VISHAY INTERTECHNOLOGY INC
Form 10-K
February 26, 2009

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

FORM 10-K

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

For the fiscal year ended **December 31, 2008**

or

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

For the transition period from _____ to _____

Commission file number **1-7416**

Vishay Intertechnology, Inc.

(Exact name of registrant as specified in its charter)

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

63 Lancaster Avenue
Malvern, Pennsylvania 19355-2143
(Address of principal executive offices)

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

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

Common Stock, $0.10 par value	**New York Stock Exchange**
(Title of class)	(Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes x No o**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes o No x**

Note Checking the box above will not relieve any registrant required to file reports under Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **o**

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 "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer	x	**Non-accelerated filer**	o
Accelerated filer	o	**Smaller reporting company**	o

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

The aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter ($9.32 on June 28, 2008), assuming conversion of all of its Class B common stock held by non-affiliates into common stock of the registrant, was $1,602,000,000. There is no non-voting stock outstanding.

As of February 25, 2009, registrant had 172,200,536 shares of its common stock and 14,352,888 shares of its Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement, which will be filed within 120 days of December 31, 2008, are incorporated by reference into Part III.

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Vishay Intertechnology, Inc.

Form 10-K for the year ended December 31, 2008

CONTENTS

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PART I

Item 1. BUSINESS

General

Vishay Intertechnology, Inc. is a leading international manufacturer and supplier of semiconductors and passive electronic components. Semiconductors include rectifiers; diodes; transistors; integrated circuits (ICs) such as power ICs, and analog switches; modules that contain several different types of semiconductors in a single package; and optoelectronic products such as infrared (IR) emitters and detectors, IR receiver modules, optocouplers, optical sensors, light-emitting diodes (LEDs), and IR data transceiver modules. Passive electronic components include resistive products, capacitors, inductors, strain gage transducers, and stress analysis systems. Discrete semiconductors and passive electronic components are essential elements of virtually every type of electronic circuit. They support the microprocessor chips and other ICs that coordinate and control the functions of electronic devices and equipment. We offer our customers one-stop shop access to one of the most comprehensive electronic component product lines of any manufacturer in the United States, Europe, and Asia.

Our semiconductor components are used for a wide variety of functions, including power control, power conversion, power management, signal switching, signal routing, signal blocking, signal amplification, two-way data transfer, one-way remote control, and circuit isolation. Our passive components are used to restrict current flow, suppress voltage increases, store and discharge energy, control alternating current (AC) and voltage, filter out unwanted electrical signals, detect stress and other physical forces, measure weight, and perform other functions. Our components are used in virtually every type of product that contains electronic circuitry, in the

industrial, computing, automotive, consumer, telecommunications, military, aerospace, and medical markets.

Since our first acquisition in 1985, we have pursued a business strategy that principally consists of the following elements:

1. expanding within the electronic components industry, primarily through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product innovation, quality, and reliability, and product lines with which we have substantial marketing and technical expertise;

2. reducing selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies;

3. achieving significant production cost savings and synergies through the transfer and expansion of manufacturing operations to countries such as the Czech Republic, India, Israel, Malaysia, Mexico, the People's Republic of China, and the Philippines, where we can benefit from lower labor costs and available tax and other government-sponsored incentives;

4. maintaining significant production facilities in those regions where we market the bulk of our products in order to enhance the service and responsiveness that we provide to our customers;

5. using our research and development ("R&D"), engineering, and product marketing resources to continually roll out new and innovative products; and

6. strengthening our relationships with customers and strategic partners by providing broader product lines.

As a result of this strategy, we have grown from a small manufacturer of precision resistors and resistance strain gages to one of the world's largest manufacturers and suppliers of a broad line of electronic components.

The Vishay Story

In the 1950's, Dr. Felix Zandman was issued patents for his PhotoStress® coatings and instruments, used to reveal and measure the distribution of stresses in structures such as airplanes and cars under live load conditions. His research in this area led him to develop Bulk Metal® foil resistors – ultra-precise, ultra-stable resistors with performance far beyond any other resistor available to date.

In 1962, Dr. Zandman, with the financial help of the late Alfred P. Slaner, founded Vishay to develop and manufacture Bulk Metal® foil resistors. Concurrently, J.E. Starr developed foil resistance strain gages, which also became part of Vishay. Throughout the 1960's and 1970's, Vishay established itself as a technical and market leader in foil resistors, PhotoStress® products, and strain gages.

In 1985, Vishay began to expand its product line through various strategic acquisitions, including the resistor companies Dale Electronics, Draloric Electronic, and Sfernice. In the early 1990's, Vishay applied its acquisition strategy to the capacitor market, with the major acquisitions of Sprague Electric, Roederstein, and Vitramon. In 2002, Vishay acquired BCcomponents, the former passive components business of Philips Electronics and Beyschlag, which greatly enhanced Vishay's global market position in passive components. Over the years, we have made several smaller passive components acquisitions to gain market share, effectively penetrate different geographic markets, enhance new product development, round out our product lines, or grow our high margin niche businesses. These include Electro-Films, Cera-Mite, and Spectrol in 2000; Tansitor and North American Capacitor Company (Mallory) in 2001; the thin film interconnect business of Aeroflex in 2004; Alpha Electronics K.K. in 2005; Phoenix do Brasil in 2006; and the wet tantalum capacitor business of KEMET Corporation and Powertron GmbH in 2008.

In the late 1990's, Vishay began expanding its product lines to include discrete semiconductors. In 1998, Vishay acquired the Semiconductor Business Group of TEMIC, which included Telefunken and an 80.4% interest in Siliconix, producers of MOSFETs, RF transistors, diodes, optoelectronics, and power and analog switching integrated circuits. Vishay's next semiconductor acquisition came in 2001, with the purchase of the infrared components business of Infineon Technologies, which was followed the same year by Vishay's acquisition of

General Semiconductor, a leading global manufacturer of rectifiers and diodes. In 2005, Vishay made a successful tender offer for the minority interest in Siliconix. In 2007, Vishay acquired the Power Control Systems business of International Rectifier, further enhancing our product offerings. These acquisitions propelled Vishay into the top ranks of discrete semiconductor manufacturers.

During 2002, we made several acquisitions as part of our Measurements Group's strategy of vertical market integration, including the Sensortronics, Tedea-Huntleigh, BLH, Nobel, and Celtron businesses. In 2005, we acquired SI Technologies; in 2007, we acquired the on-board weighing systems business of PM Group; and in 2008, we acquired our partner's 51% interest in a transducer joint venture in India. As a result of these acquisitions, the product portfolio of our Measurements Group has been greatly expanded and now includes apart from resistance strain gages (in which Vishay is the worldwide leader), transducers (the metallic structures to which strain gages are cemented), electronic instruments that measure and control output of the transducers, and complete systems for process control and on-board weighing applications.

In the current uncertain economic conditions, we will not actively pursue acquisitions, but will consider special opportunities should they arise.

In addition to our acquisition activity in recent years, we have taken steps to assure our competitiveness, enhance our operating efficiency, and strengthen our liquidity. In this regard, we:

(i) closed or consolidated several manufacturing facilities, R&D centers, and administrative offices;
(ii) reduced our headcount, particularly in high-labor-cost countries; and
(iii) integrated our acquisitions within our existing management and operational infrastructure.

Vishay was incorporated in Delaware in 1962 and maintains its principal executive offices at 63 Lancaster Avenue, Malvern, Pennsylvania 19355-2143. Our telephone number is (610) 644-1300.

Products

We design, manufacture, and market electronic components that cover a wide range of functions and technologies. Our product portfolio includes:

- power MOSFETs,
- rectifiers,
- diodes and thyristors,
- IR emitters and detectors,
- IR receiver modules,
- optocouplers and solid-state relays,
- optical sensors,
- LEDs and 7-segment displays,
- infrared data transceiver modules,
- power ICs,
- analog switches,
- RF transmitter and receiver modules,
- ICs for optoelectronics,
- power modules (contain power diodes, thyristors, MOSFETs, IGBTs),
- dc-to-dc converters,
- chip fuses,
- discrete resistors,
- variable resistors (attenuators, dials, motion transducers, potentiometers,
- foil resistors,
- resistor networks and arrays,
- thermistors,
- varistors,
- inductors,
- transformers,
- tantalum capacitors,
- ceramic capacitors,
- film capacitors,
- power capacitors,
- heavy-current capacitors,
- aluminum capacitors,
- displays (IR touch panel, LCD, plasma),
- connectors,
- PhotoStress® products,
- strain gages,
- load cells,
- force transducers,
- weighing systems, and
- specialized strain gage systems.

rheostats, trimmers),

We believe that we produce one of the broadest lines of discrete electronic components available from any single manufacturer. We aim to use this broad portfolio to increase opportunities to have our components selected and designed in to new end products by customers in all relevant market segments. We also promote our ability to provide one-stop shop service to customers, whereby they can streamline their design and purchasing processes by ordering multiple types of products from Vishay. Our technical sales force consisting of field application engineers offers customers the complete breadth of the Vishay portfolio for their applications.

Product Segments

Our products can be divided into two general classes: semiconductors and passive components. These broad categories are also the basis used to determine our operating segments for financial reporting purposes. See Note 15 to our consolidated financial statements for additional information on revenues, income, and total assets by segment.

Semiconductors

Our Semiconductors segment includes discrete devices, integrated circuits (ICs), and modules. Semiconductors are sometimes referred to as active components because they require power to function. Discrete semiconductors are single components or arrangements of components that typically perform a single function, such as switching, amplifying, rectifying, or transmitting electrical signals. IC products from Vishay are focused on analog signal switching and routing, power conversion, and power management. Our modules combine several components into a single package. Examples include our power modules that contain power diodes, thyristors, MOSFETs, IGBTs, and our smart MOSFETs. Our discrete semiconductors and ICs are manufactured and marketed primarily through our Siliconix subsidiary, our Vishay Semiconductor GmbH subsidiary, and our General Semiconductor business. The product lines acquired as part of the PCS acquisition have been integrated into our Siliconix subsidiary and our Vishay Semiconductor GmbH subsidiary.

We also include in the category of semiconductors our lines of optoelectronic, in particular infrared components, manufactured and marketed by our subsidiary Vishay Semiconductor GmbH.

Discrete Semiconductors

Rectifiers convert AC to DC, a unidirectional current required for operation of many electronic systems. Vishay rectifier innovations include Trench MOS barrier Schottky (TMBS®) rectifier technology, which reduces power losses and improves the efficiency of end products. Diodes and thyristors allow voltage to be conducted in only one direction. They are used to route, switch, and block radio frequency (RF), analog, and power signals. Vishays range of diodes includes components for transient voltage suppression (TVS), electrostatic discharge (ESD) protection, and electromagnetic interference (EMI) filtering. We offer a broad line of rectifiers and diodes with differing power, speed, cost, and packaging characteristics.

Vishays range of transistor products includes low-voltage TrenchFET® metal-oxide-semiconductor field-effect transistors (MOSFETs), high-voltage TrenchFET MOSFETs, high-voltage planar MOSFETs, and junction field-effect transistors (JFETs). MOSFETs function as solid-state switches to control power in mobile phones, notebook computers, and other end products. Vishays innovative TrenchFET power MOSFET technology extends battery life and prevents component from overheating. Vishay has a tradition of innovation in MOSFET packaging and performance, the latest of which is PolarPAK®, which uses double-side cooling to create a more efficient, faster switching MOSFET. Vishay RF transistors, which amplify analog or digital signals, are designed for use in radios, television sets, mobile phones, and other end products.

Integrated Circuits

Our power ICs include power conversion, low-dropout regulator, power interface, and motor control ICs. Our power conversion and power interface ICs are based on low-voltage, mixed-signal silicon processes. They are used in end products, such as mobile phones, where an input voltage from a battery or other source must be converted to a level that is compatible with logic signals used by power amplifiers, digital signal processors (DSPs), and other sub-circuits. Our motor control ICs are used to control motion in data storage devices, such as

optical and hard disk drives, and to control the speed of small motors in printers, photocopy machines, and other office equipment. We also offer a line of power conversion ICs for higher-power applications in fixed telecommunications systems.

Our signal processing ICs (analog switches and multiplexers) have long been used in instrumentation and industrial equipment that receives analog signals, outputs analog signals, or does both. More recent applications for our signal processing ICs include broadband communication devices such as xDSL modems.

Optoelectronics

Optoelectronic components emit light, detect light, or do both. Our broad range of optoelectronic components includes infrared (IR) emitters and detectors, IR receiver modules, optocouplers and solid-state relays, optical sensors, light-emitting diodes (LEDs) and 7-segment displays, and IR data transceiver modules. Our IR receiver modules are designed for use in infrared remote control, data transmission, and light barrier applications in end products including notebook computers, audio and video systems, and navigation equipment. Vishay is a leading manufacturer of IR receiver modules. Our optocouplers electrically isolate input and output signals. Uses include computer monitors, consumer electronics, telecommunications equipment, and industrial systems. Our IR data transceiver modules are used for short range, two-way, wireless data transfer between electronic devices such as mobile phones and notebook computers. Our LEDs are designed for backlighting and illumination in automotive and transport, consumer, signage and graphics, and other applications. Vishay LEDs include ultra-bright and very small surface-mount packages, with products available in all standard colors including white.

Passive Components

Passive Components include resistors, capacitors, and magnetics such as inductors and transformers. They are referred to as passive because they do not require a power supply to handle the signals that pass through them. Passive components are used to store electrical charges, to limit or resist electrical current, and to help in filtering, surge suppression, measurement, timing, and tuning applications. We also include in this category the products of our Measurements Group that employ passive components in electro-mechanical measurements.

Resistors and Inductors

Resistors are basic components used in all forms of electronic circuitry to adjust and regulate levels of voltage and current. They vary widely in precision and cost, and are manufactured from numerous materials and in many forms. Linear resistive components are classified as variable or fixed, depending on whether or not their resistance is adjustable. Non-linear resistors can also be used as measuring devices. We manufacture thermistors, which are heat-sensitive resistors. Another type of resistive sensor is strain gages for measurement of mechanical stress. See Measurements Group below.

We manufacture virtually all types of fixed resistors, both in discrete and network forms, as well as many variable types. These resistors are produced for virtually every segment of the resistive product market, from resistors used in the highest quality precision instruments for which the performance of the resistor is the most important requirement, to low-cost resistors for which price is an important factor.

Vishay resistor innovations include Bulk Metal® foil technology and Power Metal Strip® technology. Bulk Metal foil resistors are the most precise and stable type of resistors available. They are used in precision amplifiers; high-precision instrumentation; medical and automatic test equipment; high-end stereo equipment; electron beam scanning and recording equipment; and military, aerospace, and down-hole equipment and instrumentation. Power Metal Strip resistors, which feature very low resistance values, are used to measure changes in current flow (current sensing) or divert current flow (shunting). They are used in a very wide range of end products.

Inductors use an internal magnetic field to change AC current phase and resist AC current. Inductor applications include controlling AC current and voltage, and filtering out unwanted electrical signals. Vishay inductor innovations include low-profile, high-current inductor technology with industry-leading specifications. Our low-profile, high-current inductors save circuit board space and power in voltage regulator module (VRM) and dc-to-dc converter applications. They are designed for use in end products including mobile devices, notebook and desktop computers, servers, graphic cards, personal navigation systems, personal multimedia devices, LCD

televisions, and automotive systems.

Capacitors

Capacitors are used in almost all electronic circuits. They store energy and discharge it when needed. Important applications for capacitors include electronic filtering for linear and switching power supplies; decoupling and bypass of electronic signals for integrated circuits and circuit boards; and frequency control, timing and conditioning of electronic signals for a broad range of applications.

Types of capacitors manufactured by Vishay include tantalum (molded chip tantalum, coated chip tantalum, solid through-hole tantalum, and wet tantalum), ceramic (multilayer chip and ceramic disc), film, power, heavy-current, aluminum, and silicon RF. Vishay capacitors range from tiny surface-mount devices for hearing aids and mobile phones to large power correction capacitors used in heavy industry. Our capacitor portfolio includes several types of capacitors for military systems and a broad selection of devices used in radio frequency interference (RFI) suppression applications.

Measurements Group

Vishay Measurements Group is a leading manufacturer of products for precision measurement of mechanical strains. The Measurement Group portfolio of products includes resistance strain gages (in which Vishay is the worldwide leader), transducers (the metallic structures to which strain gages are cemented), electronic instruments that measure and control output of transducers, and complete systems for process and force measurement control, and on-board weighing.

Vishay Measurements Group develops, manufactures, and markets components, instruments, and systems for a wide variety of test and measurement applications. Vishay strain gage products include electrical resistance strain gages for both stress analysis testing and transducer manufacturing applications, as well as strain gage instrumentation. Vishay PhotoStress® coatings and instruments use a unique optical process to detect stress and other physical forces. Vishay transducer products include load cells, force transducers, and instruments. Vishay also manufactures, installs, and services systems for weighing and force measurement and control. These include systems with transducers and instruments to control process weighing in food, chemical, and pharmaceutical plants; force measurement systems to control web tension in paper mills, roller force in steel mills, and cable tension in winch controls; on-board weighing systems that are installed in logging and waste-handling trucks; and special scale systems for aircraft weighing and portable truck weighing.

Packaging

We have taken advantage of the growth of the surface-mount component market, and we are an industry leader in designing and marketing surface mount devices. Surface-mount devices adhere to the surface of a circuit board rather than being secured by leads that pass through holes to the back side of the board.

We believe that we are a market leader in the development and production of a wide range of surface mount devices, including:

- thick film resistor networks and arrays,
- metal film leadless resistors (MELFs),
- molded tantalum chip capacitors,
- coated tantalum chip capacitors,
- thin film chip resistors,
- thin film networks,
- certain diodes and transistor products,
- power MOSFETs,
- wirewound chip resistors,
- Power Metal Strip® resistors,
- Bulk Metal® foil resistors,
- current sensing chips,
- chip inductors,
- NTC chip thermistors, and
- strain gages.

We also provide a number of component packaging styles to facilitate automated product assembly by our customers.

Military Qualifications

We have qualified certain of our products under various military specifications approved and monitored by the United States Defense Electronic Supply Center (DESC), and under certain European military specifications. DESC qualification levels are based in part upon the rate of failure of products. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to DESC. If the product fails to meet the requirements for the applicable classification level, the products classification may be reduced to a lower level. During the time that the DESC classification level is reduced for a product with military application, net revenues and earnings attributable to that product may be adversely affected.

Manufacturing Operations

In order to better serve our customers, we maintain production facilities in locations where we market the bulk of our products, such as the United States, Germany, and Asia. To maximize production efficiencies, we seek whenever practicable to establish manufacturing facilities in countries, such as the Czech Republic, India, Israel, Malaysia, Mexico, the Peoples Republic of China, and the Philippines, where we can benefit from lower labor and tax costs and, in the case of Israel, to benefit from various government incentives, including grants and tax relief.

One of our most sophisticated manufacturing operations is the production of power semiconductor components. This manufacturing process involves two phases of production: wafer fabrication and assembly (or packaging). Wafer fabrication subjects silicon wafers to various thermal, metallurgical, and chemical process steps that change their electrical and physical properties. These process steps define cells or circuits within numerous individual devices (termed dies or chips) on each wafer. Assembly is the sequence of production steps that divides the wafer into individual chips and encloses the chips in structures (termed packages) that make them usable in a circuit. Both wafer fabrication and assembly phases incorporate wafer level and device level electrical testing to ensure that device design integrity has been achieved.

In the United States, our manufacturing facilities are located in California, Connecticut, Nebraska, New York, North Carolina, Rhode Island, South Dakota, Vermont, and Wisconsin. In Asia, our main manufacturing facilities are located in the Peoples Republic of China, the Republic of China (Taiwan), India, and Malaysia. In Europe, our main manufacturing facilities are located in Germany and the Czech Republic. We also have manufacturing facilities in Israel (see Israeli Government Incentives below), Austria, Costa Rica, France, Hungary, Italy, Japan, Mexico, the Netherlands, Portugal, the Philippines, Sweden, and the United Kingdom. Over the past several years, we have invested substantial resources to increase capacity and to maximize automation in our plants, which we believe will further reduce production costs.

A majority of our manufacturing operations have received ISO 9001 approval and others are actively pursuing such approval. ISO 9001 is a comprehensive set of quality program standards developed by the International Standards Organization.

To maintain our cost competitiveness, we continue to pursue a strategy to shift manufacturing emphasis to more advanced automation in higher-labor-cost regions and to relocate a fair amount of production to regions with skilled workforces and relatively lower labor costs. See Note 4 to our consolidated financial statements for further information related to our restructuring efforts, as well as additional information in Item 7, Managements Discussion and Analysis of Financial Condition and Results of Operations Cost Management.

See Note 15 to our consolidated financial statements for financial information by geographic area.

Sources of Supplies

Although most materials incorporated in our products are available from a number of sources, certain materials are available only from a relatively limited number of suppliers or are subject to significant price volatility.

We are a major consumer of the worlds annual production of tantalum, a metal used in the manufacturing of tantalum capacitors. There are few suppliers that process tantalum ore into capacitor grade tantalum powder. We are acquiring tantalum raw material from all of them under short-term commitments. See Note 14 to our consolidated financial statements for information on our previous long-term tantalum purchase commitments, which expired in 2006.

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity metal that is subject to price volatility. We periodically enter into short-term commitments to purchase palladium.

Certain metals used in the manufacture of our products are traded on active markets, and can be subject to significant price volatility. Our policy is to enter into short-term commitments to purchase defined portions of annual consumption of these metals if market prices decline below budget. For much of 2008, these metals were trading near all-time record-high prices. During the fourth quarter of 2008, as metals prices declined significantly from these record-high prices, we entered into commitments to purchase a portion of our estimated 2009 metals needs, principally for copper and palladium. After entering into these commitments, the market prices for these metals continued to decline. As a result, we recorded losses on these adverse purchase commitments during the fourth quarter of 2008.

Israeli Government Incentives

We have substantial manufacturing operations in Israel, where we benefit from the government's grant and tax incentive programs. These programs have contributed substantially to our growth and profitability. For the year ended December 31, 2008, net revenues from products manufactured in Israel accounted for 18% of our net revenues.

Under the terms of the Israeli government's incentive programs, once a project is approved, the recipient is eligible to receive the benefits of the related grants for the life of the project, so long as the recipient continues to meet preset eligibility standards. None of our approved projects has ever been cancelled, and we have already received approval for a majority of the projects contemplated by our capital expenditure program. Over the past few years, the Israeli government has scaled back or discontinued some of its incentive programs. There can be no assurance that we will maintain our eligibility for existing projects or that in the future the Israeli government will continue to offer new incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to receive such benefits. Because we have received approvals for most projects currently contemplated, we do not anticipate that cutbacks in the incentive programs for new projects would have an adverse impact on our earnings and operations for at least several years.

We could be materially adversely affected if events were to occur in the Middle East that interfered with our operations in Israel. However, we have not experienced any material interruption in our Israeli operations during our 38 years of operations there, in spite of several Middle East crises, including wars.

Inventory and Backlog

We manufacture both standardized products and those designed and produced to meet customer specifications. We maintain an inventory of standardized components, and monitor the backlog of outstanding orders for our products.

We include in our backlog only open orders that have been released by the customer for shipment in the next twelve months. Many of our customers encounter uncertain and changing demand for their products. They typically order products from us based on their forecasts. If demand falls below customers' forecasts, or if customers do not control their inventory effectively, they may cancel or reschedule the shipments included in our backlog, in many instances without the payment of any penalty. Therefore, our backlog at any point in time is not necessarily indicative of the results to be expected for future periods.

Customers and Marketing

We sell our products to original equipment manufacturers ("OEMs"), electronic manufacturing services ("EMS") companies, which manufacture for OEMs on an outsourcing basis, and independent distributors that maintain large inventories of electronic components for resale to OEMs and EMS. During 2008, approximately 50% of our sales were to OEMs, approximately 8% of our sales were to EMS companies, and approximately 42% of our sales were to distributors.

To better serve our customers, we maintain production facilities in regions where we market the bulk of our products. We work with our customers so that our products are incorporated into the design of electronic equipment at the earliest stages of development. In addition to our staff of direct field sales personnel, independent manufacturers representatives, and distributors, we employ a team of field application and product engineers to assist our customers in solving technical problems and in developing products to meet specific customer application needs using our entire product portfolio.

Our sales organizations are regionally based. While our sales and support procedures are typically similar across all regions, we remain flexible in our ability to offer programs tailored to our customers specific support requirements in each local area. The aim of our sales organizations is to support our customers across all product lines, developing new design-wins, negotiating pricing and contracts, and providing general commercial support as would normally be expected of a large multi-national sales force.

We have an established Strategic Global Account program, which provides each of our top customers with a dedicated Strategic Global Account Manager. Vishay Strategic Global Account Managers are typically highly experienced salesmen or saleswomen who are capable of providing key customers with the coordination and management visibility required in a complex multi-product business relationship. They typically coordinate the sales, pricing, contract, logistic, quality, and other aspects of the customer s business requirements. The Strategic Global Account Manager normally is the focal point of communication between Vishay and its main customers. We maintain a similar program for our strategic distributors as well.

We also seek to meet the needs of our customers for technical and applications support. Vishay s Business Development group maintains teams of dedicated Field Application Engineers (FAEs) in the field for the exclusive support of our customers engineering needs. Organized by market segment, our Business Development FAEs bring specific knowledge of component applications in their areas of expertise in the automotive, telecommunications, computer, consumer/entertainment, industrial, peripherals, digital consumer, and other market segments. With the ultimate goal of a Vishay design-in the process by which our customers specify a Vishay component in their products this program offers our customers enhanced access to all Vishay technologies while at the same time increasing design wins, and ultimately sales, for Vishay. Most importantly, the process is closely monitored via a proprietary database developed by the Vishay Business Development group. Our database captures very specific design activity and allows for real-time measurement of new business potential for our management team.

Our top 30 customers have been quite stable despite not having long-term commitments to purchase our products. With selected customers, we have signed longer term (greater than one year) contracts for specific products. Net revenues from our top 30 customers represent approximately 60% of our total net revenues. No single customer comprises more than 10% of our total net revenues.

During 2008, approximately 23% of our net revenues were attributable to customers in the Americas, approximately 38% were attributable to customers in Europe, and approximately 39% were attributable to customers in Asia. During 2008, the share of net revenues by end-use market was as follows: Industrial, 39%; Computer, 18%; Automotive, 16%; Consumer Products, 12%; Telecommunications, 8%; Military and Aerospace, 5%; Medical, 2%.

Competition

We face strong competition in various product lines from both domestic and foreign manufacturers that produce products using technologies similar to ours. Our primary competitors by product type include:

- *Discrete Semiconductors:* Fairchild Semiconductor, International Rectifier, Infineon, ON Semiconductor, NXP Semiconductors, Rohm, STMicroelectronics, Toshiba.
- *Integrated Circuits:* Fairchild Semiconductor, International Rectifier, Infineon, Maxim, ON Semiconductor, STMicroelectronics.
- *Optoelectronics:* Avago, Fairchild Semiconductor, Sharp, Toshiba.
- *Resistors and Inductors:* EPCOS, KOA, Rohm, Yageo.

- *Capacitors:* AVX, EPCOS, KEMET, Murata, TDK, Yageo.
- *Measurements Group:* various niche competitors.

There are many other companies that produce products in the markets in which we compete.

Our competitive position depends on our ability to maintain a competitive advantage on the basis of product quality, know-how, proprietary data, market knowledge, service capability, business reputation, and price competitiveness. Our sales and marketing programs aim to offer our customers a broad range of world-class technologies and products, superior global sales and distribution support, and a secure and multi-location source of product supply.

Research and Development

Many of our products and manufacturing techniques, technologies, and packaging methods have been invented, designed, and developed by our engineers and scientists. We maintain strategically placed design centers where proximity to customers enables us to more easily gauge and satisfy the needs of local markets. These design centers are located predominantly in the United States, Germany, Israel, the People's Republic of China, France, the Republic of China (Taiwan), and the United Kingdom.

We also maintain research and development staffs and promote programs at a number of our production facilities to develop new products and new applications of existing products, and to improve manufacturing techniques. This decentralized system encourages individual product development at individual manufacturing facilities that occasionally has applications at other facilities. Our research and development efforts over the past few years have been largely focused on our Semiconductors segment, principally for the development of new power products and power ICs. We also have research and development programs that should enhance our efforts in vertical integration of our product lines, combining Vishay components in packages. Examples of these packages include combinations of our sensors and our radio frequency technology to create wireless transducers, wireless precision potentiometers, and other new products.

Patents and Licenses

We have made a significant investment in securing intellectual property protection for our technology and products. We seek to protect our technology by, among other things, filing patent applications for technology considered important to the development of our business. We also rely upon trade secrets, unpatented know-how, continuing technological innovation, and the aggressive pursuit of licensing opportunities to help develop and maintain our competitive position.

Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology. Although we have been awarded, have filed applications for, or have been licensed under, numerous patents in the United States and other countries, there can be no assurance concerning the degree of protection afforded by these patents or the likelihood that pending patents will be issued.

We require all of our technical, research and development, sales and marketing, and management employees and most consultants and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the entity or individual during the course of the entity's or individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. Substantially all of our technical, research and development, sales and marketing, and management employees have entered into agreements providing for the assignment to us of rights to inventions made by them while employed by us.

When we believe other companies are misappropriating our intellectual property rights, we vigorously enforce those rights through legal action, and we intend to continue to do so. See Item 3, "Legal Proceedings."

Although we have numerous United States and foreign patents covering certain of our products and manufacturing processes, no particular patent is considered individually material to our business.

Environment, Health and Safety

We have adopted an Environmental Health and Safety Corporate Policy that commits us to achieve and maintain compliance with applicable environmental laws, to promote proper management of hazardous materials for the safety of our employees and the protection of the environment, and to minimize the hazardous materials generated in the course of our operations. This policy is implemented with accountability directly to the Board of Directors. In addition, our manufacturing operations are subject to various federal, state, and local laws restricting discharge of materials into the environment.

Vishay is involved in environmental remediation programs at various sites currently or formerly owned by Vishay and its subsidiaries, in addition to involvement as a potentially responsible party (PRP) at four Superfund sites. Certain obligations as a PRP have arisen in connection with business acquisitions. The remediation programs are on-going at four currently operating U.S. facilities, five currently operating non-U.S. facilities, seven formerly owned U.S. sites, and four Superfund sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. See Item 3, Legal Proceedings.

We are not involved in any pending or threatened proceedings that would require curtailment of our operations. We continually expend funds to ensure that our facilities comply with applicable environmental regulations. While we believe that we are in material compliance with applicable environmental laws, we cannot accurately predict future developments and do not necessarily have knowledge of all past occurrences on sites that we currently occupy. More stringent environmental regulations may be enacted in the future, and we cannot determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with such regulations. Moreover, the risk of environmental liability and remediation costs is inherent in the nature of our business and, therefore, there can be no assurance that material environmental costs, including remediation costs, will not arise in the future.

With each acquisition, we attempt to identify potential environmental concerns and to minimize, or obtain indemnification for, the environmental matters we may be required to address. In addition, we establish reserves for specifically identified potential environmental liabilities. We believe that the reserves we have established are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations.

Employees

As of December 31, 2008, we employed approximately 24,800 full time employees, of whom approximately 89% were located outside the United States. Our future success is substantially dependent on our ability to attract and retain highly qualified technical and administrative personnel. Some of our employees outside the United States are members of trade unions, and employees at one small U.S. facility are represented by a union. Our relationship with our employees is generally good. However, no assurance can be given that, if we continue to restructure our operations in response to changing economic conditions, labor unrest or strikes will not occur.

Company Information and Website

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that we file with the SEC at the SECs Public Reference Room at Station Place, 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at http://www.sec.gov.

In addition, our company website can be found on the Internet at www.vishay.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q, and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access ir.vishay.com and click on SEC Filings.

The following corporate governance related documents are also available on our website:

- Corporate Governance Principles
- Code of Business Conduct and Ethics
- Code of Ethics Applicable to the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller and Financial Managers
- Audit Committee Charter
- Nominating and Corporate Governance Committee Charter
- Compensation Committee Charter
- Policy on Director Attendance at Annual Meetings
- Nominating and Corporate Governance Committee Policy Regarding Qualification of Directors
- Procedures for Securityholders' Submissions of Nominating Recommendations
- Securityholder Communications with Directors and Interested Party Communication with Non-Management Directors
- Whistleblower and Ethics Hotline Procedures
- Related Party Transaction Policy.

To view these documents, access ir.vishay.com and click on "Corporate Governance."

Any of the above documents can also be obtained in print by any stockholder upon request to our Investor Relations Department at the following address:

Corporate Investor Relations
Vishay Intertechnology, Inc.
63 Lancaster Avenue
Malvern, PA 19355-2143

Item 1A. RISK FACTORS

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

Factors relating to our business generally

Our business is cyclical and the period of decline we are presently experiencing may continue and may become more pronounced.

The electronic component and semiconductor industries are highly cyclical and experience periods of decline from time to time. We and others in the electronic component and semiconductor industries are presently experiencing a decline in product demand on a global basis. This decline may continue and may become more pronounced. A decline in product demand on a global basis could result in order cancellations and deferrals, lower average selling prices, and a material and adverse impact on our results of operations. These declines in demand are driven by market conditions in the end-use markets for our products. Changes in the demand mix, needed technologies, and these end-use markets may adversely affect our ability to match our products, inventory, and capacity to meet customer demand and could adversely affect our operating results and financial condition. A slowdown in demand or recessionary trends in the global economy makes it more difficult for us to predict our future sales and manage our operations, and could adversely impact our results of operations.

We have incurred and may continue to incur restructuring costs and associated asset write-downs.

To remain competitive, particularly when business conditions are difficult, we attempt to reduce our cost structure through restructuring activities. This includes acquisition-related restructuring, where we attempt to

streamline the operations of companies we acquire and achieve synergies between our acquisitions and our existing businesses. It also includes restructuring our existing businesses, where we seek to eliminate redundant facilities and staff positions and move operations, where possible, to jurisdictions with lower labor costs. We recorded restructuring and severance costs, plus related asset write-downs, in each year since 2001.

In response to the current economic downturn, we expect additional restructuring initiatives in 2009. As a result of our restructuring activities during the economic downturn, we may have difficulty expanding our manufacturing to satisfy demand when the economy rebounds, due to factors such as delays in procurement of manufacturing equipment and shortages of skilled personnel during an economic recovery. Our business is cyclical and in periods of a rising economy, we may experience intense demand for our products. If we are unable to meet our customers requirements and our competitors sufficiently expand production, we could lose customers and/or market share. These losses could have an adverse effect on our operations, financial condition, and results of operations.

In the past we have grown through successful integration of acquired businesses, but this may not continue.

Our long-term historical growth in revenues and net earnings has resulted in large part from our strategy of expansion through acquisitions. In the current uncertain economic conditions, we will not actively pursue acquisitions, but will consider special opportunities should they arise. This failure to pursue acquisitions could impede our growth. We expect to resume our regular program of acquisition activity when the economy rebounds, but we may be unable to identify, have the financial capabilities to acquire, or successfully complete transactions with suitable acquisition candidates. We also cannot assure you that acquisitions that we have recently completed will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value, and prospects could all be materially and adversely affected.

Our cash and debt position could adversely affect the perception in the financial markets of our financial condition, and could limit our ability to access capital markets.

During the year ended December 31, 2008, we repurchased $498.1 million of our convertible subordinated notes. We utilized approximately $250 million of cash on-hand, $125 million borrowed under the revolving credit commitment under our credit facility, and $125 million from a new term loan under the credit facility to fund the purchase price. Although our debt levels were substantially reduced as a result of these transactions, our cash balances and our borrowing capacity under our revolving credit facility were also reduced.

Furthermore, these transactions resulted in a shift from principally fixed-interest rate debt to variable-interest rate debt based on LIBOR. LIBOR fluctuated significantly during the period from June to December 2008, from a low of 1.4% to a high of 4.8%, and in early 2009, when it reached a low of 0.4%. A significant increase in LIBOR would significantly increase our interest expense.

In light of the current economic environment, credit markets are functioning differently than in the past, with key interest rate spreads increasing substantially, and banks tightening lending standards. If we were to require additional capital, we may be unable to obtain financing on terms which we consider acceptable, if at all.

Future acquisitions could require us to issue additional indebtedness or equity.

Although we do not plan to actively pursue acquisitions during the current uncertain economic conditions given our current focus on conserving and generating cash, our overall business strategy has historically included a strong focus on acquisitions. We expect to resume our program of acquisition activity when the economy rebounds. If we were to undertake a substantial acquisition for cash, the acquisition would likely need to be financed in part through bank borrowings or the issuance of public or private debt. This acquisition financing would likely decrease our ratio of earnings to fixed charges and adversely affect other leverage criteria. Under our existing credit facility, we are required to obtain the lenders consent for certain additional debt financing and to comply with other covenants including the application of specific financial ratios. We are also restricted from paying cash dividends on our capital stock. We cannot assure you that the necessary acquisition financing would be available to us on acceptable terms if and when required. If we were to undertake an acquisition for equity, the acquisition may have a dilutive effect on the interests of the holders of our common stock.

To remain successful, we must continue to innovate, and our investments in new technologies may not prove successful.

Our future operating results are dependent on our ability to continually develop, introduce, and market new and innovative products, to modify existing products, to respond to technological change, and to customize certain products to meet customer requirements. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our financial condition and results of operations.

In addition to our own research and development initiatives, we periodically invest in technology start-up enterprises, in which we may acquire a controlling or noncontrolling interest but whose technology would be available to be commercialized by us. There are numerous risks in investments of this nature including the limited operating history of such start-up entities, their need for capital, and their limited or absence of production experience, as well as the risk that their technologies may prove ineffective or fail to gain acceptance in the marketplace. There can be no assurance, therefore, that our investments in start-up enterprises will prove successful.

Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology.

Protection of intellectual property often involves complex legal and factual issues. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We have applied, and will continue to apply, for patents covering our technologies and products, as we deem appropriate. However, our applications may not result in issued patents. Also, our existing patents and any future patents may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Others may independently develop similar or alternative technologies, design around our patented technologies, or may challenge or seek to invalidate our patents.

The electronic components industry, particularly the discrete semiconductor sector, is characterized by litigation regarding patent and other intellectual property rights. We have on occasion been notified that we may be infringing patent and other intellectual property rights of others. In addition, customers purchasing components from us have rights to indemnification under certain circumstances if such components violate the intellectual property rights of others. Further, we have observed that in the current electronic component and semiconductor industries business environment, companies have become more aggressive in asserting and defending patent claims against competitors. We will continue to vigorously defend our intellectual property rights, and may become party to disputes regarding patent licensing and cross patent licensing. Although licenses are generally offered in such situations and we have successfully resolved these situations in the past, there can be no assurance that we will not be subject to future litigation alleging intellectual property rights infringement, or that we will be able to obtain licenses on acceptable terms. An unfavorable outcome regarding one of these matters could have a material adverse effect on our business and operating results.

Our results are sensitive to raw material availability, quality, and cost.

Many of our products require the use of raw materials that are produced in only a limited number of regions around the world or are available from only a limited number of suppliers. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price increases for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers, which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, we may be required to write down our inventory carrying cost of these raw materials, because we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost, this write-down could have a material adverse effect on our net earnings.

From time to time there have been short-term market shortages of raw materials. While these shortages have not historically adversely affected our ability to increase production of products containing these materials, they have historically resulted in higher raw material costs for us. We cannot assure you that any of these market shortages

in the future would not adversely affect our ability to increase production, particularly during periods of growing demand for our products. Also, to assure availability of raw materials in time of shortage, we may enter into long-term supply contracts for these materials, which may prove costly, unnecessary, and burdensome when the shortage abates.

Our backlog is subject to customer cancellation.

Many of the orders that comprise our backlog may be canceled by our customers without penalty. Our customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. They often cancel orders when business is weak and inventories are excessive, a situation that we have experienced during the current period of economic slowdown. Therefore, we cannot be certain that the amount of our backlog does not exceed the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

We face intense competition in our business, and we market our products to an increasingly concentrated group of customers.

Our business is highly competitive worldwide, with low transportation costs and few import barriers. We compete principally on the bases of product quality and reliability, availability, customer service, technological innovation, timely delivery, and price. The electronic component industry has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than us, have significant financial resources and technological capabilities.

Our customers have become increasingly concentrated in recent years, and as a result, their buying power has increased and they have had greater ability to negotiate favorable pricing and terms. This trend has adversely affected our average selling prices, particularly for commodity components.

We may not have adequate facilities to satisfy future increases in demand for our products.

Our business is cyclical and in periods of a rising economy, we may experience intense demand for our products. During such periods, we may have difficulty expanding our manufacturing to satisfy demand. Factors which could limit such expansion include delays in procurement of manufacturing equipment, shortages of skilled personnel, and physical constraints on expansion at our facilities. If we are unable to meet our customers requirements and our competitors sufficiently expand production, we could lose customers and/or market share. These losses could have an adverse effect on our financial condition and results of operations. Also, capacity that we add during upturns in the business cycle may result in excess capacity during periods when demand for our products recede, resulting in inefficient use of capital which could also adversely affect us.

Future changes in our environmental liability and compliance obligations may harm our ability to operate or increase costs.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes, employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging, and responsibility for disposal of products or product packaging. We establish reserves for specifically identified potential environmental liabilities which we believe are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations. In addition, more stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations. In order to resolve liabilities at various sites, we have entered into various administrative orders and consent decrees, some of which may be, under certain conditions, reopened or subject to renegotiation.

Our products may experience a reduction in product classification levels under various military specifications.

We have qualified certain of our products under various military specifications approved and monitored by the United States Defense Electronic Supply Center, and under certain European military specifications. These products are assigned certain classification levels. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to governmental agencies. If any of our products fails to meet the requirements of the applicable classification level, that product's classification may be reduced to a lower level. A decrease in the classification level for any of our products with a military application could have an adverse impact on the net revenues and earnings attributable to that product.

Our future success is substantially dependent on our ability to attract and retain highly qualified technical, managerial, marketing, finance, and administrative personnel.

Rapid changes in technologies, frequent new product introductions, and declining average selling prices over product life cycles require us to attract and retain highly qualified personnel to develop and manufacture technological innovations and bring them to market on a timely basis. Our complex operations also require us to attract and retain highly qualified administrative personnel in functions such as legal, tax, accounting, financial reporting, auditing, and treasury. The market for personnel with such qualifications is highly competitive. While we have employment agreements with certain of our executives, we have not entered into employment agreements with all of our key personnel.

The loss of the services of or the failure to effectively recruit qualified personnel could have a material adverse effect on our business.

Factors relating to Vishay's operations outside the United States

We obtain substantial benefits by operating in Israel, but these benefits may not continue.

We have increased our operations in Israel over the past several years. The low tax rates in Israel applicable to earnings of our operations in that country, compared to the rates in the United States, have had the general effect of increasing our net earnings, although this was not the case during 2002, 2003, and 2004 due to losses on purchase commitments. Also, we have benefited from employment incentive grants made by the Israeli government. There can also be no assurance that in the future the Israeli government will continue to offer new grant and tax incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to benefit from them. Any significant increase in the Israeli tax rates or reduction or elimination of the Israeli grant programs that have benefited us could have an adverse impact on our results of operations.

We attempt to improve profitability by operating in countries in which labor costs are low, but the shift of operations to these regions may entail considerable expense.

Our strategy is aimed at achieving significant production cost savings through the transfer and expansion of manufacturing operations to and in countries with lower production costs, such as the Czech Republic, India, Israel, Malaysia, Mexico, the People's Republic of China, and the Philippines. During this process, we may experience under-utilization of certain plants and factories in high-labor-cost regions and capacity constraints in plants and factories located in low-labor-cost regions. This under-utilization may result initially in production inefficiencies and higher costs. These costs include those associated with compensation in connection with work force reductions and plant closings in the higher-labor-cost regions, and start-up expenses, manufacturing and construction delays, and increased depreciation costs in connection with the initiation or expansion of production in lower-labor-cost regions. In addition, as we implement transfers of certain of our operations we may experience strikes or other types of labor unrest as a result of lay-offs or termination of our employees in high-labor-cost countries.

We are subject to the risks of political, economic, and military instability in countries outside the United States in which we operate.

We have operations outside the United States, and approximately 77% of our revenues during 2008 were derived from sales to customers outside the United States. Some of the countries in which we operate have in the past experienced and may continue to experience political, economic, and military instability or unrest. These conditions could have an adverse impact on our ability to operate in these regions and, depending on the extent and severity of these conditions, could materially and adversely affect our overall financial condition and operating results. We have never experienced any material interruption in our Israeli operations in our 38 years of operations there, in spite of several Middle East crises, including wars. However, we might be adversely affected if events were to occur in the Middle East that interfered with our operations in Israel.

We are subject to foreign currency exchange rate risks which may impact our results of operations.

We are exposed to foreign currency exchange rate risks, particularly due to market values of transactions in currencies other than the functional currencies of certain subsidiaries. From time to time, we utilize forward contracts to hedge a portion of projected cash flows from these exposures. As of December 31, 2008, we did not have any outstanding foreign currency forward exchange contracts.

Our significant foreign subsidiaries are located in Germany, Israel, and Asia. We finance our operations in Europe and certain locations in Asia in local currencies. Our operations in Israel and most significant locations in Asia are largely financed in U.S. dollars, but these subsidiaries also have significant transactions in local currencies. Our exposure to foreign currency risk is mitigated to the extent that the costs incurred and the revenues earned in a particular currency offset one another. Our exposure to foreign currency risk is more pronounced in situations where, for example, production labor costs are predominantly paid in local currencies while the sales revenue for those products is denominated in U.S. dollars. This situation is particularly evident for products produced in Israel, the Czech Republic, and China.

A change in the mix of the currencies in which we transact our business could have a material effect on results of operations. Furthermore, the timing of cash receipts and disbursements could have a material effect on our results of operations, particularly if there are significant changes in exchange rates in a short period of time.

Factors related to Vishay's capital structure

The holders of Class B common stock have effective voting control of Vishay.

Vishay has two classes of common stock: common stock and Class B common stock. The holders of common stock are entitled to one vote for each share held, while the holders of Class B common stock are entitled to 10 votes for each share held. Currently, the holders of Class B common stock hold approximately 45% of the voting power of Vishay. Directly, through a family trust, and as voting trustee under a voting trust agreement, Dr. Felix Zandman, Executive Chairman and Chief Technical and Business Development Officer of Vishay, has sole or shared voting power over substantially all of the outstanding Class B common stock. As a result, the holders of Class B common stock effectively can cause the election of directors and approve other actions as stockholders without the approval of other stockholders of Vishay.

Vishay has a staggered board of directors which could make a takeover of Vishay difficult.

Vishay's staggered board of directors might discourage, delay, or prevent a change in control of Vishay by a third party and could discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. Also, as a consequence of Vishay's staggered board, directors may not be removed without cause, even though a majority of stockholders may wish to do so.

Our reluctance to issue substantial additional shares in order not to dilute the interests of our existing stockholders could impede growth.

Our overall long-term business strategy has historically included a strong focus on acquisitions financed alternatively through cash on hand, the incurrence of indebtedness, and the issuance of equity, directly or indirectly by refinancing acquisition debt. Although we do not plan to actively pursue acquisitions during the current uncertain economic conditions, we expect that our regular acquisition activity will resume when the economy rebounds. We may in the future be presented with attractive investment or strategic opportunities that,

because of their size and the financial condition of Vishay at the time, would require the issuance of substantial additional amounts of our common stock. If such opportunities were to arise, our Board of Directors would need to consider the potentially dilutive effect on the interests and voting power of our existing stockholders. In particular, our Board of Directors believes that it is in our best interest to ensure the continued vision and influence of our founder, Dr. Felix Zandman, over our corporate affairs. Dr. Zandman currently has effective voting control over Vishay through our Class B common stock, by direct ownership, a family trust, and a voting trust agreement, such that he has approximately 45% of our outstanding voting power. The reluctance to issue additional shares could impede our future growth.

General Economic and Business Factors

In addition to the factors relating specifically to our business, a variety of other factors relating to general conditions could cause actual results, performance, or achievements to differ materially from those expressed in any of our forward-looking statements. These factors include:

- overall economic and business conditions;
- competitive factors in the industries in which we conduct our business;
- changes in governmental regulation;
- changes in tax requirements, including tax rate changes, new tax laws, and revised tax law interpretations;
- changes in generally accepted accounting principles or interpretations of those principles by governmental agencies and self-regulatory groups;
- interest rate fluctuations, foreign currency rate fluctuations, and other capital market conditions; and
- economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders.

Our common stock, traded on the New York Stock Exchange, has in the past experienced, and may continue to experience, significant fluctuations in price and volume. We believe that the financial performance and activities of other publicly traded companies in the electronic component and semiconductor industries could cause the price of our common stock to fluctuate substantially without regard to our operating performance.

We operate in a continually changing business environment, and new factors emerge from time to time. Other unknown and unpredictable factors also could have a material adverse effect on our future results, performance, or financial condition.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our business has approximately 63 manufacturing locations. Our manufacturing facilities include owned and leased locations. Some locations include both owned and leased facilities in the same location. The list of manufacturing facilities below excludes manufacturing facilities that are presently idle due to our restructuring activities. See Note 4 to our consolidated financial statements for further information related to our restructuring efforts, as well as additional information in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Cost Management.

The principal locations of our owned manufacturing facilities, along with available space including administrative offices, are as follows:

Owned Locations	Business Segment	Approx. Available Space (Square Feet)
United States		

Santa Clara, CA	Semiconductors	227,000
Columbus, NE	Passive Components	158,000
Monroe, CT	Passive Components	110,000
Wendell, NC	Passive Components	106,000
Grafton, WI	Passive Components	102,000
Yankton, SD	Passive Components	58,000
Warwick, RI	Passive Components	55,000
Bennington, VT	Passive Components	54,000
Niagara Falls, NY	Passive Components	38,000
Non-U.S.		
Israel (5 locations)	Semiconductors and Passive Components	1,081,000
People's Republic of China (3 locations)	Semiconductors and Passive Components	637,000
Germany (4 locations)	Semiconductors and Passive Components	563,000
Czech Republic (4 locations)	Passive Components	499,000
Malaysia	Semiconductors	480,000
Republic of China (Taiwan) (2 locations)	Semiconductors and Passive Components	393,000
India	Passive Components	296,000
France (3 locations)	Passive Components	291,000
Netherlands	Passive Components	283,000
Portugal	Passive Components	167,000
Austria	Semiconductors	153,000
Philippines	Passive Components	150,000
Italy	Semiconductors	127,000
Hungary	Semiconductors	116,000
United Kingdom	Passive Components	86,000
Mexico	Passive Components	57,000
Japan	Passive Components	45,000
Costa Rica	Passive Components	4,000

The principal locations of our leased manufacturing facilities, along with available space including administrative offices, are as follows:

Leased Locations	Business Segment	Approx. Available Space (Square Feet)
United States		
City of Industry and Ontario, CA	Passive Components	124,000
Westbury, NY	Semiconductors	17,000
Non-U.S.		
People's Republic of China (5 locations)	Semiconductors and Passive Components	1,080,000
Mexico	Passive Components	193,000
Austria	Passive Components	130,000
Germany (3 locations)	Semiconductors and Passive Components	80,000
India (2 locations)	Semiconductors and Passive Components	69,000
Israel (3 locations)	Semiconductors and Passive Components	53,000
Sweden	Passive Components	30,000
Czech Republic	Passive Components	13,000
Republic of China (Taiwan)	Passive Components	8,000

In the opinion of management, our properties and equipment generally are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Item 3. LEGAL PROCEEDINGS

From time to time we are involved in routine litigation incidental to our business. Management believes that such matters, either individually or in the aggregate, should not have a material adverse effect on our business or financial condition.

Intellectual Property Matters

We are engaged in discussions with various parties regarding patent licensing and cross patent licensing issues. In addition, we have observed that in the current electronic component and semiconductor industry business environment, companies have become more aggressive in asserting and defending patent claims against competitors. We will continue to vigorously defend our intellectual property rights, and we may become party to disputes regarding patent licensing and cross patent licensing. An unfavorable outcome regarding one of these intellectual property matters could have a material adverse effect on our business and operating results.

When we believe other companies are misappropriating our intellectual property rights, we vigorously enforce those rights through legal action, and we intend to continue to do so. During the past few years, we settled several suits which we had initiated to enforce our intellectual property rights. We are receiving royalties on sales of these companies products which use our technology. We presently have other pending legal actions that we have initiated against companies which we believe are misappropriating our intellectual property rights.

Siliconix Stockholder Matters

Proctor Litigation

In January 2005, an amended class action complaint was filed in the Superior Court of California on behalf of all non-Vishay stockholders of Siliconix against Vishay, Ernst & Young LLP (the independent registered public accounting firm that audits the Company s financial statements), Dr. Felix Zandman, Executive Chairman and Chief Technical and Business Development Officer of Vishay, and as a nominal defendant, Siliconix. The suit made various claims against Vishay and the other defendants for actions allegedly taken in respect of Siliconix during the period when Vishay owned an 80.4% interest in Siliconix. The action sought injunctive relief and unspecified damages.

In May 2005, Vishay successfully completed a tender offer to acquire all shares of Siliconix that were not already owned by Vishay. Following the announcement of Vishay s intent to make this tender offer, several purported class-action complaints were filed in the Delaware Court of Chancery. These actions were consolidated into a single class action and a settlement agreement was reached with the plaintiffs, who effectively represented all non-Vishay stockholders of Siliconix. The settlement agreement was approved by the Delaware Court of Chancery in October 2005.

The plaintiffs filed an amended complaint in the Superior Court of California in November 2005. In June 2006, the Delaware Court of Chancery issued a permanent injunction restraining the Proctor plaintiffs from prosecuting the Proctor action. An appeal of the injunction order brought by a former stockholder of Siliconix was dismissed by the Delaware Supreme Court in January 2007.

Also in June 2006, the Proctor litigation was removed from the Superior Court of California to federal District Court there. The District Court granted a motion by Ernst & Young to dismiss the complaint and a motion by Vishay for summary judgment, effective October 15, 2007. The Proctor plaintiffs thereafter filed a Notice of Appeal to the Ninth Circuit Court of Appeals, which is pending.

Environmental Matters

Vishay is involved in environmental remediation programs at various sites currently or formerly owned by Vishay and its subsidiaries, in addition to involvement as a potentially responsible party (PRP) at four Superfund sites.

Certain obligations as a PRP have arisen in connection with business acquisitions. The remediation programs are on-going at four currently operating U.S. facilities, five currently operating non-U.S. facilities, seven formerly owned U.S. sites, and four Superfund sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. See also Note 13 to our consolidated financial statements.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers as of February 26, 2009:

Name	Age	Positions Held
Dr. Felix Zandman*	80	Executive Chairman of the Board, Chief Technical and Business Development Officer
Dr. Gerald Paul*	60	Chief Executive Officer, President, and Director
Marc Zandman*	47	Vice-Chairman of the Board, Chief Administration Officer, and President-Vishay Israel Ltd.
Dr. Lior E. Yahalomi	50	Executive Vice President and Chief Financial Officer
Ziv Shoshani*	42	Chief Operating Officer, Executive Vice President, and Director

* Member of the Executive Committee of the Board of Directors.

Dr. Felix Zandman, a founder of the Company, has been Chairman of the Board since 1989, and has been a Director of the Company since its inception in 1962. Dr. Zandman became Chief Technical and Business Development Officer on January 1, 2005. Dr. Zandman was Chief Executive Officer of the Company from its inception in 1962 through December 31, 2004, when Dr. Gerald Paul was appointed Chief Executive Officer. Dr. Zandman had been President of the Company from its inception through March 1998.

Dr. Gerald Paul was appointed Chief Executive Officer effective January 1, 2005. Dr. Paul has served as a Director of the Company since 1993, and has been President of the Company since March 1998. Dr. Paul also was Chief Operating Officer from 1996 to 2006. Dr. Paul previously was an Executive Vice President of the Company from 1996 to 1998, and President of Vishay Electronic Components, Europe from 1994 to 1996. Dr. Paul has been Managing Director of Vishay Electronic GmbH, a subsidiary of the Company, since 1991. Dr. Paul has been employed by Vishay and a predecessor company since 1978.

Marc Zandman was appointed Chief Administration Officer as of January 1, 2007. Mr. Zandman has been Vice-Chairman of the Board since 2003, a Director of the Company since 2001, and President of Vishay Israel Ltd. since 1998. Mr. Zandman was Group Vice President of Vishay Measurements Group from 2002 to 2004. Mr. Zandman has served in various other capacities with the Company since 1984. He is the son of Dr. Felix Zandman, the Company's Executive Chairman and Chief Technical and Business Development Officer.

Dr. Lior E. Yahalomi was appointed Executive Vice President and Chief Financial Officer effective September 1, 2008. Dr. Yahalomi has been employed by the Company since 2006 and was Sr. Vice President – Mergers and Acquisitions, from June 2006 to September 2008. Dr. Yahalomi has held several executive positions in the technology, financial services, and venture capital industries, including Managing Partner of CMGI's @Ventures

Technology Fund, Vice President for New Ventures of Gateway, and Senior Vice President for Global Business Development of a business unit of GE Capital. He is also an adjunct professor of marketing at the Wharton School at the University of Pennsylvania and a Leadership Board Member of the Global Consulting Practicum at the Wharton School.

Ziv Shoshani was promoted to the position of Chief Operating Officer effective January 1, 2007. During 2006, he was Deputy Chief Operating Officer. Mr. Shoshani has been Executive Vice President of the Company since 2000 with various areas of responsibility. Mr. Shoshani has been employed by the Company since 1995. He is the nephew of Dr. Felix Zandman, the Company's Executive Chairman and Chief Technical and Business Development Officer.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol VSH. The following table sets forth the high and low sales prices for our common stock as reported on the New York Stock Exchange composite tape for the indicated fiscal quarters. We do not currently pay cash dividends on our capital stock. Our policy is to retain earnings to support the growth of our business and we do not intend to change this policy at the present time. In addition, we are restricted from paying cash dividends under the terms of our revolving credit agreement. See Note 6 to our consolidated financial statements. Holders of record of our common stock totaled approximately 1,600 at February 25, 2009.

	2008		2007	
	High	Low	High	Low
Fourth quarter	$ 6.85	$ 3.17	$ 14.71	$ 10.90
Third quarter	$ 10.27	$ 6.32	$ 17.36	$ 11.68
Second quarter	$ 10.66	$ 8.62	$ 18.22	$ 13.90
First quarter	$ 11.60	$ 8.43	$ 14.57	$ 12.71

At February 25, 2009, we had outstanding 14,352,888 shares of Class B common stock, par value $.10 per share, each of which entitles the holder to ten votes. The Class B common stock generally is not transferable except in certain very limited instances, and there is no market for those shares. The Class B common stock is convertible, at the option of the holder, into common stock on a share for share basis. Substantially all of the Class B common stock is owned by Dr. Felix Zandman, our Executive Chairman and Chief Technical and Business Development Officer; a family trust controlled by Dr. Zandman and Mrs. Ruta Zandman, a director; the estate of Mrs. Luella B. Slaner, a former director; the children of Mrs. Slaner; and trusts for the benefit of the grandchildren of Mrs. Slaner, either directly or beneficially. Directly, through the family trust, and as voting trustee under a voting trust agreement, Dr. Zandman has sole or shared voting power over substantially all of the outstanding Class B common stock.

Stock Performance Graph

The line graph below compares the cumulative total stockholder return on Vishay's common stock over a 5-year period with the returns on the Standard & Poor's MidCap 400 Stock Index (of which Vishay is a component), the Standard & Poor's 500 Stock Index, and a peer group of companies selected by our management. The peer group is made up of six publicly-held manufacturers of semiconductors, resistors, capacitors, and other electronic components.* Management believes that the product offerings of the companies contained in the peer group are more similar to our product offerings than those of the companies contained in any published industry index. The return of each peer issuer has been weighted according to the respective issuer's stock market capitalization. The line graph assumes that $100 had been invested at December 31, 2002 and assumes that all dividends were reinvested.

		Years Ended December 31,				
	Base Period					
Company Name/Index	2003	2004	2005	2006	2007	2008
Vishay Intertechnology, Inc.	100.0	65.59	60.09	59.13	49.83	14.93
S&P 500 Index	100.0	110.88	116.33	134.70	142.10	89.53
S&P MidCap 400 Index	100.0	116.48	131.11	144.64	156.18	99.59
Peer Group*	100.0	74.50	71.10	82.40	78.08	41.01

* AVX Corporation, EPCOS AG, Fairchild Semiconductor International Inc., International Rectifier Corporation, KEMET Corporation, and ON Semiconductor Corporation.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information as of and for the fiscal years ended December 31, 2008, 2007, 2006, 2005, and 2004. This table should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K *(in thousands, except per share amounts)*:

	As of and for the years ended December 31,				
	2008 (1)	**2007** (2)	**2006** (3)	**2005** (4)	
Statement of Operations Data:					
Net revenues	$ 2,822,211	$ 2,833,266	$ 2,581,477	$ 2,296,521	$
Interest expense	24,264	28,652	32,215	33,590	
Income (loss) from continuing operations before taxes and minority interest	(1,671,685)	205,664	191,550	77,772	
Income taxes	11,187	64,133	50,836	11,737	
Minority interest	718	1,180	978	3,761	
Income (loss) from continuing operations	(1,683,590)	140,351	139,736	62,274	
Loss from discontinued operations, net of tax	(47,826)	(9,587)	-	-	
Net earnings (loss)	(1,731,416)	130,764	139,736	62,274	
Basic earnings (loss) per share:*					
Continuing operations	$ (9.03)	$ 0.76	$ 0.76	$ 0.35	$
Discontinued operations	$ (0.26)	$ (0.05)	$ -	$ -	$
Net earnings (loss)	$ (9.29)	$ 0.70	$ 0.76	$ 0.35	$
Diluted earnings (loss) per share:*					
Continuing operations	$ (9.03)	$ 0.74	$ 0.73	$ 0.34	$
Discontinued operations	$ (0.26)	$ (0.05)	$ -	$ -	$
Net earnings (loss)	$ (9.29)	$ 0.69	$ 0.73	$ 0.34	$
Weighted average shares outstanding – basic	186,403	185,646	184,400	177,606	
Weighted average shares outstanding – diluted	186,403	198,226	210,316	189,321	
Balance Sheet Data:					
Total assets	$ 2,815,960	$ 4,995,235	$ 4,691,896	$ 4,527,591	$
Long-term debt, less current portion	333,631	607,237	608,434	751,553	
Working capital	866,405	1,145,873	1,192,833	1,136,466	

Stockholders equity	1,544,858	3,356,775	3,080,813	2,855,852

* May not add due to rounding.

(1) Includes the results of Vishay Transducers India Limited from June 30, 2008, of Powertron GmbH from July 23, 2008, and of the wet tantalum business of KEMET Corporation from September 15, 2008. Also includes net pretax charges of $1,857,723,000 for impairment of goodwill and indefinite-lived intangible assets, restructuring and severance costs, asset write-downs, terminated tender offer expenses, a loss on extinguishment of debt, and losses on adverse purchase commitments, partially offset by a gain on sale of a building. Also includes additional tax expenses for one-time tax items totaling $36,935,000. These items, net of their related tax consequences, had a negative $9.56 effect on income from continuing operations. These items are more fully described in the notes to the consolidated financial statements.

(2) Includes the results of the Power Control Systems business from April 1, 2007 and PM Group from April 19, 2007. Also includes net pretax charges of $34,325,000 for restructuring and severance costs, asset write-downs, and a contract termination charge. These charges were partially offset by a gain on sale of a building. These items and their related tax consequences, net of additional tax expenses for changes in uncertain tax positions and valuation allowances, had a negative $0.21 effect on income from continuing operations. These items are more fully described in the notes to the consolidated financial statements.

(3) Includes the results of Phoenix do Brasil from July 31, 2006. Also includes net charges of $71,532,000 for restructuring and severance costs, asset write-downs, inventory write-downs and write-offs, losses on adjustments to purchase commitments, a loss on extinguishment of debt, charges to increase environmental liabilities assumed from the 2001 General Semiconductor acquisition, and charges to resolve past quality claims. These items and their related tax consequences had a negative $0.26 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(4) Includes the results of SI Technologies from April 28, 2005, of Alpha Electronics K.K. from November 30, 2005, and reflects the acquisition of the minority interest in Siliconix in May 2005 and the assets of CyOptics Israel in October 2005. Also includes net charges of $51,550,000 for restructuring and severance costs, asset write-downs, and write-offs of purchased in-process research and development. These charges were partially offset by a gain on a sale of land and gains on adjustments to purchase commitments. In addition, tax expense includes an $8,977,000 benefit, primarily due to favorable foreign tax rulings. These items and their related tax consequences had a negative $0.17 effect on earnings per share.

(5) Includes the results of RFWaves from August 31, 2004 and Vishay MIC Technology from September 29, 2004. Also includes net charges of $89,959,000 for restructuring and severance costs, asset write-downs, inventory write-downs, losses on purchase commitments, and a write-off of purchased in-process research and

development, partially offset by a gain on favorable settlement on a note receivable. These items and their related tax consequences, net of a favorable tax settlement, had a negative $0.32 effect on earnings per share.

Management believes that stating the impact on net earnings of items such as goodwill and indefinite-lived intangible asset impairment charges, restructuring and severance costs, asset write-downs, inventory write-downs and write-offs, gains or losses on purchase commitments, contract termination charges, losses on early extinguishment of debt, gains on insurance proceeds, charges for in-process research and development, special tax items, and other items is meaningful to investors because it provides insight with respect to intrinsic operating results of the Company.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPER

Overview

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

Vishay operates in two product segments, Semiconductors and Passive Components. Semiconductors segment products include transistors, diodes, rectifiers, certain types of integrated circuits, and optoelectronic products. Passive Components segment products include resistors, capacitors, and inductors. We include in the Passive Components segment our Measurements Group, which manufactures and markets strain gages, load cells, transducers, instruments, and weighing systems whose core components are resistors that are sensitive to various types of mechanical stress. While the passive components business had historically predominated at Vishay, following several acquisitions of semiconductor businesses, revenues from our Semiconductors and Passive Components segments were essentially split evenly from 2003 through the first quarter of 2007. On April 1, 2007, Vishay acquired the Power Control Systems ("PCS") business of International Rectifier Corporation, which has been included in the Semiconductors segment.

Net revenues for the year ended December 31, 2008 were $2.822 billion, compared to net revenues of $2.833 billion for the year ended December 31, 2007.

Vishay reported a loss from continuing operations for the year ended December 31, 2008 of $1,683.6 million, or $9.03 per share. The loss includes noncash goodwill and indefinite-lived intangible asset impairment charges, totaling $1,723.2 million ($1,668.0 million, net of tax). The results for the year ended December 31, 2008 also include pretax charges for restructuring and severance costs of $62.5 million, related asset write-downs of $5.1 million, losses on adverse purchase commitments of $6.0 million, a loss on early extinguishment of debt of $13.6 million, and $4.0 million of costs associated with Vishay's terminated tender offer for all outstanding shares of International Rectifier, partially offset by a gain on sale of land and buildings of $4.5 million. On an after tax basis, these items, plus additional tax expense for one-time tax items totaling $36.9 million, had a negative $9.56 per share effect on income (loss) from continuing operations.

Income from continuing operations for the year ended December 31, 2007 was $140.4 million, or $0.74 per diluted share. Income from continuing operations for the year ended December 31, 2007 was impacted by pretax charges for restructuring and severance costs of $14.7 million, related asset write-downs of $3.9 million, and a contract termination charge of $18.9 million, net of a gain on sale of a building of $3.1 million. These items and their tax-related consequences, plus additional tax expense for one-time tax items totaling $8.3 million, had a negative $0.21 per share effect on income from continuing operations.

On April 7, 2008, Vishay sold the automotive modules and subsystems business unit ("ASBU") acquired on April 1, 2007 as part of the acquisition of the PCS business of International Rectifier. The operations of ASBU have been

classified as discontinued operations for the entire period of ownership. Including the loss from discontinued operations, the net loss for the year ended December 31, 2008 was $1,731.4 million, compared to net earnings of $130.8 million for the year ended December 31, 2007.

Following the relatively friendly business environment experienced between the fourth quarter of 2005 through the second quarter of 2008, the electronics industry abruptly experienced the impact of the worldwide financial crisis that became more pronounced and intensified beginning in September 2008. Despite results that were below our expectations during the second half of 2008, we continued to generate cash from operations. We remain confident for the long-term prospects of our businesses, although we expect further deterioration of market conditions in the short-term.

Financial Metrics

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

Gross profit margin is computed as gross profit as a percentage of 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.

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

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 quarter-end balance) for this same period. The inventory balance used for computation of this ratio includes tantalum inventories in excess of one year supply, which are classified as other assets in the consolidated balance sheet. See Note 14 to our consolidated financial statements. A higher level of inventory turnover reflects more efficient use of our capital.

Pricing in our industry can be volatile. We analyze trends and changes in average selling prices to evaluate likely future pricing. The erosion of average selling prices of established products is typical of the industry, especially for our Semiconductors segment products. However, we attempt to offset this deterioration with ongoing cost reduction activities and new product introductions.

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, the end-of-period backlog, the book-to-bill ratio, the inventory turnover, and changes in ASP for our business as a whole during the five quarters beginning with the fourth quarter of 2007 and through the fourth quarter of 2008 *(dollars in thousands)*:

	4th Quarter 2007	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2008
Net revenues	$ 729,597	$ 733,313	$ 774,364	$ 739,092	$ 575,442
Gross profit margin*	22.9%	23.5%	23.2%	21.6%	14.8%
End-of-period backlog	$ 646,700	$ 696,700	$ 695,900	$ 619,000	$ 459,700
Book-to-bill ratio	0.96	1.04	1.00	0.92	0.74
Inventory turnover	3.76	3.74	3.89	3.85	3.40
Change in ASP vs. prior quarter	-1.2%	-0.4%	-0.9%	-1.4%	0.0%

* Gross profit margin for the fourth quarter of 2008 includes losses on adverse purchase commitments of $6.0 million.

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

As expected in light of the worldwide economic downturn, net revenues for the fourth quarter of 2008 decreased 22% sequentially. During the quarter, we continued to experience a substantial slow down in our order-rate, which began in the third quarter. Gross profit margin decreased, principally due to lower volume. The book-to-bill ratio decreased to 0.74 from 0.92 in the third quarter of 2008. Orders were particularly weak for Semiconductor segment products from Asian distributors. For the fourth quarter of 2008, the book-to-bill ratios for distribution customers and original equipment manufacturers ("OEM") were 0.65 and 0.83, respectively, versus ratios of 0.88 and 0.95, respectively, during the third quarter of 2008. We remain confident for the long-term prospects of the electronics industry, but it is difficult in the current environment to make short-term projections.

We have continued to see relatively modest pricing pressure in 2008, continuing the trend experienced in 2006 and 2007, although we expect increasing pricing pressure in 2009 once the order intake increases.

Financial Metrics by Segment

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

	4th Quarter 2007	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2008
Semiconductors					
Net revenues	$ 386,013	$ 387,780	$ 407,443	$ 392,934	$ 272,669
Book-to-bill ratio	0.94	1.03	1.01	0.85	0.59
Gross profit margin[(1)]	22.5%	22.9%	22.5%	21.8%	11.5%
Passive Components					
Net revenues	$ 343,584	$ 345,533	$ 366,921	$ 346,158	$ 302,773
Book-to-bill ratio	0.99	1.05	0.99	0.98	0.88
Gross profit margin[(2)]	23.3%	24.3%	24.1%	21.4%	17.8%

(1) Gross profit margin for the Semiconductors segment for the fourth quarter of 2008 includes losses on adverse purchase commitments of $3.8 million.

(2) Gross profit margin for the Passive Components segment for the fourth quarter of 2008 includes losses on adverse purchase commitments of $2.3 million.

Acquisition and Divestiture Activity

As part of our growth strategy, we seek to expand through acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. This includes exploring opportunities to acquire smaller targets to gain market share, effectively penetrate different geographic markets, enhance new product development, round out our product lines, or grow our high margin niche market businesses. Also as part of this growth strategy, we seek to explore opportunities with privately held developers of electronic components, whether through acquisition, investment in noncontrolling interests, or strategic alliances.

We completed three strategic acquisitions in 2008, two strategic acquisitions in 2007, and one strategic acquisition in 2006. We also divested certain non-core businesses acquired in these transactions.

In the current uncertain economic conditions, we will not actively pursue acquisitions, but will consider special opportunities should they arise.

2008 Activities

During 2008, we made three acquisitions. On June 30, 2008, Vishay acquired its partner□s 51% interest in a transducer manufacturing joint venture in India for approximately $9.6 million. On July 23, 2008, Vishay acquired Powertron GmbH, a manufacturer of specialty precision resistors, for approximately $14.3 million, including the repayment of certain debt of Powertron. On September 15, 2008, Vishay acquired the wet tantalum capacitor business of KEMET Corporation for $35.2 million and other consideration in the form of a three-year term loan of $15 million. Terms of the secured loan of $15 million to KEMET from Vishay include a three-year non-amortizing maturity, an interest rate of LIBOR plus four percent, and security consisting of accounts receivable.

As further described in Note 2 to our consolidated financial statements, during 2008, Vishay made an unsolicited offer to acquire all outstanding shares of International Rectifier. This tender offer was terminated on October 13, 2008. Vishay incurred $4 million of costs associated with the International Rectifier tender offer, which are presented as a separate line item in the consolidated statements of operations. As described below, in April 2007, Vishay acquired the PCS business of International Rectifier. On April 7, 2008, Vishay sold the automotive modules and subsystems business unit (□ASBU□) it had acquired as part of the acquisition of the PCS business. During the first quarter of 2008, we recorded an impairment charge of $32.3 million to reduce the carrying value of the net assets of ASBU to the selling price. The Company recorded an additional after tax loss of $5.7 million during the fourth quarter of 2008 subsequent to the resolution of a net working capital adjustment and the resolution of certain disputes with the buyer.

Vishay has notified International Rectifier of damage claims concerning forecasts provided to Vishay regarding ASBU in advance of the PCS business acquisition that Vishay believes International Rectifier knew to be unsupportable. Vishay has also notified International Rectifier of certain other claims that it has regarding the sale of the PCS business to Vishay. International Rectifier has stated that it does not believe that Vishay□s claims have merit and that it intends to vigorously defend its position. We are presently engaged in negotiations with International Rectifier to resolve the net working capital dispute.

2007 Activities

On April 1, 2007, we acquired the PCS business of International Rectifier Corporation for approximately $285.6 million in cash, net of cash acquired. The acquired product lines, which complemented our existing product portfolio, consist of planar high-voltage MOSFETs, Schottky diodes, diode rectifiers, fast-recovery diodes, high-power diodes and thyristors, power modules (a combination of power diodes, thyristors, MOSFETs, and IGBTs), and automotive modules and subsystems. As further described above, Vishay sold the automotive modules and subsystems business unit on April 7, 2008. The final purchase price is pending the resolution of a net working capital adjustment dispute as of the date of acquisition. Resolution of the net working capital adjustment dispute was deferred until International Rectifier could complete an internal investigation of its

accounting practices. International Rectifier completed this investigation and reported its restated financial results on August 1, 2008. We are presently engaged in negotiations with International Rectifier to resolve the net working capital dispute.

The acquisition included a wafer fab in Torino, Italy, as well as facilities in Mumbai, India and Xi□an, China. Vishay and International Rectifier entered into several transition services agreements for information technology, logistics, and other functions, as well as for the supply of wafers for up to three years.

On April 19, 2007, we declared our cash tender offer for all shares of PM Group PLC wholly unconditional, and assumed ownership of PM Group. PM Group is an advanced designer and manufacturer of systems used in the weighing and process control industries, located in the United Kingdom. The aggregate cash paid for all shares of PM Group was approximately $45.7 million. The transaction was funded using cash on-hand. We immediately sold PM Group□s electrical contracting subsidiary for approximately $16.1 million.

2006 Activities

Effective July 31, 2006, we acquired all of the outstanding capital stock of Phoenix do Brasil Ltda., a manufacturer of resistors, for approximately $17.5 million.

Cost Management

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

One way we have reduced costs is by moving production to the extent possible from high-labor-cost markets, such as the United States and Western Europe, to lower-labor-cost markets, such as the Czech Republic, Israel, India, Malaysia, Mexico, the People□s Republic of China, and the Philippines. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we are successful in implementing this program. This percentage was 74.6% at the end of 2008, 74.0% at the end of 2007, 74.2% at the end of 2006, and 57% when this program began in 2001. Our long-term target is to have between 75% and 80% of our headcount in lower-labor-cost countries.

These production transfers and other long-term cost cutting measures require us to initially incur significant severance and other exit costs and to record losses on excess buildings and equipment. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods. Between 2001 and 2008, we recorded, in the consolidated statements of operations, restructuring and severance costs totaling $285 million and related asset write-downs totaling $86 million in order to reduce our cost structure going forward. We have realized, and expect to continue to realize, significant annual net cost savings associated with these restructuring activities.

A primary tenet of our business strategy is the expansion within the electronic components industry through acquisitions. Our acquisition strategy relies upon reducing selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies, and achieving significant production cost savings through the transfer and expansion of manufacturing operations to countries where we can benefit from lower labor costs and available tax and other government-sponsored incentives. These plant closure and employee termination costs subsequent to acquisitions are also integral to our cost reduction programs, although these amounts were not significant in the years ended December 31, 2008, 2007, and 2006.

Under present accounting standards, plant closure and employee termination costs that we incur in connection with our acquisition activities are included in the costs of our acquisitions and do not affect earnings or losses on our consolidated statement of operations. Statement of Financial Accounting Standards (□SFAS□) No. 141-R, *Business Combinations,* which Vishay will adopt effective January 1, 2009, will require such costs to be recorded as expenses in our consolidated statement of operations, as such expenses are incurred.

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

The perpetual erosion of average selling prices of established products that is typical of our industry makes it imperative that we continually seek ways to reduce our costs. Furthermore, our long-term strategy is to grow through the integration of acquired businesses, and the accounting standards for these integration costs will change effective January 1, 2009. For these reasons, we expect to have some level of restructuring expenses each period for the foreseeable future.

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

We expect these restructuring programs to result in higher profitability through better gross margins and lower selling, general, and administrative expenses. However, these programs to improve our profitability also involve certain risks which could materially impact our future operating results, as further detailed in Item 1A, Risk Factors.

We expanded our restructuring programs in 2008 to further reduce costs. Most of the costs related to our planned 2008 restructuring projects were recorded in the first quarter of 2008. These projects include the transfer of production of resistor products from Brazil to India and the Czech Republic and the transfer of certain processes in Belgium and the United States to third party subcontractors. We also transferred certain production from the Netherlands and the United States to Israel in 2008. We expect the planned restructuring projects initiated in 2008 to generate approximately $25 million of annual cost savings, of which approximately 60% of the savings would reduce costs of products sold, and approximately 40% of the savings would result in reduced selling, general, and administrative costs. We began to realize some of these savings in the second half of 2008.

In response to the economic downturn during the latter half of 2008, we undertook significant measures to cut costs. This included a strict adaptation of manufacturing capacity to sellable volume, limiting the building of product for inventory. It also included permanent employee terminations, temporary layoffs and shutdowns, and minimizing the use of foundries and subcontractors in order to maximize the load of our owned facilities.

We incurred restructuring and severance costs of $28.6 million during the fourth quarter of 2008, and we expect additional, aggressive cost cutting projects to be implemented. In 2009, we are implementing a program to reduce manufacturing and SG&A fixed costs by $150 million compared to the year ended December 31, 2008. About 65% of the measures can be classified as permanent and 35% as temporary. We expect to incur restructuring and severance costs of approximately $25 million in 2009. We expect the 2009 cash outlay for restructuring and severance programs to be approximately $50 million, covering all contemplated 2009 initiatives and unpaid balances from 2008 programs.

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

Israeli Government Incentives

We have substantial manufacturing operations in Israel, where we benefit from the government s grants and tax incentive programs. These benefits take the form of government grants and reduced tax rates that are lower than

those in the United States.

Israeli government grants are awarded to specific projects. These grants are intended to promote employment in Israel's industrial sector and are conditioned on the recipient maintaining certain prescribed employment levels. Grants are paid when the related projects are approved by the Israeli government and become operational. Israeli government grants, recorded as a reduction in the costs of products sold, were $1.4 million, $4.8 million, and $6.0 million, in 2008, 2007, and 2006, respectively. At December 31, 2008, our consolidated balance sheet reflected $3.1 million in deferred grant income.

Under the terms of the Israeli government's incentive programs, once a project is approved, the recipient is eligible to receive the benefits of the related grants for the life of the project, so long as the recipient continues to meet preset eligibility standards. None of our approved projects has ever been cancelled, and we have already received approval for a majority of the projects contemplated by our capital expenditure program. Over the past few years, the Israeli government has scaled back or discontinued some of its incentive programs. There can be no assurance that we will maintain our eligibility for existing projects or that in the future the Israeli government will continue to offer new incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to receive such benefits. Because we have received approvals for most projects currently contemplated, we do not anticipate that cutbacks in the incentive programs for new projects would have an adverse impact on our earnings and operations for at least several years.

Metals Purchase Commitments

Certain metals used in the manufacture of our products are traded on active markets, and can be subject to significant price volatility. Our policy is to enter into short-term commitments to purchase defined portions of annual consumption of these metals if market prices decline below budget. For much of 2008, these metals were trading near all-time record-high prices. During the fourth quarter of 2008, as metals prices declined significantly from these record-high prices, we entered into commitments to purchase a portion of our estimated 2009 metals needs, principally for copper and palladium. After entering into these commitments, the market prices for these metals continued to decline. As a result, we recorded losses on these adverse purchase commitments during the fourth quarter of 2008 totaling $6.0 million.

Write-Downs of Tantalum Inventory and Purchase Commitments

We are a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are few suppliers that process tantalum ore into capacitor grade tantalum.

We were obligated under two contracts entered into in 2000 with Cabot Corporation to make purchases of tantalum through 2006. As of December 31, 2006, we have fulfilled all obligations under the Cabot contracts and are no longer required to purchase tantalum from Cabot at these fixed prices.

The Cabot contracts were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. Since that time, as a result of a general downturn in the electronics business, we experienced a significant decrease in capacitor sales and the price of tantalum decreased significantly. Accordingly, we wrote down the carrying value of our tantalum inventory on-hand and recognized losses on purchase commitments.

During the term of the contracts with Cabot, we regularly reviewed our liability for tantalum purchase commitments. Our liability for tantalum purchase commitments was estimated based on contractually obligated purchase prices, expected market prices, and the contractually obligated mix of tantalum-grades to be purchased. The mix of tantalum-grades to be purchased was within a range specified in the contracts. Changes in expected market prices and in our mix of tantalum-grade purchases required us to record additional gains or losses on our purchase commitments.

During the term of the contracts, we recorded the following charges related to our tantalum contracts *(in thousands)*:

	Loss (Gain) on Purchase Commitments	Write-downs of inventory on-hand
2002	$ 106,000	$ 25,700
2003	11,392	5,406
2004	16,213	-
2005	(963)	-
2006	5,687	9,602

The loss on tantalum purchase commitments recorded during 2006 was due to a decline in market prices for tantalum, as well as changes in the mix of tantalum-grade purchases. Of the total amount recorded, approximately $2.8 million was attributable to the decline in market value, while another $2.9 million was attributable to changes in the mix of tantalum-grade purchases.

The net gain on tantalum purchase commitments recorded during 2005 was attributable to a conditional price reduction included in one of our contracts with Cabot, which offset changes in the mix of tantalum-grade purchases. The conditions necessary to receive price reductions in 2006 were met during the fourth quarter of 2005, and accordingly, the estimates of our liability for these purchase commitments were adjusted to reflect the fact that we would receive these conditional price reductions for the remainder of the contract. The amount of this adjustment was approximately $7 million. This adjustment, net of approximately $6 million of costs associated with differences between the actual and anticipated mix of tantalum-grades purchased during 2005, resulted in the net gain included in the consolidated statement of operations for the year ended December 31, 2005.

The loss on tantalum purchase commitments recorded in 2004 was primarily attributable to changes in the mix of tantalum-grade purchases. The losses on tantalum purchase commitments recorded in 2003 and 2002 were primarily attributable to declines in market value.

Write-downs of tantalum inventory on-hand were generally for raw materials. The write-down of tantalum inventory on-hand for 2006 includes $1.4 million of finished goods from certain discontinued tantalum capacitor product lines.

While our tantalum purchase commitments have been completely satisfied, we will continue to evaluate if write-downs of the value of inventory on-hand are necessary. See "Critical Accounting Policies and Estimates" below.

Tower Semiconductor Foundry Agreement

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

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

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

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

In January 2008, Siliconix reached an agreement in principle to revise the 2004 agreement to more accurately reflect market demand. Based on the penalties paid in 2007 and the agreement in principle, during the fourth quarter of 2007, the Company recorded a write-off of the balance of the 2004 advance to Tower in the amount of $16.4 million, and accrued an additional $2.5 million based on its best estimate of additional contract termination charges related to the original agreement.

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

In March 2008, Siliconix and Tower entered into an amended and restated foundry agreement (the "2008 agreement"). Pursuant to the 2008 agreement, Tower will continue to manufacture wafers covered by the 2004 agreement, but at lower quantities and at lower prices, through 2009. Tower will also begin manufacturing wafers for other product lines acquired as part of the PCS acquisition through 2012, pending a scheduled technology transfer. Siliconix must pay for any short-fall in the reduced minimum order quantities specified under the 2008 agreement through the payment of penalties equal to unavoidable fixed costs. Additionally, as contemplated, Siliconix agreed to forgive the balance of the 2004 advance and paid a $2.5 million contract termination charge.

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.

SFAS No. 52 requires that entities identify the "functional currency" of each of their subsidiaries and measure all elements of the financial statements in that functional currency. A 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. Vishay has both situations among its subsidiaries.

Foreign Subsidiaries which use the Local Currency as the Functional Currency

We finance our operations in Europe and certain locations in Asia in local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. For those subsidiaries where the local currency is the functional currency, assets and liabilities in the consolidated balance sheets have been translated at the rate of exchange as of the balance sheet date. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity. With the general weakening of the U.S. dollar during 2006 through 2008, this translation of these subsidiaries' financial statements into U.S. dollars has resulted in a significant increase in the translation adjustment recorded in accumulated other comprehensive income on our consolidated balance sheet. As the U.S. dollar modestly strengthened in the third and fourth quarters of 2008, we saw a moderate decrease in the translation adjustment recorded in accumulated other comprehensive income on our consolidated balance sheet. See Note 10 to our consolidated financial statements.

For those subsidiaries where the local currency is the functional currency, revenues and expenses are translated at the average exchange rate for the year. While the translation of revenues and expenses into U.S. dollars does not directly impact the consolidated statement of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies. As a result of the general weakening of the U.S. dollar versus several foreign currencies, the translation of foreign currency revenues and expenses into U.S. dollars has significantly increased reported revenues and expenses during the years ended December 31, 2008 and 2007 compared to prior years.

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

Our operations in Israel and most significant locations in Asia are largely financed in U.S. dollars, and accordingly, these subsidiaries utilize the U.S. dollar as their functional currency. For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations. While these subsidiaries transact most business in U.S. dollars, they may have significant costs, particularly payroll-related, which are incurred in the local currency. The cost of products sold and selling, general, and administrative expense for the year ended December 31, 2008 have been significantly increased by local currency transactions of subsidiaries which use the U.S. dollar as their functional currency, particularly our subsidiaries in Israel.

See Item 7A for additional discussion of foreign currency exchange risk.

Off-Balance Sheet Arrangements

At December 31, 2008 and 2007, we do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 1 to our consolidated financial statements. We identify here a number of policies that entail significant judgments or estimates.

Revenue Recognition

We recognize revenue on product sales during the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, title and risk of loss have been transferred, collectibility is reasonably assured, and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss passes at point of delivery, we recognize revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. We historically have had agreements with distributors that provided limited rights of product return. We have modified these arrangements to allow distributors a limited credit for unsaleable products, which we term a "scrap allowance." Consistent with industry practice, we also have a "stock, ship and debit" program whereby we consider, and grant at our discretion, requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. In addition, we have contractual arrangements whereby we provide distributors with protection against price reductions that we initiate after sale of product to the distributor and prior to resale by the distributor.

We record end of period accruals for each of the programs based upon our estimate of future credits under the programs that will be attributable to sales recorded through the end of the period. We calculate reductions of revenue attributable to each of the programs during any period by computing the change in the accruals from the prior period and adding the credits actually given to distributors during the period under the programs. These procedures require the exercise of significant judgments, but we believe they enable us to reasonably estimate future credits under the programs.

Recording and monitoring of these accruals takes place at our subsidiaries and divisions, with input from sales and marketing personnel and review, assessment, and, if necessary, adjustment by corporate management. While our subsidiaries and divisions utilize different methodologies based on their individual experiences, all of the methodologies take into account certain elements that management considers relevant, such as sales to distributors during the relevant period, 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. In our judgment, the different methodologies provide us with equally reliable estimates upon which to base our accruals. We do not track the credits that we record against specific products sold from distributor inventories, so as to directly compare revenue reduction for credits recorded during any period with credits ultimately awarded in respect of products sold during that period. Nevertheless, we believe that we have an adequate basis to assess the reasonableness and reliability of our estimates.

We recognize royalty revenue in accordance with agreed upon terms when performance obligations are satisfied, the amount is fixed or determinable, and collectibility is reasonably assured. We earn royalties at the point of sale of products which incorporate licensed intellectual property. The amount of royalties recognized is determined based on our licensees periodic reporting to us and judgments and estimates by Vishay management that we believe are reasonable. However, it is possible that actual results may differ from our estimates.

Accounts Receivable

Our accounts receivable represent a significant portion of our current assets. We are required to estimate the collectibility of our receivables and to establish allowances for the amount of receivables that will prove uncollectible. We base these allowances on our historical collection experience, the length of time our receivables are outstanding, the financial circumstances of individual customers, and general business and economic conditions. Due to Vishays large number of customers and their dispersion across many countries and industries, we have limited exposure to concentrations of credit risk. However, further deterioration of the economic conditions experienced in the second half of 2008 could result in customers defaulting on payment or delaying payment, which could have a material impact on our cash flows and results of operations.

Inventories

We value our inventories at the lower of cost or market, with cost determined under the first-in, first-out method and market based upon net realizable value. The valuation of our inventories requires our management to make market estimates. For instance, in the case of tantalum, we estimate market value by obtaining current quotations from available sources of supply. For work in process goods, we are required to estimate the cost to completion of the products and the prices at which we will be able to sell the products. For finished goods, we must assess the prices at which we believe the inventory can be sold. Over the past few years, as further described below, we have recorded write-downs of our tantalum and palladium inventories to then-current market value. Inventories are also adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

Write-Downs of Inventories and Purchase Commitments

Certain metals used in the manufacture of our products are traded on active markets, and can be subject to significant price volatility. Our policy is to enter into short-term commitments to purchase defined portions of annual consumption of these metals if market prices decline below budget. For much of 2008, these metals were trading near all-time record-high prices. During the fourth quarter of 2008, as metals prices declined significantly from these record-high prices, we entered into commitments to purchase a portion of our estimated 2009 metals needs, principally for copper and palladium. After entering into these commitments, the market prices for these metals continued to decline. As a result, we recorded losses on these adverse purchase commitments during the fourth quarter of 2008. These losses, which aggregate to $6.0 million, are recorded on a separate line in the consolidated statement of operations.

The losses on these metals purchase commitments and the related liability that was recorded on our consolidated balance sheet were based on our contractually obligated purchase prices and quoted market prices in active commodities markets.

In recent years, we took charges against contractual commitments to purchase tantalum powder and wire through 2006 and wrote-down our existing inventory of tantalum ore, powder, and wire to then-present market value. We did this because the then-current market prices of tantalum were substantially below the prices at which we were committed to purchase tantalum under long-term contracts and the prices at which we were carrying our tantalum raw materials inventory. These actions involved significant judgments on our part, including decisions of whether to take these charges and write-downs, their timing and their amount. There is no established market on which tantalum raw materials are regularly traded and quoted. Accordingly, we based our determination of then-current market prices for tantalum on quotations from two suppliers of these materials.

We made the decision to take the tantalum charges and write-downs after our management concluded that the substantial fall-off in the demand for tantalum capacitors, first experienced in 2001, was likely to continue for the foreseeable future. Combining this assessment with the worldwide over-capacity in tantalum production, we could not foresee when tantalum prices might recover from their currently depressed levels. Although we believe that both the charges and write-downs as well as their timing were appropriate under the circumstances, our visibility for future demand and pricing is limited and the judgments made by our management necessarily involved subjective assessments.

Losses on tantalum purchase commitments and the related liability that was recorded on our consolidated balance sheet was estimated based on our contractually obligated purchase prices, expected market prices, and the contractually obligated mix of tantalum-grades to be purchased. The mix of tantalum-grades to be purchased was within a range specified by the contracts. As described above, because there is no established market on which tantalum raw materials are regularly traded and quoted, we had to make assumptions on the then-current market prices for tantalum. Had we made other assumptions on current and future prices for tantalum, the amount of the inventory write-downs and the losses on our tantalum purchase commitments would have been different. As of December 31, 2006, we have fulfilled all obligations under the Cabot contracts and are no longer required to purchase tantalum from Cabot at these fixed prices.

While our tantalum purchase commitments have been completely satisfied, we will continue to evaluate if write-downs of the value of inventory on hand are necessary. The uncertainty over further write-downs is exacerbated by the fact that we have large quantities of tantalum on hand.

Our minimum tantalum purchase commitments under the contracts with Cabot exceeded our production requirements for tantalum capacitors over the term of the contract. Tantalum powder and wire have an indefinite shelf life; therefore, we believe that we will eventually utilize all of the material in our inventory. Based on usage currently expected in 2009, our inventory on hand represents between one and two years of usage. While we expect to utilize all of the tantalum powder and wire in our inventory, if the downward pricing trend were to resume, we could be required to record additional write-downs of the carrying value of inventory on hand.

If tantalum prices were to recover in the future, we would not reverse the write-downs that we have taken on our raw materials inventory, so that our cost of materials will continue to reflect these write-downs regardless of future price increases in tantalum. This could have the effect of increasing the earnings that we realize in future periods.

Estimates of Restructuring and Severance Costs and Purchase-Related Restructuring Costs

In 2008, 2007, and 2006, we recorded restructuring and severance costs of approximately $62.5 million, $14.7 million, and $40.2 million, respectively. Our restructuring activities related to existing business were designed to reduce both our fixed and variable costs. Acquisition-related restructuring costs, which were not significant in 2008, 2007, or 2006, are included in the allocation of the cost of the acquired business and generally add to goodwill. These costs will be reported as expenses on the consolidated statement of operations subsequent to the adoption of SFAS No. 141-R on January 1, 2009. Other restructuring costs are expensed during the period in which we determine that we will incur those costs, and all of the requirements for accrual are met.

Because these costs are recorded based upon estimates, our actual expenditures for the restructuring activities may differ from the initially recorded costs. If this happens, we will have to adjust our estimates in future periods, either by recording additional expenses in future periods, if our initial estimates were too low, or by reversing part of the charges that we recorded initially, if our initial estimates were too high.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the related net assets at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually. These impairment tests must be performed more frequently if there are triggering events.

SFAS No. 142, *Goodwill and Other Intangible Assets,* prescribes a two-step method for determining goodwill impairment. In the first step, we determine the fair value of the reporting unit. The fair value of the reporting unit

is determined using various valuation techniques, including a comparable companies market multiple approach and a discounted cash flow analysis (an income approach). The comparable companies utilized in our evaluation are generally the members of our peer group included in the presentation of our stock performance graph in Item 5 of our Annual Report on Form 10-K.

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

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

Fair value of the reporting units, and the underlying assets and liabilities of those reporting units, is measured at a point in time, and reflects specific market conditions as of the measurement date. During the year ended December 31, 2008, market conditions deteriorated significantly each successive quarter.

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

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

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

Given the further deterioration of market conditions in the third quarter, an additional impairment test was performed as of September 27, 2008 (the end of our third fiscal quarter). After completing step one of the impairment test as of September 27, 2008, we determined that the estimated fair value of our Other Passives reporting unit was less than the net book value of this reporting unit. This required the completion of the second step of the impairment evaluation. The estimated fair value of the Semiconductors and Measurements Group reporting units was greater than the net book value of the respective reporting units as of September 27, 2008, and accordingly, no second step was required for the Semiconductors and Measurement Group reporting units at September 27, 2008. Upon completion of our step two analysis as of September 27, 2008, we recorded an additional goodwill impairment charge. Subsequent to recording this impairment charge, the Other Passives reporting unit had no remaining goodwill recorded on the consolidated balance sheet.

Given the further deterioration of market conditions in the fourth quarter, an additional impairment test was performed as of December 31, 2008 (the end of our fourth fiscal quarter). After completing step one of the impairment test as of December 31, 2008, we determined that the estimated fair value of our Semiconductors and Measurements Group reporting units were less than the net book value of those reporting units. This required the completion of the second step of the impairment evaluation. Upon completion of our step two analysis as of December 31, 2008, we recorded additional goodwill impairment charges. Subsequent to recording these impairment charges, there was no remaining goodwill recorded on the consolidated balance sheet.

As a result of these impairment tests, we recorded goodwill impairment charges in 2008 aggregating $1,696.2 million.

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

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

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

We perform our annual impairment test as of the first day of the fiscal fourth quarter. The interim impairment test performed as of September 27, 2008, the last day of our fiscal third quarter, was effectively our annual impairment test for 2008. There was no impairment identified through the annual impairment tests completed in 2007 or 2006.

Impairment of Long-Lived Assets and Indefinite-Lived Intangible Assets

We assess the impairment of our long-lived assets, other than goodwill and tradenames, including property and equipment, long-term prepaid assets, and identifiable intangible assets subject to amortization, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Long-lived assets are grouped at the lowest level of independent cash flows and evaluated as a group. Factors we consider important, which could trigger an impairment review, include significant changes in the manner of our use of the assets, changes in historical or projected operating performance, and significant negative economic trends. The carrying value of a long-lived asset group is considered impaired when the total projected undiscounted cash flows from such asset group are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset group, primarily determined using discounted future cash flows.

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

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

During the years ended December 31, 2008, 2007, and 2006, we recorded asset write-downs of $5.1 million, $3.9 million, and $6.7 million, respectively. Fixed asset write-downs included amounts to reduce the carrying value of certain buildings which had been vacated as part of our restructuring activities, based on expected future selling prices or the present value of expected rental receipts. Fixed asset write-downs also included charges to write down certain equipment to salvage value after we determined that it would not be used at other Vishay locations subsequent to the completion of our restructuring plans. The asset write-downs for 2008 also included definite-lived intangible write-downs of $0.8 million, as a result of our decision to close our facility in Brazil.

During the year ended December 31, 2007, we recorded a write-off of prepaid assets associated with our Tower Semiconductor foundry agreement.

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

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

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

Pension and Other Postretirement Benefits

Accounting for defined benefit pension and other postretirement plans involves numerous assumptions and estimates. The discount rate at which obligations could effectively be settled and the expected long-term rate of return on plan assets are two critical assumptions in measuring the cost and benefit obligations of our pension and other postretirement benefit plans. Other important assumptions include the anticipated rate of future increases in compensation levels, estimated mortality, and for postretirement medical plans, increases or trends in health care costs. Management reviews these assumptions at least annually. We use independent actuaries to assist us in preparing these calculations and determining these assumptions. These assumptions are updated periodically to reflect the actual experience and expectations on a plan specific basis as appropriate.

Our defined benefit plans are concentrated in the United States, Germany, and the Republic of China (Taiwan). Plans in these countries comprise approximately 94% of our retirement obligations at December 31, 2008. In the U.S., we utilize published long-term high quality bond indices to determine the discount rate at the measurement date. In Germany and the Republic of China (Taiwan), we utilize published long-term government bond rates to determine the discount rate at the measurement date. We utilize bond yields at various maturity dates to reflect the timing of expected future benefit payments. We believe the discount rates selected are the rates at which these obligations could effectively be settled.

Within the U.S., we establish strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. Many of our non-U.S. plans are unfunded based on local laws and customs. For those non-U.S. plans that do maintain investments, their asset holdings are primarily cash and fixed income securities, based on local laws and customs. We set the expected long-term rate of return based on the expected long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this rate, we consider historical and expected returns for the asset classes in which the plans are invested, advice from pension consultants and investment advisors, and current economic and capital market conditions. The expected return on plan assets is incorporated into the computation of pension expense. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset losses (gains) affects the calculated value of plan assets and, ultimately, future pension expense (income).

We expect a significant increase in net periodic pension cost in 2009 as a result of amortization of a portion of past losses on plan assets. The estimated actuarial items for the defined benefit pensions plans that will be amortized from accumulated other comprehensive loss into net periodic pension cost during 2009 is $12.7 million, compared to approximately $5.5 million in 2008. Although we continue to believe that our long-term rate of return on fixed assets will be achieved, we expect a significant increase in net periodic pension cost in 2009 as a result of a reduction in the total expected return on plan assets in 2009.

During the fourth quarter of 2008, we adopted amendments to our principal U.S. defined benefit pension plans, such that effective January 1, 2009, the plans were frozen. Pursuant to these amendments, no new employees may participate in the plans, no further participant contributions will be required or permitted, and no further benefits shall accrue after December 31, 2008. As a result of these amendments, net periodic pension cost for 2009 will not include any service cost, thus partially offsetting the expected increases due to increased

amortization of actuarial losses and lower expected returns on plan assets. To mitigate the loss in benefits of these employees, effective January 1, 2009, we increased the company-match portion of our 401(k) defined contribution savings plan for employees impacted by the pension freeze.

We believe that the current assumptions used to estimate plan obligations and annual expense are appropriate. However, if economic conditions change or if our investment strategy changes, we may be inclined to change some of our assumptions, and the resulting change could have a material impact on the consolidated statements of operations and on the consolidated balance sheet.

Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances and the provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

These accruals are based on management's best estimate of potential tax exposures. When particular matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to our effective tax rate in the year of resolution. Unfavorable resolution of any particular issue could increase the effective tax rate and may require the use of cash in the year of resolution. During 2008 and 2006, certain matters were resolved unfavorably, which required us to make tax payments.

We file U.S. federal income tax returns, as well as income tax returns in multiple U.S. state and foreign jurisdictions. The U.S. Internal Revenue Service has concluded its examinations of Vishay's U.S. federal tax returns for all tax years through 2002. Because of net operating losses, our U.S. federal tax returns for 2003 and later years will remain subject to examination until the losses are utilized. Examinations of principal subsidiaries in Germany through the 2004 tax year were concluded in 2008. The tax returns of significant consolidated subsidiaries are currently under examination, including Israel (2004 and later years) and Republic of China (Taiwan) (1996 and later years). We are also subject to income taxes in other taxing jurisdictions in the U.S. and around the world, many of which are still open to tax examinations.

In July 2006, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. For those benefits to be recognized, a tax position must be "more likely than not" to be sustained upon examination by taxing authorities. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 applies to all tax positions related to income taxes. We adopted the provisions of FIN 48 effective January 1, 2007.

We have recorded deferred tax assets representing future tax benefits, but may not be able to realize these future tax benefits in certain jurisdictions. Significant judgment is required in determining the expected future realizability of these deferred tax assets. We periodically evaluate the realizability of our deferred tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

Based on our anticipated U.S. cash requirements, we expect that we will need to repatriate additional cash to repay the term loan outstanding under our credit facility, and have recorded additional tax expense in 2008 on this expected transaction because such earnings are not deemed to be indefinitely reinvested outside of the United States.

Except as described above, earnings generated by our non-U.S. subsidiaries are deemed to be reinvested outside of the United States indefinitely. Accordingly, generally no provision has been made for U.S. federal and state income taxes on these foreign earnings. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to 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.

The determination of our U.S. cash needs requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: forecasts of revenue, operating income, capital expenditures, interest rates, and the timing of significant transactions. Due to the inherent uncertainty involved in making these estimates and assumptions, actual financial results could differ from those estimates and assumptions, which may require us to repatriate additional cash and incur additional tax expense.

Results of Operations

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

	Years ended December 31,		
	2008	**2007**	**2006**
Costs of products sold	78.6%	75.5%	74.2%
Gross profit	21.2%	24.5%	25.5%
Selling, general, and administrative expenses	16.0%	15.5%	15.6%
Operating income (loss)	-58.4%	7.7%	8.1%
Income (loss) from continuing operations before taxes and minority interest	-59.2%	7.3%	7.4%
Income (loss) from continuing operations	-59.7%	5.0%	5.4%
Net earnings (loss)	-61.3%	4.6%	5.4%
Effective tax rate	-0.7%	31.2%	26.5%

Net Revenues

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

	Years ended December 31,		
	2008	**2007**	**2006**
Net revenues	$ 2,822,211	$ 2,833,266	$ 2,581,477
Change versus prior year	$ (11,055)	$ 251,789	
Percentage change versus prior year	-0.4%	9.8%	

Changes in net revenues were attributable to the following:

	2008 vs. 2007	**2007 vs. 2006**
Change attributable to:		
Change in volume	-2.6%	1.6%
Decrease in average selling prices	-3.0%	-1.8%
Foreign currency effects	2.6%	2.7%
Acquisitions	2.5%	7.2%
Other	0.1%	0.1%
Net change	-0.4%	9.8%

The markets for our products were relatively stable during the first half of 2008. Beginning in the third quarter of 2008, we experienced a substantial slow down in our order rate, as the markets for our products began to be impacted by the economic downturn. The automotive industry seems most heavily impacted, but sales of products for virtually all end-uses were below expectations. The decrease in volumes and average selling prices were largely offset by acquisitions and foreign currency effects. The weakening U.S. dollar effectively increased the amount reported for revenues for the year ended December 31, 2008 versus the prior year.

The markets for our products were relatively stable during the year ended December 31, 2007, compared to the year ended December 31, 2006. The overall increase in net revenues in 2007 was principally driven by acquisitions. The weakening U.S. dollar also effectively increased the amount reported for revenues during the year ended December 31, 2007 versus the prior year.

We deduct, from the sales that we record to distributors, allowances for future credits that we expect to provide for returns, scrapped product, and price adjustments under various programs made available to the distributors. We make deductions corresponding to particular sales in the period in which the sales are made, although the corresponding credits may not be issued until future periods. We estimate the deductions based on sales levels to distributors, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies, and open requests for credits. We recorded deductions from gross sales under our distributor incentive programs of $77.2 million, $81.9 million, and $59.0 million, for the years ended December 31, 2008, 2007, and 2006, respectively, or, as a percentage of gross sales 2.7%, 2.8%, and 2.2%, respectively. We also assumed $5.6 million of liabilities for distributor incentive programs as part of our acquisitions in 2007. Actual credits issued under the programs for the years ended December 31, 2008, 2007, and 2006 were approximately $79.9 million, $79.6 million, and $68.4 million, respectively. Increases and decreases in these incentives are largely attributable to the then-current business climate.

As a result of a concentrated effort to defend our intellectual property and generate additional licensing income, we began receiving royalties in the fourth quarter of 2004. Royalty revenues, included in net revenues on the consolidated statements of operations, were $3.0 million, $7.8 million, and $7.6 million, for the years ended December 31, 2008, 2007, and 2006, respectively.

Gross Profit and Margins

Gross profit margins for the year ended December 31, 2008 were 21.2%, as compared to 24.5% for year ended December 31, 2007. This decrease in gross profit margin reflects lower average selling prices, negative foreign currency effects, generally higher precious metals and raw materials costs, and a less favorable product mix. Gross profit margins for the year ended December 31, 2008 also reflect losses on adverse purchase commitments of $6.0 million.

Gross profit margins for the year ended December 31, 2007 were 24.5%, as compared to 25.5% for the year ended December 31, 2006. This decrease in gross profit margin reflects lower average selling prices, higher precious metals and raw materials costs, a less favorable product sales mix, and some production inefficiencies. Gross profit margins for 2007 were also negatively impacted by the acquisition of the PCS business, which has lower gross profit margins than legacy Vishay products. This decrease in gross margin in 2007 is partially offset by the absence of certain charges recorded in the prior year. Gross profit margin for 2006 reflects losses on tantalum purchase commitments of $5.7 million, inventory write-downs and write-offs of $9.6 million, and charges to resolve past quality issues of $2.9 million. The improvement in gross margin attributable to the absence of these charges is more than offset by lower average selling prices, higher precious metals and raw materials costs, a less favorable product sales mix, and some production inefficiencies.

See Israeli Government Incentives regarding Israeli government grants, which are recorded as a reduction to costs of products sold.

Segments

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

Semiconductors

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

	Years ended December 31,		
	2008	2007	2006
Net revenues	$ 1,460,826	$ 1,489,600	$ 1,291,432
Change versus prior year	$ (28,774)	$ 198,168	
Percentage change versus prior year	-1.9%	15.3%	

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

	2008 vs. 2007	2007 vs. 2006
Change attributable to:		
Change in volume	-3.4%	4.1%
Decrease in average selling prices	-4.7%	-3.2%
Foreign currency effects	2.1%	1.8%
Acquisitions	4.0%	12.9%
Other	0.1%	-0.3%
Net change	-1.9%	15.3%

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

	Years ended December 31,		
	2008	2007	2006
Gross margin percentage	20.2%	23.8%	26.3%

Changes in gross margin are largely driven by changes in net revenues, but also reflect our continuing cost cutting efforts. The decreases in gross profit margins in 2008 versus 2007 and in 2007 versus 2006 reflect lower average selling prices, higher precious metals and raw materials costs, a less favorable product sales mix, and some production inefficiencies. Gross profit margins for 2008 and 2007 were also negatively impacted by the acquisition of the PCS business, which has lower gross profit margins than legacy Vishay products.

Additionally, several items impact the comparability of gross margins of the Semiconductors segment, as summarized in the table below *(in thousands):*

	Years ended December 31,		
	2008	2007	2006
Loss on purchase commitments	$ 3,766	$ -	$ -
Settlement of past quality issues	-	-	1,100

Passive Components

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

	Years ended December 31,		
	2008	2007	2006
Net revenues	$ 1,361,385	$ 1,343,666	$ 1,290,045

Change versus prior year	$ 17,719	$ 53,621
Percentage change versus prior year	1.3%	4.2%

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

	2008 vs. 2007	2007 vs. 2006
Change attributable to:		
Change in volume	-1.7%	-0.6%
Decrease in average selling prices	-1.1%	-0.3%
Foreign currency effects	3.2%	3.6%
Acquisitions	0.9%	1.5%
Other	0.0%	0.0%
Net change	1.3%	4.2%

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

	Years ended December 31,		
	2008	2007	2006
Gross margin percentage	22.1%	25.4%	24.8%

Changes in gross margin are largely driven by changes in net revenues, but also reflect our continuing cost cutting efforts. Several significant cost reduction programs have been initiated in all Passive Components product lines, including combining facilities and shifting production to lower cost regions. The impact of these cost savings plans has been partially offset by the underutilization of capacity in commodity products.

The decrease in gross margin for 2008 compared to 2007 reflects lower average selling prices, negative foreign currency effects, generally higher precious metals and raw materials costs, and a less favorable product mix.

Additionally, several items impact the comparability of gross margins of the Passive Components segment, as summarized in the table below *(in thousands):*

	Years ended December 31,		
	2008	2007	2006
Loss on purchase commitments	$ 2,258	$ -	$ 5,687
Write-downs of tantalum and palladium inventories	-	-	9,602
Settlement of past quality issues	-	-	1,785

The improvement in gross margin for 2007 compared to 2006 is primarily due to the absence of these charges. The improvements in gross margin attributable to the absence of these charges is partially offset by lower sales volume, higher precious metals and raw materials costs, and a less favorable product mix.

Selling, General, and Administrative Expenses

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

	Years ended December 31,		
	2008	2007	2006
Total SG&A expenses	$ 450,879	$ 439,017	$ 403,027
as a percentage of sales	16.0%	15.5%	15.6%

The increase in total SG&A expenses in the year ended December 31, 2008 versus the year ended December 31, 2007 is generally attributable to a weaker U.S. dollar. The increase in total SG&A expenses in the year ended December 31, 2007 versus the year ended December 31, 2006 is largely attributable to increased revenues, as evidenced by a decrease in SG&A expenses as a percentage of sales. Several items included in SG&A expenses impact the comparability of these amounts, as summarized below *(in thousands)*:

	Years ended December 31,		
	2008	**2007**	**2006**
Amortization of intangible assets	$ 20,798	$ 16,566	$ 12,920
Patent infringement case	6,600	-	-
Transition services agreements	1,600	5,200	-
Net gains on sales of assets	(7,584)	(3,490)	(972)
Environmental remediation costs	-	-	3,600

The increases in amortization expense are principally due to the acquisitions of our partner's 51% interest in the Indian transducers joint venture, Powertron GmbH, and the wet tantalum capacitor business of KEMET Corporation in 2008 and the acquisitions of the PCS business in 2007. Amortization expense also increased in 2008 due to the initiation of amortization of certain tradenames after determining that these indefinite-lived intangible assets were impaired.

The transition services agreements were associated with our acquisition of the PCS business.

Of the $7.6 million net gains on sales of assets in 2008, approximately $4.5 million was realized in a single transaction. Of the $3.5 million net gains on sales of assets in 2007, approximately $3.1 million was realized in a single transaction.

SG&A expenses for 2006 include $3.6 million of adjustments to increase the estimated cost of environmental remediation obligations associated with the 2001 General Semiconductor acquisition.

Restructuring and Severance Costs and Related Asset Write-Downs

Our restructuring activities have been designed to reduce both fixed and variable costs. These activities include the closing of facilities and the termination of employees. Because costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, we could be required either to record additional expenses in future periods or to reverse previously recorded expenses. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods. We expect to continue to incur restructuring expenses to reduce our costs, particularly in light of the current economic environment, as explained in "Cost Management" above and in Note 4 to our consolidated financial statements.

We recorded restructuring and severance costs of $62.5 million and related asset write-downs of $5.1 million during 2008. Most of the costs related to our planned 2008 restructuring projects were recorded in the first quarter of 2008. In response to the economic downturn during the latter half of 2008, we undertook significant measures to cut costs.

Other Income (Expense)

2008 Compared to 2007

Interest expense for the year ended December 31, 2008 decreased by $4.4 million compared to the year ended December 31, 2007. This decrease is primarily due to the repayment of the convertible subordinated notes on August 1, 2008 and lower interest rates on our variable rate debt.

On August 1, 2008, the holders of our convertible subordinated notes had the option to require us to repurchase the notes for the principal amount of the notes. Substantially all (99.6%) of the holders of the notes exercised

their option. As a result of this repurchase, we recorded a loss on early extinguishment of debt to write-off unamortized debt issuance costs of $13.6 million associated with the 2003 issuance of the convertible subordinated notes. This noncash write-off is reported in a separate line item in the consolidated statement of operations.

The following table analyzes the components of the line "Other" on the consolidated statements of operations *(in thousands):*

	Years ended December 31,		
	2008	2007	Change
Foreign exchange loss	$ (609)	$ (5,164)	$ 4,555
Interest income	12,642	19,419	(6,777)
Dividend income	96	470	(374)
Incentive from Chinese government	800	1,238	(438)
Other	1,947	(15)	1,962
	$ 14,876	$ 15,948	$ (1,072)

2007 Compared to 2006

Interest expense for the year ended December 31, 2007 decreased by $3.6 million compared to the year ended December 31, 2006. This decrease is primarily due to the repayment of our Liquid Yield Option™ Notes ("LYONs") in June 2006 and decreases in the variable rate paid on the exchangeable notes due 2102.

On June 4, 2006, the holders of our LYONs had the option to require us to repurchase the notes for their accreted value on that date. All LYONs holders exercised their option. As a result of this repurchase, we recorded a loss on early extinguishment of debt to write-off unamortized debt issuance costs of $2.9 million associated with the LYONs. This noncash write-off is reported in a separate line item in the consolidated statement of operations.

The following table analyzes the components of the line "Other" on the consolidated statements of operations *(in thousands):*

	Years ended December 31,		
	2007	2006	Change
Foreign exchange loss	$ (5,164)	$ (6,490)	$ 1,326
Interest income	19,419	22,401	(2,982)
Dividend income	470	261	209
Incentive from Chinese government	1,238	-	1,238
Other	(15)	1,247	(1,262)
	$ 15,948	$ 17,419	$ (1,471)

Income Taxes

The effective tax rate, based on income (loss) from continuing operations before income taxes and minority interest, for the year ended December 31, 2008 was -0.7%, as compared to 31.2% for the year ended December 31, 2007, and 26.5% for the year ended December 31, 2006.

Income tax expense for the years ended December 31, 2008 and 2007 include certain discrete tax items for changes in uncertain tax positions, valuation allowances, and related items, and, in 2008, actual and anticipated repatriation of cash to the United States. These items total $36.9 million and $8.3 million in 2008 and 2007, respectively.

Additionally, the effective tax rate for the year ended December 31, 2008 is largely impacted by the goodwill and indefinite-lived intangible asset impairment charges recorded in 2008. The vast majority of our goodwill is not

deductible for income tax purposes. We recognized tax benefits of $55.2 million during 2008, associated with the goodwill and indefinite-lived intangible asset impairment charges.

In connection with the repurchase of the convertible subordinated notes on August 1, 2008, we repatriated approximately $250 million of cash from non-U.S. subsidiaries, incurring additional tax expense. We expect that we will need to repatriate additional cash to repay the term loan outstanding under our credit facility, and have recorded additional tax expense in 2008 on this expected transaction because such earnings are not deemed to be indefinitely reinvested outside of the United States. Except for this expected cash need, cash and profits generated by foreign subsidiaries are expected to be reinvested outside of the United States indefinitely.

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

The effective tax rates for 2008, 2007, and 2006 also reflect the fact that we could not recognize for accounting purposes the tax benefit of losses incurred in certain jurisdictions, although these losses are available to offset future taxable income. Under applicable accounting principles, we may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of taxable temporary differences, that would result in the utilization of loss carryforwards for tax purposes.

Additional information about income taxes is included in Note 5 to our consolidated financial statements.

Financial Condition, Liquidity, and Capital Resources

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

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

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. Vishay has generated cash flows from operations in excess of $200 million in each of the past 7 years, and cash flows from operations in excess of $100 million in each of the past 14 years.

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 and repay debt. Vishay has generated positive □free cash□ in each of the past 12 years, and □free cash□ in excess of $80 million in each of the past 7 years. In light of the current economic slow down, we intend to continue to focus on the generation of free cash, including an emphasis on cost controls. There is no assurance, however, that we will be able to continue to generate free cash during the current downturn.

We utilized some of the cash generated from operations in prior years to reduce our debt levels in 2008. Substantially all of this cash was repatriated to the United States from our non-U.S. subsidiaries. As more fully described in Note 6 to our consolidated financial statements, on August 1, 2008, Vishay repurchased substantially all of the convertible subordinated notes due 2023 for an aggregate purchase price of $498.1 million. The purchase price was paid in cash and funded from approximately $250 million of cash on-hand, $125 million of borrowings under the revolving credit facility, and $125 million from a new term loan.

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

	December 31, 2008	December 31, 2007
Credit facility - revolving debt	$ 125,000	$ -
Credit facility - term loan	112,500	-
Exchangeable unsecured notes, due 2102	105,000	105,000
Convertible subordinated notes, due 2023	1,870	500,000
Other debt	2,305	3,583
Total debt	346,675	608,583
Cash and cash equivalents	324,164	537,295
Net debt	$ 22,511	$ 71,288

Measurements such as "free cash" and "net debt" do not have uniform definitions and are not recognized in accordance with generally accepted accounting principles ("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 and repay debt, and that an analysis of "net debt" assists investors in understanding aspects of our cash and debt management. These measures, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies.

The early extinguishment of the convertible subordinated notes in August 2008 will have a negligible impact on future net interest expense, as both interest expense and interest income will decrease.

Over 95% of the December 31, 2008 cash and cash equivalents balance was held by our non-U.S. subsidiaries. We expect that we will need to repatriate additional cash to repay a portion of the term loan outstanding under our credit facility. 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 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 December 31, 2008 continued to be strong, with a current ratio (current assets to current liabilities) of 2.9 to 1, the same as of December 31, 2007. Our ratio of total debt to stockholders' equity was 0.22 to 1 at December 31, 2008, as compared to 0.18 to 1 as of December 31, 2007. The change in this ratio reflects both the reduction of debt subsequent to the repurchase of the convertible subordinated notes in August 2008 and also the reduction of equity resulting from the noncash goodwill and indefinite-lived intangible asset impairment charges recorded during 2008.

Cash flows provided by continuing operating activities were $267.5 million for the year ended December 31, 2008, as compared to cash flows provided by operations of $354.0 million for the year ended December 31, 2007. This decrease is principally due to less favorable operating results (adjusted for noncash expenses and charges), partially offset by smaller changes in net working capital during the year ended December 31, 2008 versus the prior year. Net working capital of the acquired PCS business increased by $68.2 million between the date of acquisition and December 31, 2007, which had a negative impact on reported cash flows from continuing operating activities for the year ended December 31, 2007. We acquired the PCS business with very little net working capital. Net revenues from PCS business product lines since the date of acquisition have generated a significant increase in accounts receivable.

Cash used by discontinued operating activities of $12.8 million for year ended December 31, 2008 primarily reflects receivables collected by Vishay and remitted to the purchaser of the ASBU business pursuant to the transaction agreement. Cash provided by discontinued investing activities for the year ended December 31, 2008 reflects the proceeds of sale of the ASBU business, net of capital spending for information technology systems. Cash used by discontinued operating activities of $10.2 million for the year ended December 31, 2007 primarily

reflects an increase in working capital of the ASBU business.

Cash paid for property and equipment for the year ended December 31, 2008 was $152.0 million, as compared to our original plan of approximately $170 million, and as compared to $200.0 million for the year ended December 31, 2007. To preserve cash, we significantly curtailed our capital spending in the latter half of 2008. Our total capital expenditures are projected to be significantly lower in 2009 as a result of the economic uncertainty. We estimate that 2009 capital expenditures will be less than $70 million. This reduced level of annual capital spending is temporary and not sustainable in an expanding economy.

Cash paid for acquisitions for the year ended December 31, 2008 totaled $74.2 million for the acquisitions of our partner's 51% interest in a transducer manufacturing joint venture, Powertron GmbH, and the KEMET wet tantalum business. This amount also includes a $15 million loan extended to KEMET as part of the wet tantalum business acquisition. Cash paid for acquisitions for the year ended December 31, 2007 was $331.8 million, representing the acquisitions of the PCS business and PM Group, net of cash acquired. Proceeds from sale of businesses of $18.7 million include approximately $16.1 million from the sale of PM Group's electrical contracting business.

We maintain a credit facility, which provides a revolving commitment of up to $250 million through April 20, 2012. As more fully described in Note 6 to the consolidated financial statements, we entered into an amendment to this credit facility to also provide a term loan commitment up to $125 million. This term loan commitment was drawn in July 2008 to fund a portion of the repurchase of the convertible subordinated notes and $112.5 million remains outstanding at December 31, 2008. The first principal payment on this term loan was due on January 1, 2009, and was made on December 31, 2008. We also utilized $125 million of our revolving credit facility to fund a portion of the repurchase of the convertible subordinated notes, which also remains outstanding at December 31, 2008. At December 31, 2007, there were no amounts outstanding under the credit facility.

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

The financial maintenance covenants include (a) tangible net worth (as defined in the credit facility) of $1 billion plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings since December 31, 2006; (b) a leverage ratio of not more than 3.50 to 1; (c) a fixed charge coverage ratio of not less than 2.50 to 1; and a senior debt (as defined in the credit facility) to consolidated EBITDA ratio of not more than 2.00 to 1. The computation of these ratios is more fully described in Article 7 of the Vishay Intertechnology, Inc. Fourth Amended and Restated Credit Agreement, which has been filed with the SEC as Exhibit 10.1 to our current report on Form 8-K filed June 25, 2008, and is hereby incorporated by reference.

We were in compliance with all covenants at December 31, 2008. Our tangible net worth, calculated pursuant to the terms of the credit facility, was $1,294 million, which is $229 million more than the minimum required under the related credit facility covenant. Our leverage ratio, fixed charge coverage ratio, and senior debt ratio were 0.98 to 1, 9.36 to 1, and 0.70 to 1, respectively.

Borrowings under the credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that Vishay failed to make principal or interest payments under the credit facility. Certain of our subsidiaries are permitted to borrow under the credit facility. Any borrowings by these subsidiaries under the credit facility are guaranteed by Vishay.

As described above, we have utilized the credit facility, including the new term loan commitment, to repurchase the convertible subordinated notes in August 2008. The timing and location of scheduled payments have also required us to draw on our revolving credit facilities from time to time over the past year. While the timing and location of scheduled payments for certain liabilities will require us to draw additional amounts on our credit facility from time to time, for the next twelve months, management expects that cash on-hand and cash flows from operations will be sufficient to meet our normal operating requirements, to meet our obligations under restructuring and acquisition integration programs, to fund scheduled debt maturities, and to fund our research and development and capital expenditure plans. Acquisition activity may require additional borrowing under our credit facility or may otherwise require us to incur additional debt.

Economic Outlook and Impact on Operations and Future Financial Results

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

Orders, Revenues, and Margins

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

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

Furthermore, a reduction in sales volume may, in turn, result in a reduction of production volume. A reduction in production volume would reduce the number of units available to absorb fixed costs, increasing the costs of individual units produced and resulting in lower gross margins when those units are sold.

Prices of Raw Materials

The prices of certain raw materials used in our products, particularly precious metals, are highly volatile. From time to time, we enter into purchase commitments to acquire these materials at fixed prices. Our policy is to enter into short-term commitments to purchase defined portions of annual consumption of these metals if market prices decline below budget. For periods when the prices of these materials are declining, we may be required to record losses on adverse purchase commitments, as we did in the fourth quarter of 2008 as a result of rapid declines in the market prices for copper, palladium, and certain other metals. Such declines might also require us to write down our inventory carrying costs for these raw materials, because we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost or committed purchase price, this write-down could have a material adverse effect on our net earnings. For periods when the prices of these materials are increasing, we may be unable to pass on the increased cost to our customers, which would result in decreased margins for the products in which these materials are used.

Collectibility of Accounts Receivable

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

Acquisitions

Our growth strategy historically has included expansion through acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. In response to the uncertain economic conditions, we do not plan to actively pursue acquisitions, but will consider special opportunities should they arise. The failure to pursue acquisitions could impede our future growth. Furthermore, if a special opportunity should arise, our ability to finance the acquisition may be limited, particularly in light of the current credit crisis.

Access to Capital Markets

In the United States, we presently have a revolving credit facility with approximately $114 million of unused borrowing capacity at December 31, 2008. We also have other committed and uncommitted lines of credit available on a short-term basis in various countries around the world. In light of the current environment, credit markets are functioning differently than in the past, with key interest rate spreads increasing substantially, and banks tightening lending standards. If Vishay were to require additional capital, either to sustain normal operations, fund debt maturities, or to pursue a strategic acquisition, we may be unable to obtain financing on terms which we consider acceptable, if at all.

Interest Rates

We are exposed to changes in interest rates as a result of our borrowing activities and our cash balances. Our credit facility and our exchangeable notes due 2102 bear interest at variable rates based on LIBOR. LIBOR fluctuated significantly during the period from June to December 2008, from a low of 1.4% to a high of 4.8%, and in early 2009, when it reached a low of 0.4%. A significant increase in LIBOR would significantly increase our interest expense. A general increase in interest rates would be largely offset by an increase in interest income earned on our cash balances. However, their can be no assurance that the interest rate earned on cash balances will move in tandem with the interest rate paid on our variable-rate debt.

Impairment of Assets

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

Capital Expenditures

To preserve cash, we plan to defer certain capital expenditures. This could limit our new product introductions or our ability to meet customer demands. As a result, when the economy rebounds, we may not have adequate manufacturing capacity, or we may have difficulty expanding our manufacturing capacity, to satisfy demand.

Research and Development

Our regular R&D programs are continuing and we will continue to roll out the new products that the market demands. Some of our R&D activities, however, have very long-term goals. To reduce costs, we plan to defer certain projects.

Pension and Other Postretirement Benefits

Accounting for defined benefit pension and other postretirement plans involves numerous assumptions and estimates. See "Critical Accounting Policies and Estimates – Pension and Other Postretirement Benefits" above for a further discussion of the expected impact on 2009 net periodic pension cost.

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

In December 2008, the President of the United States signed the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"). WRERA provides certain relief from defined benefit plan funding requirements. We are still evaluating the impact of WRERA on our U.S. defined benefit pension plans. We anticipate making contributions to U.S. defined benefit pension plans of between $20 million and $25 million in 2009, although this amount could materially change based on our evaluation of WRERA.

Restructuring

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

Income Taxes

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

Based on our anticipated U.S. cash requirements, we expect that we will need to repatriate additional cash to repay the term loan outstanding under our credit facility, and have recorded additional tax expense in 2008 on this expected transaction because such earnings are not deemed to be indefinitely reinvested outside of the United States. Depending on the length and severity of the recession, we may have additional U.S. cash needs which may require us to repatriate additional cash from our non-U.S. subsidiaries and incur additional tax expense.

Foreign Currency

Foreign currency exchange rates have fluctuated significantly over the past year. We are exposed to foreign currency exchange rate risks, particularly due to transactions in currencies other than the functional currencies of certain subsidiaries. Economic uncertainty in the current environment exacerbates the possibility of significant adverse movements in foreign currency exchange rates which could, in turn, have a significantly adverse effect on our operating results. See also "Foreign Currency Translation" above for additional discussion and analysis of the effects of foreign currency.

Contractual Commitments

As of December 31, 2008 we had contractual obligations as follows *(in thousands)*:

		Payments due by period			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 346,675	$ 13,044	$ 100,187	$ 125,918	$ 107,5
Interest payments on long-term debt	161,985	9,437	14,432	4,287	133,8
Operating leases	135,636	25,400	40,812	26,208	43,2
Expected pension and postretirement plan funding	342,836	29,522	60,111	66,529	186,6
Estimated costs to complete construction in progress	21,400	14,800	6,600	-	
Uncertain tax positions	47,778	2,023	-	-	45,7
Purchase commitments	116,087	61,608	36,274	18,205	
Total contractual cash obligations	$ 1,172,397	$ 155,834	$ 258,416	$ 241,147	$ 517,0

Commitments for interest payments on long-term debt are based on the stated maturity dates of each agreement, one of which bears a maturity date of 2102. Various factors could have a material effect on the amount of future interest payments. Among other things, interest commitments are based on the rate prevailing at December 31, 2008, but actual rates are variable and are certain to change over time. Also, approximately $105 million of our outstanding debt is exchangeable for common stock at the option of the holder, although the price of our common

stock is currently substantially below the level at which conversion would be economical. Commitments for interest payments on long-term debt also include commitment fees under our revolving credit facility, which expires in April 2012.

Our consolidated balance sheet at December 31, 2008 includes approximately $47.8 million of liabilities associated with uncertain tax positions in multiple taxing jurisdictions where we conduct business. Of this amount, $2.0 million is expected to be paid in less than one year. Due to the uncertain and complex application of tax regulations, combined with the difficulty in predicting when tax audits throughout the world may be concluded, with the exception of the $2.0 million described above, we cannot make reliable estimates of the timing of cash outflows relating to these liabilities. Accordingly, the remaining uncertain tax positions were classified as payments due after five years.

The purchase commitments in the table above principally include certain metals and silicon wafers. The purchase commitments for certain metals are at prices in excess of currently quoted market prices.

We maintain long-term foundry agreements with subcontractors to ensure access to external front-end capacity for our semiconductor products. The purchase commitments in the table above include the estimated minimum commitments for silicon wafers under these agreements. Our actual purchases in future periods are expected to be greater than these minimum commitments.

Generally accepted accounting principles require that management evaluate if purchase commitments are at prices in excess of current market price. The purchase commitments for silicon wafers described above are for the manufacture of proprietary products using Vishay Siliconix-owned technology licensed to this subcontractor by Siliconix, and accordingly, management can only estimate the "market price" of the wafers which are the subject of these commitments. Management believes that these commitments are at prices which are not in excess of estimated current market prices.

For a further discussion of our long-term debt, pensions and other postretirement benefits, leases, uncertain tax positions, and purchase commitments, see Notes 5, 6, 11, 13, and 14 to our consolidated financial statements.

Inflation

Normally, inflation does not have a significant impact on our operations as our products are not generally sold on long-term contracts. Consequently, we can adjust our selling prices, to the extent permitted by competition, to reflect cost increases caused by inflation.

See also Item 7A, "Quantitative and Qualitative Disclosures About Market Risk – Commodity Price Risk" for additional related information.

Recent Accounting Pronouncements

As more fully described in Note 1 to our consolidated financial statements, several new accounting pronouncements became effective in 2008 or will become effective in future periods.

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

A primary tenet of our business strategy has been the expansion within the electronic components industry through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. Although we will not actively pursue acquisitions in the current uncertain economic environment, we expect to resume acquisition activity when the economy rebounds. Our acquisition strategy relies upon reducing selling, general, and administrative expenses through the integration or elimination

of redundant sales offices and administrative functions at acquired companies, and achieving significant production cost savings through the transfer and expansion of manufacturing operations to countries where we can benefit from lower labor costs and available tax and other government-sponsored incentives.

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

The adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (including partial cash settlement)* on January 1, 2009 will require retroactive restatement of interest expense for the years ended December 31, 2007 and 2008. For Vishay, this would represent imputed interest expense related to the convertible subordinated notes due 2023, which were substantially all repurchased in August 2008. The impact of FSP APB 14-1 on the remaining outstanding convertible notes is expected to be immaterial to future periods. Vishay will report an increase in interest expense associated with these notes for the full year of 2007 and the first three quarters of 2008. Vishay estimates that the retrospective application of this FSP will reduce reported net earnings for the year ended December 31, 2007 by approximately $23 million, and increase the reported net loss for the year ended December 31, 2008 by approximately $1 million.

Except as described above, the adoption of the new standards described in Note 1 to our consolidated financial statements is not expected to have a material effect on our financial position, results of operations, or liquidity.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosure

We are exposed to certain financial risks, including fluctuations in foreign currency exchange rates, interest rates, and commodity prices. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policies do not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and we are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our borrowing activities and our cash balances. On a selective basis, we have in the past entered into interest rate swap or cap agreements to reduce the potential negative impact that increases in interest rates could have on our outstanding variable rate debt. As of December 31, 2008, 2007, and 2006 we did not have any outstanding interest rate swap or cap agreements.

We are exposed to changes in interest rates on substantially all of our outstanding debt. The exchangeable notes, of which $105 million are outstanding, bear interest at LIBOR (reset quarterly).

The interest paid on our credit facility is based on a LIBOR spread. At December 31, 2008, we had $125 million outstanding under the revolving credit facility and $112.5 million outstanding under the term loan facility, due to the repurchase of the convertible subordinated notes on August 1, 2008. The present amounts outstanding under the revolving credit facility bear interest at LIBOR plus 1.00%, and the term loan bears interest at LIBOR plus 2.50%.

At December 31, 2008, we have $324 million of cash and cash equivalents, which accrues interest at various variable rates.

Based on the debt and cash positions at December 31, 2008, we would expect a 50 basis point increase or decrease in interest rates to increase or decrease our annualized net earnings by approximately $0.7 million.

See Note 6 to our consolidated financial statements for additional information about our long-term debt. Also see "Economic Outlook and Impact on Operations and Future Financial Results" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of market risks.

Foreign Exchange Risk

We are exposed to foreign currency exchange rate risks, particularly due to market values of transactions in currencies other than the functional currencies of certain subsidiaries. From time to time, we utilize forward contracts to hedge a portion of projected cash flows from these exposures. As of December 31, 2008, we did not have any outstanding foreign currency forward exchange contracts.

Our significant foreign subsidiaries are located in Germany, Israel, and Asia. We finance our operations in Europe and certain locations in Asia in local currencies. Our operations in Israel and most significant locations in Asia are largely financed in U.S. dollars, but these subsidiaries also have significant transactions in local currencies. Our exposure to foreign currency risk is mitigated to the extent that the costs incurred and the revenues earned in a particular currency offset one another. Our exposure to foreign currency risk is more pronounced in situations where, for example, production labor costs are predominantly paid in local currencies while the sales revenue for those products is denominated in U.S. dollars. This situation is particularly evident for products produced in Israel, the Czech Republic, and China.

We estimate that a 10% movement in the value of the U.S. dollar against all foreign currencies would impact our net earnings by approximately $3.7 million, although individual line items in our consolidated statement of operations would be materially affected. For example, a 10% weakening in all foreign currencies would increase the U.S. dollar equivalent of operating income generated in foreign currencies, which would be offset by foreign exchange losses of our foreign subsidiaries that have significant transactions in U.S. dollars or have the U.S. dollar as their functional currency.

If the U.S. dollar strengthened or weakened by 10% versus each of the following foreign currencies, with all other currencies being held constant, we estimate that our net earnings would increase (decrease) as follows *(in thousands)*:

Currency:	**10% Strengthening**	**10% Weakening**
Euro	$ (4,200)	$ 4,200
Israeli shekel	6,600	(6,600)
British pound	(1,000)	1,000
Taiwan dollar	800	(800)
Chinese renminbi	600	(600)
Singapore dollar	(500)	500
Hong Kong dollar	400	(400)
Czech koruna	(400)	400
Hungarian forint	(300)	300
Philippines peso	300	(300)
All other currencies, net	1,400	(1,400)
All currencies simultaneously	$ 3,700	$ (3,700)

A change in the mix of the currencies in which we transact our business could have a material effect on the estimated impact of the hypothetical 10% movement in the value of the U.S. dollar. Furthermore, the timing of cash receipts and disbursements could result in materially different actual results versus the hypothetical 10% movement in the value of the U.S. dollar, particularly if there are significant changes in exchange rates in a short period of time.

Commodity Price Risk

Although most materials incorporated in our products are available from a number of sources, certain materials are available only from a relatively limited number of suppliers or are subject to significant price volatility. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price changes for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, we may be required to write down our inventory carrying cost of these raw materials, since we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost, this write-down could have a material adverse effect on our net earnings. We also may need to record losses for adverse purchase commitments for these materials in periods of declining prices.

We are a major consumer of the world□s annual production of tantalum, a metal used in the manufacturing of tantalum capacitors. There are few suppliers that process tantalum ore into capacitor grade tantalum powder. We are acquiring tantalum raw material from all of them under short-term commitments. See Note 14 to our consolidated financial statements for information on our previous long-term tantalum purchase commitments, which expired in 2006.

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity metal that is subject to price volatility. We periodically enter into short-term commitments to purchase palladium.

Certain metals used in the manufacture of our products are traded on active markets, and can be subject to significant price volatility. Our policy is to enter into short-term commitments to purchase defined portions of annual consumption of these metals if market prices decline below budget. For much of 2008, these metals were trading near all-time record-high prices. During the fourth quarter of 2008, as metals prices declined significantly from these record-high prices, we entered into commitments to purchase a portion of our estimated 2009 metals needs, principally for copper and palladium. After entering into these commitments, the market prices for these metals continued to decline. As a result, we recorded losses on these adverse purchase commitments during the fourth quarter of 2008.

We estimate that a 10% increase or decrease in the costs of raw materials subject to commodity price risk would decrease or increase our net earnings by $8.6 million, assuming that such changes in our costs have no impact on the selling prices of our products and that we have no pending commitments to purchase metals at fixed prices.

The declines in metals prices experienced during the latter half of 2008 were more significant than the hypothetical 10% change in prices cited above. For example, the market price of copper at December 31, 2008 was over 60% lower than the record-high price attained earlier in 2008. Our purchase commitments as of December 31, 2008 only represent a portion of our 2009 metals needs.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item are included herein, commencing on page F-1 of this report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISC

None.

Item 9A. 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 annual 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.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

Our independent registered public accounting firm, Ernst & Young LLP, has audited our consolidated financial statements as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and has expressed an unqualified opinion on those consolidated financial statements, as stated in their report which is included herein on page F-2. Ernst & Young LLP has also issued an attestation report on the effectiveness of our internal control over financial reporting, as stated in their report which is included herein on page F-3.

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.

Certifications

The certifications of our CEO and CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

We have a code of ethics applicable to our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller, and financial managers. The text of this code has been posted on our website. To view the code, go to our website at ir.vishay.com and click on Corporate Governance. You can obtain a printed copy of this code, free of charge, by contacting us at the following address:

Corporate Investor Relations
Vishay Intertechnology, Inc.
63 Lancaster Avenue

Malvern, PA 19355-2143

It is our intention to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or any waiver from, a provision of this code by posting such information on our website, at the aforementioned address and location.

Certain information required under this Item with respect to our Executive Officers is set forth in Part I hereof under the caption "Executive Officers of the Registrant."

Other information required under this Item will be contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2008, our most recent fiscal year end, and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

Information required under this Item will be contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2008, our most recent fiscal year end, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required under this Item will be contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2008, our most recent fiscal year end, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required under this Item will be contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2008, our most recent fiscal year end, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item will be contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2008, our most recent fiscal year end, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed as Part of Form 10-K

1. Financial Statements

The Consolidated Financial Statements for the year ended December 31, 2008 are filed herewith. See Index to the Consolidated Financial Statements on page F-1 of this report.

2. Financial Statement Schedules

All financial statement schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits

2.1	Master Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and

	International Rectifier Corporation with respect to all outstanding capital stock of International Rectifier Canada Limited, International Rectifier Electronic Motion Systems Ltd., IR Germany Holdings GmbH, International Rectifier (India) Limited, International Rectifier Corporation Italiana S.p.A. and Xi'an IR Micro-Electronics Co., Ltd. and certain of the assets of International Rectifier Corporation. Incorporated by reference to Exhibit 2.1 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.2	Asset Purchase Agreement dated as of November 8, 2006, by and among Vishay Intertechnology, Inc., International Rectifier Corporation, and International Rectifier Southeast Asia Pte, Ltd. with respect to certain assets of International Rectifier's Power Control Systems Business. Incorporated by reference to Exhibit 2.2 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.3	Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of International Rectifier Electronic Motion Systems Ltd. Incorporated by reference to Exhibit 2.3 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.4	Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of International Rectifier Canada Limited. Incorporated by reference to Exhibit 2.4 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.5	Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of IR Germany Holdings GmbH. Incorporated by reference to Exhibit 2.5 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.6	Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of International Rectifier (India) Limited. Incorporated by reference to Exhibit 2.6 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.
2.7	Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of International Rectifier Corporation Italiana S.p.A. Incorporated by reference to Exhibit 2.3 to International Rectifier Corporation's current report on Form 8-K filed November 14, 2006.

2.8 Stock Purchase Agreement dated as of November 8, 2006, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation with respect to all outstanding capital stock of Xi□an IR Micro-Electronics Co., Ltd. Incorporated by reference to Exhibit 2.8 to International Rectifier Corporation□s current report on Form 8-K filed November 14, 2006.

2.9* Amendment and Waiver Agreement, dated as of March 30, 2007, by and between Vishay Intertechnology, Inc., Siliconix inc., V.I.E.C., Ltd., Vishay Europe GmbH, Siliconix Semiconductor, Inc. (acting in its function as managing partner of the limited partnership, Siliconix Technology C.V.), Vishay Americas, Inc., Vishay Asia Logistics Pte. Ltd., and International Rectifier Corporation, International Rectifier Southeast Asia Pte, Ltd and IR International Holdings China, Inc. Incorporated by reference to Exhibit 2.1 to International Rectifier Corporation□s current report on Form 8-K filed April 9, 2007.

2.10 Asset Purchase Agreement dated as of September 15, 2008, by and between KEMET Electronics Corporation (a wholly-owned subsidiary of KEMET Corporation) and Siliconix Technology C.V. (a wholly-owned subsidiary of Vishay Intertechnology, Inc.). Incorporated by reference to Exhibit 2.1 to our quarterly report on Form 10-Q for the fiscal quarter ended September 27, 2008.

3.1 Amended and Restated Certificate of Incorporation of Vishay Intertechnology, Inc. dated May 28, 2008. Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed May 28, 2008.

3.2 Amended and Restated Bylaws dated May 28, 2008. Incorporated by reference to Exhibit 3.2 to our current report on Form 8-K filed May 28, 2008.

4.1 Warrant Agreement between Vishay Intertechnology, Inc. and American Stock Transfer & Trust Co., dated December 13, 2002. Incorporated by reference to Exhibit 4.1 to our current report on Form 8-K filed December 23, 2002.

4.2 Note Instrument, dated as of December 13, 2002. Incorporated by reference to Exhibit 4.3 to our current report on Form 8-K filed December 23, 2002.

4.3 Indenture, dated as of August 6, 2003, by and between Vishay Intertechnology, Inc. and Wachovia Bank, National Association. Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-3 (No. 333-110259) filed on November 5, 2003.

10.1 Vishay Intertechnology Section 162(m) Cash Bonus Plan. Incorporated by reference to Annex B to our Proxy Statement, dated April 7, 2004, for our 2004 Annual Meeting of Stockholders.

10.2 Vishay Intertechnology Senior Executive Phantom Stock Plan. Incorporated by reference to Annex C to our Proxy Statement, dated April 7, 2004, for our 2004 Annual Meeting of Stockholders.

10.3 Vishay Intertechnology, Inc. Fourth Amended and Restated Credit Agreement, dated as of June 24, 2008. Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed June 25, 2008.

10.4 First Amendment to the Vishay Intertechnology, Inc. Fourth Amended and Restated Credit Agreement. Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed December 16, 2008.

10.5 Vishay Intertechnology, Inc. 1998 Stock Option Program. Incorporated by reference to our Proxy Statement, dated April 16, 1998, for our 1998 Annual Meeting of Stockholders.

10.6 Amendment to Section 4.1 of Vishay□s 1998 Stock Option Program. Incorporated by reference to Proposal Three, included in our Proxy Statement, dated April 16, 2007, for our 2007 Annual Meeting

of Stockholders.

10.7 General Semiconductor, Inc. Amended and Restated 1998 Long-Term Incentive Plan as amended on February 7, 2001. Incorporated by reference to Exhibit 10.9 to General Semiconductor's annual report on Form 10-K for the year ended December 31, 2000.

10.8 Vishay Intertechnology, Inc. 2007 Stock Incentive Program (as amended and restated effective April 2008). Incorporated by reference to Annex A to our Proxy Statement, dated April 16, 2008, for our 2008 Annual Meeting of Stockholders.

10.9 Money Purchase Plan Agreement of Measurements Group, Inc. Incorporated by reference to Exhibit 10(a)(6) to Amendment No. 1 to our Registration Statement on Form S-7 (No. 2-69970).

10.10 Securities Investment and Registration Rights Agreement by and among Vishay Intertechnology, Inc. and the Original Holders (as defined), dated as of December 13, 2002. Incorporated by reference to Exhibit 4.4 to our current report on Form 8-K filed December 23, 2002.

10.11 Note Purchase Agreement between Vishay Intertechnology, Inc. and Subscribers (as defined), dated as of December 13, 2002. Incorporated by reference to Exhibit 4.2 to our current report on Form 8-K filed December 23, 2002.

10.12 Put and Call Agreement between Vishay Intertechnology, Inc. and the Initial Holders (as defined), dated as of December 13, 2002. Incorporated by reference to Exhibit 4.5 to our current report on Form 8-K filed December 23, 2002.

10.13 Employment agreement, between Vishay Intertechnology, Inc. and Dr. Felix Zandman. Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the fiscal quarter ended October 2, 2004.

10.14 Employment agreement, between Vishay Israel Ltd. (a wholly owned subsidiary of Vishay Intertechnology, Inc.) and Marc Zandman. Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the fiscal quarter ended October 2, 2004.

10.15 Employment agreement, between Vishay Europe GmbH (an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.) and Dr. Gerald Paul. Incorporated by reference to Exhibit 10.3 to our quarterly report on Form 10-Q for the fiscal quarter ended October 2, 2004.

10.16 Employment agreement, between Vishay Intertechnology, Inc. and Richard N. Grubb. Incorporated by reference to Exhibit 10.4 to our quarterly report on Form 10-Q for the fiscal quarter ended October 2, 2004.

10.17 Consulting and Non-Competition Agreement between Vishay Intertechnology, Inc. and Richard N. Grubb.

10.18 Employment agreement, between Vishay Israel Ltd. (a wholly owned subsidiary of Vishay Intertechnology, Inc.) and Ziv Shoshani. Incorporated by reference to Exhibit 10.5 to our quarterly report on Form 10-Q for the fiscal quarter ended October 2, 2004.

10.19 Employment agreement, between Vishay Intertechnology, Inc. and Dr. Lior E. Yahalomi. Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K/A filed December 10, 2008.

10.20 Technology License Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.1 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.21 Technology License Back Agreement, dated as of April 1, 2007, by and between Vishay Intertechnology, Inc. and International Rectifier Corporation. Incorporated by reference to Exhibit 99.2 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.22 Trademark License Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.3 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.23 IR Trademark License Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.4 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.24 Amended and Restated Transition Services Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.5 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.25* Transition Product Services Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation, International Rectifier Southeast Asia Pte. Ltd., Vishay Intertechnology, Inc., and Vishay Asia Logistics Pte. Ltd. Incorporated by reference to Exhibit 99.6 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.26 Transition Buy Back Die Supply Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.7 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.27 Transition IGBT/Auto Die Supply Agreement, dated as of April 1, 2007, by and between International Rectifier Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 99.8 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.28 Indemnification Escrow Agreement, dated as of April 1, 2007, by and among Vishay Intertechnology, Inc., International Rectifier Corporation and Union Bank of California, N.A., as escrow agent. Incorporated by reference to Exhibit 99.9 to International Rectifier Corporation's current report on Form 8-K filed April 9, 2007.

10.29 Loan Agreement dated as of September 15, 2008, between KEMET Electronics Corporation and Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the fiscal quarter ended September 27, 2008.

10.30 Pledge and Security Agreement dated as of September 15, 2008 made by KEMET Electronics Corporation in favor of Vishay Intertechnology, Inc. Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the fiscal quarter ended September 27, 2008.

21 Subsidiaries of the Registrant.

23.1 Consent of Independent Registered Public Accounting Firm.

31.1 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Chief Executive Officer.

31.2 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – 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 – 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 – Chief Financial Officer.

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* International Rectifier Corporation has requested confidential treatment with respect to certain portions of this agreement, which have been omitted from the exhibit. The omitted portions have been filed separately by International Rectifier with the Securities and Exchange Commission. Certain schedules have been omitted in reliance upon Item 601(b)(2) of Regulation S-K. Vishay agrees to furnish the SEC, supplementally, a copy of any omitted schedule upon request.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) 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.

By: /s/ Gerald Paul
Dr. Gerald Paul
President and Chief Executive Officer

February 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
Principal Executive Officer:		
/s/ Gerald Paul Dr. Gerald Paul	President, Chief Executive Officer, and Director	February 26, 2009
Principal Financial Officer:		
/s/ Lior E. Yahalomi Dr. Lior E. Yahalomi	Executive Vice President and Chief Financial Officer	February 26, 2009
Principal Accounting Officer:		
/s/ Lori Lipcaman Lori Lipcaman	Executive Vice President and Chief Accounting Officer	February 26, 2009
Board of Directors:		
/s/ Felix Zandman Dr. Felix Zandman	Executive Chairman of the Board of Directors	February 26, 2009

/s/ Marc Zandman Marc Zandman	Vice-Chairman of the Board of Directors	February 26, 2009
/s/ Zvi Grinfas Zvi Grinfas	Director	February 26, 2009
/s/ Eli Hurvitz Eli Hurvitz	Director	February 26, 2009
/s/ Abraham Ludomirski Abraham Ludomirski	Director	February 26, 2009

/s/ Wayne M. Rogers Wayne M. Rogers	Director	February 26, 2009
/s/ Ronald M. Ruzic Ronald M. Ruzic	Director	February 26, 2009
/s/ Ziv Shoshani Ziv Shoshani	Director	February 26, 2009
/s/ Thomas C. Wertheimer Thomas C. Wertheimer	Director	February 26, 2009
/s/ Ruta Zandman Ruta Zandman	Director	February 26, 2009

Vishay Intertechnology, Inc.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

The Board of Directors and Stockholders of Vishay Intertechnology, Inc.:

We have audited the accompanying consolidated balance sheets of Vishay Intertechnology, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vishay Intertechnology, Inc. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 5 to the consolidated financial statements, effective January 1, 2007, Vishay Intertechnology, Inc. adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. Also, as discussed in Note 11 to the consolidated financial statements, Vishay Intertechnology, Inc. changed its method of accounting for defined benefit pension and postretirement plans in accordance with guidance provided in Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—An Amendment of FASB No. 87, 88, 106 and 132(R)*, as of December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Vishay Intertechnology, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 26, 2009

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Stockholders of Vishay Intertechnology, Inc.:

We have audited the internal control over financial reporting of Vishay Intertechnology, Inc. as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Vishay Intertechnology, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying

Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Vishay Intertechnology, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Vishay Intertechnology, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Vishay Intertechnology, Inc. and our report dated February 26, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 26, 2009

VISHAY INTERTECHNOLOGY, INC.
Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 324,164**	$ 537,295
Accounts receivable, net of allowances for doubtful accounts of $3,310 and $6,133, respectively	**311,197**	441,772

Inventories:		
Finished goods	**173,280**	159,713
Work in process	**211,320**	224,667
Raw materials	**153,419**	170,329
Deferred income taxes	**15,251**	26,426
Prepaid expenses and other current assets	**139,903**	153,988
Assets held for sale (see Note 2)	**-**	28,611
Total current assets	**1,328,534**	1,742,801
Property and equipment, at cost:		
Land	**98,827**	101,938
Buildings and improvements	**508,579**	485,342
Machinery and equipment	**2,091,124**	2,001,390
Construction in progress	**80,857**	101,659
Allowance for depreciation	**(1,617,225)**	(1,469,331)
	1,162,162	1,220,998
Goodwill	**-**	1,676,497
Other intangible assets, net	**177,782**	192,591
Other assets	**147,482**	162,348
Total assets	**$ 2,815,960**	$ 4,995,235

Continues on following page.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Balance Sheets (continued)
(In thousands, except share amounts)

	December 31, 2008	December 31, 2007
Liabilities and stockholders equity		
Current liabilities:		
Notes payable to banks	**$ 11,293**	$ 30
Trade accounts payable	**104,608**	173,039
Payroll and related expenses	**117,197**	140,879
Other accrued expenses	**191,086**	235,728
Income taxes	**24,901**	34,653
Current portion of long-term debt	**13,044**	1,346
Liabilities related to assets held for sale (see Note 2)	**-**	11,253
Total current liabilities	**462,129**	596,928
Long-term debt, less current portion	**333,631**	607,237
Deferred income taxes	**18,842**	24,216
Deferred grant income	**3,143**	1,044

Other liabilities	**123,207**	122,958
Accrued pension and other postretirement costs	**325,112**	280,713
Minority interest	**5,038**	5,364
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $1.00 per share: authorized - 1,000,000 shares; none issued		
Common stock, par value $0.10 per share: authorized - 300,000,000 shares; 172,200,536 and 171,989,392 shares outstanding after deducting 274,173 shares in treasury	**17,220**	17,199
Class B convertible common stock, par value $0.10 per share: authorized - 40,000,000 shares; 14,352,888 and 14,352,888 shares outstanding after deducting 279,453 shares in treasury	**1,435**	1,435
Capital in excess of par value	**2,256,075**	2,252,296
(Accumulated deficit) retained earnings	**(805,841)**	925,575
Accumulated other comprehensive income (loss)	**75,969**	160,270
	1,544,858	3,356,775
	$ 2,815,960	$ 4,995,235

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Statements of Operations
(In thousands, except for per share)

	Years ended December 31,		
	2008	**2007**	**2006**
Net revenues	**$ 2,822,211**	$ 2,833,266	$ 2,581,477
Costs of products sold	**2,219,220**	2,138,438	1,916,658
Loss on purchase commitments	**6,024**	-	5,687
Gross profit	**596,967**	694,828	659,132
Selling, general, and administrative expenses	**450,879**	439,017	403,027
Restructuring and severance costs	**62,537**	14,681	40,220
Asset write-downs	**5,073**	3,869	6,685
Impairment of goodwill and indefinite-lived intangibles	**1,723,174**	-	-
Terminated tender offer expenses	**4,000**	-	-
Contract termination charge	**-**	18,893	-
Operating income (loss)	**(1,648,696)**	218,368	209,200
Other income (expense):			
Interest expense	**(24,264)**	(28,652)	(32,215)
Loss on early extinguishment of debt	**(13,601)**	-	(2,854)

Other	**14,876**	15,948	17,419
	(22,989)	(12,704)	(17,650)
Income (loss) from continuing operations before taxes and minority interest	**(1,671,685)**	205,664	191,550
Income tax expense	**11,187**	64,133	50,836
Minority interest	**718**	1,180	978
Income (loss) from continuing operations	**(1,683,590)**	140,351	139,736
Loss from discontinued operations, net of tax	**(47,826)**	(9,587)	-
Net earnings (loss)	**$ (1,731,416)**	$ 130,764	$ 139,736
Basic earnings (loss) per share:*			
Continuing operations	**$ (9.03)**	$ 0.76	$ 0.76
Discontinued operations	**$ (0.26)**	$ (0.05)	$ -
Net earnings (loss)	**$ (9.29)**	$ 0.70	$ 0.76
Diluted earnings (loss) per share:*			
Continuing operations	**$ (9.03)**	$ 0.74	$ 0.73
Discontinued operations	**$ (0.26)**	$ (0.05)	$ -
Net earnings (loss)	**$ (9.29)**	$ 0.69	$ 0.73
Weighted average shares outstanding - basic	**186,403**	185,646	184,400
Weighted average shares outstanding - diluted	**186,403**	198,226	210,316

See accompanying notes.

* May not add due to rounding.

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

	Years ended December 31, 2008	2007
Continuing operating activities		
Net earnings (loss)	**$ (1,731,416)**	$ 130,764 $
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Loss on discontinued operations, net of tax	**47,826**	9,587
Impairment of goodwill and indefinite-lived intangibles, net of tax	**1,668,036**	-
Depreciation and amortization	**221,751**	214,691
Gain on disposal of property and equipment	**(7,584)**	(3,490)
Minority interest in net earnings of consolidated subsidiaries	**718**	1,180
Accretion of interest on convertible debentures	**-**	-
Write-downs of tantalum and palladium inventories	**-**	-
Contract termination charge	**-**	18,893
Inventory write-offs for obsolescence	**38,478**	25,766

Changes in purchase commitment liability	**6,024**	-