VISHAY INTERTECHNOLOGY INC
Form 10-K
February 27, 2008

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, 2007**

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act. (Check one): **Large accelerated filer x Accelerated filer o Non-accelerated filer 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 ($15.82 on June 30, 2007), assuming conversion of all of its Class B common stock held by non-affiliates into common stock of the registrant, was $2,719,113,000. There is no non-voting stock outstanding.

As of February 25, 2008, registrant had 171,989,392 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, 2007, are incorporated by reference into Part III.

Vishay Intertechnology, Inc.

Form 10-K for the year ended December 31, 2007

CONTENTS

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 almost 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 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 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 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 through the transfer and expansion of manufacturing operations to 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 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.

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; and Phoenix do Brasil in 2006.

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; and in 2007, we acquired the on-board weighing systems business of PM Group. 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.

Relying on the strength of our balance sheet, we continue to explore opportunities to acquire electronic component manufacturers 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.

We also seek to explore opportunities with privately held developers of electronic components, or "start-ups," whether through acquisition, investment in noncontrolling interests, or strategic alliances. We made the first such investment in August 2004, when we acquired substantially all of the assets of RFWaves, Ltd., a fab-less integrated circuit design house located in Israel. We made an additional investment in October 2005, when we acquired substantially all of the assets of CyOptics Israel, Ltd., the Israeli subsidiary of CyOptics, Inc., a

manufacturer of infrared devices. We principally use the facility acquired from CyOptics for research and development purposes.

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 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,
- RF transistors,
- 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,
- discrete resistors,
- chip fuses,
- variable resistors (attenuators, dials, motion transducers, potentiometers, rheostats, trimmers),
- 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.

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 sectors. 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. One way that we do this is by receiving bills of materials from customers and cross-referencing Vishay products in many different categories.

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. Our ICs combine the functions of multiple semiconductor and passive components on a single chip. 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, and IGBTs, and our dc-to-dc converter modules. 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 line of optoelectronic components, manufactured and marketed by our subsidiary Vishay Semiconductor GmbH, and our infrared components business.

Discrete Devices

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 cell 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 cell 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 include 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. Applications include power conversion, dc-linking, frequency conversion, bypass, decoupling, and filtering. 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 cell 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. With Vishay's acquisitions in 2002, the Measurements Group has implemented a strategy of vertical market integration. 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 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 chip resistors,
- thick film resistor networks and arrays,
- metal film leadless resistors ("MELFs"),
- molded tantalum chip capacitors,
- coated tantalum chip capacitors,
- multi-layer ceramic 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,
- chip transformers,
- chip trimmers,
- NTC chip thermistors,
- PTC 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 product's 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 regions 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, Hungary, India, Israel, Malaysia, Mexico, the People's 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, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin. In Asia, our main manufacturing facilities are located in the People's Republic of China, the Republic of China (Taiwan), India, and Malaysia. In Europe, our main manufacturing facilities are located in Germany, Hungary, and the Czech Republic. We also have manufacturing facilities in Israel (see "Israeli Government Incentives" below), Austria, Belgium, Brazil, Costa Rica, France, 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.

We are aggressively undertaking to have the quality systems at most of our major manufacturing facilities approved under the ISO 9001 international quality control standard. ISO 9001 is a comprehensive set of quality program standards developed by the International Standards Organization. A majority of our manufacturing operations have already received ISO 9001 approval and others are actively pursuing such approval.

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, "Management's 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.

We are a major consumer of the world's annual production of tantalum, a metal used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. We were obligated under contracts with Cabot Corporation to make purchases of tantalum through 2006. These purchase commitments were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. See Note 14 to our consolidated financial statements.

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

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, 2007, net revenues from products manufactured in Israel accounted for approximately 17% 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 37 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. During 2007, approximately 51% of our sales were to OEMs, approximately 8% of our sales were to EMS companies, and approximately 41% 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 application needs.

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 established a 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 superior access to 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 2007, approximately 24% of our net revenues were attributable to customers in the Americas, approximately 38% were attributable to customers in Europe, and approximately 38% were attributable to customers in Asia. During 2007, the share of net revenues by end-use market was as follows: Industrial, 39%; Computer, 19%; Automotive, 16%; Consumer Products, 13%; Telecommunications, 8%; Military and Aerospace, 4%; Medical, 1%.

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 Devices:* 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, 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), South Korea, the United Kingdom, and Canada.

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 three 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, nine currently operating non-U.S. facilities, six formerly owned U.S. sites, and one formerly owned non-U.S. site. 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, 2007, we employed approximately 27,900 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 SEC□s 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 periods of decline in demand that we have experienced in the past may resume 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 and semiconductor component industry have experienced these conditions in the recent past and cannot predict when we may experience such downturns in the future. 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. The prospect of a slowdown in demand or recessionary trends in the global economy makes it more difficult for us to predict our future sales and manage our operations, 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 of 2001, 2002, 2003, 2004, 2005, 2006, and 2007, and we expect to incur such expenses during 2008.

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. We cannot assure you, however, that we will identify or successfully complete transactions with suitable acquisition candidates in the future. We also cannot assure you that acquisitions that we have recently completed or will complete in the future 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 debt levels and the August 1, 2008 put option related to our convertible subordinated notes could adversely affect the perception in the financial markets of our financial condition.

At December 31, 2007, we had approximately $609 million of debt outstanding. Of this amount, $500 million represents our convertible subordinated notes due 2023. The holders of these notes have the right to require us to repurchase these notes on August 1, 2008 (and other specified future dates) at a redemption price equal to 100% of the principal amount of the notes ($500 million). If these notes are put to us in August 2008, we intend to utilize our revolving credit facility or a replacement debt instrument to fund the purchase.

Pursuant to the indenture governing the notes, we have the right to pay the purchase price for the notes in cash, Vishay common stock, or a combination of both. In June 2007, our Board of Directors adopted a resolution pursuant to which we intend to waive our rights to settle the principal amount of the notes in shares of Vishay common stock. In accordance with the resolution of our Board, if notes are tendered for repurchase, we will pay the repurchase price in cash.

The marketplace could react negatively to our current debt levels and the possibility that we will need to repurchase the convertible subordinated debt in the near future, which in turn could affect our share price and also make it more difficult for us to obtain financing in the future.

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.

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

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.

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, 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.

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 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 periods 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. 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 products 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 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 five 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 Vishays 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 76% of our revenues during 2007 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 37 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.

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 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.

In the past, Vishay has grown through numerous acquisitions financed alternatively through cash on hand, the incurrence of indebtedness, and the issuance of equity, directly or indirectly by refinancing acquisition debt. 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 requiring disclosure.

Item 2. PROPERTIES

Our business has approximately 67 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 and facilities related to businesses classified as "held for sale." See Note 2 to our consolidated financial

statements for further information related to the Automotive Systems Business Unit which is presently being marketed for sale. 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
Wendell, NC	Passive Components	106,000
Monroe, CT	Passive Components	91,000
Malvern, PA	Passive Components	79,000
Yankton, SD	Passive Components	58,000
Warwick, RI	Passive Components	55,000
Bennington, VT	Passive Components	54,000
Grafton, WI	Passive Components	49,000
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	549,000
Czech Republic (4 locations)	Passive Components	499,000
Belgium (2 locations)	Passive Components	484,000
Malaysia	Semiconductors	480,000
Republic of China (Taiwan) (3 locations)	Semiconductors and Passive Components	409,000
India (2 locations)	Semiconductors and 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	135,000
Hungary	Semiconductors	116,000
United Kingdom	Passive Components	86,000
Mexico	Passive Components	57,000
Japan	Passive Components	45,000

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
Yankton, SD	Passive Components	27,000
Monroe, CT	Passive Components	19,000
Westbury, NY	Semiconductors	17,000
Non-U.S.		

People's Republic of China (5 locations)	Semiconductors and Passive Components	1,075,000
Mexico	Passive Components	193,000
Austria	Passive Components	120,000
Czech Republic	Passive Components	119,000
Brazil	Passive Components	97,000
Sweden	Passive Components	81,000
Germany (2 locations)	Semiconductors	74,000
Israel (3 locations)	Semiconductors and Passive Components	53,000
India	Semiconductors	34,000
Netherlands	Passive Components	27,000
Costa Rica	Passive Components	4,000

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 Proctor 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 three 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, nine currently operating non-U.S. facilities, six formerly owned U.S. sites, and one formerly owned non-U.S. site. 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.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers as of February 27, 2008:

Name	Age	Positions Held
Dr. Felix Zandman*	79	Executive Chairman of the Board, Chief Technical and Business Development Officer
Dr. Gerald Paul*	59	Chief Executive Officer, President, and Director
Marc Zandman*	46	Vice-Chairman of the Board, Chief Administration Officer, and President-Vishay Israel Ltd.
Richard N. Grubb	61	Executive Vice President and Chief Financial Officer
Ziv Shoshani*	42	Chief Operating Officer, Executive Vice President, and Director

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* 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.

Richard N. Grubb has been Vice President and Chief Financial Officer of the Company since 1994, and has been an Executive Vice President of the Company since 1996. Mr. Grubb has been associated with the Company in various capacities since 1975, was a Director from 1994 to 2003, and was Treasurer from 1994 to 2007.

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 1,700 at February 25, 2008.

	2007			2006		
	High		Low		High	Low
Fourth quarter	$	14.71	$ 10.90	Fourth quarter	$ 14.63	$ 12.61
Third quarter	$	17.36	$ 11.68	Third quarter	$ 16.14	$ 12.79
Second quarter	$	18.22	$ 13.90	Second quarter	$ 17.46	$ 13.97
First quarter	$	14.57	$ 12.71	First quarter	$ 16.64	$ 13.39

At February 25, 2008, 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.

		Year Ending December 31,				
	Base Period					
Company Name/Index	2002	2003	2004	2005	2006	2007
Vishay Intertechnology, Inc.	100.0	204.83	134.35	123.08	121.11	102.06
S&P 500 Index	100.0	128.68	142.69	149.70	173.34	182.86
S&P MidCap 400 Index	100.0	135.62	157.97	177.81	196.16	211.81
Peer Group*	100.0	220.85	164.54	157.02	181.98	172.43

* 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, 2007, 2006, 2005, 2004, and 2003. 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,				
	2007 (1)	**2006** (2)	**2005** (3)	**2004** (4)	**20**
Statement of Operations Data:					
Net revenues	$ 2,833,266	$ 2,581,477	$ 2,296,521	$ 2,414,654	$
Interest expense	28,652	32,215	33,590	34,252	
Income from continuing operations before taxes and minority interest	205,664	191,550	77,772	70,017	
Income taxes	64,133	50,836	11,737	13,729	
Minority interest	1,180	978	3,761	11,592	
Income from continuing operations	140,351	139,736	62,274	44,696	
Loss from discontinued operations, net of tax	(9,587)	-	-	-	
Net earnings	130,764	139,736	62,274	44,696	
Basic earnings (loss) per share:*					
Continuing operations	$ 0.76	$ 0.76	$ 0.35	$ 0.27	$
Discontinued operations	$ (0.05)	$ -	$ -	$ -	$
Net earnings	$ 0.70	$ 0.76	$ 0.35	$ 0.27	$
Diluted earnings (loss) per share:*					
Continuing operations	$ 0.74	$ 0.73	$ 0.34	$ 0.27	$
Discontinued operations	$ (0.05)	$ -	$ -	$ -	$
Net earnings	$ 0.69	$ 0.73	$ 0.34	$ 0.27	$

Weighted average shares outstanding – basic	185,646	184,400	177,606	163,701	1
Weighted average shares outstanding – diluted	198,226	210,316	189,321	165,938	1
Balance Sheet Data:					
Total assets	$4,995,235	$ 4,691,896	$ 4,527,591	$ 4,638,590	$ 4
Long-term debt, less current portion	607,237	608,434	751,553	752,145	8
Working capital	1,145,873	1,192,833	1,136,466	1,168,383	1,0
Stockholders' equity	3,356,775	3,080,813	2,855,852	2,773,335	2,5

* May not add due to rounding.

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(1) 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.

(2) 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.

(3) 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. These items are more fully described in the notes to the consolidated financial statements.

(4) 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.

(5) Includes net charges of $23,947,000 for restructuring and severance costs, asset write-downs, inventory write-downs, losses on purchase commitments, and a loss on extinguishment of debt, partially offset by a gain on insurance proceeds. These items and their tax related consequences had a negative $0.11 effect on earnings per share.

Management believes that stating the impact on net earnings of items such as 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 OPERATION

Overview

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

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

Net revenues for the year ended December 31, 2007 were $2.833 billion, compared to net revenues of $2.581 billion for the year ended December 31, 2006. Income from continuing operations for the year ended December 31, 2007 was $140.4 million, or $0.74 per diluted share, compared to net earnings of $139.7 million or $0.73 per diluted share for the year ended December 31, 2006.

Vishay intends to sell the automotive modules and subsystems business unit ("ASBU") acquired on April 1, 2007 as part of the PCS business. The operations of the ASBU have been classified as discontinued operations. The loss from discontinued operations in 2007 was $9.6 million, resulting in net earnings of $130.8 million, or $0.69 per diluted share.

Income from continuing operations for the year ended December 31, 2007 of $140.4 million, or $0.74 per diluted share, 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 changes in uncertain tax positions and valuation allowances totaling $8.3 million, had a negative $0.21 per share effect on income from continuing operations.

Earnings for the year ended December 31, 2006 were impacted by restructuring and severance costs of $40.2 million, related asset write-downs of $6.7 million, write-downs and write-offs of tantalum inventories totaling $9.6 million, losses resulting from adjustments to previously existing purchase commitments of $5.7 million, a loss on early extinguishment of debt of $2.9 million, an adjustment to increase the estimated cost of environmental remediation obligations associated with the 2001 General Semiconductor acquisition of $3.6 million, and charges totaling $2.9 million to settle past product quality issues. These items and their tax related consequences had a negative $0.26 effect on earnings per share.

The business environment during 2007 continued to be relatively friendly, continuing the business climate enjoyed by the electronic components industry since the fourth quarter of 2005. For the second year in a row, in 2007 we recognized the highest annual revenues in our history.

Financial Metrics

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

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

Another important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period as compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that our backlog is building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining 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. However, we attempt to offset this deterioration with ongoing cost reduction activities and new product introductions, as newer products typically yield larger gross margins.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows net revenues, gross profit margin, 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 2006 and through the fourth quarter of 2007 *(dollars in thousands)*:

	4th Quarter 2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007	4th Quarter 2007
Net revenues (1)	$635,487	$ 658,192	$715,861	$729,616	$729,597
Gross profit margin (2)	24.4%	26.6%	24.9%	24.0%	22.9%
End-of-period backlog (3)	$582,500	$ 586,600	$677,300	$678,300	$646,700
Book-to-bill ratio	0.94	1.00	1.00	0.98	0.96
Inventory turnover	3.21	3.19	3.40	3.62	3.76
Change in ASP vs. prior quarter	0.9%	-0.7%	-0.6%	-1.3%	-1.2%

(1) The significant sequential increase in net revenues during the second quarter of 2007 is primarily attributable to $57.5 million of revenue from the PCS business and PM Group acquired during that quarter. For comparison, net revenues of these acquired businesses in the third and fourth quarters of 2007 were $65.0 million and $63.6 million, respectively.

(2) Gross profit margin includes the impact of inventory write-downs and write-offs and gain (loss) on purchase commitments.

(3) The significant sequential increase in end-of-period backlog during the second quarter of 2007 is primarily attributable to $85.3 million of backlog of the PCS business and PM Group, as of their respective dates of acquisition.

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

Although the fourth quarter turned out to be unsatisfactory from an earnings perspective, we continued to experience relatively favorable economic conditions during 2007. Revenues for the fourth quarter of 2007 were approximately the same as revenues for the third quarter of 2007 and were in our expected range. The book-to-bill ratio decreased slightly to 0.96. For the fourth quarter of 2007, the book-to-bill ratios for distribution customers and original equipment manufacturers ("OEM") were 0.92 and 1.00, respectively, versus ratios of 0.93 and 1.03, respectively, during the third quarter of 2007. We expect revenues between $720 million and $740 million for the first quarter of 2008, with improved margins.

Continuing the trend experienced in 2006, we experienced relatively moderate pressure on pricing during 2007. We anticipate increasing pricing pressure in 2008.

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 2006 through the fourth quarter of 2007 *(dollars in thousands)*:

	4th Quarter 2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007	4th Quarter 2007
Semiconductors					
Net revenues (1)	$323,449	$322,933	$379,687	$400,967	$386,013
Book-to-bill ratio	0.89	0.97	1.01	0.95	0.94

Gross profit margin	24.1%	25.4%	24.1%	23.3%	22.5%
Passive Components					
Net revenues	$312,038	$335,259	$336,174	$328,649	$343,584
Book-to-bill ratio	1.00	1.03	1.00	1.02	0.99
Gross profit margin (2)	24.7%	27.8%	25.7%	24.9%	23.3%

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(1) The significant sequential increase in net revenues for the Semiconductors segment during the second quarter of 2007 is primarily attributable to $51.8 million of revenue from the PCS business acquired during that quarter. For comparison, net revenues of the PCS businesses in the third and fourth quarters of 2007 were $59.0 million and $55.8 million, respectively.

(2) Gross profit margin for the Passive Components segment includes the impact of inventory write-downs and write-offs and gain (loss) on purchase commitments.

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 two strategic acquisitions in 2007 and one strategic acquisition in 2006. During 2005, we completed three strategic acquisitions and also acquired the 19.6% interest in Siliconix that we did not already own. We also divested or plan to divest certain non-core businesses acquired in these transactions.

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 complement 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 subassemblies. The extension of Vishay□s product offerings in the high-voltage and high-power range for discrete semiconductors represents another step in Vishay□s successful strategy of being able to offer one-stop-shop service for discrete electronic components. On July 25, 2007, we formally announced our intent to sell the automotive modules and subsystems business unit acquired as part of the PCS acquisition.

The acquisition includes a wafer fab in Torino, Italy, as well as facilities in Mumbai, India and Xi□an, China. At this time, Vishay has no plans for extensive restructuring. 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.

We believe that the acquisition has the potential to materially improve our growth in revenues, return on investment, and profits. We believe the new product lines are a favorable complement to our existing product lines. We have successfully integrated the acquired product groups into Vishay□s existing organization, and this business is presently operating at the expected annual run-rate of $240 million in revenues. While the acquired business was accretive to 2007, the profitability thus far has been below expectations. We believe there are

several areas for improvement which will be completed in steps in 2008. As contemplated under our transition agreements with International Rectifier, by mid-2008 we will transfer about 50% of front-end and back-end production out of facilities retained by International Rectifier, resulting in cost reductions.

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. The acquisition of Phoenix do Brasil provides Vishay with increased market presence in South America.

2005 Activities

On April 28, 2005, we completed the acquisition of all of the outstanding capital stock of SI Technologies, Inc., a designer, manufacturer, and marketer of high-performance industrial sensors and controls, weighing and automotive systems, and related products. The purchase price was $17.7 million in cash, plus the assumption of $10.7 million of SI Technologies debt, of which we caused $8.7 million to be repaid subsequent to closing. The remaining outstanding amounts on the short-term revolving credit facility of SI Technologies' European subsidiary were repaid during the third quarter of 2005.

On October 11, 2005, we sold AeroGo, Inc., SI Technologies' subsidiary engaged in the design, manufacture, and marketing of industrial automation products, for approximately $4.9 million. No gain or loss was recognized on the sale of AeroGo.

In the fourth quarter of 2005, we completed two niche acquisitions. On October 24, 2005, we acquired the assets of CyOptics Israel, Ltd., which will initially be utilized primarily as a research and development facility. On November 30, 2005, we acquired Alpha Electronics K.K., a Japanese manufacturer of foil resistors. The purchase price for these two acquisitions was approximately $11 million, plus assumption of approximately $8 million of debt.

Minority Interest in Siliconix

On May 12, 2005, we completed an offer to exchange shares of Vishay common stock for shares of Siliconix stock that we did not already own. Each Siliconix share tendered was exchanged for 3.075 shares of Vishay common stock, with cash paid in lieu of fractional shares of Vishay. Prior to the exchange offer, Vishay owned approximately 80.4% of the common stock of Siliconix. Following the completion of the exchange offer, Vishay's ownership increased to approximately 95.5% of the common stock of Siliconix, which was above the threshold necessary to effect a merger without a vote of stockholders.

On May 16, 2005, Vishay effected a merger of a subsidiary of Vishay with and into Siliconix, as a result of which Siliconix became a wholly owned subsidiary of Vishay. In the merger, each share of Siliconix stock, other than those owned by Vishay and its subsidiaries, was converted into 3.075 shares of Vishay common stock, subject to the right of Siliconix's remaining stockholders to seek appraisal under Delaware law. Cash was paid in lieu of fractional shares of Vishay.

As a controlled majority-owned subsidiary, the results of operations of Siliconix were included in our consolidated financial statements prior to the acquisition of the minority interest, and the outside stockholders' interests were shown as "minority interest" on the consolidated statements of operations and the consolidated balance sheets. The acquisition of the minority interest in Siliconix contributed approximately $7.6 million, $15.8 million, and $10.3 million incrementally to our earnings for 2007, 2006, and 2005, respectively.

Following the announcement of our intention to make the tender offer for the remaining shares of Siliconix that we did not already own, several purported class-action complaints were filed against Vishay, Siliconix, and the Siliconix directors, alleging, among other things, that the intended offer was unfair and a breach of fiduciary duty, and seeking, among other things, to enjoin the transaction.

Both Vishay and Siliconix incurred expenses associated with the defense of the stockholder litigation described above and the subsequent settlement. Additionally, Siliconix incurred expenses related to the exchange offer, including costs of the special committee of independent Siliconix directors appointed to evaluate the offer and the costs of the special committee's financial and legal advisors. These costs do not represent Vishay's direct costs of the acquisition, and accordingly are not included in the purchase price. These costs, aggregating $3.8 million, are included in a separate line item in the consolidated statement of operations.

Purchased in-process research and development represents the value assigned in a business combination to research and development projects of the acquired business that were commenced, but not completed, at the date of acquisition, for which technological feasibility has not been established, and which have no alternative future use in research and development activities or otherwise. Amounts assigned to purchased in-process research and development meeting the above criteria must be charged to expense at the date of consummation of the business combination. A charge of $9.2 million was recorded in the second quarter of 2005, equal to approximately 19.6% of the value of Siliconix in-process research and development at the time of the acquisition of the minority interest. A charge of $0.5 million was recorded in the fourth quarter of 2005 related to purchased in-process research and development associated with the Alpha Electronics K.K. transaction.

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. Our cost savings initiatives generally include a combination of production transfers, plant closures, and overhead streamlining.

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 74.0% (75.1% excluding businesses acquired in 2007) at the end of 2007, 74.2% at the end of 2006, 72.8% at the end of 2005, 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 2007, we recorded $222.2 million of restructuring and severance costs and recorded related asset write-downs of $81.4 million in order to reduce our cost structure going forward. We have realized, and expect to continue to realize, annual net cost savings associated with these restructuring activities.

Restructuring and severance costs, as presented on the consolidated statement of operations, are separate from plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities. These plant closure and employee termination costs subsequent to acquisitions are also integral to our cost reduction program. These amounts, which were not significant in 2007, 2006, and 2005, are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations.

We evaluate potential restructuring projects based on an expected payback period. The payback period represents the number of years of annual cost savings necessary to recover the initial cash outlay for severance and other exit costs plus the non-cash 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.

During 2005 and the first quarter of 2006, we completed a broad-based fixed cost reduction program. In April 2005, we began evaluating additional restructuring initiatives to improve the results of underperforming

divisions. Annual pretax savings resulting from restructuring projects initiated under these programs were expected to be approximately $50 million, of which approximately 70% of the savings would reduce costs of products sold, and approximately 30% of the savings would result in reduced selling, general, and administrative costs. Our actual costs savings from these programs in 2007 were approximately $40 million. Of this $40 million of annualized savings, approximately $20 million began to be realized in 2006, and $20 million began to be realized in 2007. We expect to begin to realize an additional $10 million of savings from these programs in 2008. The expected and actual savings quantified above are net of additional costs incurred after production was transferred to lower-labor-cost regions.

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

While we expect some restructuring projects in 2008, we believe that we are in the final phase of the major restructuring efforts that have been on-going since 2001. Our restructuring projects for 2007 included moving certain back-end semiconductor production from the Republic of China (Taiwan) to the People s Republic of China; shifting of production for certain product lines from Belgium to India and the People s Republic of China; completing the shift of production for a portion of our aluminum capacitor product lines from the Netherlands to Austria and/or sub-contractors; and other miscellaneous projects.

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 $4.8 million, $6.0 million, and $6.9 million, in 2007, 2006, and 2005, respectively. At December 31, 2007, our consolidated balance sheet reflected $1.0 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.

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 currently three major suppliers that process tantalum ore into capacitor grade tantalum powder.

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

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

While our 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, pursuant to which Siliconix would purchase semiconductor wafers from and transfer certain technology to Tower Semiconductor. Pursuant to the 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 agreement specifies minimum quantities per month and a fixed quantity for the term of the agreement. Siliconix must pay for any short-fall in minimum order quantities specified under the agreement through the payment of penalties equal to unavoidable fixed costs.

Pursuant to the 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 costs of products sold.

In January 2008, Siliconix reached an agreement in principle to revise the current arrangement with Tower to more accurately reflect market demand. Siliconix is presently negotiating the terms of a new legal contract. Based on the penalties paid in 2007 and the agreement in principle, management has determined that it is unlikely that Siliconix will be able to utilize the remaining prepayment of $16.4 million. Management has also accrued an additional $2.5 million based on its best estimate of additional contract termination charges related to the original agreement.

Remaining future purchase commitments under the original Tower agreement are approximately $160 million. If Siliconix is unable to finalize a new agreement with Tower, significant additional penalties may be incurred.

Foreign Currency

In 2007, we realized approximately 76% of our revenues from customers outside the United States. Any third party revenues not using the U.S. dollar as the functional currency must be reported in the local currency and be translated at the weighted average exchange rate. This translation has an impact on the net revenues line of the consolidated statements of operations and also on the expense lines of the consolidated statements of operations. We generally do not purchase foreign currency exchange contracts or other derivative instruments to hedge our exposure to foreign currency fluctuations, although we do maintain cash balances in foreign currencies to act as a natural hedge of certain net exposures. As of December 31, 2007 and 2006, we had no outstanding foreign currency forward exchange contracts.

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

Off-Balance Sheet Arrangements

At December 31, 2007 and 2006, 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 estimate reasonably 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 receivables 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.

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

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 current market prices of tantalum are 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.

We made the decision to take the 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 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 is within a range specified by the contracts. There is no established market on which tantalum raw materials are regularly traded and quoted. We based our determination of current market price on quotations from two suppliers of these materials. We cannot say that the prices at which we could currently enter into contracts for the purchase of tantalum would be the same as these quoted prices. Had we made other assumptions on current and future prices for tantalum, the amount of the inventory write-downs and the losses on our 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 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 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 2008, 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 2007, 2006, and 2005, we recorded restructuring and severance costs of approximately $14.7 million, $40.2 million, and $29.8 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 2007, 2006, or 2005, are included in the allocation of the cost of the acquired business and generally add to goodwill. 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. In the case of acquisition-related restructuring costs, if our initial estimate is too high, this would generally require a change in value of the goodwill appearing on our balance sheet, but would not affect our earnings. Once our allocation of purchase price of a respective acquisition is finalized, if our initial estimate of purchase-related restructuring costs is too low, we would be required to record additional expenses in future periods.

In the case of other restructuring costs, we could be required either to record additional expenses in future periods, if our initial estimates were too low, or to reverse 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 tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets,* prescribes a two-step method for determining goodwill impairment. In the first step, we determine the fair value of the reporting unit using a comparable companies market multiple approach. The comparable companies utilized in our evaluation are the members of our peer group included in the presentation of our stock performance in our annual proxy statement. If the net book value of the reporting unit exceeds the fair value, we would then perform the second step of the impairment test, which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount. We noted no impairment in our annual assessment of goodwill during the years ended December 31, 2007, 2006, or 2005.

Impairment of Long-Lived Assets

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

During the years ended December 31, 2007, 2006, and 2005, we recorded fixed asset write-downs of $3.9 million, $6.7 million, and $11.4 million, respectively. 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. 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.

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

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 91% of our retirement obligations at December 31, 2007. 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 believe that the current assumptions used to estimate plan obligations and annual expense are appropriate in the current economic environment. However, if economic conditions change, 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 2005, several matters were favorably resolved as a result of the completion of examinations and the retroactive approval of our application for tax incentives in certain jurisdictions. During 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 2004 will remain subject to examination until the losses are utilized. The tax returns of significant consolidated subsidiaries are currently under examination, including Germany (2001-2004); Israel (2002 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.

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,		
	2007	2006	2005
Costs of products sold	75.5%	74.2%	77.1
Gross profit	24.5%	25.5%	23.0
Selling, general, and administrative expenses	15.5%	15.6%	16.4
Operating income	7.7%	8.1%	4.2
Income from continuing operations before taxes and minority interest	7.3%	7.4%	3.4
Income from continuing operations	5.0%	5.4%	2.7
Net earnings	4.6%	5.4%	2.7
Effective tax rate	31.2%	26.5%	15.1

Net Revenues

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

	Years ended December 31,		
	2007	2006	2005
Net revenues	$ 2,833,266	$ 2,581,477	2,396,5
Change versus prior year	$ 251,789	$ 284,956	
Percentage change versus prior year	9.8%	12.4%	

Changes in net revenues were attributable to the following:

	2007 vs. 2006	2006 vs. 2005
Change attributable to:		
Increase in volume	1.6%	14.5%
Decrease in average selling prices	-1.8%	-1.9%
Foreign currency effects	2.7%	0.0%
Acquisitions	7.2%	0.3%
Other	0.1%	-0.5%
Net change	9.8%	12.4%

The markets for our products were relatively stable during the year ended December 31, 2007, compared to the prior year. The overall increase in net revenues 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.

Sales to each of our end-use markets during 2006 improved versus 2005. The industrial market continued to be strong worldwide, following a good year in 2005. Sales for end-uses in the automotive sector have been solid on a global basis, with strength in Europe offsetting weak results in the U.S., where major customers are restructuring their operations. We continue to see strong results in the consumer sector (primarily impacting Asia) driven by end-use demand for MP3 players, LCD television sets, and gaming equipment. We also saw excellent results in the telecommunications market, and a continued upturn for laptop computers.

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 $81.9 million, $59.0 million, and $51.8 million, for the years ended December 31, 2007, 2006, and 2005, respectively, or, as a percentage of gross sales 2.8%, 2.2%, 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, 2007, 2006, and 2005 were approximately $79.6 million, $68.4 million, and $53.8 million, respectively. Increases and decreases in these incentives are largely attributable to the then-current business climate.

As a result of a concentrated effort to defend our intellectual property and generate additional licensing income, we began receiving royalties in the fourth quarter of 2004. We expect royalty revenues to increase and we continue to seek to expand our royalty streams. Royalty revenues, included in net revenues on the consolidated statements of operations, were $7.8 million, $7.6 million, and $4.9 million, for the years ended December 31, 2007, 2006, and 2005, respectively.

Gross Profit and Margins

Costs of products sold as a percentage of net revenues for the year ended December 31, 2007 were 75.5%, as compared to 74.2% for the year ended December 31, 2006. Gross profit as a percentage of net revenues for the year ended December 31, 2007 was 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.

Costs of products sold as a percentage of net revenues for the year ended December 31, 2006 was 74.2%, as compared to 77.1% for the year ended December 31, 2005. Gross profit as a percentage of net revenues for the year ended December 31, 2006 was 25.5%, as compared to 23.0% for the year ended December 31, 2005. The improvement in gross profit margin for 2006 reflects increased sales volumes and the impact of our cost reduction programs, partially offset by lower average selling prices and higher precious metals costs. 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. Gross profit margins for 2005 reflect adjustments to our tantalum purchase commitment liability representing a gain of $1.0 million.

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

Business in our Semiconductors segment has continued to be stable throughout 2007, with orders increasing across several product lines. We continue to expand capacity and introduce new technologies and products. The acquired PCS business is included in our Semiconductors segment. The PCS business, acquired on April 1, 2007, contributed revenue of $166.6 million during 2007.

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

	Years ended December 31,		
	2007	2006	2005
Net revenues	$ 1,489,600	$ 1,291,432	$142,492
Change versus prior year	$ 198,168	$ 148,940	
Percentage change versus prior year	15.3%	13.0%	

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

	2007 vs. 2006	2006 vs. 2005
Change attributable to:		
Increase in volume	4.1%	18.1%
Decrease in average selling prices	-3.2%	-3.5%
Foreign currency effects	1.8%	-0.2%
Acquisitions	12.9%	0.0%
Other	-0.3%	-1.4%
Net change	15.3%	13.0%

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

	Years ended December 31,		
	2007	2006	2005
Gross margin percentage	23.8%	26.3%	24.4%

Changes in gross margin are largely driven by changes in net revenues, but also reflect our continuing cost cutting efforts. The decrease in gross profit margin for 2007 reflects lower average selling prices, higher precious metals and raw materials costs, a less favorable product sales mix, and some production inefficiencies. Gross profit margin for 2007 was also negatively impacted by the acquisition of the PCS business, which has lower gross profit margins than legacy Vishay products. Additionally, gross profit margins of the Semiconductors segment for 2006 reflect charges to resolve past quality issues of $1.1 million.

Passive Components

Our Passive Components segment has shown steady improvement over the past two years, due to cost reduction and a better pricing strategy. The profitability for this segment is expected to improve as a result of our on-going optimization and cost reduction efforts.

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

	Years ended December 31,		
	2007	2006	2005
Net revenues	$ 1,343,666	$ 1,290,045	$ 1,154,0
Change versus prior year	$ 53,621	$ 136,016	
Percentage change versus prior year	4.2%	11.8%	

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

	2007 vs. 2006	2006 vs. 2005
Change attributable to:		
(Decrease) increase in volume	-0.6%	11.2%
Decrease in average selling prices	-0.3%	-0.1%
Foreign currency effects	3.6%	0.2%
Acquisitions	1.5%	0.6%

Other	0.0%	-0.1%
Net change	4.2%	11.8%

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

	Years ended December 31,		
	2007	2006	2005
Gross margin percentage	25.4%	24.8%	2

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 combin facilities and shifting production to lower cost regions. The impact of these cost savings plans has been partially offset by underutilization of capacity in commodity products. Additionally, several items impact the comparability of gross margins the Passive Components segment, as summarized in the table below *(in thousands):*

	Years ended December 31,		
	2007	2006	2005
Loss (gain) on purchase commitments	$ -	$ 5,687	$ (9
Write-downs of tantalum and palladium inventories	-	9,602	
Settlement of past quality issues	-	1,785	

The improvement in gross margin for 2007 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 for the year ended December 31, 2007 increased by approximately $36.0 million compared to the prior year, although SG&A expenses were generally stable as a percentage of net revenues. SG&A expenses were 15.5% of net revenues for 2007 as compared to 15.6% of net revenues for the prior year. The increased level of SG&A costs for 2007 reflects approximately $5.2 million of transition services costs related to the PCS business. The SG&A costs from transition services agreements with International Rectifier have gradually decreased over the past three quarters and expire in the first quarter of 2008. After the conclusion of the transition services agreements with International Rectifier, the acquisition of the PCS business is expected to have the impact of reducing SG&A costs as a percentage of net revenues. Amortization of intangible assets, included in SG&A expenses, was $16.6 million in 2007, compared to $12.9 million in 2006. This increase in amortization expense is principally due to the acquisition of the PCS business, and to a lesser extent, PM Group. A weaker U.S. dollar and increases in salaries and wages versus the prior year also contributed to the increased level of SG&A costs. SG&A expenses include gains and losses on the disposal of property and equipment. The gain on disposal of property and equipment for the year ended December 31, 2007 was $3.5 million (of which $3.1 million was realized in a single transaction). The gain on disposal of property and equipment for the year ended December 31, 2006 was $1.0 million. SG&A expenses for 2006 also include $3.6 million of adjustments to increase the estimated cost of environmental remediation obligations associated with the 2001 General Semiconductor acquisition.

SG&A expenses were 15.6% of net revenues for 2006 as compared to 16.4% of net revenues for the prior year, partially due to an increased revenue base. Our cost reduction initiatives referred to above also target SG&A costs and are reflected in this improvement. As described above, SG&A expenses for 2006 include $3.6 million of adjustments to increase the estimated cost of environmental remediation obligations.

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 restructure our operations and incur restructuring and severance costs as explained in "Cost Management" above and in Note 4 to our consolidated financial statements.

We continued our restructuring activities during 2007, recording restructuring and severance costs of $14.7 million, and recording related asset write-downs of $3.9 million.

Other Income (Expense)

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 non-cash 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
Other	(15)	1,247	(1,262)
Incentive from Chinese government	1,238	-	1,238
	$ 15,948	$ 17,419	$ (1,471)

2006 Compared to 2005

Interest expense for the year ended December 31, 2006 decreased by $1.4 million versus 2005. This decrease is primarily related to the repayment of our LYONs in June 2006 and the impact of lower amounts outstanding under our revolving credit facility during the year ended December 31, 2006, partially offset by debt assumed in the acquisition of Alpha Electronics in the fourth quarter of 2005 and increases in the variable rate paid on the exchangeable notes due 2102.

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

	Years ended December 31,		
	2006	2005	Change
Foreign exchange (loss) gain	$ (6,490)	$ 731	$ (7,221)
Interest income	22,401	13,880	8,521
Dividend income	261	342	(81)
Other	1,247	(53)	1,300
Incentive from Chinese government	-	703	(703)
	$ 17,419	$ 15,603	$ 1,816

Minority Interest

Minority interest in earnings was not significant for the years ended December 31, 2007 and 2006. Minority interest in earnings for year ended December 31, 2006 decreased $2.8 million compared to the year ended December 31, 2005, due to the acquisition of the minority interest in Siliconix during the second quarter of 2005.

Income Taxes

The effective tax rate, based on income from continuing operations before income taxes and minority interest, for the year ended December 31, 2007 was 31.2%, as compared to 26.5% for the year ended December 31, 2006, and 15.1% for the year ended December 31, 2005.

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.

Additional information about income taxes is included in Note 5 to our consolidated financial statements. Furthermore, as described in Note 5 to our consolidated financial statements, we adopted FIN 48 effective January 1, 2007, and recorded a cumulative charge to retained earnings of approximately $2.1 million. Income tax expense for the year ended December 31, 2007 includes approximately $8.3 million of tax expense for discrete changes in uncertain tax positions and valuation allowances and related items.

Income tax expense for 2005 was impacted by benefits totaling $9.0 million, primarily due to favorable foreign tax rulings. The effective tax rates for 2005 reflect this net benefit, partially offset by the non-deductibility of certain items, including the write-off of in-process research and development and Siliconix transaction-related expenses. Income tax expense for 2005 was also impacted by the favorable completion of an audit of our consolidated U.S. tax returns for the years 2000 through 2002, and related carryback years, offset by the tax impact of repatriating $130 million of earnings that had previously been expected to be reinvested outside of the United States indefinitely. The repatriation allowed us to utilize a portion of our net operating loss carryforwards in the United States. The net tax expense of these items was immaterial.

The effective tax rates for 2007, 2006, and 2005 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.

Financial Condition, Liquidity, and Capital Resources

Cash and cash equivalents were $537.3 million as of December 31, 2007, as compared to $671.6 million as of December 31, 2006. The decrease in cash and cash equivalents is principally due to cash utilized for the acquisitions of the PCS business of International Rectifier and PM Group in April 2007, which were funded with cash on-hand.

At December 31, 2007, approximately 97% of our cash and cash equivalents was held by our non-U.S. subsidiaries. At the present time, we expect the cash and profits generated by foreign subsidiaries will continue to be reinvested indefinitely. We were able to utilize cash held by our foreign subsidiaries to acquire a portion of the PCS business and PM Group.

Our financial condition as of December 31, 2007 continued to be strong, with a current ratio (current assets to current liabilities) of 2.9 to 1, compared to 3.2 to 1 at December 31, 2006. The decrease in this ratio is primarily

due to the decrease in cash as a result of our 2007 acquisitions. Our ratio of debt to stockholders equity was 0.18 to 1 at December 31, 2007, compared to 0.20 to 1 at December 31, 2006.

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 6 years, and cash flows from operations in excess of $100 million in each of the past thirteen 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. Measurements such as free cash do not have a uniform definition and are not recognized in accordance with generally accepted accounting principles (GAAP). Such measures should not be viewed as an alternative to GAAP measures of performance or liquidity. However, management believes that free cash is a meaningful measure of our ability to fund acquisitions and repay debt. Vishay has generated positive free cash in each of the past eleven years, and free cash in excess of $80 million in each of the past six years.

Cash flows provided by continuing operating activities were $354.0 million for the year ended December 31, 2007, as compared to cash flows provided by operations of $349.4 million for the year ended December 31, 2006. Net working capital of the acquired PCS business increased by $68.2 million since its acquisition, which had a negative impact on reported cash flows from continuing operating activities. 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 $10.2 million primarily reflects an increase in working capital of the ASBU business. Cash used by discontinued investing activities reflects capital spending for information technology systems.

Cash paid for property and equipment for the year ended December 31, 2007 was $200.0 million, as compared to $183.3 million in the prior year. Our capital expenditures are projected to be approximately $170 million in 2008, principally to expand capacity in the Semiconductors businesses, and to continue to integrate information technology systems of the newly acquired PCS business with our legacy systems.

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 Groups electrical contracting business. Cash paid for acquisitions for the year ended December 31, 2006 of $15.0 million reflect the acquisition of Phoenix do Brasil.

Our debt levels are essentially the same at December 31, 2007 as they were at December 31, 2006.

Pursuant to the terms of the convertible subordinated notes due 2023, the holders of these notes have the right to require us to repurchase these notes on August 1, 2008 (and other specified future dates) at a redemption price equal to 100% of the principal amount of the notes ($500 million). If these notes are put to us in August 2008, we intend to utilize our revolving credit facility or a replacement debt instrument to fund the purchase.

Pursuant to the indenture governing the notes, we have the right to pay the purchase price for the notes in cash, Vishay common stock, or a combination of both. In June 2007, our Board of Directors adopted a resolution pursuant to which we intend to waive our rights to settle the principal amount of the notes in shares of Vishay common stock. In accordance with the resolution of our Board, if notes are tendered for repurchase, we will pay the repurchase price in cash. (If notes are submitted for conversion, Vishay will value the shares issuable upon conversion and will pay in cash an amount equal to the principal amount of the converted notes and will issue shares in respect of the conversion value in excess of the principal amount.)

Our Board adopted this resolution because our liquidity has changed since entering into the indenture governing the notes in 2003. We have generated at least $200 million in cash flows from operations each year since 2003. We also have adequate borrowing capacity under our revolving credit facility described below, if necessary, to make all principal payments on the notes in cash.

We maintain a secured revolving credit facility, which was amended and restated on April 20, 2007. This new revolving credit facility replaced our previous revolving credit facility, which was scheduled to expire on May 1, 2007. At December 31, 2007 and 2006, there were no amounts outstanding under the respective revolving credit facilities.

The new revolving credit facility provides a commitment of up to $250 million through April 20, 2012. Furthermore, we are permitted to request an increase of the revolving credit facility by an additional $250 million, resulting in an aggregate commitment up to $500 million, provided that no default or event of default exists.

Interest on the new revolving credit facility is payable at prime or other variable interest rate options. We are required to pay facility commitment fees, which are less than the commitment fees that were required under the expired revolving credit facility.

Similar to the expired revolving credit facility, the new revolving credit facility also restricts us from paying cash dividends and requires us to comply with other covenants, including the maintenance of specific financial ratios. We were in compliance with all covenants at December 31, 2007.

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

The timing and location of scheduled payments has 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 may require us to draw on our revolving credit facilities from time to time, for the next twelve months, management expects that cash on-hand and cash flows from operations will be sufficient to meet our normal operating requirements, to meet our obligations under restructuring and acquisition integration programs, and to fund our research and development and capital expenditure plans. Additional acquisition activity or the repurchase of the convertible subordinated notes in August 2008 may require additional borrowing under our revolving credit facilities or may otherwise require us to incur additional debt.

Contractual Commitments

As of December 31, 2007 we had contractual obligations as follows *(in thousands)*:

		Payments due by period			
	Total	Less than 1 year	1-3 years	4-5 years	A
Long-term debt	$ 608,583	$ 1,346	$ 920	$ 140	$
Interest payments on long-term debt	772,295	23,634	47,201	46,828	
Capital and operating leases	155,423	26,275	42,792	31,459	
Expected pension and postretirement plan funding	365,270	29,958	65,416	72,685	
Estimated costs to complete construction in progress	23,300	22,200	1,100	-	
Uncertain tax positions	65,523	20,500	-	-	
Purchase commitments - Tower	160,000	29,000	58,000	58,000	
Purchase commitments - other	66,600	53,200	13,400	-	
Total contractual cash obligations	$ 2,216,994	$ 206,113	$ 228,829	$ 209,112	$

Pursuant to the terms of the convertible subordinated notes due 2023, the holders of these notes will have the right to "put" these notes to us on August 1, 2008, August 1, 2010, August 1, 2013 and August 1, 2018 at a

redemption price equal to 100% of the principal amount of the notes ($500 million). The commitments set forth in the table are based on the stated maturity dates and do not assume acceleration of payment pursuant to the respective options of the holders.

Commitments for interest payments on long-term debt are based on the stated maturity dates of each agreement, one of which bears a maturity date of 2102. Various factors could have a material effect on the amount of future interest payments. These factors include the facts that substantially all of our debt instruments are convertible into or exchangeable for common stock, that the holders of our convertible subordinated notes due 2023 have an option to "put" these notes to us on specified dates, and that interest commitments for our variable-rate exchangeable notes due 2102 are based on the rate prevailing at December 31, 2007. Commitments for interest payments on long-term debt also include commitment fees under our revolving credit facility, which expires in May 2012.

Our consolidated balance sheet at December 31, 2007 includes approximately $65.5 million of liabilities associated with uncertain tax positions in multiple taxing jurisdictions where we conduct business. Of this amount, $20.5 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 $20.5 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.

We maintain long-term foundry agreements with subcontractors to ensure access to external front-end capacity for our semiconductor products. Our Siliconix division has an agreement with Tower Semiconductor, pursuant to which we were required to place orders valued at approximately $200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 facility over a seven to ten year period. During 2007, Siliconix was committed to purchase approximately $22 million of semiconductor wafers, but did not meet its commitments due to changing market demand for products manufactured using wafers supplied by Tower. In January 2008, Siliconix reached an agreement in principle to revise the current arrangement with Tower to more accurately reflect market demand. Siliconix is presently negotiating the terms of a new legal contract. Because the original Tower agreement is still in force, the table above shows the remaining commitments under the original agreement. Management expects that these commitments will be substantially reduced pursuant to the new contract based on the agreement in principle reached in January 2008. If Siliconix is unable to finalize a new agreement with Tower, significant additional penalties may be incurred.

In 2004, our Siliconix division entered a five-year foundry agreement for semiconductor manufacturing with a subcontractor in Japan. The agreement calls for Siliconix to provide a rolling twelve month forecast of estimated requirements. The first six months of this forecast are fixed as to quantity, and the subsequent six months are guaranteed not to be less than a quantity stated in the agreement. Thereafter, the monthly quantity may vary based on market demand. Under the agreement Siliconix must guarantee that its business with this subcontractor represents a minimum percentage of wafer requirements and is required to use its best efforts not to reduce the average monthly demand rate below a specified threshold ("best efforts threshold"). The purchase commitments in the table above represent the minimum commitments for year one (based on the fixed quantities for months one through six and the minimum average quantities for months seven through twelve), and the expected minimum commitment based on the best efforts threshold for the remainder of the agreement. 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 entered by Siliconix are for the manufacture of proprietary products using 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.

Recent Accounting Pronouncements

As more fully described in Note 1 to our consolidated financial statements, several new accounting pronouncements became effective in 2007 or will become effective in future periods.

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

A primary tenet of our business strategy is the expansion within the electronic components industry through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise. Our acquisition strategy relies upon reducing selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies, and achieving significant production cost savings through the transfer and expansion of manufacturing operations to countries where we can benefit from lower labor costs and available tax and other government-sponsored incentives.

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

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, 2007, 2006, and 2005 we did not have any outstanding interest rate swap or cap agreements.

We are exposed to changes in interest rates on our floating rate revolving credit facility. At December 31, 2007 and 2006, there were no amounts outstanding under this facility.

At December 31, 2007, we had approximately $609 million of debt outstanding. Of this amount, $500 million represents our convertible subordinated notes due 2023, and $105 million represents our exchangeable notes due 2102.

We have no interest rate exposure to our convertible subordinated notes, as the interest payable on these notes is fixed. However, the holders of these notes have the right to require us to repurchase these notes on August 1, 2008 (and other specified future dates) at a redemption price equal to 100% of the principal amount of the notes ($500 million). If these notes are put to us in August 2008, we intend to utilize our revolving credit facility or a replacement debt instrument to fund the purchase. Due to interest rate fluctuations and other factors, the costs to refinance this debt may be greater than current interest rates.

We do have interest rate exposure with respect to our variable rate exchangeable notes. The exchangeable notes bear interest at LIBOR, which is reset quarterly.

At December 31, 2007, we have approximately $537.3 million of cash and cash equivalents.

A 50 basis point increase or decrease in interest rates would increase or decrease our annual net earnings by approximately $1.4 million.

See Note 6 to our consolidated financial statements for additional information about our long-term debt.

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, 2007, 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.

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 $1.5 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)*:

	10% Strengthening	10% Weakening
Currency:		
Euro	$ (6,500)	$ 6,500
Israeli shekel	9,000	(9,000)
Hong Kong dollar	1,000	(1,000)
Singapore dollar	(800)	800
Taiwan dollar	(500)	500
British pound	(400)	400
Hungarian forint	(400)	400
Philippines peso	300	(300)
Brazilian real	300	(300)
Czech koruna	(200)	200
Chinese renminbi	(100)	100
All other currencies, net	(200)	200
All currencies simultaneously	$ 1,500	$ (1,500)

Commodity Price Risk

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 example, the prices for tantalum and palladium, two raw materials that we use in our capacitors, are subject to fluctuation. 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 recorded substantial write-downs of tantalum and palladium in the economic downturn from 2001 to 2003, and recorded more modest write-downs in 2004 and 2006.

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 $6.9 million, assuming that such changes in our costs have no impact on the selling prices of our products.

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 DISCLOSURE

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 SECs 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.

Managements 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, 2007 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, 2007.

On April 1, 2007, Vishay acquired the Power Control Systems (PCS) business of International Rectifier Corporation. On April 19, 2007, Vishay acquired PM Group PLC. As permitted by SEC rules and regulations, our

management has excluded the PCS business and PM Group PLC from its evaluation of internal control over financial reporting as of December 31, 2007 because these businesses were acquired in 2007. As of December 31, 2007, these businesses constituted $470.2 million and $395.7 million of total and net assets, respectively. For the year ended December 31, 2007, these businesses contributed $186.1 million of net revenues, $9.5 million of income from continuing operations, and $9.6 million of loss from discontinued operations; and reduced net income by $0.1 million. See Note 2 to our consolidated financial statements included herein for more information about these acquisitions.

Our independent registered public accounting firm, Ernst & Young LLP, has audited our consolidated financial statements as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, 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

Except as described below, 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.

As described above, on April 1, 2007, Vishay acquired the PCS business of International Rectifier Corporation. On April 9, 2007, International Rectifier Corporation announced an internal investigation of accounting irregularities at a foreign subsidiary, indicating that material weaknesses in internal control over financial reporting existed. Vishay did not acquire this subsidiary, and Vishay management is not aware of any accounting irregularities at subsidiaries acquired from International Rectifier. However, International Rectifier's internal investigation has not been completed, and Vishay management is continuing to evaluate the impact, if any, of this on-going investigation on the internal control over financial reporting of the acquired PCS business.

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, Item 4A 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, 2007, 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, 2007, 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, 2007, 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, 2007, 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, 2007, 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, 2007 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.
3.1	Composite Amended and Restated Certificate of Incorporation of Vishay Intertechnology, Inc. dated August 3, 1995; Certificate of Amendment of Composite Amended and Restated Certificate of Incorporation dated May 22, 1997; Certificate of Amendment of the Amended and Restated Certificate of Incorporation dated November 2, 2001; and Certificate of Amendment of the Amended and Restated Certificate of Incorporation dated July 29, 2003. Incorporated by reference to Exhibit 3.1 to Amendment No. 2 to our Registration Statement on Form S-3 (No. 333-102507), filed on October 3, 2003.
3.2	Amended and Restated Bylaws of Registrant. Incorporated by reference to Exhibit 3.2 to our current report on Form 8-K filed November 16, 2007.
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. Third Amended and Restated Credit Agreement, dated as of April 20, 2007. Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed April 23, 2007.
10.4	Vishay Intertechnology, Inc. 1997 Stock Option Program. Incorporated by reference to our Proxy Statement, dated April 16, 1998, for our 1998 Annual Meeting of Stockholders.
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 Option Program. Incorporated by reference to Annex A to our Proxy Statement, dated April 16, 2007, for our 2007 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 4.2 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 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.

10.18	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.
10.19	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.
10.20	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.
10.21	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.
10.22	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.

10.23*	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.
10.24	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.
10.25	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.
10.26	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.
10.27	Foundry Agreement, dated May 12, 2004, between Siliconix incorporated and Tower Semiconductor Limited. Incorporated by reference to Exhibit 4.42 to Tower Semiconductor Limited's annual report on Form 20-F for the year ended December 31, 2004. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment by Tower Semiconductor Limited.)
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/ Dr. Gerald Paul
Dr. Gerald Paul
President and Chief Executive Officer

February 27, 2008

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/ Dr. Gerald Paul Dr. Gerald Paul	President, Chief Executive Officer, and Director	February 27, 2008
Principal Financial and Accounting Officer:		
/s/ Richard N. Grubb Richard N. Grubb	Executive Vice President and Chief Financial Officer	February 27, 2008
Board of Directors:		
/s/ Dr. Felix Zandman	Executive Chairman of	February 27, 2008

Dr. Felix Zandman	the Board of Directors	
/s/ Marc Zandman Marc Zandman	Vice-Chairman of the Board of Directors	February 27, 2008
/s/ Zvi Grinfas Zvi Grinfas	Director	February 27, 2008
/s/ Eli Hurvitz Eli Hurvitz	Director	February 27, 2008
/s/ Abraham Ludomirski Abraham Ludomirski	Director	February 27, 2008

/s/ Wayne M. Rogers Wayne M. Rogers	Director	February 27, 2008
/s/ Ziv Shoshani Ziv Shoshani	Director	February 27, 2008
/s/ Mark I. Solomon Mark I. Solomon	Director	February 27, 2008
/s/ Thomas C. Wertheimer Thomas C. Wertheimer	Director	February 27, 2008
/s/ Ruta Zandman Ruta Zandman	Director	February 27, 2008

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, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. 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, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, 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, 2007, 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, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 26, 2008

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, 2007, 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the PCS business and PM Group PLC, which are included in the December 31, 2007 consolidated financial statements of Vishay Intertechnology, Inc. As of December 31, 2007, these businesses constituted $470.2 million and $395.7 million of total and net assets, respectively. For the year ended December 31, 2007, these businesses contributed $186.1 million of net revenues, $9.5 million of income from continuing operations, and $9.6 million of loss from discontinued operations; and reduced net income by $0.1 million. Our audit of internal control over financial reporting of Vishay Intertechnology, Inc. also did not include an evaluation of the internal control over financial reporting of the PCS business and PM Group PLC.

In our opinion, Vishay Intertechnology, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Vishay Intertechnology, Inc. and our report dated February 26, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 26, 2008

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

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 537,295**	$ 671,586
Accounts receivable, net of allowances for doubtful accounts of $6,133 and $7,017, respectively	**441,772**	351,656
Inventories:		
Finished goods	**159,713**	163,576
Work in process	**224,667**	194,734
Raw materials	**170,329**	178,543
Deferred income taxes	**26,426**	38,368
Prepaid expenses and other current assets	**153,988**	128,784
Assets held for sale (see Note 2)	**28,611**	-
Total current assets	**1,742,801**	1,727,247
Property and equipment, at cost:		
Land	**101,938**	94,803
Buildings and improvements	**485,342**	441,659
Machinery and equipment	**2,001,390**	1,818,660
Construction in progress	**101,659**	85,288
Allowance for depreciation	**(1,469,331)**	(1,316,045)
	1,220,998	1,124,365
Goodwill	**1,676,497**	1,463,992
Other intangible assets, net	**192,591**	168,263
Other assets	**162,348**	208,029
Total assets	**$ 4,995,235**	$ 4,691,896

Continues on following page.

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

	December 31, 2007	December 31, 2006
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to banks	**$ 30**	$ 526
Trade accounts payable	**173,039**	145,919
Payroll and related expenses	**140,879**	132,922
Other accrued expenses	**235,728**	203,986

Income taxes	**34,653**	47,333
Current portion of long-term debt	**1,346**	3,728
Liabilities related to assets held for sale (see Note 2)	**11,253**	-
Total current liabilities	**596,928**	534,414
Long-term debt, less current portion	**607,237**	608,434
Deferred income taxes	**24,216**	15,923
Deferred grant income	**1,044**	5,732
Other liabilities	**122,958**	155,963
Accrued pension and other postretirement costs	**280,713**	285,823
Minority interest	**5,364**	4,794
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; 171,989,392 and 170,104,812 shares outstanding after deducting 274,173 shares in treasury	**17,198**	17,010
Class B convertible common stock, par value $0.10 per share: authorized - 40,000,000 shares; 14,352,888 and 14,358,361 shares outstanding after deducting 279,453 shares in treasury	**1,435**	1,436
Capital in excess of par value	**2,252,297**	2,229,972
Retained earnings	**925,575**	796,902
Accumulated other comprehensive income	**160,270**	35,493
	3,356,775	3,080,813
	$ 4,995,235	$ 4,691,896

See accompanying notes.

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

	Years ended December 31,		
	2007	**2006**	**2005**
Net revenues	**$ 2,833,266**	$ 2,581,477	$ 2,296,521
Costs of products sold	**2,138,438**	1,916,658	1,769,978
Loss (gain) on purchase commitments	**-**	5,687	(963)
Gross profit	**694,828**	659,132	527,506
Selling, general, and administrative expenses	**439,017**	403,027	377,114
Siliconix transaction-related expenses	**-**	-	3,751
Purchased in-process research and development	**-**	-	9,694
Restructuring and severance costs	**14,681**	40,220	29,772
Asset write-downs	**3,869**	6,685	11,416
Contract termination charge	**18,893**	-	-
Operating income	**218,368**	209,200	95,759
Other income (expense):			
Interest expense	**(28,652)**	(32,215)	(33,590)
Loss on early extinguishment of debt	**-**	(2,854)	-

Other	**15,948**	17,419	15,603
	(12,704)	(17,650)	(17,987)
Income from continuing operations before taxes and minority interest	**205,664**	191,550	77,772
Income taxes	**64,133**	50,836	11,737
Minority interest	**1,180**	978	3,761
Income from continuing operations	**140,351**	139,736	62,274
Loss from discontinued operations, net of tax	**(9,587)**	-	-
Net earnings	**$ 130,764**	$ 139,736	$ 62,274
Basic earnings (loss) per share:*			
Continuing operations	**$ 0.76**	$ 0.76	$ 0.35
Discontinued operations	**$ (0.05)**	$ -	$ -
Net earnings	**$ 0.70**	$ 0.76	$ 0.35
Diluted earnings (loss) per share:*			
Continuing operations	**$ 0.74**	$ 0.73	$ 0.34
Discontinued operations	**$ (0.05)**	$ -	$ -
Net earnings	**$ 0.69**	$ 0.73	$ 0.34
Weighted average shares outstanding - basic	**185,646**	184,400	177,606
Weighted average shares outstanding - diluted	**198,226**	210,316	189,321

See accompanying notes.

* May not add due to rounding.

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

	Years ended December 31,		
	2007	**2006**	**2**
Continuing operating activities			
Net earnings	**$ 130,764**	$ 139,736	$
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Loss on discontinued operations, net of tax	**9,587**	-	
Depreciation and amortization	**214,691**	196,963	
(Gain) loss on disposal of property and equipment	**(3,490)**	(972)	
Minority interest in net earnings of consolidated subsidiaries	**1,180**	978	
Purchased in-process research and development	**-**	-	
Accretion of interest on convertible debentures	**-**	1,700	
Write-downs of tantalum and palladium inventories	**-**	9,602	
Contract termination charge	**18,893**	-	
Inventory write-offs for obsolescence	**25,766**	27,773	
Changes in purchase commitment liability	**-**	(19,741)	
Pensions and other postretirement benefits	**20,981**	27,978	
Loss on early extinguishment of debt	**-**	2,854	
Asset write-downs	**3,869**	6,685	
Deferred grant income	**(4,837)**	(6,041)	
Deferred income taxes	**17,202**	9,249	
Other	**(3,268)**	2,334	

Net change in operating assets and liabilities, net of effects of businesses acquired	**(77,326)**	(49,632)	
Net cash provided by continuing operating activities	**354,012**	349,466	
Continuing investing activities			
Capital expenditures	**(200,027)**	(183,298)	
Redemption (purchase) of short-term investments	**-**	9,925	
Proceeds from sale of property and equipment	**6,720**	9,053	
Purchase of businesses, net of cash acquired	**(331,784)**	(14,989)	
Proceeds from sale of business	**18,667**	750	
Other investing activities	**(8,562)**	-	
Net cash used in continuing investing activities	**(514,986)**	(178,559)	
Continuing financing activities			
Proceeds from long-term borrowings, net of issuance costs	**-**	75	
Principal payments on long-term debt and capital leases	**(3,854)**	(152,973)	
Net payments on revolving credit lines	**(1,356)**	(46)	
Net changes in short-term borrowings	**(595)**	(2,948)	
Proceeds from stock options exercised	**20,694**	3,327	
Net cash provided by (used in) continuing financing activities	**14,889**	(152,565)	
Effect of exchange rate changes on cash and cash equivalents	**23,306**	30,667	
(Decrease) increase in cash and cash equivalents from continuing activities	**(122,779)**	49,009	
Net cash used by discontinued operating activities	**(10,179)**	-	
Net cash used by discontinued investing activities	**(1,333)**	-	
Net cash used by discontinued financing activities	**-**	-	
Net cash used by discontinued operations	**(11,512)**	-	
Net (decrease) increase in cash and cash equivalents	**(134,291)**	49,009	
Cash and cash equivalents at beginning of year	**671,586**	622,577	
Cash and cash equivalents at end of year	**$ 537,295**	$ 671,586	$

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Unea Compen
Balance at December 31, 2004	$ 15,142	$ 1,468	$ 2,028,253	$ 594,892	$
Net earnings	-	-	-	62,274	
Foreign currency translation adjustment	-	-	-	-	
Minimum pension liability adjustment	-	-	-	-	
Unrealized gain (loss) on available-for-sale securities	-	-	-	-	
Comprehensive loss					
Stock issued (4,978 shares)	-	-	59	-	
Stock issued for Siliconix acquisition (17,985,476 shares)	1,799	-	196,761	-	
Fair value of phantom stock unit grants	-	-	497	-	
Stock options exercised (48,931 shares)	5	-	273	-	
Tax effects relating to stock plan	-	-	123	-	
Cancellation of shares (982 shares)	-	-	-	-	
Amortization of unearned compensation	-	-	-	-	
Balance at December 31, 2005	$ 16,946	$ 1,468	$ 2,225,966	$ 657,166	$
Net earnings	-	-	-	139,736	
Foreign currency translation adjustment	-	-	-	-	
Minimum pension liability adjustment	-	-	-	-	
Unrealized gain (loss) on available-for-sale securities	-	-	-	-	
Comprehensive income					

Phantom and restricted stock issuances (18,727 shares)	2	-	(2)	-	
Fair value of phantom stock unit grants	-	-	348	-	
Stock options exercised (303,045 shares)	30	-	2,827	-	
Adjustment to initially apply SFAS No. 123-R	-	-	(95)	-	
Stock compensation expense	-	-	458	-	
Tax effects relating to stock plan	-	-	470	-	
Conversions from Class B to common (321,079 shares)	32	(32)	-	-	
Adjustment to initially apply SFAS No. 158, net of tax	-	-	-	-	
Balance at December 31, 2006	$ 17,010	$ 1,436	$ 2,229,972	$ 796,902	$

Continues on following page.

VISHAY INTERTECHNOLOGY, INC.
Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	T Stock Eq
Balance at December 31, 2006	**$ 17,010**	**$ 1,436**	**$ 2,229,972**	**$ 796,902**	**$ -**	**$ 35,493**	**$ 3,0**
Net earnings	**-**	**-**	**-**	**130,764**	**-**	**-**	**1**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**84,697**	
Pension and other post-retirement actuarial items	**-**	**-**	**-**	**-**	**-**	**40,376**	
Unrealized gain (loss) on available-for-sale securities	**-**	**-**	**-**	**-**	**-**	**(296)**	
Comprehensive income							2
Fair value of phantom stock unit grants	**-**	**-**	**344**	**-**	**-**	**-**	
Stock options exercised (1,879,107 shares)	**187**	**-**	**20,506**	**-**	**-**	**-**	
Stock compensation expense	**-**	**-**	**1,475**	**-**	**-**	**-**	
Conversions from Class B to common (5,473 shares)	**1**	**(1)**	**-**	**-**	**-**	**-**	
Adoption of FIN 48	**-**	**-**	**-**	**(2,091)**	**-**	**-**	
Balance at December 31, 2007	**$ 17,198**	**$ 1,435**	**$ 2,252,297**	**$ 925,575**	**$ -**	**$ 160,270**	**$ 3,3**

See accompanying notes.

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements

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

Note 1 □ Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ significantly from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Vishay and all of its subsidiaries in which a controlling financial interest is maintained. For those consolidated subsidiaries in which the Company's ownership is less than 100 percent, the outside stockholders' interests are shown as minority interest in the accompanying consolidated balance sheets. Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis. Investments in affiliates over which the Company does not have significant influence are accounted for by the cost method. All intercompany transactions, accounts, and profits are eliminated.

Revenue Recognition

The Company recognizes 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, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. The Company historically has had agreements with distributors that provided limited rights of product return. The Company has modified these arrangements to allow distributors a limited credit for unsaleable products, which it terms a "scrap allowance." Consistent with industry practice, the Company also has a "stock, ship and debit" program whereby it considers 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, the Company has contractual arrangements whereby it provides distributors with protection against price reductions initiated by the Company after product is sold by the Company to the distributor and prior to resale by the distributor.

The Company records a reduction of revenue during each period, and records a related accrued expense for the period, based upon its estimate of product returns, scrap allowances, "stock, ship and debit" credits, and price protection credits that will be attributable to sales recorded through the end of the period. The Company makes these estimates based upon sales levels to its distributors during the period, inventory levels at the distributors, current and projected market conditions, and historical experience under the programs. While the Company utilizes a number of different methodologies to estimate the accruals, all of the methodologies take into account sales levels 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. These procedures require the exercise of significant judgments. The Company believes that it has a reasonable basis to estimate future credits under the programs.

Royalty revenues, included in net revenues on the consolidated statements of operations, were $7,841,000, $7,595,000, and $4,916,000 for the years ended December 31, 2007, 2006, and 2005, respectively. The Company records royalty revenue in accordance with agreed upon terms when performance obligations are satisfied, the amount is fixed or determinable, and collectibility is reasonably assured. Vishay earns royalties at the point of sale of products which incorporate licensed intellectual property. Accordingly, the amount of royalties recognized is determined based on periodic reporting to Vishay by its licensees, and based on judgments and estimates by Vishay management, which management considers reasonable.

Shipping and Handling Costs

Shipping and handling costs are included in costs of products sold.

Research and Development Expenses

Research and development costs are expensed as incurred. The amount charged to expense for research and development (exclusive of purchased in-process research and development) aggregated $60,970,000, $52,077,000, and $48,634,000 for the years ended December 31, 2007, 2006, and 2005, respectively. The Company spends additional amounts for the development of machinery and equipment for new processes and for cost reduction measures.

Grants

Government grants received by certain subsidiaries, primarily in Israel, are recognized as income in accordance with the purpose of the specific contract and in the period in which the related expense is incurred. Grants recognized as a reduction of costs of products sold were $4,837,000, $6,041,000, and $6,914,000 for the years ended December 31, 2007, 2006, and 2005, respectively. Grants receivable of $1,846,000 and $1,652,000 are included in other current assets at December 31, 2007 and 2006, respectively. Deferred grant income was $1,044,000 and $5,732,000 at December 31, 2007 and 2006, respectively. The grants are subject to certain conditions, including maintaining specified levels of employment for periods up to ten years. Noncompliance with such conditions could result in the repayment of grants. However, management expects that the Company will comply with all terms and conditions of the grants.

Income Taxes

The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances have been established for deferred tax assets which the Company believes do not meet the "more likely than not" criteria established by Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*. This criterion requires a level of judgment regarding future taxable income, which may be revised due to changes in market conditions, tax laws, or other factors. If the Company's assumptions and estimates change in the future, valuation allowances established may be increased, resulting in increased tax expense. Conversely, if the Company is ultimately able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been established, then the related portion of the valuation allowance can be released, resulting in decreased tax expense.

As described in Note 5, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes,* effective January 1, 2007.

Cash, Cash Equivalents, and Short-Term Investments

Cash and cash equivalents includes demand deposits and highly liquid investments with maturities of three months or less when purchased. Highly liquid investments with maturities greater than three months are classified as short-term investments. There were no investments classified as short-term investments at December 31, 2007 or 2006.

Note 1 – Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is determined through an analysis of the aging of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. The Company evaluates the past-due status of its trade receivables based on contractual terms of sale. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Bad debt expense (income realized upon subsequent collection) was $(1,007,000), $1,550,000, and $1,929,000 for the years ended December 31, 2007, 2006, and 2005, respectively.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

Property and Equipment

Property and equipment is carried at cost and is depreciated principally by the straight-line method based upon the estimated useful lives of the assets. Machinery and equipment are being depreciated over useful lives of seven to ten years. Buildings and building improvements are being depreciated over useful lives of twenty to forty years. Construction in progress is not depreciated until the assets are placed in service. The estimated cost to complete construction in progress at December 31, 2007 was approximately $23.3 million. Depreciation of capital lease assets is included in total depreciation expense. Depreciation expense was $196,564,000, $181,552,000, and $174,439,000 for the years ended December 31, 2007, 2006, and 2005, respectively.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized but rather are tested for impairment at least annually. These tests are performed more frequently if there are triggering events. The Company has assigned an indefinite useful life to most of its tradenames.

Definite-lived intangible assets are amortized over their estimated useful lives. Patents and acquired technology are being amortized over useful lives of seven to twenty-five years. Capitalized software is being amortized over periods of three to ten years, primarily included in costs of products sold on the consolidated statements of operations. Customer relationships are being amortized over useful lives of five to fifteen years. Noncompete agreements are being amortized over periods of ten years. The Company continually evaluates the reasonableness of the useful lives of these assets.

SFAS No. 142, *Goodwill and Other Intangible Assets,* prescribes a two-step method for determining goodwill impairment. In the first step, the Company determines the fair value of the reporting unit using a comparable companies market multiple approach. If the net book value of the reporting unit were to exceed the fair value, the Company would then perform the second step of the impairment test, which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

The Company's required annual impairment test is completed as of the first day of the fourth fiscal quarter of each year. It was determined that no impairment existed based on the annual impairment tests for 2007, 2006, and 2005.

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. The annual impairment test of tradenames is completed as of the first day of the fourth fiscal quarter of each year. It was determined that no impairment existed based on the annual impairment tests for 2007, 2006, and 2005.

Note 1 – Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company evaluates impairment of its long-lived assets, other than goodwill and indefinite-lived intangible assets, in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The carrying value of long-lived assets held-and-used, other than goodwill and indefinite-lived intangible assets, is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair

market value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. Losses on long-lived assets held-for-sale, other than goodwill and indefinite-lived intangible assets, are determined in a similar manner, except that fair market values are reduced for disposal costs.

Available-for-Sale Securities

Other assets include investments in marketable securities which are classified as available-for-sale. These assets are held in trust related to the Company's non-qualified pension and deferred compensation plans. See Note 11. These assets are reported at fair value, based on quoted market prices as of the end of the reporting period. Unrealized gains and losses are reported, net of their related tax consequences, as a component of accumulated other comprehensive income in stockholders' equity until sold. At the time of sale, any gains (losses) calculated by the specific identification method are recognized as a reduction (increase) to benefits expense, within selling, general, and administrative expenses.

Financial Instruments

The Company uses financial instruments in the normal course of its business, including from time to time, derivative financial instruments. At December 31, 2007 and 2006, outstanding derivative instruments were not material.

The Company reports derivative instruments on the consolidated balance sheet at their fair values. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. For instruments designated as hedges, the effective portion of gains or losses is reported in other comprehensive income (loss) and the ineffective portion, if any, is reported in net earnings (loss). Changes in the fair values of derivative instruments that are not designated as hedges are recorded in current period earnings.

The Company has in the past used interest rate swap agreements to modify variable rate obligations to fixed rate obligations, thereby reducing exposure to market rate fluctuations. The Company has also in the past used financial instruments such as forward exchange contracts to hedge a portion, but not all, of its firm commitments denominated in foreign currencies. The purpose of the Company's foreign currency management is to minimize the effect of exchange rate changes on actual cash flows from foreign currency denominated transactions.

Other financial instruments include cash and cash equivalents, accounts receivable, and notes payable. The carrying amounts of these financial instruments reported in the consolidated balance sheets approximate their fair values due to the short-term nature of these assets and liabilities.

Note 1 – Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The Company has significant operations outside of the United States. The Company finances its operations in Europe and certain locations in Asia in local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. The Company's 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 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. Revenues and expenses are translated at the average exchange rate for the year. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations.

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.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123-R, *Share-Based Payment.* SFAS No. 123-R requires compensation costs related to share-based payment transactions to be recognized in the consolidated financial statements (with limited exceptions). The application of SFAS No. 123-R did not have a material impact on the Company's net earnings, basic and diluted earnings per share, financial position, or cash flows for the years ended December 31, 2007 and 2006, and would not have had a material impact on the Company's pretax earnings, net earnings, basic and diluted earnings per share, financial position, or cash flows had the Company applied the provisions of SFAS No. 123-R to the year ended December 31, 2005.

Pursuant to SFAS No. 123-R, the amount of compensation cost is measured based on the grant-date fair value of the equity or liability instruments issued. Compensation cost is recognized over the period that an employee provides service in exchange for the award. For options subject to graded vesting, the Company recognizes expense over the service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

Vishay is applying the modified prospective transition method to account for its employee stock options granted prior to the date the Company adopted SFAS No. 123-R. Under the modified prospective transition method, the fair value of previously granted but unvested equity awards is recognized as compensation expense in the statement of operations from the date of adoption of SFAS No. 123-R, and prior period results are not restated.

During the years ended December 31, 2007 and 2006, the Company recorded pretax compensation expense (within selling, general, and administrative expenses) associated with employee stock options of $1,429,000 and $383,000, respectively. The adoption of SFAS No. 123-R did not affect the stock-based compensation associated with the Company's phantom stock units, which were already based on the market price of the stock at the date of grant. During the years ended December 31, 2007 and 2006, the Company recorded pretax compensation expense of $344,000 and $348,000, respectively, equal to the fair value of phantom stock units on the date of grant. The adoption of SFAS No. 123-R also did not affect the stock-based compensation associated with the Company's restricted stock grants, which were already based on the market price of the stock at the date of grant and recognized over the service period. The Company recorded pretax compensation expense of $46,000 and $75,000 during 2007 and 2006, respectively related to amortization of restricted stock. The adoption of SFAS No. 123-R did, however, impact the balance sheet presentation of restricted stock grants. The unearned compensation presented in equity at December 31, 2005 was reclassified to paid-in capital in excess of par value concurrent with the adoption of SFAS No. 123-R.

Note 1 – Summary of Significant Accounting Policies (continued)

SFAS No. 123-R replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board ("APB") Opinion No. 25, which the Company previously applied. Under the intrinsic value method described by APB No. 25, no stock-based compensation expense for employee stock options had been recognized in the Company's consolidated statements of operations because the exercise price of the Company's stock options granted to employees equaled the fair market value of the underlying stock at the date of grant. Had the Company accounted for stock-based compensation plans using the fair value based accounting method described by SFAS No. 123-R for the year ended December 31, 2005, the Company's pro forma net earnings and net earnings per share would have approximated the following *(in thousands, except per share amounts)*:

	Year ended December 31, 2005
Net earnings, as reported	$ 62,274
Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects	323
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all	

awards, net of related tax effects		(788)
Pro forma net earnings	$	61,809
Earnings per share:		
Basic, as reported	$	0.35
Basic, pro forma	$	0.35
Diluted, as reported	$	0.34
Diluted, pro forma	$	0.34

See also Note 12.

Note 1 – Summary of Significant Accounting Policies (continued)

Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. The costs for a specific environmental remediation site are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments for that site are fixed or reliably determinable based upon information derived from the remediation plan for that site. Accrued liabilities for environmental matters recorded at December 31, 2007 and 2006 do not include claims against third parties.

Self-Insurance Programs

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for workers' compensation, general liability, property damage, director and officers' liability, and vehicle liability.

As part of its self-insurance program for certain risks, the Company created a wholly-owned captive insurance entity in 2007. At December 31, 2007, the captive insurance entity provides only property insurance, although it is licensed to provide general liability, casualty, and directors and officers' insurance. At December 31, 2007, the captive insurance entity has accrued $244,000, included in other accrued expenses on the consolidated balance sheet, for outstanding claims.

Cash and investments held by the captive insurance entity are restricted primarily for the purpose of potential insurance claims. Restricted cash of $6,700,000 is included in other noncurrent assets at December 31, 2007, representing the initial capitalization of the captive insurance entity.

New Accounting Pronouncements

Recently Adopted Pronouncements

As described in Note 11, Vishay adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, effective December 31, 2006.

As described in Note 5, Vishay adopted FIN 48, *Accounting for Uncertainty in Income Taxes,* effective January 1, 2007.

Pronouncements Yet to be Adopted

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, provides guidance for measuring fair value, and requires

additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007, and Vishay will adopt SFAS No. 157 on January 1, 2008. The adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations, or liquidity.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and Vishay will adopt SFAS No. 159 on January 1, 2008. The adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations, or liquidity.

Note 1 – Summary of Significant Accounting Policies (continued)

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

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited.

Reclassifications

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

Note 2 - Acquisition and Divestiture Activities

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

In pricing an acquisition, the Company focuses primarily on the target's revenues and customer base, the strategic fit of the target's product line with the Company's existing product offerings, opportunities for cost cutting and integration with the Company's existing operations and production, and other post-acquisition synergies, rather than on the target's assets, such as its property, equipment, and inventory. As a result, the fair value of the acquired assets may correspond to a relatively smaller portion of the acquisition price, with the Company recording a substantial amount of goodwill related to the acquisition.

Also as part of its growth strategy, the Company seeks to explore opportunities with privately held developers of electronic components, whether through acquisition, investment in noncontrolling interests, or strategic alliances.

Year ended December 31, 2007

As further described below, the Company acquired the Power Control Systems (□PCS□) business of International Rectifier Corporation and PM Group PLC in April 2007. Concurrent with the acquisition of PM Group PLC, Vishay sold PM Group□s electrical contracting business. Vishay intends to sell the automotive module and subsystems business acquired as part of the PCS business.

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

Acquisition of Power Control Systems Business

On April 1, 2007, Vishay completed its acquisition of the PCS business of International Rectifier Corporation for approximately $285.6 million, net of cash acquired. The transaction was funded using cash on-hand. The final purchase price is pending the resolution of a net working capital adjustment as of the date of acquisition. Resolution of the net working capital adjustment has been deferred until International Rectifier can complete an internal investigation of its accounting practices.

The PCS business product lines include planar high-voltage MOSFETs, Schottky diodes, diode rectifiers, fast-recovery diodes, high-power diodes and thyristors, power modules (a combination of power diodes, thyristors, MOSFETs, and IGBTs), and automotive modules and subsystems. As further described below, Vishay intends to sell the automotive modules and subsystems business.

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

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

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

Note 2 □ Acquisition and Divestiture Activities (continued)

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

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

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

Working capital	**$ 4,272**

Property and equipment	**55,858**
Completed technology	**12,800**
Customer relationships	**11,700**
Tradenames	**2,100**
Other intangible assets	**2,000**
Net assets he	