, require any Consent of any Governmental Authority except as such may have been obtained, taken or made on or prior to the date hereof (other than pre-consummation trade or competition filings relating to the transaction contemplated by this Agreement as to which no representation is made although no concession is made that any such filings are required). Other than ministerial filings with Mexican Governmental Authorities, no Consents are required in order for Buyer to move the Transferred Assets outside of Mexico.

Section 3.04. Financial Statements.

(a) Schedule 3.04(a) sets forth a complete and accurate copy of the unaudited consolidated statements of income for the Business as of and for each of the years ended March 31, 2008, March 31, 2007 and March 31, 2006 (provided that the consolidated statement of income for the year ended March 31, 2006 shall not include any revenue or related financial information relating to operation of the Arco Tangible Assets), respectively (collectively, the “Financial Statements”), and a complete and accurate copy of the unaudited consolidated statements of income as of and for the quarter ended June 30, 2008 (the “Interim Financial Statements”).

(b) Since June 30, 2008, the Business has been conducted only in the ordinary course consistent with past practice and there has been no material adverse change in the business operations, conditions or prospects, financial or otherwise, with respect to the Business or the Transferred Assets and, to Seller’s Knowledge, no such change has been threatened nor is it pending.

(c) The Financial Statements and the Interim Financial Statements (as of the date thereof and for the periods covered thereby) (i) have been prepared in accordance with the books and records of Seller and the Business, (ii) are true, complete and correct in all material respects and present fairly in all material respects the results of operations of the Business for the periods indicated and (iii) have been prepared in accordance with Business Accounting Principles.

Section 3.05. Title to Transferred Assets; Condition and Sufficiency of Assets.

(a) The Arco Intellectual Property constitutes all of the Intellectual Property acquired from Blue Skye (Lux) S.à.r.l related exclusively to wet tantalum capacitor products. The Transferred Core Intellectual Property constitutes all of the currently existing Intellectual Property exclusively used or to be used by Seller to manufacture the products listed on Schedule 3.05(a)(i). Other than the Transferred Intellectual Property, the rights licensed to Buyer under the Trademark License Agreement and the proprietary information, know-how and technical information transferred pursuant to this Agreement, Seller does not own or use any other Intellectual Property, proprietary information, know-how or technical information necessary for Buyer to manufacture as Seller manufactured prior to the date hereof, or necessary for the right to use, sell, offer to sell, market or import, any of the products of the Business listed on Schedules 3.05(a)(i) and 3.05(a)(ii).

(b) The Equipment is in good operating condition and repair, subject to normal wear and tear, and is adequate for the uses they are put to and is not in need of maintenance and repair that is material in nature or cost.

(c) Seller or its Mexican subsidiary have taken, or in a timely manner will take after the Closing, all actions necessary to ensure that the Transferred Assets imported into Mexico have been duly and legally imported in Mexico for the development of the Business under certain permits issued to the Mexican subsidiaries of Seller by the Ministry of Economy under the denominated Decreto Para el Fomento de la Industria Manufacturera Maquiladora y de Servicios de Exportación (“IMMEX”).

(d) Seller has, or, with respect to the Arco Intellectual Property owned by Arcotronics, Arcotronics has, the complete and unrestricted power and the unqualified right to sell, transfer, assign and deliver, and following the Closing, Buyer will have, good and valid title to all Transferred Assets, and Seller shall so defend Buyer’s title, free and clear of all title defects or objections, mortgages, liens, claims, charges, pledges, security interests (collectively “Liens”) except for the liens described on Schedule 3.05 (“Permitted Liens”).

Section 3.06. Agreements.

(a) The Customer Contracts are set forth on Schedule 1.06(a)(i). Seller has previously delivered or made available to Buyer correct and complete copies of each of the Other Customer Contracts of Seller other than Other Customer Contracts that consist only of open purchase orders.

(b) Each of the Other Customer Contracts is a legal, valid and binding agreement enforceable by and against Seller in accordance with its terms and in full force and effect on the date hereof. Seller has received no notice of cancellation or termination (written or otherwise) under any option or right reserved to the other party to any Other Customer Contract or any notice of default (written or otherwise) under such agreement. Except as otherwise disclosed on Schedule 3.06(b), neither Seller, nor to the Knowledge of Seller any other party is in breach or default of any Other Customer Contract that would cause a Material Adverse Effect and, to the Knowledge of Seller, no event has occurred that, with notice or lapse of time or both, would constitute such a breach or default or permit termination, modification or acceleration under such Other Customer Contract that would

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cause a Material Adverse Effect. Except as separately identified in Schedule 3.06(b), no Consent of any person is needed in order that the Other Customer Contracts continue in full force and effect following the assignment of such agreements to Buyer.

(c) Aside from the Customer Contracts, the orders listed on Schedule 1.01(a)(i) and Schedule 1.02(b), Contracts for tantalum wire and powder and the other Contracts listed on Schedule 3.06(c), there are no (i) Customer Contracts; (ii) written Contracts for raw materials specifically used by Seller to manufacture

wet tantalum capacitors; (iii) written Contracts specifically relating to the Business pursuant to which Seller is required to pay or is entitled to receive $50,000 or more in any twelve month period or (iv) other written Contracts specifically relating to the Business that are material to the Business as conducted by Seller.

(d) Seller is not a party to a Contract that will in any way restrict or limit the conduct of the Business by Buyer or the use of the Transferred Assets by Buyer, including without limitation any joint venture or other cooperative.

Section 3.07. Intellectual Property Rights.

(a) Schedule 3.07 sets forth a complete and accurate list of all United States and foreign issued or registered Intellectual Property (including but not limited to patents, copyrights and trademarks), and all applications therefor, used in connection with the Business, indicating for each the applicable jurisdiction, issuance/registration/application number, and dates of filing/issuance/registration.

(b) Except as set forth on Schedule 3.07, Seller is the sole and exclusive owner of the Transferred Intellectual Property used in connection with the Business, free and clear of all liens, claims, charges and encumbrances and free from contractual restrictions and any other restriction. In each case where any patent, registered trademark, registered copyright, or the like used in connection with the Business is held by Seller by assignment, the assignment has been duly and properly recorded with the U.S. Copyright Office, the U.S. Patent and Trademark Office or the corresponding foreign authorities, as the case may be, to preserve all of Seller’s rights.

(c) Seller has the full right and authority to conduct the Business and use the Transferred Intellectual Property used in connection with the Business in the manner in which they are currently being conducted and used and, to the Knowledge of Seller, such activities do not conflict with, violate, misappropriate or infringe on the rights of any other Person.

(d) No Action has been asserted, nor to the Knowledge of Seller has any Action been threatened, verbally or otherwise, by any Person (i) challenging, or seeking to deny or restrict, the use by Seller of any Transferred Intellectual Property or (ii) alleging the violation, misappropriation, or infringement by Seller in connection with its conduct of the Business or its use of Transferred Intellectual Property. Seller has not asserted or threatened any Action against (i) any Person based upon any Intellectual Property related to the Business or (ii) any Intellectual Property owned by any other Person.

(e) No Person, other than Seller and Arcotronics, is authorized to use any of the trademarks “KEMET”, “CASTANET” and “ARCOTRONICS” or, to Seller’s Knowledge, any other Intellectual Property owned by Seller, with respect to the manufacture, marketing, distribution, use, importation or sale of wet tantalum capacitors or otherwise in competition with any aspect of the Business except as set forth on Schedule 3.07(e).

(f) No Contract, agreement or understanding between Seller and any Person exists which could impede or prevent the continued use by Seller or, following the Closing, Buyer in and to the Transferred Intellectual Property or which could result in the grant of any rights therein to another Person. No registered or issued Transferred Intellectual Property set forth in Schedule 3.07 has, to Seller's Knowledge, lapsed, expired, or been abandoned or canceled, or is subject to any pending or threatened opposition, cancellation proceeding before the U.S. Patent and Trademark Office or the U.S. Copyright Office or other U.S. or foreign proceeding.

(g) To the Knowledge of Seller, all employees and independent contractors of Seller who created, prepared, developed or conceived any inventions, discoveries, trade secrets, ideas or works of authorship, whether or not patented or patentable or otherwise protectable under law, have duly assigned all of their rights therein to Seller pursuant to valid and enforceable written agreements.

(h) Schedule 3.07(h) lists all computer software, code, programs, databases, and computer services, other than commercially available off-the-shelf items costing less than $500 per licensed user/copy, which are necessary to operate the Equipment.

Section 3.08. Litigation. Except as set forth in Schedule 3.08, (i) no Action is pending or, to the Knowledge of Seller, threatened that questions the validity of this Agreement or any Ancillary Agreement or any action taken or to be taken in connection with this Agreement or any Ancillary Agreement, or which seeks to delay or prevent the consummation of the transactions being consummated hereby or thereby; (ii) no Action is pending or, to the Knowledge of Seller, threatened, that relate to or otherwise affect any of the Transferred Assets, the Assumed Liabilities or the Business; and (iii) there are no outstanding judgments, writs, injunctions, orders, decrees or settlements that apply, in whole or in part, to any of the Transferred Assets, the Assumed Liabilities, or the Business, that restrict the ownership or use of any Transferred Assets, the Assumed Liabilities or the Business in any way.

Section 3.09. Permits; Compliance with Laws.

(a) All Permits required with respect to the Business have been legally obtained and maintained and are valid and in full force and effect. Seller is duly licensed to conduct the Business as presently conducted in all jurisdictions in which the Business is conducted and is in compliance with all of the terms and conditions of such licenses. There has been no material change in the facts or circumstances reported or assumed in the application for or granting of any Permits. No outstanding violations are or have been recorded in respect of

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any of the Permits. No proceeding is pending or, to Seller’s Knowledge, threatened, to suspend, revoke, withdraw, modify or limit any Permit, and, to Seller’s Knowledge, there is no fact, error or admission relevant to any Permit that would permit the suspension, revocation, withdrawal, modification or limitation of, or result in the threatened suspension, revocation, withdrawal, modification or limitation of, or in the loss of any Permit.

(b) The Business is being and has been conducted in compliance in all material respects with all Permits and applicable Laws. Seller is not in violation of any Laws applicable to the Business by which any of the Transferred Assets is bound or affected, other than those violations which do not have a Material Adverse Effect. Except as disclosed on Schedule 3.09(b), Seller has not taken any action, or failed to take any action, which might, to any extent, prevent, impede or result in the revocation of the vesting in Buyer of good and valid title to the Transferred Assets (or any portion thereof) free and clear of all claims and interests of creditors and equity security holders.

(c) There are no Permits required to conduct the Business as and where it is presently being conducted and which relate specifically to the manufacturing process for wet tantalum capacitors.

(d) Except as set forth on Schedule 3.09 hereto, Seller has not received any notification that it is in violation of any applicable building, zoning, anti-pollution, environmental, health or other Law in respect of the Business and no such violation exists.

Section 3.10. Government Contracts.

(a) "Government Contracts" shall mean all current Contracts pursuant to which the Business has generated and/or is expected to generate revenues in excess of $50,000: (i) between Seller and the United States Government, including any blanket purchase agreements, task orders, or other agreements thereunder; and (ii) between Seller and any entity which is a party to a Contract or other agreement with the United States Government in which Seller participates in the bid or contract process. Seller is not a party to any current dispute relating to a Government Contract. Seller has not, with respect to any Governmental Contract, received notice that Seller has breached or violated any Law, order, certification, representation, clause, provision, or requirement with respect to any such Government Contract. There are no current or, to the Knowledge of Seller, threatened claims, appeals, "Requests for Equitable Adjustment," protests, or lawsuits (including, without limitation, any qui tam suit brought under the False Claims Act, 31 U.S.C. 3729), against Seller arising out of or relating to any Government Contract.

(b) During the past five (5) years, Seller has not been suspended or debarred from doing business with the United States Government, nor has any such suspension or debarment action been threatened, proposed, or commenced. To the Knowledge of Seller, there is no valid basis, or specific circumstances that with the passage of time would become a basis, for Seller's suspension or debarment from doing business with the United States Government.

(c) Neither Seller, nor, to the Knowledge of Seller, any of Seller's officers, directors, or employees, has knowingly provided to any person any false or misleading

information with respect to Seller, or any of its officers, directors, equityholders or employees, in connection with the procurement of, performance under or renewal of, any Government Contract.

Section 3.11. Insurance. Seller or its Affiliates have in place insurance policies with respect to the Transferred Assets and the Business in amounts and types that are customary in the industry for similar assets and sufficient to cover the full value of the Tangible Personal Property, and all such policies are valid and in full force and effect. Schedule 3.11 contains a complete and accurate list and an accurate summary of all property, commercial general liability, workers' compensation and automobile liability insurance policies currently maintained relating to the Transferred Assets or the Business. Such policies, as are current, are valid and in full force and effect, all premiums due thereon have been paid, Seller and, if applicable, its Affiliates, have complied with the material provisions of such policies, and all such policies either specifically include Seller as named insured or include omnibus named insured language which generally includes Seller, and Seller or its Affiliates have not received any notification of cancellation, modification or denial of renewal of any such policies, except as set forth on Schedule 3.11.

Section 3.12. Employees and Related Matters. There are no pending or threatened disputes, grievances, charges, complaints, petitions or proceedings involving the employees of Seller that could be reasonably expected to have a Material Adverse Effect and there are no pending or threatened strikes, lockouts or general work stoppages involving employees of Seller which could cause a cessation of operation of the Business or any facility where the Business is conducted and Seller is not subject to show cause, notices or debarment or administrative procedure involving any Governmental Authority related to its employees practices with respect to the Business that could reasonably be expected to result in a Material Adverse Effect.

Section 3.13. Customers and Suppliers. Schedule 3.13 sets forth a list of (x) the ten (10) largest customers of the Business in terms of sales during the fiscal year ended March 31, 2008 and for Arcotronics, year-to-date as of July 31, 2008 and for Seller and its subsidiaries, year-to-date as of August 20, 2008, showing the approximate total sales by the Business to each such customer during such periods, respectively, and (y) the ten (10) largest suppliers to the Business during the fiscal year ended March 31, 2008 and for the quarter ended June 30, 2008, measured by dollar volume of purchases. Except as set forth in Schedule 3.13, Seller has received no notice of termination and is not aware of an intention to terminate the relationship with the Business or significantly reduce the volume of the Business from any customer or supplier named in Schedule 3.13. The list of customers provided by Seller in accordance with Section 5.02 is true and correct.

Section 3.14. Product Liability. Except as set forth in Schedule 3.14 hereto, no Action has been commenced in the five year period immediately preceding the date of this Agreement, is currently pending or, to Seller's Knowledge, threatened, against or involving the Business relating to any product alleged to have been manufactured or sold by Seller in connection with the Business and alleged to have been defective, or improperly designed or manufactured.

Section 3.15. Environmental Compliance.

(a) Each of Seller and its Affiliates is in compliance in all material respects with the Mexican General Law of Ecological Equilibrium and Environmental Protection, its Regulations and Mexican Official Standards that may apply (the "Mexican Environmental Legislation"), as well as all applicable federal, foreign, state and local environmental laws, rules and regulations, including, without limitation, those applicable to emissions to the environment, waste management and waste disposal, except for such noncompliance which would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect.

(b) No lien has been imposed or asserted on any of the Transferred Assets, the Business or the Assumed Liabilities by any Governmental Authority or other person in connection with any Mexican Environmental Law or Environmental Condition.

(c) Seller has discharged all of its obligations pertaining to the operation of the Business. Seller (i) has all environmental permits necessary for the activities and operations of the Business and for any past or ongoing alterations or improvements at its facilities in Ciudad Victoria and Matamoros, State of Tamaulipas, Mexico, and (ii) is not in violation of any such environmental permits and has applied for renewals where necessary.

Section 3.16. Foreign Practices Act. Seller has not, directly or indirectly, at any time directly in connection with the Business made any payment to any state, federal or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments or contributions required or allowed by applicable law. Seller's internal accounting controls and procedures with respect to the Business are sufficient to cause Seller to comply in all material respects with the Foreign Corrupt Practices Act of 1977, as amended.

Section 3.17. Inventory. At the Closing, the Inventory will be items of good quality and usable or saleable by the Business in the ordinary course of business consistent with past practice and merchantable and fit for the purpose for which such Inventory was procured or manufactured.

Section 3.18. Transactions with Affiliates. Except as set forth on Schedule 3.18, no officer, director, employee, agent or representative of Seller, nor any spouse or child of any of them or any Person affiliated with any of them (each a "Related Person"), has any interest in any assets or properties used in or pertaining to the Business, to the extent related to the Transferred Assets or Assumed Liabilities. No Related Person has, or owns any Person who has, directly or indirectly, and whether on an individual, joint or other basis, any equity interest or any other financial or profit interest in a Person that has (i) had business dealings with Seller pertaining to the Business or (ii) engaged in competition with the Business, to the extent related to the Transferred Assets or the Assumed Liabilities.

Section 3.19. Taxes.

(a) Except as set forth on Schedule 3.19, all tax returns or information statements required to be filed by or on account of the Transferred Assets, the Assumed Liabilities or the Business have been filed before the federal, state or local tax authorities, and all statements and information contained therein are true and correct in all material

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respects and Seller has paid or caused to be paid all Taxes which have become due pursuant to such returns or pursuant to any assessments which have been levied on Seller. Except as set forth on Schedule 3.19, to Seller's Knowledge, there is no tax deficiency proposed or threatened by any governmental or regulatory agency against the Business, or the Transferred Assets. Except as set forth on Schedule 3.19, no audit of any tax return of Seller with respect to the Business, or the Transferred Assets is in progress.

(b) All Taxes with respect to the Business, the Assumed Liabilities and the Transferred Assets not yet due but incurred on or before the execution of this Agreement (including, without limitation, Taxes arising out of the transactions contemplated hereby) are or will be adequately disclosed to Buyer in order to ascertain that there is no contingent liability that may be charged to Seller affecting the Business, the Assumed Liabilities or the Transferred Assets.

Section 3.20. Brokers and Finders. Except as set forth on Schedule 3.20, neither Seller nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement.

Section 3.21. No Misleading Statements. To the Knowledge of Seller, it has not failed to disclose to Buyer in writing any fact that has specific application to the Business (other than general economic or industry conditions) that could reasonably be expected to have a Material Adverse Effect on the Business. No representation or warranty contained in this Agreement contains any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make any of them, in light of the circumstances under which it was made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

Section 4.01. Organization and Authority of Buyer. Buyer is a company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Buyer has the full legal right and all corporate power and authority to enter into this Agreement, and each of the Ancillary Agreements to which it is a party, and to consummate the transactions contemplated hereby and thereby. This Agreement, and each of the Ancillary Agreements has been duly authorized, executed and delivered by Buyer and no other corporate action on part of Buyer is necessary to authorize this Agreement and the Ancillary Agreements or to consummate the transactions so contemplated. This Agreement and each of the Ancillary Agreements (assuming due authorization, execution and delivery by Seller) constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

Section 4.02. No Conflict. Neither the execution nor delivery of this Agreement, or the Ancillary Agreements by Buyer nor the consummation by Buyer of any of the

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transactions contemplated hereby or thereby, will (a) conflict with or violate the certificate of incorporation, by-laws, or similar organizational documents of Buyer (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, modification, cancellation or acceleration or loss of benefits) under, any of the terms, conditions or provisions of any Contract to which Buyer is a party or (c) violate any Permit applicable to Buyer; except in the cases of clauses (b) or (c) for those violations, breaches or defaults that would reasonably be expected to not have a material adverse affect on the ability of Buyer to consummate the transactions contemplated by this Agreement and each of the Ancillary Agreements.

Section 4.03. Consents and Approvals. The execution and delivery of this Agreement and each of the Ancillary Agreements by Buyer does not, and the performance of this Agreement and each of the Ancillary Agreements by Buyer will not, require any Permit or Consent of any Governmental Authority or any other Person except as such may have been obtained, taken or made on or prior to the date hereof (other than pre-consummation trade or competition filings relating to the transaction contemplated by this Agreement as to which no representation is made although no concession is made that any such filings are required).

Section 4.04. Litigation. No Action is pending or, to the Knowledge of Buyer, threatened against Buyer which seeks to delay or prevent the consummation of the transactions contemplated hereby or which may adversely affect or restrict Buyer's ability to consummate the transactions contemplated hereby.

Section 4.05. Brokers and Finders. Neither Buyer, nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.

ARTICLE V

COVENANTS OF THE PARTIES

Section 5.01. Employees. In addition to the Retained Liabilities, Seller shall retain all liabilities and claims for salary, bonuses, back-pay, commissions, benefits or other compensation based claims due employees or former employees of Seller (whether or not engaged in the Business) arising prior to, as a result of, or following the Closing.

Section 5.02. Customers. Immediately after the Closing, Seller shall provide to Buyer a list of each of the customers of the Business during the fiscal year ended March 31, 2008 and the quarter ended June 30, 2008, showing the approximate total sales by the Business to each such customer during such periods.

Section 5.03. Transfer Taxes. Notwithstanding any other provision of this Agreement, all transfer, registration, stamp, documentary, sales and similar taxes (including all applicable real estate transfer or gains taxes), and any penalties, interest and additions to tax, incurred in connection with this Agreement or the transfer of the Business and the Transferred Assets shall

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be the responsibility of and be timely paid by Seller. Seller and Buyer shall cooperate in the timely making of all filings, returns, reports and forms as may be required in connection therewith.

Section 5.04. Further Action.

(a) Each of the parties hereto shall execute such documents (including, without limitation, the Ancillary Agreements) and other papers and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated hereby, at or after the Closing, to evidence the consummation of the transactions consummated pursuant to this Agreement. Upon the terms and subject to the conditions hereof, each of the parties hereto shall take, or cause to be taken, all actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to obtain in a timely manner all necessary waivers and Consents and to effect all necessary registrations and filings. Following the Closing, each party will afford the other party, its counsel and its accountants, during normal business hours, reasonable access to the books, records and other data relating to the Business in its possession with respect to periods prior to the Closing and the right to make copies and extracts therefrom, at the requesting party's expense, to the extent that such access may be reasonably required by the requesting party in connection with (i) the preparation of financial reports or tax returns, (ii) the determination or enforcement of rights and obligations under this Agreement or any of the Ancillary Agreements, (iii) compliance with the requirements of any Governmental Authority, or (v) in connection with any actual or threatened Action or proceeding, but in each case only to the extent that such access does not unreasonably interfere with the business and operations of the party providing such access. The requesting party shall provide a written request to access such information (which written request shall include the reason for such party's request to access such information) within a reasonable time prior to the requested date of access. Further, each party agrees for a period extending for five (5) years after the Closing Date not to destroy or otherwise dispose of any such books, records and other data unless such party shall first offer in writing to surrender such books, records and other data to the other party and such other party does not agree in writing to take possession thereof during the ten (10) day period after such offer is made. Any information obtained by a party in accordance with this subsection shall be held confidential by such party in accordance with Section 5.07.

Section 5.05. Assets After the Closing. If Seller shall, at any time after the Closing, receive any Transferred Assets (including any payments relating to any Transferred Agreements, to the extent performed after the Closing), it shall promptly deliver such assets or property to Buyer.

Section 5.06. Non-Compete.

(a) From the Closing and for a period of seven (7) years thereafter (the "Non-Compete Period"), Seller and Seller Guarantor shall not, and shall cause their Affiliates not to, directly or indirectly, engage in, hold an interest in, lend funds to, own, manage, operate, control, direct, be connected with as a stockholder (other than as a holder of less than two percent (2%)

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of a publicly-traded security), joint venturer, partner or consultant, or otherwise engage or advise, specifically with respect to the development, production, manufacture or sale of wet tantalum capacitors, any Person seeking to engage in the business of developing, producing, manufacturing or selling (through subcontract or otherwise) wet tantalum capacitors anywhere in the world.

(b) If, at the time of enforcement of Section 5.06, a court or arbitrator holds that the restrictions stated herein are unreasonable under the circumstances then existing, the parties agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area determined to be reasonable under the circumstances by such court or arbitrator, as applicable.

Section 5.07. Confidential Information. Seller acknowledges and agrees that (i) it has Confidential Information (as defined below) and that such Confidential Information does and will constitute valuable, special and unique property of Buyer from and after the Closing Date and (ii) for a period of seven (7) years after the Closing Date, it will not, directly or indirectly, and will cause its Affiliates not to, disclose, reveal, divulge or communicate to any Person other than authorized officers, directors and employees of Buyer or employees or agents of Seller with a need to know, provided such Confidential Information is not used in violation of this Agreement, or use or otherwise exploit for its own benefit or for the benefit of anyone other than Buyer, any Confidential Information. Seller shall not have any obligation to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by Law; *provided, however*, that in the event disclosure is required by applicable Law, Seller shall, to the extent reasonably possible, provide Buyer with prompt notice of such requirement prior to making any disclosure so that Buyer may seek an appropriate protective order. For purposes of this Section 5.07, "Confidential

Information" shall mean any confidential information with respect to the Business, including, without limitation, methods of operation, pending or completed acquisitions of any company, division, product line or other business unit, prices, fees, costs, plans, designs, technology, inventions, trade secrets, know-how, software, marketing methods, policies, plans, personnel, customers, suppliers, publishers, competitors, markets or other specialized information or proprietary matters but shall not include any such information to the extent that it relates to the business or operations of Seller, other than the Business. The term "Confidential Information" does not include, and there shall be no obligation hereunder with respect to, information that (a) is generally available to the public on the date of this Agreement, (b) becomes generally available to the public other than as a result of a disclosure by Seller not otherwise permissible thereunder or (c) Seller learns from other sources where such sources have not violated their confidentiality obligation to Buyer. Nothing herein shall be construed as a license or other grant to Seller or any of its Affiliates of permission to use the Transferred Intellectual Property whether during or after the aforesaid seven (7) year period.

Section 5.08. Vishay Intellectual Property. Seller acknowledges that the Intellectual Property listed on Schedule 5.08 (the "Vishay Intellectual Property") is owned by Buyer Guarantor or an Affiliate of Buyer Guarantor. Seller covenants not to, directly or indirectly, dispute, challenge, or impair the validity or enforceability of, or any right, title or interest in or to, the Vishay Intellectual Property, exclusively as it relates to wet tantalum capacitors and has not expired under applicable Law.

Section 5.09. Access. Each party shall provide the other party reasonable access during regular business hours to all records relating to the Business (with the right to photocopy at the requesting party's expense) in connection with any and all regulatory compliance by either party or investigation by any Governmental Authority of Seller or Buyer or the Business prior to or after the Closing (including, without limitation, the Mexican Ministry of Treasury and Public Credit, the Mexican Internal Revenue Service and environmental regulatory agencies) and pending or threatened litigation matters to which Seller or Buyer may be or hereafter becomes subject with respect to the Business.

ARTICLE VI

INDEMNIFICATION

Section 6.01. Survival. The parties hereto agree that the representations and warranties of the parties contained in this Agreement, any schedule hereto or any certificate delivered pursuant hereto, and the indemnification obligations in Sections 6.02(a)(i) and 6.02(b)(i) with respect to such representations and warranties, shall terminate twelve (12) months after the Closing Date; provided that (a) the representations and warranties contained in 3.18 (Taxes), 3.19 (Brokers and Finders) and 4.05 (Brokers and Finders), and the indemnification obligations related thereto, shall terminate thirty (30) days following the expiration of the applicable statutory period of limitations and (b) the representations and warranties contained in 3.05(a) (Transferred Intellectual Property), and the indemnification obligations related thereto, shall terminate thirty-six (36) months after the Closing Date, and (c) the representations and warranties contain in Sections 3.01 (Organization and Authority of Seller), 3.05(c) (Title to Transferred Assets), 3.15 (Environmental Compliance) and 4.01 (Organization and Authority of Buyer), and the indemnification obligations related thereto, shall survive the Closing indefinitely; provided that if a claim shall have been made in good faith with respect to any representation or warranty prior to the expiration of the applicable survival period such claim shall continue to be subject to indemnification notwithstanding the expiration of such period. The covenants and agreements of the parties contained in this Agreement shall survive and remain in full force and effect for the applicable period specified therein, or if no such period is specified, indefinitely. The provisions of this Article VI shall survive for so long as any other Section of this Agreement shall survive.

Section 6.02. Indemnification Obligations.

(a) Seller shall indemnify, defend and hold harmless Buyer and any subsidiary, associate, Affiliate, director, officer, member, manager or agent of Buyer, and their respective representatives, successors and permitted assigns (collectively, the "Buyer Indemnified Parties") from and against, and pay on behalf of or reimburse such party in respect of, as and when incurred, any and all losses, liabilities, demands, claims, Actions, costs, damages, judgments, debts, settlements, assessments, deficiencies, Taxes, penalties, fines or expenses, whether or not arising out of any claims by or on behalf of a third party, including interest, penalties, reasonable attorneys' fees and expenses and all reasonable amounts paid in investigation, defense or settlement of any of the foregoing (collectively, "Losses") which any such party may suffer, sustain or become subject to, as a result of, in connection with, or relating to or by virtue of:

(i) any inaccuracy in, or breach of, any representation or warranty made by either Seller under this Agreement, the Bill of Sale, Assignment and Assumption Agreements, or the Escrow Agreement, including any certificate, exhibit or schedule provided by Seller in connection with the transactions contemplated herein;

(ii) any breach or non-fulfillment of any covenant or agreement on the part of Seller under this Agreement, the Bill of Sale, Assignment and Assumption Agreements, the Trademark License Agreement, or the Escrow Agreement;

(iii) the ownership or operation of the Transferred Assets on or prior to the Closing Date, or the conduct or operation of the Business on or prior to the Closing Date, or the activities of Seller in connection with the Transferred Assets or the Business on or prior to the Closing Date;

(iv) any liabilities of Seller arising out of (x) any employee dispute or the violation of any Mexican labor Law, rule or regulation or (y) the violation of any Mexican Environmental Law, rule or regulation.

(v) Seller's failure to comply with applicable bulk sale or bulk transfer laws as set forth in Section 7.04;

(vi) any fees, expenses or other payments incurred or owed by Seller to any agent, broker, investment banker or other firm or Person retained or employed in connection with the transactions contemplated by this Agreement; or

(vii) the Retained Liabilities.

For the avoidance of doubt, in no event will Seller be required to indemnify any Buyer Indemnified Party for any Loss relating to the assignment of any Contract in connection with this Agreement or the failure by Buyer or Seller to obtain a third party consent to the assignment of any Contract in connection with this

Agreement, except to the extent of the obligations of Seller under Section 1.06.

(b) Buyer shall indemnify, defend and hold harmless Seller and any subsidiary, associate, Affiliate, director, officer, stockholder or agent of Seller and their respective representatives, successors and permitted assigns (collectively, the "Seller Indemnified Parties") from and against, and pay on behalf of or reimburse such party in respect of, as and when incurred, any and all Losses which any such party may suffer, sustain or become subject to, as a result of, in connection with, or relating to or by virtue of:

(i) any inaccuracy in, or breach of, any representation or warranty made by Buyer under this Agreement, the Bill of Sale, Assignment and Assumption Agreements, or the Escrow Agreement, including any certificate or exhibit provided by Buyer in connection with the transactions contemplated herein;

(ii) any breach or non-fulfillment of any covenant or agreement on the part of Buyer under this Agreement, the Bill of Sale, Assignment and Assumption Agreements, or the Escrow Agreement;

(iii) the ownership or operation of the Transferred Assets after the Closing Date, or the conduct or operation of the Business after the Closing Date, or the activities of Buyer in connection with the Transferred Assets or the Business after the Closing Date, except for the Retained Liabilities and subject to the provisions of the Transitions Services Agreement;

(iv) any fees, expenses or other payments incurred or owed by Buyer to any agent, broker, investment banker or other firm or Person retained or employed in connection with the transactions contemplated by this Agreement; or

(v) the Assumed Liabilities.

(c) The right to indemnification or any other remedy based on any representation, warranty, covenant or agreement hereunder shall not be affected by any investigation conducted at any time, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing, with respect to the accuracy or inaccuracy of, or compliance with, any such representation, warranty, covenant or agreement. The waiver of any condition based on the accuracy of any such representation or warranty, or on the performance of or compliance with any such covenant or agreements, will not affect the right to indemnification or any other remedy based on such representations, warranties, covenants and agreements.

Section 6.03. Indemnification Procedure.

(a) If any Buyer Indemnified Party or Seller Indemnified Party (collectively, the "Indemnified Parties") intends to seek indemnification pursuant to this Article VI, such Indemnified Party shall promptly notify Seller, if the Indemnified Party is a Buyer Indemnified Party (the "Seller Indemnifying Parties"), or Buyer, if the Indemnified Party is a Seller Indemnified Party (the "Buyer Indemnifying Parties" and, together with Seller Indemnifying Parties, the "Indemnifying Parties"), in writing of such claim with reasonable particularity. The Indemnified Party will provide the Indemnifying Parties with prompt notice of any third party claim in respect of which indemnification is sought. The failure to provide such notice will not affect any rights hereunder except to the extent the Indemnifying Parties are materially prejudiced thereby.

(b) If such claim involves a claim by a third party against the Indemnified Parties, the Indemnifying Parties may, within thirty (30) calendar days after receipt of such notice and upon notice to the Indemnified Parties, assume, through counsel of their own choosing and at their own expense, the settlement or defense thereof, and the Indemnified Parties shall reasonably cooperate with them in connection therewith. In the event the Indemnifying Parties elect to assume the settlement or defense of such third party claim, the Indemnified Parties shall be permitted to participate in such settlement or defense through one counsel chosen (and one local counsel in any applicable jurisdiction) by them, the expense of which will be the obligation of the Indemnified Parties; unless an Indemnified Party is a named party to such action or suit and the Indemnified Parties have reasonably determined that there may be a conflict of interest between the Indemnifying Parties and such Indemnified Party, then the Indemnifying Parties shall pay the reasonable fees and expenses of one counsel chosen (and one

local counsel in any applicable jurisdiction) by the Indemnified Parties. Notwithstanding anything in this Section 6.03 to the contrary, no Indemnifying Party may, without the prior written consent of the Indemnified Parties, such consent not to be unreasonably withheld, settle or compromise any action or consent to the entry of any judgment, unless the terms of such settlement release the Indemnified Parties from any and all liability with respect to such action or suit and do not contain any admission of liability or culpability of the Indemnified Parties. So long as the Indemnifying Parties are contesting any such claim in good faith, the Indemnified Parties shall not pay or settle any such claim without the Indemnifying Parties' Consent, which Consent shall not to be unreasonably withheld or delayed. If the Indemnifying Parties do not give notice within a reasonable time that they elect to assume the settlement or defense of such claim or suit, then the Indemnified Parties may conduct and control, through counsel of their own choosing and at the expense of the Indemnifying Parties, the settlement or defense thereof, and the Indemnifying Parties shall cooperate with it in connection therewith; provided, however, that (i) the Indemnified Parties shall not consent to the entry of any judgment or to any settlement of such claim without the prior written consent of the Indemnifying Parties, not to be unreasonably withheld or delayed; and (ii) the Indemnifying Parties shall have the right at any point to participate in the Indemnified Parties' defense, to attend meetings and conferences, and to review such information and documents in the Indemnified Parties' possession as they may reasonably request concerning such action or suit except where such participation, attendance or review would (x) void any claim of privilege by an Indemnified Party or (y) materially impair any legal defense or claim of an Indemnified Party. The failure of the Indemnified Parties to participate in, conduct or control such defense shall not relieve the Indemnifying Parties of any obligation they may have hereunder.

Section 6.04. Indemnification Amounts.

(a) Basket. Notwithstanding anything contained herein to the contrary, an Indemnifying Party shall not be liable for any claim for indemnification pursuant to Section 6.02(a)(i) or 6.02(b)(i) hereto unless and until the dollar amount of all indemnifiable Losses in the aggregate exceeds $250,000 (the "Basket"), in which case the Indemnifying Party will be obligated to indemnify the Indemnified Party for all indemnifiable Losses in excess of $250,000.

(b) Seller's Cap. Subject to Section 6.04(d), (f), and (g), the maximum aggregate liability of all Seller Indemnified Parties under Section 6.02(a)(i) for all Losses shall be 30% of the Purchase Price ("Seller's Cap").

(c) Buyer's Cap. Subject to Section 6.04(e), (f), and (g), the maximum aggregate liability of all Buyer Indemnified Parties under Section 6.02(b)(i) for all Losses shall be 30% of the Purchase Price ("Buyer's Cap").

(d) Exclusions from Seller's Cap. Notwithstanding the foregoing, the following Losses shall not be subject to the provisions of Seller's Cap and a Buyer Indemnified Party shall be entitled to indemnification with respect to such Losses in accordance with this Article VI as though Seller's Cap was not a part of this Agreement:

(i) Losses relating to or caused by or resulting from the breach of the representations and warranties contained in Sections 3.01 (Organization and Authority of Seller), 3.05(d) (Title to Transferred Assets) and 3.20 (Brokers and Finders); and

(ii) Losses relating to, caused by or resulting from the actual fraud or intentional misrepresentation of Seller under this Agreement.

(e) Exclusions from Buyer's Cap. Notwithstanding the foregoing, the following Losses shall not be subject to the provisions of Buyer's Cap and a Seller Indemnified Party shall be entitled to indemnification with respect to such Losses in accordance with this Article VI as though Buyer's Cap was not a part of this Agreement:

(i) Losses relating to or caused by or resulting from the breach of the representations and warranties contained in Sections 4.01 (Organization and Authority of Buyer) and 4.05 (Brokers and Finders); and

(ii) Losses relating to, caused by or resulting from the actual fraud or intentional misrepresentation of Buyer under this Agreement.

(f) Computation of Losses. The amount of any liability of Seller under Section 6.02(a) shall be computed net of any tax benefit to Buyer Indemnified Parties actually received by Buyer Indemnified Parties, net of any insurance proceeds actually received by Buyer Indemnified Parties, and net of any indemnity, contribution, or other similar payment actually received by any Buyer Indemnified Party with respect to the matter out of which such liability arose. The amount of any liability of Buyer under Section 6.02(b) shall be computed net of any tax benefit to Seller Indemnified Parties actually received by Seller Indemnified Parties, net of any insurance proceeds actually received by Seller Indemnified Parties, and net of any indemnity, contribution, or other similar payment actually received by any Seller Indemnified Party with respect to the matter out of which such liability arose.

(g) No Special Damages. Notwithstanding anything to the contrary contained herein, no Indemnifying Party shall be liable or responsible to any Indemnified Party for special, punitive, incidental, consequential, or multiplied damages or for lost profits, except as reducing the value of the Business or the Transferred Assets and except as required to be paid to a third-party claimant.

Section 6.05. Tax Treatment of Indemnification. For all Tax purposes, the parties hereto agree to treat (and shall cause each of their respective Affiliates to treat) any indemnity payment under this Agreement as an adjustment to the Purchase Price, except as otherwise required by applicable Law.

Section 6.06. Escrow Amount. The obligation of Seller under Section 6.02(a) shall be satisfied first from the Escrow Amount and, if the Escrow Amount is inadequate to provide indemnification to Buyer as provided in Section 6.02(a), from Seller, subject to the limitations set forth in Section 6.04(a), (b), (f) and (g).

Section 6.07. Exclusive Remedy. The right to receive indemnification pursuant to this Article VI shall be the sole and exclusive remedy of any Indemnified Party with respect to liability of Seller and Buyer for a breach or inaccuracy of a representation or warranty or the

breach of any covenant in this Agreement, the Bill of Sale, Assignment and Assumption Agreements, the Trademark License Agreement, the Escrow Agreement, and any certificate furnished hereunder, or conduct otherwise relating to the negotiation and completion of the transactions contemplated in this Agreement; provided, however, that nothing herein shall preclude a party from seeking specific performance or injunctive relief or bringing an action for fraud or intentional misrepresentation.

ARTICLE VII

GENERAL PROVISIONS

Section 7.01. Publicity. No publicity release or announcement concerning this Agreement, the Ancillary Agreements or the transactions contemplated hereby and thereby shall be issued without advance approval of the form and substance thereof by Seller and Buyer, except as many otherwise be required by applicable Law (in which case the party making such release or announcement will provide concurrent or, if practicable, prior notice to the other parties hereto). Neither party shall take any action which is intended, or could reasonably be expected, to harm, disparage, defame, slander, or lead to unwanted or unfavorable publicity for the other party with respect to the Business or the transactions contemplated by this Agreement, or otherwise take any action which might detrimentally affect the reputation, image, relationships or public view of the other party with respect to the Business or the transactions contemplated by this Agreement.

Section 7.02. Specific Performance. The parties hereto agree that money damages would not be a sufficient remedy for a breach of Sections 5.03, 5.04, 5.05, 5.06 and 7.01 of this Agreement by Seller or Buyer because of the difficulty of ascertaining the amount of damage that will be suffered in connection therewith, that each party would be irreparably damaged in the event any such obligation of the other party is not performed in accordance with its specific terms and that each party shall be entitled to equitable relief (including injunction and specific performance) in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, as a remedy, for any breach or to prevent any breach of such provisions. Such remedies shall not be deemed to be exclusive for a breach or anticipatory breach of this Agreement, but shall be in addition to all other remedies available at law or equity. The parties waive any defense that a remedy at law is adequate and any requirement to post bond or provide similar security in connection with actions instituted for injunctive relief or specific performance of this Agreement.

Section 7.03. Expenses. All costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the

Closing shall have occurred.

Section 7.04. Bulk Transfer Laws. Buyer hereby waives compliance by Seller with any applicable bulk sale or bulk transfer laws of any jurisdiction in connection with the sale of the Business to Buyer; *provided*, *however*, that nothing in this Section 7.04 shall be construed (i) as an indication that Buyer or Seller has determined that any bulk sale or transfer law is applicable to the sale of the Business or (ii) to undermine Seller's absolute obligation to pay the Retained Liabilities.

Section 7.05. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made (i) as of the date delivered if delivered personally; (ii) five (5) days after being mailed by registered or certified mail, postage prepaid, return receipt requested; (iii) one (1) business day after being sent via a nationally recognized overnight courier service; or (iv) upon receipt of electronic or other confirmation of transmission if sent via facsimile to the parties or their assignees at the following addresses and facsimile numbers, or at such other addresses or facsimile numbers as the parties may designate by written notice in accordance with this Section 7.05, except that notices of changes of address shall be effective upon receipt:

(a) if to Seller:

KEMET Electronics Corporation
2835 KEMET Way
Simpsonville, SC 29681
Tel: (864) 963-6300
Fax: (954) 766-2805
Attention: R. James ("Jamie") Assaf, Esq., Vice President, General Counsel

with a copy to:

Wyche Burgess Freeman & Parham, P.A.
44 East Camperdown Way
Greenville, SC 29601-3512
Fax: (864) 235-8900
Attn: Carl F. Muller, Esq.

(b) if to Buyer:

Vishay Intertechnology, Inc.
63 Lancaster Avenue
Malvern, PA 19355
Fax: (610) 889-2161
Attn: Dr. Lior Yahalomi, Chief Financial Officer

with a copy to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Fax: (212) 715-8000
Attn: Abbe L. Dienstag, Esq.

Section 7.06. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 7.07. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the greatest extent possible.

Section 7.08. Assignment. The rights and obligations of each party under this Agreement may not be assigned by any party, whether by operation of law or otherwise, without the express written consent of the other party hereto, except that Buyer may assign its rights and obligations to a wholly-owned subsidiary of Buyer Guarantor at any time.

Section 7.09. Entire Agreement; No Third Party Beneficiaries. This Agreement (including the exhibits and schedules attached hereto) and other documents delivered at the Closing pursuant hereto contain the entire understanding of the parties in respect of its subject matter and supersede all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter. The parties agree that prior drafts of this

Agreement shall not be deemed to provide any evidence as to the meaning of any provision hereof or the intent of the parties with respect thereto. The exhibits and schedules constitute a part hereof as though set forth in full above. Except for persons expressly stated herein to be indemnitees or as otherwise expressly stated herein, this Agreement is not intended to confer upon any Person, other than the parties hereto, any rights or remedies hereunder.

Section 7.10. Governing Law. This Agreement, the schedules attached hereto and the Ancillary Agreements shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed in that state, without regard to principles of conflicts of laws.

Section 7.11. Counterparts; Effectiveness of Agreement. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

KEMET ELECTRONICS CORPORATION

By: /s/ Per-Olof Loof
Name: Per-Olof Loof
Title: Chief Executive Officer

SILICONIX TECHNOLOGY C.V.

By: /s/ Steven Klausner
Name: Steven Klausner
Title: Assistant Treasurer

On behalf of Siliconix incorporated, member of Vishay Siliconix LLC, General Partner of Siliconix Technology C.V.

GUARANTEE

Vishay Intertechnology, Inc. ("Buyer Guarantor") irrevocably guarantees each and every representation, warranty, covenant, agreement and other obligation of Buyer, and/or any of their respective permitted assigns (and where any such representation or warranty is made to the knowledge of Buyer, such representation or warranty shall be deemed made to the knowledge of Buyer Guarantor), and the full and timely performance of their respective obligations under the provisions of the foregoing Agreement. This is a guarantee of payment and performance, and not of collection, and Buyer Guarantor acknowledges and agrees that this guarantee is full and unconditional, and no release or extinguishment of Buyer's obligations or liabilities (other than in accordance with the terms of the Agreement), whether by decree in any bankruptcy proceeding or otherwise, shall affect the continuing validity and enforceability of this guarantee, as well as any provision requiring or contemplating performance by Buyer Guarantor.

Buyer Guarantor hereby waives, for the benefit of Seller, (i) any right to require Seller as a condition of payment or performance by Buyer Guarantor, to proceed against Buyer or pursue any other remedy whatsoever and (ii) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, except to the extent that any such defense is available to Buyer.

Without limiting in any way the foregoing guarantee, Buyer Guarantor covenants and agrees to take all actions to enable Buyer to adhere to each of the provisions of the Agreement which requires an act or omission on the part of Buyer Guarantor or any of its subsidiaries to enable Buyer to comply with its obligations under the Agreement.

The provisions of Article VII of the Agreement are incorporated herein, *mutatis mutandis*, except that notices and other communications hereunder to Buyer Guarantor shall be delivered to Vishay Intertechnology, Inc., 63 Lancaster Avenue, Malvern, PA 19355, Attn: Lior Yahalomi, Chief Financial Officer, Fax No. (610) 889-2161 (with a copy as provided therefor in Section 7.05).

We understand that Seller is relying on this guarantee in entering into the Agreement and may enforce this guarantee as if Buyer Guarantor were a party thereto.

VISHAY INTERTECHNOLOGY INC.

By: /s/ Steven Klausner
Name: Steven Klausner
Title: Vice President and Treasurer

GUARANTEE

KEMET Corporation ("Seller Guarantor") irrevocably guarantees each and every representation, warranty, covenant, agreement and other obligation of Seller, and/or any of their respective permitted assigns (and where any such representation or warranty is made to the knowledge of Seller, such representation or warranty shall be deemed made to the knowledge of Seller Guarantor), and the full and timely performance of their respective obligations under the provisions of the foregoing Agreement. This is a guarantee of payment and performance, and not of collection, and Seller Guarantor acknowledges and agrees that this guarantee is full and unconditional, and no release or extinguishment of Seller's obligations or liabilities (other than in accordance with the terms of the Agreement), whether by decree in any bankruptcy proceeding or otherwise, shall affect the continuing validity and enforceability of this guarantee, as well as any provision requiring or contemplating performance by Seller Guarantor.

Seller Guarantor hereby waives, for the benefit of Seller, (i) any right to require Seller as a condition of payment or performance by Seller Guarantor, to proceed against Seller or pursue any other remedy whatsoever and (ii) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, except to the extent that any such defense is available to Seller.

Without limiting in any way the foregoing guarantee, Seller Guarantor covenants and agrees to take all actions to enable Seller to adhere to each of the provisions of the Agreement which requires an act or omission on the part of Seller Guarantor or any of its subsidiaries to enable Seller to comply with its obligations under the Agreement.

The provisions of Article VII of the Agreement are incorporated herein, *mutatis mutandis*, except that notices and other communications hereunder to Seller Guarantor shall be delivered to KEMET Corporation, 2835 KEMET Way, Simpsonville, SC 29606, Attn: William Lowe, Jr., Executive Vice President and Chief Financial Officer, Fax No. (864) 963-6303 (with a copy as provided therefor in Section 7.05).

We understand that Buyer is relying on this guarantee in entering into the Agreement and may enforce this guarantee as if Seller Guarantor were a party thereto.

KEMET CORPORATION

By: /s/ Per-Olof Loof
Name: Per-Olof Loof
Title: Chief Executive Officer

EXHIBIT A

Definitions

As used in this Agreement, the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

"Affiliate" with respect to any specified person, means a person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person.

"Ancillary Agreements" means the Trademark License Agreement, the Bill of Sale, Assignment and Assumption Agreements, the Transitions Services Agreement, the Commodatum Agreement and the Escrow Agreement.

"Arco Intellectual Property" means all Intellectual Property (a) owned by Seller, (b) used or to be used exclusively in the manufacture of wet tantalum capacitors and (c) purchased from Blue Sky (Lux) S.à.r.l. pursuant to the Sale and Purchase Agreement, dated August 10, 2007 by and between Seller and Blue Sky (Lux) S.à.r.l.

"Arco Tangible Assets" means all fixed assets, machinery, equipment, tools and parts (a) owned by Seller, (b) used or to be used in the manufacture of the wet tantalum capacitors listed on Schedule 3.05(a)(ii) and (c) purchased from Blue Sky (Lux) S.à.r.l. pursuant to the Sale and Purchase Agreement dated August 10, 2007 by and between Seller and Blue Sky (Lux) S.à.r.l., other than the equipment listed on Schedule 1.01(b)(xiv).

"Assumed Liabilities" means the liabilities of Seller that Buyer is assuming pursuant to the Assignment and Assumption Agreement and Section 1.02(a).

"Basket" has the meaning assigned to that term in Section 6.04(a).

"Bill of Sale, Assignment and Assumption Agreements" means the Bills of Sale, Assignment and Assumption Agreements, substantially in the forms as Exhibit C hereto, being delivered simultaneously herewith pursuant to which Seller and Arcotronics are conveying to Buyer the Transferred Assets and pursuant to which Buyer is assuming the Assumed Liabilities.

"Business Accounting Principles" means GAAP, except to the extent that the accounting principles used to determine the financial statements of the Business are not consistent with GAAP, as shown on Schedule 3.04(c).

"Buyer Indemnified Parties" has the meaning assigned to that term in Section 6.02(a).

"Buyer Indemnifying Parties" has the meaning assigned to that term in Section 6.03(a).

"Buyer's Cap" has the meaning assigned to that term in Section 6.04(c).

"Closing" has the meaning assigned to that term in Section 2.01.

"Closing Date" has the meaning assigned to that term in Section 2.01.

"Closing Date Cash Payment" has the meaning assigned to that term in Section 1.04(a).

"Consent" means any approval, consent, ratification, waiver, lapse of any waiting period or other authorization.

"Confidential Information" has the meaning assigned to that term in Section 5.07.

"Contract" means any note, bond, mortgage, indenture, contract, agreement, permit, license, real property lease, equipment and other personal property lease, purchase order, sales order, arrangement or other commitment, obligation or understanding, written or oral, to which a Person is a party or by which a Person or its assets or properties are bound.

"Customer Contracts" has the meaning assigned to that term in Section 1.06(a).

"Distributor Contracts" has the meaning assigned to that term in Section 1.06(a).

"EBITDA" means for any period, without duplication, the total of the following for such Person, each calculated for such period (on a consolidated basis): net income, plus interest expense, plus taxes, plus depreciation and amortization in each case as determined in accordance with GAAP, consistently applied in accordance with Seller's past practices. An example of the calculation of EBITDA is attached hereto as Schedule 3.04(b).

"Environmental Condition" means any violations, non-compliance or non-conformance with a Mexican Environmental Law.

"Equipment" means all fixed assets, machinery, equipment that are part of the Tangible Personal Property.

"Escrow Agreement" means an escrow agreement, substantially in the form of Exhibit D hereto, being delivered simultaneously herewith between Seller, Buyer and the escrow agent (the "Escrow Agent").

"Escrow Amount" has the meaning assigned to that term in Section 1.04(b).

"Excluded Assets" has the meaning assigned to that term in Section 1.01(b).

"GAAP" means generally accepted accounting principles of the United States.

"Governmental Authority" means any federal, state, local or foreign government or any subdivision, agency, instrumentality, authority, department, commission, board or bureau thereof or any federal, state, local or foreign court, tribunal, arbitrator or registrar.

"Indemnified Party" and "Indemnifying Party" have the meanings assigned to those terms in Section 6.03(a).

"Intellectual Property" means any and all present and future right, title and interest anywhere in the world in and to (a) patents, design patents, invention certificates, industrial designs, and utility models; (b) copyrights, mask works, and other rights of authorship in any form or media (including computer software and source codes); (c) trademarks, service marks, trade names, trade dress and all goodwill related to the foregoing; (d) applications, registrations, continuations, continuations-in-part, divisionals, reexaminations, reissues, certifications, renewals, extensions and validations of or for any of the foregoing; (e) inventions, discoveries and improvements and trade secrets, related documentation and all intellectual property rights in the foregoing; (f) rights to sue for any remedies for past, present or future violation, misappropriation, or infringement of any of the foregoing; and (g) rights of priority and protection of interests in any of the foregoing under the laws of any jurisdiction.

"Interim Financial Statements" has the meaning assigned to that term in Section 3.04.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

"Inventory" means finished goods inventory of wet tantalum capacitors owned by Seller wherever located, including but not limited to in Matamoros, Mexico and Victoria, Mexico, and all raw materials, components and supplies (except for maintenance and process consumables) and work-in-progress owned by Seller wherever located, including but not limited to in Matamoros, Mexico and Victoria, Mexico, to the extent designated by Seller to make wet tantalum capacitors including, without limitation, the Inventory listed in Schedule 1.01(a)(ii) provided that the Inventory listed in Schedule 1.01(a)(ii) shall be subject to adjustment on account of any changes to such Inventory due to the operation of the Business by Seller in the ordinary course with the consent, and in accordance with the instructions of, Buyer on or after Monday, September 15, 2008.

"Knowledge" when used with respect to Seller means the actual knowledge of the persons identified on Schedule 1.01 who have direct responsibility for the Business of Seller.

"Laws" shall mean all federal, state, local or foreign laws, orders, writs, injunctions, decrees, ordinances, awards, stipulations, statutes, judicial or administrative doctrines, rules or regulations enacted, promulgated, issued or entered by a Governmental Authority.

"Liabilities" means any and all debts, liabilities, losses, claims (including claims based on arrangements for guaranteed sales), damages, costs, expenses and obligations, whether fixed or contingent, or mature or unmatured, including, without limitation, those arising under any law, rule, regulation, order or consent decree of any governmental entity or any award of any arbitrator of any kind, and those arising under any Contract, commitment, undertaking or Action.

"Liens" has the meaning assigned to that term in Section 3.05.

"Losses" has the meaning assigned to that term in Section 6.02(a).

"Material Adverse Effect" means any change or effect that, taken as a whole, has been or would be reasonably expected to be materially adverse to the business, assets (including intangible assets), condition (financial or otherwise) or results of operations of the Business or the Transferred Assets, whether or not covered by insurance, other than any event arising out of or relating to (a) any changes in general economic, business, regulatory or political conditions, including national or international hostilities, acts of terror or acts of war, or changes therein; (b) any changes in any applicable Law or Tax laws, rules, or regulations, or interpretations thereof, or any changes in generally accepted accounting principles, or interpretations thereof; (c) the execution of this Agreement or the announcement or consummation of this Agreement or the transactions contemplated hereby; or (d) compliance with the terms of or the taking of such action required or contemplated by this Agreement or any Ancillary Agreement.

"Mexican Environmental Law" means the General Law of the Ecological Equilibrium and the Environmental Protection, its Regulations and the Applicable Mexican Official Standards.

"Non-Compete Period" has the meaning assigned to that term in Section 5.06.

"Other Customer Contracts" has the meaning assigned to that term in Section 1.06(a).

"Permits" means municipal, state, federal and foreign consents, orders, filings, franchises, permits, licenses, agreements, waivers and authorizations.

"Permitted Liens" has the meaning assigned to that term in Section 3.05.

"Person" includes any individual, sole proprietorship, partnership, joint venture, trust, incorporated organization, association, corporation, institution, party, entity or governmental or regulatory authority.

"Purchase Price" has the meaning assigned to that term in Section 1.04.

"Receivables" means trade accounts receivable due to Seller arising from the sale of Inventory sold from the Business in the ordinary course prior to the Closing Date.

"Retained Liabilities" has the meaning assigned to that term in Section 1.03.

"Seller Indemnified Parties" has the meaning assigned to that term in Section 6.02(b).

"Seller Indemnifying Parties" has the meaning assigned to that term in Section 6.03(a).

"Seller's Cap" has the meaning assigned to that term in Section 6.04(b).

"Tangible Personal Property" means, wherever located, (i) all manufacturing, production, maintenance, packaging and/or testing, machinery, equipment (including tooling equipment), tools and spare parts owned by Seller and used exclusively in the operation of the Business, including without limitation the tangible assets listed on Schedule 1.01(a)(v) hereto, (ii) without duplication, the Arco Tangible Assets; and (iii) the equipment listed on Schedule 1.01(a)(v) hereto that is not used by Seller exclusively in the operation of the Business.

"Tax" means any income, gross receipts, transfer, gains, sales, use, employment, franchise, profits, property or other taxes, fees, stamp taxes and duties, all federal, state and local Mexican taxes, estimated taxes, including but not limited to, value added taxes, employment and payroll related taxes, add valorem taxes, property taxes and import/export taxes, assessments or charges of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority with respect thereto.

"Trademark License Agreement" has the meaning assigned to that term in Section 1.01(c).

"Transferred Agreements" has the meaning assigned to that term in Section 1.06(b).

"Transferred Assets" has the meaning assigned to that term in Section 1.01.

"Transferred Intellectual Property" has the meaning assigned to that term in Section 1.01(a)(iv).

"Transition Services Agreement" has the meaning assigned to that term in the Recitals.

"Vishay Intellectual Property" has the meaning assigned to that term in Section 5.08.

Exhibit 10.1

LOAN AGREEMENT

LOAN AGREEMENT, dated as of September 15, 2008, between KEMET Electronics Corporation and Vishay Intertechnology, Inc.

WHEREAS, Borrower desires to sell to Lender the assets, properties and rights related to the Business as defined in the Asset Purchase Agreement, dated as of September 15, 2008 (as amended, restated, supplemented or otherwise modified from time to time the "Asset Purchase Agreement"), by and among Borrower, as seller, and Lender, as buyer;

WHEREAS, in connection with the Asset Purchase Agreement, Borrower has requested that Lender make available a term loan facility; and

WHEREAS, Lender is willing to make such term loan facility available upon and subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the agreements set forth herein, the parties hereby agree as follows:

ARTICLE I: DEFINITIONS

Section 1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Account" has the meaning set forth in Section 9-102 of the UCC.

"Account Debtor" has the meaning set forth in Section 9-102 of the UCC.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting interests, by contract or otherwise.

"Arcotronics" means Arcotronics America Inc., an Oregon corporation and a wholly-owned Subsidiary of Parent.

"Asset Purchase Agreement" has the meaning set forth in the recitals hereto.

"Borrower" means KEMET Electronics Corporation, a Delaware corporation.

"Business Day" means a day other than a Saturday, Sunday or any day on which commercial banks in New York, New York are authorized or required by law to close; provided that, when used in connection with the Loans when they are bearing interest based on LIBOR, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Closing Date" means the date on which the conditions specified in Section 4.1 are satisfied.

"Collateral" has the meaning set forth in the Security Agreement.

"Collateral Account" means that certain deposit account number 751672 maintained at Depositary Bank.

"Collateral Certificate" means a certificate executed by any of the chief financial officer, chief executive officer, treasurer, or any vice president of Borrower in the form attached hereto as Exhibit A; provided that Borrower shall not be required to make any certifications to Lender or deliver to Lender any other information or documents to the extent that Borrower reasonably believes that making such certifications or the disclosure of such information or documents to Lender is not consistent with, or is likely to violate, applicable competition laws, provided further, that if Lender reasonably determines that making such certifications or the disclosure of such information or documents is necessary for Borrower to comply with Section 5.8, Lender and Borrower shall engage a third-party administrator to perform collateral monitoring services, and Borrower shall be required to deliver such information to the administrator who shall not share such information with Lender.

"Commitment" means $15,000,000; as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Control Agreement" means the deposit account control agreement to be entered into among Borrower, Lender and Depositary Bank with respect to the Collateral Account in form and substance reasonably satisfactory to Lender.

"Credit Documents" means this Agreement, the Security Agreement, each Collateral Certificate and the Control Agreement.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Depositary Bank" shall mean Wachovia Bank, National Association.

"Dollars" or "$" means the lawful money of the United States of America.

"Domestic Receivables" means any sale represented by an Account for which the address of the Account Debtor on the invoice evidencing such Account is located inside the United States of America.

"Event of Default" has the meaning set forth in Article VI.

"Facility Agreement" means the Senior Facility Agreement with UniCredit Banca d'Impresa S.p.A. dated as of October 12, 2007, as amended, restated or otherwise modified prior to the date hereof.

"FEC" means The Forest Electric Company, an Illinois corporation and wholly-owned Subsidiary of Parent.

"Foreign Receivables" means any sale represented by an Account for which the address of the Account Debtor on the invoice evidencing such Account is located outside the United States.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Governing Documents" means, with respect to any person, (a) the articles of incorporation or certificate of incorporation (or equivalent organizational document) of such person, (b) the bylaws (or equivalent governing document) of such person, and (c) any document setting forth the manner of election and duties of the directors or managing members of such Person (if any) and the designation, amount or relative rights, limitations and preferences of any class or series of such Person's stock.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to loans or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services, (e) all Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed (provided that the amount of any Indebtedness under this clause (e) secured by any Lien on any particular property shall be limited to the lesser of the fair market value of such property and the amount of all Indebtedness of others secured by Liens on such property), (f) all guarantees by such Person of Indebtedness of others (provided that the amount of any Indebtedness under this clause (f) subject to any particular guarantee shall be limited to the lesser of such person's maximum liability under any such guarantee and the amount of Indebtedness of others guaranteed by such guarantee), (g) obligations that are required to be classified and accounted for as capital leases on a balance sheet of such Person under generally accepted accounting principles in the United States of America, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. The Indebtedness of any Person shall not include current accounts payable incurred in the ordinary course of business.

"Indenture" means that certain Indenture dated as of November 1, 2006, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms, between Parent and Wilmington Trust Company, a Delaware banking corporation, as trustee, as amended, restated or otherwise modified prior to the date hereof.

"Interest Period" means, initially, the period commencing on the Closing Date for the Loan and thereafter on the last day of the immediately preceding Interest Period, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 12 months thereafter; provided that any Interest Period scheduled to end after the Maturity Date shall end on the Maturity Date; provided further that, with respect to any Interest Period commencing within the one month period immediately preceding the Maturity Date, such Interest Period shall have the duration selected by Lender in its sole discretion; provided further, that, with respect to any Interest Period commencing on or after the Maturity Date, such Interest Period shall have a one month duration.

"Lender" means Vishay Intertechnology, Inc.

"LIBOR" means with respect to any Interest Period, the rate as determined by Lender on the basis of the offered rates for deposits in Dollars for a period coextensive with that Interest Period which appears on www.bba.org.uk (or, if no longer available, such other industry standard website for determining LIBOR), on the day that is two Business Days preceding the first day of that Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" has the meaning set forth in Section 2.1.

"Margin" means 4.0% per annum.

"Material Agreements" means (a) the Indenture, (b) the Facility Agreement and (c) the Note Purchase Agreement.

"Maturity Date" means the earlier of (a) September 15, 2011 and (b) the date on which the Loans shall become due and payable in accordance with the terms of this Agreement, whether by acceleration or otherwise.

"Note Purchase Agreement" means that certain Note Purchase Agreement dated as of May 1, 1998 between Parent and the Note Purchasers party thereto from time to time, as amended, restated or otherwise modified prior to the date hereof.

"Obligations" means any now existing or hereafter arising obligations of Borrower to Lender, whether primary or secondary, direct or indirect, absolute or contingent, joint or several, secured or unsecured, due or not, liquidated or unliquidated, arising by operation of law or otherwise under any Credit Document whether for principal, interest, fees, expenses or otherwise, together with all costs of collection or enforcement, including, without limitation, reasonable attorneys' fees incurred in any collection efforts or in any action or proceeding.

"Parent" means KEMET Corporation, a Delaware corporation.

"Person" means any natural person, corporation, limited liability company, limited partnership, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pledged Account" means each US Pledged Account and each Foreign Receivable of the Borrower from time to time pledged to Lender.

"Security Agreement" means the Pledge and Security Agreement, dated as of the date hereof, executed by Borrower in favor of Lender.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

"Transactions" means the execution, delivery, and performance by Borrower of the Credit Documents, the borrowing and repayment of the Loans, the pledge, assignments or grant of the security interests in the Collateral pursuant to the Credit Documents, the payment of interest and fees thereunder and the use of the proceeds of the Loans.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"US Pledged Account" means each Domestic Receivable of the Borrower.

Section 1.2. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof," and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, and Schedules shall be construed to refer to Articles and Sections of, and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and general intangibles.

Section 1.3. Specified Times and Dates; Determinations. All times specified in this Agreement shall be determined, unless stated specifically herein to the contrary, on the basis of the prevailing time in New York City. Unless stated specifically herein to the contrary, if any day or date specified in this Agreement for any notice, action or event is not a Business Day, then the due date for such notice, action or event shall be extended to the immediately succeeding Business Day; provided that interest shall accrue on any payments due by Borrower which are extended by the operation of this Section 1.3. Any determination by Lender hereunder shall, in the absence of manifest error, be conclusive and binding.

ARTICLE II: THE LOAN

Section 2.1. Term Loan. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, Lender hereby agrees to lend to Borrower in a single draw on the Closing Date the total amount of the Commitment (the "Loan"). Borrower shall repay the entire outstanding principal balance of the Loan on the Maturity Date. Amounts repaid shall not be re-borrowed.

Section 2.2. Interest.

(a) Loans. The Loan shall bear interest on the unpaid principal amount thereof from the Closing Date until payment in full thereof. Interest shall be payable (i) monthly, on the first Business Day of each month, (ii) on the date of each prepayment (on the principal amount prepaid), and (iii) on the Maturity Date.

(b) Interest Rate. The interest rate for the Loan shall be equal to LIBOR for such Interest Period plus the Margin.

(c) Default Interest. After the occurrence and during the continuance of an Event of Default, to the extent permitted by applicable law, Borrower shall pay on demand, on the principal amount of the outstanding Loans, the otherwise applicable interest rate plus 2% per annum.

(d) Maximum Interest Rate. Notwithstanding anything in any Credit Document to the contrary, in no event shall the interest charged under any Credit Document exceed the maximum rate of interest permitted under applicable law. Any payment made which if treated as interest would cause the interest charged to exceed the maximum rate permitted shall instead be held by Lender to the extent of such excess as additional Collateral hereunder and applied to future interest payments as and when such amount becomes due and payable hereunder.

(e) Calculations. Interest shall be calculated on the basis of a year of 360 days for the actual days elapsed. Interest is calculated based on LIBOR for the applicable Interest Period but shall be payable on the first Business Day of each month. Each determination by Lender of a rate of interest hereunder shall be conclusive and binding for all purposes, absent manifest error.

Section 2.3. Optional Prepayment of Loans. Borrower shall have the right on not less than four Business Days prior written notice to Lender to prepay the Loan at any time in whole or in part; provided that such any prepayment shall be in a minimum amount of not less than the lesser of (i) $150,000 or (ii) the

aggregate amount outstanding with respect to the Obligations at such time.

Section 2.4. Payments. All payments by Borrower shall be payable on the due date thereof, in immediately available funds in Dollars, without any setoff, counterclaim, withholding or deduction of any kind. All payments shall be applied by Lender as follows: first, to the payment of all accrued but unpaid fees, costs or expenses under the Credit Documents; second, to the payment of all accrued but unpaid interest under the Credit Documents; third, to the repayment of then outstanding principal amount of the Loan; and fourth, the balance, if any, to Borrower.

Section 2.5. Obligations Secured. The Obligations of Borrower under the Credit Documents shall be secured as more fully described in the Security Agreement.

Section 2.6. Taxes. (a) Any and all payments made by Borrower hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto to the extent attributable to the Loans or the Collateral, excluding (i) taxes imposed on net income and (ii) all income and franchise taxes of the United States of America, any political subdivisions thereof, and any state of the United States of America, and any political subdivisions thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). (b) If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.6) Lender shall receive an amount equal to the

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sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions and (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. (c) Borrower shall pay and hereby indemnifies Lender from any documentary stamp Taxes in connection with the execution or delivery of any Credit Document. Within 30 days after the date of any payment of Taxes, Borrower will furnish Lender with evidence of payment thereof. Borrower hereby indemnifies Lender for the full amount of Taxes (including, without limitation, any Taxes imposed by any jurisdiction on amounts payable under this Section) paid by Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted. Payment pursuant to this indemnification obligation shall be made upon written demand therefor. The obligations of Borrower under this Section 2.6 shall survive the termination of this Agreement.

ARTICLE III: REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender on the date of the making of the Loan that:

Section 3.1. Organization and Authorization. (a) Borrower is duly organized or formed, validly existing and in good standing (if and to the extent applicable) under the laws of the jurisdiction of its organization or formation, has all requisite power and authority to carry on its business as now conducted and (b) the Transactions are within the powers of Borrower and have been duly authorized by all necessary action for Borrower.

Section 3.2. Enforceability. Each Credit Document to which it is a party has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

Section 3.3. No Consents, No Conflicts. The Transactions (a) will not violate any applicable law or regulation or the charter, by-laws, trust agreement or other organizational documents of any Borrower or any order of any Governmental Authority binding on any Borrower, (b) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Borrower, including, without limitation, any Material Agreement, or any of its assets, or give rise to a right thereunder to require any payment to be made by any Borrower, and (c) will not result in the creation or imposition of any Lien on any asset of any Borrower other than pursuant to the Credit Documents.

Section 3.4. Domestic Receivables. As of the date hereof, neither Parent nor any Subsidiary of Parent (other than Borrower, Arcotronics and FEC) generates Domestic Receivables.

Section 3.5. No Default. No Default has occurred and is continuing.

Section 3.6. Investment Company Status. Borrower is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

Section 3.7. Security Interests; Certain Information. Lender has a valid and perfected first priority Lien on all of the Collateral and all filings and other actions necessary for the perfection and first priority status of such Liens have been duly made or taken and remain in full force and effect.

Section 3.8. Indebtedness Agreements. As of the Closing Date, Borrower is not party to any agreements for borrowed money in an aggregate principal amount in excess of $5,000,000 other than the Material Agreements.

Section 3.9. Disclosures. All material information provided in each Collateral Certificate and on Schedule I to the Security Agreement is true, correct and complete in all material respects and does not contain any material misstatement or omit to state a material fact.

ARTICLE IV: CONDITIONS

Section 4.1. Closing Date. The obligations of Lender to make the Loan to Borrower hereunder shall not become effective until each of the following conditions is satisfied:

(a) Lender shall have received the following documents:

(i) a counterpart of this Agreement executed by Borrower;

(ii) the Security Agreement executed by Borrower; and

(iii) a certificate of a responsible officer of Borrower certifying as to (A) its Governing Documents as in existence on the Closing Date, (B) the resolution of Borrower's board of directors approving and authorizing the execution, delivery and performance of this Agreement and the Credit Documents, and (C) the names and true signatures of each officer of Borrower that has been authorized to execute any document required hereunder.

(b) Lender shall have received a duly executed Collateral Certificate.

(c) Lender shall have received Lien searches against Borrower indicating that there are no Liens against the Collateral.

(d) Lender shall have received an opinion of counsel to Borrower in form and substance reasonably satisfactory to Lender addressing such matters as Lender shall reasonably request (including a "no conflict" opinion in form to be agreed).

(e) The representations and warranties set forth in Article III hereof and in any documents delivered herewith, shall be true and correct as of the date of the making of the Loan, except to the extent they expressly refer to an earlier date, in which case they shall have been true and correct as of such earlier date.

(f) Lender shall be satisfied that all necessary consents and approvals with respect to the Transactions shall have been obtained and shall be satisfactory to Lender.

ARTICLE V: COVENANTS

Until the principal of and interest on the Loan and all fees and other Obligations (other than unasserted contingent indemnification obligations, including those arising under Section 2.6) payable by Borrower under the Credit Documents shall have been paid in full, Borrower covenants and agrees with Lender that:

Section 5.1. Collateral Certificate. On the fourth Business Day of each month, Borrower shall deliver to Lender a duly executed Collateral Certificate.

Section 5.2. Notices. Borrower will furnish to Lender prompt written notice of the occurrence of any Default. Each notice delivered under this Section shall be accompanied by a statement of Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.3. Books and Records. Borrower will keep proper books of record and account in which full, true and correct entries, in all material respects, are made of all dealings and transactions in relation to the Collateral.

Section 5.4. Existence. Borrower will do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business.

Section 5.5. Use of Proceeds. The proceeds of the Loan and the sale of the Business pursuant to the Asset Purchase Agreement shall be used by Borrower to repay in full any existing Indebtedness under the Note Purchase Agreement. No part of the proceeds of the Loan will be used directly or indirectly for the purpose of purchasing or carrying margin stock within the meaning of Regulations T, U, or X of the Federal Reserve Board.

Section 5.6. Liens. Borrower shall not permit any Liens to exist on the Collateral except Liens created pursuant to the Credit Documents.

Section 5.7. Domestic Receivables. If, at any time after the date hereof, any Domestic Receivables are to be generated by Parent or any Subsidiary of Parent (other than Borrower, Arcotronics and FEC), then Parent and Borrower shall make prior arrangements with Lender to ensure that any and all such Domestic Receivables are pledged to Lender on terms and conditions substantially similar to those in the Security Agreement; provided that (a) Arcotronics shall only generate Domestic Receivables in connection with its existing customers and existing products in the film and electrolytic capacitors business consistent with its past practices and (b) FEC shall only generate Domestic Receivables in connection with its existing magnetics business.

Section 5.8. Foreign Receivables. Beginning no later than 90 days after the Closing Date, Borrower shall pledge, or cause to be pledged, Foreign Receivables to Lender pursuant to security documents reasonably acceptable to Lender (it being understood that Borrower shall use its commercially reasonable best efforts to provide Lender with such pledge on terms and conditions as similar to the terms and conditions of the Security Agreement as possible under the circumstances) having a value for GAAP purposes (net of any allowances for doubtful accounts) at all times of not less than $13,000,000. For the avoidance of doubt, Foreign Receivables pledged to Lender pursuant to this Section shall not be subject to any Liens except Liens in favor of Lender.

Section 5.9. Further Assurances. Borrower shall upon request by Lender (a) promptly correct any material defect or error that may be discovered in any Credit Document or in the execution, acknowledgement or recordation thereof and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, security agreements, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, estoppel certificates, financing statements and continuation thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as Lender may reasonably require from time to time in order to (i) subject to the Liens and security interests created by any of the Credit Documents any of Borrower's properties, rights or interests covered or now or hereafter intended to be covered by any of the Credit Documents, (ii) perfect and maintain the validity, effectiveness and priority of any of the Credit Documents and the Liens and security interests intended to be created thereby and (iii) better assure, convey, grant, assign, transfer, preserve, protect and confirm unto Lender the rights granted or now or hereafter intended to be granted to Lender under any Credit Document. Lender shall upon request by Borrower promptly correct any material defect or error that may be discovered in any Credit Document or in the execution, acknowledgement or recordation thereof.

Section 5.10. No Information to Lender. At no time will Borrower be required to share any information about Borrower or the Collateral with Lender other than as expressly required in the Credit Documents, nor will Lender have any right to request any such information from Borrower. In addition, Borrower shall not be required to make any certifications to Lender or deliver to Lender any other information or documents to the extent that Borrower reasonably believes that making such certifications or the disclosure of such information or documents to Lender is not consistent with, or is likely to violate, applicable competition laws, provided, that if Lender reasonably determines that making such certifications or the disclosure of such information or documents is necessary for Borrower to comply with any Credit Document, Lender and Borrower shall engage a third-party administrator to perform collateral monitoring services, and Borrower shall be required to deliver such information to the administrator who shall not share such information with Lender.

Section 5.11. Post-Closing. Within 3 days from the Closing Date, Borrower (i) shall enter into, and cause the Depositary Bank to enter into, the Control Agreement and (ii) shall cause special legal counsel to Borrower to provide a legal opinion to Lender in form and substance reasonably satisfactory to Lender as to the perfection of Lender's security interest in the Collateral Account.

ARTICLE VI: EVENTS OF DEFAULT

Section 6.1. If any of the following events ("Events of Default") shall occur:

(a) Borrower shall fail to pay any principal of the Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) Borrower shall fail to pay any interest on the Loan, on any fee under any of the Credit Documents, or on any other Obligation (other than the one referred to in clause (a) above) and such non-payment shall continue for a period of five (5) Business Days after the due date thereof;

(c) Borrower shall fail to pay any fee or any other amount (other than an amount referred to in clause (a) or (b) of this Section 6.1) payable under any Credit Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of thirty (30) days after the receipt of written notice of the date on which the same shall become due and payable (it being understood that invoices by Lender to Borrower shall constitute such written notice);

(d) any representation or warranty made or deemed made by or on behalf of Borrower in connection with any Credit Document or any amendment or modification thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Credit Document or any amendment or modification hereof shall prove to have been incorrect in any material respect when made or deemed made and shall continue to be incorrect for a period of ten (10) Business Days thereafter;

(e) Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.11 or Section 3(b)(i)(A) of the Security Agreement;

(f) Borrower shall fail to observe or perform (i) any covenant, condition or agreement contained in Section 5.1 or 5.7 or Sections (b)(i)(B) and 3(b)(ii) of the Security Agreement and such failure shall continue unremedied for a period of five (5) Business Days or (ii) any covenant,

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condition or agreement contained in Sections 5.6 or 5.8 or Sections 3(c) or 3(d) of the Security Agreement and such failure shall continue unremedied for a period of ten (10) Business Days or (iii) any other covenant, condition or agreement contained in any Credit Document and such failure shall continue unremedied for a period of thirty (30) days after notice thereof from Lender to Borrower;

(g) an involuntary proceeding shall be commenced or an involuntary petition (other than by Lender) shall be filed seeking (i) liquidation, reorganization or other relief in respect of Borrower or any Subsidiary or its debts, or of a substantial part of their assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for forty-five (45) days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Section 6.1, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Borrower or any Subsidiary or for a substantial part of their assets, (iv) file an answer admitting the material allegations of a petition filed against them in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or

(i) any material provision of any Credit Document shall, for any reason, cease to be valid and binding on Borrower, or Borrower shall so state in writing; or any Credit Document shall, for any reason, cease to create a valid Lien on any of the Collateral purported to be covered thereby or any Lien granted to Lender shall cease to be a perfected first priority Lien, or Borrower shall so state in writing;

then, and in every such event (other than an event with respect to Borrower described in clause (g) or (h) of this Section 6.1), and at any time thereafter during the continuance of such event, Lender may by notice to Borrower declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower; and in case of any event with respect to Borrower described in clause (g) or (h) of this Section 6.1, the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations of Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower. In addition, Lender may exercise any remedies provided for by the Credit Documents in accordance with the terms thereof or any other remedies provided by applicable law.

ARTICLE VII: MISCELLANEOUS

Section 7.1. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by U.S. mail or sent by telecopy (with confirmed receipt or followed by overnight delivery) to the addresses (or telecopy numbers) set forth on the signature pages hereof. Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices

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and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt or, if mailed, the fifth Business Day following the date so mailed, if earlier. Telecopied notices shall be deemed to have been given on the day of receipt if received on a Business Day before 11:00 am (New York time), and otherwise, on the succeeding Business Day.

Section 7.2. Amendment and Waiver. No alteration, modification, amendment or waiver of any terms and conditions of any of the Credit Documents shall be effective or enforceable against Lender unless set forth in a writing signed by Lender. Without limiting the generality of the foregoing, the making of each Loan shall not be construed as a waiver of any Default, regardless of whether Lender may have had notice or knowledge of such Default at the time.

Section 7.3. Non-Recourse Obligations. The Credit Documents shall be non-recourse to Borrower; except that they will be full recourse to Borrower if any of the following events occur: (a) the Borrower commits intentional fraud (including, without limitation, any intentional action by Borrower or any Affiliate of Borrower designed to circumvent the collateral support for this Loan in any material respect) or makes an intentional material misrepresentation in any Credit Document, including any Collateral Certificate; (b) the occurrence of any event described in Section 6.1(g) or (h); (c) Borrower fails to comply with Section 5.11; or (d) the Obligations (other than unasserted contingent indemnification obligations, including those arising under Section 2.6) are not paid in full on or before September __, 2011; provided, however, that upon the occurrence of such an event the Credit Documents will be full recourse only to the extent of the deficiency created because of the Collateral's failure to cover the Obligations then due and owing. For the avoidance of doubt, if after exercise of remedies against the Collateral there exists any deficiency in the amount owing to Lender under the Credit Documents, such deficiency shall not be discharged but shall be recoverable against Borrower on a fully recourse basis from and after the date the Credit Documents become recourse against Borrower under this Section 7.3.

Section 7.4. Expenses. Borrower and Lender hereby agree that each party shall pay its own expenses in connection with entering into this Agreement (including legal expenses), provided that Borrower shall not be responsible for any expenses in connection with any legal opinion provided in connection with the pledge of Foreign Receivables in Section 5.8.

Section 7.5. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or otherwise transfer any of its rights or Obligations hereunder without the prior written consent of Lender and any attempted assignment or transfer by Borrower in contravention of the foregoing shall be null and void and Lender may not assign or otherwise transfer any of its rights or obligations hereunder other than an assignment or transfer to a wholly-owned Subsidiary of Lender (it being understood that if an assignment is made by Lender to a wholly-owned Subsidiary of Lender, and thereafter Lender fails to own 100% of the equity interests of such Subsidiary, then such failure shall constitute an assignment to Lender for purposes of this Section 7.5) without the prior written consent of Borrower and any attempted assignment or transfer by Lender in contravention of the foregoing shall be null and void.

Section 7.6. Survival. All covenants, agreements, representations and warranties made by Borrower in any Credit Document and in the certificates or other instruments delivered in connection with or pursuant to any Credit Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of each Credit Document and the making of the Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Lender may have had notice or knowledge of any Default or incorrect representation or warranty at

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the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on the Loans or any fee or any other amount payable under any Credit Document is outstanding and unpaid.

Section 7.7. Severability. Any provision of any Credit Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without effecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 7.8. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT IN THE STATE OF NEW YORK IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND RELATED TO OR IN CONNECTION WITH THIS LOAN AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND CONSENTS TO THE PLACING OF VENUE IN NEW YORK COUNTY OR OTHER COUNTY PERMITTED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY WAIVES AND AGREES NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT ANY CREDIT DOCUMENT OR INSTRUMENT REFERRED TO HEREIN MAY NOT BE LITIGATED IN OR BY SUCH COURTS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AGREES NOT TO SEEK AND HEREBY WAIVES THE RIGHT TO ANY REVIEW OF THE JUDGMENT OF ANY SUCH COURT BY ANY COURT OF ANY OTHER NATION OR JURISDICTION WHICH MAY BE CALLED UPON TO GRANT AN ENFORCEMENT OF SUCH JUDGMENT. EXCEPT AS PROHIBITED BY LAW, BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH ANY CREDIT DOCUMENT.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 7.9. Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 7.10. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or of any other Credit Document by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement or of such other Credit Document.

Section 7.11. No Reliance. Borrower acknowledges that it is making its own independent decision to enter into the transactions under the Credit Documents and has determined that such transactions are appropriate and proper based upon its own judgment and upon advice from such advisers as it has deemed necessary. Borrower acknowledges that it is not relying on any communication (written or oral) from Lender as investment or tax advice or as a recommendation to enter into such transactions and specifically agrees and acknowledges that any information and explanation relating to the terms and conditions of such transactions shall not be considered investment or tax advice or a recommendation from Lender to enter into such transactions. No communication (written or oral) from Lender regarding such transactions shall be deemed to be an assurance or guarantee as to the expected results, benefits, outcomes or characteristics

(economic, tax or otherwise) of such transactions. Borrower acknowledges that it is capable of assessing the merits of and understands (on its own behalf or through independent professional advice), and accepts, the terms, conditions and risks of such transactions and that it is also capable of assuming and assumes the risks of such transactions. Borrower acknowledges that Lender is not acting as a fiduciary or an adviser to Borrower in respect of such transactions.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

KEMET ELECTRONICS CORPORATION

By /s/ Per-Olof Loof
Name: Per-Olof Loof
Title: CEO

Notice Address:

KEMET Electronics Corporation
c/o KEMET Corporation
R. James ("Jamie") Assaf
Vice President, General Counsel
Phone: 954-766-2817
Fax: 954-766-2805
www.kemet.com| JamieAssaf@kemet.com
101 NE 3rd Ave., Suite 1700, Fort Lauderdale,
FL 33301 USA

LENDER*:*

VISHAY INTERTECHNOLOGY, INC.

By /s/ Steven Klausner
Name: Steven Klausner
Title: Vice President and Treasurer

Notice Address:

Avner Z. Lahat
Director of Legal Services
Vishay Intertechnology, Inc.
63 Lancaster Avenue
Malvern, PA 19355-2143
Phone: (610) 251-5286
eFax: (484) 631-0831

Exhibit 10.2

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of September 15, 2008 (as amended, supplemented or modified from time to time, this "Agreement"), made by KEMET Electronics Corporation (the "Grantor") in favor of Vishay Intertechnology, Inc. ("Secured Party").

RECITALS

Pursuant to the Loan Agreement dated as of the date hereof (as amended, supplemented or modified from time to time, the "Loan Agreement"; capitalized terms used but not defined herein shall have the meanings given such terms in the Loan Agreement) by and among Kemet Electronics Corporation, as Borrower, and Secured Party, Secured Party has agreed to make a Loan to Borrower. In order to induce Secured Party to make the Loan, Grantor has agreed to grant a continuing Lien on the Collateral to secure the Obligations (as hereinafter defined). Accordingly, Grantor hereby agrees as follows:

1. Security Interest.

(a) Collateral. For purposes of this Agreement, all of the following property now owned or at any time hereafter acquired by Grantor or in which Grantor now has or at any time in the future may acquire any right, title or interest is collectively referred to as "Collateral": (i) US Pledged Accounts, (ii) all books and records relating to the US Pledged Accounts, (ii) all Supporting Obligations (as defined in the UCC) relating to the US Pledged Accounts, (iii) the Collateral Account and all deposits therein, and (vi) to the extent not otherwise included, all Proceeds (as defined in the UCC).

(b) Grant of Security. As security for the Obligations (as hereinafter defined), Grantor hereby delivers, assigns, pledges, sets over and grants to Secured Party a first priority security interest in, all of its right, title and interest, whether now existing or hereafter arising or acquired, in and to the Collateral, together with all substitutions and replacements thereof and any products and proceeds thereof.

(c) Security for Obligations. This Agreement secures the payment of all now existing or hereafter arising obligations of Grantor to Secured Party, whether primary or secondary, direct or indirect, absolute or contingent, joint or several, secured or unsecured, due or not, liquidated or unliquidated, arising by operation of law or otherwise under the Loan Agreement or any other Credit Document but only to the extent required under the Loan Agreement or any other Credit Document, whether for principal, interest, fees, expenses or otherwise, together with all costs of collection or enforcement, including, without limitation, reasonable attorneys' fees incurred in any collection efforts or in any action or proceeding (all such obligations being the "Obligations").

(d) Grantor Remains Liable. This Agreement shall not affect Grantor's liability to perform all of its duties and obligations under the transactions giving rise to the Obligations. The exercise by Secured Party of any of the rights hereunder shall not release Grantor from any of its duties or obligations under the transactions giving rise to the Obligations, which shall remain unchanged as if this Agreement had not been executed. Secured Party shall not have any obligation or liability under the transactions giving rise to the Obligations by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

(e) Continuing Agreement. This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until payment in full of the Obligations (other than unasserted contingent indemnification obligations, including those in Section 2.6 of the Loan Agreement).

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2. Representations and Warranties. To induce Secured Party to enter into the Loan Agreement, Grantor represents and warrants each of the following to Secured Party.

(a) Title; Liens and Encumbrances. Grantor is (or to the extent that this Agreement states that the Collateral is to be acquired after the date hereof, will be) the record and beneficial owner of, having (or to the extent that this Agreement states that the Collateral is to be acquired after the date hereof, will have) good and marketable title to, the Collateral pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other person, except the Liens created by this Agreement and Grantor will promptly notify Secured Party of any such other Lien or claim made or asserted against the Collateral and will defend the Collateral against any such Lien or other claim.

(b) State of Organization; Legal Name.

(i) Grantor's state of incorporation or organization, chief executive office is set forth on Schedule I. Grantor shall promptly notify Secured Party of any change in the foregoing representations.

(ii) Grantor's exact legal name is as set forth on Schedule I.

(iii) Grantor currently uses, and during the last five years has used, no other names including business or trade names, except as set forth on Schedule I. Grantor shall not change such name without providing Secured Party 5 Business Days' prior written notice.

(iv) Grantor's organizational identification number is as set forth on Schedule I. Grantor shall not change such organizational identification number without providing Secured Party 5 Business Days' prior written notice.

(c) Perfection of Security Interest.

(i) The grant of the security interest in the Collateral, combined with the filing of financing statements, the execution of the Control Agreement, and/or possession of the Collateral, each as appropriate, is effective to vest in Secured Party a valid and perfected first priority security interest, superior to the rights of any person in and to the Collateral as set forth herein.

(ii) Grantor authorizes Secured Party to file all such financing statements and amendments thereto pursuant to the UCC or other notices appropriate under applicable law, as Secured Party may require, each in form satisfactory to Secured Party. Such financing statements and amendments may contain a description of the Collateral as set forth herein or in any generic manner.

(iii) Upon delivery by Secured Party of an invoice therefor, Grantor shall pay fifty percent (50%) of all filing or recording costs with respect thereto in all public offices where filing or recording is deemed by Secured Party to be reasonably necessary.

(iv) Grantor authorizes Secured Party to take all other action which Secured Party may deem reasonably necessary to perfect or otherwise protect the Liens created hereunder and to obtain the benefits of this Agreement.

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3. Covenants. Grantor covenants and agrees with Secured Party that, from and after the date of this Agreement until the Obligations (other than unasserted contingent indemnification obligations, including those under Section 2.6 of the Loan Agreement) shall have been paid in full:

(a) Instruments and Chattel Paper. No amount payable under or in connection with any Collateral shall be or become evidenced by any Instrument or Chattel Paper.

(b) Maintenance of Perfected Security Interest.

(i) Grantor shall (A) maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 2(c) and (B) defend such security interest against the claims and demands of all Persons.

(ii) At any time and from time to time, upon the written request of Secured Party, Grantor shall promptly and duly execute and deliver, and have recorded, such further instruments and documents (subject to Section 5.10 of the Loan Agreement) and take such further action as Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including the filing of any financing or continuation statement required under the UCC (or other similar laws).

(c) Change of Name or Location. Except upon 5 Business Days' prior written notice to Secured Party and delivery to Secured Party of all additional financing statements and other documents necessary for Secured Party to maintain the validity, perfection and priority of the security interests provided for herein, Grantor shall not (i) change its jurisdiction of organization or the location of its chief executive, in each case from that referred to in Section 2(c) and (ii) change its name, identity or corporate structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

(d) Collateral Account. On or prior to the Closing Date, and at all times thereafter, Borrower shall direct each of its Account Debtors with respect to each US Pledged Account to make any and all payments on such US Pledged Account directly to the Collateral Account.

4. Events of Default. The occurrence of any one or more Events of Default under the Loan Agreement shall constitute an event of default ("Event of Default") under this Agreement.

5. Rights and Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default: (i) Secured Party may exercise exclusive control over the Collateral; (ii) Secured Party shall have the right, with or without (to the extent permitted by applicable law) notice to Grantor, as to any or all of the Collateral, by any available judicial procedure or without judicial process, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral, and generally to exercise any and all rights afforded to a secured party under the UCC or other applicable law; (iii) Secured Party shall have the right to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in its then condition or after further preparation or processing, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such terms and conditions, all as Secured Party in its sole discretion may deem advisable; (iv) at Secured Party's request, Grantor shall assemble the Collateral and make it available to Secured Party at places which Secured Party shall select, whether at Grantor's premises or elsewhere, and make available to Secured Party, without rent, all of Grantor's premises and facilities for the purpose of Secured Party's

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taking possession of, removing or putting the Collateral in saleable or disposable form; (v) Secured Party shall have the right to receive any and all cash interest, dividends, distributions, payments or other proceeds paid in respect of the Collateral and made application thereof to the Obligations in such order as Secured Party may determine; and (vi) any or all of the Collateral may be registered in the name of Secured Party or its nominee and they may thereafter exercise (x) all voting, corporate and other rights pertaining to such Collateral and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Collateral as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all securities or securities entitlements upon any merger, consolidation, reorganization, recapitalization or other fundamental change, or upon the exercise of Grantor or Secured Party of any right, privilege or option pertaining to such securities or securities entitlements, and in connection therewith, the right to deposit and deliver any and all of the securities or securities entitlements with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as Secured Party may determine), all without liability except to account for property actually received by it, but Secured Party shall have no duty to Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(b) Any such sale, lease or other disposition of Collateral may be made without demand for performance or any notice of advertisement whatsoever except that where an applicable statute requires reasonable notice of sale or other disposition, Grantor agrees that the sending of five days notice by ordinary mail, postage prepaid, to Grantor of the place and time of any public sale or of the time at which any private sale or other intended disposition is to be made, shall be deemed reasonable notice thereof. Notwithstanding the foregoing, if any of the Collateral may be materially diminished in value during such five-day period, Secured Party shall provide Grantor with such shorter notice as it deems reasonable under the circumstances.

(c) The proceeds of any such sale, lease or other disposition of the Collateral shall be applied first to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like, and to the reasonable attorneys' fees and legal expenses incurred by Secured Party, and then to satisfaction of the Obligations (in any order as Secured Party may decide in its sole discretion), and to the payment of any other amounts required by applicable law. If, upon the sale, lease or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which Secured Party is legally entitled, Borrower will be liable for the deficiency, together with interest thereon, at the rate prescribed in the agreements giving rise to the Obligations, and the reasonable fees of any attorneys employed by Secured Party to collect such deficiency. To the extent permitted by applicable law, Grantor waives all claims, damages and demands against Secured Party arising out of the repossession, removal, retention or sale of the Collateral.

(d) Upon request of Secured Party, at any time after the occurrence of an Event of Default, Grantor shall notify obligors on the US Pledged Accounts that the US Pledged Accounts have been assigned to Secured Party and that payments in respect thereof shall be made directly to Secured Party.

(e) Notwithstanding anything herein to the contrary, Grantor shall remain liable under each of the US Pledged Accounts to observe and perform all conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Secured Party shall not have any obligation or any liability under any US Pledged Account (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by Secured Party of any payment relating thereto, nor shall Secured Party be obligated in any manner to perform any of the obligations of Grantor under or pursuant to any US Pledged Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or sufficiency of the payment

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received by it or as to the sufficiency of any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(f) Secured Party hereby authorizes Grantor to collect the US Pledged Accounts, subject to Secured Party's direction and control after the occurrence of an Event of Default, and Secured Party may curtail or terminate said authority at any time at any time after the occurrence of an Event of Default. Any payments on US Pledged Accounts when collected by Grantor after the occurrence and during the continuance of an Event of Default, (i) shall be forewith (and in any event no later than 2 Business Days) deposited by Grantor in the exact form received, duly endorsed by Grantor to Secured Party if required, in an account maintained under the sole dominion and control of Secured Party and (ii) until so turned over, shall be held by Grantor in trust for Secured Party, segregated from other funds of Grantor. Each such deposit of Proceeds of US Pledged Accounts shall be accompanied by a report indentifying in reasonable detail the nature and source of the payments included in the deposit.

(g) The parties hereto agree that, upon the occurrence and during the continuance of an Event of Default, Secured Party shall appoint a third party administrator (the "Administrator") that will take any remedial or enforcement action available to Secured Party pursuant to this Agreement or under applicable law on Secured Party's behalf and at Secured Party's sole direction. For the avoidance of doubt, the parties hereto agree that (i) AlixPartners or a similar entity shall be deemed to be acceptable to each party to act as Administrator, (ii) Borrower shall not be required to deliver any information to Lender to the extent that Borrower reasonably believes that disclosure of such information to Lender is not consistent with, or is likely to violate, applicable competition laws and (iii) Borrower shall be required to deliver such information to the Administrator to the extent such information is reasonably necessary in connection with any remedial or enforcement action taken on behalf of or at the direction of Secured Party by Administrator; provided that Administrator shall not share such information with Lender.

6. Power of Attorney. Subject to Section 5(g), Grantor authorizes Secured Party and does hereby make, constitute and appoint Secured Party and any officer or agent of Secured Party, with full power of substitution, as Grantor's true and lawful attorney-in-fact, with power, in its own name or in the name of Grantor: (i) to endorse any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of Secured Party; (ii) to pay or discharge any taxes, liens, security interest or other encumbrances at any time levied or placed on or threatened against the Collateral; (iii) to demand, collect, issue receipt for, compromise, settle and sue for monies due in respect of the Collateral; (iv) to receive, open and dispose of all mail addressed to Grantor and to notify the post office authorities to change the address for delivery of mail addressed to Grantor to such address as Secured Party may designate; (v) to exercise all membership rights, powers and privileges in connection with the Collateral to the same extent as Grantor is entitled to exercise such rights, powers and privileges; and (vi) generally to do all acts and things which Secured Party deems necessary to protect, preserve and realize upon the Collateral and Secured Party's security interest therein. Grantor hereby approves and ratifies all acts of said attorney or designee, who shall not be liable for any acts of commission or omission, nor for any error or judgment or mistake of fact or law except for its own gross negligence or willful misconduct. This power of attorney shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding. Secured Party may exercise this power of attorney only after the occurrence and during the continuance of an Event of Default.

7. Notices. Notices shall be given in the manner, to the addresses and with the effect provided in Section 7.1 of the Loan Agreement.

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8. No Waiver; Rights Cumulative.

(a) No course of dealing between Grantor and Secured Party, or Secured Party's failure to exercise or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof. Any single or partial exercise of any right, power or privilege hereunder shall not preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of Secured Party's rights and remedies with respect to the Collateral, whether established hereby or by any other agreements, instruments or documents or by law, shall be cumulative and may be exercised singly or concurrently.

9. Limitation on Secured Party's Duty in Respect of Collateral. Secured Party shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except that Secured Party shall use reasonable care with respect to the Collateral in its possession or under its control.

10. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by Secured Party therefrom shall in any event be effective unless the same shall be in writing, approved by Secured Party and signed by Secured Party, and then any such waiver or consent shall only be effective in the specific instance and for the specific purpose for which given.

11. Successors and Assigns. This Agreement and all obligations of Grantor and Secured Party hereunder shall be binding upon the permitted successors and assigns of Grantor and Secured Party, as applicable, and shall, together with the rights and remedies of Secured Party hereunder, inure to the benefit of Secured Party, Grantor and each of their respective successors and assigns.

12. No Partnership. The relationship between Secured Party and Grantor shall be only of creditor-debtor and no relationship of agency, partner or joint- or co-venturer shall be created by or inferred from this Agreement or the other Credit Documents. Grantor shall indemnify, defend, and save Secured Party harmless from any and all claims asserted against Secured Party as being the agent, partner, or joint-venturer of Grantor.

13. Entire Agreement. This Agreement embodies the entire agreement and understanding between Grantor and Secured Party with respect to its subject matter and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. Grantor acknowledges and agrees that there is no oral agreement between Grantor and Secured Party which has not been incorporated in this Agreement.

14. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

15. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without effecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

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16. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent the UCC provides for the application of the law of another state.

(b) GRANTOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT IN THE STATE OF NEW YORK IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND RELATED TO OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND CONSENTS TO THE PLACING OF VENUE IN NEW YORK COUNTY OR OTHER COUNTY PERMITTED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, GRANTOR HEREBY WAIVES AND AGREES NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT THIS AGREEMENT OR INSTRUMENT REFERRED TO HEREIN MAY NOT BE LITIGATED IN OR BY SUCH COURTS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, GRANTOR AGREES NOT TO SEEK AND HEREBY WAIVES THE RIGHT TO ANY REVIEW OF THE JUDGMENT OF ANY SUCH COURT BY ANY COURT OF ANY OTHER NATION OR JURISDICTION WHICH MAY BE CALLED UPON TO GRANT AN ENFORCEMENT OF SUCH JUDGMENT. EXCEPT AS PROHIBITED BY LAW, GRANTOR HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.1 of the Loan Agreement. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

17. Headings. Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

18. Reinstatement. Grantor further agrees that, if any payment made by Grantor or other Person and applied to the Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of Collateral are required to be returned by Secured Party to Grantor, its estate, trustee, receiver or any other party, under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made or, if prior thereto the Lien granted hereby or other Collateral securing such liability hereunder shall have been released or terminated by virtue of such cancellation or surrender), such Lien or other Collateral shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect any Lien or other Collateral securing the obligations of Grantor in respect of the amount of such payment.

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IN WITNESS WHEREOF, the undersigned party has executed this Agreement to be effective for all purposes as of the date above first written.

KEMET ELECTRONICS CORPORATION

By /s/ Per-Olof Loof
Name: Per-Olof Loof
Title: CEO

Schedule 1

Grantor's State of Incorporation	Delaware
Grantor's Exact Legal Name	KEMET Electronics Corporation
Trade or Other Names Used by Grantor During the Last Five Years	None
Grantor's Organizational ID	2121179

Exhibit 31.1

CERTIFICATIONS

I, Dr. Gerald Paul, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vishay Intertechnology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2008

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

Exhibit 31.2

CERTIFICATIONS

I, Dr. Lior E. Yahalomi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vishay Intertechnology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2008

/s/ Lior E. Yahalomi
Dr. Lior E. Yahalomi
Chief Financial Officer

Exhibit 32.1

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 September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dr. Gerald Paul, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerald Paul
Dr. Gerald Paul
Chief Executive Officer
November 4, 2008

Exhibit 32.2

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 September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dr. Lior E. Yahalomi, 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/ Lior E. Yahalomi
Dr. Lior E. Yahalomi
Chief Financial Officer
November 4, 2008