VISHAY INTERTECHNOLOGY INC
Form 10-Q
May 03, 2016
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 April 2, 2016

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

For the transition period from _______ to _______

Commission File Number 1-7416

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

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

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

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

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

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

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

Yes ý No

As of April 29, 2016, the registrant had 135,564,729 shares of its common stock and 12,129,227 shares of its Class B common stock outstanding.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	April 2, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$531,296	$475,507
Short-term investments	544,328	619,040
Accounts receivable, net	286,996	272,559
Inventories:		
Finished goods	118,276	108,869
Work in process	201,133	201,045
Raw materials	106,836	110,657
Total inventories	426,245	420,571
Prepaid expenses and other current assets	99,753	99,815
Total current assets	1,888,618	1,887,492
Property and equipment, at cost:		
Land	91,351	89,593
Buildings and improvements	575,447	562,171
Machinery and equipment	2,424,312	2,380,299
Construction in progress	68,514	79,910
Allowance for depreciation	(2,299,172)	(2,246,677)
	860,452	865,296
Goodwill	142,183	138,244
Other intangible assets, net	100,541	103,258
Other assets	154,830	158,696
Total assets	$3,146,624	$3,152,986

Continues on following page.

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

	April 2, 2016 (Unaudited)	December 31, 2015
Liabilities and equity		
Current liabilities:		
Notes payable to banks	$3	$4
Trade accounts payable	143,375	157,210
Payroll and related expenses	112,114	113,976
Other accrued expenses	160,902	164,336
Income taxes	21,633	22,198
Total current liabilities	438,027	457,724
Long-term debt less current portion	400,124	436,738
Deferred income taxes	306,333	305,413
Other liabilities	63,964	60,450
Accrued pension and other postretirement costs	255,447	264,618
Total liabilities	1,463,895	1,524,943
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	13,556	13,546
Class B convertible common stock	1,213	1,213
Capital in excess of par value	2,059,228	2,058,492
(Accumulated deficit) retained earnings	(300,673)	(319,448)
Accumulated other comprehensive income (loss)	(96,300)	(131,327)
Total Vishay stockholders' equity	1,677,024	1,622,476
Noncontrolling interests	5,705	5,567
Total equity	1,682,729	1,628,043
Total liabilities and equity	$3,146,624	$3,152,986

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

	Fiscal quarters ended	
	April 2, 2016	April 4, 2015
Net revenues	$570,606	$593,436
Costs of products sold	433,297	448,398
Gross profit	137,309	145,038
Selling, general, and administrative expenses	90,286	96,070
Restructuring and severance costs	6,475	1,410
Operating income	40,548	47,558
Other income (expense):		
Interest expense	(6,466)	(6,361)
Other	779	3,460
Gain on early extinguishment of debt	3,611	-
	(2,076)	(2,901)
Income before taxes	38,472	44,657
Income tax expense	10,320	13,732
Net earnings	28,152	30,925
Less: net earnings attributable to noncontrolling interests	138	226
Net earnings attributable to Vishay stockholders	$28,014	$30,699
Basic earnings per share attributable to Vishay stockholders	$0.19	$0.21
Diluted earnings per share attributable to Vishay stockholders	$0.19	$0.20
Weighted average shares outstanding - basic	147,833	147,698
Weighted average shares outstanding - diluted	150,628	152,666
Cash dividends per share	$0.0625	$0.0600

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

	Fiscal quarters ended	
	April 2, 2016	April 4, 2015
Net earnings	$28,152	$30,925
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	1,868	2,113
Foreign currency translation adjustment	32,532	(76,318)
Unrealized gain (loss) on available-for-sale securities	627	(154)
Other comprehensive income (loss)	35,027	(74,359)
Comprehensive income (loss)	63,179	(43,434)
Less: comprehensive income attributable to noncontrolling interests	138	226
Comprehensive income (loss) attributable to Vishay stockholders	$63,041	$(43,660)

See accompanying notes.

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

	Fiscal quarters ended	
	April 2, 2016	April 4, 2015
Operating activities		
Net earnings	$28,152	$30,925
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	40,017	45,410
(Gain) loss on disposal of property and equipment	(22)	(83)
Accretion of interest on convertible debentures	1,120	1,036
Inventory write-offs for obsolescence	5,816	4,854
Gain on early extinguishment of debt	(3,611)	-
Other	(13,950)	(7,080)
Net change in operating assets and liabilities, net of effects of businesses acquired	(37,264)	(61,564)
Net cash provided by operating activities	20,258	13,498
Investing activities		
Capital expenditures	(19,756)	(19,782)
Proceeds from sale of property and equipment	64	719
Purchase of short-term investments	(24,588)	(78,905)
Maturity of short-term investments	117,676	17,414
Sale of short-term investments	-	503
Sale of other investments	-	400
Other investing activities	2,975	977
Net cash provided by (used in) investing activities	76,371	(78,674)
Financing activities		
Principal payments on long-term debt and capital leases	(22,595)	-
Net proceeds (payments) on revolving credit lines	(12,000)	15,000
Net changes in short-term borrowings	(719)	(6)
Dividends paid to common stockholders	(8,473)	(8,126)
Dividends paid to Class B common stockholders	(758)	(728)
Excess tax benefit from RSUs vested	-	21
Net cash provided by (used in) financing activities	(44,545)	6,161
Effect of exchange rate changes on cash and cash equivalents	3,705	(16,155)
Net increase (decrease) in cash and cash equivalents	55,789	(75,170)
Cash and cash equivalents at beginning of period	475,507	592,172
Cash and cash equivalents at end of period	$531,296	$517,002

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	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	$13,546	$1,213	$2,058,492	$(319,448)	$(131,327)	$1,622,476	$5,567	$1,628,043
Net earnings	-	-	-	28,014	-	28,014	138	28,152
Other comprehensive income	-	-	-	-	35,027	35,027	-	35,027
Restricted stock issuances (103,918 shares)	10	-	(452)	-	-	(442)	-	(442)
Dividends declared ($ 0.0625 per share)	-	-	8	(9,239)	-	(9,231)	-	(9,231)
Stock compensation expense	-	-	1,201	-	-	1,201	-	1,201
Tax effects of stock plan	-	-	(21)	-	-	(21)	-	(21)
Balance at April 2, 2016	$13,556	$1,213	$2,059,228	$(300,673)	$(96,300)	$1,677,024	$5,705	$1,682,729

See accompanying notes.
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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, 2015. The results of operations for the fiscal quarter ended April 2, 2016 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 2016 end on April 2, 2016, July 2, 2016, October 1, 2016, and December 31, 2016, respectively. The four fiscal quarters in 2015 ended on April 4, 2015, July 4, 2015, October 3, 2015, and December 31, 2015, respectively.

Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2018, with the ability to early adopt on January 1, 2017. The Company is currently evaluating the effect of the ASU on its revenue contracts and its adoption alternatives.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The ASU is the result of the FASB's simplification initiative intended to improve GAAP by reducing costs and complexity while maintaining or enhancing the usefulness of related financial statement information. The ASU eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively, and to instead recognize measurement-period adjustments during the period in which the acquirer determines the amount, including the effect on earnings of any amounts which would have been recorded in previous periods if the accounting had been completed at the acquisition date. The Company adopted the ASU effective January 1, 2016. The ASU had no effect on the Company's results of operations or liquidity.

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 March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU is the result of the FASB's simplification initiative intended to improve GAAP by reducing costs and complexity while maintaining or enhancing the usefulness of related financial statement information. The ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU is effective for the Company for interim and annual periods beginning on or after January 1, 2017, with the ability to early adopt. The Company is currently evaluating the effect of the ASU on its employee share-based payment accounting.

Reclassifications

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

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

Note 2 – Acquisition Activities

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

In the fourth fiscal quarter of 2015, the Company deposited the $6,750 purchase price of Sonntag Electronic GmbH ("Sonntag"). The purchase price, net of cash acquired was $5,450. The acquisition was effective January 1, 2016. Sonntag is a distributor of electronic components in Germany. The inclusion of this business did not have a material impact on the Company's consolidated results for the fiscal quarter ended April 2, 2016. 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 $3,485 related to this acquisition. The goodwill related to this acquisition is included in the Resistors & Inductors reporting unit for goodwill impairment testing.

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

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

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

Note 3 – 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.

In 2013, the Company announced various cost reduction programs. The cash costs of these programs, primarily severance, are expected to be approximately $34,000. These programs were substantially implemented by the end of the first fiscal quarter of 2016. Many of the severance costs were recognized ratably over the required stay periods.

In 2015, the Company announced additional global cost reduction programs. These programs include a facility closure in the Netherlands. The cash costs of these programs, primarily severance, are expected to aggregate to approximately $30,000. Complete implementation of these programs is expected to occur before the end of 2017.

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 quarters ended	
	April 2, 2016	April 4, 2015
MOSFETs Enhanced Competitiveness Program	$3,915	$1,353
Voluntary Separation / Retirement Program	-	57
Modules Production Transfer Program	-	-
Global Cost Reduction Programs	2,560	-
Total	$6,475	$1,410

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 currently occurring in-house was transferred to third-party foundries.

The transfer of production was substantially completed by the end of the first fiscal quarter of 2016. Employees generally were required to remain with the Company during the production transfer period. Accordingly, the Company accrued these severance costs ratably over the respective employees' remaining service periods. The Company has incurred and will continue to incur other exit costs associated with the production transfer, including certain contract termination costs. The total costs associated with these initiatives, primarily severance, are expected to be approximately $18,000.

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	3,915
Cash paid	(5,840)
Foreign currency translation	6
Balance at April 2, 2016	$10,253

Severance benefits are generally paid in a lump sum at cessation of employment. Other exit costs of $3,925 are included in the expenses incurred in 2016 in the table above. The entire amount of the 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)

Voluntary Separation / Retirement Program

The voluntary separation / early retirement program was offered to employees worldwide who were eligible because they met job classification, age, and years-of-service criteria as of October 31, 2013. The program benefits varied by country and job classification, but generally included a cash loyalty bonus based on years of service. All employees eligible for the program have left the Company.

These employees generally were not aligned with any particular segment. The effective separation / retirement date for most employees who accepted the offer was June 30, 2014 or earlier, with a few exceptions to allow for a transition period.

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

Expense recorded in 2013	$486
Cash paid	(98)
Foreign currency translation	3
Balance at December 31, 2013	$391
Expense recorded in 2014	12,792
Cash paid	(8,054)
Foreign currency translation	(455)
Balance at December 31, 2014	$4,674
Expense recorded in 2015	95
Cash paid	(3,166)
Foreign currency translation	(258)
Balance at December 31, 2015	$1,345
Cash paid	(256)
Foreign currency translation	34
Balance at April 2, 2016	$1,123

The payment terms vary by country, but generally are paid in a lump sum at cessation of employment. Certain participants are being paid in installments. The entire amount of the liability is considered current and is included in other accrued expenses in the accompanying consolidated condensed balance sheets.

Modules Production Transfer

In an effort to reduce costs and streamline production of its module products within its Diodes segment, the Company committed to two smaller cost reduction programs related to the transfer of production of certain of its products.

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

Expense recorded in 2014	$2,080
Cash paid	(464)
Foreign currency translation	(121)
Balance at December 31, 2014	$1,495
Cash paid	(718)
Foreign currency translation	(120)
Balance at December 31, 2015	$657
Cash paid	(5)

Foreign currency translation	30
Balance at April 2, 2016	$682

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

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 include 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.

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	2,560
Cash paid	(4,072)
Foreign currency translation	299
Balance at April 2, 2016	$11,404

The following table summarizes the expense recognized in 2016 by segment related to this program:

Diodes	$448
Optoelectronic Components	178
Resistors & Inductors	1,018
Capacitors	334
Unallocated Selling, General, and Administrative Expenses	582
Total	$2,560

Severance benefits are generally paid in a lump sum at cessation of employment. The current portion of the liability is $8,864 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 balance sheets.

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

Note 4 – 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 April 2, 2016 and April 4, 2015 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.

Income tax expense for the fiscal quarter ended April 2, 2016 includes a remeasurement of the deferred tax liability recorded for the cash repatriation program announced in the fourth fiscal quarter of 2015 of $769.

During the three fiscal months ended April 2, 2016, the liabilities for unrecognized tax benefits increased by $1,150 on a net basis, principally due to increases for tax positions taken in prior periods, interest, and foreign currency effects.

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

Note 5 – Long-Term Debt

Long-term debt consists of the following:

	April 2, 2016	December 31, 2015
Credit facility	$178,000	$190,000
Exchangeable unsecured notes, due 2102	12,436	38,642
Convertible senior debentures, due 2040	106,573	106,011
Convertible senior debentures, due 2041	54,746	54,424
Convertible senior debentures, due 2042	60,583	60,320
Deferred financing costs	(12,214)	(12,659)
	400,124	436,738
Less current portion	-	-
	$400,124	$436,738

Convertible Senior Debentures

Vishay currently has three issuances of convertible senior debentures outstanding with generally congruent terms. 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 March 29, 2016 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	$275,000	$150,000	$150,000
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 March 9, 2016 (per $1 principal amount)	75.1038	54.8068	88.3041
Effective conversion price effective March 9, 2016 (per share)	$13.31	$18.25	$11.32
130% of the conversion price (per share)	$17.30	$23.73	$14.72
Call date	November 20, 2020	May 20, 2021	June 7, 2022

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.

Based on an evaluation of the conversion criteria at April 2, 2016 and December 31, 2015, none of the convertible senior debentures due 2040, due 2041, or due 2042 were convertible. The conversion criteria of the debentures will continue to be evaluated and the debentures may become convertible in the future. At the direction of the Company's Board of Directors, the Company intends, upon conversion, to repay the principal amount of the convertible debentures in cash and settle any additional amounts in shares of the Company's common stock. The Company intends to finance the principal amount of any converted debentures using borrowings under its credit facility.

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 - net carrying value
April 2, 2016					
Due 2040	$ 275,000	(169,009)	582	$ 106,573	$ 110,094
Due 2041	$ 150,000	(95,730)	476	$ 54,746	$ 62,246
Due 2042	$ 150,000	(89,702)	285	$ 60,583	$ 57,874
Total	$ 575,000	$ (354,441)	$ 1,343	$ 221,902	$ 230,214
December 31, 2015					
Due 2040	$ 275,000	(169,565)	576	$ 106,011	$ 110,094
Due 2041	$ 150,000	(96,014)	438	$ 54,424	$ 62,246
Due 2042	$ 150,000	(89,982)	302	$ 60,320	$ 57,874
Total	$ 575,000	$ (355,561)	$ 1,316	$ 220,755	$ 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
April 2, 2016					
Due 2040	$ 1,547	556	22	6	$ 2,131
Due 2041	$ 844	284	11	38	$ 1,177
Due 2042	$ 844	280	13	(17)	$ 1,120
Total	$ 3,235	$ 1,120	$ 46	$ 27	$ 4,428
April 4, 2015					
Due 2040	$ 1,547	515	22	(59)	$ 2,025
Due 2041	$ 844	261	12	13	$ 1,130

Due 2042	$ 844	260	13	(7)	$ 1,110
Total	$ 3,235	$ 1,036	$ 47	$ (53)	$ 4,265

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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Exchangeable Unsecured Notes, due 2102

On March 31, 2016, pursuant to an agreement dated March 10, 2016, the Company acquired from a holder $26,206 principal amount of the Company's floating rate exchangeable unsecured notes due 2102. The purchase price for this privately negotiated transaction was $22,595. Vishay recognized a gain on early extinguishment of debt of $3,611 presented as a separate line item in the accompanying consolidated condensed statement of operations for the fiscal quarter ended April 2, 2016.

The exchangeable unsecured notes were issued in 2002 in connection with an acquisition, and are subject to a put and call agreement dated December 13, 2002. Holders may at any time put the notes to Vishay in exchange for shares of common stock; and Vishay may call the notes in exchange for cash or for shares of its common stock at any time after January 2, 2018. Subsequent to the spin-off of Vishay Precision Group in 2010, the put/call rate of the notes is $15.39 per share of common stock. The notes bear interest at LIBOR, payable quarterly.

The notes that Vishay repurchased from a holder had been exchangeable for 1,702,813 shares of Vishay common stock.

Following this transaction, Vishay has outstanding exchangeable unsecured notes with a principal amount of approximately $12,436, which are exchangeable for an aggregate of approximately 808,000 shares of Vishay common stock.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 6 – Other Income (Expense)

On August 12, 2015, a major explosion occurred in the port of Tianjin, China. Vishay owns and operates a diodes manufacturing facility in Tianjin near the port. The shockwave of the explosion resulted in some damage to the facility and caused a temporary shutdown. Full production resumed on September 8, 2015.

As a result of this incident, through the end of the first fiscal quarter of 2016, the Company estimates that it has incurred $10,145 for inventory, property, and equipment damage (at net book value) and related repair and clean-up costs. As of April 2, 2016, the Company has recorded a receivable of $4,795 for amounts which are probable of recovery under its insurance policies. The Company recorded, as a separate line item, a loss related to these items in 2015, which represents the insurance deductible and certain costs which are potentially not recoverable.

The Company's insurance coverage generally provides for replacement cost of damaged items. The insurance claims process continues as expected. Any amount expected to be received in excess of the book value of the damaged item will be treated as a gain, but will not be recorded until contingencies are resolved. The Company also believes that it has valid claims under its business interruption insurance policies, but those claims cannot be quantified at this time. The Company will not record a receivable for business interruption claims until all contingencies have been resolved.

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, 2016	$ (136,422)	$ 4,597	498	$ (131,327)
Other comprehensive income (loss) before reclassifications	-	32,532	964	$ 33,496
Tax effect	-	-	(337)	$ (337)
Other comprehensive income (loss) before reclassifications, net of tax	-	32,532	627	$ 33,159
Amounts reclassified out of AOCI	2,669	-	-	$ 2,669
Tax effect	(801)	-	-	$ (801)
Amounts reclassified out of AOCI, net of tax	1,868	-	-	$ 1,868
Net other comprehensive income (loss)	$ 1,868	$ 32,532	$ 627	$ 35,027
Balance at April 2, 2016	$ (134,554)	$ 37,129	$ 1,125	$ (96,300)

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).

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

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 first fiscal quarters of 2016 and 2015 for the Company's defined benefit pension plans:

	Fiscal quarter ended April 2, 2016		Fiscal quarter ended April 4, 2015	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	$-	$ 774	$-	$ 829
Interest cost	3,000	1,353	2,943	1,432
Expected return on plan assets	(2,825)	(534)	(3,385)	(454)
Amortization of prior service cost (credit)	36	12	16	-
Amortization of losses	1,650	1,171	2,022	1,299
Curtailment and settlement losses	-	195	-	-
Net periodic benefit cost	$1,861	$ 2,971	$1,596	$ 3,106

In the second fiscal quarter of 2015, the Company began the process of terminating the Vishay Retirement Plan, the Company's U.S. qualified pension plan. Plan participants will not be adversely affected by the plan termination, but rather will have their benefits either converted into a lump sum cash payment or an annuity contract placed with an insurance carrier.

The completion of this proposed termination and settlement is contingent upon the receipt of a favorable determination letter from the Internal Revenue Service ("IRS") and meeting certain IRS and Pension Benefit Guarantee Corporation ("PBGC") requirements, which is not expected to be received prior to the fourth fiscal quarter of 2016.

As of the last fiscal year-end measurement date (December 31, 2015), the Vishay Retirement Plan was fully-funded on a GAAP basis. In order to terminate the plan in accordance with IRS and PBGC requirements, the Company is required to fully fund the plan on a termination basis and will commit to contribute the additional assets necessary to do so. The amount necessary to do so is not yet known, but is currently estimated to be between zero and $35,000.

The Company contributed $16,966 to the Company's Taiwanese pension plans to improve the funded status of those plans in 2016.

Other Postretirement Benefits

The following table shows the components of the net periodic benefit cost for the first fiscal quarters of 2016 and 2015 for the Company's other postretirement benefit plans:

	Fiscal quarter ended	Fiscal quarter ended

	April 2, 2016		April 4, 2015	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$31	$ 67	$30	$ 69
Interest cost	85	36	83	37
Amortization of prior service (credit)	(209)	-	(209)	-
Amortization of losses (gains)	(8)	17	22	19
Net periodic benefit cost	$(101)	$ 120	$(74)	$ 125

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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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 fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Company determines compensation cost for restricted stock units ("RSUs"), phantom stock units, and restricted stock based on the grant-date fair value of the underlying common stock 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	
	April 2, 2016	April 4, 2015
Restricted stock units	$1,084	$914
Phantom stock units	117	141
Stock options	-	-
Total	$1,201	$1,055

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 April 2, 2016 (amortization periods in years):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Stock options	$ -	0.0
Restricted stock units	7,472	1.8
Phantom stock units	-	0.0
Total	$ 7,472	

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.
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NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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2007 Stock Incentive Plan

The Company's 2007 Stock Incentive Program (the "2007 Program"), 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 April 2, 2016 and changes during the three 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, 2016	1,028	$ 13.24
Granted	353	11.35
Vested*	(142)	12.21
Cancelled or forfeited	(222)	13.19
Outstanding at April 2, 2016	1,017	$ 12.74
Expected to vest at April 2, 2016	1,017	

* 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, 2017	192	-	192
January 1, 2018	202	-	202
January 1, 2019	213	-	213

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.

Phantom stock unit activity under the phantom stock plan as of April 2, 2016 and changes during the three fiscal months then ended are presented below (number of phantom stock units in thousands):

	Number of units	Grant-date Fair Value per Unit
Outstanding:		
January 1, 2016	132	
Granted	10	$ 11.71
Dividend equivalents issued	1	