

VISHAY INTERTECHNOLOGY INC
Form 10-Q
October 30, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2018

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

For the transition period from _____ to _____

Commission File Number 1-7416

VISHAY INTERTECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware 38-1686453
(State or Other Jurisdiction of Incorporation) (I.R.S. Employer Identification Number)

63 Lancaster Avenue 610-644-1300
Malvern, PA 19355-2143
(Address of Principal Executive Offices) (Registrant's Area Code and Telephone Number)

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

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

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

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

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 26, 2018, the registrant had 132,117,715 shares of its common stock and 12,097,427 shares of its Class B common stock outstanding.

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

Item 1. Financial StatementsVISHAY INTERTECHNOLOGY, INC.
Consolidated Condensed Balance Sheets
(Unaudited - In thousands)

	September 29, 2018	December 31, 2017 (recast - see Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$928,105	\$748,032
Short-term investments	135,003	547,136
Accounts receivable, net	395,442	340,027
Inventories:		
Finished goods	144,622	127,272
Work in process	197,174	170,319
Raw materials	158,505	132,068
Total inventories	500,301	429,659
Prepaid expenses and other current assets	124,949	130,336
Total current assets	2,083,800	2,195,190
Property and equipment, at cost:		
Land	87,062	92,285
Buildings and improvements	616,713	606,168
Machinery and equipment	2,478,521	2,415,769
Construction in progress	90,776	103,058
Allowance for depreciation	(2,364,205)	(2,311,522)
Property and equipment, net	908,867	905,758
Goodwill	147,752	142,742
Other intangible assets, net	67,234	69,754
Other assets	141,981	148,645
Total assets	\$3,349,634	\$3,462,089

Continues on following page.

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

	September 29, 2018	December 31, 2017 (recast - see Note 1)
Liabilities and equity		
Current liabilities:		
Notes payable to banks	\$4	\$4
Trade accounts payable	198,674	222,373
Payroll and related expenses	143,257	135,702
Other accrued expenses	174,689	154,230
Income taxes	45,664	50,226
Total current liabilities	562,288	562,535
Long-term debt less current portion	588,586	370,470
U.S. transition tax payable	154,953	151,200
Deferred income taxes	151,499	336,465
Other liabilities	84,827	75,249
Accrued pension and other postretirement costs	269,610	281,701
Total liabilities	1,811,763	1,777,620
Redeemable convertible debentures	79,186	252,070
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	13,212	13,188
Class B convertible common stock	1,210	1,213
Capital in excess of par value	1,595,092	1,752,506
(Accumulated deficit) retained earnings	(151,404)	(362,254)
Accumulated other comprehensive income (loss)	(1,471)	25,714
Total Vishay stockholders' equity	1,456,639	1,430,367
Noncontrolling interests	2,046	2,032
Total equity	1,458,685	1,432,399
Total liabilities, temporary equity, and equity	\$3,349,634	\$3,462,089

See accompanying notes.

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

	Fiscal quarters ended	
	September 29, 2018	September 30, 2017 (recast - see Note 1)
Net revenues	\$780,972	\$677,941
Costs of products sold	544,676	487,794
Gross profit	236,296	190,147
Selling, general, and administrative expenses	98,198	91,487
Restructuring and severance costs	-	3,244
Operating income	138,098	95,416
Other income (expense):		
Interest expense	(10,813)	(6,938)
Other components of net periodic pension cost	(3,367)	(3,088)
Other	2,890	798
Total other income (expense)	(11,290)	(9,228)
Income before taxes	126,808	86,188
Income tax expense	48,737	21,605
Net earnings	78,071	64,583
Less: net earnings attributable to noncontrolling interests	195	179
Net earnings attributable to Vishay stockholders	\$77,876	\$64,404
Basic earnings per share attributable to Vishay stockholders	\$0.54	\$0.44
Diluted earnings per share attributable to Vishay stockholders	\$0.51	\$0.41
Weighted average shares outstanding - basic	144,383	145,728
Weighted average shares outstanding - diluted	152,946	156,701
Cash dividends per share	\$0.0850	\$0.0625

See accompanying notes.

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

	Fiscal quarters ended	
	September 29, 2018	September 30, 2017
Net earnings	\$78,071	\$ 64,583
Other comprehensive income, net of tax		
Pension and other post-retirement actuarial items	1,670	1,292
Foreign currency translation adjustment	4,277	28,149
Unrealized gain on available-for-sale securities	-	220
Other comprehensive income	5,947	29,661
Comprehensive income	84,018	94,244
Less: comprehensive income attributable to noncontrolling interests	195	179
Comprehensive income attributable to Vishay stockholders	\$83,823	\$ 94,065

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017 (recast - see Note 1)
Net revenues	\$2,258,797	\$1,925,906
Costs of products sold	1,589,963	1,400,173
Gross profit	668,834	525,733
Selling, general, and administrative expenses	303,381	272,540
Restructuring and severance costs	-	5,194
Operating income	365,453	247,999
Other income (expense):		
Interest expense	(26,862)	(20,804)
Other components of net periodic pension cost	(10,336)	(8,947)
Other	5,440	1,151
Loss on early extinguishment of debt	(17,309)	-
Loss on disposal of equity affiliate	-	(7,060)
Total other income (expense)	(49,067)	(35,660)
Income before taxes	316,386	212,339
Income tax expense	72,508	54,398
Net earnings	243,878	157,941
Less: net earnings attributable to noncontrolling interests	539	628
Net earnings attributable to Vishay stockholders	\$243,339	\$157,313
Basic earnings per share attributable to Vishay stockholders	\$1.69	\$1.08
Diluted earnings per share attributable to Vishay stockholders	\$1.55	\$1.01
Weighted average shares outstanding - basic	144,364	146,128
Weighted average shares outstanding - diluted	156,702	155,626
Cash dividends per share	\$0.2375	\$0.1875

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017
Net earnings	\$243,878	\$157,941
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	4,852	4,843
Foreign currency translation adjustment	(30,236)	98,965
Unrealized gain on available-for-sale securities	-	1,002
Other comprehensive income (loss)	(25,384)	104,810
Comprehensive income	218,494	262,751
Less: comprehensive income attributable to noncontrolling interests	539	628
Comprehensive income attributable to Vishay stockholders	\$217,955	\$262,123

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017
Operating activities		
Net earnings	\$243,878	\$157,941
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	121,888	121,319
(Gain) loss on disposal of property and equipment	(2,216)	(106)
Accretion of interest on convertible debt instruments	6,966	3,703
Inventory write-offs for obsolescence	17,059	12,157
Loss on disposal of equity affiliate	-	7,060
Deferred income taxes	(12,348)	9,115
Loss on extinguishment of debt	17,309	-
Other	13,021	6,531
U.S. transition tax	(14,400)	-
Repatriation taxes	(156,767)	-
Net change in operating assets and liabilities, net of effects of businesses acquired	(125,499)	(71,875)
Net cash provided by operating activities	108,891	245,845
Investing activities		
Capital expenditures	(126,391)	(84,790)
Proceeds from sale of property and equipment	8,455	1,484
Purchase of businesses, net of cash received	(14,880)	-
Purchase of short-term investments	(172,732)	(598,937)
Maturity of short-term investments	577,524	610,573
Other investing activities	(1,608)	(6,663)
Net cash provided by (used in) investing activities	270,368	(78,333)
Financing activities		
Proceeds from long-term borrowings	600,000	-
Issuance costs	(15,621)	-
Repurchase of convertible debentures	(584,991)	-
Net proceeds (payments) on revolving credit lines	(150,000)	(5,000)
Common stock repurchases	-	(37,564)
Net changes in short-term borrowings	-	22
Dividends paid to common stockholders	(31,378)	(25,054)
Dividends paid to Class B common stockholders	(2,873)	(2,274)
Proceeds from stock options exercised	-	1,260
Distributions to noncontrolling interests	(525)	(1,140)
Acquisition of noncontrolling interests	-	(4,100)
Cash withholding taxes paid when shares withheld for vested equity awards	(2,297)	(1,971)
Other financing activities	-	(1,255)
Net cash provided by (used in) financing activities	(187,685)	(77,076)
Effect of exchange rate changes on cash and cash equivalents	(11,501)	13,168

Net increase in cash and cash equivalents	180,073	103,604
Cash and cash equivalents at beginning of period	748,032	471,781
Cash and cash equivalents at end of period	\$928,105	\$575,385

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except share and per share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Vishay Stockholders' Equity	Noncontrol- ling Interests	Total Equity
Balance at December 31, 2015	\$ 13,546	\$ 1,213	\$ 2,058,492	\$ (319,448)	\$ (131,327)	\$ 1,622,476	\$ 5,567	\$ 1,628,043
Cumulative effect of accounting change for adoption of ASU 2014-09 (see Notes 1 and 2)	-	-	-	2,210	-	2,210	-	2,210
Net earnings	-	-	-	48,792	-	48,792	581	49,373
Other comprehensive income	-	-	-	-	36,675	36,675	-	36,675
Distributions to noncontrolling interests	-	-	-	-	-	-	(707)	(707)
Common stock repurchase (1,752,454 shares)	(175)	-	(22,984)	-	-	(23,159)	-	(23,159)
Temporary equity reclassification	-	-	(88,659)	-	-	(88,659)	-	(88,659)
Issuance of stock and related tax withholdings for vested restricted stock units (110,825 shares)	11	-	(553)	-	-	(542)	-	(542)
Dividends declared (\$0.2500 per share)	-	-	36	(36,761)	-	(36,725)	-	(36,725)
Stock compensation expense	-	-	6,380	-	-	6,380	-	6,380
Stock options exercised (27,619 shares)	3	-	353	-	-	356	-	356
	-	-	(77)	-	-	(77)	-	(77)

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Tax effects of stock plan								
Balance at December 31, 2016 (recast - see Note 1)	\$ 13,385	\$ 1,213	\$ 1,952,988	\$ (305,207)	\$ (94,652)	\$ 1,567,727	\$ 5,441	\$ 1,573,168
Cumulative effect of accounting change for adoption of ASU 2016-09	-	-	-	386	-	386	-	386
Net earnings (loss)	-	-	-	(20,344)	-	(20,344)	784	(19,560)
Other comprehensive income	-	-	-	-	120,366	120,366	-	120,366
Distributions to noncontrolling interests	-	-	-	-	-	-	(1,140)	(1,140)
Acquisition of noncontrolling interests	-	-	(1,047)	-	-	(1,047)	(3,053)	(4,100)
Common stock repurchase (2,250,236 shares)	(225)	-	(39,719)	-	-	(39,944)	-	(39,944)
Temporary equity reclassification	-	-	(163,411)	-	-	(163,411)	-	(163,411)
Issuance of stock and related tax withholdings for vested restricted stock units (200,688 shares)	20	-	(1,991)	-	-	(1,971)	-	(1,971)
Dividends declared (\$0.2550 per share)	-	-	40	(37,089)	-	(37,049)	-	(37,049)
Stock compensation expense	-	-	4,394	-	-	4,394	-	4,394
Stock options exercised (77,334 shares)	8	-	1,252	-	-	1,260	-	1,260
Balance at December 31, 2017 (recast - see Note 1)	\$ 13,188	\$ 1,213	\$ 1,752,506	\$ (362,254)	\$ 25,714	\$ 1,430,367	\$ 2,032	\$ 1,432,399
	-	-	-	1,801	(1,801)	-	-	-

Cumulative effect of accounting change for adoption of ASU 2016-01 (see Notes 1 and 6)									
Net earnings	-	-	-	243,339	-	243,339	539	243,878	
Other comprehensive income	-	-	-	-	(25,384)	(25,384)	-	(25,384)	
Conversion of Class B shares (31,800 shares)	3	(3)	-	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	-	(525)	(525)	
Temporary equity reclassification	-	-	2,137	-	-	2,137	-	2,137	
Issuance of stock and related tax withholdings for vested restricted stock units (211,328 shares)	21	-	(2,318)	-	-	(2,297)	-	(2,297)	
Dividends declared (\$0.2375 per share)	-	-	39	(34,290)	-	(34,251)	-	(34,251)	
Stock compensation expense	-	-	4,039	-	-	4,039	-	4,039	
Issuance of convertible notes due 2025	-	-	85,262	-	-	85,262	-	85,262	
Repurchase of convertible debentures due 2040 and due 2042	-	-	(246,573)	-	-	(246,573)	-	(246,573)	
Balance at September 29, 2018	\$ 13,212	\$ 1,210	\$ 1,595,092	\$ (151,404)	\$ (1,471)	\$ 1,456,639	\$ 2,046	\$ 1,458,685	

See accompanying notes.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. ("Vishay" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The results of operations for the fiscal quarter and nine fiscal months ended September 29, 2018 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first fiscal quarter, which always begins on January 1, and the fourth fiscal quarter, which always ends on December 31. The four fiscal quarters in 2018 end on March 31, 2018, June 30, 2018, September 29, 2018, and December 31, 2018, respectively. The four fiscal quarters in 2017 ended on April 1, 2017, July 1, 2017, September 30, 2017, and December 31, 2017, respectively.

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU is the result of a convergence project between the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The ASU removes inconsistencies and weaknesses in revenue requirements; provides a more robust framework for addressing revenue issues; improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; provides more useful information to users of financial statements through expanded disclosure requirements; and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The Company retrospectively adopted the ASU on January 1, 2018. The adoption of the ASU did not have a material impact on the Company's results of operations. See Note 2 and "Changes in Accounting Policies" below.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU enhances the reporting model for financial instruments by addressing certain aspects, including requiring equity investments to be measured at fair value with changes in fair value recognized in net income; simplifying the impairment assessment of equity investments without readily determinable fair values; eliminating the requirement to disclose the method and significant assumptions used to estimate the disclosed fair value of financial instruments measured at amortized cost; and requiring the use of the exit price notion for fair value measurements of financial instruments for disclosure purposes. The Company adopted the ASU on January 1, 2018. The Company recognized a cumulative-effect adjustment to January 1, 2018 retained earnings (accumulated deficit) of \$1,801 for the cumulative change in fair value of available-for-sale equity investments previously recognized in other comprehensive income. The adoption of the ASU did not have a material impact on the Company's results of operations.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU amends the income statement presentation requirements of net periodic benefit cost of defined benefit pension and other postretirement plans. The Company retrospectively adopted the ASU on January 1, 2018. The adoption of the ASU

did not have a material impact on the Company's results of operations. See "Changes in Accounting Policies" below.

Recently Issued Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU is the result of a project between the FASB and the International Accounting Standards Board to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Upon adoption of the ASU, the Company will recognize lease assets and liabilities for its operating leases which are not currently reported on its consolidated balance sheets. The ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2019, with the ability to early adopt. The Company is currently evaluating the effect of the ASU on its lease contracts.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2020, with the ability to early adopt for interim and annual periods beginning on or after January 1, 2019. The Company is currently evaluating the effect of the ASU on its financial assets measured at amortized cost.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Changes in Accounting Policies

Except for the changes described in "Recently Adopted Accounting Guidance" above and in this section below, the Company has consistently applied the accounting policies described in its Note 1 to its audited consolidated financial statement included in its annual report on Form 10-K for the year ended December 31, 2017, to all periods presented in these consolidated condensed financial statements.

Revenue Recognition

The Company adopted ASU 2014-09 as of January 1, 2018 using the full retrospective method. As a result, the Company has changed its accounting policy for revenue recognition. The details of significant changes and quantitative impact of the changes are disclosed below.

Service-type warranty performance obligations

ASU 2014-09 introduces the concept of service-type warranties, which represent separate performance obligations. Upon adoption of ASU 2014-09, the Company considers its warranty obligations as service-type warranties and allocates a portion of the estimated consideration to be received from the related contract to the service-type warranty performance obligation and recognizes the related revenue over the warranty period. The impact of accounting for service-type warranties as separate performance obligations was not significant in the retrospective adoption period and is included in the tables below. See further discussion of the warranty obligations in Note 2.

Custom products

The Company previously recognized revenue when the sales process was completed, which generally occurred when the product was delivered and risk of loss was transferred to the customer. Upon adoption of ASU 2014-09, the Company analyzes its contractual arrangements to determine whether the promise in the contract to construct and transfer goods to the customer is a performance obligation that will be satisfied over time or at a point in time. When the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, the Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time. The Company has a limited number of contracts for custom products that meet the criteria to recognize revenue over time. The dollar amount of these custom products did not materially change during the retrospective adoption period. The Company recorded a cumulative-effect adjustment of \$2,210 to January 1, 2016 retained earnings (accumulated deficit) and recorded adjustments to its consolidated balance sheets due to the impact of recognizing revenue for certain custom products over time rather than at a point in time.

ASU 2014-09 provides several transition practical expedients. The Company has not restated completed contracts that begin and end in the same annual reporting period; used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods; has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognize the amount as revenue for the reporting periods presented prior to January 1, 2016; and has not retrospectively restated the contract for modifications made prior to January 1, 2016 and instead reflected the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price pursuant to the transition practical expedients available.

Pension and Other Postretirement Benefits

The Company retrospectively adopted ASU No. 2017-07 as of January 1, 2018. As a result, the Company has changed its accounting policy for pension and other postretirement benefits costs as detailed below.

ASU 2017-07 amends the income statement presentation requirements of net periodic benefit cost of defined benefit pension and other postretirement plans. The service cost component of net periodic pension cost is recorded in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, and other components of net periodic pension cost are included on a separate line within other income (expense). The Company reclassified net benefit costs other than the current service component previously reported as cost of goods sold and selling, general, and administrative expenses to other expenses for each quarter in the retrospective adoption period in the table below. The Company also reclassified the \$79,321 U.S. pension settlement charges recorded for the year ended December 31, 2016 to other expenses. See the impact of this change in the tables below.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

The retrospective adoption of ASUs 2014-09 and 2017-07 did not impact net earnings (loss) attributed to Vishay stockholders. See the combined impact of the retrospective adoption in the tables below:

	Fiscal quarters ended									December 31, 2017
	April 1, 2017			July 1, 2017			September 30, 2017			
	As Reported	Adjustments	Recast	As Reported	Adjustments	Recast	As Reported	Adjustments	Recast	
Net revenues	\$606,258	\$(1,457)	\$604,801	\$644,892	\$(1,728)	\$643,164	\$677,883	\$58	\$677,941	\$674,489
Costs of products sold	445,383	(2,331)	443,052	471,929	(2,602)	469,327	488,610	(816)	487,794	497,988
Gross profit	160,875	874	161,749	172,963	874	173,837	189,273	874	190,147	176,501
Operating income	64,688	2,890	67,578	82,036	2,969	85,005	92,328	3,088	95,416	72,536
Total other income (expense)	(14,246)	(2,890)	(17,136)	(6,327)	(2,969)	(9,296)	(6,140)	(3,088)	(9,228)	(5,511)
Income before taxes	50,442	-	50,442	75,709	-	75,709	86,188	-	86,188	67,025
Income tax expense	13,493	-	13,493	19,300	-	19,300	21,605	-	21,605	244,526
Net earnings (loss)	36,949	-	36,949	56,409	-	56,409	64,583	-	64,583	(177,501)
Less: net earnings attributable to noncontrolling interests	230	-	230	219	-	219	179	-	179	156
Net earnings (loss) attributable to Vishay stockholders	\$36,719	\$-	\$36,719	\$56,190	\$-	\$56,190	\$64,404	\$-	\$64,404	\$(177,657)

	Years ended					
	December 31, 2016			December 31, 2017		
	As Reported	Adjustments	Recast	As Reported	Adjustments	Recast
Net revenues	\$2,323,431	\$(6,103)	\$2,317,328	\$2,603,522	\$(4,154)	\$2,599,368
Costs of products sold	1,753,648	(10,142)	1,743,506	1,903,910	(7,651)	1,896,259
Gross profit	569,783	4,039	573,822	699,612	3,497	703,109
Operating income	101,717	95,341	197,058	311,588	12,417	324,005
Total other income (expense)	(7,501)	(95,341)	(102,842)	(32,224)	(12,417)	(44,641)
Income before taxes	94,216	-	94,216	279,364	-	279,364
Income tax expense	44,843	-	44,843	298,924	-	298,924
Net earnings (loss)	49,373	-	49,373	(19,560)	-	(19,560)
	581	-	581	784	-	784

Less: net earnings attributable to
noncontrolling interests

Net earnings (loss) attributable to

Vishay stockholders	\$48,792	\$ -	\$48,792	\$(20,344)	\$ -	\$(20,344)
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Reclassifications

In addition to the changes due to the retrospective adoption of certain aspects of new accounting guidance described above, certain prior period amounts have been reclassified to conform to the current financial statement presentation.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 2 – Revenue Recognition

As of January 1, 2018, the Company recognizes revenue from contracts with customers in accordance with ASU 2014-09. The Company has framework agreements with many of its customers that contain the terms and conditions of future sales, but do not create enforceable rights or obligations. Per ASU 2014-09, the Company's contracts are the combined purchase orders and the terms and conditions contained within such framework agreements.

Payment terms for the Company's sales are generally less than sixty days. Substantially all of the Company's receivables are collected within twelve months of the transfer of products to the customer and the Company expects this to continue going forward. The Company applies the practical expedient within ASU 2014-09 to all of its contracts with payment terms less than or equal to twelve months and does not recognize a financing component of the transaction price.

Revenue is measured based on the consideration specified in contracts with customers, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies its performance obligations.

The Company's contracts contain two performance obligations: delivery of products and warranty protection. The Company does not sell separate, enhanced, or extended warranty coverage, but through its customary business practices, the Company has created implied service-type warranties, which are accounted for as separate performance obligations. Revenue is allocated between these two performance obligations and recognized as the obligations are satisfied. The allocation of revenue to warranty protection is based on an estimate of expected cost plus margin. The delivery of products performance obligation is satisfied and product sales revenue is recognized when the customer takes control of the products. Warranty revenue is deferred and the warranty protection performance obligation is satisfied and revenue is recognized over the warranty period, which is typically less than twenty-four months from sale to end customer. The warranty deferred revenue liability is recorded within Other Accrued Expenses and Other Liabilities on the accompanying consolidated condensed balance sheets. The deferred revenue balance associated with the service-type warranty performance obligations and the components that comprise the change in the deferred revenue balance are not significant.

The Company has a broad line of products that it sells to original equipment manufacturers ("OEMs"), electronic manufacturing services ("EMS") companies, which manufacture for OEMs on an outsourcing basis, and independent distributors that maintain large inventories of electronic components for resale to OEMs and EMS companies.

The Company has and will continue to recognize revenue on sales to distributors when the distributor takes control of the products ("sold-to" model). The Company has agreements with distributors that 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 recognizes the estimated variable consideration to be received as revenue and records a related accrued expense for the consideration not expected to be received, 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.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Distributor sales accrual activity is shown below:

	Fiscal quarters ended		Nine fiscal months ended		Years Ended December 31,	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	2017	2016
Beginning balance	\$38,032	\$35,733	\$36,680	\$34,479	\$34,479	\$32,487
Sales allowances	27,986	22,421	77,539	67,191	89,009	86,896
Credits issued	(29,293)	(28,116)	(77,091)	(71,638)	(87,403)	(85,341)
Foreign currency	103	384	(300)	390	595	437
Ending balance	\$36,828	\$30,422	\$36,828	\$30,422	\$36,680	\$34,479

The Company pays commissions to external sales representatives on a per-sale basis. The Company applies the practical expedient available within ASU 2014-09 to all commissions paid as the future amortization period of the asset that the Company otherwise would have recognized is one year or less. Accordingly, these commissions are expensed as incurred. Internal staff are not paid commissions.

The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the product even if the shipping and handling activities are performed after the customer obtains control. The Company does not evaluate whether shipping and handling activities are promised services to its customers. If control transfers and revenue is recognized for the related products before the shipping and handling activities occur, the related costs of those shipping and handling activities is accrued. The Company applies this accounting policy election consistently to similar types of transactions.

See disaggregated revenue information in Note 10.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 3 – Acquisition Activities

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

On February 8, 2018, the Company acquired substantially all of the assets and liabilities of UltraSource, Inc., a U.S.-based, privately-held thin film circuit and thin film interconnect manufacturer, for \$13,596. Based on an estimate of their fair values, the Company allocated \$6,500 of the purchase price to definite-lived intangible assets. After allocating the purchase price to the assets acquired and liabilities assumed based on an estimation of their fair values at the date of acquisition, the Company recorded goodwill of \$4,227 related to this acquisition. The results and operations of this acquisition have been included in the Resistors & Inductors segment since February 8, 2018. The inclusion of this acquisition did not have a material impact on the Company's consolidated results for the fiscal quarter or nine fiscal months ended September 29, 2018. The goodwill related to this acquisition is included in the Resistors & Inductors reporting unit for goodwill impairment testing.

On June 11, 2018, the Company acquired EuroPower Holdings Ltd. ("EuroPower") for \$2,939, net of cash acquired. EuroPower is a distributor of electronic components in the United Kingdom. The inclusion of this business did not have a material impact on the Company's consolidated results for the fiscal quarter or nine fiscal months ended September 29, 2018. After allocating the purchase price to the assets acquired and liabilities assumed based on an estimation of their fair values at the date of acquisition, the Company recorded goodwill of \$1,068 related to this acquisition. The goodwill related to this acquisition is included in the Resistors & Inductors reporting unit for goodwill impairment testing.

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

The remaining fluctuation in the goodwill account balance is due to foreign currency translation.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 4 – Restructuring and Related Activities

The Company places a strong emphasis on controlling its costs and combats general price inflation by continuously improving its efficiency and operating performance. When the ongoing cost containment activities are not adequate, the Company takes actions to maintain its cost competitiveness.

The Company incurred significant restructuring costs in its past to reduce its cost structure. Historically, the Company's primary cost reduction technique was through the transfer of production from high-labor-cost countries to lower-labor-cost countries. Since 2013, the Company's cost reduction programs have primarily focused on reducing fixed costs, including selling, general, and administrative expenses. As of December 31, 2017, the Company's restructuring programs were substantially completed.

The following table summarizes restructuring and related expenses which were recognized and reported on a separate line in the accompanying consolidated condensed statements of operations:

	Fiscal quarter ended September 30, 2017	Nine fiscal months ended September 30, 2017
MOSFETs Enhanced Competitiveness Program	\$ 2,463	\$ 2,911
Global Cost Reduction Programs	781	2,283
Total	\$ 3,244	\$ 5,194

MOSFETs Enhanced Competitiveness Program

Over a period of approximately 2 years and in a series of discrete steps, the manufacture of wafers for a substantial share of products was transferred into a more cost-efficient fab. As a consequence, certain other manufacturing previously occurring in-house was transferred to third-party foundries. This transfer of production was substantially completed by the end of the first fiscal quarter of 2016.

As a result of a review of the financial results and outlook for the Company's MOSFETs segment following the completion of production transfers, the Company determined to implement further cost reductions for the MOSFETs segment. In November 2016, the Company announced an extension of the MOSFETs Enhanced Competitiveness Program. The revised program included various cost reduction initiatives, primarily the transfer of all remaining manufacturing operations at its Santa Clara, California facility to other Vishay facilities or third-party subcontractors.

The following table summarizes the activity to date related to this program:

Expense recorded in 2013	\$2,328
Cash paid	(267)
Balance at December 31, 2013	\$2,061
Expense recorded in 2014	6,025
Cash paid	(856)
Balance at December 31, 2014	\$7,230
Expense recorded in 2015	5,367
Cash paid	(426)

Foreign currency translation	1
Balance at December 31, 2015	\$12,172
Expense recorded in 2016	9,744
Cash paid	(15,686)
Foreign currency translation	2
Balance at December 31, 2016	\$6,232
Expense recorded in 2017	3,204
Cash paid	(7,173)
Balance at December 31, 2017	\$2,263
Cash paid	(1,051)
Balance at September 29, 2018	\$1,212

Severance benefits are generally paid in a lump sum at cessation of employment. The entire liability is considered current and is included in other accrued expenses in the accompanying consolidated condensed balance sheets.

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Global Cost Reduction Programs

The global cost reduction programs announced in 2015 included a plan to reduce selling, general, and administrative costs company-wide, and targeted streamlining and consolidation of production for certain product lines within its Capacitors and Resistors & Inductors segments. These programs were substantially implemented as of December 31, 2017.

The following table summarizes the activity to date related to this program:

Expense recorded in 2015	\$ 13,753
Cash paid	(986)
Foreign currency translation	(150)
Balance at December 31, 2015	\$ 12,617
Expense recorded in 2016	9,918
Cash paid	(16,237)
Foreign currency translation	(34)
Balance at December 31, 2016	\$ 6,264
Expense recorded in 2017	8,069
Cash paid	(7,168)
Foreign currency translation	500
Balance at December 31, 2017	\$ 7,665
Cash paid	(2,881)
Foreign currency translation	(87)
Balance at September 29, 2018	\$ 4,697

The following table summarizes the expense recognized by segment related to this program:

	Fiscal quarter ended September 30, 2017	Nine fiscal months ended September 30, 2017
Diodes	\$ (13)	\$ -
Optoelectronic Components	-	242
Resistors & Inductors	468	1,403
Capacitors	88	334
Unallocated Selling, General, and Administrative Expenses	238	304
Total	\$ 781	\$ 2,283

Severance benefits are generally paid in a lump sum at cessation of employment, though some are being paid in installments. The current portion of the liability is \$2,772 and is included in other accrued expenses in the accompanying consolidated condensed balance sheets. The non-current portion of the liability is included in other liabilities in the accompanying consolidated condensed balance sheets.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 5 – Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the periods ended September 29, 2018 and September 30, 2017 reflect the Company's expected tax rate on reported income from continuing operations before income tax and tax adjustments. The Company operates in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting the Company's earnings and the applicable tax rates in the various jurisdictions where the Company operates.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted in the United States. The TCJA represents sweeping changes in U.S. tax law. Among the numerous changes in tax law, the TCJA permanently reduced the U.S. corporate income tax rate to 21% beginning in 2018; imposed a one-time transition tax on deferred foreign earnings; established a partial territorial tax system by allowing a 100% dividends received deduction on qualifying dividends paid by foreign subsidiaries; limited deductions for net interest expense; expanded the U.S. taxation of foreign earned income to include "global intangible low-taxed income" ("GILTI") of foreign subsidiaries; and imposed a base erosion and anti-abuse minimum tax ("BEAT").

The TCJA represents the first significant change in U.S. tax law in over 30 years. As permitted by SAB No. 118, the tax expense recorded in the fourth fiscal quarter of 2017 due to the enactment of the TCJA was considered "provisional," based on reasonable estimates. As further described below, after additional analysis was completed in the second and third fiscal quarters of 2018, the Company identified additional amounts available to be repatriated to the U.S. and additional information regarding the foreign taxes payable and recorded additional provisional tax expense to accrue the incremental foreign income taxes and withholding taxes payable to foreign jurisdiction. The Company is continuing to collect and analyze detailed information about the earnings and profits of its non-U.S. subsidiaries, the related taxes paid, the amounts which could be repatriated, the foreign taxes which may be incurred on repatriation, and the associated impact of these items under the TCJA. The Company may record further adjustments to refine those estimates during the measurement period, as additional analysis is completed.

The TCJA transitions the U.S. from a worldwide tax system to a partial territorial tax system. Under previous law, companies could indefinitely defer U.S. income taxation on unremitted foreign earnings. The TCJA imposes a one-time transition tax on deferred foreign earnings of 15.5% for liquid assets and 8% for illiquid assets, payable in defined increments over eight years. As a result of this requirement, the Company recognized provisional tax expense of \$215,558 in 2017, and provisionally expects to pay \$184,468, net of estimated applicable foreign tax credits, and after utilization of net operating loss, R&D credits, and foreign tax credit carryforwards. As a result of additional analysis completed in the third fiscal quarter of 2018, the Company accrued additional provisional tax expense of \$6,214. The first installment of \$14,400 was paid in the second fiscal quarter of 2018. These previously deferred foreign earnings may now be repatriated to the United States without additional U.S. federal taxation. However, any such repatriation could incur withholding and other foreign taxes in the source and intervening foreign jurisdictions, and certain U.S. state taxes.

Due to the changes in taxation of dividends received from foreign subsidiaries, and also because of the need to finance the payment of the transition tax, the Company made the determination during the fourth fiscal quarter of 2017 that certain unremitted foreign earnings in Israel, Germany, Austria, and France are no longer permanently reinvested, and recorded provisional tax expense of \$213,000 to accrue the incremental foreign income taxes and withholding taxes payable to foreign jurisdictions assuming the hypothetical repatriation to the United States of these approximately \$1,100,000 of available foreign earnings. As a result of additional analysis completed in the second and third fiscal quarters of 2018, the Company adjusted the amount of foreign unremitted earnings available from Israel, Germany, Austria, and France to approximately \$1,200,000, identified additional information regarding the foreign taxes

payable, and accrued additional provisional tax expense of \$19,282.

The Company repatriated approximately \$274,000 and approximately \$450,000 to the United States, and paid withholding and foreign taxes of \$92,093 and \$64,674 in the second and third fiscal quarters of 2018, respectively. Substantially all of the amounts repatriated in the second fiscal quarter were used to reduce the outstanding balance of the credit facility (see Note 6) and to repay certain intercompany indebtedness. A portion of the amounts repatriated in the third fiscal quarter were used to eliminate the remaining outstanding balance of the credit facility.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

After completing these phases of cash repatriation, there is approximately \$300,000 of unremitted foreign earnings that the Company has deemed not permanently reinvested and thus has accrued foreign withholding and other taxes. The Company expects to repatriate these remaining amounts at a measured pace over several years, and may decide to ultimately not repatriate some of these amounts.

The Company's effective tax rate for the periods ended September 29, 2018 was negatively impacted by certain provisions of the TCJA. The provisions of the TCJA are interrelated and the impact of any specific provision cannot be isolated. The Company operates at a pre-tax loss in the U.S. and the reduction in the federal tax rate reduces the tax benefit recorded. In addition, the inclusion of GILTI income and the limitation on the deductibility of interest expense increased the effective tax rate. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore did not provide any deferred taxes in the consolidated financial statements at December 31, 2017. BEAT could potentially increase the Company's U.S. federal income tax by disallowing certain otherwise deductible payments from the U.S. to non-U.S. subsidiaries and imposing a minimum tax if greater than the regular tax. The Company expects to be subject to BEAT in 2018 and future periods, but BEAT did not have a material impact on the Company's effective tax rate for the periods ended September 29, 2018.

The Company's repurchase of a portion of the outstanding convertible debentures in the second fiscal quarter of 2018 (see Note 6) reduced the Company's expected full year 2018 tax rate.

The Company recognized a tax benefit on the pre-tax loss on early extinguishment of debt. The Company also recognized a tax benefit of \$33,963 in the second fiscal quarter of 2018 resulting from the extinguishment, reflecting the reduction in deferred tax liabilities related to the special tax attributes of the debentures.

Income tax expense for the fiscal quarter and nine fiscal months ended September 29, 2018, includes tax expense of \$680 and tax benefits of \$7,010 for the periodic remeasurement of the deferred tax liability recorded for the foreign taxes associated with the cash repatriation program described above.

Income tax expense for the fiscal quarter and nine fiscal months ended September 30, 2017 included a tax benefit of \$892 and \$3,100 for the periodic remeasurement of the deferred tax liability recorded for the cash repatriation program that was terminated as a result of the enactment of the TCJA.

During the nine fiscal months ended September 29, 2018, the liabilities for unrecognized tax benefits increased by \$3,486 on a net basis, due to increases for tax positions taken in the current period and interest, offset by payments and foreign currency effects.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 6 – Long-Term Debt

Long-term debt consists of the following:

	September 29, 2018	December 31, 2017
Credit facility	\$-	\$ 150,000
Convertible senior debentures, due 2040	22,486	110,412
Convertible senior debentures, due 2041	57,695	56,641
Convertible senior debentures, due 2042	34,268	62,518
Convertible notes, due 2025	491,853	-
Deferred financing costs	(17,716)	(9,101)
	588,586	370,470
Less current portion	-	-
	\$ 588,586	\$ 370,470

Convertible Senior Notes due 2025

In June 2018, the Company issued \$600,000 aggregate principal amount of 2.25% convertible senior notes due 2025 to qualified institutional investors. The Company used the net proceeds from this offering to repurchase \$220,000 and \$69,060 principal amounts of convertible senior debentures due 2040 and 2042, respectively, as further described below.

GAAP requires an issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

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

	Principal amount of the notes	Unamortized discount	Carrying value of liability component	Equity component - net carrying value
<u>September 29, 2018</u>				
Due 2025	\$600,000	(108,147)	\$ 491,853	\$ 85,262

Interest is payable on the convertible notes due 2025 semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2018, at a rate of 2.25% per annum; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate of 5.50% based on the Company's estimated nonconvertible debt borrowing rate.

Interest expense for the fiscal quarter and nine fiscal months ended September 29, 2018 related to the convertible notes due 2025 is reflected on the consolidated condensed statements of operations as follows:

Contractual

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	coupon interest	Non-cash amortization of debt discount	Non-cash amortization of deferred financing costs	Total interest expense related to the debentures
Fiscal quarter ended September 29, 2018	\$ 3,375	3,334	454	\$ 7,163
Nine fiscal months ended September 29, 2018	\$ 4,088	3,890	605	\$ 8,583

The convertible notes due 2025 will mature on June 15, 2025, unless earlier repurchased or converted. Prior to December 15, 2024, such conversion is subject to the satisfaction of certain conditions set forth below. The convertible notes due 2025 are not redeemable by the Company before the maturity date.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Prior to December 15, 2024, the holders may only convert their notes under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ending September 29, 2018, if the sale price of Vishay common stock reaches 130% of the conversion price for a specified period (initially \$40.94); (2) the trading price of the notes falls below 98% of the product of the sale price of Vishay's common stock and the conversion rate for a specified period; or (3) upon the occurrence of specified corporate transactions.

The convertible notes due 2025 are initially convertible into cash, shares of Vishay common stock, or a combination thereof, at the Company's option, at a conversion rate of 31.7536 shares of common stock per \$1,000 principal amount of notes. This initial conversion price represents a premium of 27.5% to the closing price of Vishay's common stock on June 8, 2018, which was \$24.70 per share. The conversion rate of the convertible notes is not adjusted for quarterly cash dividends equal to or less than \$0.085 per share of common stock. This represents an initial effective conversion price of approximately \$31.49 per share. At the direction of its Board of Directors, Vishay intends, upon conversion, to repay the principal amount of the notes in cash and settle any additional amounts in shares. Vishay must provide additional shares upon conversion if there is a "fundamental change" in the business as defined in the indenture governing the notes.

Convertible Senior Debentures

Vishay currently has three issuances of convertible senior debentures outstanding with generally congruent terms.

The Company used substantially all of the net proceeds of the June 2018 issuance of convertible senior notes due 2025 to repurchase \$220,000 and \$69,060 principal amounts of convertible senior debentures due 2040 and due 2042, respectively. The net carrying value of the debentures repurchased were \$89,276 and \$29,037, respectively. In accordance with the authoritative accounting guidance for convertible debentures, the aggregate repurchase payment of \$584,991 was allocated between the liability (\$133,647) and equity (including temporary equity, \$451,344) components of the convertible debentures, using the Company's nonconvertible debt borrowing rate at the time of the repurchase. As a result, the Company recognized a loss on extinguishment of convertible debentures of \$17,309, including the write-off of a portion of unamortized debt issuance costs.

The quarterly cash dividend program of the Company results in adjustments to the conversion rate and effective conversion price for each issuance of the Company's convertible senior debentures effective as of the ex-dividend date of each cash dividend.

The following table summarizes some key facts and terms regarding the three series of outstanding convertible senior debentures following the adjustment made to the conversion rate of the debentures on the ex-dividend date of the September 27, 2018 dividend payment:

	Due 2040	Due 2041	Due 2042
Issuance date	November 9, 2010	May 13, 2011	May 31, 2012
Maturity date	November 15, 2040	May 15, 2041	June 1, 2042
Principal amount as of September 29, 2018	\$ 55,000	\$ 150,000	\$ 80,940
Cash coupon rate (per annum)	2.25 %	2.25 %	2.25 %
Nonconvertible debt borrowing rate at issuance (per annum)	8.00 %	8.375 %	7.50 %
Conversion rate effective September 13, 2018 (per \$1 principal amount)	78.0506	56.9573	91.7689
Effective conversion price effective September 13, 2018 (per share)	\$ 12.81	\$ 17.56	\$ 10.90
130% of the conversion price (per share)	\$ 16.65	\$ 22.83	\$ 14.17

Call date	November 20, 2020	May 20, 2021	June 7, 2022
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Prior to three months before the maturity date, the holders may only convert their debentures under the following circumstances: (1) during any fiscal quarter after the first full quarter subsequent to issuance, if the sale price of Vishay common stock reaches 130% of the conversion price for a specified period; (2) the trading price of the debentures falls below 98% of the product of the sale price of Vishay's common stock and the conversion rate for a specified period; (3) Vishay calls any or all of the debentures for redemption, at any time prior to the close of business on the third scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events.

The convertible debentures due 2042 became convertible subsequent to the December 31, 2016 evaluation of the conversion criteria, and have remained convertible for each subsequent quarterly evaluation through the September 29, 2018 evaluation, due to the sale price of Vishay's common stock exceeding 130% of the conversion price for the applicable periods. The convertible debentures due 2040 became convertible subsequent to the September 30, 2017 evaluation of the conversion criteria, and have remained convertible for each subsequent quarterly evaluation through the September 29, 2018 evaluation, due to the sale price of Vishay's common stock exceeding 130% of the conversion price for the applicable periods. The debentures due 2040 and due 2042 will remain convertible until December 31, 2018, at which time the conversion criteria will be reevaluated. At the direction of its Board of Directors, the Company intends, upon future conversion of any of the convertible senior debentures, to repay the principal amounts of the convertible senior debentures in cash and settle any additional amounts in shares of Vishay common stock. The excess of the amount that the Company would pay to the holders of the debentures due 2040 and due 2042 upon conversion over the carrying value of the liability component of the debentures currently convertible has been reclassified as temporary equity on the consolidated condensed financial statements. The Company intends to finance the principal amount of any converted debentures using borrowings under its credit facility. Accordingly, the debt component of the convertible debentures due 2040 and due 2042 continues to be classified as a non-current liability on the consolidated condensed balance sheets.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

GAAP requires an issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The resulting discount on the debt is amortized as non-cash interest expense in future periods.

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

	Principal amount of the debentures	Unamortized discount	Embedded derivative	Carrying value of liability component	Equity component (including temporary equity) - net carrying value
<u>September 29, 2018</u>					
Due 2040	\$ 55,000	(32,561)	47	\$ 22,486	\$ 22,019
Due 2041	\$ 150,000	(92,549)	244	\$ 57,695	\$ 62,246
Due 2042	\$ 80,940	(46,735)	63	\$ 34,268	\$ 31,229
Total	\$ 285,940	\$ (171,845)	\$ 354	\$ 114,449	\$ 115,494
<u>December 31, 2017</u>					
Due 2040	\$ 275,000	(164,794)	206	\$ 110,412	\$ 110,094
Due 2041	\$ 150,000	(93,573)	214	\$ 56,641	\$ 62,246
Due 2042	\$ 150,000	(87,600)	118	\$ 62,518	\$ 57,874
Total	\$ 575,000	\$ (345,967)	\$ 538	\$ 229,571	\$ 230,214

Interest is payable on the debentures semi-annually at the cash coupon rate; however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate equal to the Company's estimated nonconvertible debt borrowing rate at the time of issuance. In addition to ordinary interest, contingent interest will accrue in certain circumstances relating to the trading price of the debentures and under certain other circumstances beginning ten years subsequent to issuance.

Interest expense related to the debentures is reflected on the consolidated condensed statements of operations for the fiscal quarters ended:

	Contractual coupon interest	Non-cash amortization of debt discount	Non-cash amortization of deferred financing costs	Non-cash change in value of derivative liability	Total interest expense related to the debentures
<u>September 29, 2018</u>					
Due 2040	\$ 310	135	4	20	\$ 469
Due 2041	\$ 844	349	12	71	\$ 1,276
Due 2042	\$ 455	184	7	19	\$ 665
Total	\$ 1,609	\$ 668	\$ 23	\$ 110	\$ 2,410

September 30, 2017

Due 2040	\$ 1,547	626	22	(53)	\$ 2,142
Due 2041	\$ 844	321	11	(21)	\$ 1,155
Due 2042	\$ 844	312	13	(21)	\$ 1,148
Total	\$ 3,235	\$ 1,259	\$ 46	\$ (95)	\$ 4,445

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Interest expense related to the debentures is reflected on the consolidated condensed statements of operations for the nine fiscal months ended:

	Contractual coupon interest	Non-cash amortization of debt discount	Non-cash amortization of deferred financing costs	Non-cash change in value of derivative liability	Total interest expense related to the debentures
<u>September 29, 2018</u>					
Due 2040	\$ 2,991	1,269	42	81	\$ 4,383
Due 2041	\$ 2,532	1,024	36	30	\$ 3,622
Due 2042	\$ 2,013	783	31	4	\$ 2,831
Total	\$ 7,536	\$ 3,076	\$ 109	\$ 115	\$ 10,836
<u>September 30, 2017</u>					
Due 2040	\$ 4,641	1,841	66	(97)) \$ 6,451
Due 2041	\$ 2,532	943	35	(13)) \$ 3,497
Due 2042	\$ 2,532	919	40	(13)) \$ 3,478
Total	\$ 9,705	\$ 3,703	\$ 141	\$ (123)) \$ 13,426

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 7 – Accumulated Other Comprehensive Income (Loss)

The cumulative balance of each component of other comprehensive income (loss) and the income tax effects allocated to each component are as follows:

	Pension and other post-retirement actuarial items	Currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Total
Balance at January 1, 2018	\$ (69,041)	\$ 92,954	\$ 1,801	\$25,714
Cumulative effect of accounting for adoption of ASU 2016-01	-	-	(1,801)	\$(1,801)
Other comprehensive income before reclassifications	-	(30,236)	-	\$(30,236)
Tax effect	-	-	-	\$-
Other comprehensive income before reclassifications, net of tax	-	(30,236)	-	\$(30,236)
Amounts reclassified out of AOCI	6,734	-	-	\$6,734
Tax effect	(1,882)	-	-	\$(1,882)
Amounts reclassified out of AOCI, net of tax	4,852	-	-	\$4,852
Net other comprehensive income	\$ 4,852	\$ (30,236)	\$ -	\$(25,384)
Balance at September 29, 2018	\$ (64,189)	\$ 62,718	\$ -	\$(1,471)

The Company recognized a cumulative-effect adjustment to retained earnings (accumulated deficit) of \$1,801 for the cumulative change in fair value of available-for-sale equity investments previously recognized in other comprehensive income due to the adoption of ASU 2016-01. See Note 1 for further information.

Reclassifications of pension and other post-retirement actuarial items out of AOCI are included in the computation of net periodic benefit cost. See Note 8 for further information.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 8 – Pensions and Other Postretirement Benefits

The Company maintains various retirement benefit plans.

Defined Benefit Pension Plans

The following table shows the components of the net periodic pension cost for the third fiscal quarters of 2018 and 2017 for the Company's defined benefit pension plans:

	Fiscal quarter ended		Fiscal quarter ended	
	September 29, 2018		September 30, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$-	\$ 900	\$-	\$ 948
Interest cost	371	1,175	411	1,247
Expected return on plan assets	-	(463)	-	(519)
Amortization of prior service cost	36	52	36	19
Amortization of losses	159	1,520	82	1,595
Curtailed and settlement losses	-	441	-	331
Net periodic benefit cost	\$566	\$ 3,625	\$529	\$ 3,621

The following table shows the components of the net periodic pension cost for the nine fiscal months ended September 29, 2018 and September 30, 2017 for the Company's defined benefit pension plans:

	Nine fiscal months ended		Nine fiscal months ended	
	September 29, 2018		September 30, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$-	\$ 2,775	\$-	\$ 2,776
Interest cost	1,113	3,628	1,232	3,613
Expected return on plan assets	-	(1,430)	-	(1,543)
Amortization of prior service cost	108	161	108	55
Amortization of losses	477	4,690	247	4,596
Curtailed and settlement losses	-	1,358	-	983
Net periodic benefit cost	\$1,698	\$ 11,182	\$1,587	\$ 10,480

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Other Postretirement Benefits

The following table shows the components of the net periodic benefit cost for the third fiscal quarters of 2018 and 2017 for the Company's other postretirement benefit plans:

	Fiscal quarter ended		Fiscal quarter ended	
	September 29, 2018		September 30, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$35	\$ 71	\$33	\$ 71
Interest cost	69	28	77	26
Amortization of prior service (credit)	(37)	-	(209)	-
Amortization of losses (gains)	(10)	26	(24)	16
Net periodic benefit cost	\$57	\$ 125	\$(123)	\$ 113

The following table shows the components of the net periodic pension cost for the nine fiscal months ended September 29, 2018 and September 30, 2017 for the Company's other postretirement benefit plans:

	Nine fiscal months ended		Nine fiscal months ended	
	September 29, 2018		September 30, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$103	\$ 219	\$99	\$ 202
Interest cost	205	86	232	76
Amortization of prior service (credit)	(111)	-	(627)	-
Amortization of losses (gains)	(29)	80	(70)	45
Net periodic benefit cost	\$168	\$ 385	\$(366)	\$ 323

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 9 – Stock-Based Compensation

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

The amount of compensation cost related to stock-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. The Company determines compensation cost for restricted stock units ("RSUs") and phantom stock units based on the grant-date fair value of the underlying common stock adjusted for expected dividends paid over the required vesting period for non-participating awards. Compensation cost is recognized over the period that an officer, employee, or non-employee director provides service in exchange for the award.

The following table summarizes stock-based compensation expense recognized:

	Fiscal quarters ended September 29, 2018		Nine fiscal months ended September 29, 2018	
	September 30, 2017	September 30, 2017	September 30, 2017	September 30, 2017
Restricted stock units	\$ 778	\$ 676	\$3,825	3,556
Phantom stock units	-	-	214	163
Total	\$ 778	\$ 676	\$4,039	3,719

The Company recognizes compensation cost for RSUs that are expected to vest and records cumulative adjustments in the period that the expectation changes.

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at September 29, 2018 (amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Restricted stock units	\$ 3,838	1.2
Phantom stock units	-	0.0
Total	\$ 3,838	

The Company currently expects all performance-based RSUs to vest and all of the associated unrecognized compensation cost for performance-based RSUs presented in the table above to be recognized.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

2007 Stock Incentive Plan

The Company's 2007 Stock Incentive Program (the "2007 Program"), as amended and restated, permits the grant of up to 6,500,000 shares of restricted stock, unrestricted stock, RSUs, stock options, and phantom stock units, to officers, employees, and non-employee directors of the Company. Such instruments are available for grant until May 20, 2024.

Restricted Stock Units

RSU activity under the 2007 Program as of September 29, 2018 and changes during the nine fiscal months then ended are presented below (number of RSUs in thousands):

	Number of RSUs	Weighted Average Grant-date Fair Value per Unit
Outstanding:		
January 1, 2018	986	\$ 13.34
Granted	252	18.90
Vested*	(334)	13.67
Cancelled or forfeited	-	-
Outstanding at September 29, 2018	904	\$ 14.77
Expected to vest at September 29, 2018	904	

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

The number of performance-based RSUs that are scheduled to vest increases ratably based on the achievement of defined performance criteria between the established target and maximum levels. RSUs with performance-based vesting criteria are expected to vest as follows (number of RSUs in thousands):

Vesting Date	Expected to Vest	Not Expected to Vest	Total
January 1, 2019	213	-	213
January 1, 2020	167	-	167
January 1, 2021	141	-	141

Phantom Stock Units

The 2007 Program authorizes the grant of phantom stock units to the extent provided for in the Company's employment agreements with certain executives. Each phantom stock unit entitles the recipient to receive a share of common stock at the individual's termination of employment or any other future date specified in the applicable employment agreement. Phantom stock units participate in dividend distribution on the same basis as the Company's common stock and Class B common stock. Dividend equivalents are issued in the form of additional units of phantom stock. The phantom stock units are fully vested at all times.

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Phantom stock unit activity under the phantom stock plan as of September 29, 2018 and changes during the nine fiscal months then ended are presented below (number of phantom stock units in thousands):

	Number	Grant-date
	of units	Fair Value
		per Unit
Outstanding:		
January 1, 2018	157	
Granted	10	\$ 21.35
Dividend equivalents issued	2	
Outstanding at September 29, 2018	169	

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Note 10 – Segment Information

Vishay is a global manufacturer and supplier of electronic components. Vishay operates, and its chief operating decision maker makes strategic and operating decisions with regards to assessing performance and allocating resources based on, five reporting segments: MOSFETs, Diodes, Optoelectronic Components, Resistors & Inductors, and Capacitors. These segments represent groupings of product lines based on their functionality:

Metal oxide semiconductor field-effect transistors ("MOSFETs") function as solid-state switches to control power. Diodes route, regulate, and block radio frequency, analog, and power signals; protect systems from surges or electrostatic discharge damage; or provide electromagnetic interference filtering.

Optoelectronic components emit light, detect light, or do both.

Resistors and inductors both impede electric current. Resistors are basic components used in all forms of electronic circuitry to adjust and regulate levels of voltage and current. Inductors use an internal magnetic field to change alternating current phase and resist alternating current.

Capacitors store energy and discharge it when needed.

Vishay's reporting segments generate substantially all of their revenue from product sales to the industrial, automotive, telecommunications, computing, consumer products, power supplies, military and aerospace, and medical end markets. A small portion of revenues is from royalties.

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

The Company also regularly evaluates gross profit by segment to assist in the analysis of consolidated gross profit. The Company considers segment operating income to be the more important metric because it more fully captures the business operations of the segments.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

The following tables set forth business segment information:

	MOSFETs	Diodes	Optoelectronic Components	Resistors & Inductors	Capacitors	Total
<u>Fiscal quarter ended September 29, 2018:</u>						
Product Sales	\$ 144,227	\$ 186,492	\$ 76,443	\$ 257,330	\$ 116,447	\$ 780,939
Royalty Revenues	33	-	-	-	-	\$ 33
Total Revenue	\$ 144,260	\$ 186,492	\$ 76,443	\$ 257,330	\$ 116,447	\$ 780,972
Gross Profit	\$ 38,991	\$ 54,690	\$ 27,653	\$ 88,213	\$ 26,749	\$ 236,296
Segment Operating Income	\$ 29,502	\$ 49,561	\$ 23,144	\$ 80,042	\$ 21,655	\$ 203,904
<u>Fiscal quarter ended September 30, 2017:*</u>						
Product Sales	\$ 126,522	\$ 160,562	\$ 77,145	\$ 217,489	\$ 96,215	\$ 677,933
Royalty Revenues	-	-	-	8	-	\$ 8
Total Revenue	\$ 126,522	\$ 160,562	\$ 77,145	\$ 217,497	\$ 96,215	\$ 677,941
Gross Profit	\$ 32,349	\$ 43,575	\$ 29,042	\$ 65,586	\$ 19,595	\$ 190,147
Segment Operating Income	\$ 23,434	\$ 38,694	\$ 25,214	\$ 58,328	\$ 14,705	\$ 160,375
<u>Nine fiscal months ended September 29, 2018:</u>						
Product Sales	\$408,280	\$535,975	\$224,110	\$755,262	\$335,064	\$2,258,691
Royalty Revenues	45	-	-	61	-	\$106
Total Revenue	\$408,325	\$535,975	\$224,110	\$755,323	\$335,064	\$2,258,797
Gross Profit	\$109,440	\$150,298	\$81,290	\$251,712	\$76,094	\$668,834
Segment Operating Income	\$80,577	\$134,592	\$68,103	\$226,292	\$60,258	\$569,822
<u>Nine fiscal months ended September 30, 2017:*</u>						
Product Sales	\$345,399	\$460,492	\$215,040	\$626,684	\$278,241	\$1,925,856
Royalty Revenues	-	-	-	50	-	\$50
Total Revenue	\$345,399	\$460,492	\$215,040	\$626,734	\$278,241	\$1,925,906
Gross Profit	\$78,423	\$123,499	\$77,091	\$188,936	\$57,784	\$525,733