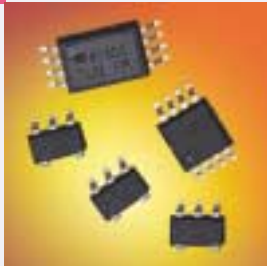


VISHAY INTERTECHNOLOGY, INC.
MANUFACTURER OF THE WORLD'S BROADEST LINE OF DISCRETE ELECTRONIC COMPONENTS



Vishay Dale thermistors



Vishay Siliconix power integrated circuits (ICs)

Vishay Intertechnology, Inc. (NYSE: VSH), a Fortune 1,000 Company with annual sales of \$2.5 billion, is the largest U.S. and European manufacturer of passive electronic components (resistors, capacitors, inductors) and a major producer of discrete semiconductors (diodes, optoelectronics, transistors), IrDCs (infrared communication devices), and power and analog switching integrated circuits. The Company's components can be found in products manufactured in a very broad range of industries worldwide. With headquarters in Malvern, Pennsylvania, Vishay employs over 20,000 people in 66 plants in the U.S., Mexico, Germany, Austria, the United Kingdom, France, Portugal,

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Vishay Telefunken optical sensors

the Czech Republic, Hungary, Israel, Taiwan, China and the Philippines. Vishay can be found on the internet at www.vishay.com.

www.vishay.com

About the Cover

The front cover photo includes a printed circuit board from a modem, a schematic drawing of an electronic circuit, and a silicon wafer. Silicon wafers such as this one are cut into small chips for Vishay transistors, integrated circuits, and other components that are widely used in electronic circuits.

Financial Highlights

As of and For the Year Ended December 31	2000	1999	1998
<i>(In thousands, except per share amounts)</i>			
Net sales	\$ 2,465,066	\$ 1,760,091	\$ 1,572,745
Operating profit	696,498	193,744	93,925
Net earnings	517,864	83,237*	8,212*
Depreciation and amortization	140,840	139,676	127,947
Basic earnings per share	\$ 3.83	\$ 0.66*	\$ 0.07*
Diluted earnings per share	\$ 3.77	\$ 0.65*	\$ 0.07*
Weighted average shares outstanding – basic	135,295	126,678	126,665
Weighted average shares outstanding – diluted	137,463	128,233	126,797
Cash flows from operations	\$ 542,319	\$ 239,547	\$ 169,450
Working capital	1,057,200	604,150	650,483
Property and equipment – net	973,554	930,545	997,067
Long-term debt	140,467	656,943	814,838
Stockholders' equity	\$ 1,833,855	\$ 1,013,592	\$ 1,002,519



* Includes charges for the sale of a subsidiary and a German tax rate change of \$14,562,000 (\$0.11 per share) for the year ended December 31, 1999, and restructuring expenses and unusual charges of \$55,335,000 (\$0.44 per share), \$27,692,000 (\$0.22 per share), and \$38,030,000 (\$0.21 per share) for the years ended December 31, 1998, 1997 and 1996, respectively.

** Lighter shade in graphs excludes charges for the sale of a subsidiary and a German tax rate change of \$14,562,000 (\$0.11 per share) for the year ended December 31, 1999, and restructuring expenses and unusual charges of \$55,335,000 (\$0.44 per share), \$27,692,000 (\$0.22 per share), and \$38,030,000 (\$0.21 per share) in 1998, 1997 and 1996, respectively.

To Our Shareholders, Employees, Customers, and Vendors:

Year 2000

Looking back at our excellent results during the year 2000, demand from our customers reached record highs in practically all of our product areas, resulting in shortages of many of our components in the market place. Our sales reached \$2,465,066,000 and our net earnings were \$517,864,000 (21% net return on sales); earnings per share were \$3.77.

Demand was fueled primarily by growth in the wireless communications market, as well as growth in other major market sectors. Annual global shipments of cell phones increased from 110 million units in 1997 to 283 million units in 1999 and to 405 million units in 2000. This represented a 43% increase in shipments of cell phones in 2000 compared to 1999. At the same time, the number of passive components per phone continued to increase. As a result of this strong demand, our bookings (orders) were \$2.8 billion in 2000, a 40% increase over 1999, and annual sales approached \$2.5 billion.

Our passive components business, which represented 66% of total Company sales in 2000, had outstanding results, with gross margins of 42% as compared to 22% in 1999. Our semiconductor business, consisting of Siliconix and Telefunken, which represented 34% of total Company sales in 2000, also had outstanding results, with gross margins of 39% as compared to 32% in 1999.

During the year, we strengthened the Company with four small acquisitions which in total will add approximately \$70 million annually to our sales and be accretive to earnings in 2001. These four acquisitions were:

- Electro-Films, Inc.: a technology leader in the manufacture of thin-film components and networks on ceramic and silicon, including resistors, capacitors, inductors, and microwave components.
- Cera-Mite Corporation: a worldwide supplier of ceramic disc capacitors and thermistors. Cera-Mite is known for its excellence in the technology of ceramic materials.
- Spectrol: a manufacturer of sensing transducer-type potentiometers used primarily in the automotive industry, and trimmer potentiometers used in various types of electronic circuitry.
- Tansitor: the leading manufacturer of wet tantalum electrolytic capacitors used for military applications, and miniature conformal coated solid tantalum capacitors used for hearing aids.

During 2000, we also sold our 65% participation in Lite-On Power Semiconductor Corporation (LPSC) and realized a pretax gain of \$8.4 million. We decided to exit this joint venture due to the unsatisfactory performance of this partnership.

Recently, we made an offer to purchase the 19.6% of Siliconix in public hands at a price of \$28.82 per share.

Financial Highlights

For the year ended December 31, 2000, sales were \$2,465,066,000, compared to \$1,760,091,000 in the previous year, an increase of 40.0%. Net earnings for the year ended December 31, 2000 were \$517,864,000 or \$3.77 per share (diluted), compared to \$83,237,000 or \$0.65 per share (diluted) in the previous year, an increase of 522.2%.

Earnings per share amounts for both periods reflect a 3-for-2 stock split paid June 9, 2000.

Gross profits for the year ended December 31, 2000 were 40.8% of net sales, compared to 26.2% in the prior year. Selling, general, and administrative expenses were 12.1% of net sales for the year ended December 31, 2000, compared to 14.5% of sales in the prior year. This resulted in operating income reaching \$696,498,000 or 28.3% of net sales for the year ended December 31, 2000, compared to \$193,744,000 or 11.0% of net sales in the prior year, an increase of 260%.

The Company generated substantial cash during the year 2000, resulting in the Company being in the strongest financial condition in its history. For the year ended December 31, 2000, the Company's cash flow from operations was \$542,319,000, compared to cash flow from operations of \$239,547,000 in the prior year. Purchases of property and equipment for the year ended December 31, 2000 were \$229,781,000 as compared to \$119,638,000 in the prior year.

In addition, in May 2000, the Company completed a successful secondary public offering by selling 8,392,500 shares of its common stock, with net proceeds to the Company of \$395 million. The Company used these proceeds and free cash generated from operations to repay the debt outstanding under its long-term revolving credit facility. Our cash balance at December 31, 2000 was \$337,000,000 and long-term debt was \$140,000,000, resulting in a net cash position of \$197,000,000 ... our best balance sheet ever.

Looking Ahead

The year 2001 industry environment involves revised sales forecasts of end products such as cellular telephones and computers. The business environment for some of our customers (producers of cell phones and computers) therefore involves reduction in supplies of electronic components, which is our business.

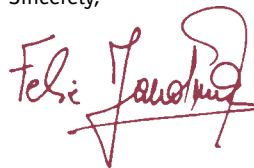
While the year 2000 was very good for Vishay, as evidenced by our historically high results, 2001 will be a time for adjustment. We hope that this period of adjustment, characterized by customer inventory reductions, reductions in market demand, and order cancellations, will be temporary. However, this lower market profile will provide new opportunities for Vishay to leverage its strong financial position and aggressively pursue new acquisitions. We believe that Vishay's acquisition strategy, new product development, and continuing cost reduction measures, together with improving industry conditions by the end of 2001 as predicted by many industry sources, will benefit the Company and its shareholders.

Vishay has a cash surplus of \$197,000,000 in excess of its long-term debt, and almost \$2 billion in equity. This puts Vishay in a position to grow through acquisitions and take advantage of any softening in

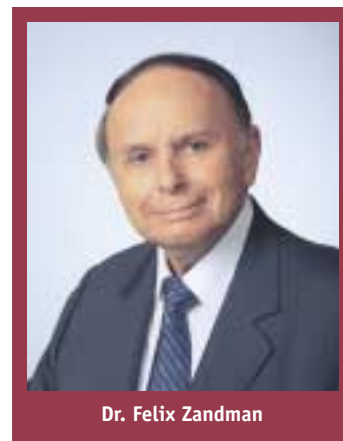
economic conditions that temporarily decreases the prices of Vishay's potential acquisition targets. During past industry downturns, Vishay generally has done better than competing companies and has emerged stronger than ever. We are poised to acquire businesses in the active and passive component markets that will further strengthen Vishay. This is consistent with Vishay's historic ability to maintain a competitive edge throughout economic cycles. In the year 2001 and beyond, we will continue to build on our position as a leader in the U.S., European, and Asian electronics markets.

We are extremely grateful to our employees worldwide for their loyalty, skill, and energy which has contributed significantly to our growth. We value highly the relationship we have with our customers and suppliers. To our fellow shareholders, we thank you for your continued confidence in Vishay. We look forward to meeting the challenges ahead.

Sincerely,



Felix Zandman
Chairman of the Board and Chief Executive Officer
April 2001



Vishay manufactures the broadest portfolio of discrete electronic components (passives and actives) in the industry, with market shares ranging from substantial to number one for each product.

Vishay components are essential “building blocks” of electronic circuits that power technology and communications. Worldwide demand for electronic components used in these circuits continues to increase each year. This drives growing demand for Vishay products in all major market sectors.

Growing Market Demand

Widely used electronic products — everything from cell phones and personal digital assistants (PDAs) to notebook computers to medical devices — are becoming faster and more complex. Meanwhile, sophisticated electronic circuits continue to displace mechanical systems in automobiles, industrial manufacturing equipment, even household appliances. Despite ups and downs in different market sectors, the total global electronic component market is projected to grow from approximately \$288.7 billion in 2001 to approximately \$369.3 billion in 2003.* This translates into growing demand for passive and active electronic components made by Vishay.

The Vishay Advantage

Vishay manufactures the broadest portfolio of discrete electronic components (passives and actives) in the industry, with market shares ranging from substantial to number one for each product. Vishay’s product portfolio enables it to offset moderating demand for some components with strong demand for others. In addition to manufacturing commodity products that are sold by the billions each year, Vishay also manufactures high-tech, high-margin products protected by Vishay patents and proprietary know-how.

Vishay’s diverse product line, in addition to minimizing the impact of industry business cycles, gives customers the benefits of one-stop shopping. Customers can turn to Vishay for total discrete component solutions, while Vishay becomes involved in the early stages of customers’ product development and design.

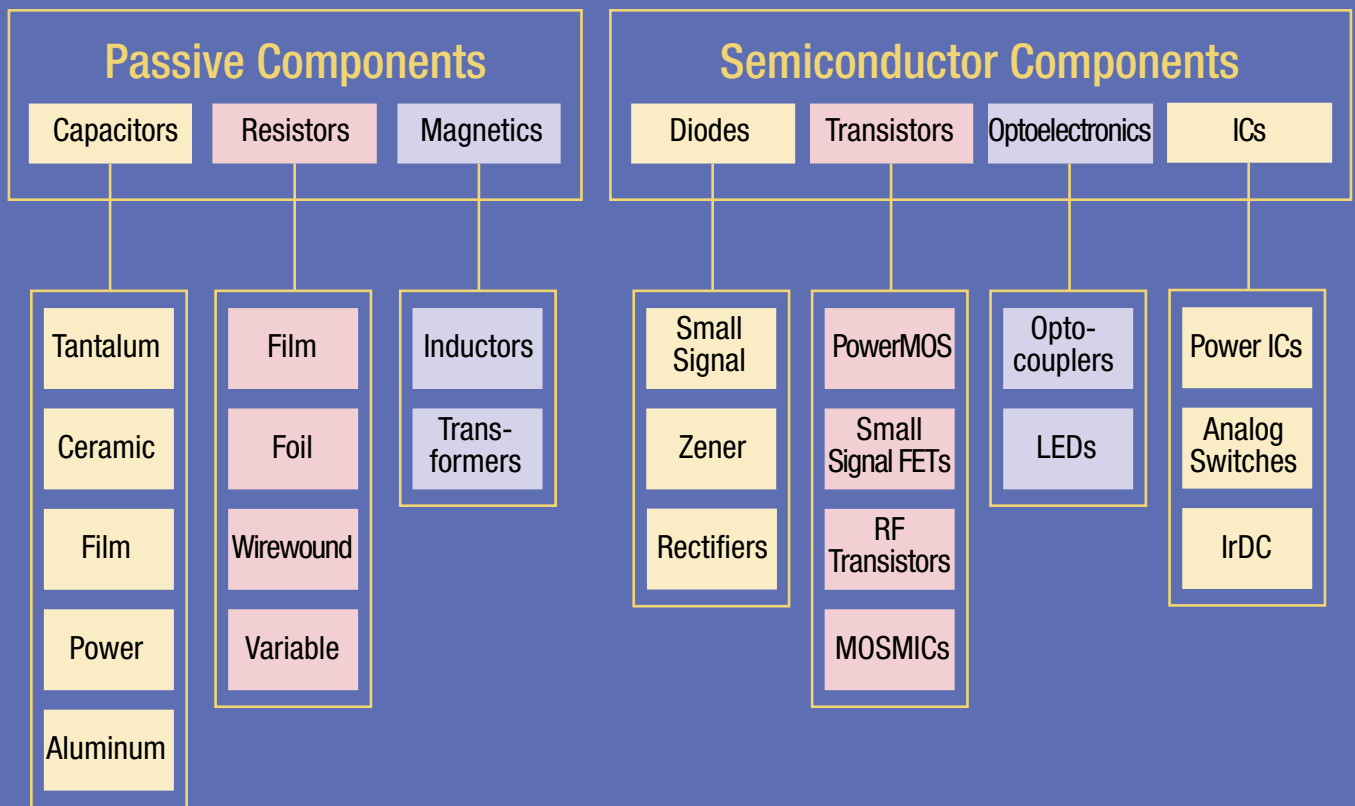
Skilled Management

Vishay’s dramatic growth — from sales of \$57 million in 1985 to \$2.5 billion in 2000 — has been guided by a skilled management team. Vishay continually explores acquisition opportunities with an eye towards complementing existing Vishay product lines, enhancing operations, and improving the bottom line. Vishay’s acquisition strategy and continuing commitment to product innovation have made Vishay a global industry leader. Management focus on streamlining operations and reducing costs has enabled the Company to maintain a competitive edge during industry downturns, maximize the benefits of market upswings, and plan successfully for the future.

Vishay Partners with Leaders

Vishay’s customers include leading original-equipment manufacturers (OEMs) with widely recognized brand names. These include Intel, Cisco, Nortel, Nokia, Siemens, Ericsson, Motorola, IBM, Sony, Compaq, and Dell, to name just a few. Vishay also benefits from the trend towards outsourcing and the dramatic growth of contract manufacturing of computers, phones, and other consumer products. Vishay is a key supplier to leading electronics manufacturing services (EMS) companies such as Solectron, SCI, Celestica, Jabil, and Flextronics. Vishay also has strong relationships with

Vishay Product Line



Passive components reduce electrical currents, store electric energy, or filter frequencies. They are referred to as *passive* because they do not amplify DC current or voltage. In contrast, semiconductor (active) components amplify electrical currents, convert currents, or switch electronic and optical signals.

leading component distributors. Key distributors of Vishay components include global leaders such as Arrow, Avnet, Future, and TTI, as well as top regional and local distributors. When it comes to OEM customers, EMS customers, and distributors, Vishay partners with the leaders.

Customer Service

Vishay addresses essentially all of its customers' discrete electronic component needs. Vishay's commitment to superior customer service is a key part of its corporate

mission. Vishay serves customers through a global network of manufacturing facilities, sales and technical support offices, independent distributorships, and manufacturers' representatives. To ensure uninterrupted supplies to customers, Vishay maintains dual or triple internal manufacturing sourcing for most of its products. Vishay has customer service centers and inventories strategically located where customers need them — in The Americas, Europe, and Asia.

Vishay and the industry have grown, driven by the emergence of new technologies, industry consolidation, a commitment to solve customer problems, and an ongoing effort to make products better, more cost-efficient, and defect-free.

Initial Technology Breakthroughs

In the 1950s, as the electronics industry began its accelerated growth, Dr. Felix Zandman, a physicist, and current Chairman and CEO of Vishay, was issued patents for his PhotoStress® coatings and instruments. These devices are used to reveal and measure the distribution of stresses in structures under live load conditions such as airplanes and cars. Dr. Zandman's research in this area led him to develop Bulk Metal® foil resistors — ultra-precise, ultra-stable resistors that provide performance far beyond any other resistor available.

In 1962, Dr. Zandman, with the financial help of the late Alfred P. Slaner, founded Vishay to develop and manufacture Bulk Metal foil resistors. Concurrently, J.E. Starr, a colleague of Dr. Zandman, developed foil resistance strain gages, which also became a part of Vishay. The Company was named after Dr. Zandman's and Mr. Slaner's ancestral village in Lithuania, in memory of family members who perished in the Holocaust.

Throughout the '60s and '70s, Vishay established itself as a technical and market leader in PhotoStress products, strain gages, and foil resistors.

Acquisitions and Dramatic Growth

By the early '80s, Vishay was positioned to grow significantly. Because the markets for PhotoStress, resistance strain gages, and ultra-precise resistors were relatively small, the Company moved to expand into high-volume resistors. Such resistors are used by the billions every year, in virtually every sector of the electronics industry.

Vishay's strategy was to enter the market through the acquisition of respected, well-positioned manufacturers. The Company set strict acquisition criteria for technological strength, brand recognition, manufacturing capabilities, markets served, and management depth.

Beginning in 1985, Dale Electronics, Draloric Electronics, and Sfernice were acquired. These new operations helped produce dramatic sales growth — from \$57 million to more than \$400 million in just three years. Vishay quickly achieved a position as the largest fixed resistor manufacturer in the United States and Europe.

New Products and Markets

These acquisitions also brought other passive electronic components into Vishay, such as inductors, specialty

PHOTOSTRESS® AND STRAIN GAGES



PhotoStress is an optical method of measuring structural stresses. A PhotoStress-coated structure, when viewed through a polariscope, reveals stress distribution in the form of color fringes. Strain gages are resistive sensors used to measure stresses or weight. Vishay Measurements Group is the world's largest producer of PhotoStress and strain gage products for testing laboratories, manufacturers of electronic scales, and other markets.

VISHAY'S MARKETS

All electronic circuits:

- Communications equipment
- Computers
- Automotive electronics
- Instrumentation and medical electronics
- Military and aerospace equipment
- Industrial, commercial, and entertainment equipment

capacitors, plasma displays, specialty connectors, transformers, thermistors, and oscillators — complementing Vishay's strength in resistors. In fact, this diversification underscores the strategy that Vishay continues to pursue today — to be the manufacturer of the broadest line of discrete electronic components in the industry.

In the early '90s, Vishay applied its acquisition strategy to the high-volume capacitor market, extending its range of products and increasing penetration in passive components.

Major acquisitions included Sprague Electric, the inventor and manufacturer of tantalum capacitors; Roederstein, a manufacturer of film, aluminum, and ceramic disc capacitors and thick film chip resistors; and Vitramon, a high-quality manufacturer of multilayer ceramic chip capacitors. By 1994, annual sales had reached \$988 million.

Expansion into Semiconductors

In 1997, Vishay entered the discrete semiconductor market, acquiring 65% of LPSC. In 1998, Vishay acquired the

RESISTORS

Bulk Metal® Foil Resistors ■
Metal Film Resistors and

Networks ■ Thick Film Resistors and Networks ■ Thick Film R/C Networks ■ Thin Film Resistors and Networks ■ Current Sensing Resistors ■



Resistors are the most widely used type of electronic component. They control the flow of electrical current, just as valves control water flow. The basic unit of resistance is the ohm. Fixed resistors have a constant ohmic value. Variable resistors can be adjusted to different values to modify circuit behavior. Resistors designed to change value in response to temperature change are called thermistors.

MISSION STATEMENT

TO PROVIDE OUR CUSTOMERS WITH:

- a single manufacturing source for passive components and discrete semiconductors
- quality state-of-the-art products at competitive prices
- a continuous stream of new products
- superior customer service worldwide

TO PROVIDE OUR SUPPLIERS WITH:

- reliable long-term relationships

TO PROVIDE OUR SHAREHOLDERS WITH:

- a good return on their investment

TO PROVIDE OUR EMPLOYEES WITH:

- responsible and ethical leadership
- a creative working environment
- responsible community membership at all Vishay locations

Semiconductor Business Group of TEMIC, which included Telefunken and 80.4% of Siliconix, producers of transistors, diodes, optoelectronics, and power and analog switching integrated circuits. Vishay sold its interest in LPSC (a joint venture that did not meet Vishay's expectations) in July 2000 in order to better focus on its successful Siliconix and Telefunken businesses. Vishay's Siliconix division — based in Silicon Valley — and Telefunken unit are known for innovations in product performance, packaging, and technology.

Ongoing Growth

Vishay and the industry have grown, driven by the emergence of new technologies, industry consolidation, a commitment to solve customer and application problems, and an ongoing effort to make products better, more cost-efficient, and defect-free. Recent acquisitions have included Electro-Films, Cera-Mite, Spectrol, and Tansitor, each of which, while relatively small, has enhanced Vishay's product portfolio and provided new opportunities for synergy across product lines. With a balance sheet consisting of \$337 million in cash, \$140 million in long-term debt, and almost \$2 billion in equity, Vishay remains well positioned for new acquisitions.

RESISTORS

Wirewound Resistors ■
Power Metal® Strip



Vishay resistors range from ultra-precision aerospace and instrumentation components that withstand extreme temperature conditions to miniature chip resistors used in cell phones and other familiar consumer products.

Resistors ■ Panel Controls ■ Thermistors ■ Varistors ■ Fuse Resistors ■ Trimming Potentiometers ■ Panel Potentiometers

The growth of the global communications equipment market fuels growing demand for Vishay semiconductors and passive electronic components.

The total worldwide communications equipment market is expected to grow from approximately \$1.27 trillion in 2001 to approximately \$1.48 trillion in 2003.* These numbers, which take into account equipment for networking, LAN and Internet access, voice communications, and mobile communications, as well as telecommunications services, reflect the growing convergence of voice, data, and video into "broadband" communications.

* Dataquest, April 2000

Telecommunications towers are part of the infrastructure for voice and data communication that depends on electronic components.

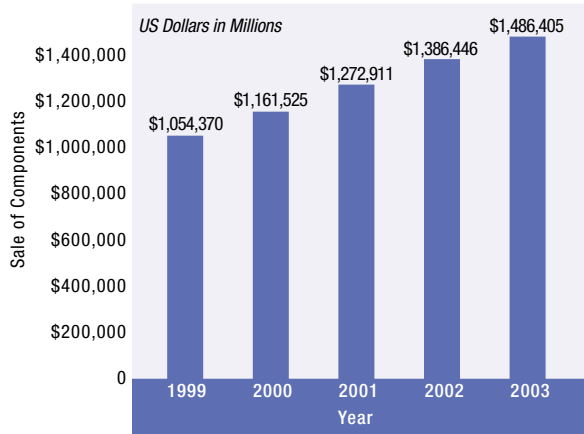
CAPACITORS



Capacitors act like gates or filters. They can be used for energy storage, discharge, filtering, and coupling. Capacitors are made of two or more conducting plates separated by an insulator (dielectric). The second most commonly used type of electronic component after the resistor, they are found in most kinds of electronic equipment, from consumer products to medical instruments and avionics.

Tantalum (Solid) Capacitors ■ Tantalum (Wet) Capacitors ■ Ceramic Capacitors ■ Film Capacitors ■ Aluminum Capacitors

Worldwide Communications Equipment and Services Forecast

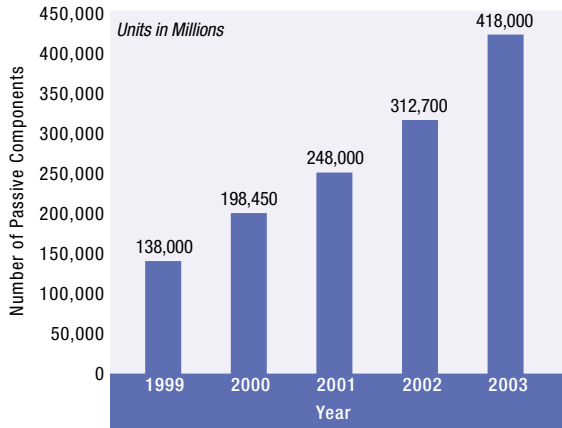


Source: Dataquest, April 2000

The growth of the global communications equipment market fuels growing demand for Vishay semiconductors and passive electronic components. Vishay components are used in communications infrastructure, including base stations that link satellites and phone users, PBX equipment, power supplies, and routers. Corporations, Internet service providers, and telecommunications companies use routers to sort and direct data and voice communications, as well as “streaming” audio and video delivered to PCs.

Also fueling demand for Vishay components is the growing usage of cell phones, PDAs, pagers, and other wireless devices. According to information published in 2001, over 400 million mobile phones were purchased during the year 2000. Some sources estimate that this figure could rise to one billion by 2003 and even higher by 2004.*

Global Usage of Passive Components in Communications Equipment Market



These applications also use substantial numbers of semiconductors, many of which are produced by Vishay.

Source: Paumanok Publications, March 2001

Another industry study estimates that the number of persons worldwide who subscribe to data services will increase from 170 million in 2000 to over 1.3 billion in 2004.** Access devices are expected to include phones with text display capabilities, PDAs from Palm and other companies, and wireless Internet appliances.

Electronic devices, such as MP3 players, for digital audio recording and playback, digital cameras, digital set-top boxes, and video game consoles sometimes blur the distinction between entertainment and communication. These devices, which continue to become more sophisticated and more widespread, rely on types of components

* Upside magazine, March 2001; Vishay estimates

** Cahners In-Stat Group, 2000

MAGNETICS



Inductors

Inductors, which have cores that create magnetic fields when current is applied to them, belong to a category of components called magnetics. They are often referred to as AC resistors or chokes. Inductors are used to control AC current and voltage. For example, they can be used to filter electronic noise, because they allow low frequency current to pass while blocking unwanted, higher frequency signals.



Video game controllers include types of components manufactured by Vishay.

made by Vishay. Global production of video game consoles is forecast to reach almost 44 million units by 2004, with an estimated semiconductor content value of \$104 per unit.*

The growing information appliance market is another factor in electronic component usage. Worldwide production of information appliances is projected to increase dramatically from 1.8 million units in 1999 to 391 million units in 2003. Worldwide revenues for information appliances are forecast to grow from \$497 million in 1999 to \$91 billion in 2003.*

* Vishay estimates



Usage of PDAs and other wireless devices helps to fuel demand for Vishay components.

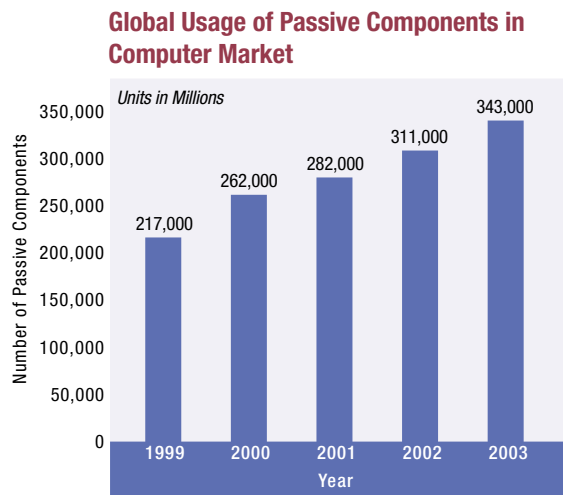
DIODES



Diodes are semiconductors that consist of a positive terminal (anode) and a negative terminal (cathode). They act like gates, blocking electrical current up to a certain voltage in one direction, and letting it pass in the other direction. Hence, they produce DC output from an AC input. For example, a type of high current diode is used in a clock radio to change the AC voltage from a wall outlet to a specific DC voltage.

Small Signal Diodes ■ Zener Diodes ■ Rectifiers ■ Transient Voltage Suppressors

Vishay semiconductors and passive components enable more and more features to be packaged in new generations of smaller and lighter computers.



These applications also use substantial numbers of semiconductors, many of which are produced by Vishay.

Source: Paumanok Publications, March 2001

Vishay components can be found in nearly every computer subsystem, including the motherboard, monitor, keyboard, mouse, graphics card, internal and external disk drives, PCMCIA card, and modem — as well as in printers, fax machines, and copy machines. Despite a projected slow-down for the year 2001 in the overall growth rate of personal computer (PC) sales, faster computer processing speeds and increasing complexity drive growing demand for Vishay components.

A microprocessor is a complex integrated circuit (IC) located on a computer's motherboard that does all the calculations and coordinates all the computer's activities. The microprocessor and other electronic circuits make up the central processing unit, or CPU. Each new generation of PCs features faster microprocessing speeds. In 1995, a speed of 200 megahertz (200 million cycles per second) was considered fast. The 1-gigahertz (one billion cycles per second) PC, which set a new standard for microprocessing speed, is now being surpassed by even faster PCs.

TRANSISTORS



Power MOSFETs

Power MOSFETs act as switches that turn circuits on or off or adjust voltage. They are semiconductor devices made up of many individual transistors (as many as one million) on one piece of silicon. Power MOSFETs prevent components from heating up and conserve power. They are used in cell phones, PDAs, and other battery-operated products, as well as computers and some automotive applications.

Each increase in microprocessing speed requires a greater number of supporting passive components. Intel's 486 microprocessor, which required 124 supporting passive components, was succeeded by Intel's Pentium® processor, which required 252 passive components, the Pentium II, which required 345 passive components, and the Pentium III, which requires 440 supporting passive components. The even more powerful Pentium 4 requires a greater number of supporting passive components. Each of these computers, of course, also uses many discrete semiconductors.

Vishay semiconductors increase efficiency and extend battery life in notebook computers. Together with Vishay passive components, they enable more and more features to be packaged in new generations of smaller and lighter computers.

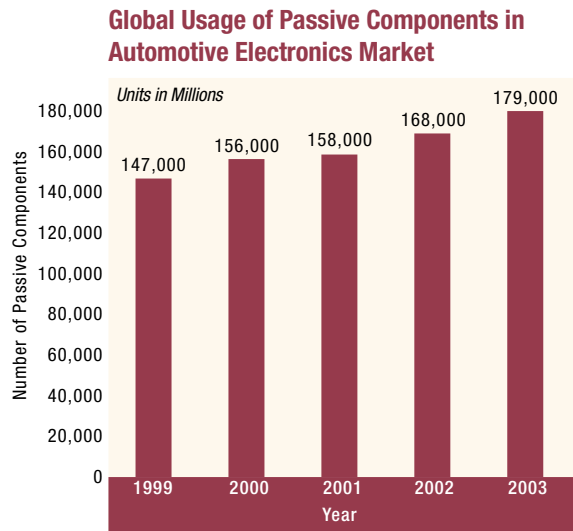
A wide variety of Vishay passive and active components are used in computers and peripherals.

POWER ICs



Power integrated circuits (ICs) are semiconductor devices that control, regulate, or switch power. They are used for the conversion, management, and interface requirements of power systems, as well as motor control in products ranging from disc drives to water pumps. Power ICs are found in laptop and desktop computers, automotive instrumentation, industrial controls, and wireless communications devices.

It is estimated that 90% of all future innovation in automobiles will be driven by electronics. This involves a wide variety of functions and systems that rely on passive and active electronic components.



These applications also use substantial numbers of semiconductors, many of which are produced by Vishay.
Source: Paumanok Publications, March 2001

Although projected annual vehicle sales growth has slowed this year, the number of electronic components per vehicle continues to increase. This results from the replacement of mechanical functions by sophisticated electronic circuits, as well as increased use of advanced safety, security, climate control, entertainment, and communication systems in automobiles.

It is estimated that 90% of all future innovation in automobiles will be driven by electronics.* This involves a wide variety of functions and systems that rely on passive and active electronic components.

Innovations in automotive electronics include traction control, electronic power steering, tank-leakage detection, stability control, brake-by-wire, keyless entry, and more. Many of these advances originated in technologies developed for the computer and communications markets, but their adaptation for cars and trucks involves a number of challenges. In the automotive market, environmental ranges and climate conditions are extreme, product life cycles are relatively long, the cost of component repair is high, and the reliability of components is crucial.

* Roland Berger & Partners GmbH, March 2000

IrDC TRANSCEIVERS



Infrared data communications (IrDC), similar to the technology used in a television remote control, links electronic devices without using cables. IrDC devices are semiconductor-based modules that use a focused beam of light to emit and receive data transmissions. IrDC ports enable wireless data transfer in notebook computers, cell phones, PDAs, printers, and other products.

Innovations in Automotive Electronics (partial list)

- Active body control
- Active stability control
- Brake assistance
- Brake-by-wire
- Cylinder shut-off
- Drive-by-wire
- Electromagnetic valve actuation
- Electronic power steering
- Gasoline direct injection
- Heads-up display
- Keyless entry
- Multifunction steering wheel
- Navigation system
- Parking assistant
- Remote diagnosis
- Steer-by-wire
- Tank leakage detection
- Traction control
- Voice recognition
- Window bags
- Xenon lights

It is estimated that electronics as a percentage of total vehicle cost will increase from 25% in year 2000 to 29-33% in 2005 and potentially 33-44% by 2010.* Despite a projected dip in year 2001 vehicle sales worldwide compared to sales in 2000, increased reliance on complex electronic subsystems drives growing demand for Vishay components.

* Roland Berger & Partners GmbH, March 2000

Vishay components are used in most automotive subsystems.

OPTOELECTRONICS



The basic optoelectronic products are light-emitting diodes (LEDs) and photo-detecting devices. They act as diodes, allowing current to flow in one direction. LEDs generate a specific wavelength (color) of light, while photodetectors translate light into electrical signals. They are used as light sources or data transmitters and receivers in products ranging from home entertainment to industrial equipment.

Photo Detectors ■ Infrared Emitters ■ Optocouplers ■ Optosensors ■ Photo Modules ■ LEDs ■ Displays



All types of medical equipment, from CAT-scan machines to pacemakers to hearing aids, rely on electronic components.

By 2002, the worldwide semiconductor market for instruments, medical equipment, and manufacturing systems is expected to grow to more than \$13 billion.

By 2002, the worldwide semiconductor market for instruments, medical equipment, and manufacturing systems is expected to grow to more than \$13 billion.* As product development cycles become shorter, the ability of component suppliers to work with manufacturers during the design phase, and to solve subsystem problems such as power management and cordless connectivity, is becoming ever more critical.

Vishay components are found in many different types of test, measurement, and instrumentation systems, which are becoming increasingly complex and versatile. For example, handheld oscilloscopes and digital multimeters are giving test and measurement professionals on-site capabilities that

were once confined to engineering labs. Devices for scanning price and product information, monitoring inventory, and tracking shipments are becoming part of increasingly complex systems involving wireless communication and Web-based interaction between customers and vendors.

In the medical electronics area, miniaturization is being driven by the trend towards minimally invasive therapies such as laparoscopic surgery and by the growing importance of home care. Vishay components are used in pacemakers and other implantable medical devices, where reliable, long-term performance is essential, as well as in hearing aids and a wide variety of other devices.

* Dataquest, January 1999

INTEGRATED COMPONENTS



Integrated components contain multiple parts in a single package. Categories include groupings of a single type of component in one surface-mounted package (arrays); groupings of more than one type of component (networks); and integrated passive and active surface-mounted devices (IPADs). An integrated component, when used to replace several individual components, can save space and decrease costs.

Every component Vishay provides for the military and aerospace market is backed by comprehensive testing and failure analysis facilities, and by an experienced technical staff.

Vishay maintains a long-term commitment to military and aerospace customers. Vishay components used in military and aerospace equipment are designed to function reliably when subjected to extremely hot and cold temperatures, intense vibration, and other environmental stresses.

In addition, Vishay has the ability to custom-design and produce components to meet the high expectations of quality and reliability demanded by military and aerospace customers. Vishay produces custom components for applications as diverse as missile systems and ground-based communication systems. Every component Vishay provides

for the military and aerospace market is backed by comprehensive testing and failure analysis facilities, and by an experienced technical staff.

The worldwide market for military and aerospace equipment is expected to grow by \$11.5 billion from 1997 to 2002.* However, demand for electronics for some systems will grow more quickly. Military and civil aerospace semiconductor demand, for example, is projected to grow by 5.4% annually to almost \$3.4 billion during the same period,* as the electronics content for new systems and system upgrades rises.

* Dataquest, January 1999



Vishay products are used in spacecraft, airplanes, satellites, and military equipment.

ANALOG SWITCHES



An analog switch is an integrated circuit that switches (or gates) analog electrical signals. A basic configuration includes an analog input, a load to which the analog signal is to be connected, and a control signal for turning the switch on and off. High-voltage analog switches are found in instrumentation and measurement equipment. Low-voltage analog switches are found in portable devices including cell phones and PDAs.

As a company founded four decades ago to manufacture and market innovative products, Vishay remains firmly committed to research and development (R&D).

Vishay scientists and engineers focus on bringing to market new manufacturing techniques, new packaging methods, and new products and technologies that lead to better and more advanced end products. Some examples of recent technological innovation include:

- New zero TCR Bulk Metal[®] foil resistors, ultra-precision aerospace and instrumentation components that are unaffected by temperature changes and outperform all other types of resistors available;
- Power Metal Strip[®] resistors, surface-mount components that are extremely efficient at handling the flow of electricity in phones, computers, cars, and other end products;
- Manufacturing techniques for lowest-in-industry-ESR polymer tantalum capacitors that perform at very high frequencies;
- TrenchFET[®] technology that increases transistor density to 178 million cells per square inch (the highest in the industry), providing the lowest on-resistance and enabling advanced power handling in cell phones and the communications infrastructure powering the Internet;
- MICRO FOOT[™] chip-scale power MOSFETs that are 70% smaller and 50% thinner than previous generations of MOSFETs, making possible the production of smaller and more feature-packed handheld devices;
- Four-megabyte IrDC devices that offer the fastest infrared transmission available, enabling efficient wireless data transfer between PDAs, computers, and other consumer products; and
- DC-to-DC converter FunctionPAK, an integrated passive and active device that decreases space requirements on printed circuit boards and improves product performance.

There are many other examples of technological advances from Vishay that have made possible end products in all major markets that are smaller, faster, more reliable, more advanced, and better able to serve customer needs. In the year 2000, Vishay introduced over 200 new products.

Vishay's mix of high tech products, specialty products, and commodity products protects the Company from drops in customer demand for any one type of component, and thus helps Vishay's bottom line. Vishay's product mix also gives customers the benefit of one-stop shopping for virtually all of their discrete electronic component needs.

Consolidated Statements Of Operations

(In thousands, except per share and share amounts)	Year ended December 31		
	2000	1999	1998
Net sales	\$ 2,465,066	\$ 1,760,091	\$ 1,572,745
Costs of products sold	1,459,784	1,299,705	1,189,107
GROSS PROFIT	1,005,282	460,386	383,638
Selling, general, and administrative expenses	297,315	254,282	234,840
Amortization of goodwill	11,469	12,360	12,272
Unusual items	—	—	29,301
Purchased research and development	—	—	13,300
Other income (expense):	696,498	193,744	93,925
Interest expense	(25,177)	(53,296)	(49,038)
Other	18,904	(5,737)	(2,241)
	(6,273)	(59,033)	(51,279)
Earnings before income taxes and minority interest	690,225	134,711	42,646
Income taxes	148,186	36,940	30,624
Minority interest	24,175	14,534	3,810
NET EARNINGS	\$ 517,864	\$ 83,237	\$ 8,212
Basic earnings per share	\$ 3.83	\$ 0.66	\$ 0.07
Diluted earnings per share	\$ 3.77	\$ 0.65	\$ 0.07
Weighted average shares outstanding:			
Basic	135,295,000	126,678,000	126,665,000
Diluted	137,463,000	128,233,000	126,797,000

See accompanying notes.

Consolidated Balance Sheets

(In thousands, except per share and share amounts)	December 31	
	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 337,213	\$ 105,193
Accounts receivable, less allowances of \$12,630 and \$9,495	452,579	320,978
Inventories:		
Finished goods	179,286	144,645
Work in process	130,682	131,951
Raw materials	215,894	121,704
Deferred income taxes	32,051	35,119
Prepaid expenses and other current assets	127,169	67,159
TOTAL CURRENT ASSETS	1,474,874	926,749
PROPERTY AND EQUIPMENT — at cost:		
Land	47,625	51,453
Buildings and improvements	265,311	261,528
Machinery and equipment	1,168,241	1,073,556
Construction in progress	83,768	61,881
	1,564,945	1,448,418
Less allowances for depreciation	(591,391)	(517,873)
	973,554	930,545
GOODWILL	295,759	399,970
OTHER ASSETS	39,471	66,517
TOTAL ASSETS	\$ 2,783,658	\$ 2,323,781

	December 31	
	2000	1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	\$ 8,250	\$ 26,790
Trade accounts payable	120,070	101,613
Payroll and related expenses	111,132	77,209
Other accrued expenses	146,157	107,724
Income taxes	31,915	4,818
Current portion of long-term debt	150	4,445
TOTAL CURRENT LIABILITIES	417,674	322,599
LONG-TERM DEBT — less current portion	140,467	656,943
DEFERRED INCOME TAXES	79,109	62,712
DEFERRED INCOME	55,162	50,462
MINORITY INTEREST	63,480	61,637
OTHER LIABILITIES	93,157	47,315
ACCRUED PENSION COSTS	100,754	108,521
STOCKHOLDERS' EQUITY:		
Preferred Stock, par value \$1.00 per share: authorized — 1,000,000 shares; none issued		
Common Stock, par value \$.10 per share: authorized — 150,000,000 shares; 122,408,402 and 111,468,463 shares outstanding after deducting 225,673 and 25,673 shares in treasury	12,241	11,147
Class B convertible Common Stock, par value \$.10 per share: authorized — 20,000,000 shares; 15,518,546 and 15,554,898 shares outstanding after deducting 279,453 shares in treasury	1,552	1,556
Capital in excess of par value	1,319,426	985,393
Retained earnings	615,455	97,591
Unearned compensation	(1,248)	(1,086)
Accumulated other comprehensive loss	(113,571)	(81,009)
TOTAL STOCKHOLDERS' EQUITY	1,833,855	1,013,592
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,783,658	\$ 2,323,781

See accompanying notes.

Consolidated Statements Of Cash Flows

(In thousands)	Year ended December 31		
	2000	1999	1998
OPERATING ACTIVITIES			
Net earnings	\$ 517,864	\$ 83,237	\$ 8,212
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	140,840	139,676	127,947
(Gain) loss on sale of subsidiaries	(5,851)	10,073	—
Loss on disposal of property and equipment	2,320	1,146	712
Minority interest in net earnings of consolidated subsidiaries	24,175	14,534	3,810
Equity in earnings of affiliate	2,577	2,195	1,084
Purchased research and development	—	—	13,300
Asset impairment losses	—	—	23,057
Loss on forward exchange contract	—	—	(5,295)
Changes in operating assets and liabilities, net of effects of businesses acquired or sold:			
Accounts receivable	(148,414)	(72,776)	13,827
Inventories	(140,084)	25,998	13,304
Prepaid expenses and other current assets	(62,687)	14,451	(23,206)
Accounts payable	28,507	15,838	1,575
Other current liabilities	106,084	24,146	(36,542)
Other	76,988	(18,971)	27,665
NET CASH PROVIDED BY OPERATING ACTIVITIES	542,319	239,547	169,450
INVESTING ACTIVITIES			
Purchases of property and equipment	(229,781)	(119,638)	(151,682)
Purchases of businesses	(42,384)	—	(423,031)
Net cash proceeds from divestitures	33,162	9,118	—
Proceeds from sale of property and equipment	7,267	7,934	11,650
NET CASH USED IN INVESTING ACTIVITIES	(231,736)	(102,586)	(563,063)
FINANCING ACTIVITIES			
Net (payments) proceeds on revolving credit lines	(506,686)	(143,496)	462,214
Proceeds from long-term borrowings	—	197	5,030
Principal payments on long-term debt	(385)	(4,481)	(7,068)
Purchase of treasury stock	(5,765)	—	—
Proceeds from sale of common stock	395,449	—	—
Proceeds from stock options exercised	39,873	—	—
Net changes in short-term borrowings	39	6,752	(9,768)
Net cash (used in) provided by financing activities	(77,475)	(141,028)	450,408
Effect of exchange rate changes on cash	(1,088)	(4,469)	1,671
Increase (decrease) in cash and cash equivalents	232,020	(8,536)	58,466
Cash and cash equivalents at beginning of year	105,193	113,729	55,263
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 337,213	\$ 105,193	\$ 113,729

See accompanying notes.

Consolidated Statements Of Stockholders' Equity

(In thousands, except share amounts)	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total Stock- holders' Equity
Balance at December 31, 1997	\$ 10,587	\$ 1,486	\$ 914,531	\$ 75,587	\$ (644)	\$ (41,899)	\$ 959,648
Net earnings	—	—	—	8,212	—	—	8,212
Foreign currency translation adjustment	—	—	—	—	—	38,174	38,174
Pension liability adjustment	—	—	—	—	—	(4,074)	(4,074)
Comprehensive income							42,312
Stock issued (116,664 shares)	12	—	1,050	—	(1,062)	—	—
Stock dividends (5,296,314; 743,007 shares)	530	74	68,841	(69,445)	—	—	—
Conversions from Class B to common (20 shares)	—	—	—	—	—	—	—
Tax effects relating to stock plan	—	—	(16)	—	—	—	(16)
Amortization of unearned compensation	—	—	—	—	575	—	575
Balance at December 31, 1998	11,129	1,560	984,406	14,354	(1,131)	(7,799)	1,002,519
Net earnings	—	—	—	83,237	—	—	83,237
Foreign currency translation adjustment	—	—	—	—	—	(76,553)	(76,553)
Pension liability adjustment	—	—	—	—	—	3,343	3,343
Comprehensive income							10,027
Stock issued (46,511 shares)	5	—	503	—	(508)	—	—
Stock options exercised (87,819 shares)	9	—	482	—	—	—	491
Conversions from Class B to common (42,206 shares)	4	(4)	—	—	—	—	—
Tax effects relating to stock plan	—	—	2	—	—	—	2
Amortization of unearned compensation	—	—	—	—	553	—	553
Balance at December 31, 1999	11,147	1,556	985,393	97,591	(1,086)	(81,009)	1,013,592
Net earnings	—	—	—	517,864	—	—	517,864
Foreign currency translation adjustment	—	—	—	—	—	(32,468)	(32,468)
Pension liability adjustment	—	—	—	—	—	(94)	(94)
Comprehensive income							485,302
Stock issued (53,716 shares)	5	—	1,699	—	(1,704)	—	—
Stock options exercised (2,656,171 shares)	266	—	39,607	—	—	—	39,873
Conversions from Class B to common (36,347 shares)	4	(4)	—	—	—	—	—
Common stock repurchase (200,000 shares)	(20)	—	(5,745)	—	—	—	(5,765)
Sale of common stock (8,392,500 shares)	839	—	394,610	—	—	—	395,449
Termination of Lite-On stock appreciation rights	—	—	(108,495)	—	—	—	(108,495)
Tax effects relating to stock plan	—	—	12,357	—	—	—	12,357
Amortization of unearned compensation	—	—	—	—	1,542	—	1,542
Balance at December 31, 2000	\$ 12,241	\$ 1,552	\$ 1,319,426	\$ 615,455	\$ (1,248)	\$ (113,571)	\$ 1,833,855

See accompanying notes.

Notes To Consolidated Financial Statements — December 31, 2000

Vishay Intertechnology, Inc. is an international manufacturer and supplier of passive and active electronic components, particularly resistors, capacitors, power MOSFETS, power conversion and motor control integrated circuits, transistors and diodes. 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 include the accounts of Vishay Intertechnology, Inc. 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 are accounted for on the equity method. Investments in other companies are carried at cost.

Revenue Recognition

The Company recognizes revenue when products are shipped to customers. The Company has agreements with distributors that provide limited rights of return and protection against price reductions initiated by the Company. The effect of these programs is estimated based on historical experience and provisions are recorded at time of shipment.

Shipping and Handling Costs

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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 \$126,285,000, \$125,847,000, and \$114,592,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Construction in Progress

The estimated cost to complete construction in progress at December 31, 2000 was \$64,485,000.

Goodwill

Goodwill (excess of purchase price over net assets acquired) is amortized principally over periods ranging from 20-40 years using the straight-line method. 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 discounted cash flows. Accumulated amortization amounted to \$60,061,000 and \$57,071,000 at December 31, 2000 and 1999, respectively.

Cash Equivalents

Cash and cash equivalents includes demand deposits and all highly liquid investments with maturities of three months or less when purchased.

Research and Development Expenses

The amount charged to expense for research and development (exclusive of purchased in-process research and development) aggregated \$37,103,000, \$35,038,000, and \$28,857,000 for the years ended December 31, 2000, 1999, and 1998, respectively. The Company spends additional amounts for the development of machinery and equipment for new processes and for cost reduction measures.

Grants

Grants received by certain foreign subsidiaries from foreign governments, 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 from the Israeli government recognized as a reduction of costs of products sold were \$15,721,000, \$14,256,000, and \$13,116,000 for the years ended December 31, 2000, 1999, and 1998, respectively. Grants receivable of \$23,792,000 and \$10,056,000 are included in other current assets at December 31, 2000 and 1999, respectively. Deferred grant income was \$55,162,000 and \$50,462,000 at December 31, 2000 and 1999, respectively. The grants are subject to certain conditions, including maintaining specified levels of employment for periods up to ten years. Noncompliance with such conditions could result in the repayment of grants. However, management expects that the Company will comply with all terms and conditions of the grants.

Minority Interest

Minority interest represents the ownership interests of third parties in the net assets and results of operations of certain consolidated subsidiaries.

Share and Per Share Amounts

On June 9, 2000 and June 22, 1999, the Company effected three-for-two and five-for-four splits, respectively, of the shares of Common Stock and Class B Common Stock. Accordingly, all share and per share amounts shown in the accompanying consolidated financial statements and notes have been retroactively adjusted to reflect these stock splits.

Earnings per share amounts for all periods presented also reflect a 5% stock dividend paid on June 11, 1998.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), encourages

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

entities to record compensation expense for stock-based employee compensation plans at fair value 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 accounts for stock-based compensation in accordance with APB 25. Note 10 presents pro forma results of operations as if SFAS 123 had been used to account for stock-based compensation plans.

Derivative Financial Instruments

The Company uses interest rate swap agreements for purposes other than trading and treats such agreements as off-balance-sheet items. Interest rate swap agreements are used by the Company to modify variable rate obligations to fixed rate obligations, thereby reducing the exposure to market rate fluctuations. The interest rate swap agreements are designated as hedges, and effectiveness is determined by matching the principal balances and terms with each specific obligation. Such an agreement involves the exchange of amounts based on fixed interest rates for amounts based on variable interest rates over the life of the agreement without an exchange of the notional amount upon which payments are based. The differential to be paid or received as interest rates change is accounted for on the accrual method of accounting. The related amount payable to or receivable from counterparties is included as an adjustment to interest expense and to accrued interest in other accrued expenses. Gains and losses upon terminations of interest rate swap agreements are deferred as an adjustment to interest expense related to the obligations over the term of the original contract lives of the terminated swap agreements. In the event of early extinguishment of an obligation, any realized or unrealized gain or loss from the swap is recognized in income at the time of extinguishment.

Foreign currency forward exchange contracts are used in certain instances to manage the effect of exchange rate changes on actual cash flows from foreign currency denominated transactions. Foreign currency forward exchange contracts designated as effective hedges of firm commitments are treated as hedges for accounting purposes. Gains and losses are deferred and recognized in income when the hedged transaction occurs.

Accounting Pronouncements Pending Adoption

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires entities to record all derivative instruments on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or other comprehensive income, based on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized in earnings. The Company is required to adopt SFAS 133, as amended, effective January 1, 2001. Management anticipates that the adoption of SFAS 133 will have an immaterial effect on the Company's financial position and results of operations.

Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation,

finances, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. The costs for a specific environmental cleanup site are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments for that site are fixed or reliably determinable generally based upon information derived from the remediation plan for that site. Recoveries from third parties that are probable of realization and can be reasonably estimated are separately recorded, and are not offset against the related environmental liability.

Reclassifications

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

2. Acquisitions and Divestitures

During 2000, the Company acquired certain assets and assumed certain liabilities of Spectrol Electronics Corporation and Spectrol Electronics Limited and acquired 100% of the common stock of Cera-Mite Corporation and of Electro-Films, Inc. The combined cash purchase price was \$42,384,000. The purchase price allocations have been preliminarily estimated by management based upon currently available information. The results of operations of Electro-Films, Cera-Mite, and Spectrol have been included in the Company's results from June 1, 2000, August 1, 2000, and September 1, 2000, respectively. Excess of cost over fair value of net assets acquired (\$19,707,000) is being amortized over 20 years using the straight-line method. The pro forma effect of these acquisitions was not material for 2000 or 1999.

On May 31, 2000, the Company entered into a definitive agreement for the sale of its 65% interest in Lite-On Power Semiconductor Corporation (LPSC) to the Lite-On Group for \$40,736,000 in cash and the transfer to the Company of the rights under the SARs (see Note 6) issued in July 1997. The fair value of the SARs was \$108,495,000 as of May 31, 2000. A pretax gain of \$8,401,000 is included in other income in connection with the sale of the Company's 65% interest in LPSC. The transaction was completed on July 12, 2000.

On November 30, 2000, the Company sold V-Tech Latino Americana LTDA, its Brazilian distribution subsidiary. In connection with the sale, the Company received cash proceeds of approximately \$400,000 and recorded a noncash pretax loss of \$2,550,000, which is included in other income (expense).

On March 26, 1999, the Company sold Nicolitch, S.A., its French manufacturer of printed circuit boards. In connection with the sale, the Company received proceeds of approximately \$9,118,000 and recorded a noncash pretax loss of \$10,073,000, which is included in other income (expense).

On March 2, 1998, the Company purchased 80.4% of Siliconix incorporated (NASDAQ:SILI) and 100% of TEMIC Semiconductor GmbH (collectively, TEMIC) for a total of \$549,889,000 in cash. TEMIC is a producer of discrete active electronic components with manufacturing facilities in the United States, the Far East, Germany, and Austria. On March 4, 1998, the Company sold the Integrated Circuits division of TEMIC to Atmel Incorporated for a total of \$105,755,000 in cash.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

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

The TEMIC acquisition was accounted for under the purchase method of accounting. Under purchase accounting, the assets and liabilities of TEMIC were required to be adjusted from historical amounts to their estimated fair values.

Management estimated that \$13,300,000 of the TEMIC purchase price represented purchased in-process technology that had not reached technological feasibility and had no alternative future use. Accordingly, this amount was expensed with no tax benefit upon consummation of the acquisition. The value assigned to purchased in-process technology was determined by identifying research projects in areas for which technological feasibility had not been established. The value was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such products, and discounting the net cash flows back to their present value. The discount rate included a factor that took into account the uncertainty surrounding the successful development of the purchased in-process technology.

In connection with the TEMIC acquisition, the Company recorded restructuring liabilities of \$30,471,000 in connection with an exit plan that management began to formulate prior to the acquisition date. Approximately \$25,197,000 of these liabilities related to employee termination costs covering 498 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. The remaining \$5,274,000 related to provisions for contract cancellations and other costs. As of December 31, 2000, the restructuring plan was completed.

The results of operations of TEMIC have been included in the Company's results from March 1, 1998. Excess of cost over the fair value of net assets acquired (\$154,866,000) is being amortized principally over periods ranging from 30-40 years using the straight-line method.

Had the TEMIC acquisition been made at the beginning of 1998, the Company's pro forma unaudited results for the year ended December 31, 1998 would have been (in thousands, except per share amounts):

Year ended December 31	1998
Net sales	\$ 1,655,197
Net earnings	6,528
Basic and diluted earnings per share	0.05

The pro forma results include adjustments for interest expense that would have been incurred to finance the acquisitions, additional depreciation based on the fair value of property, plant, and equipment acquired, writeoff of purchased in-process research and development, amortization of goodwill, and related tax effects.

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 the period presented.

3. Unusual Items

Unusual items in 1998 consisted of the following components (in thousands):

	1998
Impairment losses:	
China	\$ 19,556
Nikkohm	3,501
Restructuring of European operations	5,944
Closing of two U.S. sales offices	300
	<u>\$ 29,301</u>

In May 1996, the Company signed letters of intent with the China National Non-Ferrous Metals Industry Corporation Nanchang Branch (the CNNC) and United Development, Inc. to enter into joint ventures to mine, process and refine tantalum at a site in China and to build a plant in China to manufacture dipped radial and chip tantalum capacitors. Management viewed this as a strategic investment as it would provide the Company with a presence in the Far East, another source of low-cost labor, and a stable, low-cost supply of tantalum. Through March 31, 1998, the Company continued to negotiate the terms of the joint ventures with the CNNC and to conduct feasibility tests on the mine. As of March 31, 1998, the Company had removed from existing production lines and packaged for shipment to China \$18.9 million of equipment to be used in the manufacture of dipped radial and chip tantalum capacitors at the proposed plant. In addition, the Company had deferred \$1.7 million in consulting costs incurred in evaluating the potential joint venture. During fiscal 1998, several events occurred which led to the eventual abandonment of the projects in China. First, the CNNC was disbanded by the Chinese government and replaced by a smaller organization with much less control over the various potential Chinese partners in the joint ventures. The individual Chinese partners, no longer under the central control of the CNNC, began demanding renegotiations of the joint venture agreements in ways that were unacceptable to the Company. Second, the Asian economy experienced a significant downturn and demand for the Company's tantalum capacitors dropped significantly. The reduction in demand for the Company's tantalum capacitors made the building of a large factory financially impractical. Instead, the Company downsized its plans and opened a small finishing plant for tantalum capacitors in one of the Company's existing Shanghai facilities that it had acquired in 1997. Third, suppliers of tantalum outside of China were forced to lower prices due to a significant increase in supply primarily due to competition from Chinese suppliers. Fourth, in 1997 and 1998, Vishay acquired two companies that had established facilities in China with approximately 2,000 employees in five factories. These factories served to establish Vishay as a major components manufacturer in China without additional investment by the Company. During the fourth quarter of fiscal 1998, management evaluated the proposed joint ventures and concluded that, due to the factors described above, the Company would discontinue negotiations and abandon the proposed joint ventures. Management concluded that the \$18.9 million of equipment had a net realizable value of \$1 million and that the \$1.7 million of deferred costs were not recoverable and in accordance with the Company's accounting policy, recorded an impairment loss of \$19.6 million.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

In March 1995, the Company acquired a 49% interest in Nikkohm, a Japanese manufacturer and distributor of passive electronic components. The Company's investment in Nikkohm totaled \$4 million. Like the proposed Chinese joint ventures, management considered its investment in Nikkohm strategic because it provided the Company with an entry into certain Far East markets. Following the acquisition of its interest, Vishay worked with the management of Nikkohm to build Nikkohm's business and improve its profitability. Through December 31, 1997, the Company recognized a cumulative loss on its investment in Nikkohm of \$499,800 (1995 - \$304,000; 1996 - \$141,800; 1997 - \$54,000). Management had been encouraged by Nikkohm's trend in earnings and had proposed certain marketing programs intended to further improve operating results. However, Nikkohm's results of operations began to deteriorate in fiscal 1998 due to a decrease in demand for the Company's products, particularly thin film resistors, and a downturn in the Asian economy. In addition, a significant member of Nikkohm's management resigned due to health concerns. Also, the Company's acquisitions in 1997 and 1998 had established Vishay as a major electronics components manufacturer in the Far East. During the fourth quarter of fiscal 1998, management evaluated these developments and concluded that the carrying amount of the investment in Nikkohm was not recoverable and in accordance with the Company's accounting policy, recorded an impairment loss of \$3.5 million.

Restructuring of European operations includes \$5,694,000 of employee termination costs covering approximately 182 technical, production, administrative and support employees located in Germany and the United Kingdom. The remaining \$250,000 relates to lease buyout expense associated with the closing of a facility in the United Kingdom. At December 31, 1998, approximately 15 employees had been terminated and \$471,000 of termination costs were paid. During the year ended December 31, 1999, the Company terminated the remainder of the employees and paid related termination costs of \$4,899,000. At December 31, 1999, the 1998 European operations restructuring plan was completed.

The remaining \$300,000 of restructuring expense consists of employee termination costs of \$130,000 and lease buyout and other expenses of \$170,000 relating to the closing of two U.S. sales offices. During the year ended December 31, 1999, these sales offices were closed and the restructuring costs were paid.

4. Income Taxes

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

Year ended December 31	2000	1999	1998
Domestic	\$ 177,852	\$ 26,717	\$(45,334)
Foreign	512,373	107,994	87,980
	\$ 690,225	\$ 134,711	\$ 42,646

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

Year ended December 31	2000	1999	1998
Current:			
U.S. Federal	\$ 51,965	\$ 1,685	\$ 1,590
Foreign	11,936	6,810	12,370
State	4,744	728	987
	68,645	9,223	14,947
Deferred:			
U.S. Federal	62,156	21,957	(44)
Foreign	17,540	5,333	15,708
State	(155)	427	13
	79,541	27,717	15,677
	\$ 148,186	\$ 36,940	\$ 30,624

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 assets and liabilities are as follows (in thousands):

December 31	2000	1999
Deferred tax assets:		
Pension and other retiree obligations	\$ 18,393	\$ 26,447
Net operating loss carryforwards ..	32,406	84,387
Tax credit carryforwards	2,143	8,236
Restructuring reserves	3,412	4,981
Other accruals and reserves	32,595	32,385
Total deferred tax assets	88,949	156,436
Less: Valuation allowance	(19,658)	(47,648)
Net deferred tax assets	69,291	108,788
Deferred tax liabilities:		
Tax over book depreciation	83,489	86,497
Other - net	16,966	14,641
Total deferred tax liabilities	100,455	101,138
Net deferred tax assets (liabilities) ..	\$ (31,164)	\$ 7,650

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

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	2000	1999	1998
Tax at statutory rate	\$ 241,579	\$ 47,149	\$ 14,926
State income taxes, net of U.S. federal tax benefit	3,064	606	649
Effect of foreign operations	(99,520)	(13,717)	(1,561)
Increase in valuation allowance for foreign net operating loss carryforwards	-	-	10,000
Purchased research and development expense	-	-	4,655
Other	3,063	2,902	1,955
	\$ 148,186	\$ 36,940	\$ 30,624

At December 31, 2000, the Company had the following net operating loss carryforwards for tax purposes (in thousands):

		Expires
Germany	\$ 85,899	No expiration
France	4,456	Unlimited
Portugal	4,375	2002 – 2005

Approximately \$38,472,000 of the carryforward in Germany resulted from the Company's acquisition of Roederstein, GmbH in 1993. Valuation allowances of \$19,068,000 and \$45,698,000 have been recorded at December 31, 2000 and 1999, respectively, for deferred tax assets related to foreign net operating loss carryforwards. In 2000 and 1999, respectively, tax benefits recognized through reductions of the valuation allowance had the effect of reducing goodwill of acquired companies by \$2,693,000 and \$454,000. If additional tax benefits are recognized in the future through further reduction of the valuation allowance, \$7,925,000 of such benefits will reduce goodwill.

At December 31, 2000, no provision had been made for U.S. federal and state income taxes on approximately \$892,141,000 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), state income taxes, 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 \$45,703,000, \$5,463,000, and \$36,488,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

5. Long-Term Debt

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

December 31	2000	1999
Multicurrency revolving credit loans	\$ 140,000	\$ 635,215
Other debt and capital lease obligations	617	26,173
	140,617	661,388
Less current portion	150	4,445
	\$ 140,467	\$ 656,943

At December 31, 1999, two facilities were available under the Company's amended and restated loan agreements with a group of banks: an \$825,000,000 five-year multicurrency revolving credit facility and a \$100,000,000 364-day multicurrency revolving credit facility.

On August 31, 2000, the Company amended the credit facilities. The amended agreement provides for a \$660,000,000 long-term revolving credit and swing line facility which matures on June 1, 2005, subject to the Company's right to request year-to-year renewals. Interest on the long-term facility is payable at prime or other variable interest rate options. The Company is required to pay facility fees on the long-term facility. As of December 31, 2000, the Company had \$140,000,000 outstanding under the long-term revolving credit facility (interest rate of 7.19%; 6.53% after giving effect to interest rate swaps).

Borrowings under the loan agreement are secured by pledges of stock in certain significant subsidiaries and certain guaranties by significant subsidiaries. The credit facility restricts the Company from paying cash dividends and requires the Company to comply with other covenants, including the maintenance of specific financial ratios.

Aggregate annual maturities of long-term debt are as follows: 2001 – \$150,000; 2002 – \$168,000; 2003 – \$117,000; 2004 – \$116,000; and 2005 – \$140,066,000.

At December 31, 2000, the Company had committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating \$106,197,000, of which \$97,947,000 was unused. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2000 and 1999 was 6.57% and 7.07%, respectively.

Interest paid was \$29,930,000, \$53,605,000, and \$48,105,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

6. Stockholders' Equity

The Company's Class B Common 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 into shares of Common Stock.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

The Company completed a public offering of its Common Stock on May 15, 2000, selling 8,392,500 shares at a price of \$49.00 (adjusted for the June 9, 2000 three-for-two stock split). The total net proceeds to the Company from the offering, after deducting the underwriting discount and estimated expenses, were approximately \$395,449,000. These proceeds were used to repay a portion of the debt outstanding under its long-term revolving credit facility.

In connection with the Company's acquisition of 65% of LPSC in July 1997, the Company issued stock appreciation rights ("SARs") to the Lite-On Group (former owners of LPSC). The SARs represented the right to receive, in stock, the increase in value on the equivalent of 3,200,000 shares of the Company's Common Stock, above \$11.68 per share. On January 24, 2000, the Company exercised its right to call the SARs. Based on the call price of \$26.43 per share and the average closing price of Vishay shares for the thirty days prior to January 24, 2000, the Company would have had to issue 2,294,000 shares of Common Stock to settle the SARs. In connection with the sale of its 65% interest in LPSC to the Lite-On Group (see Note 2), the Lite-On Group transferred its rights under the SARs to Vishay.

On August 10, 2000, the Board of Directors of the Company authorized the repurchase of up to 5,000,000 shares of its Common Stock from time to time in the open market. As of December 31, 2000, the Company had repurchased 200,000 shares for a total of \$5,765,000.

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, 2000, 305,126 shares were available for issuance under stock plans.

7. Other Income (Expense)

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

Year ended December 31	2000	1999	1998
Foreign exchange			
(losses) gains	\$ (7,305)	\$ 86	\$ 495
Loss on forward			
exchange contract	-	-	(6,269)
Interest income	9,652	3,968	4,687
Equity in net income			
of affiliates	2,577	2,195	1,084
Gain on termination of			
interest rate swap			
agreements	8,919	-	-
Gains (losses) on sale			
of subsidiaries	5,851	(10,073)	-
Loss on disposal of			
property and			
equipment	(2,320)	(1,179)	(712)
Other	1,530	(734)	(1,526)
	\$ 18,904	\$ (5,737)	\$ (2,241)

In connection with repayments of debt, the Company terminated \$200,000,000 notional amount of interest rate swap agreements (see Note 12) and recognized pretax gains of \$8,919,000 in 2000.

During the year ended December 31, 2000, the Company sold its 65% interest in LPSC and all of the assets of V-Tech Latino Americana LTDA. The sale of LPSC resulted in a pretax gain of \$8,401,000 and the sale of V-Tech resulted in a pretax loss of \$2,550,000. During the year ended December 31, 1999, the Company sold Nicolitch S.A. and recorded a pretax loss of \$10,073,000 (see Note 2).

In connection with the Company's acquisition of TEMIC, the Company entered into a forward exchange contract in December 1997. This contract was intended to protect against the impact of fluctuations in the exchange rate between the U.S. Dollar and the Deutsche Mark, since the purchase price was denominated in Deutsche Marks and payable in U.S. Dollars. At December 31, 1997, the Company had an unrealized loss on this contract of \$5,295,000, which resulted from marking the contract to market value. On March 2, 1998, the forward exchange contract was settled and the Company recognized an additional loss of \$6,269,000.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

8. Other Comprehensive Income

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

	Beginning Balance	Before-Tax Amount	Tax (Benefit) Expense	Net-of-Tax Amount	Ending Balance
December 31, 2000					
Pension liability adjustment	\$ (5,043)	\$ 1,258	\$ 1,352	\$ (94)	\$ (5,137)
Currency translation adjustment	(75,966)	(32,468)	-	(32,468)	(108,434)
	\$ (81,009)	\$ (31,210)	\$ 1,352	\$ (32,562)	\$ (113,571)
December 31, 1999					
Pension liability adjustment	\$ (8,386)	\$ 6,177	\$ 2,834	\$ 3,343	\$ (5,043)
Currency translation adjustment	587	(76,553)	-	(76,553)	(75,966)
	\$ (7,799)	\$ (70,376)	\$ 2,834	\$ (73,210)	\$ (81,009)
December 31, 1998					
Pension liability adjustment	\$ (4,312)	\$ (7,342)	\$ 3,268	\$ (4,074)	\$ (8,386)
Currency translation adjustment	(37,587)	38,174	-	38,174	587
	\$ (41,899)	\$ 30,832	\$ 3,268	\$ 34,100	\$ (7,799)

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

9. Pensions and Other Postretirement Benefits

The Company maintains several defined benefit pension and nonpension postretirement plans which cover substantially all full-time U.S. employees. The following table sets forth a reconciliation of the benefit obligation, plan assets, and accrued benefit cost related to these plans (in thousands):

	Pension Benefits		Other Benefits			
	2000	1999	2000	1999		
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 104,447	\$ 110,965	\$ 7,331	\$ 7,977		
Service cost	2,528	3,296	225	264		
Interest cost	7,858	6,981	545	496		
Employee contributions	2,067	1,959	-	-		
Actuarial losses (gains)	6,152	(11,690)	104	(849)		
Plan amendments	-	-	314	-		
Benefits paid	(7,044)	(7,064)	(555)	(557)		
Benefit obligation at end of year	\$ 116,008	\$ 104,447	\$ 7,964	\$ 7,331		
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 99,440	\$ 95,534				
Actual return on plan assets	2,982	6,837				
Company contributions	5,473	2,174				
Plan participants' contributions	2,067	1,959				
Benefits paid	(7,044)	(7,064)				
Fair value of plan assets at end of year	\$ 102,918	\$ 99,440				
Funded status	\$ (13,090)	\$ (5,007)	\$ (7,964)	\$ (7,331)		
Unrecognized net actuarial loss (gain)	15,772	4,455	(187)	(308)		
Unrecognized transition obligation (asset)	(193)	(83)	2,322	2,779		
Unamortized prior service cost	8	75	732	248		
Net amount recognized	\$ 2,497	\$ (560)	\$ (5,097)	\$ (4,612)		
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid benefit cost	\$ 7,018	\$ 4,165	\$ -	\$ -		
Accrued benefit liability	(4,521)	(4,725)	(5,097)	(4,612)		
Net amount recognized	\$ 2,497	\$ (560)	\$ (5,097)	\$ (4,612)		
Weighted-average assumptions as of December 31:						
Discount rate	7.25%	7.50%	7.25%	7.50%		
Expected return on plan assets	8.50%–9.50%	8.50%–9.50%				
Rate of compensation increase	4.50%	4.50%				
	2000	Pension Benefits		Other Benefits		
		1999	1998	2000	1999	1998
Components of net periodic benefit cost:						
Annual service cost	\$ 4,595	\$ 5,255	\$ 5,610	\$ 225	\$ 264	\$ 287
Less employee contributions	2,067	1,959	1,782	-	-	-
Net service cost	2,528	3,296	3,828	225	264	287
Interest cost	7,858	6,981	6,726	545	496	494
Expected return on plan assets	(8,703)	(8,259)	(8,463)	-	-	-
Amortization of prior service cost	67	98	195	93	31	31
Amortization of transition obligation	110	110	110	194	214	214
Amortization of (gains) losses	556	461	-	(17)	6	-
Net periodic benefit cost	\$ 2,416	\$ 2,687	\$ 2,396	\$ 1,040	\$ 1,011	\$ 1,026

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$21,829,000, \$21,355,000, and \$15,899,000, respectively, as of December 31, 2000 and \$21,494,000, \$21,380,000, and \$15,401,000, respectively, as of December 31, 1999.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$116,008,000, \$102,340,000, and \$102,918,000, respectively, as of December 31, 2000 and \$21,494,000, \$21,380,000, and \$15,401,000, respectively, as of December 31, 1999.

The Company's nonpension postretirement plan is funded as costs are incurred. The plan is contributory, with employee contributions adjusted for general inflation or inflation in costs under the plan. The plan was amended in 1993 to cap employer contributions at 1993 levels. The impact of a one-percentage-point change in assumed health care cost trend rates on the net periodic benefit cost and postretirement benefit obligation is immaterial.

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 \$3,161,000, \$3,196,000, and \$2,816,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company provides pension and similar benefits to employees of certain foreign subsidiaries consistent with local practices. German subsidiaries of the Company have defined benefit pension plans. The following table sets forth a reconciliation of the benefit obligation, plan assets, and accrued benefit cost related to the German plans (in thousands):

	2000	1999
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 98,108	\$ 111,770
Service cost	440	554
Interest cost	5,755	6,501
Actuarial (gains) losses	(915)	(837)
Benefits paid	(4,871)	(5,341)
Foreign currency translation	(7,969)	(14,539)
Benefit obligation at end of year	<u>\$ 90,548</u>	<u>\$ 98,108</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 13,726	\$ 15,227
Actual return on plan assets	677	753
Company contributions	2,408	2,467
Benefits paid	(2,514)	(2,574)
Foreign currency translation	(880)	(2,147)
Fair value of plan assets at end of year	<u>\$ 13,417</u>	<u>\$ 13,726</u>

	2000	1999
Funded status	\$ (77,131)	\$ (84,382)
Unrecognized net actuarial losses	4,347	5,650
Unrecognized transition asset	(9)	(13)
Unamortized prior service cost	58	103
Net amount recognized	<u>\$ (72,735)</u>	<u>\$ (78,642)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Accrued benefit liability	\$ (78,742)	\$ (85,867)
Accumulated other comprehensive income	6,007	7,225
Net amount recognized	<u>\$ (72,735)</u>	<u>\$ (78,642)</u>

Weighted-average assumptions as of December 31:		
Discount rate	6.50%	6.50%
Rate of compensation increase ...	3.00%	3.00%

	2000	1999	1998
Components of net periodic benefit cost:			
Service cost	\$ 440	\$ 554	\$ 510
Interest cost	5,755	6,501	6,025
Expected return on plan assets ..	(440)	(488)	(476)
Amortization of prior service cost	45	65	86
Amortization of transition asset	(4)	(6)	(2)
Amortization of losses	151	250	62
Net periodic benefit cost	<u>\$ 5,947</u>	<u>\$ 6,876</u>	<u>\$ 6,205</u>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the German pension plans with accumulated benefit obligations and projected benefit obligations in excess of plan assets were \$90,548,000, \$89,064,000, and \$13,417,000, respectively, as of December 31, 2000 and \$98,108,000, \$96,601,000, and \$13,726,000, respectively, as of December 31, 1999.

10. Stock Options

The Company has three stock option programs. Under the 1995 Stock Option Program, certain key executives of the Company were granted options on March 19, 1995, to purchase 2,283,000 shares of the Company's Common Stock. The options were fully vested on the date of grant and expired March 1, 2000, with one-third exercisable at \$12.21, one-third exercisable at \$15.36, and one-third exercisable at \$21.94. As of December 31, 2000, 2,010,000 options have been exercised under this plan and the remaining options have been canceled.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

Under the 1997 Stock Option Program, certain executive officers, key employees, and consultants of the Company were granted options on May 21, 1998, to purchase 2,687,000 shares of the Company's Common Stock. The options were fully vested on the date of grant and expire June 1, 2008, with one-third exercisable at \$10.89, one-third exercisable at \$12.53, and one-third exercisable at \$13.61. As of December 31, 2000, 528,000 options have been exercised under this plan.

Under the 1998 Stock Option Program, certain executive officers and key employees were granted options as summarized in the following table:

Date of Grant	# of Options	Exercise Price	Vesting	Expiration
October 6, 1998	1,598,000	\$ 5.60	Evenly over 6 years	March 16, 2008
October 8, 1999	1,334,000	15.33	Evenly over 6 years	October 8, 2009
August 4, 2000	50,000	30.00	Evenly over 5 years, beginning August 4, 2003	August 4, 2010
October 12, 2000	1,114,000	25.13	Evenly over 6 years	October 12, 2010

On May 18, 2000, the stockholders of the Company approved an increase in the number of shares available for grant under Vishay's 1998 Stock Option Program. As a result, the number of shares available for grant under this program increased from 2,953,500 to 4,453,500. As of December 31, 2000, 206,000 options have been exercised under this plan.

The following table summarizes the Company's stock option activity (options in thousands):

	2000		1999		1998	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	7,493	\$ 12.67	6,295	\$ 11.96	2,283	\$ 16.50
Granted	1,164	25.34	1,334	15.33	4,286	9.83
Exercised	(2,656)	15.08	(88)	5.60	—	—
Forfeited	—	—	—	—	(273)	16.50
Cancelled	(355)	10.41	(48)	6.05	(1)	5.60
Outstanding at end of year	<u>5,646</u>	<u>14.29</u>	<u>7,493</u>	<u>12.67</u>	<u>6,295</u>	<u>11.96</u>
Exercisable at end of year	<u>2,651</u>	<u>11.96</u>	<u>4,866</u>	<u>13.83</u>	<u>4,698</u>	<u>14.12</u>
Available for future grants	760		69		1,355	

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2000 (options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$5.60	1,161	7.75	\$ 5.60	293	\$ 5.60
\$10.89 – \$12.53	1,289	7.39	11.76	1,289	11.76
\$13.61 – \$15.33	2,044	8.17	14.60	1,069	13.93
\$25.13 – \$30.00	1,152	9.77	25.34	—	—
Total	<u>5,646</u>	<u>8.23</u>	<u>14.29</u>	<u>2,651</u>	<u>11.96</u>

The following is provided to comply with the disclosure requirements of SFAS 123. If compensation cost for the Company's stock option programs had been determined using the fair-value method prescribed by SFAS 123, the Company's results would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

Year ended December 31	2000	1999	1998
Net earnings	\$ 515,296	\$ 82,103	\$ (1,906)
Basic earnings per share	3.81	0.65	(0.02)
Diluted earnings per share	3.75	0.64	(0.02)

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

The weighted average fair value of the options granted was estimated using the Black-Scholes option pricing model, with the assumptions presented below. All options granted in 2000 had a weighted average fair value of \$11.64 and a weighted average exercise price of \$25.34. All options granted in 1999 had an exercise price equal to the market value and a weighted average fair value of \$6.21. For options granted in 1998 with an exercise price equal to the market value, the weighted average fair value was \$3.48 and the weighted average exercise price was \$7.74. For options granted in 1998 with an exercise price greater than the market value, the weighted average fair value was \$3.85 and the weighted average exercise price was \$13.80.

	2000	1999	1998	
	1998	1998	1998	1997
	Stock	Stock	Stock	Stock
	Option	Option	Option	Option
	Program	Program	Program	Program
Expected dividend yield ...	-	-	-	-
Risk-free interest rate	5.8%	6.0%	4.2%	5.7%
Expected volatility	58.2%	51.3%	48.3%	48.3%
Expected life (in years)	4.7	4.5	4.5	8.0

11. Leases

Total rental expense under operating leases was \$21,431,000, \$21,390,000, and \$23,703,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows: 2001 - \$15,943,000; 2002 - \$13,721,000; 2003 - \$11,895,000; 2004 - \$10,766,000; 2005 - \$10,391,000; and thereafter - \$47,080,000.

12. Financial Instruments

The Company uses financial instruments in the normal course of its business, including derivative financial instruments, for purposes other than trading. These financial instruments include debt and interest rate swap agreements. The notional or contractual amounts of these commitments and other financial instruments are discussed below.

Concentration of Credit Risk

Financial instruments with potential credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various major financial institutions. Concentrations of credit risk with respect to receivables are generally limited due to the Company's large number of customers and their dispersion across many countries and industries. At December 31, 2000, the Company had one customer that represented 13.7% of accounts receivable. At December 31, 1999, the Company had no significant concentrations of credit risk.

Interest Rate Swap Agreements

In August 1998, the Company entered into six interest rate

swap agreements, maturing in 2003, with a total notional amount of \$300,000,000 to manage interest rate risk related to its multicurrency revolving line of credit. These interest rate swap agreements required the Company to make payments to the counterparties at the fixed rate stated in the agreements, and in return to receive payments from the counterparties at variable rates. During fiscal 2000, the Company terminated \$200,000,000 notional amount of interest rate swap agreements and recognized a pretax gain of \$8,919,000. At December 31, 2000, the Company had outstanding one interest rate swap agreement with a notional amount of \$100,000,000. At December 31, 2000 and 1999, the Company paid a weighted average fixed rate of 5.77% and 5.61%, respectively, and received a weighted average variable rate of 6.66% and 6.49%, respectively. The fair value of the interest rate swap agreements, based on current market rates, approximated a net receivable of \$51,000 and \$8,714,000 at December 31, 2000 and 1999, respectively.

Foreign Currency Forward Exchange Contracts

In September 1999, a subsidiary of the Company entered into foreign currency forward exchange contracts to hedge yen-denominated commitments from customers in Japan. At December 31, 1999, the notional amount of outstanding foreign currency forward exchange contracts was \$6,438,000. In March 2000, the Company settled all outstanding foreign currency forward exchange contracts and there are no such contracts as of December 31, 2000.

Cash and Cash Equivalents, Notes Payable, and Long-Term Debt

The carrying amounts reported in the consolidated balance sheets approximate fair value.

13. Current Vulnerability Due to Certain Concentrations

Customer Concentrations

A material portion of the Company's revenues are derived from the worldwide communications and computer markets. These markets have historically experienced wide variations in demand for end products. If demand for these end products should decrease significantly, the producers thereof could reduce their purchases of the Company's products, which could have a material adverse effect on the Company's results of operations and financial position.

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 and wire form primarily under annual contracts with domestic and foreign 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 powder. The Company believes that in the long-term, there exist sufficient tantalum ore reserves and a sufficient number of tantalum processors relative to demand. The tantalum required by the Company has generally been available in sufficient quantities to meet its requirements. However, in the short-term, there may be shortages of tantalum powder that could lead to increases in tantalum prices that the Company may not

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

be able to pass on to its customers. The Company stockpiled tantalum ore in 2000 and early 2001. Prices for tantalum powder are expected to increase significantly in 2001.

Palladium is used to produce multi-layer ceramic capacitors. 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. The price of palladium fluctuated in the range of approximately \$201 to \$970 per troy ounce during the three years ended December 31, 2000, and had increased to \$1,090 per troy ounce as of February 27, 2001. Palladium is currently found primarily in South Africa and Russia. Due to various factors, the Company believes there may be a short-term shortage of palladium which may affect both the cost of palladium and the Company's ability to expand multi-layer ceramic chip capacitor production to meet increased demand. 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 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, and various tax abatement programs. Israeli 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 events were to occur in the Middle East that materially interfered with the Company's operations in Israel.

14. Business Segment and Geographic Area Data

Vishay designs, manufactures, and markets electronic components that cover a wide range of products and technologies. The Company has two reportable segments: Passive Electronic Components (Passives) consisting principally of fixed resistors, solid tantalum surface mount chip capacitors, solid tantalum leaded capacitors, wet/foil tantalum capacitors, multi-layer ceramic chip capacitors, film capacitors and inductors, and Active Electronic Components (Actives) consisting principally of diodes, transistors, power MOSFETS, power conversion and motor control integrated circuits.

The Company evaluates performance and allocates resources based on several factors, of which the primary financial measure is business segment operating income excluding amortization of intangibles and special charges. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies (see Note 1). The operating results of Actives reflect the acquisition of TEMIC as of March 2, 1998 and include LPSC from July 1, 1997 through its divestiture in 2000. Business segment assets are the owned or allocated assets used by each business.

The corporate component of operating income represents corporate selling, general, and administrative expenses. Corporate assets include corporate cash, property, plant, and equipment, and certain other assets.

During the year 2000, Future Electronics, a North American distributor, accounted for more than 10% of total net sales. During the years 1999 and 1998, no individual customer accounted for more than 10% of net sales. Sales to Future Electronics accounted for 14% of consolidated sales for the year ended December 31, 2000. At December 31, 2000, the Company had accounts receivable of \$62,031,000 with Future Electronics.

Business Segment Information (In thousands)

	2000	1999	1998
Net sales:			
Passives	\$ 1,627,860	\$ 1,008,266	\$ 1,027,902
Actives	837,206	751,825	544,843
	\$ 2,465,066	\$ 1,760,091	\$ 1,572,745
Operating income:			
Passives	\$ 547,156	\$ 104,655	\$ 114,747
Actives	204,640	119,510	51,516
Corporate	(43,829)	(18,061)	(17,465)
Unusual items	—	—	(29,301)
Purchased research and development	—	—	(13,300)
Amortization of goodwill	(11,469)	(12,360)	(12,272)
	\$ 696,498	\$ 193,744	\$ 93,925
Depreciation expense:			
Passives	\$ 73,803	\$ 75,798	\$ 74,173
Actives	52,250	49,826	40,210
Corporate	232	223	209
	\$ 126,285	\$ 125,847	\$ 114,592
Total assets:			
Passives	\$ 1,931,610	\$ 1,429,177	\$ 1,693,554
Actives	809,360	882,296	750,875
Corporate	42,688	12,308	18,315
	\$ 2,783,658	\$ 2,323,781	\$ 2,462,744
Capital expenditures:			
Passives	\$ 131,318	\$ 52,903	\$ 87,168
Actives	95,343	61,409	59,969
Corporate	3,120	5,326	4,545
	\$ 229,781	\$ 119,638	\$ 151,682

The amount of investment in equity method investees included in the Actives total assets above was \$0, \$12,495,000, and \$10,090,000 for 2000, 1999 and 1998, respectively.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

The following geographic area data include net sales based on revenues generated by subsidiaries located within that geographic area and property, plant, and equipment based on physical location:

Geographic Area Information (In thousands)			
	2000	1999	1998
Net sales:			
United States	\$ 1,034,985	\$ 706,049	\$ 659,845
Germany	678,398	574,629	519,114
Asia Pacific	279,645	273,921	185,784
France	85,686	88,975	119,992
Israel	296,704	20,290	9,970
Other	89,648	96,227	78,040
	<u>\$ 2,465,066</u>	<u>\$ 1,760,091</u>	<u>\$ 1,572,745</u>
Property, plant, and equipment – net:			
United States	\$ 355,291	\$ 333,594	\$ 352,007
Germany	116,910	127,727	153,423
Israel	317,840	268,916	283,691
Asia Pacific	77,337	97,060	67,051
France	24,272	25,758	45,461
Other	81,904	77,490	95,434
	<u>\$ 973,554</u>	<u>\$ 930,545</u>	<u>\$ 997,067</u>

15. 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 the weighted average number of common shares outstanding, adjusted to include the potentially dilutive effect of stock options granted under the Company's 1995, 1997, and 1998 stock option plans (see Note 10), stock appreciation rights issued in connection with the LPSC acquisition (see Note 6), and other potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

Year ended December 31	2000	1999	1998
Numerator:			
Net income	\$ 517,864	\$ 83,237	\$ 8,212
Denominator:			
Denominator for basic earnings per share – weighted average shares ...	135,295	126,678	126,665
Effect of dilutive securities:			
Employee stock options	1,831	809	—
Stock appreciation rights	144	567	—
Other	193	179	132
Dilutive potential common shares ..	<u>2,168</u>	<u>1,555</u>	<u>132</u>
Denominator for diluted earnings per share – adjusted weighted average shares ...	<u>137,463</u>	<u>128,233</u>	<u>126,797</u>
Basic earnings per share	<u>\$ 3.83</u>	<u>\$ 0.66</u>	<u>\$ 0.07</u>
Diluted earnings per share	<u>\$ 3.77</u>	<u>\$ 0.65</u>	<u>\$ 0.07</u>

For the years ended December 31, 2000, 1999, and 1998, respectively, options to purchase 1,114,000 shares of Common Stock at \$25.13 per share, 716,000 shares of Common Stock at \$21.94 per share, and 5,150,000 shares of Common Stock at prices ranging from \$10.89 to \$21.94 per share were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

Notes To Consolidated Financial Statements — December 31, 2000 (Continued)

16. Summary of Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 2000 and 1999 is as follows (in thousands, except per share amounts):

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Net sales	\$538,894	\$423,058	\$612,771	\$425,323	\$669,784	\$443,711	\$643,617	\$467,999	\$2,465,066	\$1,760,091
Gross profit	187,716	99,890	254,096	108,681	299,376	119,633	264,094	132,182	1,005,282	460,386
Net earnings	74,271	818 ⁽¹⁾	131,853	20,181	171,111	25,736	140,629	36,502	517,864	83,237
Basic earnings										
per share ⁽²⁾	\$ 0.57	\$ 0.01 ⁽¹⁾	\$ 0.97	\$ 0.16	\$ 1.24	\$ 0.20	\$ 1.02	\$ 0.29	\$ 3.83	\$ 0.66
Diluted earnings										
per share ⁽²⁾	\$ 0.56	\$ 0.01 ⁽¹⁾	\$ 0.96	\$ 0.16	\$ 1.22	\$ 0.20	\$ 1.01	\$ 0.28	\$ 3.77	\$ 0.65

(1) The sale of Nicolitch, S.A. and a tax rate change in Germany reduced net earnings by \$14,562,000 or \$0.11 per share in the first quarter of 1999.

(2) Adjusted to give retroactive effect to a three-for-two stock split in June 2000 and a five-for-four stock split in June 1999.

17. Subsequent Events

On February 22, 2001, the Company announced its proposal to purchase any and all outstanding shares of common stock of Siliconix incorporated not already owned by Vishay at a price of \$28.82 per share in cash. This amount (approximately \$169,000,000) would be financed through borrowings under the Company's revolving line of credit. The purchase would be made through a tender offer, subject to customary conditions, in accordance with the rules of the Securities and Exchange Commission. Vishay also indicated that it might offer to exchange the Siliconix shares for shares of its common stock. Depending upon whether the exchange would be tax-free to Siliconix stockholders, Vishay would expect that the value per share of Siliconix in an exchange offer would be somewhat less than the cash price.

The Company also stated that if it holds at least 90% of the outstanding Siliconix shares following the completion of the offer, it may effect a "short form" merger of Siliconix with a Vishay subsidiary. If such a merger takes place promptly after the offer, the consideration given to the stockholders in the merger would be the same as the consideration received by tendering stockholders in the offer.

This proposal is currently being evaluated by a special committee of directors of Siliconix appointed by the Siliconix Board of Directors in March 2001.

Following the announcement of the Company's proposal, several purported class-action complaints were filed against the Company, Siliconix, and the Siliconix directors, alleging, among other things, that the proposed transaction is unfair and a breach of fiduciary duty, and seeking, among other things, to enjoin the transaction. The Company has not yet responded to the complaints.

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, 2000 and 1999, and the related consolidated statements of operations, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vishay Intertechnology, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Philadelphia, Pennsylvania

February 5, 2001, except for Note 17 as to which the date is March 8, 2001

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Background

The Company's sales and net earnings 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.

However, beginning with the last quarter of 1995 and through 1998, the Company experienced a decline in demand for its commodity-related products (fixed resistors, multi-layer ceramic chip capacitors and tantalum capacitors) which accounted for approximately 50% of the Company's revenues during that time. Such decline in demand resulted in a decrease in revenues, earnings and backlogs of these products.

In order to address the slowdown in demand and price erosion resulting from an oversupply of tantalum and multi-layer ceramic chip capacitors, the Company implemented a restructuring program beginning 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. In 1997, the Company incurred \$12,605,000 of restructuring expenses relating to employee termination and facility closure costs in Europe. In 1998, the Company incurred \$6,244,000 of restructuring expenses.

In the late 1990s, the Company began to enter into the active components business. In July 1997, the Company purchased a 65% interest in LPSC, a Taiwan-based company that is a major supplier of discrete active electronic components in Asia. In July 2000, the Company sold its interest in LPSC to the Lite-On Group, the owner of the remaining 35% interest in LPSC, for consideration consisting of cash and the assignment or transfer to Vishay of the Lite-On Group's rights under stock appreciation rights. In 1998, the Company acquired the Semiconductor Business Group of TEMIC, which included Telefunken and 80.4% of Siliconix, producers of transistors, diodes, optoelectronics, and power and analog switching integrated circuits. In February 2001, the Company communicated a proposal to the Board of Directors of Siliconix to purchase any and all outstanding shares of Siliconix not already owned by Vishay. This proposal is currently being evaluated by a special committee of directors of Siliconix appointed in March 2001.

From the third quarter of 1999 through the third quarter of 2000, the Company experienced increased demand for its products, including both passive and active electronic components, as a result of growth in the wireless telecommunications market, particularly cell phones, and the increased use of embedded computing devices in a wide range of consumer and commercial products. The Company expanded capacity in all of its major product lines in order to satisfy the increased demand, and, in some cases, was able to increase pricing for its products because of tight supply, reversing the price erosion experienced in prior years. However, as a result of a recent slowing of growth in the personal computer and cell phone product markets, the Company has recently experienced softness in product demand, resulting in order cancellations and deferrals. This decrease in demand could cause a significant drop in average sales prices, which could, in turn, cause a reduction in the Company's gross margins and operating profits.

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 People's 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 intends to continue to explore and implement opportunities for cost efficiencies in its manufacturing operations.

The Company realizes approximately 56% of its revenues from customers 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 minimize the time for settling intercompany transactions.

In connection with its day-to-day operations, the Company generally does not purchase foreign currency exchange contracts or other derivative instruments to hedge foreign currency exposures. In September 1999, a subsidiary of the Company entered into foreign currency forward exchange contracts to manage exchange rate exposure on certain foreign currency denominated transactions. As of December 31, 2000, the Company and its subsidiaries did not have any outstanding foreign currency forward exchange contracts.

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 are normally 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 scaled back or discontinued some of its incentive programs over the past several years. 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. The Company might be materially adversely affected if these incentive programs were no longer available to the Company for new projects. However, 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 \$15,721,000 for the year ended December 31, 2000, as compared to \$14,256,000 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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

depend on the Company's continuing to increase capital investment and the number of Company 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	2000	1999	1998
Costs of products sold	59.2%	73.8%	75.6%
Gross profit	40.8	26.2	24.4
Selling, general and administrative expenses	12.1	14.5	14.9
Operating income	28.3	11.0	6.0
Earnings before income taxes and minority interest	28.0	7.7	2.7
Effective tax rate	21.5	27.4	71.8
Net earnings	21.0	4.7	0.5

Year ended December 31, 2000 compared to Year ended December 31, 1999

Net Sales

Net sales for the year ended December 31, 2000 increased \$704,975,000 or 40.1% from the prior year. Both the passive and active components segments contributed to these increases. The strengthening of the U.S. dollar against foreign currencies for the year ended December 31, 2000, in comparison to the prior year, resulted in decreases in reported sales of \$105,615,000. The passive components business net sales were \$1,627,861,000 for the year ended December 31, 2000 as compared to \$1,008,266,000 for the prior-year period, a 61.5% increase. The active components business net sales were \$837,205,000 for the year ended December 31, 2000 as compared to \$751,825,000 for the prior-year period, an 11.4% increase. Strong demand, particularly in the wireless communications market, for the Company's products and increased average selling prices contributed to the sales growth. Although backlog at December 31, 2000 remains strong, the Company is experiencing a slowdown in bookings in 2001, as the cell phone and computer markets have experienced a slowing of growth.

Costs of Products Sold

Costs of products sold for the year ended December 31, 2000 were 59.2% of net sales, as compared to 73.8% for the prior year. Gross profit, as a percentage of net sales, for the year ended December 31, 2000 was 40.8% as compared to 26.2% for the comparable prior-year period. Both the passive and active components segments contributed to the improved gross margins.

The passive components business gross profit margins were 41.7% for the year ended December 31, 2000 as compared to 22.4% for the prior-year period. Price and volume increases in the resistor, tantalum capacitor, and multi-layer ceramic chip capacitor product lines were primarily responsible for this improvement in gross margins.

The active components business gross profit margins were 39.0% for the year ended December 31, 2000 as compared to 31.4% for the prior year. Continued cost reductions, increased manufacturing efficiencies and an improved product mix contributed to the improved gross margins. The increase reflects improvements at the

Siliconix operation, where gross profit margins increased to 46.0% of net sales in 2000 compared to 41.0% in 1999 primarily as a result of economies of scale in manufacturing operations, productivity improvements, and further advances in technologies.

Israeli government grants, recorded as a reduction of costs of products sold, were \$15,721,000 for the year ended December 31, 2000, as compared to \$14,256,000 for the prior year. Future grants and other incentive programs offered to the Company by the Israeli government will likely depend on the Company's continuing to increase capital investment and the number of Company employees in Israel. Deferred income at December 31, 2000 relating to Israeli government grants was \$55,162,000 as compared to \$50,462,000 at December 31, 1999.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2000 were 12.1% of net sales, as compared to 14.5% for the prior year. This reduction was a result of higher net sales in 2000 as compared to 1999 and reflects company-wide cost reduction initiatives, particularly the reduction of headcount in high labor cost countries.

Interest Expense

Interest costs decreased by \$28,119,000 for the year ended December 31, 2000 from the prior year. This decrease was a result of lower bank borrowings during the year 2000 as compared to the prior year. The Company received net proceeds of \$395,449,000 from a Common Stock offering in May 2000, which were used to pay down long-term debt.

Other Income

Other income was \$18,904,000 for the year ended December 31, 2000 as compared to an expense of \$5,737,000 in the prior year. The 2000 amount includes higher interest income, a gain on sale of subsidiaries, and a gain from termination of interest rate swap agreements. Proceeds received from the May 2000 Common Stock offering and cash flows from operations were used to pay down debt outstanding under the Company's long-term revolving credit agreement. In connection with debt repayments, the Company terminated \$200,000,000 notional amount of interest rate swap agreements and recognized pretax gains of \$8,919,000. These amounts were partially offset by foreign exchange losses of \$7,305,000.

Minority Interest

Minority interest increased by \$9,641,000 for the year ended December 31, 2000 as compared to the prior year primarily due to the increase in net earnings of Siliconix, of which Vishay owns 80.4%.

Income Taxes

The effective tax rate for the year ended December 31, 2000 was 21.5% as compared to 27.4% for the prior year. The higher tax rate for the year ended December 31, 1999 reflects the non-tax-deductibility of the loss on the sale of Nicolitch, S.A. Tax expense on the sale of Nicolitch, S.A. was \$1,416,000. Also, a tax rate change in Germany resulted in a decrease in German deferred tax assets, which increased tax expense by \$1,939,000. Exclusive of the effect of the sale of Nicolitch, S.A. and the tax rate change in Germany, the effective tax rate on earnings before minority interest for the year ended December 31, 1999 would have been 23.2%. The continuing effect of low tax rates in Israel, as compared to the statutory rate in

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

the United States, resulted in increases in net earnings of \$89,745,000 and \$12,469,000 for the years ended December 31, 2000 and 1999, respectively. The more favorable Israeli tax rates are applied to specific approved projects and are normally available for a period of ten or fifteen years.

Year ended December 31, 1999 compared to Year ended December 31, 1998

Net Sales

Net sales for the year ended December 31, 1999 increased \$187,346,000 or 11.9% from the prior year. The increase in net sales related primarily to the results of TEMIC, which was acquired March 2, 1998. Net sales of TEMIC for the year ended December 31, 1999 were \$673,300,000 as compared to \$474,188,000 included in the Company's reported sales for the ten months ended December 31, 1998. Exclusive of TEMIC, net sales would have decreased by \$11,776,000 or 1.0%. The strengthening of the U.S. dollar against foreign currencies for the year ended December 31, 1999, in comparison to the prior year, resulted in decreases in reported sales of \$15,882,000. The passive components business net sales were \$1,008,266,000 for the year ended December 31, 1999 as compared to \$1,027,902,000 for the prior year period. The active components business net sales were \$751,825,000 for the year ended December 31, 1999 as compared to \$544,843,000 for the prior-year period. The 1999 sales of the active business reflected increased demand for product, particularly in telecommunications and computer applications, and reduced price erosion on its products.

Costs of Products Sold

Costs of products sold for the year ended December 31, 1999 were 73.8% of net sales, as compared to 75.6% for the prior year. Gross profit, as a percentage of net sales, for the year ended December 31, 1999 increased from the comparable prior-year period mainly due to the results of TEMIC. TEMIC reported gross profit margins of 33.3% for the year ended December 31, 1999 as compared to 30.1% for the ten months ended December 31, 1998, mainly due to higher business volume and manufacturing efficiencies gained from the full utilization of existing manufacturing capacity.

The active components business gross margins were 31.4% for the year ended December 31, 1999 as compared to 27.9% for the prior-year period. The increase was due to the Siliconix operation, where gross margins increased substantially as a result of increased product demand, stronger capacity utilization, an improved product mix and increased fab efficiencies.

The passive components business gross profit margins were 22.4% for the year ended December 31, 1999 as compared to 22.5% for the prior-year period. Profitability for the passive components business was negatively affected by price erosion, which began in the second quarter of 1998. However, beginning in the third quarter of 1999, most of the Company's product lines saw an increase in demand and the average selling prices stopped declining, with prices actually increasing in some instances.

Israeli government grants, recorded as a reduction of costs of products sold, were \$14,256,000 for the year ended December 31, 1999, as compared to \$13,116,000 for the prior year. Future grants and other incentive programs offered to the Company by the

Israeli government will likely depend on the Company's continuing to increase capital investment and the number of Company employees in Israel. Deferred income at December 31, 1999 relating to Israeli government grants was \$50,462,000 as compared to \$59,264,000 at December 31, 1998.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 1999 were 14.5% of net sales, as compared to 14.9% for the prior year. The decrease in selling, general and administrative expenses was primarily due to the cost reduction initiatives of TEMIC, for which selling, general and administrative expenses were 16.1% for the year ended December 31, 1999 as compared to 19.6% for the ten months ended December 31, 1998.

Interest Expense

Interest costs increased by \$4,258,000 for the year ended December 31, 1999 from the prior year. Bank borrowings related to the TEMIC acquisition were outstanding for twelve months during 1999 compared to ten months during 1998. Also during 1999, interest rates increased as compared to the prior year.

Other Income

Other income decreased by \$3,496,000 for the year ended December 31, 1999 as compared to the prior year. Included in the results for the year ended December 31, 1999 was a noncash loss of \$10,073,000 in connection with the sale of Nicolitch, S.A., a subsidiary of the Company. Included in the results for the year ended December 31, 1998 was a loss of \$6,269,000 related to a forward exchange contract entered into to set the purchase price in connection with the TEMIC acquisition.

Minority Interest

Minority interest increased by \$10,724,000 for the year ended December 31, 1999 as compared to the prior year primarily due to the increase in net earnings of Siliconix, of which Vishay owns 80.4%.

Income Taxes

The effective tax rate for the year ended December 31, 1999 was 27.4% as compared to 71.8% for the prior year. The tax rate for the year ended December 31, 1999 reflects the non-tax-deductibility of the loss on the sale of Nicolitch, S.A. Tax expense on the sale of Nicolitch, S.A. was \$1,416,000. Also, a tax rate change in Germany resulted in a decrease in German deferred tax assets, which increased tax expense by \$1,939,000. Exclusive of the effect of the sale of Nicolitch, S.A. and the tax rate change in Germany, the effective tax rate on earnings before minority interest for the year ended December 31, 1999 would have been 23.2%. The higher tax rate for the year ended December 31, 1998 was primarily due to the non-tax-deductibility of the in-process research and development expense in 1998 and a \$10,000,000 increase in a valuation allowance for a deferred tax asset for net operating loss carryforwards in Germany. Exclusive of the effect of special charges, the tax rate on earnings before minority interest for the year ended December 31, 1998 would have been 27.8%. The continuing effect of low tax rates in Israel, as compared to the statutory rate in the United States, resulted in increases in net earnings of \$12,469,000 and \$15,166,000 for the years ended December 31, 1999 and 1998, respectively. The more favorable Israeli tax rates are applied to specific approved projects and are normally available for a period of ten or fifteen years.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Financial Condition and Liquidity

Cash flows from operations were \$542,319,000 for the year ended December 31, 2000 compared to \$239,547,000 for the prior year. The increase in cash flows from operations is primarily attributable to an increase in net earnings for the year ended December 31, 2000 as compared to the year ended December 31, 1999. Net purchases of property and equipment for the year ended December 31, 2000 were \$229,781,000 compared to \$119,638,000 in the prior year, reflecting the Company's efforts toward increasing capacity. The Company paid down \$506,687,000 on its revolving credit lines during the year 2000. These payments were partially funded by \$395,449,000 of proceeds from the May 2000 Common Stock offering and \$39,873,000 of proceeds from the exercise of stock options. On July 12, 2000, the Company completed the sale of its 65% interest in LPSC to the Lite-On Group. The net cash proceeds of \$33,162,000 were used to further pay down the Company's long-term debt. See Notes 2 and 3 to the Consolidated Financial Statements for discussion of restructuring costs paid during 1999.

The Company's financial condition at December 31, 2000 is strong, with a current ratio of 3.53 to 1. The Company's ratio of long-term debt, less current portion, to stockholders' equity was .08 to 1 at December 31, 2000 and .65 to 1 at December 31, 1999.

On March 2, 1998, the Company and certain of its subsidiaries entered into a \$1.1 billion multicurrency revolving credit agreement with a group of banks that included an \$825 million long-term revolving credit and swing line facility and a \$275 million short-term revolving credit facility. On June 1, 1999 and August 31, 2000, the Company amended the credit facilities. The amended agreement now provides for a \$660,000,000 long-term revolving credit and swing line facility maturing on June 1, 2005, subject to Vishay's right to request year-to-year renewals. Borrowings under the facility 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 agreement are secured by pledges of stock in certain significant subsidiaries and indirect subsidiaries of Vishay and guaranties by certain significant subsidiaries. The Company is required to pay facility fees on the long-term facility. The credit facility restricts the Company from paying cash dividends, and requires the Company to comply with certain financial covenants. See Note 5 to the Consolidated Financial Statements for additional information.

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.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union adopted the euro as their common legal currency and established fixed conversion rates between their existing sovereign currencies and the euro. The Company is currently evaluating issues raised by the introduction and initial implementation of the euro on January 1, 2002. The Company does not expect costs of system modifications to be material, nor does it expect the introduction and use of the euro to materially and adversely affect its financial condition or results of operations. The Company will continue to evaluate the impact of the euro introduction.

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.

Market Risk Disclosure

The Company's cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. The Company manages its exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Company policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives. The Company monitors its underlying market risk exposures on an ongoing basis and believes that it can modify or adapt its hedging strategies as needed.

The Company is exposed to changes in U.S. dollar LIBOR interest rates on its floating rate revolving credit facility. At December 31, 2000, the outstanding balance under this facility was \$140,000,000. On a selective basis, the Company from time to time enters into interest rate swap or cap agreements to reduce the potential negative impact increases in interest rates could have on its outstanding variable rate debt. The impact of interest rate instruments on the Company's results of operations in each of the three years ended December 31, 2000 was not significant. See Notes 5 and 12 to Consolidated Financial Statements for components of the Company's long-term debt and interest rate swap arrangements.

In August 1998, the Company entered into six interest rate swap agreements with a total notional amount of \$300,000,000 to manage interest rate risk related to its multicurrency revolving line of credit. As of December 31, 2000, five of these six agreements had been terminated. The remaining agreement, which expires in 2003, has a notional amount of \$100,000,000 and requires the Company to make payments to the counterparty at variable rates based on USD-LIBOR-BBA rates. At December 2000 and 1999, the Company paid a weighted average fixed rate of 7.16% and 5.61%, respectively, and received a weighted average variable rate of 6.53% and 6.49%, respectively. The fair value of the interest rate swap agreements, based on current market rates, approximated a net receivable of \$51,000 and \$8,714,000 at December 31, 2000 and 1999, respectively.

Foreign Exchange Risk

The Company is exposed to foreign currency exchange rate risks. The Company's significant foreign subsidiaries are located in Germany, France, Israel and the Far East. The Company, in most locations, has introduced a "netting" policy where subsidiaries pay all intercompany balances within thirty days. In September 1999, a subsidiary of the Company entered into foreign currency forward exchange contracts to manage the effect of exchange rate changes on certain foreign currency denominated transactions. As of December 31, 2000, the Company did not have any outstanding foreign currency forward exchange contracts.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In the normal course of business, the financial position of the Company is routinely subjected to a variety of risks, including market risks associated with interest rate movements, currency rate movements on non-U.S. dollar denominated assets and liabilities and collectibility of accounts receivable. The Company does not anticipate material losses in these areas.

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 the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties and contingencies, many of which are beyond the Company's control, which may cause actual results, performance or achievements to differ materially from those anticipated. Set forth below are important factors that could cause the Company's results, performance or achievements to differ materially from those in any forward-looking statements made by or on behalf of the Company.

Changes in Product Demand, Competition, Backlog

- 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. Due to a recent slowing of growth in the personal computer and cell phone markets, the Company and others in the electronic and semi-conductor component industry have recently experienced softness in product demand, resulting in order cancellations and deferrals. This slowdown may continue and may become more pronounced. Such a slowdown in demand, as well as 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.
- The Company operates in a highly competitive environment, which includes significant competitive pricing pressures and intense competition for entry into new markets. The electronics components industry has become increasingly concentrated and globalized in recent years, and the Company's major competitors, some of which are larger than the Company, have significant financial resources and technological capabilities.
- 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 and this produced a significant decrease in demand for the Company's products.

Product Development, Business Expansion

- 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 risks that the Company will be

unable to anticipate the direction of technological change or that the Company will be unable to timely develop and bring to market new products and applications to meet customers' changing needs.

- 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 was substantially debt free at the end of 2000. If the Company were to undertake a substantial acquisition for cash, the acquisition would likely need to be financed in part through bank borrowings or the issuance of public or private debt. This would decrease the Company's ratio of earnings to fixed charges and adversely affect other leverage criteria. The Company cannot ensure that the necessary acquisition financing would be available to the Company when required on acceptable terms.
- The Company may have difficulty expanding its manufacturing of product lines to satisfy future increases in demand for its products. Factors that could limit such expansion include delays in procurement of manufacturing equipment, shortages of skilled personnel and capacity constraints at the Company's facilities. If the Company is unable to meet its customers' requirements and its competitors sufficiently expand production, the Company could lose customers and/or market share.
- Any drop in demand or increase in supply of the Company's products due to the expansion of production capacity by the Company's competitors could cause a dramatic drop in average sales prices causing a drop in gross margins.

Foreign Operations and Sales

- Approximately 56% of the Company's revenues are derived from sales to customers outside the United States. As a result, currency exchange rate fluctuations, regional inflation, changes in monetary policy and tariffs, potential changes in laws and regulations affecting the Company's business in foreign jurisdictions, international 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Restructuring and Cost Reduction Activities

- The Company's strategy is aimed at achieving 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. In this process, 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, as described in "Introduction and Background," 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. For example, during 1998, restructuring costs were particularly high as a result of the Company's accelerated effort to streamline operations in response to the continued weakness in the international electronic components market at the time.
- The Company has in the past and may in the future respond to changing economic conditions by restructuring its operations. Such restructuring, particularly in Europe, may result in labor unrest or strikes, which could have an adverse effect on the Company.
- 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. The Company's inability to achieve these goals could have an adverse effect on the Company's results of operations.

Raw Materials

- The Company's results of operations may be adversely impacted by:
 1. difficulties in obtaining raw materials, supplies, power, natural resources and any other items needed for the production of the Company's products;
 2. the effects of quality deviations in raw materials, particularly tantalum powder, palladium and ceramic dielectric materials; and
 3. 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. Prices for tantalum powder are expected to increase significantly in the near future.

The Class B Common Stock

- The holders of common stock are entitled to one vote for each share held, while the holders of Class B common stock are entitled to 10 votes for each share held. Currently, the holders of Class B common stock hold 57% of the voting power of the Company. As a result, the holders of Class B common stock are able to cause the election of their nominees as directors of the Company. The holders of Class B common stock may also be able to approve other actions as stockholders without obtaining the votes of other stockholders of the Company.
- The effective control of the Company by holders of Class B common stock may make the Company less attractive as a target

for a takeover proposal. It may also render more difficult or discourage a merger proposal or proxy contest for the removal of the incumbent directors, even if such actions were favored by all stockholders of the Company other than the holders of the Class B common stock. Accordingly, this may deprive the holders of common stock of an opportunity they might otherwise have to sell their shares at a premium over the prevailing market price in connection with a merger or acquisition of the Company with or by another company.

Miscellaneous Factors

- The Company's results may also be affected by a variety of other factors, including:
 1. possible environmental liability and remediation costs;
 2. legal proceedings and investigations;
 3. possible challenges to the Company's intellectual property rights;
 4. increases in the Company's debt levels or its cost of borrowings;
 5. changes in generally accepted accounting policies and practices;
 6. disruptions to the Company's manufacturing operations that may result from casualty losses, military hostilities particularly in the Middle East, or acts of God; and
 7. changes in executive personnel.

Common Stock Market Prices

	Calendar 2000		Calendar 1999	
	High	Low	High	Low
First Quarter	\$ 40.88	\$ 18.58	\$ 8.27	\$ 5.90
Second Quarter	\$ 62.63	\$ 35.00	\$ 14.04	\$ 7.80
Third Quarter	\$ 44.75	\$ 26.00	\$ 17.50	\$ 12.04
Fourth Quarter	\$ 31.75	\$ 13.88	\$ 21.33	\$ 14.17

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 2000 and 1999 calendar years indicated. Stock prices have been restated to reflect stock dividends and stock splits. 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 agreement. See Note 5 to the Consolidated Financial Statements. Holders of record of the Company's Common Stock totaled approximately 2,067 at March 27, 2001.

At March 27, 2001, the Company had outstanding 15,518,546 shares of Class B Common Stock, par value \$.10 per share (the "Class B Stock"), each of which entitles the holder to ten votes. The Class B Stock generally is not transferable except in certain very limited instances and there is no market for those shares. The Class B Stock is convertible, at the option of the holder, into Common Stock on a share-for-share basis. Substantially all of such Class B Stock is owned by Dr. Felix Zandman, Mrs. Luella B. Slaner and trusts for the benefit of Mrs. Slaner's grandchildren, either directly or beneficially. Dr. Felix Zandman is an executive officer and director of the Company. Mrs. Luella B. Slaner is a director of the Company.

Financial Summary

	As of and for the Year ended December 31			
Summary of Operations (in thousands, except per share amounts)	2000	1999	1998	1997
Net sales	\$ 2,465,066	\$ 1,760,091	\$ 1,572,745	\$ 1,125,219
Costs of products sold	1,459,784	1,299,705	1,189,107	858,020
Gross profit	1,005,282	460,386	383,638	267,199
Selling, general, and administrative expenses	297,315	254,282	234,840	136,876
Amortization of goodwill	11,469	12,360	12,272	7,218
Unusual items	—	—	42,601	14,503
Operating income	696,498	193,744	93,925	108,602
Other income (expense):				
Interest expense	(25,177)	(53,296)	(49,038)	(18,819)
Other	18,904	(5,737)	(2,241)	(222)
Total other income (expense)	(6,273)	(59,033)	(51,279)	(19,041)
Earnings before income taxes, minority interest, and cumulative effect of accounting change	690,225	134,711	42,646	89,561
Income taxes	148,186	36,940	30,624	34,167
Minority interest	24,175	14,534	3,810	2,092
Earnings before cumulative effect of accounting change	517,864	83,237	8,212	53,302
Cumulative effect of accounting change	—	—	—	—
Net earnings	\$ 517,864	\$ 83,237	\$ 8,212	\$ 53,302
Earnings per share:				
Basic	\$ 3.83	\$ 0.66	\$ 0.07	\$ 0.42
Diluted	\$ 3.77	\$ 0.65	\$ 0.07	\$ 0.42
Shares used in computing earnings per share:				
Basic	135,295	126,678	126,665	126,627
Diluted	137,463	128,233	126,797	126,904
Financial Data (in thousands, except ratios)				
Cash and cash equivalents	\$ 337,213	\$ 105,193	\$ 113,729	\$ 55,263
Working capital	1,057,200	604,150	650,483	455,134
Current ratio	3.53	2.87	3.13	3.38
Property and equipment — net	973,554	930,545	997,067	709,142
Capital expenditures	229,781	119,638	151,682	78,074
Depreciation and amortization	140,840	139,676	127,947	81,874
Total assets	2,783,658	2,323,781	2,462,744	1,719,648
Long-term debt	140,467	656,943	814,838	347,463
Stockholders' equity	1,833,855	1,013,592	1,002,519	959,648

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. The information set forth in this table includes the results of TEMIC from March 1, 1998, the results of Lite-On Power Semiconductor Corporation from July 1, 1997 to July 12, 2000, 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 stock splits. Basic and diluted earnings per share for 1993 includes \$0.01 for the cumulative effect of an accounting change for income taxes.

As of and for the Year ended December 31

1996	1995	1994	1993	1992	1991	1990
\$ 1,097,979	\$ 1,224,416	\$ 987,837	\$ 856,272	\$ 664,226	\$ 442,283	\$ 445,596
825,866	902,518	748,135	663,239	508,018	318,166	312,925
272,113	321,898	239,702	193,033	156,208	124,117	132,671
141,765	158,821	137,124	118,906	101,327	75,973	77,740
6,494	6,461	4,609	3,294	2,380	1,695	1,552
38,030	4,200	—	(562)	—	3,700	2,441
85,824	152,416	97,969	71,395	52,501	42,749	50,938
(17,408)	(29,433)	(24,769)	(20,624)	(19,110)	(15,207)	(19,426)
2,430	272	916	123	4,533	(289)	2,344
(14,978)	(29,161)	(23,853)	(20,501)	(14,577)	(15,496)	(17,082)
70,846	123,255	74,116	50,894	37,924	27,253	33,856
17,741	30,307	15,169	8,246	7,511	6,363	10,655
489	281	—	—	—	—	—
52,616	92,667	58,947	42,648	30,413	20,890	23,201
—	—	—	1,427	—	—	—
\$ 52,616	\$ 92,667	\$ 58,947	\$ 44,075	\$ 30,413	\$ 20,890	\$ 23,201
\$ 0.41	\$ 0.78	\$ 0.55	\$ 0.43	\$ 0.37	\$ 0.26	\$ 0.32
\$ 0.41	\$ 0.78	\$ 0.55	\$ 0.43	\$ 0.36	\$ 0.26	\$ 0.31
126,632	117,857	106,571	101,593	82,652	79,686	73,223
126,717	117,923	106,571	101,593	92,687	79,686	85,961
\$ 20,945	\$ 19,584	\$ 26,876	\$ 10,949	\$ 15,994	\$ 14,438	\$ 16,306
434,199	411,286	328,322	205,806	145,327	128,733	120,384
3.27	2.80	2.41	2.09	2.02	2.65	2.42
710,662	669,228	543,402	422,668	271,619	171,951	166,346
136,276	165,699	91,571	79,377	49,801	26,660	28,999
77,247	69,547	57,742	48,578	36,062	27,056	26,157
1,558,515	1,543,331	1,345,070	950,670	661,643	448,771	440,656
229,885	228,610	402,337	266,999	139,540	127,632	140,212
945,230	907,853	565,088	376,503	346,625	201,366	177,839

Corporate Information

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.

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.

Dr. Edward B. Shils

George W. Taylor Professor Emeritus of
Entrepreneurial Studies
The Wharton School
University of Pennsylvania

Luella B. Slaner

Investor

Mark I. Solomon

Founder and Chairman
CMS Companies

Jean-Claude Tiné

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

Robert A. Freece

Senior Vice President

William J. Spires

Vice President, Secretary

Annual Meeting

May 24, 2001 at 10:30 a.m.
Four Seasons Hotel
South Ballroom
Lobby Level
One Logan Square
Philadelphia, PA 19103

Shareholders' Information

Independent Auditors

Ernst & Young LLP
Philadelphia, PA

Transfer Agent and Registrar

American Stock Transfer & Trust Company
40 Wall St., 46th Floor
New York, NY 10055
Phone: 800-937-5449

Stock Exchange Listings

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

Investor Relations Contact

Robert A. Freece
Senior Vice President
Vishay Intertechnology, Inc.
Phone: 610-644-1300

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, extension 7483. Shareholders with access to the Internet can find quarterly reports, press releases, SEC filings, and all other financial documents at www.vishay.com.

SEC Form 10-K

A copy of the Company's Form 10-K Annual Report for the year ended December 31, 2000, filed with the Securities and Exchange Commission, may be obtained by shareholders without charge by writing to the Investor Relations Department, Vishay Intertechnology, Inc., 63 Lincoln Highway, Malvern, PA 19355-2120 or through Vishay's website at www.vishay.com.





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Phone 402-564-3131

Vishay Foil Resistors

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Vishay Measurements Group

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Vishay Roederstein

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Vishay Sprague

678 Main Street
Sanford, ME 04073 USA
Phone 207-324-4140

Vishay Thin Film

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Phone 716-283-4025

Vishay Vitramon

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