VISHAY INTERTECHNOLOGY INC
Form 10-Q
July 31, 2012

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 June 30, 2012

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 (State or Other Jurisdiction of Incorporation)	38-1686453 (I.R.S. Employer Identification Number)
63 Lancaster Avenue Malvern, PA 19355-2143 (Address of Principal Executive Offices)	610-644-1300 (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. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. ýYes ¨ No

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

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

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

As of July 27, 2012, the registrant had 131,143,534 shares of its common stock and 12,129,227 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.
FORM 10-Q
June 30, 2012
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$708,772	$749,088
Short-term investments	239,503	249,139
Accounts receivable, net	298,974	270,970
Inventories:		
Finished goods	109,688	104,478
Work in process	196,050	181,354
Raw materials	128,818	131,795
Total inventories	434,556	417,627
Deferred income taxes	24,581	24,632
Prepaid expenses and other current assets	115,794	119,220
Total current assets	1,822,180	1,830,676
Property and equipment, at cost:		
Land	91,131	91,507
Buildings and improvements	502,872	493,550
Machinery and equipment	2,092,532	2,079,395
Construction in progress	76,718	94,717
Allowance for depreciation	(1,890,152)	(1,851,264)
	873,101	907,905
Goodwill	34,866	9,051
Other intangible assets, net	139,738	103,927
Other assets	137,813	142,171
Total assets	$3,007,698	$2,993,730

Continues on following page.

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

	June 30, 2012 (Unaudited)	December 31, 2011
Liabilities and equity		
Current liabilities:		
Notes payable to banks	$ 116	$ 13
Trade accounts payable	154,277	154,942
Payroll and related expenses	103,765	109,833
Other accrued expenses	146,318	161,119
Income taxes	4,600	13,881
Total current liabilities	409,076	439,788
Long-term debt less current portion	462,173	399,054
Deferred income taxes	146,645	110,356
Other liabilities	113,869	117,235
Accrued pension and other postretirement costs	298,426	319,136
Total liabilities	1,430,189	1,385,569
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	13,114	14,374
Class B convertible common stock	1,213	1,345
Capital in excess of par value	1,998,765	2,086,925
(Accumulated deficit) retained earnings	(423,933)	(503,416)
Accumulated other comprehensive income (loss)	(17,227)	3,778
Total Vishay stockholders' equity	1,571,932	1,603,006
Noncontrolling interests	5,577	5,155
Total equity	1,577,509	1,608,161
Total liabilities and equity	$ 3,007,698	$ 2,993,730

See accompanying notes.

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

	Fiscal quarters ended	
	June 30, 2012	July 2, 2011
Net revenues	$588,199	$709,838
Costs of products sold	440,580	497,648
Gross profit	147,619	212,190
Selling, general, and administrative expenses	86,889	92,796
Gain on sale of property	(12,153)	-
Executive compensation charge	-	3,889
Operating income	72,883	115,505
Other income (expense):		
Interest expense	(5,539)	(4,624)
Other	(2,094)	(28)
	(7,633)	(4,652)
Income before taxes	65,250	110,853
Income tax expense	19,420	28,357
Net earnings	45,830	82,496
Less: net earnings attributable to noncontrolling interests	159	401
Net earnings attributable to Vishay stockholders	$45,671	$82,095
Basic earnings per share attributable to Vishay stockholders	$0.30	$0.51
Diluted earnings per share attributable to Vishay stockholders	$0.29	$0.48
Weighted average shares outstanding - basic	152,462	160,801
Weighted average shares outstanding - diluted	159,249	170,645

See accompanying notes.

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

	Fiscal quarters ended	
	June 30, 2012	July 2, 2011
Net earnings	$ 45,830	$ 82,496
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(50,445)	18,691
Pension and other post-retirement actuarial items	3,251	482
Unrealized gain (loss) on available-for-sale securities	(157)	(851)
Other comprehensive income (loss)	(47,351)	18,322
Comprehensive income (loss)	(1,521)	100,818
Less: comprehensive income attributable to noncontrolling interests	159	401
Comprehensive income (loss) attributable to Vishay stockholders	$ (1,680)	$ 100,417

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2012	July 2, 2011
Net revenues	$1,126,746	$1,404,989
Costs of products sold	842,418	978,136
Gross profit	284,328	426,853
Selling, general, and administrative expenses	173,253	185,261
Gain on sale of property	(12,153)	-
Executive compensation charge	-	3,889
Operating income	123,228	237,703
Other income (expense):		
Interest expense	(10,256)	(8,678)
Other	(786)	(535)
	(11,042)	(9,213)
Income before taxes	112,186	228,490
Income taxes	32,281	70,387
Net earnings	79,905	158,103
Less: net earnings attributable to noncontrolling interests	422	721
Net earnings attributable to Vishay stockholders	$79,483	$157,382
Basic earnings per share attributable to Vishay stockholders	$0.51	$0.97
Diluted earnings per share attributable to Vishay stockholders	$0.49	$0.91
Weighted average shares outstanding - basic	154,831	163,006
Weighted average shares outstanding - diluted	161,596	173,143

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2012	July 2, 2011
Net earnings	$ 79,905	$ 158,103
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(27,217)	64,419
Pension and other post-retirement actuarial items	5,555	2,416
Unrealized gain (loss) on available-for-sale securities	657	(240)
Other comprehensive income (loss)	(21,005)	66,595
Comprehensive income	58,900	224,698
Less: comprehensive income attributable to noncontrolling interests	422	721
Comprehensive income attributable to Vishay stockholders	$ 58,478	$ 223,977

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2012	July 2, 2011
Operating activities		
Net earnings	$79,905	$158,103
Adjustments to reconcile net earnings to		
net cash provided by operating activities:		
Depreciation and amortization	83,838	90,771
(Gain) loss on disposal of property and equipment	(13,070)	(930)
Accretion of interest on convertible debentures	1,308	861
Inventory write-offs for obsolescence	10,050	10,560
Other	8,110	(2,502)
Net change in operating assets and liabilities, net of effects of businesses acquired	(75,737)	(82,947)
Net cash provided by operating activities	94,404	173,916
Investing activities		
Capital expenditures	(47,298)	(45,365)
Proceeds from sale of property and equipment	6,355	1,473
Purchase of businesses, net of cash acquired	(85,493)	-
Purchase of short-term investments	(201,143)	(391,524)
Maturity of short-term investments	207,077	82,990
Other investing activities	(640)	307
Net cash used in investing activities	(121,142)	(352,119)
Financing activities		
Proceeds from long-term borrowings	150,000	150,000
Issuance costs	(4,827)	(4,144)
Common stock repurchase	(150,000)	(150,000)
Principal payments on long-term debt and capital leases	(16)	(6)
Net proceeds (payments) on revolving credit lines	5,000	(60,000)
Net changes in short-term borrowings	(2)	(9)
Proceeds from stock options exercised	174	7,938
Excess tax benefit from stock options exercised	-	555
Distributions to noncontrolling interests	-	(500)
Net cash provided by (used in) financing activities	329	(56,166)
Effect of exchange rate changes on cash and cash equivalents	(13,907)	29,623
Net decrease in cash and cash equivalents	(40,316)	(204,746)
Cash and cash equivalents at beginning of period	749,088	897,338
Cash and cash equivalents at end of period	$708,772	$692,592

See accompanying notes.

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

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Vishay Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2012	$14,374	$ 1,345	$2,086,925	$ (503,416)	$ 3,778	$ 1,603,006	$ 5,155	$1,608,161
Net earnings	-	-	-	79,483	-	79,483	422	79,905
Other comprehensive income (loss)	-	-	-	-	(21,005)	(21,005)	-	(21,005)
Phantom and restricted stock issuances (11,323 shares)	1	-	(9)	-	-	(8)	-	(8)
Issuance of convertible debentures due 2042	-	-	57,874	-	-	57,874	-	57,874
Stock repurchase (13,948,687 shares)	(1,395)	-	(148,605)	-	-	(150,000)	-	(150,000)
Stock compensation expense	-	-	2,408	-	-	2,408	-	2,408
Stock options exercised (22,095 shares)	2	-	172	-	-	174	-	174
Conversions from Class B to common stock (1,323,322 shares)	132	(132)	-	-	-	-	-	-
Balance at June 30, 2012	$13,114	$ 1,213	$1,998,765	$ (423,933)	$ (17,227)	$ 1,571,932	$ 5,577	$1,577,509

See accompanying notes.

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

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

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. ("Vishay" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The results of operations for the fiscal quarter and six fiscal months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first fiscal quarter, which always begins on January 1, and the fourth fiscal quarter, which always ends on December 31. The four fiscal quarters in 2012 end on March 31, 2012, June 30, 2012, September 29, 2012, and December 31, 2012, respectively. The four fiscal quarters in 2011 ended on April 2, 2011, July 2, 2011, October 1, 2011, and December 31, 2011, respectively.

Recently Adopted Accounting Guidance

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-4, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The ASU generally aligns the principles for fair value measurements and the related disclosure requirements under GAAP and International Financial Reporting Standards. The updated guidance clarifies existing fair value measurement and disclosure requirements and requires additional disclosure requirements. The ASU is effective for the Company for interim and annual periods beginning after January 1, 2012. Vishay adopted the ASU on January 1, 2012. The adoption of the ASU had no effect on the Company's financial position, results of operations, or liquidity.

In September 2011, the FASB issued ASU No. 2011-8, Testing Goodwill for Impairment. Under the revised guidance, the Company has the option of performing a qualitative assessment before calculating the fair value of the reporting unit when testing goodwill for impairment. If the Company determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. The ASU does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. In addition, the ASU does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant; however, it does revise the examples of events and circumstances that an entity should consider. The ASU is effective for annual and interim goodwill impairment tests beginning after January 1, 2012. Vishay adopted the ASU on January 1, 2012. The adoption of the ASU had no effect on the Company's financial position, results of operations, or liquidity.

Reclassifications

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

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

Note 2 – Acquisition Activities

As part of its growth strategy, the Company seeks to expand through targeted acquisitions of other manufacturers of electronic components that have established positions in major markets, reputations for product innovation, quality, and reliability, strong customer bases, and product lines with which the Company has substantial marketing and technical expertise.

HiRel Systems LLC

On January 13, 2012, Vishay acquired HiRel Systems LLC, a leading supplier of high reliability transformers, inductors, coils, and power conversion products, for $85,493, net of cash acquired. The products and technology portfolio acquired will further enhance the Company’s inductors portfolio, particularly in the field of custom magnetics for medical, military, aerospace and aviation, and applications in the industrial and commercial field such as renewable energy and test and measurement equipment. For financial reporting purposes, the results of operations for this business have been included in the Resistors & Inductors segment from January 13, 2012. The inclusion of this business did not have a material impact on the Company’s consolidated results for the fiscal quarter or six fiscal months ended June 30, 2012. Based on an estimate of their fair values, the Company allocated $43,950 of the purchase price to definite-lived intangible assets. After allocating the purchase price to the assets acquired and liabilities assumed based on an estimation of their fair values at the date of acquisition, the Company recorded goodwill of $25,815 related to this acquisition. The goodwill associated with this transaction is deductible for income tax purposes. The Company will test the goodwill for impairment at least annually in accordance with GAAP.

Had this acquisition 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 condensed statements of operations presented.

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

Note 3 – Other Intangible Assets

Other intangible assets are as follows:

	June 30, 2012	December 31, 2011
Intangible Assets Subject to Amortization (Definite-lived):		
Patents and acquired technology	$113,938	$111,428
Capitalized software	54,216	53,721
Customer relationships	97,352	57,723
Tradenames	36,428	36,762
Non-competition agreements	1,700	1,000
	303,634	260,634
Accumulated amortization:		
Patents and acquired technology	(90,026)	(89,379)
Capitalized software	(49,214)	(47,836)
Customer relationships	(29,604)	(26,174)
Tradenames	(15,159)	(13,615)
Non-competition agreements	(252)	(62)
	(184,255)	(177,066)
Net Intangible Assets Subject to Amortization	119,379	83,568
Intangible Assets Not Subject to Amortization (Indefinite-lived):		
Tradenames	20,359	20,359
	$139,738	$103,927

The increase in net intangible assets from December 31, 2011 is mainly attributable to the acquisition of HiRel Systems LLC on January 13, 2012. The Company allocated $43,950 of the purchase price to definite-lived intangible assets. Amortization expense (excluding capitalized software) for the fiscal quarter and six fiscal months ended June 30, 2012 was $3,690 and $7,289, respectively, compared to amortization expense (excluding capitalized software) of $3,796 and $7,565 for the fiscal quarter and six fiscal months ended July 2, 2011, respectively. HiRel Systems LLC intangible assets accounted for $694 and $1,281 of amortization expense for the fiscal quarter and six fiscal months ended June 30, 2012, respectively.

Estimated annual amortization expense of intangible assets (excluding capitalized software) on the balance sheet at June 30, 2012 for the full year 2012 and each of the next four years is as follows:

2012	$15,213
2013	15,272
2014	15,152
2015	15,085
2016	13,413

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

Note 4 – Restructuring and Related Activities

Gain on Sale of Vacated Property

On April 3, 2012, Vishay sold a property in Belgium vacated as a result of its restructuring activities in prior years for approximately $14,200. Vishay recognized a gain on the sale of the property of $12,153 within its statements of operations and proceeds from the sale of property and equipment of $3,406 within its statement of cash flows in the second fiscal quarter of 2012. The remaining proceeds will be reported as proceeds from the sale of property and equipment within the statements of cash flows as the cash is received over the next three years.

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

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 June 30, 2012 and July 2, 2011 reflect the Company's expected tax rate on reported income from continuing operations before income tax and tax adjustments. The Company operates in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting the Company's earnings and the applicable tax rates in the various jurisdictions where the Company operates.

In January 2011, a new tax law was enacted in Israel which effectively lowered the corporate income tax rate on certain types of income earned after December 31, 2010. Accordingly, the Company's deferred tax assets in Israel were written down to reflect the lower rate and a one-time tax expense of $10,024 was recorded in the consolidated condensed statement of operations during the six fiscal months ended July 2, 2011.

During the six fiscal months ended June 30, 2012, the liabilities for unrecognized tax benefits increased by $3,217 on a net basis, principally due to increases for positions taken in prior periods and interest expense.

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

Note 6 – Long-Term Debt

Long-term debt consists of the following:

	June 30, 2012	December 31, 2011
Credit facility	$160,000	$155,000
Exchangeable unsecured notes, due 2102	95,042	95,042
Convertible senior debentures, due 2040	99,251	98,463
Convertible senior debentures, due 2041	50,996	50,549
Convertible senior debentures, due 2042	56,884	-
	462,173	399,054
Less current portion	-	-
	$462,173	$399,054

Amendment of Credit Facility

On April 3, 2012, Vishay amended its credit agreement and entered into an incremental facility agreement that increases the total credit facility commitment from $450,000 to $528,000. The incremental revolving commitments have terms and conditions identical to the terms and conditions of the existing commitments under the credit facility. Vishay paid an amendment fee of $390 to complete this amendment. The other material terms and conditions of the credit agreement have not been changed. The credit agreement, as amended, will expire on December 1, 2015.

Convertible Senior Debentures, due 2042

On May 31, 2012, Vishay issued $150,000 principal amount of 2.25% convertible senior debentures due 2042 to qualified institutional investors. Vishay used the net proceeds from this offering, together with cash on hand, to repurchase 13,948,687 shares of common stock for an aggregate purchase price of $150,000.

GAAP requires 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 costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

The carrying values of the liability and equity components of the convertible debentures due 2042 are reflected in the Company's consolidated condensed balance sheets as follows:

	June 30, 2012
Liability component:	
Principal amount of the debentures	$150,000
Unamortized discount	(93,394)
Embedded derivative	278
Carrying value of liability component	$56,884

Equity component - net carrying value	$57,874

Interest is payable on the debentures semi-annually at a rate of 2.25% per annum; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate of 7.50% based on the Company's estimated nonconvertible debt borrowing rate at the time of issuance. In addition to ordinary interest, beginning on June 1, 2022, contingent interest will accrue in certain circumstances relating to the trading price of the debentures and under certain other circumstances.

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

Interest expense related to the convertible debentures due 2042 is reflected on the consolidated condensed statement of operations as follows:

	Fiscal quarter and six fiscal months ended June 30, 2012
Contractual coupon interest	$291
Non-cash amortization of debt discount	74
Non-cash amortization of deferred financing costs	5
Non-cash change in value of derivative liability	42
Total interest expense related to the debentures	$412

Prior to March 1, 2042, the holders may only convert their debentures under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending September 29, 2012 if the sale price of Vishay common stock reaches 130% of the conversion price (currently, $15.35) for a specified period; (2) the trading price of the debentures falls below 98% of the product of the sale price of Vishay's common stock and the conversion rate for a specified period; (3) Vishay calls any or all of the debentures for redemption, at any time prior to the close of business on the third scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. None of these conditions had occurred as of June 30, 2012.

The debentures are initially convertible, subject to certain conditions, into cash, shares of Vishay's common stock or a combination thereof, at Vishay's option, at an initial conversion rate of 84.6937 shares of common stock per $1,000 principal amount of debentures. This represents an initial effective conversion price of approximately $11.81 per share. This initial conversion price represents a premium of 13.75% to the closing price of Vishay's common stock on the date the offering commenced, which was $10.38 per share. At the direction of its Board of Directors, Vishay intends, upon conversion, to repay the principal amount of the debentures in cash and settle any additional amounts in shares. Vishay must provide additional shares upon conversion if there is a "fundamental change" in the business as defined in the indenture governing the debentures.

Vishay may not redeem the debentures prior to June 7, 2022, except in connection with certain tax-related events. On or after June 7, 2022 and prior to the maturity date, Vishay may redeem for cash all or part of the debentures at a redemption price equal to 100% of the principal amount of the debentures to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, if the last reported sale price of Vishay's common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period prior to the date on which Vishay provides notice of redemption.

Convertible Senior Debentures, due 2041

On May 13, 2011, Vishay issued $150,000 principal amount of 2.25% convertible senior debentures due 2041 to qualified institutional investors. GAAP requires an issuer to separately account for the liability and equity components of a convertible debt instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

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

The carrying values of the liability and equity components of the convertible debentures due 2041 are reflected in the Company's consolidated condensed balance sheets as follows:

	June 30, 2012	December 31, 2011
Liability component:		
Principal amount of the debentures	$150,000	$150,000
Unamortized discount	(99,430)	(99,843)
Embedded derivative	426	392
Carrying value of liability component	$50,996	$50,549
Equity component - net carrying value	$62,246	$62,246

Interest is payable on the debentures semi-annually at a rate of 2.25% per annum; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate of 8.375% based on the Company's estimated nonconvertible debt borrowing rate at the time of issuance. In addition to ordinary interest, beginning on May 15, 2021, contingent interest will accrue in certain circumstances relating to the trading price of the debentures and under certain other circumstances.

Interest expense related to the convertible debentures due 2041 is reflected on the consolidated condensed statements of operations as follows:

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Contractual coupon interest	$844	$441	$1,688	$441
Non-cash amortization of debt discount	209	102	413	102
Non-cash amortization of deferred financing costs	12	6	24	6
Non-cash change in value of derivative liability	109	2	34	2
Total interest expense related to the debentures	$1,174	$551	$2,159	$551

Convertible Senior Debentures, due 2040

On November 9, 2010, Vishay issued $275,000 principal amount of 2.25% convertible senior debentures due 2040 to qualified institutional investors. GAAP requires an issuer to separately account for the liability and equity components of a convertible debt instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

The carrying values of the liability and equity components of the convertible debentures due 2040 are reflected in the Company's consolidated condensed balance sheets as follows:

	June 30, 2012	December 31, 2011
Liability component:		

Principal amount of the debentures	$275,000	$275,000
Unamortized discount	(176,310)	(177,131)
Embedded derivative	561	594
Carrying value of liability component	$99,251	$98,463
Equity component - net carrying value	$110,094	$110,094

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

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

Interest expense related to the convertible debentures due 2040 is reflected on the consolidated condensed statements of operations as follows:

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Contractual coupon interest	$1,547	$1,547	$3,094	$3,094
Non-cash amortization of debt discount	414	383	821	759
Non-cash amortization of deferred financing costs	22	22	44	44
Non-cash change in value of derivative liability	71	69	(33)	8
Total interest expense related to the debentures	$2,054	$2,021	$3,926	$3,905

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

Note 7 – 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 second fiscal quarters of 2012 and 2011 for the Company's defined benefit pension plans:

	Fiscal quarter ended June 30, 2012		Fiscal quarter ended July 2, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	$-	$811	$-	$849
Interest cost	3,923	2,344	4,081	2,679
Expected return on plan assets	(4,770)	(414)	(4,888)	(398)
Amortization of prior service cost	550	-	612	-
Amortization of losses	3,174	416	2,201	254
Curtailments and settlements	-	-	148	-
Net periodic benefit cost	$2,877	$3,157	$2,154	$3,384

The following table shows the components of the net periodic pension cost for the six fiscal months ended June 30, 2012 and July 2, 2011 for the Company's defined benefit pension plans:

	Six fiscal months ended June 30, 2012		Six fiscal months ended July 2, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	$-	$1,625	$-	$1,676
Interest cost	7,850	4,718	8,149	5,241
Expected return on plan assets	(9,486)	(826)	(9,541)	(789)
Amortization of prior service cost	1,100	-	1,253	-
Amortization of losses	6,285	834	4,303	503
Curtailments and settlements	-	-	148	-
Net periodic benefit cost	$5,749	$6,351	$4,312	$6,631

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

The following table shows the components of the net periodic benefit cost for the second fiscal quarters of 2012 and 2011 for the Company's other postretirement benefit plans:

	Fiscal quarter ended June 30, 2012		Fiscal quarter ended July 2, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$18	$63	$20	$71
Interest cost	131	71	146	73
Amortization of prior service credit	(102)	-	(111)	-
Amortization of transition obligation	8	-	12	-
Amortization of gains	(26)	-	(61)	-
Net periodic benefit cost	$29	$134	$6	$144

The following table shows the components of the net periodic benefit cost for the six fiscal months ended June 30, 2012 and July 2, 2011 for the Company's other postretirement benefit plans:

	Six fiscal months ended June 30, 2012		Six fiscal months ended July 2, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$36	$127	$39	$138
Interest cost	261	144	292	142
Amortization of prior service credit	(204)	-	(221)	-
Amortization of transition obligation	16	-	24	-
Amortization of gains	(48)	-	(122)	-
Net periodic benefit cost	$61	$271	$12	$280

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

Note 8 – Stock-Based Compensation

The Company has various stockholder-approved programs which allow for the grant of stock-based compensation to officers, employees, and non-employee directors.

The amount of compensation cost related to stock-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Company determines compensation cost for restricted stock units ("RSUs"), phantom stock units, and restricted stock based on the grant-date fair value of the underlying common stock. Compensation cost is recognized over the period that an officer, employee, or non-employee director provides service in exchange for the award.

The following table summarizes stock-based compensation expense recognized:

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Stock options	$20	$(245)	$47	$(125)
Restricted stock units	1,133	3,573	2,268	4,639
Phantom stock units	-	-	93	222
Total	$1,153	$3,328	$2,408	$4,736

Stock-based compensation expense for the fiscal quarter and six fiscal months ended July 2, 2011, as presented in the tables above, includes amounts associated with the acceleration of vesting of awards upon the passing of Vishay's former Executive Chairman of the Board of Directors, Dr. Felix Zandman. The associated expense is reported as a component of the executive compensation charge reported in the accompanying consolidated condensed statements of operations. In accordance with Dr. Zandman's employment agreement, 98,375 RSUs held by Dr. Zandman immediately vested and were contributed to his estate following his passing and 202,330 RSUs with performance-based vesting criteria will be contributed to his estate upon the Company's achievement of the performance-based criteria. Additionally, the vesting of 77,334 unvested stock options held by Dr. Zandman at the time of his passing was accelerated.

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at June 30, 2012 (amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Stock options	$ 44	0.9
Restricted stock units	7,431	1.6
Phantom stock units	-	0.0
Total	$ 7,475	

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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2007 Stock Incentive Plan

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

Stock Options

In addition to stock options outstanding pursuant to the 2007 Program, during the periods presented, the Company had stock options outstanding under previous stockholder-approved stock option programs. These programs are more fully described in Note 12 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2011. No additional options may be granted pursuant to these programs.

Option activity under the stock option plans as of June 30, 2012 and changes during the six fiscal months then ended are presented below (number of options in thousands, contractual life in years):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding:			
January 1, 2012	384	$ 15.40	
Granted	-	-	
Exercised	(22)	7.89	
Cancelled or forfeited	(232)	16.29	
Outstanding at June 30, 2012	130	$ 15.08	4.00
Vested and expected to vest at June 30, 2012	130	$ 15.08	4.00
Exercisable at June 30, 2012	99	$ 14.88	3.69

During the six fiscal months ended June 30, 2012, 30,000 options vested. At June 30, 2012, there are 31,000 unvested options outstanding, with a weighted average grant-date fair value of $10.07 per option.

The pretax aggregate intrinsic value (the difference between the closing stock price on the last trading day of the second fiscal quarter of 2012 of $9.43 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 June 30, 2012 is zero because all outstanding options have exercise prices in excess of market value. This amount changes based on changes in the market value of the Company's common stock. During the six fiscal months ended June 30, 2012, 22,000 options were exercised. The total intrinsic value of options exercised during the six fiscal months ended June 30, 2012 was approximately $110.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Restricted Stock Units

RSU activity under the 2007 Program as of June 30, 2012 and changes during the six fiscal months then ended are presented below (number of RSUs in thousands):

	Number of RSUs	Weighted Average Grant-date Fair Value per Unit
Outstanding:		
January 1, 2012	891	$12.58
Granted	437	12.31
Vested*	(12)	8.29
Cancelled or forfeited	-	-
Outstanding at June 30, 2012	1,316	$12.53
Expected to vest at June 30, 2012	1,316	

* The number of RSUs vested includes shares that the Company withheld on behalf of employees to satisfy the statutory tax withholding requirements.

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

Vesting Date	Number of RSUs
January 1, 2013	324
January 1, 2014	233
January 1, 2015	276

Phantom Stock Plan

The Company maintains a phantom stock plan for certain senior executives. The plan authorizes the grant of up to 300,000 phantom stock units to the extent provided for in the Company's employment agreements with such senior executives. Each phantom stock unit entitles the recipient to receive a share of common stock at the individual's termination of employment or any other future date specified in the applicable employment agreement. The phantom stock units are fully vested at all times.

Phantom stock unit activity under the phantom stock plan as of June 30, 2012 and changes during the six fiscal months then ended are presented below (number of phantom stock units in thousands):

	Number of units	Grant-date Fair Value per Unit
Outstanding:		
January 1, 2012	87	
Granted	10	$9.33
Redeemed for common stock	-	
Outstanding at June 30, 2012	97	

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 9 – Segment Information

Vishay operates, and its chief operating decision maker makes strategic and operating decisions with regards to assessing performance and allocating resources based on, five reporting segments: MOSFETs, Diodes, Optoelectronic Components, Resistors & Inductors, and Capacitors.

The Company evaluates business segment performance on operating income, exclusive of certain items ("segment operating income"). Only dedicated, direct selling, general, and administrative expenses of the segments are included in the calculation of segment operating income. The Company's calculation of segment operating income excludes such selling, general, and administrative costs as global operations, sales and marketing, information systems, finance and administration groups, as well as restructuring and severance costs, asset write-downs, goodwill and indefinite-lived intangible asset impairments, inventory write-downs, gains or losses on purchase commitments, and other items. Management believes that evaluating segment performance excluding such items is meaningful because it provides insight with respect to intrinsic operating results of the Company. These items represent reconciling items between segment operating income and consolidated operating income. Business segment assets are the owned or allocated assets used by each business.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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The following tables set forth business segment information:

	MOSFETs	Diodes	Optoelectronic Components	Resistors & Inductors	Capacitors	Total
Fiscal quarter ended June 30, 2012:						
Product Sales	$111,326	$136,008	$ 58,083	$164,903	$116,347	$586,667
Royalty Revenues	37	-	-	1,495	-	$1,532
Total Revenue	$111,363	$136,008	$ 58,083	$166,398	$116,347	$588,199
Gross Margin	$18,709	$28,676	$ 18,605	$55,073	$26,556	$147,619
Fiscal quarter ended July 2, 2011:						
Product Sales	$153,180	$169,613	$ 63,761	$167,430	$154,295	$708,279
Royalty Revenues	65	-	-	1,494	-	$1,559
Total Revenue	$153,245	$169,613	$ 63,761	$168,924	$154,295	$709,838
Gross Margin	$42,811	$43,699	$ 21,961	$58,956	$44,763	$212,190
Six fiscal months ended June 30, 2012:						
Product Sales	$206,027	$256,142	$ 108,695	$322,157	$230,273	$1,123,294
Royalty Revenues	174	-	27	3,251	-	$3,452
Total Revenue	$206,201	$256,142	$ 108,722	$325,408	$230,273	$1,126,746
Gross Margin	$29,326	$53,730	$ 35,899	$109,332	$56,041	$284,328
Six fiscal months ended July 2, 2011:						
Product Sales	$296,081	$329,030	$ 121,467	$339,349	$316,147	$1,402,074
Royalty Revenues	162	-	42	2,711	-	$2,915
Total Revenue	$296,243	$329,030	$ 121,509	$342,060	$316,147	$1,404,989
Gross Margin	$82,250	$82,839	$ 41,909	$120,114	$99,741	$426,853

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Operating margin reconciliation:				
MOSFETs	$8,676	$32,522	$9,999	$61,932
Diodes	22,682	37,208	42,041	70,008
Optoelectronic Components	15,192	18,330	29,237	34,687
Resistors & Inductors	46,688	51,757	93,200	105,861
Capacitors	20,951	38,584	44,868	86,917
Unallocated Selling, General, and Administrative Expenses	(53,459)	(59,007)	(108,270)	(117,813)
Gain on Sale of Property	12,153	-	12,153	-
Executive Compensation Charge	-	(3,889)	-	(3,889)
Consolidated Operating Income	$72,883	$115,505	$123,228	$237,703

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 10 – Earnings Per Share

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Numerator:				
Numerator for basic earnings per share:				
Net earnings	$45,671	$82,095	$79,483	$157,382
Adjustment to the numerator for continuing operations and net earnings:				
Interest savings assuming conversion of dilutive convertible and exchangeable notes, net of tax	72	48	162	94
Numerator for diluted earnings per share:				
Net earnings	$45,743	$82,143	$79,645	$157,476
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	152,462	160,801	154,831	163,006
Effect of dilutive securities:				
Convertible and exchangeable debt instruments	6,176	9,166	6,176	9,464
Restricted stock units	513	428	489	385
Other	98	250	100	288
Dilutive potential common shares	6,787	9,844	6,765	10,137
Denominator for diluted earnings per share:				
Adjusted weighted average shares	159,249	170,645	161,596	173,143
Basic earnings per share attributable to Vishay stockholders	$0.30	$0.51	$0.51	$0.97
Diluted earnings per share attributable to Vishay stockholders	$0.29	$0.48	$0.49	$0.91

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Diluted earnings per share for the periods presented do not reflect the following weighted average potential common shares that would have an antidilutive effect or have unsatisfied performance conditions (in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Convertible and exchangeable notes:				
Convertible Senior Debentures, due 2040	19,809	-	19,809	-
Convertible Senior Debentures, due 2041	7,885	4,332	7,885	2,166
Convertible Senior Debentures, due 2042	4,328	-	2,164	-
Weighted average employee stock options	296	-	244	2
Weighted average warrants	8,824	8,824	8,824	8,824
Weighted average other	194	101	201	69

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

The Company's convertible debt instruments are only convertible upon the occurrence of certain events. While none of these events has occurred as of June 30, 2012, certain conditions which could trigger conversion have been deemed to be non-substantive, and accordingly, the Company has always assumed the conversion of these instruments in its diluted earnings per share computation during periods in which they are dilutive.

At the direction of its Board of Directors, the Company intends, upon conversion, to repay the principal amounts of the convertible senior debentures, due 2040, due 2041, and due 2042, in cash and settle any additional amounts in shares of Vishay common stock. Accordingly, the debentures are included in the diluted earnings per share computation using the "treasury stock method" (similar to options and warrants) rather than the "if converted method" otherwise required for convertible debt. Under the "treasury stock method," Vishay calculates the number of shares issuable under the terms of the notes based on the average market price of Vishay common stock during the period, and that number is included in the total diluted shares figure for the period. If the average market price is less than $13.88, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2040, if the average market price is less than $19.02, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2041, and if the average market price is less than $11.81, no shares are included in the diluted earnings per share computation for the convertible senior debentures due 2042.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 11 – Fair Value Measurements

The fair value measurement accounting guidance establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the Company's own assumptions.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. There have been no changes in the classification of any financial instruments within the fair value hierarchy in the periods presented.

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis:

	Total Fair Value	Level 1	Level 2	Level 3
June 30, 2012:				
Assets:				
Assets held in rabbi trusts	$33,097	$21,511	$11,586	$-
Available for sale securities	$6,705	6,705	-	-
	$39,802	$28,216	$11,586	$-
Liabilities:				
Embedded derivative - convertible debentures due 2040	$(561)	$-	$-	$(561)
Embedded derivative - convertible debentures due 2041	$(426)	-	-	(426)
Embedded derivative - convertible debentures due 2042	$(278)	-	-	(278)
	$(1,265)	$-	$-	$(1,265)
December 31, 2011:				
Assets:				
Assets held in rabbi trusts	$31,698	$20,569	$11,129	$-
Available for sale securities	$6,776	6,776	-	-
	$38,474	$27,345	$11,129	$-
Liabilities:				
Embedded derivative - convertible debentures due 2040	$(594)	$-	$-	$(594)
Embedded derivative - convertible debentures due 2041	$(392)	-	-	(392)
	$(986)	$-	$-	$(986)

The Company maintains non-qualified trusts, referred to as "rabbi" trusts, to fund payments under deferred compensation and non-qualified pension plans. Rabbi trust assets consist primarily of marketable securities, classified as available-for-sale and company-owned life insurance assets. The marketable securities held in the rabbi trusts are valued using quoted market prices on the last business day of the period. The company-owned life insurance assets are

valued in consultation with the Company's insurance brokers using the value of underlying assets of the insurance contracts. The fair value measurement of the marketable securities held in the rabbi trust is considered a Level 1 measurement and the measurement of the company-owned life insurance assets is considered a Level 2 measurement within the fair value hierarchy.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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The Company holds available for sale investments in debt securities that are intended to fund a portion of its other postretirement benefit obligations outside of the United States. The investments are valued based on quoted market prices on the last business day of the year. The fair value measurement of the investments is considered a Level 1 measurement within the fair value hierarchy.

The convertible senior debentures, due 2040, due 2041, and due 2042, issued by the Company on November 9, 2010, May 13, 2011, and May 31, 2012, respectively, contain embedded derivative features that GAAP requires to be bifurcated and remeasured each reporting period. Each quarter, the change in the fair value of the embedded derivative features, if any, is recorded in the consolidated statements of operations. The Company uses a derivative valuation model to derive the value of the embedded derivative features. Key inputs into this valuation model are the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility, and the debentures' credit spread over London Interbank Offered Rate ("LIBOR"). The first three aforementioned inputs are based on observable market data and are considered Level 2 inputs while the last two aforementioned inputs are unobservable and thus require management's judgment and are considered Level 3 inputs. The fair value measurement is considered a Level 3 measurement within the fair value hierarchy.

The fair value of the long-term debt, excluding the derivative liabilities, at June 30, 2012 and December 31, 2011 is approximately $708,500 and $533,900, respectively, compared to its carrying value, excluding the derivative liabilities, of $460,908, and $398,068, respectively. The Company estimates the fair value of its long-term debt using a combination of quoted market prices for similar financing arrangements and expected future payments discounted at risk-adjusted rates, which are considered Level 2 inputs.

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

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 12 – Commitments and Contingencies

Semiconductor Foundry Agreements

The Company's Siliconix subsidiary maintains long-term foundry agreements with subcontractors to ensure access to external front-end capacity.

Since 2004, Siliconix has maintained a definitive long-term foundry agreement for semiconductor manufacturing with Tower Semiconductor, pursuant to which Siliconix transferred certain technology to Tower Semiconductor and committed to purchase a minimum amount of semiconductor wafers. The agreement with Tower extends through the second quarter of 2015.

Subsequent to the end of the second fiscal quarter, on July 6, 2012, Siliconix amended its foundry agreement with an Asian foundry to ensure additional capacity in exchange for cash and a commitment to purchase a minimum amount of semiconductor wafers. This agreement extends through the fourth quarter of 2016.

The Company estimates its total purchase commitments under the foundry agreements as follows:

2012	$26,098
2013	21,428
2014	21,028
2015	21,017
2016	12,211

Siliconix has the option to purchase wafers from these subcontractors in addition to the minimum commitments and, accordingly, actual purchases may be different than the commitments disclosed above.

Executive Employment Agreements

The Company has employment agreements with certain of its senior executives. These employment agreements provide incremental compensation in the event of termination. The Company does not provide any severance or other benefits specifically upon a change in control. The Company recognized compensation expense of $3,889 reported on a separate line in the accompanying consolidated condensed statements of operations in the second fiscal quarter of 2011 for elements of compensation that accelerated upon the passing of Dr. Zandman. (See also Note 8.)

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

Overview

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

We operate in five product segments: MOSFETs; Diodes; Optoelectronic Components; Resistors & Inductors; and Capacitors.

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

We are focused on enhancing stockholder value and improving earnings per share through our growth plan and by repurchasing our stock. In the second fiscal quarter of 2012, we completed the repurchase of 13.9 million shares of our common stock for $150 million. Including this most recent repurchase, we have repurchased 44.3 million shares of our common stock since the fourth fiscal quarter of 2010, representing 24% of our shares outstanding before we began this initiative. Beginning in 2012, the permitted capacity to repurchase shares of stock under our credit facility began to increase each quarter by an amount equal to 20% of net income. At June 30, 2012, our total capacity to repurchase shares of stock under our credit facility is $166 million. We will continue to evaluate attractive stock repurchase opportunities.

Our business and operating results have been and will continue to be impacted by worldwide economic conditions. Our revenues are dependent on end markets that are impacted by consumer and industrial demand, and our operating results can be adversely affected by reduced demand in those global markets. For several years, we implemented aggressive cost reduction programs. We continue to monitor the current economic environment and its potential effects on our customers and the end markets that we serve. Additionally, we continue to closely monitor our costs, inventory, and capital resources to respond to changing conditions and to ensure we have the management, business processes, and resources to meet our future needs. See additional information regarding our competitive strengths and key challenges as disclosed in Part 1 of our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission (the "SEC") on February 23, 2012.

We utilize several financial metrics, including net revenues, gross profit margin, segment operating income, end-of-period backlog, book-to-bill ratio, inventory turnover, change in average selling prices, net cash and short-term investments (debt), and free cash generation to evaluate the performance and assess the future direction of our business. (See further discussion in "Financial Metrics" and "Financial Condition, Liquidity, and Capital Resources.") Our business is still recovering from the downturn in demand and high inventory levels in the supply chain that much of our industry experienced in the last six fiscal months of 2011. The downturn in demand in the last six fiscal months of 2011 resulted in a reduction of nearly all key financial metrics in 2012 compared with the prior year periods.

Net revenues for the fiscal quarter ended June 30, 2012 were $588.2 million, compared to $709.8 million for the fiscal quarter ended July 2, 2011. The net earnings attributable to Vishay stockholders for the fiscal quarter ended June 30,

2012 were $45.7 million, or $0.29 per diluted share, compared to $82.1 million, or $0.48 per diluted share for the fiscal quarter ended July 2, 2011.

Net revenues for the six fiscal months ended June 30, 2012 were $1,126.7 million, compared to $1,405.0 million for the six fiscal months ended July 2, 2011. The net earnings attributable to Vishay stockholders for the six fiscal months ended June 30, 2012 were $79.5 million, or $0.49 per diluted share, compared to $157.4 million, or $0.91 per diluted share for the six fiscal months ended July 2, 2011.

The net earnings attributable to Vishay stockholders for the fiscal quarters and six fiscal months ended June 30, 2012 and July 2, 2011 include items affecting comparability as listed in the reconciliation below. The reconciliation below includes certain financial measures which are not recognized in accordance with GAAP, including adjusted net earnings and adjusted net earnings per share. These non-GAAP measures should not be viewed as an alternative to GAAP measures of performance. Non-GAAP measures such as adjusted net earnings and adjusted net earnings per share do not have uniform definitions. These measures, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies. Management believes that these measures are meaningful because they provide insight with respect to our intrinsic operating results. Reconciling items to arrive at adjusted net earnings represent significant charges or credits that are important to understanding our intrinsic operations.

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
GAAP net earnings attributable to Vishay stockholders	$45,671	$82,095	$79,483	$157,382
Reconciling items affecting operating margin:				
Gain on sale of property	$(12,153)	$-	$(12,153)	$-
Executive compensation charge	-	3,889	-	3,889
Reconciling items affecting tax expense:				
Tax effects of items above and other one-time tax expense (benefit)	$4,131	$(1,419)	$4,131	$8,605
Adjusted net earnings	$37,649	$84,565	$71,461	$169,876
Adjusted weighted average diluted shares outstanding	159,249	170,645	161,596	173,143
Adjusted earnings per diluted share *	$0.24	$0.50	$0.44	$0.98

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

Our results for the six fiscal months ended June 30, 2012 represent an improved business environment following the downturn in demand and high inventory levels in the supply chain that much of our industry experienced in the last six fiscal months of 2011. Our revenues for the second fiscal quarter further improved versus the first fiscal quarter of 2012 despite being negatively impacted by macroeconomic anxiety that we believe is increasingly affecting most markets as well as consumer concerns about the weakening Euro and its future. Our results for the first six fiscal months of 2012 demonstrate our ability to react quickly to changing economic environments and successfully implement temporary cost reduction measures when necessary to sustain earnings. Our results for the fiscal quarter and six fiscal months ended July 2, 2011 represent a period of very favorable business environment and the effects of the cost reductions initiated in the prior years enabling us to achieve significantly higher earnings than before the

beginning of the 2008-2009 global economic recession at the same sales volume.

Financial Metrics

We utilize several financial metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include net revenues, gross profit margin, operating margin, segment operating income, end-of-period backlog, and the book-to-bill ratio. We also monitor changes in inventory turnover and average selling prices ("ASP").

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

Operating margin is computed as gross profit less operating expenses as a percentage of net revenues. We evaluate business segment performance on segment operating margin. Only dedicated, direct selling, general, and administrative expenses of the segments are included in the calculation of segment operating income. Segment operating margin is computed as operating income less items such as restructuring and severance costs, asset write-downs, goodwill and indefinite-lived intangible asset impairments, inventory write-downs, gain or losses on purchase commitments, global operations, sales and marketing, information systems, finance and administrative groups, and other items, expressed as a percentage of net revenues. We believe that evaluating segment performance excluding such items is meaningful because it provides insight with respect to intrinsic operating results of the segment. Operating margin is clearly a function of net revenues, but also reflects our cost management programs and our ability to contain fixed costs.

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

An important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period as compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that our backlog is building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining revenues.

We focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our costs of products sold for the four fiscal quarters ending on the last day of the reporting period divided by our average inventory (computed using each fiscal quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital.

Pricing in our industry can be volatile. We analyze trends and changes in average selling prices to evaluate likely future pricing. The erosion of average selling prices of established products is typical for semiconductor products. We attempt to offset this deterioration with ongoing cost reduction activities and new product introductions. Our specialty passive components are more resistant to average selling price erosion.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows net revenues, gross profit margin, operating margin, end-of-period backlog, book-to-bill ratio, inventory turnover, and changes in ASP for our business as a whole during the five fiscal quarters beginning with the second fiscal quarter of 2011 through the second fiscal quarter of 2012 (dollars in thousands):

	2nd Quarter 2011	3rd Quarter 2011	4th Quarter 2011	1st Quarter 2012	2nd Quarter 2012
Net revenues	$709,838	$637,649	$551,391	$538,547	$588,199
Gross profit margin	29.9 %	26.3 %	22.8 %	25.4 %	25.1 %
Operating margin (1)	16.3 %	11.8 %	6.1 %	9.3 %	12.4 %
End-of-period backlog (2)	$881,800	$655,200	$530,200	$607,100	$593,300
Book-to-bill ratio	0.95	0.67	0.80	1.11	1.01
Inventory turnover	4.23	3.99	3.86	3.66	4.01
Change in ASP vs. prior quarter	-0.4 %	-1.1 %	-0.5 %	-1.0 %	-1.4 %

(1) Operating margin for the second fiscal quarter of 2011 includes a $3.9 million executive compensation charge recognized upon the passing of our former Executive Chairman of the Board, Dr. Zandman (see Note 12 to our consolidated condensed financial statements included in Item 1). Operating margin for the third fiscal quarter of 2011 includes a $1.9 million executive compensation charge recognized upon the resignation of our former Chief Financial Officer. Operating margin for the second fiscal quarter of 2012 includes a $12.2 million gain recognized on the sale of a vacated property in Belgium (see Note 4 to our consolidated condensed financial statements included in Item 1).
(2) End-of-period backlog for the first fiscal quarter of 2012 reflects a total of $12.2 million related to the backlog of the HiRel Sytems LLC as of the date of acquisition.

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

The low demand and reduction in distribution inventory levels that we experienced in the second half of 2011 reduced our backlog and resulted in a decrease in net revenues and ASP in 2012 compared to the prior year periods. In the second fiscal quarter of 2012, we experienced a substantial revenue increase versus the first fiscal quarter of 2012 though not quite to the degree as anticipated. Our second fiscal quarter of 2012 was negatively affected by macroeconomic anxieties that affected most markets and concerns about the weakening Euro, but our orders and backlog remained relatively stable versus the first fiscal quarter of 2012. Increased competitive pricing pressure for commodity products and selective volume discount pricing employed for our MOSFETs products has resulted in a slight acceleration in average selling price decline versus the first fiscal quarter of 2012 and the prior year periods.

As anticipated, due to the sales volume increase in the second fiscal quarter of 2012 our temporary fixed cost reductions implemented in the first fiscal quarter of 2012 could not be sustained, which negatively impacted our incremental gross margin performance versus the first fiscal quarter of 2012. The significant decrease in sales volume in 2012 versus the prior year periods resulted in a significant decrease in gross margins compared to the prior year periods.

Due to the stability in orders, relatively low order cancellations, and higher net revenues, the book-to-bill ratio decreased to 1.01 in the second fiscal quarter of 2012 from 1.11 in the first fiscal quarter of 2012. The book-to-bill ratios for distributors and original equipment manufacturers ("OEM") were 1.06 and 0.94, respectively, versus ratios of 1.11 and 1.10, respectively, during the first fiscal quarter of 2012.

For the third fiscal quarter of 2012, we anticipate revenues between $570 million and $610 million at margins similar to the second fiscal quarter of 2012.

Financial Metrics by Segment

The following table shows net revenues, book-to-bill ratio, gross profit margin, and segment operating margin broken out by segment for the five fiscal quarters beginning with the second fiscal quarter of 2011 through the second fiscal quarter of 2012 (dollars in thousands):

	2nd Quarter 2011		3rd Quarter 2011		4th Quarter 2011		1st Quarter 2012		2nd Quarter 2012	
MOSFETs										
Net revenues	$153,245		$131,866		$109,871		$94,838		$111,363	
Book-to-bill ratio	0.95		0.50		0.77		1.18		1.20	
Gross profit margin	27.9	%	20.7	%	14.5	%	11.2	%	16.8	%
Segment operating margin	21.2	%	13.1	%	5.5	%	1.4	%	7.8	%
Diodes										
Net revenues	$169,613		$150,993		$127,470		$120,134		$136,008	
Book-to-bill ratio	0.97		0.62		0.70		1.01		0.95	
Gross profit margin	25.8	%	23.7	%	19.8	%	20.9	%	21.1	%
Segment operating margin	21.9	%	19.4	%	14.8	%	16.1	%	16.7	%
Optoelectronic Components										
Net revenues	$63,761		$56,119		$52,258		$50,639		$58,083	
Book-to-bill ratio	0.86		0.77		0.91		1.12		0.91	
Gross profit margin	34.4	%	30.9	%	29.7	%	34.2	%	32.0	%
Segment operating margin	28.7	%	24.7	%	22.8	%	27.7	%	26.2	%
Resistors & Inductors										
Net revenues	$168,924		$157,037		$141,757		$159,010		$166,398	
Book-to-bill ratio	0.99		0.85		0.90		1.13		0.99	
Gross profit margin	34.9	%	32.9	%	29.9	%	34.1	%	33.1	%
Segment operating margin	30.6	%	28.6	%	24.6	%	29.3	%	28.1	%
Capacitors										
Net revenues	$154,295		$141,634		$120,035		$113,926		$116,347	
Book-to-bill ratio	0.89		0.65		0.75		1.12		0.97	

Gross profit margin	29.0	%	25.0	%	22.2	%	25.9	%	22.8	%
Segment operating margin	25.0	%	20.8	%	17.1	%	21.0	%	18.0	%

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Acquisition Activity

As part of our growth strategy, we seek to expand through targeted acquisitions of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. This includes exploring opportunities to acquire targets to gain market share, penetrate different geographic markets, enhance new product development, round out our existing product lines, or grow our high margin niche market businesses. Acquisitions of passive components businesses would likely be made to strengthen and broaden our position as a specialty product supplier; acquisitions of discrete semiconductor businesses would be made to increase market share and to generate synergies. To limit our financial exposure, we have implemented a policy not to pursue acquisitions if our post-acquisition debt would exceed 2.5x our pro forma earnings before interest, taxes, depreciation, and amortization ("EBITDA"). For these purposes, we will calculate pro forma EBITDA as the adjusted EBITDA of Vishay and the target for Vishay's four preceding fiscal quarters, with a pro forma adjustment for savings which management estimates would have been achieved had the target been acquired by Vishay at the beginning of the four fiscal quarter period.

Our growth plan targets adding, through acquisitions, approximately $100 million of revenues per year over the next five years. Depending on the opportunities available, we might make several smaller acquisitions or a few larger acquisitions. We intend to make such acquisitions using mainly cash, rather than debt or equity, although we do have capacity on our revolving credit facility if necessary. We are not currently targeting acquisitions larger than $500 million.

On January 13, 2012, we acquired HiRel Systems LLC, a leading supplier of high reliability transformers, inductors, coils, and power conversion products, for approximately $85.5 million. The products and technology portfolio acquired will further enhance our inductors portfolio, particularly in the field of custom magnetics for medical, military, aerospace and aviation, and applications in the industrial and commercial field such as renewable energy and test and measurement equipment. For financial reporting purposes, the results of operations for this business have been included in the Resistors & Inductors segment from January 13, 2012.

On September 28, 2011, we acquired the resistor businesses of Huntington Electric, Inc., for approximately $19.3 million. The businesses acquired will further enhance our broad resistor portfolio, particularly in the high power and high current ranges, as well as with resistor assemblies for industrial applications. For financial reporting purposes, the results of operations for these businesses have been included in the Resistors & Inductors segment from September 28, 2011.

There is no assurance that we will be able to identify and acquire additional suitable acquisition candidates at price levels and on terms and conditions we consider acceptable.

Cost Management

We place a strong emphasis on controlling our costs.

The erosion of average selling prices of our established products, particularly our semiconductor products, that is typical of our industry and inflation drive us to continually seek ways to reduce our variable costs. Our variable cost reduction efforts include expending capital to increase automation and maximize the efficiency in our production facilities, consolidating materials purchasing across regions and divisions to achieve economies of scale, materials substitution, maintaining an appropriate mix of in-house production and subcontractor production, increasing wafer size and shrinking dies to maximize efficiency in our semiconductor production processes, and other yield improvement activities.

Our cost management strategy also includes a focus on controlling fixed costs. We seek to maintain selling, general, and administrative expenses at current quarterly levels, excluding foreign currency exchange effects and substantially independent of sales volume changes. Our fixed cost control efforts include automating administrative processes through the expansion of IT systems, gradually migrating to common IT systems across our organization, streamlining our legal entity structure, and reducing our external resource needs by utilizing more cost-effective in-house personnel, while utilizing external resources when day-to-day expertise is not required in-house.

Historically, our primary cost reduction technique was through the transfer of production to the extent possible from high-labor-cost countries, such as the United States and Western Europe, to lower-labor-cost countries, such as the Czech Republic, Israel, India, Malaysia, Mexico, the People's Republic of China, and the Philippines. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we were successful in implementing this program. This percentage was 74.7% at the end of the second fiscal quarter of 2012 as compared to 57% when this program began in 2001. We believe that our workforce is now appropriately located to serve our customers, while maintaining lower manufacturing costs.

As a result of restructuring activities in 2008-2009, we drastically reduced our break-even point by approximately $450 million. While streamlining and reducing fixed overhead, we exercised caution so that we will not negatively impact our customer service or our ability to further develop products and processes. The risks associated with our cost reduction programs are further detailed in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 23, 2012.

We did not initiate any new restructuring projects in 2011 or the first six fiscal months of 2012 and thus did not record any material restructuring and severance expenses during such periods.

Because we believe that our manufacturing footprint is suitable to serve our customers and end markets, we do not anticipate any material restructuring expenses in 2012. We currently plan to keep our trained workforce even through periods of lower manufacturing activity levels by reducing hours and limiting the use of subcontractors and foundries. However, the recurrence of a significant economic downturn may require us to implement additional restructuring initiatives.

Our long-term strategy includes growth through the integration of acquired businesses, and GAAP requires plant closure and employee termination costs that we incur in connection with our acquisition activities to be recorded as expenses in our consolidated statements of operations, as such expenses are incurred. We have not incurred any material plant closure or employee termination costs related to our acquisitions of Huntington Electric and HiRel Systems LLC, but we expect to have some level of future restructuring expenses due to future acquisitions.

Even as we seek to manage our costs, we continue to pursue our growth plans through investing in capacities for strategic product lines, and through increasing our resources for R&D, for technical marketing, and for field application engineering; all of which is supplemented by opportunistic acquisitions of specialty businesses.

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.

GAAP requires that we identify the "functional currency" of each of our subsidiaries and measure all elements of the financial statements in that functional currency. A subsidiary's functional currency is the currency of the primary economic environment in which it operates. In cases where a subsidiary is relatively self-contained within a particular country, the local currency is generally deemed to be the functional currency. However, a foreign subsidiary that is a direct and integral component or extension of the parent company's operations generally would have the parent company's currency as its functional currency. We have both situations among our subsidiaries.

Foreign Subsidiaries which use the Local Currency as the Functional Currency

We finance our operations in Europe and certain locations in Asia in local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. For those subsidiaries where the local currency is the functional currency, assets and liabilities in the consolidated balance sheets have been translated at the rate of exchange as of the balance sheet date. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity.

For those subsidiaries where the local currency is the functional currency, revenues and expenses incurred in the local currency are translated at the average exchange rate for the year. While the translation of revenues and expenses incurred in the local currency into U.S. dollars does not directly impact the statements of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies. The dollar generally has been stronger during the first six fiscal months and second fiscal quarter of 2012 compared to the prior year periods and the prior fiscal quarter, with the translation of foreign currency revenues and expenses into U.S. dollars decreasing reported revenues and expenses versus the prior year periods and the prior fiscal quarter.

These subsidiaries incur gains and losses on transactions denominated in currencies other than the local currency, especially in periods of rapidly changing foreign currency exchange rates. The sudden rapid changes in the Euro exchange rates in the second fiscal quarter of 2012 resulted in transactional losses in the second fiscal quarter of 2012.

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 first six fiscal months and the second fiscal quarter of 2012 have been slightly favorably impacted (compared to the prior year periods) by local currency transactions of subsidiaries which use the U.S. dollar as their functional currency.

Results of Operations

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Cost of products sold	74.9 %	70.1 %	74.8 %	69.6 %
Gross profit	25.1 %	29.9 %	25.2 %	30.4 %
Selling, general & administrative expenses	14.8 %	13.1 %	15.4 %	13.2 %
Operating income	12.4 %	16.3 %	10.9 %	16.9 %
Income before taxes and noncontrolling interest	11.1 %	15.6 %	10.0 %	16.3 %
Net earnings attributable to Vishay stockholders	7.8 %	11.6 %	7.1 %	11.2 %
________				
Effective tax rate	29.8 %	25.6 %	28.8 %	30.8 %

Net Revenues

Net revenues were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$588,199	$709,838	$1,126,746	$1,404,989
Change versus comparable prior year period	$(121,639)		$(278,243)	
Percentage change versus comparable prior year period	-17.1 %		-19.8 %	

Changes in net revenues were attributable to the following:

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-14.7 %	-18.6 %
Decrease in average selling prices	-3.1 %	-2.6 %
Foreign currency effects	-2.9 %	-1.9 %
Acquisitions	2.3 %	2.1 %
Other	1.3 %	1.2 %
Net change	-17.1 %	-19.8 %

Our revenue results for the fiscal quarter and six fiscal months ended June 30, 2012 were negatively affected by the low demand for our products in the last six fiscal months of 2011, which significantly reduced our backlog. Our cost management and the adaptation of our manufacturing capacities enabled us to sustain earnings at the lower sales volume. Our results for the fiscal quarter and six fiscal months ended July 2, 2011 represent a period of favorable business conditions and the effects of the cost reductions initiated in prior years enabling us to achieve significantly higher earnings than before the beginning of the 2008-2009 global economic recession at the same sales volume.

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 revenues under our distributor incentive programs of $38.1 million and $42.6 million for the six fiscal months ended June 30, 2012 and July 2, 2011 respectively, or 3.3% and 2.9% of gross revenues, respectively. Actual credits issued under the programs during the six fiscal months ended June 30, 2012 and July 2, 2011 were $41.6 million and $41.7 million, respectively. Increases and decreases in these incentives are largely attributable to the then-current business climate.

Royalty revenues, included in net revenues on the consolidated condensed statements of operations, were approximately $3.5 million and $2.9 million for the six fiscal months ended June 30, 2012 and July 2, 2011, respectively.

Gross Profit and Margins

Gross profit margins for the fiscal quarter and six fiscal months ended June 30, 2012 were 25.1% and 25.2%, respectively, versus 29.9% and 30.4%, respectively, for the comparable prior year periods. The decrease in gross profit margin for the fiscal quarter and six fiscal months ended June 30, 2012 versus the fiscal quarter and six fiscal months ended July 2, 2011 reflects a significant decrease in sales volume and slightly lower average selling prices.

Segments

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

MOSFETs

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$111,363	$153,245	$206,201	$296,243
Change versus comparable prior year period	$(41,882)		$(90,042)	
Percentage change versus comparable prior year period	-27.3%		-30.4%	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-22.3%	-26.9%
Decrease in average selling prices	-7.1%	-5.6%
Foreign currency effects	-0.9%	-0.6%

Other	3.0	%	2.7	%
Net change	-27.3	%	-30.4	%

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Gross profit margin	16.8 %	27.9 %	14.2 %	27.8 %

The MOSFETs segment was the segment most adversely affected by the decreased demand for consumer goods and the reduction in distribution orders in the second half of 2011. The decrease in gross profit margin versus the fiscal quarter and six fiscal months ended July 2, 2011 is primarily due to the decrease in sales volume. Also, a non-recurring manufacturing issue associated with purchased materials affected the first fiscal quarter of 2012. As expected, gross profit margin and revenue increased in the second fiscal quarter of 2012 from the lows of the first fiscal quarter of 2011.

We implemented selective volume based pricing for our MOSFETs products in the second fiscal quarter of 2012, which led to a higher than normal price decline versus the prior quarter and prior year periods. Based on our current backlog, we expect the MOSFETs segment to continue to recover in the third fiscal quarter of 2012.

Diodes

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$136,008	$169,613	$256,142	$329,030
Change versus comparable prior year period	$(33,605)		$(72,888)	
Percentage change versus comparable prior year period	-19.8 %		-22.2 %	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-16.3 %	-19.5 %
Decrease in average selling prices	-2.7 %	-2.6 %
Foreign currency effects	-1.9 %	-1.3 %
Other	1.1 %	1.2 %
Net change	-19.8 %	-22.2 %

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011

Gross profit margin	21.1 %	25.8 %	21.0 %	25.2 %

The decrease in the Diodes segment gross profit margin versus the fiscal quarter and six fiscal months ended July 2, 2011 is primarily due to the significant decrease in sales volume. Typical pricing pressure for our established Diodes products continues. We have experienced a moderate price decline versus the prior quarter and prior year periods.

The Diodes segment benefited from better than anticipated distribution revenue in Asia in the second fiscal quarter of 2012, but was negatively impacted by slightly higher fixed costs and an inventory reduction. Due to the present macroeconomic business conditions, we do not expect further recovery of the Diodes segment in the third fiscal quarter of 2012.

Optoelectronic Components

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$58,083	$63,761	$108,722	$121,509
Change versus comparable prior year period	$(5,678)		$(12,787)	
Percentage change versus comparable prior year period	-8.9%		-10.5%	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-1.5%	-4.4%
Decrease in average selling prices	-3.9%	-4.0%
Foreign currency effects	-3.8%	-2.7%
Other	0.3%	0.6%
Net change	-8.9%	-10.5%

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Gross profit margin	32.0%	34.4%	33.0%	34.5%

The decrease in the Optoelectronic Components segment gross profit margin versus the fiscal quarter and six fiscal months ended July 2, 2011 is primarily due to a decrease in sales volume.

Typical pricing pressure for our established Optoelectronic Components products continues. We expect relatively stable results for the Optoelectronic Components segment in the third fiscal quarter of 2012.

Resistors & Inductors

Net revenues of the Resistors & Inductors segment were as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$166,398	$168,924	$325,408	$342,060
Change versus comparable prior year period	$(2,526)		$(16,652)	
Percentage change versus comparable prior year period	-1.5%		-4.9%	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-5.2%	-10.0%
Decrease in average selling prices	-1.2%	-0.9%
Foreign currency effects	-4.4%	-2.9%
Acquisitions	9.7%	8.8%
Other	-0.4%	0.1%
Net change	-1.5%	-4.9%

Gross profit as a percentage of net revenues for the Resistors & Inductors segment was as follows:

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Gross profit margin	33.1%	34.9%	33.6%	35.1%

The Resistors & Inductors segment gross profit margin levels decreased slightly versus the first fiscal quarter of 2012 due to some large volume, lower priced business. Gross profit margin levels decreased slightly versus the fiscal quarter and six fiscal months ended July 2, 2011 due to decreases in sales volume.

We further enhanced the segment's product portfolio in the first fiscal quarter of 2012 by acquiring HiRel Systems. Specifically, HiRel Systems expands our magnetic and power supplies specialty product portfolio. The integration of Huntington Electric, acquired in the third fiscal quarter of 2011, and HiRel Systems continues as planned. Our results for the fiscal quarter and first six fiscal months of 2012 were positively impacted by the acquisitions of Huntington Electric and HiRel Systems and we expect HiRel Systems' revenue growth to out-perform our corporate average. More opportunities for acquisitions exist and are being evaluated.

Average selling prices declined slightly versus the prior quarter and the prior year periods primarily due to the volume business noted above. Based on a book-to-bill ratio of 0.99 and a normal backlog, we expect relatively stable results for the Resistors & Inductors segment in the third fiscal quarter of 2012.

Capacitors

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net revenues	$116,347	$154,295	$230,273	$316,147
Change versus comparable prior year period	$(37,948)		$(85,874)	
Percentage change versus comparable prior year period	-24.6%		-27.2%	

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

	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:		
Decrease in volume	-20.8%	-24.7%
Decrease in average selling prices	-1.4%	-1.1%
Foreign currency effects	-3.8%	-2.5%
Other	1.4%	1.1%
Net change	-24.6%	-27.2%

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

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Gross profit margin	22.8%	29.0%	24.3%	31.5%

The Capacitors segment did not experience the level of recovery we were anticipating in the second fiscal quarter of 2012. The decrease in gross profit margin versus the fiscal quarter and six fiscal months ended July 2, 2011 is primarily due to the significant decrease in sales volume. The decrease in gross profit margin versus the prior fiscal quarter is primarily due to a more normal product mix.

We have experienced a slight price decline versus the prior quarter and a moderate price decline versus the prior year periods. Based on a book-to-bill ratio of 0.97 and a normal backlog, we expect relatively stable results for the Capacitors segment in the third fiscal quarter of 2012.

Selling, General, and Administrative Expenses

Selling, general, and administrative ("SG&A") expenses are summarized as follows (dollars in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Total SG&A expenses	$86,889	$92,796	$173,253	$185,261
as a percentage of revenues	14.8 %	13.1 %	15.4 %	13.2 %

The overall decrease in SG&A expenses is primarily attributable to temporary cost reduction programs, a realignment of bonus accruals to current expectations for the year, and a positive exchange rate impact. The increase in SG&A as a percentage of revenues is primarily due to the decrease in revenues. Additionally, several items included in SG&A expenses impact the comparability of these amounts, as summarized below (in thousands):

	Fiscal quarters ended		Six fiscal months ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Amortization of intangible assets	$3,690	$3,796	$7,289	$7,565
Net (gain) loss on sales of assets	79	29	(917)	(930)

The acquisitions of the resistor businesses of Huntington Electric in the third fiscal quarter of 2011 and HiRel Systems LLC in the first fiscal quarter of 2012 increased our amortizable intangible assets balance by $51.1 million. See Note 3 to our consolidated condensed financial statements for an estimate of our annual amortization expense through 2016. Additional acquisition activity will increase these amounts.

We also recorded a $12.1 million gain on the sale of vacated property in Belgium in the second fiscal quarter of 2012 that is reported on a separate line in the consolidated condensed statements of operations for the fiscal quarter and six fiscal months ended June 30, 2012.

Other Income (Expense)

Interest expense for the fiscal quarter and six fiscal months ended June 30, 2012 increased by $0.9 million and $1.6 million, respectively, versus the comparable prior year periods. The increase is primarily due to interest on the convertible senior debentures due 2041 and due 2042 that were issued on May 13, 2011 and May 31, 2012, respectively.

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

	Fiscal quarters ended		
	June 30, 2012	July 2, 2011	Change
Foreign exchange gain (loss)	$(4,067)	$(2,748)	$(1,319)
Interest income	1,798	2,672	(874)

Other	175	48	127
	$(2,094)	$(28)	$(2,066)

	Six fiscal months ended		
	June 30, 2012	July 2, 2011	Change
Foreign exchange gain (loss)	$(5,357)	$(4,613)	$(744)
Interest income	4,341	4,148	193
Other	230	(70)	300
	$(786)	$(535)	$(251)

Income Taxes

For the fiscal quarter and six fiscal months ended June 30, 2012, our effective tax rate was 29.8% and 28.8%, respectively as compared to 25.6% and 30.8%, for the fiscal quarter and six fiscal months ended July 2, 2011, respectively. The effective tax rate is generally less than the U.S. statutory rate primarily because of earnings in foreign jurisdictions.

Our effective tax rate for the six fiscal months ended July 2, 2011 includes a one-time tax expense in Israel of approximately $10.0 million. In January 2011, a new tax law was enacted in Israel which effectively lowered the corporate income tax rate on certain types of income earned after December 31, 2010. Accordingly, our deferred tax assets in Israel were written down to reflect the lower rate and a one-time tax expense of approximately $10.0 million was recorded in the consolidated condensed statement of operations during the first fiscal quarter of 2011.

We operate in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, our consolidated income tax rate is a composite rate reflecting our earnings and the applicable tax rates in the various jurisdictions where we operate. Part of our strategy is to achieve cost savings by operating in 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 our effective tax rate are largely attributable to changes in the mix of pretax income among our various taxing jurisdictions.

During the six fiscal months ended June 30, 2012, the liabilities for unrecognized tax benefits increased by $3.2 million on a net basis, principally due to increases for positions taken in prior periods and interest expense.

Financial Condition, Liquidity, and Capital Resources

We focus on our ability to generate cash flows from operations. The cash generated from operations is used to fund our capital expenditure plans, and cash in excess of our capital expenditure needs is available to fund our acquisition strategy and to reduce debt levels. We have generated cash flows from operations in excess of $200 million in each of the past 10 years, and cash flows from operations in excess of $100 million in each of the past 17 years. A portion of the cash flows from operations was generated by the Vishay Precision Group which was spun off on July 6, 2010.

We refer to the amount of cash generated from operations in excess of our capital expenditure needs and net of proceeds from the sale of assets as “free cash,” a measure which management uses to evaluate our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends. Vishay has generated positive “free cash” in each of the past 15 years, and “free cash” in excess of $80 million in each of the past 10 years. In this volatile economic environment, we continue to focus on the generation of free cash, including an emphasis on cost controls.

We continued to generate positive cash flows from operations and free cash during the fiscal quarter ended June 30, 2012. Despite a slow start to the year, we expect strong cash generation in 2012. There is no assurance, however, that we will be able to continue to generate cash flows from operations and free cash at the same levels, or at all, going forward if the current economic environment worsens.

Beginning in the fourth fiscal quarter of 2010, we have reacted to favorable market conditions to significantly reshape the company’s capital structure. These initiatives continued in the second fiscal quarter of 2012. On May 31, 2012, we completed the offering of $150 million principal amount of 2.25% convertible senior debentures due 2042 to qualified institutional investors. We used the net proceeds from this offering, together with cash on hand, to repurchase 13,948,687 shares of common stock at $10.75 per share for an aggregate purchase price of $150 million. We believe that the use of low-coupon, long-dated convertible debentures was a more efficient means to finance the repurchase versus repatriation of non-U.S. cash. See Note 6 to our consolidated condensed financial statements.

Including the most recent issuance of convertible debentures described above, we have completed three issuances of low-coupon convertible debentures since the fourth fiscal quarter of 2010, each of which mature thirty years from the date of issuance. We utilized the proceeds of those debenture offerings to repurchase 44.3 million shares of our common stock, representing approximately 24% of our outstanding stock prior to implementing these initiatives. We also entered into a new, larger, revolving credit facility in December 2010, which has been favorably amended at little to no cost.

On April 3, 2012, we amended our credit agreement and entered into an incremental facility agreement that increases the total revolving commitment from $450 million to $528 million. The incremental commitments provide us with additional flexibility to pursue our growth plan. The incremental revolving commitments have terms and conditions identical to the terms and conditions of the existing commitments under the credit facility. Other significant terms and conditions of the credit agreement have not been changed. Following the expansion, we have the ability to request up to an additional $22 million of incremental commitments, subject to the satisfaction of certain conditions. At June 30, 2012 and December 31, 2011, $160 million and $155 million, respectively, was outstanding under the credit facility. The credit facility provides a revolving commitment through December 1, 2015.

Borrowings under the credit facility bear interest at LIBOR plus an interest margin. The applicable interest margin is based on our then current leverage ratio. Based on our current leverage ratio, the interest rate on our borrowings will increase from LIBOR plus 1.65% to LIBOR plus 1.95% for the third fiscal quarter of 2012. The interest rate on our borrowings will further increase if our leverage ratio exceeds 2.00 to 1 and will decrease if our leverage ratio decreases to 1.50 to 1. We are also required to pay facility commitment fees of 0.35% per annum on the entire

commitment amount.

The borrowings under the credit facility are secured by a lien on substantially all assets located in the United States, including accounts receivable, inventory, machinery and equipment, and general intangibles (but excluding real estate, intellectual property registered or licensed for use in, or arising under the laws of, any country other than the United States, and bank and securities accounts) of Vishay and certain significant domestic subsidiaries, and pledges of stock in certain significant domestic and foreign subsidiaries and are guaranteed by certain significant subsidiaries. Certain of our subsidiaries are permitted to borrow under the credit facility, subject to the satisfaction of specified conditions. Any borrowings by these subsidiaries under the credit facility will be guaranteed by Vishay.

The credit facility includes limits or restrictions on, among other things, incurring indebtedness, incurring liens on assets, making investments and acquisitions, making asset sales, repurchasing our common stock, and paying cash dividends and making other restricted payments. The credit facility also requires us to comply with other covenants, including the maintenance of specific financial ratios.

The financial maintenance covenants include (a) an interest expense coverage ratio of not less than 2.00 to 1; and (b) a leverage ratio of not more than 3.25 to 1 (and a pro forma ratio of 2.75 to 1 on the date of incurrence of additional debt). The computation of these ratios is prescribed in Article 6 of the Credit Agreement between Vishay Intertechnology, Inc. and JPMorgan Chase Bank, N.A., which has been filed with the SEC as Exhibit 10.1 to our current report on Form 8-K filed December 1, 2010.

We were in compliance with all covenants under the credit facility at June 30, 2012. Our interest expense coverage ratio and leverage ratio were 12.58 to 1 and 1.85 to 1, respectively. We expect to continue to be in compliance with these covenants based on current projections.

If we are not in compliance with all of the required financial covenants, the credit facility could be terminated by the lenders, and all amounts outstanding pursuant to the credit facility could become immediately payable. Additionally, our exchangeable unsecured notes due 2102 and our convertible senior debentures due 2040, due 2041, and due 2042 have cross-default provisions that could accelerate repayment in the event the indebtedness under the credit facility is accelerated.

Beginning in 2012, our permitted capacity to repurchase shares of our outstanding common stock under the credit facility began to increase each quarter by an amount equal to 20% of net income. At June 30, 2012, our credit facility allows us to repurchase up to $166 million of our common stock. The amount and timing of any future stock repurchases remains subject to authorization of our Board of Directors.

In 2011, we began investing a portion of our excess cash in highly liquid, high-quality instruments with maturities greater than 90 days, but less than 1 year, which we classify as short-term investments on our consolidated condensed balance sheets. As these investments were funded using a portion of excess cash and represent a significant aspect of our cash management strategy, we include the investments in the calculation of net cash and short-term investments (debt). The following table summarizes the components of net cash and short-term investments (debt) at June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012	December 31, 2011
Credit facility	$160,000	$155,000
Exchangeable unsecured notes, due 2102	95,042	95,042
Convertible senior debentures, due 2040*	99,251	98,463

Convertible senior debentures, due 2041*	50,996	50,549
Convertible senior debentures, due 2042*	56,884	-
Total debt	462,173	399,054
Cash and cash equivalents	708,772	749,088
Short-term investments	239,503	249,139
Net cash and short-term investments (debt)	$486,102	$599,173

*Represents the carrying amount of the convertible debentures, which is comprised of the principal amount of the debentures, net of the unamortized discount and the associated embedded derivative liability.

Measurements such as "free cash" and "net cash and short-term investments (debt)" do not have uniform definitions and are not recognized in accordance with GAAP. Such measures should not be viewed as alternatives to GAAP measures of performance or liquidity. However, management believes that "free cash" is a meaningful measure of our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends, and that an analysis of "net cash and short-term investments (debt)" assists investors in understanding aspects of our cash and debt management. These measures, as calculated by us, may not be comparable to similarly titled measures used by other companies.

Substantially all of our June 30, 2012 cash and cash equivalents and short-term investments balances were held by our non-U.S. subsidiaries. During the second half of 2012, we intend to repatriate $72.1 million of cash to the U.S., which will complete the $112.5 million cash repatriation program we initiated in 2008. This repatriated cash will be primarily used to reduce the amount outstanding under our revolving credit facility. After this planned reduction in the amount outstanding under the facility, the carrying value of our long-term debt will be approximately the same as the carrying value of debt prior to the May 2012 issuance of the convertible debentures due 2042. The tax effect of this repatriation was recorded during the fourth quarter of 2008. At the present time, we expect the remaining cash and profits generated by foreign subsidiaries will continue to be reinvested outside of the United States indefinitely. If additional cash is needed to be repatriated to the United States, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits), state income taxes, incremental foreign income taxes, and withholding taxes payable to various foreign countries.

Our financial condition as of June 30, 2012 continued to be strong, with a current ratio (current assets to current liabilities) of 4.5 to 1, as compared to a ratio of 4.2 to 1 as of December 31, 2011. This increase is primarily due to a reduction in accrued expenses in the first six fiscal months of 2012. Our ratio of total debt to Vishay stockholders' equity was 0.29 to 1 at June 30, 2012 as compared to a ratio of 0.25 to 1 at December 31, 2011. This increase is primarily due to the issuance of the convertible debentures due 2042 in May 2012.

Cash flows provided by continuing operating activities were $94.4 million for the six fiscal months ended June 30, 2012, as compared to cash flows provided by operations of $173.9 million for the six fiscal months ended July 2, 2011. This decrease is principally due to $78.2 million less net earnings generated in the first six fiscal months of 2012 and changes in working capital.

Cash paid for property and equipment for the six fiscal months ended June 30, 2012 was $47.3 million, as compared to $45.4 million for the six fiscal months ended July 2, 2011. We expect capital spending of approximately $160 million in 2012.

The interest rates on our short-term investments average 1.2% and are approximately 63 basis points higher than interest rates on our cash accounts. Transactions related to these investments are classified as investing activities on our consolidated statements of cash flows.

The balance of our revolving credit facility was $155 million at December 31, 2011. We borrowed $84 million and repaid $79 million on our credit facility during the six fiscal months ended June 30, 2012. The average outstanding balance on our credit facility calculated at fiscal month-ends was $146 million and the highest amount outstanding on our credit facility at a month end was $160 million during the six fiscal months ended June 30, 2012.

Management expects to continue to maintain an outstanding balance of at least $100 million on the credit facility, and may periodically pay down the balance with available cash or use the credit facility to meet short-term financing needs. We expect that cash on-hand and cash flows from operations will be sufficient to meet our longer-term financing needs related to normal operating requirements, obligations under restructuring and acquisition integration programs, and our research and development and capital expenditure plans. Acquisition activity or share repurchases

may require additional borrowing under our credit facility or may otherwise require us to incur additional debt.

Contractual Commitments and Off-Balance Sheet Arrangements

Our Annual Report on Form 10-K for the year ended December 31, 2011 includes a table of contractual commitments as of December 31, 2011. Except as described below, there were no material changes to these commitments during the six fiscal months ended June 30, 2012.

The following tables represent our long-term debt obligations and expected cash requirements for interest as of June 30, 2012 and December 31, 2011, reflecting the issuance of $150 million principal amount of senior convertible debentures due 2042 and net borrowings of $5 million on our credit facility during the six fiscal months ended June 30, 2012 (see Note 6 to the consolidated condensed financial statements).

Contractual Obligations as of June 30, 2012 (in thousands):

			Payments due by period		
	Total	2012	2013 - 2014	2015 - 2016	2017 and beyond
Long-term debt (1)	$830,042	$-	$-	$160,000	$670,042
Interest payments on long-term debt (2)	442,894	17,687	38,186	31,996	355,025

(1) Excludes unamortized debt discount associated with our convertible senior debentures due 2040, due 2041, and due 2042.
(2) Excludes the non-cash interest expense related to the amortization of the discount associated with our convertible senior debentures due 2040, due 2041, and due 2042.

Subsequent to June 30, 2012, Vishay amended a foundry agreement with an Asian foundry that increased its minimum purchase commitments under foundry agreements (see Note 12 to our consolidated condensed financial statements included in Item 1).

Contractual Obligations as of December 31, 2011 (in thousands):

			Payments due by period		
	Total	2012	2013 - 2014	2015 - 2016	2017 and beyond
Long-term debt (1)	$675,042	$-	$-	$155,000	$520,042
Interest payments on long-term debt (2)	$346,620	15,084	30,169	24,759	276,608

(1) Excludes unamortized debt discount associated with our convertible senior debentures due 2040 and due 2041.
(2) Excludes the non-cash interest expense related to the amortization of the discount associated with our convertible senior debentures due 2040 and due 2041.

We do not participate in nor have we created any off-balance sheet variable interest entities or other off-balance sheet financing, other than the operating leases described in our Annual Report on Form 10-K for the year ended December 31, 2011.

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "estimate," "will be," "will," "would," "expect," "antic "plan," "project," "intend," "could," "should," or other similar words or expressions often identify forward-looking statements.

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions, many of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements may vary materially from those anticipated, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions, particularly the pace, continuation, and possible reversal of the recovery in the worldwide economy; difficulties in identifying suitable acquisition candidates, consummating a transaction on terms which we consider acceptable, and integration and performance of acquired businesses; 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; uncertainty related to the effects of changes in foreign currency exchange rates; difficulties in implementing our cost management strategies; and other factors affecting our operations, markets, products, services, and prices that are set forth in our filings with the SEC, including our annual reports on Form 10-K and our quarterly reports on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Our 2011 Annual Report on Form 10-K listed various important factors that could cause actual results to differ materially from projected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I, Item 1A, of that filing under the heading "Risk Factors." You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks since December 31, 2011. For a discussion of our exposure to market risks, refer to 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, 2011, filed with the SEC on February 23, 2012.

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

Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 23, 2012, contains risk factors identified by Vishay. There have been no material changes to the risk factors we previously disclosed.

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

The table below summarizes our share repurchases during the second fiscal quarter of 2012:

Period	Total Number of Share Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Total Dollars Purchased Under the Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 - April 28	-	$-	-	$-	$-
April 29 - May 26	-	$-	-	$-	$-
May 27 - June 30	13,948,687	$10.75	13,948,687	$150,000,000	$-

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

3.1	Corrected Amended and Restated Certificate of Incorporation, dated June 5, 2012. Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed June 5, 2012.
4.1	Indenture, dated as of May 31, 2012, by and between Vishay Intertechnology, Inc. and Union Bank, N.A., as Trustee. Incorporated by reference to Exhibit 4.1 to our current report on Form 8-K filed May 31, 2012.
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Gerald Paul, Chief Executive Officer.
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Lori Lipcaman, Chief Financial Officer.

32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Dr. Gerald Paul, Chief Executive Officer.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Lori Lipcaman, Chief Financial Officer.
101	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2012, furnished in XBRL (eXtensible Business Reporting Language)).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VISHAY INTERTECHNOLOGY, INC.

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

Date: July 31, 2012