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ANNUAL
REPORT



**VISHAY INTERTECHNOLOGY --
Global Leader in Designing, Manufacturing and Marketing
Passive and Discrete Semiconductor Electronic Components**

Vishay Intertechnology, Inc. is the largest U.S. and European manufacturer of passive electronic components and a leading producer of discrete semiconductor (active) components. Through internal research and development and an aggressive acquisition strategy, Vishay has established a unique position as the global manufacturer of the broadest line of discrete electronic components available.

The Company was founded in 1962 by Dr. Felix Zandman, Chairman and Chief Executive Officer and the late Mr. Alfred P. Slaner, Honorary Chairman. Vishay employs approximately 20,000 people in

70 plants in the U.S., Mexico, Germany, Austria, the United Kingdom, France, Portugal, the Czech Republic, Israel, Japan, Taiwan (R.O.C.), China and the Philippines.

Vishay is a Fortune 1000 company with 1997 sales of \$1.1 billion. In March 1998 Vishay acquired TEMIC Semiconductors discrete components business, which had 1997 sales of \$550 million. Vishay's passive products include resistors, resistive sensors, capacitors and inductors. Its discrete semiconductor (active) components include diodes and transistors of all types and optoelectronic products.

All of these components

are vital to the operation of electronic circuits and can be found in computers, telephones, TVs, automobiles, household appliances, medical equipment, satellites and military and aerospace equipment.

Vishay's list of customers includes such major manufacturers as AT&T, Alcatel, Bosch, Delco, Ford, IBM, Intel, Motorola, Qualcomm, Samsung, Siemens and Sony. They are served by the Company's worldwide network of manufacturing facilities, inside sales and technical support offices as well as distributorships and manufacturers' representatives located in all industrial countries. The Company's widespread operations enable Vishay's customers to do business with a single global manufacturer for essentially all of their discrete electronic component needs.

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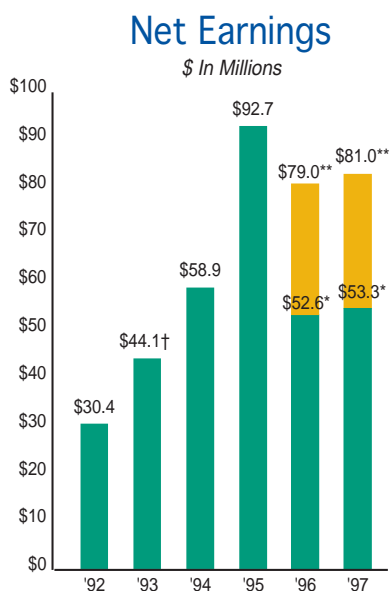
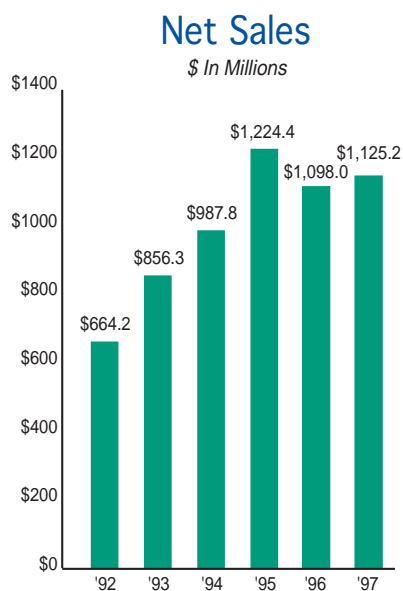
About the Cover

The front and back cover photo displays both sides of a printed circuit board of a handheld telephone. The large packages are integrated circuits (ICs). The hundreds of smaller components are passive and discrete semiconductor components.

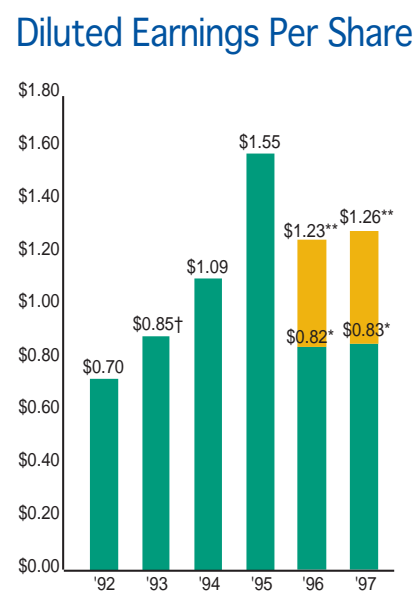
Financial Highlights

Vishay Intertechnology, Inc.

As Of and For the Year Ended December 31	1997	1996	1995
(In thousands, except per share amounts)			
Net sales	\$1,125,219	\$1,097,979	\$1,224,416
Operating profit	108,602	85,824	152,416
Net earnings	53,302*	52,616*	92,667
Depreciation and amortization	81,874	77,247	69,547
Basic and diluted earnings per share	\$ 0.83*	\$ 0.82*	\$ 1.55
Weighted average shares outstanding – diluted		64,459	64,364
	59,897		
Cash flows from operations	\$ 175,913	\$ 122,186	\$ 115,511
Working capital	455,134	434,199	411,286
Property and equipment – net	709,142	710,662	669,228
Long-term debt	347,463	229,885	228,610
Stockholders' equity	959,648	945,230	907,853
Book value per share	\$ 14.90	\$ 14.69	\$ 14.11



† Includes \$1.4 million for cumulative effect of accounting change for income taxes.



† Includes \$0.03 for cumulative effect of accounting change for income taxes.

*Includes restructuring expenses and unusual charges of \$27,692,000 (\$0.43 per share) and \$38,030,000 (\$0.41 per share) for the years ended December 31, 1997 and 1996 respectively.
** Excludes restructuring expenses and unusual charges of \$27,692,000 (\$0.43 per share) and \$38,030,000 (\$0.41 per share) in 1997 and 1996, respectively.

To Our Stockholders, Employees, Customers and Vendors:

New Acquisitions Create Opportunities for Growth

During the last twelve months, Vishay entered the \$14 billion discrete semiconductor (active) components market with two significant acquisitions. Discrete semiconductor (active) components complement our worldwide position in our traditional business, the passive components market. Vishay began its penetration of the semiconductor components business with its July 1997 acquisition of 65 percent of Lite-On Power Semiconductor Corporation (LPSC) of Taiwan, for a purchase price of \$130,000,000 and stock appreciation rights. LPSC is a joint venture between Vishay (65%) and Lite-On Group of Taiwan (35%).

LPSC manufactures diodes and transistors, which are discrete semiconductor (active) components. They convert electrical currents from AC to DC, switch and amplify currents and are used in many electronic circuits. LPSC's manufacturing plants are located in Taipei, Taiwan; Shanghai, China; and Lee's Summit, Missouri, USA. LPSC also owns a 40 percent interest in Diodes, Inc. (AMEX: DIO) a supplier of discrete semiconductor (active) devices located in Westlake, California. Sales of LPSC for the year ended December 31, 1997 were \$76,040,000, a 41 percent increase over 1996. The operations of LPSC were consolidated into Vishay's 1997 operations effective July 1, 1997.

In March 1998, Vishay solidified its position in the discrete semiconductor (active) area with its acquisition of the semiconductor business unit of TEMIC TELEFUNKEN microelectronics

GmbH of Heilbronn, Germany, and 80.4 percent of Siliconix (NASDAQ: SILI), a TEMIC subsidiary located in Santa Clara, California. Vishay paid approximately \$500 million to TEMIC's parent company Daimler-Benz (NYSE: DAI) for the integrated circuits (IC) business and the discrete components business. Sales of the semiconductor business unit of TEMIC Semiconductor for calendar 1997 were approximately \$850,000,000. Following the closing of that transaction, Vishay sold most of the IC business, which had annual sales of approximately \$300,000,000, to Atmel Corporation (NASDAQ: ATML) and others for \$140,000,000.

The net cost to Vishay for the discrete semiconductor (active) division, whose sales are approximately \$550,000,000, was therefore \$360,000,000. The discrete active products consist of many types of diodes, transistors and optoelectronic devices. In addition to the discrete active division, Vishay retained two integrated circuit product lines, the infrared communication devices (IRDC) and the Power ICs.

Applications for these products include the computer, multimedia and telecommunications markets, as well as the automobile, home entertainment and industrial electronics markets. We are especially excited about the Power MOS products of Siliconix and the IRDC products of Telefunken. These products hold the leading position in the market. Siliconix' Trench Power MOS is the product of choice for portable telephones and laptop computers, while the IRDC module enables data to be exchanged without cable connection between computers,

printers, plotters and portable telephones, using infrared light.

With these acquisitions Vishay has strategically extended its market position to become the manufacturer of the broadest line of discrete electronic components worldwide. We can now provide our customers with a single manufacturing source for essentially all passive and discrete semiconductor (active) components as well as some products in the IC area. We believe these acquisitions create a great opportunity for the financial and technological growth of Vishay.

Financial Highlights

Sales for the year ended December 31, 1997 were \$1,125,219,000 compared to \$1,097,979,000 in the previous year. Sales for the year ended December 31, 1997 were affected negatively by \$55,424,000 due to the continued strength of the U.S. dollar against foreign currencies.

Net earnings for the year ended December 31, 1997 were \$53,302,000 or \$0.83 per share (after special charges of \$27,692,000 or \$0.43 per share). Net earnings before special charges were \$80,994,000 or \$1.26 per share. Net earnings for the previous year were \$52,616,000 or \$0.82 per share (after a restructuring charge of \$38,030,000 or \$0.41 per share). Pretax earnings exclusive of special charges were \$112,843,000 compared to \$108,387,000 for the previous year.

We have accelerated the restructuring



DR. FELIX ZANDMAN
Chairman of the Board, Scientific Director
and Chief Executive Officer

turing of our passive components business, resulting in plans for further transfer of certain operations to low-cost countries at an estimated cost of approximately \$12,000,000. Once these restructuring plans are fully implemented, we expect annual savings of \$10,000,000 going forward as a result of these transfers. Other charges included inventory write-offs of \$5,576,000 and the recording of a \$10,000,000 tax expense for various tax uncertainties. In addition, the Company recorded a charge of \$5,295,000 for an unrealized noncash loss on a forward-exchange contract related to the TEMIC acquisitions. None of these charges have a cash effect on the ongoing operations of Vishay.

Gross profits for the year ended December 31, 1997 were 23.7 percent of sales as compared to 24.8 percent in the prior year. The gross profits were negatively affected by a difficult pricing environment and the fourth quarter 1997 restructuring program, which included \$5,576,000 in inventory write-offs. Exclusive of those write-offs, the gross profit, as a percentage of sales, would have been 24.2 percent for the year ended December 31, 1997.

Selling, general and administrative expenses decreased by \$4.9 million to 12.2 percent of sales versus 12.9 percent of sales last year. This decrease reflects the savings resulting from the cost-reduction programs instituted in 1996.

The Company is generating substantial cash and its financial condition is strong, with a current ratio of 3.38 to 1.0. The Company's debt-to-equity ratio at Decem-

ber 31, 1997 was 0.36 compared to 0.24 at December 31, 1996. For the year ended

December 31, 1997, the Company's cash flows from operations were \$175,913,000 compared to \$122,186,000, a 44 percent increase over the prior year. The increase in cash flows from operations is primarily due to a decrease in inventories in 1997 compared to an increase in inventories in 1996. Purchases of property and equipment for the year ended December 31, 1997 were \$75,870,000 as compared to \$123,984,000 in the prior year.

Looking Ahead

During the past year, we have taken significant steps to strengthen the Company and grow it to become a worldwide leader in passive and discrete semiconductor (active) components with annual sales which will approach \$2 billion in the future. We believe Vishay will benefit from the synergies created by the combination of the manufacturing, selling and administration of the newly acquired entities. Additionally, Vishay will be able to leverage its purchasing power for materials used in the manufacturing process.

To further strengthen our operations we announced in March 1998 the promotion of Dr. Gerald Paul to the position of president of Vishay. Dr. Paul will add the role of president to his current duties as chief operating officer and will continue to report to me.

The markets and customers for passive and discrete semiconductor (active) components are virtually identical, which means that the sales networks are already in place to reach the electronics original equipment manufacturers with one source for their discrete components. That fits right in with today's purchasing patterns, as manufacturers and distributors strive to narrow their supplier base.

Vishay is looking ahead with confidence to expansion through new products, acquisitions and market penetration worldwide.

As always, we are extremely grateful to our employees worldwide for their loyalty, skill and energy, which have contributed significantly to our growth. We value the relationships we have with our employees, stockholders, customers and vendors. We salute you and look forward to a prosperous 1998.

Sincerely,

Dr. Felix Zandman
Chairman of the Board and
Chief Executive Officer
April 1998

From Niche Manufacturer to Global Manufacturer of the Broadest Line of **Passive** and Discrete Semiconductor Electronic Components

Vishay's Earliest Products Became Industry Standards

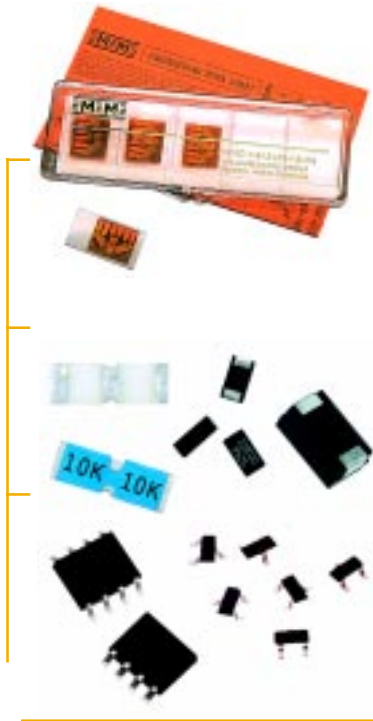
The foundation of Vishay Intertechnology, Inc. rests on the inventions of Dr. Felix Zandman, Vishay Founder, Chairman and CEO. A physicist, Dr. Zandman's first patents issued in the 1950s were the result of his research on stresses in structures under live load conditions. His PhotoStress® coatings and instruments, which were technological breakthroughs, are used to visualize and measure the distribution of stresses in automobiles, airplanes and other structures.

Vishay's next innovation was the development and successful application of resistive material that could be used in the manufacture of resistors and resistive sensors (strain gages) to eliminate the temperature effects on the performance of those components. As a result, Vishay's Bulk Metal® foil resistors and

strain gages (Vishay Measurements Group) provide the best temperature coefficient of resistance (TCR) available to date. The Bulk Metal foil resistors and Thin Film resistors (developed at a later date) are used in the most sophisticated electronic circuits and Vishay strain gages are used for stress measurement and as weight sensors in scales.

Strategic Acquisitions Increase Product Offerings, Market Potential and Revenues

Even as the Company achieved technical and market leadership in its core product lines, Vishay's management began an aggressive acquisition strategy to increase its product offerings, market broadening and rev-



A sampling of the many products manufactured by Vishay Measurements Group (strain gages), Vishay Foil Resistors and Vishay Thin Film.

1985

VISHAY **DALE**



The largest manufacturer of fixed resistors in the U.S. and a producer of inductors, specialty connectors and plasma displays.

1987

VISHAY DRALORIC



The largest manufacturer of fixed resistors in Germany and a producer of specialty ceramic capacitors.

1988

VISHAY **SIERNICE**



The largest manufacturer in France of fixed resistors, variable resistors (potentiometers), and printed circuit boards.

enues. Each of the acquired companies met strict acquisition guidelines for technical strength, brand recognition, manufacturing capabilities, excellent market and geographic penetration and management depth. As a result, Vishay's acquisitions have included some of the finest brand names in the electronic components industry. They are Dale, Sprague and Vitramon in the U.S.; Draloric, Roederstein and Sfernice in Europe; Lite-On Power Semiconductor in Southeast Asia; and TEMIC Semiconductors (Telefunken and Siliconix) in the U.S., Europe and Asia.

Beginning in the mid 1980s, Vishay's acquisition strategy produced dramatic sales growth. Within just three-and-a-half years, total annual sales increased from \$59 million to over \$400 million, making Vishay the largest fixed resistor manufacturer in the U.S. and Europe. The Sfernice acquisition also provided Vishay with a foothold in the variable resistor market.

In addition to fixed and variable resistors, each acquisition introduced Vishay into niche markets for complementary passive

electronic components. Dale, Draloric and Sfernice possess superior expertise in a wide range of these products including inductors, specialty capacitors, plasma displays, specialty connectors, printed circuit boards, transformers, thermistors and oscillators.

In 1991, Vishay decided to extend even further its range of product offerings, enlarge its worldwide penetration of passive electronic components and become a major producer of capacitors. Consequently, in 1992, Vishay acquired the assets of Sprague, a leading U.S. and European tantalum capacitor manufacturer. These capacitors are the smallest and most stable in their category and are used extensively in computers, telecommunications and in the automotive industry. The acquisition of Sprague brought Vishay's annual sales to \$664 million. Sprague developed and holds the original patents for tantalum capacitors.

Then in 1993, Vishay acquired Roederstein, a leading European and U.S. manufacturer of film capacitors. Roederstein also produces other passive electronic

components such as metal film fixed resistors, thick film chip resistors, ceramic disc and aluminum capacitors and hybrid circuit assemblies.

Next came Vitramon in 1994, a leading producer of multilayer ceramic chip (MLCC) capacitors. Vitramon's MLCC capacitor has a worldwide reputation for reliability. Vitramon brought Vishay's sales in 1994 to approximately \$1 billion.

Other Vishay operating units include Vishay Thin Film, Vishay Foil Resistors and Vishay Measurements Group (strain gages and PhotoStress), the original Vishay products. Vishay Thin Film is a leading U.S. and European manufacturer of thin film resistor networks and thin film resistor chips. Vishay Foil Resistors is the largest worldwide manufacturer of foil resistors and foil potentiometers and holds the original patents for these technologies. Vishay Measurements Group is the largest worldwide manufacturer of resistive stress sensors (strain gages) and PhotoStress instruments for which it holds the original patents.

1992 **VISHAY SPRAGUE**



A leading manufacturer of tantalum capacitors in the U.S. and Europe. Sprague holds the original patents for tantalum capacitors and was first to offer surface mount tantalum chip capacitors.

1993 **VISHAY Roederstein**



A leading European and U.S. manufacturer of film capacitors, aluminum and ceramic disc capacitors, thick film chip resistors, and hybrid circuits.

1994 **VISHAY Vitramon**



A leading U.S. and European manufacturer of multilayer ceramic chip (MLCC) capacitors.

From Niche Manufacturer to Global Manufacturer of the Broadest Line of Passive and **Discrete Semiconductor** Electronic Components

Vishay Acquires New Technologies Aimed at Fast-Growing Markets

In 1997, Vishay entered the \$14 billion discrete semiconductor market with the addition of 65 percent of Lite-On Power Semiconductor Corporation (LPSC) to its family of world-class brands. Just nine months later, Vishay added the semiconductor business unit of TEMIC (Telefunken and Siliconix), a leading manufacturer of power and analog semiconductor devices. With these moves, Vishay has positioned itself in the discrete semiconductor components arena and created the potential to reach the \$2 billion revenue mark five years ahead of its projections.

Vishay Siliconix and Vishay Telefunken (formerly known as TEMIC Semiconductors) and Vishay LPSC are leading manufacturers of a comprehensive range of diodes, transistors and optoelec-

tronic devices. These products are used to amplify and switch electronic signals to convert AC to DC currents and are found in many electronic circuits. The optoelectronic devices are used in optical displays, remote controls, switching and infrared communications. Diodes and transistors are sold to the same markets as Vishay's passive components, and like those components, are used extensively in one of the fastest growing markets worldwide — the portable electronics market; digital phones, laptop computers, pagers and other wireless applications.

In addition, Vishay Siliconix' power and analog semiconductor products are used in the computer, data storage, communications and automotive markets. The Company's analog switches, analog multiplexers and low-power transistors are used to sense, amplify, switch and route analog signals in instrumentation, video

and multimedia systems and test equipment.

Furthermore, Vishay Siliconix uses its technology and applications expertise to develop value-added products including integrated circuits for power conversion, power interface and motor control. Recognizing the importance of the portable electronics market early on, Vishay Siliconix created a family of products whose technology is one of the most efficient in extending battery life. With the proliferation of notebook computers, handheld cellular phones, pagers and the like, the market for Vishay Siliconix' products is constantly expanding. As prices decline, allowing more and more consumers

1997

VISHAY LITEON
POWER SEMICONDUCTOR



Semiconductor is a leading Asian producer of discrete semiconductor products such as diodes, transistors and transient voltage suppressors.

1998

VISHAY TELEFUNKEN



Vishay Telefunken is a leading German manufacturer of transistors, diodes and optoelectronic components.

1998

VISHAY SILICONIX



Vishay Siliconix is a leading U.S. manufacturer of discrete semiconductors and ICs for power management and motion control, as well as products used for signal processing, routing and switching.

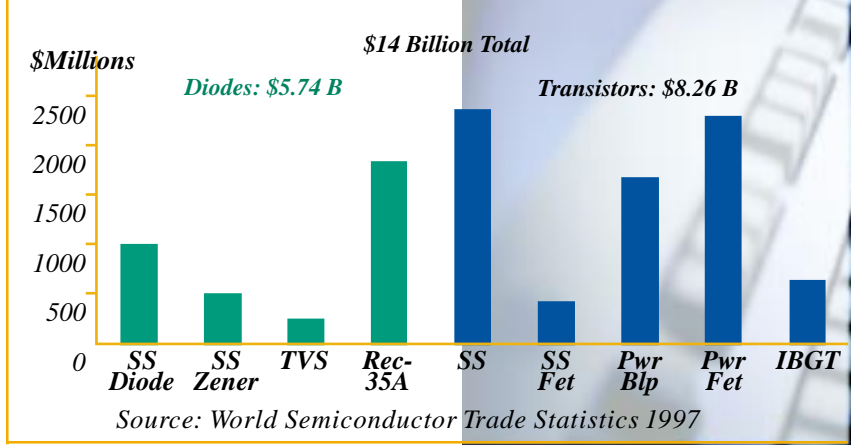
to take advantage of the latest technology, the demand for Vishay Siliconix' products should continue to increase.

Vishay Telefunken developed infrared communications systems (IRDCs) for wireless communications between portable telephones, laptop computers and printers. This is a new and fast-developing business where Vishay Telefunken is in the leading worldwide position.

Other products of both Vishay Telefunken and Vishay LPSC — diodes and transistors



Worldwide Discrete Semiconductor Market by Technology



essentially of all types — play a key role in many electronic circuits. In fact, Vishay masters all but one (IBGT) semiconductor technology. (See chart above.)

The acquisitions of Vishay Siliconix, Vishay Telefunken and Vishay LPSC add new products, increase revenues, enhance access to high-growth markets and low-cost manufacturing facilities. These discrete semiconductor acquisitions are also significant in light of the trend toward integrated passive components (IPCs) on silicon. An IPC is a combination of passive

The photo above shows typical applications for passive and discrete semiconductor components.

component products on one substrate (ceramic or silicon). These are resistor networks; resistor/capacitor networks; RCDs or resistor/capacitor/diodes and similar combinations. IPCs may become important because they

take up less space and reduce the cost per component. As discrete products are integrated into smaller, denser, more powerful solutions, the addition of important silicon technology expertise should enable Vishay to be ideally positioned in the emerging IPC market.

Vishay At-A-Glance

		TECHNOLOGIES	MARKETS	TRENDS
PASSIVE	RESISTORS and RESISTOR-BASED DEVICES Adjust and regulate voltage and current.	Metal/Thin Film Wirewound Thick Film Foil Variable	Aerospace Automotive	<ul style="list-style-type: none"> • Lower Prices • Surface Mount Packages
	CAPACITORS Store energy and filter frequencies.	Film Tantalum Multilayer Ceramic Disk Ceramic Aluminum	Commercial Computers	<ul style="list-style-type: none"> • Smaller Chips • Increased Reliability • Just-In-Time Delivery
	INDUCTORS Control the phase of alternating currents.	Inductors Transformers	Scales Entertainment	<ul style="list-style-type: none"> • Lower Voltages • Offshore Production
ACTIVE	DIODES Convert AC to DC current. Optoelectronics.	Schottky Diodes Zener Diodes Rectifiers TVS LEDs IRDCs	General Industrial Medical	<ul style="list-style-type: none"> • Zero Defect Quality • Continuously Improved Performance
	TRANSISTORS Amplify currents. Switch electronic signals.	Small Signal Transistors Power MOS Low Power Devices Signal Processing Units	Military Telecommunications	<ul style="list-style-type: none"> • Integrated Passive Components • Higher Frequencies

Vishay's entrance into the discrete semiconductor components market should enable the Company to accomplish several important goals.

Provide State-Of-The-Art Service.

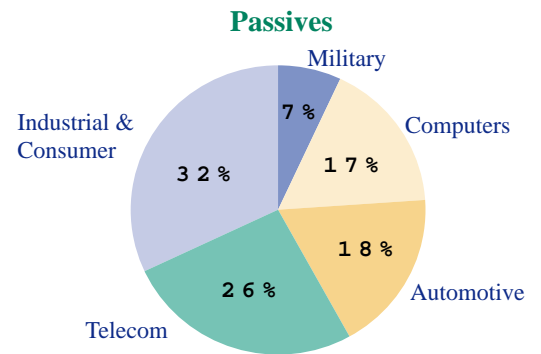
Distributors and original equipment manufacturers (OEMs) continue to reduce the number of suppliers they deal with in order to reduce costs and time-to-market. Vishay is in an excellent position to provide buyers with the convenience they seek. Vishay has distribution sites available to supply key customers with almost all of their discrete component needs. This is a big step toward improving service.

Maintain its Position as Technology Leader

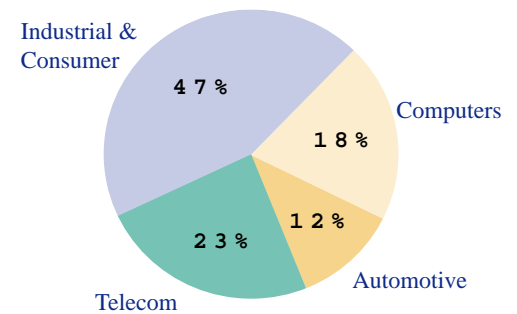
Through internal R&D and acquisitions, Vishay continues to supply its customers with advanced design solutions. Three examples of advanced design solutions are Vishay Sprague's 1000µF & 1500µF (with the lowest available ESR) in a coated tantalum capacitor's smallest available package; Vishay Siliconix' latest Littlefoot® MosFET using its proprietary trench technology to reduce resistance; and Vishay Dale's WSL low TCR and low inductance power chip resistor.

SOME MAJOR CUSTOMERS	SOME MAJOR DISTRIBUTORS
AT&T	Advacom, Inc.
Acer	Allied Electronics, Inc.
Alcatel	Anthem
Bosch	Arrow Electronics
Compaq/DEC	Avnet
Delco	Bell Industries, Inc
Ericsson	Capstone Electronics Corp.
Ford	Dynamar
GM/Hughes	EBV
Hewlett-Packard	Future Electronics
Honeywell	Hamilton Hallmark
IBM	Jaco Electronics, Inc.
Intel	Kent Electronics
Iomega	Koenig
Lockheed Martin	Mouser Electronics, Inc.
Lucent Technologies	National Electronics Corp.
Matsushita	Newark Electronics
Motorola	New Yorker Electronics
Northern Telecom	Pioneer Standard Electronics
Qualcomm	Projections Unlimited, Inc.
Raytheon	Reptron Electronics, Inc.
Rockwell	Richey Electronics
SCI	Time Electronics
Samsung	Tomen
Seagate	T.T.I., Inc.
Siemens	
Solectron	
Sony	
Sun Microsystems	
Texas Instruments	
Western Digital	

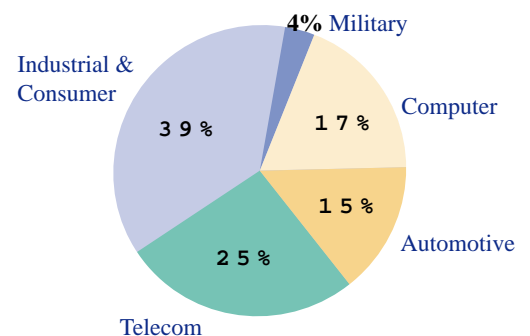
End Markets



Discrete Semiconductors



Vishay Total



Penetrate New Markets and Decrease Selling Costs

Vishay intends to reach new customers more effectively through integrated sales channels in the U.S., Europe and Asia. Consolidating sales forces and distribution sales channels should allow Vishay to realize economic efficiencies. Vishay Siliconix' and Vishay Telefunken's positions in the Japanese market provide previously unavailable opportunities for Vishay in Japan.

Vishay: A Single Source For Essentially All Discrete Electronic Components

Vishay Is the Only Worldwide **Manufacturer** Producing Essentially a Full Line of Passive and Discrete Semiconductor (Active) Components

P A S S I V E												
CAPACITORS					RESISTORS					INDUCTORS		
Film	Tantalum	Multi-Layer Ceramic	Disk Ceramic	Aluminum	Metal/Thin Film	Wirewound	Thick Film	Foil	Variable	Inductor	Transformer	
VISHAY	■	■	■	■	■	■	■	■	■	■	■	

■ Major Competitive Position
 ■ Minor Competitive Position

Vishay is a global manufacturer of the broadest line of passive and discrete semiconductor electronic components. These components are used in all electronic and electrical applications, from your toaster, TV, telephone, PC, automo-

bile ignition system and the sophisticated local area network in your office building, to the latest design for a lunar space module.

As electronic products such as computers, telephones, pagers

and printers become more and more sophisticated, they require more and more discrete components. For example, Intel's 486 microprocessor (old technology) is surrounded by



A

A technician inspects a transistor silicon wafer. (Photo A)

The Company's global workforce includes hundreds of highly skilled research and applications engineers, technicians and many PhDs in its research, development and engineering programs. (Photo B, following page)

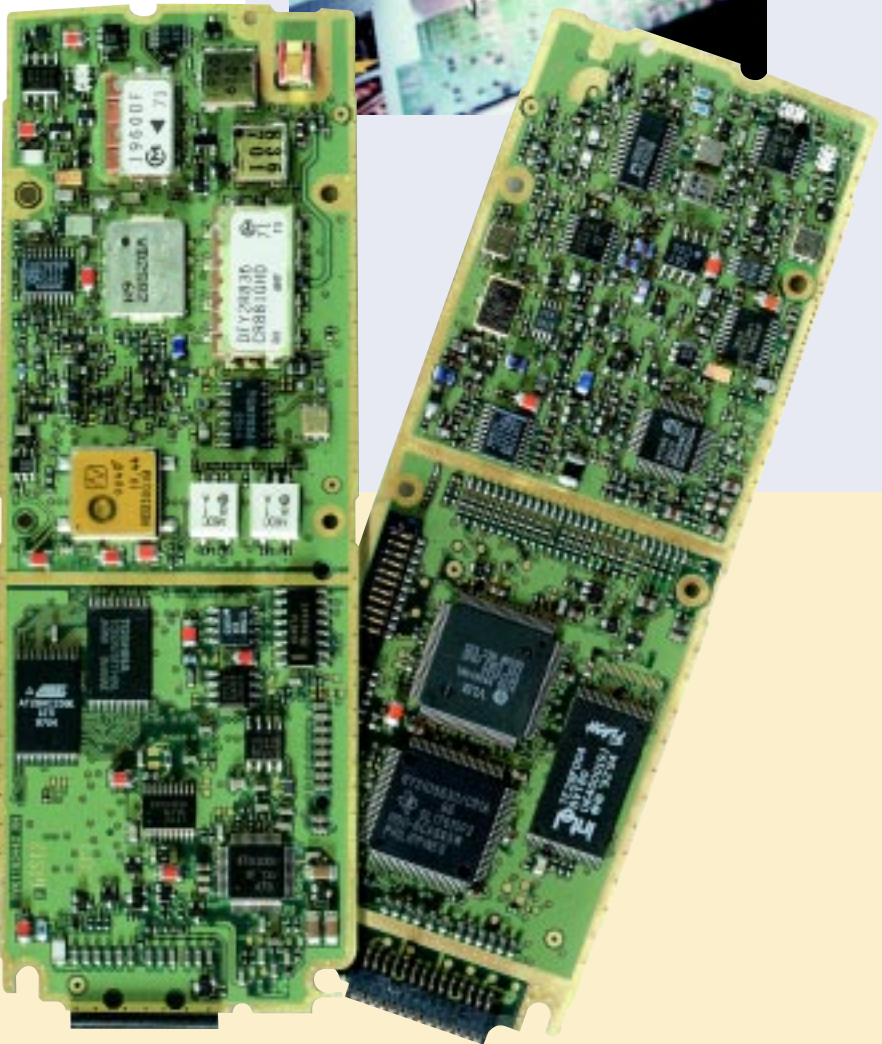


ACTIVE								
DIODES					TRANSISTORS			
Schottky	Zener	LED	Rectifier	TVS	Small Signal	Power MOS	LOPD	SPU

124 discrete components. The next generation microprocessor, Pentium, more than doubles that amount to 252 total discrete components. Intel's superfast Pentium II microprocessor is surrounded by 345 discrete components.

Discrete Components

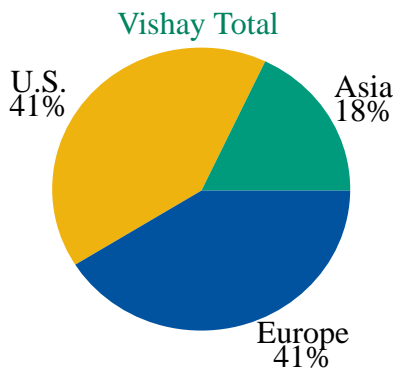
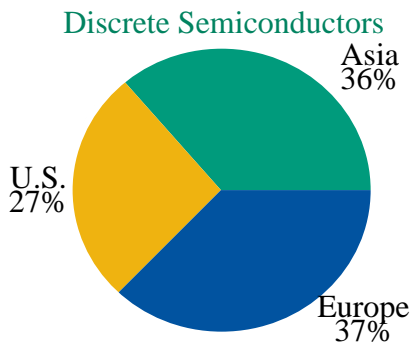
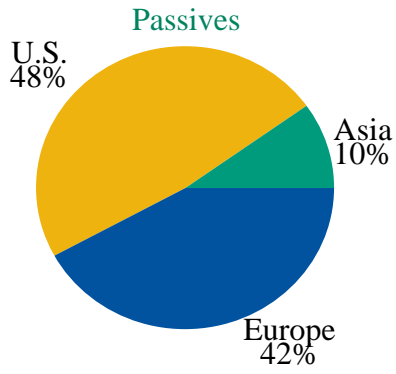
Unlike integrated circuits (ICs) which combine the functions of many electronic components in one chip, discrete components perform one specific function per device. Discrete components can be passive devices or active (semiconductors) devices. Passive components (resistors, capacitors and inductors) adjust and regulate current or store energy and filter frequencies. Semiconductor components (diodes and transistors) convert AC currents to DC, amplify currents or switch electronic and optical signals.



Pictured above are the front and back sides of a printed circuit board of a handheld telephone. The large packages are the integrated circuits (ICs) and the small components are passive and discrete semiconductor components.

Global Manufacturer

Percent of Sales by Region



Each of Vishay's strategic acquisitions has resulted in new technologies, increased revenues and new offshore manufacturing locations. Today, with approximately 20,000 employees, in 70 manufacturing locations close to customers and a vast worldwide sales network, Vishay can service its customers in an efficient manner.



With the addition of Vishay Lite-On Power Semiconductor, Vishay Siliconix and Vishay Telefunken, the Company now owns five locations in China, two in Taiwan (R.O.C.) and two in the Philippines...important for penetrating Far East Asian markets and becoming the lowest-cost producer.

▼ Each map symbol represents one or more Vishay manufacturing facilities.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)	December 31	
	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 55,263	\$ 20,945
Accounts receivable, less allowances of \$4,143 and \$5,093	186,687	165,632
Inventories:		
Finished goods	158,933	182,722
Work in process	84,245	73,606
Raw materials	96,193	100,418
Prepaid expenses and other current assets	64,650	82,310
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	645,971	625,633
PROPERTY AND EQUIPMENT — at cost		
Land	41,378	43,705
Buildings and improvements	230,772	222,743
Machinery and equipment	744,983	695,084
Construction in progress	50,400	57,891
	<hr/>	<hr/>
	1,067,533	1,019,423
Less allowances for depreciation	(358,391)	(308,761)
	<hr/>	<hr/>
	709,142	710,662
GOODWILL		
	286,923	201,574
OTHER ASSETS		
	77,612	20,646
	<hr/>	<hr/>
	\$ 1,719,648	\$ 1,558,515

	December 31	
	1997	1996
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	\$ 29,926	\$ 31,212
Trade accounts payable	47,925	33,930
Payroll and related expenses	44,039	35,973
Other accrued expenses	52,485	57,849
Income taxes	12,003	7,076
Current portion of long-term debt	4,459	25,394
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	190,837	191,434
LONG-TERM DEBT — less current portion	347,463	229,885
DEFERRED INCOME TAXES	41,701	33,113
DEFERRED INCOME	59,300	58,570
OTHER LIABILITIES	56,217	30,534
ACCRUED PENSION COSTS	64,482	69,749
STOCKHOLDERS' EQUITY		
Preferred Stock, par value \$1.00 a share:		
Authorized — 1,000,000 shares; none issued		
Common Stock, par value \$.10 a share:		
Authorized — 75,000,000 shares;		
56,460,565 and 53,727,874 shares outstanding after		
deducting 14,127 and 13,248 shares in treasury	5,646	5,373
Class B convertible Common Stock, par value \$.10 a share:		
Authorized — 15,000,000 shares;		
7,925,394 and 7,563,720 shares outstanding after		
deducting 205,649 and 221,809 shares in treasury	793	756
Capital in excess of par value	920,165	825,949
Retained earnings	75,587	107,762
Foreign currency translation adjustment	(37,587)	9,106
Unearned compensation	(644)	(370)
Pension adjustment	(4,312)	(3,346)
	<hr/>	<hr/>
	959,648	945,230
	<hr/>	<hr/>
	\$ 1,719,648	\$ 1,558,515

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

Vishay Intertechnology, Inc.

(In thousands, except per share and share amounts)	Year ended December 31		
	1997	1996	1995
Net sales	\$ 1,125,219	\$ 1,097,979	\$ 1,224,416
Costs of products sold	858,020	825,866	902,518
GROSS PROFIT	267,199	272,113	321,898
Selling, general, and administrative expenses	136,876	141,765	158,821
Amortization of goodwill	7,218	6,494	6,461
Unusual items	14,503	38,030	4,200
	108,602	85,824	152,416
Other income (expense):			
Interest expense	(18,819)	(17,408)	(29,433)
Other	(2,314)	1,941	(9)
	(21,133)	(15,467)	(29,442)
Earnings before income taxes	87,469	70,357	122,974
Income taxes	34,167	17,741	30,307
NET EARNINGS	\$ 53,302	\$ 52,616	\$ 92,667
Basic and diluted earnings per share	\$ 0.83	\$ 0.82	\$ 1.55
Weighted average shares outstanding— assuming dilution	64,459,000	64,364,000	59,897,000

See accompanying notes.

(In thousands)	Year ended December 31		
	1997	1996	1995
OPERATING ACTIVITIES			
Net earnings	\$ 53,302	\$ 52,616	\$ 92,667
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	81,874	77,247	69,547
Unrealized loss on forward exchange contract	5,295	—	—
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(23,339)	10,073	(8,147)
Inventories	19,501	(11,575)	(48,123)
Prepaid expenses and other current assets	20,496	3,438	(14,023)
Accounts payable	6,882	(31,573)	998
Other current liabilities	5,897	1,526	(7,442)
Other	6,005	20,434	30,034
NET CASH PROVIDED BY OPERATING ACTIVITIES	175,913	122,186	115,511
INVESTING ACTIVITIES			
Purchases of property and equipment	(75,870)	(123,984)	(165,699)
Purchases of businesses, net of cash acquired	(122,468)	—	—
NET CASH USED IN INVESTING ACTIVITIES	(198,338)	(123,984)	(165,699)
FINANCING ACTIVITIES			
Proceeds from long-term borrowings	4,100	3,476	245
Principal payments on long-term debt	(82,076)	(86,026)	(118,226)
Net proceeds (payments) on revolving credit lines	155,729	76,502	(59,800)
Net changes in short-term borrowings	(17,152)	10,066	(7,188)
Purchases of common stock	—	—	(3,578)
Proceeds from sale of common stock	—	—	230,279
NET CASH PROVIDED BY FINANCING ACTIVITIES	60,601	4,018	41,732
Effect of exchange rate changes on cash	(3,858)	(859)	1,183
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (7,273)		34,318	1,361
Cash and cash equivalents at beginning of year	20,945	19,584	26,857
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 55,263	\$ 20,945	\$ 19,584

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Vishay Intertechnology, Inc.

(In thousands, except share amounts)	Year ended December 31		
	1997	1996	1995
Common Stock:			
Beginning balance	\$ 5,373	\$ 5,114	\$ 2,257
Stock issued (28,486; 10,556; and 5,777,300 shares)	3	1	576
Stock dividends (2,687,692; 2,558,069; and 1,091 shares)	269	256	—
Stock split	—	—	2,275
Stock repurchased (110,000 shares)	—	—	(11)
Conversions from Class B (16,513; 19,423; and 325,509 shares)	1	2	17
Ending balance	5,646	5,373	5,114
Class B convertible Common Stock:			
Beginning balance	756	722	377
Stock dividends (378,187 and 361,108 shares)	38	36	—
Stock split	—	—	362
Conversions to Common (16,513; 19,423; and 325,509 shares)	(1)	(2)	(17)
Ending balance	793	756	722
Capital in excess of par value:			
Beginning balance	825,949	734,316	509,966
Stock issued	778	618	230,534
Stock dividends	85,170	90,932	—
Stock split	—	—	(2,637)
Stock repurchased	—	—	(3,567)
Stock appreciation rights	8,200	—	—
Tax effects relating to stock plan	68	83	20
Ending balance	920,165	825,949	734,316
Retained earnings:			
Beginning balance	107,762	146,370	53,734
Net earnings	53,302	52,616	92,667
Stock dividends	(85,477)	(91,224)	(31)
Ending balance	75,587	107,762	146,370
Foreign currency translation adjustment:			
Beginning balance	9,106	28,487	4,584
Translation adjustment for the year	(46,693)	(19,381)	23,903
Ending balance	(37,587)	9,106	28,487
Unearned compensation:			
Beginning balance	(370)	(364)	(20)
Stock issued under stock plans (28,486; 10,556; and 27,300 shares)	(566)	(262)	(519)
Amounts expensed during the year	292	256	175
Ending balance	(644)	(370)	(364)
Pension adjustment:			
Beginning balance	(3,346)	(6,792)	(5,810)
Pension adjustment for the year	(966)	3,446	(982)
Ending balance	(4,312)	(3,346)	(6,792)
TOTAL STOCKHOLDERS' EQUITY	\$ 959,648	\$ 945,230	\$ 907,853

See accompanying notes.

Vishay Intertechnology, Inc. is an international manufacturer and supplier of passive electronic components and discrete active electronic components, particularly resistors, capacitors, inductors, diodes, and transistors. Electronic components manufactured by the Company are used in virtually all types of electronic products, including those in the computer, telecommunications, military/aerospace, instrument, automotive, medical, and consumer electronics industries.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Vishay Intertechnology, Inc. include the accounts of the Company and its majority-owned subsidiaries, after elimination of all significant intercompany transactions, accounts, and profits. The Company's investments in 20% to 50%-owned companies, in which it has the ability to exercise significant influence over operating and financial policies, are accounted for on the equity method. Investments in other companies are carried at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Examples include allowances for uncollectible accounts receivable, provisions for excess or obsolete inventories, and estimated tax uncertainties (see Note 4). Actual results could differ significantly from those estimates.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Depreciation

Depreciation is computed principally by the straight-line method based upon the estimated useful lives of the assets. Depreciation of capital lease assets is included in total depreciation expense. Depreciation expense was \$73,329,000, \$68,688,000, and \$60,155,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

Construction In Progress

The estimated cost to complete construction in progress at December 31, 1997 is \$22,488,000.

Goodwill

Goodwill, representing the excess of purchase price over net assets of businesses acquired, is being amortized on a straight-line basis over 40 years. Accumulated amortization amounted to \$35,273,000 and \$29,726,000 at December 31, 1997 and 1996, respectively. The recoverability of goodwill is evaluated at the operating unit level by an analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit has current operating losses and based upon projections there is a likelihood that such operating losses will continue, the Company will determine whether impairment exists on the basis of undiscounted expected future cash flows from operations before interest for the remaining amortization period. If impairment exists, goodwill will be reduced by the estimated shortfall of cash flows.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers demand deposits and all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Research and Development Expenses

The amount charged to expense aggregated \$7,023,000, \$10,429,000, and \$10,430,000 for the years ended December 31, 1997, 1996, and 1995, respectively. The Company spends additional amounts for the development of machinery and equipment for new processes and for cost reduction measures.

Grants

Grants received from governments by certain foreign subsidiaries, primarily in Israel, are recognized as income in accordance with the purpose of the specific contract and in the period in which the related expense is incurred. Grants received from the government of Israel and recognized as a reduction of costs of products sold were \$11,352,000, \$8,943,000, and \$13,243,000 for the years ended December 31, 1997, 1996, and 1995, respectively. Grants receivable of \$8,909,000 and \$23,163,000 are included in other current assets at December 31, 1997 and 1996, respectively. Deferred grant income is \$59,300,000 and \$58,570,000 at December 31, 1997 and 1996, respectively. The grants are subject to conditions, including maintaining specified levels of employment for periods up to ten years. Noncompliance with such conditions could result in repayment of grants, however, management expects that the Company will comply with all terms and conditions of grants.

Share and Per Share Amounts

In 1997, the Company adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 requires net earnings per share to be presented under two calculations, basic earnings per share and diluted earnings per share. Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share is computed using common and dilutive potential common shares outstanding during the periods presented. The Company's potential common shares consist of stock options granted under the Company's 1995 stock option plan (see Note 6) and stock appreciation rights issued in connection with the LPSC acquisition (see Note 2). The number of shares used in the calculation of basic earnings per common share was 64,318,000 in 1997, 64,321,000 in 1996, and 59,864,000 in 1995. The number of shares used in the calculation of diluted earnings per common share was 64,459,000 in 1997, 64,364,000 in 1996, and 59,897,000 in 1995. Options to purchase 1,160,000 shares of common stock at prices ranging from \$24.03 to \$43.19 per share were outstanding during 1997, 1996, and 1995, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. Earnings per share amounts for all periods presented reflect the 1995 2-for-1 stock split and 5% stock dividends paid on June 9, 1997, June 7, 1996, and March 31, 1995. Earnings per share reflect the weighted effect of the issuance of 5,750,000 shares of Common Stock in September 1995.

Stock Options

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), establishes a fair value method of accounting for stock-based compensation plans but provides the option of measuring compensation expense using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The Company has elected to continue to account for stock-based compensation plans in accordance with APB 25. The effect of applying the fair value method of SFAS 123 results in net income and earnings per share amounts that are the same as the reported amounts in 1997 and 1996 and are not materially different from amounts reported for 1995.

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130), and Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" (SFAS 131). SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in the financial statements. SFAS 131 requires publicly held companies to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operating decision-maker. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Company is evaluating its implementation approach for SFAS 130 and 131, both of which will be adopted in 1998.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current presentation.

2. Acquisitions

In July 1997, the Company purchased 65% of the common stock of Lite-On Power Semiconductor Corporation (LPSC), a Republic of China (Taiwan) company, for \$130,000,000 in cash and stock appreciation rights with a fair value of \$8,200,000 (see Note 6). LPSC is a producer of discrete active electronic components with manufacturing facilities in Taiwan, China and the United States. LPSC also owns 40.2% of Diodes, Inc. (AMEX: DIO), a public company traded on the American Stock Exchange. The Company utilized existing credit facilities to finance the cash portion (\$130,000,000) of the purchase price. The acquisition was accounted for under the purchase method of accounting.

The results of operations of LPSC have been included in the Company's results from July 1, 1997. Excess of cost over the fair value of net assets acquired (\$110,978,000) is being amortized on a straight-line method over an estimated useful life of forty years.

Had the LPSC acquisition been made at the beginning of 1996, the Company's pro forma unaudited results for the years ended December 31, 1997 and 1996 would have been (in thousands, except per share amounts):

Year ended December 31	1997	1996
Net sales	\$ 1,162,969	\$ 1,151,924
Net earnings	51,349	47,392
Basic and diluted earnings per share	0.80	0.74

The unaudited pro forma results are not necessarily indicative of the results that would have been attained had the acquisition occurred at the beginning of 1996 or of future results.

3. Unusual Items

Unusual items expense of \$14,503,000 in 1997 consists of restructuring expense of \$12,605,000 and a settlement with the United States government in the amount of \$1,898,000 representing reimbursements for overcharges relating to military products produced prior to 1993 at one of the Company's U.S. subsidiaries.

Restructuring expense of \$12,605,000 in 1997 results from a downsizing of the Company's European operations. Approximately \$10,357,000 of this expense relates to employee termination costs covering approximately 324 technical, production, administrative, and support employees located in Germany and France. Approximately \$623,000 of the restructuring expense relates to facility closure costs in France. The remaining \$1,625,000 relates to additional payments to certain employees laid off in the last half of fiscal 1996 in connection with Vishay's fiscal 1996 restructuring program. The payments were a result of a judgment rendered by a French court against a subsidiary of the Company. The court ruled that these employees were due additional payments under France's mandated social plan. The restructuring plan is expected to be completed by the end of 1998. At December 31, 1997, \$11,982,000 of restructuring costs are included in other accrued expenses.

Unusual items in 1996 represent restructuring expense of \$38,030,000 which resulted from a downsizing of the Company's worldwide operations. Approximately \$9,077,000 of restructuring expense relates to facility closure costs in North America and Europe. The remaining \$28,953,000 of these expenses relate to employee termination costs covering approximately 2,600 technical, production, administrative, and support employees located in the

United States, Canada, France, and Germany. At December 31, 1997, approximately 2,457 employees had been terminated and \$24,461,000 of termination costs were paid. The remaining \$4,492,000 of termination costs are included in other accrued expenses at December 31, 1997. The remaining accrual is considered adequate to complete the restructuring program and is expected to be paid by March 31, 1998.

Unusual items in 1995 represents restructuring expense of \$4,200,000 which resulted from the downsizing of some of the Company's European operations and represented employee termination costs covering 276 technical, production, administrative, and support employees located primarily in France and Germany. This downsizing was completed during the year ended December 31, 1996.

4. Income Taxes

Earnings before income taxes consists of the following components (in thousands):

Year ended December 31	1997	1996	1995
Domestic	\$ 45,832	\$ 42,406	\$ 34,926
Foreign	41,637	27,951	88,048
	\$ 87,469	\$ 70,357	\$ 122,974

Significant components of income taxes are as follows (in thousands):

Year ended December 31	1997	1996	1995
Current:			
U.S. Federal	\$ 20,296	\$ 13,836	\$ 10,578
Foreign	6,494	8,098	10,927
State	2,103	1,586	1,082
	28,893	23,520	22,587
Deferred:			
U.S. Federal	1,476	1,632	2,247
Foreign	3,547	(7,793)	5,082
State	251	382	391
	5,274	(5,779)	7,720
	\$ 34,167	\$ 17,741	\$ 30,307

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

Year ended December 31	1997	1996
Deferred tax liabilities:		
Tax over book depreciation	\$ 71,122	\$ 77,402
Other -- net	12,031	7,325
Total deferred tax liabilities	83,153	84,727
Deferred tax assets:		
Pension and other retiree obligations	23,150	25,358
Net operating loss carryforwards	82,510	84,574
Restructuring reserves	5,283	7,698
Other accruals and reserves	22,767	16,120
Total deferred tax assets	133,710	133,750
Valuation allowance for deferred tax assets	(40,447)	(59,021)
Net deferred tax assets	93,263	74,729
Net deferred tax (assets) liabilities	\$ (10,110)	\$ 9,998

A reconciliation of income tax expense at the U.S. federal statutory income tax rate to actual income tax expense is as follows (in thousands):

Year ended December 31	1997	1996	1995
Tax at statutory rate	\$ 30,612	\$ 24,625	\$ 43,041
State income taxes, net of U.S. federal tax benefit	1,619	1,413	1,094
Effect of foreign income tax rates	(10,325)	(9,717)	(13,801)
Benefit of net operating loss carryforwards	(207)	(817)	(2,054)
Provision for estimated tax uncertainties	10,000	—	—
Other	2,468	2,237	2,027
	\$ 34,167	\$ 17,741	\$ 30,307

At December 31, 1997, the Company has net operating loss carryforwards for tax purposes of \$133,536,000 in Germany (no expiration date), \$22,431,000 in France (expire December 31, 2002), and \$4,472,000 in Portugal (expire December 31, 2002). Approximately \$67,434,000 of the carryforward in Germany resulted from the Company's acquisition of Roederstein. Valuation allowances of \$40,447,000 and \$59,021,000 have been recorded at December 31, 1997 and 1996, respectively, for deferred tax assets related to foreign net operating loss carryforwards. In 1997, tax benefits recognized through reductions of the valuation allowance had the effect of reducing goodwill of acquired companies by \$8,837,000. If additional tax benefits are recognized in the future through further reduction of the valuation allowance, \$22,016,000 of such benefits will reduce goodwill.

During the fourth quarter of 1997, the Company recorded a \$10,000,000 income tax charge for various tax uncertainties. Although it is reasonably possible that the ultimate resolution of such uncertainties could result in a loss in excess of the amounts accrued, the Company believes that its estimate for taxes and related interest as of December 31, 1997 is reasonable.

At December 31, 1997, no provision has been made for U.S. federal and state income taxes on approximately \$327,084,000 of foreign earnings which are expected to be reinvested indefinitely. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Income taxes paid were \$24,879,000, \$22,141,000, and \$30,272,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

5. Long-Term Debt

Long-term debt consisted of the following (in thousands):

Year ended December 31	1997	1996
Multicurrency revolving credit loans	\$ 284,666	\$ 121,039
Term loan	—	77,500
Deutsche Mark revolving credit loans	22,365	25,974
Deutsche Mark term loan	—	9,426
Other debt and capital lease obligations	44,891	21,340
	351,922	255,279
Less current portion	4,459	25,394
	\$ 347,463	\$ 229,885

As of December 31, 1997, two facilities were available under the Company's amended and restated Revolving Credit and Term Loan and Deutsche Mark Revolving Credit and Term Loan agreements with a group of banks; a multicurrency revolving credit loan (interest 6.25% on U.S. Dollar borrowings and 3.95% on Deutsche Mark borrowings at December 31, 1997), and a Deutsche Mark revolving credit loan (interest 3.95% at December 31, 1997).

On March 2, 1998, the Company entered into two revolving credit agreements with a group of banks, which replaced the agreements in effect at December 31, 1997. The Company entered into the new loan agreements with the banks to finance the Siliconix and TEMIC acquisitions (see Note 15). The first agreement provides for an \$825,000,000 loan comprising a revolving credit facility and a swing line facility that mature on March 2, 2003, subject to Vishay's right to request year-to-year renewals. Interest is payable at prime or other interest rate options. The Company is required to pay certain facility fees on this facility. The second agreement provides for a \$275,000,000 364-day multicurrency revolving credit facility which matures on March 1, 1999. The Company can request an initial three-month extension and, if granted, subsequent year-to-year renewals. Interest is payable at prime or other interest rate options. The Company is required to pay certain credit facility fees on this facility. As of March 2, 1998, the Company had \$750,989,000 and DM 102,000,000 (\$56,316,000) outstanding under the five-year revolving credit facility (interest 6.26% on U.S. Dollar borrowings and 4.13% on DM borrowings) and \$25,000,000 (interest 6.31%) outstanding under the 364-day multicurrency revolving credit facility.

Borrowings under the loan agreements are secured by certain pledges of stock in certain significant subsidiaries and indirect subsidiaries of Vishay and certain guaranties by significant subsidiaries. The Company is restricted from paying cash dividends and must comply with other covenants, including the maintenance of specific financial ratios.

Other debt and capital lease obligations include borrowings under short-term credit lines of \$12,141,000 and \$3,120,000 at December 31, 1997 and 1996, respectively, which are classified as long-term based on the Company's intention and ability to refinance the obligations on a long-term basis.

Aggregate annual maturities of long-term debt, including \$525,274,000 borrowed on March 2, 1998 under the revolving credit agreements, are as follows: 1998—\$4,459,000; 1999—\$29,405,000; 2000—\$3,496,000; 2001—\$3,254,000; 2002—\$5,169,000; thereafter—\$831,413,000.

At December 31, 1997, the Company has committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating \$187,337,000, of which \$145,270,000 was unused. The weighted average interest rate on short-term borrowings outstanding as of December 31, 1997 and 1996 was 6.50% and 5.60%, respectively.

Interest paid was \$18,699,000, \$17,736,000, and \$29,459,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

6. Stockholders' Equity

On May 19, 1997, the Company's shareholders approved an increase in the number of shares of Common Stock, \$.10 par value, which the Company is authorized to issue, from 65,000,000 shares to 75,000,000 shares.

The Company's Class B Stock carries ten votes per share while the Common Stock carries one vote per share. Class B shares are transferable only to certain permitted transferees while the Common Stock is freely transferable. Class B shares are convertible on a one-for-one basis at any time to Common Stock.

In connection with the acquisition of LPSC (see Note 2), the Company issued stock appreciation rights (SARs) to the former owners of LPSC. The SARs represent the right to receive in stock the increase in value on the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

equivalent of 1,625,000 shares of the Company's stock above \$23 per share. The SARs may be exercised at any time prior to July 17, 2007 at the option of the former owners of LPSC. The Company may force redemption of the SARs if the Company's stock trades above the "Strike Price" (\$43 per share during the first year). The Strike Price increases by 10% each year. At a market price of \$43 per share for the Company's stock, the SARs would entitle the former owners of LPSC to 755,813 shares of the Company's Common Stock. The fair value of the SARs as of July 17, 1997 was determined to be \$8,200,000 using the binomial option pricing model.

Unearned compensation relating to Common Stock issued under employee stock plans is being amortized over periods ranging from three to five years. At December 31, 1997, 219,776 shares are available for issuance under stock plans.

In 1995, certain key executives of the Company were granted options to purchase 1,160,000 shares of the Company's Common Stock, all of which remain outstanding at December 31, 1997. These options expire March 1, 2000, with one-third exercisable at \$24.03, one-third exercisable at \$30.23, and one-third exercisable at \$43.19.

7. Other Income (Expense)

Other income (expense) consists of the following (in thousands):

Year ended December 31	1997	1996	1995
Foreign exchange gains (losses)	\$ 3,657	\$ 371	\$ (2,022)
Unrealized loss on forward exchange contract	(5,295)	—	—
Investment income	2,353	1,586	1,529
Minority interest in income of subsidiaries	(2,092)	(489)	(281)
Equity in net income of affiliates	1,090	318	727
Loss on sale of fixed assets	(1,245)	(174)	—
Other	(782)	329	38
	\$ (2,314)	\$ 1,941	\$ (9)

In connection with the Company's acquisition of all of the common stock of TEMIC Semiconductor GmbH and 80.4% of the common stock of Siliconix Incorporated (see Note 15), the Company entered into a forward exchange contract in December 1997 to protect against the impact of fluctuations in the exchange rate between the U.S. Dollar and the Deutsche Mark on the amount of U.S. Dollars required for the acquisitions. At December 31, 1997, the Company had an unrealized noncash loss on this contract of \$5,295,000 which resulted from marking the contract to market value.

8. Employee Retirement Plans

The Company maintains various defined benefit pension plans covering substantially all full-time U.S. employees. The benefits under these plans are based on the employees' compensation during all years of participation. Participants in these plans, other than U.S. employees of Vitramon, are required to contribute an amount based on annual earnings. The Company's funding policy is to contribute annually amounts that satisfy the funding standard account requirements of ERISA. The assets of these plans are invested primarily in mutual funds and guaranteed investment contracts issued by an insurance company and a bank.

Net pension cost for the plans included the following components (in thousands):

Year ended December 31	1997	1996	1995
Annual service cost — benefits earned for the period	\$ 4,849	\$ 5,091	\$ 3,613
Less: Employee contributions	1,850	1,842	1,459
Net service cost	2,999	3,249	2,154
Interest cost on projected benefit obligation	6,266	6,014	5,702
Actual return on plan assets	(12,688)	(10,737)	(11,892)
Net amortization and deferral	5,520	4,213	7,211
Net pension cost	\$ 2,097	\$ 2,739	\$ 3,175

The expected long-term rate of return on assets is 8.5% – 9.5%.

The following table sets forth the funded status of the plans and amounts recognized in the Company's financial statements (in thousands):

December 31	1997	1996
Accumulated benefit obligation, including vested benefits of \$89,347 and \$80,046	\$ 89,703	\$ 80,343
Actuarial present value of projected benefit obligations	\$ (98,991)	\$ (87,740)
Plan assets at fair value	98,388	87,369
Projected benefit obligations in excess of plan assets	(603)	(371)
Unrecognized loss (gain)	370	(238)
Unrecognized prior service cost	368	601
Unrecognized net obligation at transition date, being recognized over 15 years	127	246
Accrued pension liability	\$ 262	\$ 238

The following assumptions have been used in the actuarial determinations of the plans:

	1997	1996
Discount rate	6.75%	7.50%
Rate of increase in compensation levels	4.5%	4.5% - 5.0%

Many of the Company's U.S. employees are eligible to participate in 401(k) savings plans, some of which provide for Company matching under various formulas. The Company's matching expense for the plans was \$2,126,000, \$2,250,000, and \$2,314,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

The Company provides pension and similar benefits to employees of certain foreign subsidiaries consistent with local practices. German subsidiaries of the Company have noncontributory defined benefit pension plans covering management and employees. Pension benefits are based on years of service. Net pension cost for the German plans included the following components (in thousands):

Year ended December 31	1997	1996	1995
Annual service cost — benefits earned for the period	\$ 107	\$ 126	\$ 164
Interest cost on projected benefit obligation	4,261	5,082	5,267
Actual return on plan assets	(1,102)	(1,174)	(854)
Net amortization and deferral	25	133	(220)
Net pension cost	\$ 3,291	\$ 4,167	\$ 4,357

The expected long-term rate of return on assets is 2.0%.

The following table sets forth the funded status of the German plans and amounts recognized in the Company's financial statements (in thousands):

December 31	1997	1996
Accumulated benefit obligation, including vested benefits of \$64,029 and \$69,477	\$ 64,449	\$ 70,122
Actuarial present value of projected benefit obligations	\$ (64,785)	\$ (70,398)
Plan assets at fair value	13,734	15,508
Projected benefit obligations in excess of plan assets	(51,051)	(54,890)
Unrecognized loss	4,659	4,155
Unrecognized prior service cost	254	414
Unrecognized net asset at transition date, being recognized over 15 years	(22)	(29)
Additional minimum liability, recognized as a reduction of stockholders' equity	(4,312)	(3,346)
Accrued pension liability	\$ (50,472)	\$ (53,696)

The following assumptions have been used in the actuarial determinations of the German plans:

	1997	1996
Discount rate	7.0%	7.0%
Rate of increase in compensation levels	2.5%	2.5%

9. Postretirement Medical Benefits

The Company pays limited health care premiums for certain eligible retired U.S. employees. Net postretirement benefit cost included the following components (in thousands):

Year ended December 31	1997	1996	1995
Service cost	\$ 252	\$ 236	\$ 215
Interest cost	499	485	497
Net amortization and deferral	250	264	245
Net postretirement benefit cost	\$ 1,001	\$ 985	\$ 957

The status of the plan and amounts recognized in the Company's consolidated balance sheets were as follows (in thousands):

December 31	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$ (2,837)	\$ (2,313)
Actives eligible to retire	(1,388)	(1,519)
Other actives	(3,571)	(3,145)
Total	(7,796)	(6,977)
Unrecognized loss	951	925
Unrecognized transition obligation, being amortized over 20 years	3,207	3,421
Accrued postretirement benefit liability	\$ (3,638)	\$ (2,631)

The discount rates used in the calculations were 6.75% and 7.50% for 1997 and 1996, respectively.

10. Leases

Total rental expense under operating leases was \$7,073,000, \$9,679,000, and \$9,984,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

Future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows: 1998—\$6,717,000; 1999—\$5,772,000; 2000—\$4,647,000; 2001—\$4,073,000; 2002—\$3,259,000; thereafter—\$8,739,000.

11. Financial Instruments

Financial instruments with potential credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to receivables are limited due to the Company's large number of customers and their dispersion across many countries and industries. At December 31, 1997 and 1996, the Company had no significant concentrations of credit risk. The amounts reported in the balance sheets for cash and cash equivalents and for short-term and long-term debt approximate fair value.

See Note 15 regarding a forward exchange contract related to the acquisitions of TEMIC and Siliconix.

12. Current Vulnerability Due to Certain Concentrations

Sources of Supply

Although most materials incorporated in the Company's products are available from a number of sources, certain materials (particularly tantalum and palladium) are available only from a relatively limited number of suppliers. Tantalum, a metal, is the principal material used in the manufacture of tantalum capacitor products. It is purchased in powder form primarily under annual contracts with domestic suppliers at prices that are subject to periodic adjustment. The Company is a major consumer of the world's annual tantalum production. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Although the Company believes that there is currently a surplus of tantalum ore reserves and a sufficient number of tantalum processors relative to foreseeable demand, and that the tantalum required by the Company has generally been available in sufficient quantities to meet requirements, the limited number of tantalum powder suppliers could lead to increases in tantalum prices that the Company may not be able to pass on to its customers. In an attempt to ensure that the Company will have access to a long-term, stable supply of low-cost tantalum, the Company is negotiating joint venture agreements for a tantalum mine, a refinery, and capacitor production facilities in China. Palladium is primarily purchased on the spot and forward markets, depending on market conditions. Palladium is considered a commodity and is subject to price volatility. Although palladium is currently found in South Africa and Russia, the Company believes that there are a sufficient number of domestic and foreign suppliers from which the Company can purchase palladium. However, an inability on the part of the Company to pass on increases in palladium costs to its customers could have an adverse effect on the margins of those products using the metal.

Geographic Concentration

To address the increasing demand for its products and in order to lower its costs, the Company has expanded, and plans to continue to expand, its manufacturing operations in Israel in order to take advantage of that country's lower wage rates, highly skilled labor force, government-sponsored grants, as well as various tax abatement programs. These incentive programs have contributed substantially to the growth and profitability of the Company. The Company might be materially and adversely affected if these incentive programs were no longer available to the Company or if hostilities were to occur in the Middle East that materially interfere with the Company's operations in Israel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Segment and Geographic Information

Vishay operates in one line of business—the manufacture of electronic components. Information about the Company's operations in different geographic areas is as follows (in thousands):

	United States	Europe	Israel	Other	Elimination	Consolidated
Year ended December 31, 1997						
Net sales to unaffiliated customers	\$ 624,377*	\$ 448,206	\$ 7,989	\$ 44,647	\$ —	\$ 1,125,219
Net sales between geographic areas	66,452	38,755	242,920	15,983	(364,110)	—
Total net sales	<u>\$ 690,829</u>	<u>\$ 486,961</u>	<u>\$ 250,909</u>	<u>\$ 60,630</u>	<u>\$ (364,110)</u>	<u>\$ 1,125,219</u>
Operating profit (loss)	<u>\$ 71,087</u>	<u>\$ (1,705)</u>	<u>\$ 46,485</u>	<u>\$ 7,429</u>	<u>\$ —</u>	<u>\$ 123,296</u>
General corporate expenses						(17,008)
Interest expense						(18,819)
Earnings before income taxes						<u>\$ 87,469</u>
Identifiable assets	<u>\$ 620,450</u>	<u>\$ 508,565</u>	<u>\$ 369,879</u>	<u>\$ 220,754</u>	<u>\$ —</u>	<u>\$ 1,719,648</u>
Year ended December 31, 1996						
Net sales to unaffiliated customers	\$ 557,935*	\$ 504,397	\$ 8,118	\$ 27,529	\$ —	\$ 1,097,979
Net sales between geographic areas	67,839	45,682	235,219	11,243	(359,983)	—
Total net sales	<u>\$ 625,774</u>	<u>\$ 550,079</u>	<u>\$ 243,337</u>	<u>\$ 38,772</u>	<u>\$ (359,983)</u>	<u>\$ 1,097,979</u>
Operating profit (loss)	<u>\$ 60,868</u>	<u>\$ (13,755)</u>	<u>\$ 49,562</u>	<u>\$ 3,854</u>	<u>\$ —</u>	<u>\$ 100,529</u>
General corporate expenses						(12,764)
Interest expense						(17,408)
Earnings before income taxes						<u>\$ 70,357</u>
Identifiable assets	<u>\$ 619,952</u>	<u>\$ 570,004</u>	<u>\$ 347,053</u>	<u>\$ 21,506</u>	<u>\$ —</u>	<u>\$ 1,558,515</u>
Year ended December 31, 1995						
Net sales to unaffiliated customers	\$ 597,154*	\$ 589,488	\$ 5,684	\$ 32,090	\$ —	\$ 1,224,416
Net sales between geographic areas	74,283	53,883	214,322	341	(342,829)	—
Total net sales	<u>\$ 671,437</u>	<u>\$ 643,371</u>	<u>\$ 220,006</u>	<u>\$ 32,431</u>	<u>\$ (342,829)</u>	<u>\$ 1,224,416</u>
Operating profit	<u>\$ 59,877</u>	<u>\$ 31,759</u>	<u>\$ 66,640</u>	<u>\$ 5,528</u>	<u>\$ —</u>	<u>\$ 163,804</u>
General corporate expenses						(11,397)
Interest expense						(29,433)
Earnings before income taxes						<u>\$ 122,974</u>
Identifiable assets	<u>\$ 610,106</u>	<u>\$ 653,395</u>	<u>\$ 255,268</u>	<u>\$ 24,562</u>	<u>\$ —</u>	<u>\$ 1,543,331</u>

* Includes export sales of \$139,511, \$112,402, and \$123,387 for the years ended December 31, 1997, 1996, and 1995, respectively.

Sales between geographic areas are priced to result in operating profit that would be achieved on sales to unaffiliated customers. Operating profit is total revenue less operating expenses. In computing operating profit, general corporate expenses, interest expenses, and income taxes were not deducted.

14. Summary of Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 1997 and 1996 is as follows:

(In thousands, except per share amounts)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Net sales	\$ 273,262	\$ 310,660	\$ 272,661	\$ 273,502	\$ 285,352	\$ 259,889	\$ 293,944	\$ 253,928	\$ 1,125,219	\$ 1,097,979
Gross profit	65,604	85,081	65,630	71,864	70,392	61,177	65,573	53,991	267,199	272,113
Net earnings (loss)	19,658	28,041	19,948	3,783 (2)	20,695	14,484	(6,999)(1)	6,308 (2)	53,302	52,616
Basic and diluted earnings (loss) per share (3)	\$.31	\$.44	\$.31	\$.06 (2)	\$.32	\$.23	\$ (.11) (1)	\$.10 (2)	\$.83	\$.82

(1) Charges for restructuring (\$12,605,000), various tax uncertainties (\$10,000,000), forward exchange contract unrealized loss (\$5,295,000), inventory reserves (\$5,576,000), and a government settlement (\$1,898,000) reduced net earnings by \$27,692,000 or \$.43 per share in the fourth quarter of 1997.

(2) Includes restructuring expense of \$24,826,000 (\$.25 per share) and \$13,204,000 (\$.16 per share) in the second and fourth quarters of 1996, respectively.

(3) Adjusted to give retroactive effect to 5% stock dividends in June 1997 and 1996.

15. Subsequent Events

On March 2, 1998, the Company completed its purchase of 80.4% of the capital stock of Siliconix Incorporated (NASDAQ:SILI) and 100% of the capital stock of TEMIC Semiconductor GmbH for approximately \$500,000,000 in cash. TEMIC's and Siliconix' businesses involve the design, manufacture, and sale of integrated circuits (the IC Division) and discrete active components. On March 4, 1998, Vishay sold (subject to satisfaction of certain foreign regulatory approvals) the IC Division for approximately \$110,000,000. The discrete active components business is conducted primarily in the United States, Germany, Austria, and Asia.

The purchase of TEMIC and Siliconix was funded from the Company's \$1.1 billion revolving credit facilities made available to Vishay on March 2, 1998 (see Note 5).

In connection with the acquisition of TEMIC and Siliconix, Vishay entered into a forward exchange contract on December 16, 1997 to protect against the impact of fluctuations in the exchange rate between the U.S. Dollar and the Deutsche Mark on the amount of U.S. Dollars required for the purchase of TEMIC and Siliconix. The Company has accounted for the contract by marking it to market and recording the resulting gains or losses in the income statement. At December 31, 1997, the contract had an unrealized loss of \$5,295,000 which was reflected in other expense (see Note 7). On March 2, 1998, upon completion of the TEMIC and Siliconix acquisitions, the forward exchange contract was settled and the Company recorded a realized loss of \$11,500,000.

Report of Independent Auditors

Board of Directors and Stockholders Vishay Intertechnology, Inc.

We have audited the accompanying consolidated balance sheets of Vishay Intertechnology, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of operations, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vishay Intertechnology, Inc. at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Philadelphia, Pennsylvania
February 5, 1998, except for Notes 5 and 15,
as to which the date is March 4, 1998

Ernst + Young LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction and Background

The Company's sales and net income increased significantly through 1995 primarily as a result of its acquisitions. Following each acquisition, the Company implemented programs to take advantage of distribution and operating synergies among its businesses. This implementation was reflected in increases in the Company's sales and in the decline in selling, general, and administrative expenses as a percentage of the Company's sales.

In 1995, the Company's growth was fueled, not only by its acquisition of Vitramon, but also by the dramatic expansion in the electronic components industry. This resulted in Vishay's record net earnings of \$92.7 million in 1995.

However, beginning with the last quarter of 1995 and continuing into the first quarter of 1997, the Company has experienced a decline in demand for most of its products, resulting in a decrease in revenues, earnings, and backlogs. The Company believes this may be primarily a result of the worldwide slowdown in demand for tantalum and multi-layer ceramic chip capacitors, the economic downturn in Germany, where a significant portion of the Company's products are sold, and the abrupt worldwide decline in demand for passive electronic components by personal computer and telecommunications manufacturers.

In order to address the slowdown in demand, the Company implemented a restructuring program in 1996 that included the downsizing and closing of manufacturing facilities in North America and Europe. In connection with the restructuring, the Company incurred \$38,030,000 of pretax charges for the year ended December 31, 1996 relating to employee termination and facility closure costs. When the restructuring program is fully implemented, the Company believes that by reducing overhead costs and improving manufacturing efficiency, it will reduce costs by approximately \$38 million per year. In 1997, the Company incurred \$12,605,000 of restructuring expenses relating to employee termination and facility closure costs in Europe. When fully implemented, this restructuring program is intended to reduce costs by approximately \$10 million per year. Depending on future economic conditions, the Company may continue to downsize or close existing facilities in North America, Europe, or elsewhere.

The Company's strategy contemplates transferring some of its manufacturing operations from countries with high labor costs and tax rates (such as the United States, France, and Germany) to Israel, Mexico, Portugal, the Czech Republic, Taiwan, and the Peoples Republic of China in order to benefit from lower labor costs and, in the case of Israel, to take advantage of various government incentives, including government grants and tax incentives. The Company may further reduce its costs in the face of a decline in demand by accelerating the transfer of production to countries with lower labor costs and more favorable tax environments.

The Company realizes approximately 57% of its revenues outside the United States. As a result, fluctuations in currency exchange rates can significantly affect the Company's reported sales and, to a lesser extent, earnings. Currency fluctuations impact the Company's net sales and other income statement amounts, as denominated in U.S. Dollars, including other income as it relates to foreign exchange gains or losses. Generally, in order to minimize the effect of currency fluctuations on profits, the Company endeavors to (i) borrow money in the local currencies and markets where it conducts business, and (ii) minimize the time for settling intercompany transactions. In connection with its day-to-day operations, the Company does not purchase foreign currency exchange contracts or other derivative instruments to hedge foreign currency exposures.

As a result of the increased production by the Company's operations in Israel over the past several years, the low tax rates in Israel (as compared to the statutory rate in the United States) have had the effect of increasing the Company's net earnings. The more favorable Israeli tax rates are applied to

specific approved projects and normally continue to be available for a period of ten years or, if the investment in the project is over \$20 million, for a period of 15 years, which has been the case for most of the Company's projects in Israel since 1994. New projects are continually being introduced. In addition, the Israeli government offers certain incentive programs in the form of grants designed to increase employment in Israel. However, the Israeli government has recently scaled back or discontinued some of its incentive programs. Accordingly, there can be no assurance that in the future the Israeli government will continue to offer new incentive programs applicable to the Company or that, if it does, such programs will provide the same level of benefits the Company has historically received or that the Company will continue to be eligible to take advantage of them. Although the Company might be materially adversely affected if these incentive programs were no longer available to the Company for new projects, because a majority of the Company's projects in Israel already benefit from government incentive programs, the Company does not anticipate that any cutbacks in the incentive programs would have an adverse impact on its earnings and operations for at least several years.

Israeli government grants, recorded as a reduction of costs of products sold, were \$11,352,000 for the year ended December 31, 1997, as compared to \$8,943,000 for the prior year. If the Israeli government continues its grant and incentive programs, future benefits offered to the Company by the Israeli government will likely depend on the Company continuing to increase capital investment and the number of the Company's employees in Israel.

Results of Operations

Income statement captions as a percentage of sales and the effective tax rates were as follows:

Year Ended December 31	1997	1996	1995
Costs of products sold	76.3%	75.2%	73.7%
Gross profit	23.7	24.8	26.3
Selling, general, and administrative expenses	12.2	12.9	13.0
Operating income	9.7	7.8	12.4
Earnings before income taxes	7.8	6.4	10.0
Effective tax rate	39.1	25.2	24.6
Net earnings	4.7	4.8	7.6

Year ended December 31, 1997 compared to Year ended December 31, 1996

Net sales for the year ended December 31, 1997 increased \$27,240,000 or 2.5% from the prior year. The increase in net sales relates primarily to the acquisition of LPSC, which became effective on July 1, 1997. Net sales of LPSC for the six months ended December 31, 1997 were \$38,290,000. Exclusive of LPSC, net sales would have decreased by \$11,050,000 or 1.0%. The strengthening of the U.S. Dollar against foreign currencies for the year ended December 31, 1997 in comparison to the prior year, resulted in a decrease in reported sales of \$55,424,000. Net sales, exclusive of foreign currency fluctuations and the acquisition of LPSC, would have increased by 4.0% over the prior year.

Costs of products sold for the year ended December 31, 1997 were 76.3% of net sales, as compared to 75.2% for the prior year. Gross profit, as a percentage of net sales, for the year ended December 31, 1997 decreased from the prior year mainly due to a difficult pricing environment and also, as part of the Company's fourth quarter 1997 restructuring program, recorded inven

tory write offs of \$5,576,000. Exclusive of the inventory write-off, the gross profit, as a percentage of net sales, would have been 24.2% for the year ended December 31, 1997. The acquisition of LPSC did not have a significant impact on the gross margin percentage.

Israeli government grants, recorded as a reduction of costs of products sold, were \$11,352,000 for the year ended December 31, 1997, as compared to \$8,943,000 for the prior year. Future grants and other incentive programs offered to the Company by the Israeli government will likely depend on the Company continuing to increase capital investment and the number of the Company's employees in Israel. Deferred income at December 31, 1997 relating to Israeli government grants was \$59,300,000.

Selling, general, and administrative expenses for the year ended December 31, 1997 were 12.2% of net sales, as compared to 12.9% for the prior year. LPSC's selling, general, and administrative expenses did not have a significant impact on the percentage. Exclusive of LPSC's selling, general, and administrative expenses, the expenses decreased by \$8,611,000 as compared to the prior year. This decrease relates to the cost reduction program instituted in 1996.

The Company incurred unusual items of \$14,503,000 for the year ended December 31, 1997. Approximately \$10,357,000 of these expenses relate to employee termination costs covering approximately 324 employees located in Germany and France. The restructuring program will be implemented over the next year. In addition, the Company recorded a charge of \$1,625,000 resulting from a judgment rendered by a French court against Sprague France, S.A. The Vishay subsidiary was ordered to make additional payments to certain workers laid off in the last half of 1996 as part of Vishay's restructuring programs. As of December 31, 1997, no payment has been made to the former employees. The Company also incurred an unusual item of \$1,898,000 relating to a settlement with the United States government representing reimbursements for overcharges relating to military products produced prior to 1993 at one of the Company's U.S. subsidiaries. The remaining \$623,000 relates to closing a facility in France. At December 31, 1997, \$11,982,000 of restructuring costs are included in other accrued expenses.

When fully implemented, the 1997 restructuring program is expected to reduce the Company's costs by approximately \$10,000,000 annually.

Interest costs increased by \$1,411,000 for the year ended December 31, 1997 from the prior year due to the acquisition of LPSC. The Company borrowed \$130,000,000 from a group of banks to finance the acquisition of LPSC.

Other income decreased by \$4,255,000 for the year ended December 31, 1997 from the prior year due to an unrealized noncash loss of \$5,295,000 relating to a forward exchange contract (entered into in connection with the TEMIC acquisition, the purchase price of which was denominated in German Marks and payable in U.S. Dollars).

The effective tax rate for the year ended December 31, 1997 was 39.1% as compared to 25.2% for the prior year. The higher tax rate for the year ended December 31, 1997 was due to a charge of \$10,000,000 for various tax uncertainties in the fourth quarter of 1997. Without this charge, the effective tax rate for 1997 would have been 27.6%. The continuing effect of low tax rates in Israel (as compared to the statutory rate in the United States) has increased net earnings by \$10,685,000 and \$10,109,000 for the years ended December 31, 1997 and 1996, respectively. The more favorable Israeli tax rates are applied to specific approved projects and normally continue to be available for periods of either ten or fifteen years.

Year ended December 31, 1996 compared to Year ended December 31, 1995

Net sales for the year ended December 31, 1996 decreased \$126,437,000 or 10.3% from the prior year. The decrease in net sales is indicative of the worldwide slowdown in the demand for tantalum and multi-layer ceramic chip capacitors, the economic downturn in Germany, where a significant portion of the Company's products are sold, and the abrupt worldwide decline in demand for passive electronic components by personal computer and telecommunications manufacturers, which started at the end of 1995.

The strengthening of the U.S. Dollar against foreign currencies for the year ended December 31, 1996, in comparison to the prior year, resulted in a decrease in reported sales of \$20,712,000.

Net sales, exclusive of foreign currency fluctuations, decreased 8.6% over the prior year.

Costs of products sold for the year ended December 31, 1996 were 75.2% of net sales, as compared to 73.7% for the prior year. Costs of products sold for the year ended December 31, 1996 were negatively affected by, among other things, a difficult pricing environment and start-up costs of the Company's new capacitor plant in Israel.

Israeli government grants, recorded as a reduction of costs of products sold, were \$8,943,000 for the year ended December 31, 1996, as compared to \$13,243,000 for the prior year. To the extent the Israeli government continues these grant and incentive programs, future benefits offered to the Company by the Israeli government will likely depend on the Company continuing to increase capital investment and the number of the Company's employees in Israel. Deferred income at December 31, 1996 relating to Israeli government grants was \$58,570,000 as compared to \$30,849,000 at December 31, 1995.

Selling, general, and administrative expenses for the year ended December 31, 1996 were 12.9% of net sales, as compared to 13.0% for the prior year. Selling, general, and administrative expenses have decreased by \$17,056,000, as compared to the prior year, as a result of a cost reduction program instituted in the fourth quarter of 1995, lower sales, and a reduction in management incentives.

The Company incurred a pretax restructuring charge of \$38,030,000 for the year ended December 31, 1996. Approximately \$28,953,000 of those charges relate to employee termination costs covering approximately 2,600 technical, production, administrative, and support employees located in the United States, Canada, France, and Germany. As of December 31, 1996, approximately 1,939 employees had been terminated and \$12,822,000 of the termination costs were paid. The remaining \$9,077,000 of restructuring expense relates to facility closure costs in North America and Europe. The restructuring plan is expected to be completed by March 31, 1998. The Company has sufficient lines of credit to fund these payments. Depending on future economic conditions, the Company may continue to downsize or close existing facilities in North America, Europe, or elsewhere.

When fully implemented, the 1996 restructuring program is expected to reduce the Company's costs by approximately \$38,000,000 annually.

Interest costs decreased by \$12,025,000 for the year ended December 31, 1996 from the prior year primarily as a result of the net proceeds of \$230,279,000 from a common stock offering completed in September 1995 which were used, in large part, to prepay bank indebtedness.

Other income increased by \$1,950,000 for the year ended December 31, 1996, as compared to the prior year. The increase is primarily due to foreign exchange gains of \$371,000 for the year ended December 31, 1996 as compared to foreign exchange losses of \$2,022,000 for the year ended December 31, 1995.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

The effective tax rate for the year ended December 31, 1996 was 25.2% as compared to 24.6% for the prior year. The continuing effect of low tax rates in Israel (as compared to the statutory rate in the United States) has been to increase net earnings by \$10,109,000 and \$19,183,000 for the years ended December 31, 1996 and 1995, respectively. The more favorable Israeli tax rates are applied to specific approved projects and normally continue to be available for periods of either ten or fifteen years. The Israeli tax effect benefit was more pronounced in 1995 primarily as a result of an increased proportion earnings in Israel.

Financial Condition and Liquidity

Cash flows from operations were \$175,913,000 for the year ended December 31, 1997 compared to \$122,186,000 for the prior year. The increase in cash flows from operations is primarily due to a decrease in inventories for the year ended December 31, 1997 as compared to an increase in inventories for the year ended December 31, 1996. Net purchases of property and equipment for the year ended December 31, 1997 were \$75,870,000 compared to \$123,984,000 in the prior year. This decrease reflects the fact that the Company has substantially completed its current restructuring/expansion program. Net cash provided by financing activities of \$60,601,000 for the year ended December 31, 1997 includes \$130,000,000 used to finance the acquisition of LPSC.

See Note 5 to the Company's Consolidated Financial Statements elsewhere herein for additional information with respect to Vishay's loan agreements, long-term debt, and available short-term credit lines.

The Company's financial condition at December 31, 1997 is strong, with a current ratio of 3.38 to 1. The Company's ratio of long-term debt (less current portion) to stockholders' equity was .36 to 1 at December 31, 1997 and .24 to 1 at December 31, 1996.

On March 2, 1998, the Company and certain of its subsidiaries obtained a \$1.1 billion revolving credit facility made available to Vishay under the (i) Vishay Intertechnology, Inc. \$825,000,000 Long Term Revolving Credit Agreement, dated as of March 2, 1998 (the "LT Agreement"), and (ii) Vishay Intertechnology, Inc. \$275,000,000 Short Term Revolving Credit Agreement, dated as of March 2, 1998 (the "ST Agreement" and collectively with the LT Agreement, the "Loan Agreements") each by and among Vishay, Comerica Bank, NationsBanc Montgomery Securities LLC, and the other banks signatory thereto (collectively, the "Banks"), and Comerica Bank, as administrative agent for the Banks (the "Agent"). The Loan Agreements replace all prior loans made to Vishay by the Banks.

The LT Agreement provides for a \$825,000,000 loan, comprising a revolving credit facility and a swing line facility that mature on March 2, 2003, subject to Vishay's right to request year-to-year renewals. The 364-day ST Agreement provides for a \$275,000,000 revolving credit facility that matures on March 2, 1999, subject to Vishay's right to request an initial three month extension and, if granted, subsequent year-to-year renewals. Borrowings under the Loan Agreements will bear interest at variable rates based, at the option of Vishay, on the prime rate or a eurocurrency rate and in the case of any swing line advance, the quoted rate. The borrowings under the Loan Agreements are secured by certain pledges of stock in certain significant subsidiaries and indirect subsidiaries of Vishay and certain guaranties by significant subsidiaries. The Company is restricted from paying cash dividends and must comply with financial covenants.

Management believes that available sources of credit, together with cash expected to be generated from operations, will be sufficient to satisfy the Company's anticipated financing needs for working capital and capital expenditures during the next twelve months.

Year 2000 Compliance

To address its need to modify its computer systems for adaptation to the Year 2000, the Company has taken an inventory of its computer systems and is creating and implementing plans to make them Year 2000 compliant. Currently, the Company is in the process of making the Company's European facilities Year 2000 functional by the end of 1998. The Company is also focusing on bringing its U.S., Asian, and Israeli computer systems into compliance. The Company plans to spend approximately \$1.4 million in 1998 to address all potential software-related issues by the end of 1998. Management does not believe the Company will suffer any material loss of customers or other material adverse effects as a result of these modifications.

Inflation

Normally, inflation does not have a significant impact on the Company's operations. The Company's products are not generally sold on long-term contracts. Consequently, selling prices, to the extent permitted by competition, can be adjusted to reflect cost increases caused by inflation.

Safe Harbor Statement

From time to time, information provided by the Company, including but not limited to statements in this report, or other statements made by or on behalf of the Company, may contain "forward-looking" information within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements involve a number of risks and uncertainties. The Company's actual results could differ materially from those discussed in the forward-looking statements. The cautionary statements set forth below identify important factors that could cause actual results to differ materially from those in any forward-looking statements made by or on behalf of the Company.

- The Company offers a broad variety of products and services to its customers. Changes in demand for, or in the mix of, products and services comprising revenues could cause actual operating results to vary from those expected.
- The Company's future operating results are dependent, in part, on its ability to develop, produce, and market new and innovative products, to convert existing products to surface mount devices and to customize certain products to meet customer requirements. There are numerous risks inherent in this complex process, including the need for the Company to timely bring to market new products and applications to meet customers' changing needs.
- The Company operates in a highly competitive environment, which includes significant competitive pricing pressures and intense competition for entry into new markets.
- A slowdown in demand for passive electronic components or recessionary trends in the global economy in general or in specific countries or regions where the Company sells the bulk of its products, such as the U.S., Germany, France, or the Pacific Rim, could adversely impact the Company's results of operations.
- Many of the orders in the Company's backlog may be canceled by its customers without penalty. Customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. The Company's results of operations may be adversely impacted if customers were to cancel a material portion of such orders.

- Approximately 57% of the Company's revenues are derived from operations and sales outside the United States. As a result, currency exchange rate fluctuations, inflation, changes in monetary policy and tariffs, potential changes in laws and regulations affecting the Company's business in foreign jurisdictions, trade restrictions or prohibitions, intergovernmental disputes, increased labor costs and reduction or cancellation of government grants, tax benefits or other incentives could impact the Company's results of operations.
- Specifically, as a result of the increased production by the Company's operations in Israel over the past several years, the low tax rates in Israel (as compared to the statutory rates in the U.S.) have had the effect of increasing the Company's net earnings. In addition, the Company takes advantage of certain incentive programs in Israel in the form of grants designed to increase employment in Israel. Any significant increase in the Israeli tax rates or reduction or elimination of any of the Israeli grant programs could have an adverse impact on the Company's results of operations.
- The Company may experience underutilization of certain plants and factories in high labor cost regions and capacity constraints in plants and factories located in low labor cost regions, resulting initially in production inefficiencies and higher costs. Such costs include those associated with work force reductions and plant closings in the higher labor cost regions and start-up expenses, manufacturing and construction delays, and increased depreciation costs in connection with the start of production in new plants and expansions in lower labor cost regions. Moreover, capacity constraints may limit the Company's ability to continue to meet demand for any of the Company's products.
- When the Company restructures its operations in response to changing economic conditions, particularly in Europe, labor unrest or strikes may occur, which could have an adverse effect on the Company.
- The Company's results of operations may be adversely impacted by (i) difficulties in obtaining raw materials, supplies, power, natural resources, and any other items needed for the production of the Company's products; (ii) the effects of quality deviations in raw materials, particularly tantalum powder, palladium, and ceramic dielectric materials; and (iii) the effects of significant price increases for tantalum or palladium, or an inability to obtain adequate supplies of tantalum or palladium from the limited number of suppliers.
- The Company's historic growth in revenues and net earnings has resulted in large part from its strategy to expand through acquisitions. However, there is no assurance that the Company will find or consummate transactions with suitable acquisition candidates in the future. From time to time, when the Company is in the process of pursuing a strategic acquisition, the Company or the acquisition target may feel compelled for securities and other legal reasons to announce the potential acquisition or the Company's desire to enter into a certain market prior to entering into formal agreements. As a result, there can be no assurance that the Company will consummate any such acquisition.
- The Company's strategy also focuses on the reduction of selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies and achievement of significant production cost savings through the transfer and expansion of manufacturing operations to lower cost regions such as Israel, Mexico, Portugal, the Czech Republic, Taiwan, and the People's Republic of China. The Company's inability to achieve any of these goals could have an adverse effect on the Company's results of operations.
- The Company may be adversely affected by the costs and other effects associated with (i) legal and administrative cases and proceedings (whether civil, such as environmental and product-related, or criminal); (ii) settlements, investigations, claims, and changes in those items; (iii) developments or assertions by or against the Company relating to intellectual property rights and intellectual property licenses; and (iv) adoption of new, or changes in, accounting policies and practices and the application of such policies and practices.
- The Company's results of operations may also be affected by (i) changes within the Company's organization, particularly at the executive officer level, or in compensation and benefit plans and (ii) the amount, type, and cost of the financing which the Company maintains, and any changes to the financing.
- The inherent risk of environmental liability and remediation costs associated with the Company's manufacturing operations may result in large and unforeseen liabilities.
- The Company's operations may be adversely impacted by (i) the effects of war or severe weather or other acts of God on the Company's operations, including disruptions at manufacturing facilities; (ii) the effects of a disruption in the Company's computerized ordering systems; and (iii) the effects of a disruption in the Company's communications systems.

Common Stock Market Prices

	Calendar 1997		Calendar 1996	
	High	Low	High	Low
First Quarter	\$ 25.00	\$ 20.60	\$ 29.48	\$ 21.77
Second Quarter	\$ 30.83	\$ 20.48	\$ 31.07	\$ 19.29
Third Quarter	\$ 31.88	\$ 23.19	\$ 23.81	\$ 16.55
Fourth Quarter	\$ 28.00	\$ 18.50	\$ 22.26	\$ 16.67

The Company's Common Stock is listed on the New York Stock Exchange under the symbol VSH. The table shown above sets forth the high and low sales prices for the Company's Common Stock as reported on the New York Stock Exchange Composite Tape for the quarterly periods within the 1997 and 1996 calendar years indicated. Stock prices have been restated to reflect stock dividends. The Company does not currently pay cash dividends on its capital stock. Its policy is to retain earnings to support the growth of the Company's business and the Company does not intend to change this policy at the present time. In addition, the Company is restricted from paying cash dividends under the terms of the Company's revolving credit agreements (see Note 5 to the consolidated financial statements). Holders of record of the Company's Common Stock totaled approximately 2,100 at March 25, 1998.

On November 27, 1995, the Company commenced a stock repurchase program pursuant to which the Company was authorized to repurchase up to 750,000 shares of its Common Stock for an aggregate amount not to exceed \$30 million. The purchases of Common Stock by the Company under the repurchase program are made in accordance with the rules of the Securities and Exchange Commission and at the discretion of management. As of December 31, 1995, the Company had repurchased 110,000 shares at an approximate cost of \$3,578,000. No repurchases were made in 1996 or 1997.

FINANCIAL SUMMARY

Summary of Operations (in thousands, except per share amounts)	As of and for the Year ended December 31				
	1997	1996	1995	1994	1993
Net sales	\$ 1,125,219	\$ 1,097,979	\$ 1,224,416	\$ 987,837	\$ 856,272
Costs of products sold	858,020	825,866	902,518	748,135	663,239
Gross profit	267,199	272,113	321,898	239,702	193,033
Selling, general, and administrative expenses	136,876	141,765	158,821	137,124	118,906
Amortization of goodwill	7,218	6,494	6,461	4,609	3,294
Unusual items	14,503	38,030	4,200	—	(562)
Operating margin	108,602	85,824	152,416	97,969	71,395
Other income (expense):					
Interest expense	(18,819)	(17,408)	(29,433)	(24,769)	(20,624)
Other	(2,314)	1,941	(9)	916	123
Total other income (expense)	(21,133)	(15,467)	(29,442)	(23,853)	(20,501)
Earnings before income taxes and cumulative effect of accounting change	87,469	70,357	122,974	74,116	50,894
Income taxes	34,167	17,741	30,307	15,169	8,246
Earnings before cumulative effect of accounting change	53,302	52,616	92,667	58,947	42,648
Cumulative effect of accounting change	—	—	—	—	1,427
Net earnings	\$ 53,302	\$ 52,616	\$ 92,667	\$ 58,947	\$ 44,075
Earnings per share:					
Basic	\$ 0.83	\$ 0.82	\$ 1.55	\$ 1.09	\$ 0.85
Diluted	\$ 0.83	\$ 0.82	\$ 1.55	\$ 1.09	\$ 0.85
Shares used in computing earnings per share:					
Basic	64,318	64,321	59,864	54,131	51,603
Diluted	64,459	64,364	59,897	54,131	51,603
Financial Data (in thousands, except ratios)					
Cash and short-term investments	\$ 55,263	\$ 20,945	\$ 19,584	\$ 26,876	\$ 10,949
Working capital	455,134	434,199	411,286	328,322	205,806
Current ratio	3.38	3.27	2.80	2.41	2.09
Property and equipment — net	709,142	710,662	669,228	543,402	422,668
Capital expenditures — net	75,870	123,984	165,699	91,571	79,377
Depreciation and amortization	81,874	77,247	69,547	57,742	48,578
Total assets	1,719,648	1,558,515	1,543,331	1,345,070	950,670
Long-term debt	347,463	229,885	228,610	402,337	266,999
Stockholders' equity	959,648	945,230	907,853	565,088	376,503

Note: This table should be read in conjunction with the related consolidated financial statements and accompanying notes and management's discussion and analysis of financial condition and results of operations. Includes the results of Lite-On Power Semiconductor Corporation from July 1, 1997, the results of Vitramon from July 1, 1994, the results of Roederstein from January 1, 1993 and the results of the businesses acquired from Sprague Technologies, Inc. from January 1, 1992. Earnings per share amounts and weighted average shares outstanding have been retroactively restated for stock dividends and a 2-for-1 stock split in June 1995. Basic and diluted earnings per share for 1993 includes \$0.03 for the cumulative effect of an accounting change for income taxes.

As of and for the Year ended December 31				As of and for the Six Months ended December 31	As of and for the Year ended June 30	
1992	1991	1990	1989	1988	1988	1987
\$ 664,226	\$ 442,283	\$ 445,596	\$ 415,619	\$ 175,820	\$ 108,951	\$ 59,043
508,018	318,166	312,925	290,801	123,802	68,552	32,079
156,208	124,117	132,671	124,818	52,018	40,399	26,964
101,327	75,973	77,740	75,423	33,712	26,430	18,725
2,380	1,695	1,552	1,502	551	—	—
—	3,700	2,441	1,846	—	—	—
52,501	42,749	50,938	46,047	17,755	13,969	8,239
(19,110)	(15,207)	(19,426)	(21,068)	(9,577)	(2,351)	(1,588)
4,533	(289)	2,344	1,439	3,462	9,778	5,550
(14,577)	(15,496)	(17,082)	(19,629)	(6,115)	7,427	3,962
37,924	27,253	33,856	26,418	11,640	21,396	12,201
7,511	6,363	10,655	8,651	3,557	5,879	1,959
30,413	20,890	23,201	17,767	8,083	15,517	10,242
—	—	—	—	—	—	—
\$ 30,413	\$ 20,890	\$ 23,201	\$ 17,767	\$ 8,083	\$ 15,517	\$ 10,242
\$ 0.72	\$ 0.52	\$ 0.62	\$ 0.51	\$ 0.23	\$ 0.44	\$ 0.31
\$ 0.70	\$ 0.52	\$ 0.61	\$ 0.51	\$ 0.23	\$ 0.44	\$ 0.31
41,982	40,475	37,192	34,895	35,110	35,075	32,744
47,079	40,475	43,663	34,895	35,110	35,075	32,744
\$ 15,994	\$ 14,438	\$ 16,306	\$ 27,779	\$ 29,761	\$ 23,476	\$ 24,031
145,327	128,733	120,384	115,945	118,990	52,501	47,238
2.02	2.65	2.42	2.35	2.50	2.21	4.42
271,619	171,951	166,346	150,912	145,723	35,135	18,936
49,801	26,660	28,999	21,605	13,585	864	2,640
36,062	27,056	26,157	22,288	9,494	4,492	2,782
661,643	448,771	440,656	419,958	409,487	179,353	101,431
139,540	127,632	140,212	186,182	202,551	26,974	7,255
346,625	201,366	177,839	117,984	104,488	94,529	77,609

VISHAY INTERTECHNOLOGY, INC.
World Headquarters
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Phone: 610-644-1300 • Fax: 610-296-0657
<http://www.vishay.com>

Corporate Directory

Board of Directors

Dr. Felix Zandman
Chairman of the Board
Chief Executive Officer
Vishay Intertechnology, Inc.

Avi D. Eden
Vice Chairman of the Board
Executive Vice President
Vishay Intertechnology, Inc.

Donald G. Alfson
Executive Vice President
Chief Business Development Officer
Vishay Intertechnology, Inc.

Robert A. Freece
Senior Vice President
Vishay Intertechnology, Inc.

Richard N. Grubb
Executive Vice President
Treasurer, Chief Financial Officer
Vishay Intertechnology, Inc.

Eliyahu Hurvitz
President and Chief Executive Officer
Teva Pharmaceutical Industries, Ltd.

Dr. Gerald Paul
President
Chief Operating Officer
Vishay Intertechnology, Inc.

Luella B. Slaner
Investor

Dr. Edward B. Shils
George W. Taylor Professor Emeritus
of Entrepreneurial Studies
The Wharton School
University of Pennsylvania

Mark I. Solomon
Founder and Chairman
CMS Companies

Jean-Claude Tine
Investor and
Former Chairman of the Board
Sfernice, S.A.

Honorary Chairman of the Board

Alfred P. Slaner
(Deceased March 14, 1996)

Corporate Officers

Dr. Felix Zandman
Chairman of the Board
Chief Executive Officer

Avi D. Eden
Vice Chairman of the Board
Executive Vice President

Dr. Gerald Paul
President
Chief Operating Officer

Richard N. Grubb
Executive Vice President, Treasurer,
Chief Financial Officer

Donald G. Alfson
Executive Vice President
Chief Business Development Officer

Robert A. Freece
Senior Vice President

Abraham Inbar
Senior Vice President

Henry V. Landau
Vice President

William J. Spires
Vice President, Secretary

Annual Meeting

May 21, 1998 at 10:30 a.m.
Four Seasons Hotel
South Ballroom
Lobby Level
One Logan Square
Philadelphia, PA 19103

Quarterly Report Mailings

Shareholders owning Vishay stock indirectly (through a bank, broker, or nominee who is a registered holder) can receive our reports directly and promptly from the Company at the same time we mail to shareholders of record. To be placed on Vishay's mailing list, call 610/644-1300, Ext. 2314. Shareholders with access to the Internet can find the quarterly report, press releases, and other financial documents at <http://www.vishay.com>.

Stockholders' Information

Independent Auditors
Ernst & Young LLP
Philadelphia, PA

Transfer Agent and Registrar
American Stock Transfer & Trust Company
New York, NY

Stock Exchange Listings
New York Stock Exchange
Symbol: VSH
Midwest Stock Exchange
Chicago Board of Options Exchange

SEC Form 10-K

A copy of the Company's Form 10-K Annual Report for the year ended December 31, 1997, filed with the Securities and Exchange Commission, may be obtained by stockholders without charge by writing to the Corporate Communications Department, Vishay Intertechnology, Inc., 63 Lincoln Highway, Malvern, PA 19355-2120 or through Vishay's website at <http://www.vishay.com>.