VISHAY INTERTECHNOLOGY INC
Form 10-Q
November 07, 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 October 1, 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 November 3, 2016, the registrant had 133,845,509 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)

	October 1, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$511,587	$475,507
Short-term investments	608,314	619,040
Accounts receivable, net	295,341	272,559
Inventories:		
Finished goods	118,853	108,869
Work in process	182,896	201,045
Raw materials	106,754	110,657
Total inventories	408,503	420,571
Prepaid expenses and other current assets	94,309	99,815
Total current assets	1,918,054	1,887,492
Property and equipment, at cost:		
Land	91,188	89,593
Buildings and improvements	579,544	562,171
Machinery and equipment	2,417,598	2,380,299
Construction in progress	61,328	79,910
Allowance for depreciation	(2,300,896)	(2,246,677)
	848,762	865,296
Goodwill	142,032	138,244
Other intangible assets, net	89,784	103,258
Other assets	150,194	158,696
Total assets	$3,148,826	$3,152,986

Continues on following page.

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

	October 1, 2016 (Unaudited)	December 31, 2015
Liabilities and equity		
Current liabilities:		
Notes payable to banks	$ 105	$ 4
Trade accounts payable	160,221	157,210
Payroll and related expenses	128,012	113,976
Other accrued expenses	157,482	164,336
Income taxes	16,624	22,198
Total current liabilities	462,444	457,724
Long-term debt less current portion	361,467	436,738
Deferred income taxes	298,623	305,413
Other liabilities	64,257	60,450
Accrued pension and other postretirement costs	252,653	264,618
Total liabilities	1,439,444	1,524,943
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	13,425	13,546
Class B convertible common stock	1,213	1,213
Capital in excess of par value	2,044,564	2,058,492
(Accumulated deficit) retained earnings	(249,535)	(319,448)
Accumulated other comprehensive income (loss)	(105,582)	(131,327)
Total Vishay stockholders' equity	1,704,085	1,622,476
Noncontrolling interests	5,297	5,567
Total equity	1,709,382	1,628,043
Total liabilities and equity	$ 3,148,826	$ 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	
	October 1, 2016	October 3, 2015
Net revenues	$591,955	$560,654
Costs of products sold	438,054	430,510
Gross profit	153,901	130,144
Selling, general, and administrative expenses	93,916	88,995
Restructuring and severance costs	1,197	2,324
Impairment of intangible assets	1,559	57,600
Impairment of goodwill	-	5,380
Operating income (loss)	57,229	(24,155)
Other income (expense):		
Interest expense	(6,165)	(6,677)
Other	(380)	3,240
Loss on Tianjin explosion	-	(5,350)
	(6,545)	(8,787)
Income (loss) before taxes	50,684	(32,942)
Income tax expense (benefit)	14,088	(5,392)
Net earnings (loss)	36,596	(27,550)
Less: net earnings (loss) attributable to noncontrolling interests	156	116
Net earnings (loss) attributable to Vishay stockholders	$36,440	$(27,666)
Basic earnings (loss) per share attributable to Vishay stockholders	$0.25	$(0.19)
Diluted earnings (loss) per share attributable to Vishay stockholders	$0.24	$(0.19)
Weighted average shares outstanding - basic	146,924	147,701
Weighted average shares outstanding - diluted	149,894	147,701
Cash dividends per share	$0.0625	$0.0600

See accompanying notes.

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

	Fiscal quarters ended	
	October 1, 2016	October 3, 2015
Net earnings (loss)	$36,596	$(27,550)
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	1,923	2,305
Foreign currency translation adjustment	8,585	3,662
Unrealized gain (loss) on available-for-sale securities	318	(253)
Other comprehensive income	10,826	5,714
Comprehensive income (loss)	47,422	(21,836)
Less: comprehensive income attributable to noncontrolling interests	156	116
Comprehensive income (loss) attributable to Vishay stockholders	$47,266	$(21,952)

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	
	October 1, 2016	October 3, 2015
Net revenues	$1,752,612	$1,744,560
Costs of products sold	1,315,274	1,327,896
Gross profit	437,338	416,664
Selling, general, and administrative expenses	276,455	276,717
Restructuring and severance costs	12,139	9,394
Impairment of intangible assets	1,559	57,600
Impairment of goodwill	-	5,380
Operating income	147,185	67,573
Other income (expense):		
Interest expense	(18,901)	(19,774)
Other	2,655	7,860
Gain on early extinguishment of debt	4,597	-
Loss related to Tianjin explosion	-	(5,350)
	(11,649)	(17,264)
Income before taxes	135,536	50,309
Income taxes	37,559	20,416
Net earnings	97,977	29,893
Less: net earnings attributable to noncontrolling interests	437	592
Net earnings attributable to Vishay stockholders	$97,540	$29,301
Basic earnings per share attributable to Vishay stockholders	$0.66	$0.20
Diluted earnings per share attributable to Vishay stockholders	$0.65	$0.19
Weighted average shares outstanding - basic	147,470	147,700
Weighted average shares outstanding - diluted	150,125	151,607
Cash dividends per share	$0.1875	$0.1800

See accompanying notes.

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

	Nine fiscal months ended	
	October 1, 2016	October 3, 2015
Net earnings	$97,977	$29,893
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	5,448	6,496
Foreign currency translation adjustment	18,633	(57,174)
Unrealized gain (loss) on available-for-sale securities	1,664	(1,368)
Other comprehensive income (loss)	25,745	(52,046)
Comprehensive income (loss)	123,722	(22,153)
Less: comprehensive income attributable to noncontrolling interests	437	592
Comprehensive income (loss) attributable to Vishay stockholders	$123,285	$(22,745)

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

	Nine fiscal months ended	
	October 1, 2016	October 3, 2015
Operating activities		
Net earnings	$97,977	$29,893
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	119,143	134,281
(Gain) loss on disposal of property and equipment	(1,373)	(116)
Accretion of interest on convertible debentures	3,425	3,167
Inventory write-offs for obsolescence	17,085	15,348
Impairment of goodwill and intangible assets	1,559	62,980
Deferred income taxes	(1,750)	(32,523)
Gain on early extinguishment of debt	(4,597)	-
Other	(5,386)	(1,939)
Net change in operating assets and liabilities, net of effects of businesses acquired	(13,455)	(57,522)
Net cash provided by operating activities	212,628	153,569
Investing activities		
Capital expenditures	(81,346)	(86,767)
Proceeds from sale of property and equipment	1,241	1,989
Purchase of short-term investments	(472,938)	(362,595)
Maturity of short-term investments	491,867	161,611
Sale of short-term investments	-	503
Sale of other investments	-	400
Other investing activities	2,886	(3,967)
Net cash provided by (used in) investing activities	(58,290)	(288,826)
Financing activities		
Principal payments on long-term debt and capital leases	(34,044)	-
Net proceeds (payments) on revolving credit lines	(41,000)	(27,000)
Common stock repurchases	(16,981)	-
Net changes in short-term borrowings	(626)	(7)
Dividends paid to common stockholders	(25,329)	(24,378)
Dividends paid to Class B common stockholders	(2,274)	(2,184)
Excess tax benefit from RSUs vested	-	21
Distributions to noncontrolling interests	(707)	(725)
Net cash provided by (used in) financing activities	(120,961)	(54,273)
Effect of exchange rate changes on cash and cash equivalents	2,703	(12,337)
Net increase (decrease) in cash and cash equivalents	36,080	(201,867)
Cash and cash equivalents at beginning of period	475,507	592,172
Cash and cash equivalents at end of period	$511,587	$390,305

See accompanying notes.

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	-	-	-	97,540	-	97,540	437	97,977
Other comprehensive income	-	-	-	-	25,745	25,745	-	25,745
Distributions to noncontrolling interests	-	-	-	-	-	-	(707)	(707)
Common stock repurchase (1,309,855 shares)	(131)	-	(16,850)	-	-	(16,981)	-	(16,981)
Restricted stock issuances (103,918 shares)	10	-	(452)	-	-	(442)	-	(442)
Dividends declared ($ 0.1875 per share)	-	-	24	(27,627)	-	(27,603)	-	(27,603)
Stock compensation expense	-	-	3,371	-	-	3,371	-	3,371
Tax effects of stock plan	-	-	(21)	-	-	(21)	-	(21)
Balance at October 1, 2016	$ 13,425	$ 1,213	$ 2,044,564	$ (249,535)	$ (105,582)	$ 1,704,085	$ 5,297	$ 1,709,382

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 and nine fiscal months ended October 1, 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 intends to adopt the ASU effective January 1, 2018. The Company is currently evaluating the effect of the ASU on its revenue contracts.

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.

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.

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 or nine fiscal months ended October 1, 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 – Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of a business acquired over the fair value of the related net assets at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually. Similarly, indefinite-lived intangible assets are not amortized, but rather tested for impairment at least annually. These impairment tests must be performed more frequently whenever events or changes in circumstances indicate that the asset might be impaired. The Company's business segments (see Note 11) represent its reporting units for goodwill impairment testing purposes.

As a result of a review of recent financial results and outlook for the MOSFETs segment following the recent completion of the production transfers, Vishay determined that an interim indefinite-lived intangible asset impairment test was required for its Siliconix tradenames as of the end of the third fiscal quarter of 2016.

As a result of this analysis, the Company determined that its Siliconix tradenames, with a carrying value of $20,359, were impaired. The Company recorded an impairment charge of $1,559 to write-down the tradenames to their fair value. The tradenames are no longer considered indefinite-lived and the remaining value will be amortized over the 10 year estimated remaining useful life.

The fair value of indefinite-lived trademarks is measured as the discounted cash flow savings realized from owning such tradenames and not having to pay a royalty for their use. The evaluation of the fair value of indefinite-lived trademarks requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the assumed market-royalty rate; the discount rate; terminal growth rates; and forecasts of revenue.

Due to the inherent uncertainty involved in making these estimates, actual financial results could differ from those estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on the fair value, whether an impairment is present, and the amount of the impairment charge, if applicable.

In light of a sustained decline in market capitalization for Vishay and its peer group companies, and other factors (including the cost reduction programs announced during the third fiscal quarter of 2015 as described in Note 3), Vishay determined that interim impairment tests were required as of the end of the third fiscal quarter of 2015. The Company recorded impairment charges totaling $62,980 as a result of these tests.

The recorded impairment charges are noncash in nature and do not affect Vishay's liquidity, cash flows from operating activities, or debt covenants, and will not have a material impact on future operations.

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.

In 2013, the Company announced various cost reduction programs. These programs were substantially implemented by the end of the first fiscal quarter of 2016, with some additional costs incurred in the second and third fiscal quarters of 2016. Many of the severance costs were recognized ratably over the required stay periods. In November 2016, the Company announced an extension of one of these programs.

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		Nine fiscal months ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
MOSFETs Enhanced Competitiveness Program	$675	$1,445	$5,700	$3,737
Voluntary Separation / Retirement Program	-	-	-	77
Modules Production Transfer Program	(464)	-	(464)	-
Global Cost Reduction Programs	986	879	6,903	5,580
Total	$1,197	$2,324	$12,139	$9,394

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. This 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 may continue to incur other exit costs associated with the production transfer, including certain contract termination costs.

As a result of a review of recent financial results and outlook for the Company's MOSFETs segment following the recent completion of production transfers, the Company has determined to implement further cost reductions for the

MOSFETs segment.

On November 7, 2016, the Company announced an extension of the MOSFETs Enhanced Competitiveness Program. The revised program includes 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 production transfers will be completed in steps by the end of 2017. The Company expects to incur cash charges of approximately $4,000 to $8,000, primarily related to severance, to implement these steps. The Company expects to maintain its R&D and management presence in the Silicon Valley area, even after the cessation of manufacturing operations there.

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

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	5,700
Cash paid	(13,492)
Foreign currency translation	4
Balance at October 1, 2016	$4,384

Severance benefits are generally paid in a lump sum at cessation of employment. Other exit costs of $5,027 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.

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	(716)
Foreign currency translation	25

Balance at October 1, 2016	$654

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.

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

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
Change in estimate	(464)
Cash paid	(125)
Foreign currency translation	18
Balance at October 1, 2016	$86

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.

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	6,903
Cash paid	(12,918)
Foreign currency translation	181
Balance at October 1, 2016	$6,783

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

Diodes	$788
Optoelectronic Components	953
Resistors & Inductors	3,163
Capacitors	459
Unallocated Selling, General, and Administrative Expenses	1,540
Total	$6,903

Severance benefits are generally paid in a lump sum at cessation of employment. The current portion of the liability is $4,138 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 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 October 1, 2016 and October 3, 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 and nine fiscal months ended October 1, 2016 includes the remeasurement of the deferred tax liability recorded for the cash repatriation program announced in the fourth fiscal quarter of 2015 of $1,402 and $3,388, respectively. During the second fiscal quarter of 2016, the Company repatriated $46,000 pursuant to this program.

During the nine fiscal months ended October 1, 2016, the liabilities for unrecognized tax benefits increased by $1,339 on a net basis, principally due to increases for tax positions taken in prior periods, interest, and foreign currency effects, partially offset by payments and settlements.

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:

	October 1, 2016	December 31, 2015
Credit facility	$149,000	$190,000
Exchangeable unsecured notes, due 2102	-	38,642
Convertible senior debentures, due 2040	107,563	106,011
Convertible senior debentures, due 2041	55,157	54,424
Convertible senior debentures, due 2042	61,072	60,320
Deferred financing costs	(11,325)	(12,659)
	361,467	436,738
Less current portion	-	-
	$361,467	$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 September 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)			