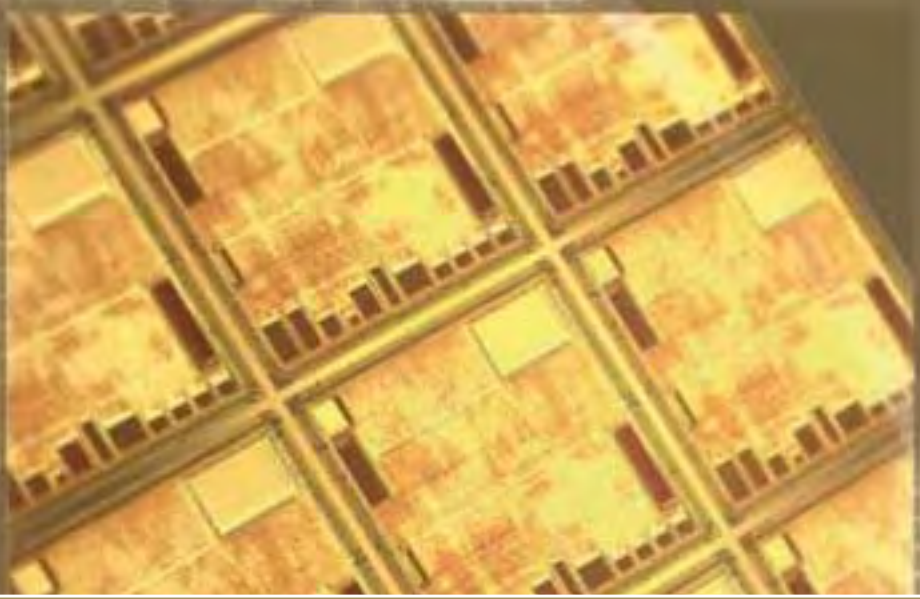
VISHAY

VISHAY INTERTECHNOLOGY, INC.

ANNUAL REPORT 2003



***Fortune*® Magazine** (March 8, 2004)
"America's Most Admired Companies" (2004)
Inclusion in "Semiconductors" Category

Wall Street Journal (March 8, 2004)
"Shareholder Scoreboard" Number-One Ranking
In "Electric Components & Equipment" Category

One of the **World's Largest Manufacturers**
of Discrete Semiconductors and Passive Components

Vishay Intertechnology, Inc.

Vishay is one of the world's largest manufacturers of discrete semiconductors and passive electronic components. These components are used in virtually all types of electronic devices and equipment, in the industrial, computer, automotive, consumer, telecommunications, military, aerospace, and medical markets.

Vishay's global footprint includes manufacturing facilities in China and other Asian countries, Israel, Europe, and the Americas, and sales offices around the world. Its worldwide sales rank as number-one or number-two in many different product categories. Vishay's product innovations, successful acquisition strategy, focus on cost reduction, and ability to provide "one-stop shop" service have made it a global industry leader.

www.vishay.com

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About the Cover

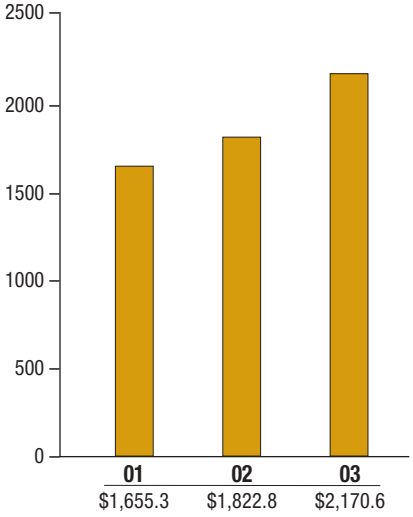
The cover features superimposed images of two silicon wafers (at different magnifications) used in the manufacturing of Vishay Siliconix semiconductors. The products running across the bottom of the cover are representative samples of Vishay's broad product portfolio.

(Note: Products are not shown to scale.)

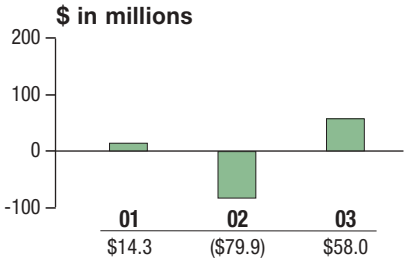
As of and for the year ended December 31

(In thousands, except per share amounts)	2003	2002	2001
Net sales	**$ 2,170,597**	$ 1,822,813	$ 1,655,346
Operating profit (loss)	**57,972**	(79,948)	14,250
Net earnings (loss)	**26,842**	(92,614)	513
Depreciation and amortization	**194,055**	180,748	163,387
Basic earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00
Diluted earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00
Weighted average shares outstanding – basic	**159,631**	159,413	141,171
Weighted average shares outstanding – diluted	**160,443**	159,413	142,514
Cash flows from operations	**$ 255,756**	$ 366,871	$ 161,418
Working capital	**1,049,892**	897,456	1,096,034
Property and equipment – net	**1,219,795**	1,274,850	1,167,533
Long-term debt	**836,606**	706,316	605,031
Stockholders' equity	**2,514,034**	2,358,787	2,366,545

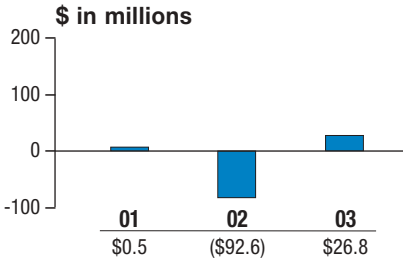
NET SALES
$ in millions



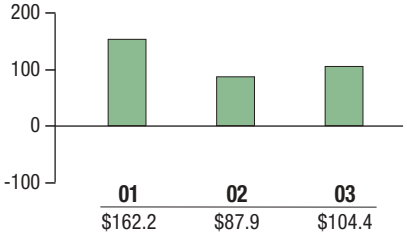
OPERATING PROFIT (LOSS)*
$ in millions



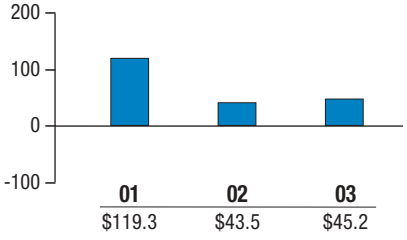
NET EARNINGS (LOSS)*
$ in millions



OPERATING PROFIT, ADJUSTED**
$ in millions



NET EARNINGS, ADJUSTED**
$ in millions



The following table reconciles amounts as reported to the adjusted operating profit and adjusted net earnings presented in the charts above. *(in millions)*

	Operating Profit (Loss)			Net Earnings (Loss)		
	2001	2002	2003	2001	2002	2003
*** As reported**	**$ 14.3**	**$ (79.9)**	**$ 58.0**	**$ 0.5**	**$ (92.6)**	**$ 26.8**
Restructuring and severance costs	61.9	31.0	29.6	61.9	31.0	29.6
Inventory write-downs and loss on purchase commitments	70.0	136.8	16.8	70.0	136.8	16.8
Purchased research and development	16.0	—	—	16.0	—	—
Gain on insurance claim	—	—	—	—	—	(33.9)
Other	—	—	—	8.7	2.1	9.9
Net tax benefit of reconciling items	—	—	—	(37.8)	(33.8)	(4.0)
**** Adjusted**	**$162.2**	**$ 87.9**	**$104.4**	**$119.3**	**$ 43.5**	**$ 45.2**

Management believes that adjusted operating profit and adjusted net earnings, "non-GAAP" measures, are meaningful to investors because they provide insight with respect to ongoing operating results of the Company. Reconciling items to arrive at adjusted operating profit and adjusted net earnings represent significant charges or credits that are important to an understanding of the Company's ongoing operations. These reconciling items are more fully described in the Company's consolidated financial statements. Measurements such as adjusted operating profit and adjusted net earnings are not recognized in generally accepted accounting principles (GAAP) and should not be viewed as alternatives to GAAP measures of performance.

To Our Shareholders, Employees, Customers, and Vendors

I am happy to confirm that electronic industry conditions have improved significantly during the past several months. Business is strong in all Vishay product lines. Our bookings, capacity utilization, and revenues are increasing, and we are seeing an overall decrease in the rate of price declines for our products. In fact, prices for some of our specialty products are rising. There are even short-term shortages of some Vishay products.

Vishay is particularly well positioned for the current industry-wide upturn because, during the downturn that took place during 2001, 2002, and part of 2003, we continued to cut costs aggressively and relocate production to lower-labor-cost countries. In spite of the difficult times of the past few years, Vishay was profitable on an adjusted net earnings basis, and took advantage of its strong balance sheet to make several key acquisitions that enhanced our already extensive product portfolio, increased our market share, and further strengthened our presence in China and the rest of Asia.

Year 2003 During 2003, as in the past, our business upturn began in the discrete semiconductor area and was followed by an upturn in our passive components area as well.

The product lines that we acquired through our acquisitions in 2002 (BCcomponents and five small transducer companies) and 2001 (General Semiconductor and the infrared components business of Infineon) contributed to our bottom line during 2003.

We integrated the product lines of BCcomponents and our transducer acquisitions (Sensortronics, Tedea-Huntleigh, BLH, Nobel, and Celtron) during 2003, and our efforts to consolidate manufacturing of these product lines in lower-labor-cost countries are fully on target. Also on target is our consolidation in China of the manufacturing of our General Semiconductor products, which started in December 2003 and is planned for completion during 2004.

The upturn that began at the end of 2003 increased sales of new and improved products in all our product categories. New products increase our share of existing markets, and open up new ones for us. It is worth noting that, in 2003, 61% of our revenues came from products that didn't exist 10 years ago. At our Siliconix subsidiary, the comparable figure is 88%.

During 2003 we expanded the scope of the Vishay Sample Service Center from one region (the Americas) to all regions. It now provides a single global source for Vishay product samples. Because of this service and our ability to provide "one-stop shop" service for discrete semiconductors and passive components, many of our customers are sending us their bills of materials (BOMs) and asking us to cross-reference Vishay products in all categories, including categories where Vishay products were not designed-in previously. This way, customers can order many components for their BOMs from one source — Vishay. This results in fast market penetration by Vishay at low costs. Once again, our strategy of being a "one-stop shop" is paying off.

Additionally, during 2003 we improved service by consolidating our product inventory and shipping functions into a global logistics organization. This enables us to respond more rapidly to customer requests, enhance labor utilization and productivity, and minimize costs. In 2003 we increased our average on-time delivery rate to 93%.

In 2003 we exploited synergies between our different divisions to reduce material costs. We also cut costs by closing redundant facilities, consolidating sales forces, reducing or terminating various sales-related expenses, and reducing overhead expenses.

In addition, we decreased costs during 2003 by continuing to move production from high-labor-cost countries to lower-labor-cost countries such as the Czech Republic, India, Israel, and — most important of all — China. By the end of 2003, we had decreased the percentage of our workforce in high-labor-cost countries to 31%. We expect to decrease this still further to 27% by the end of 2004, with a long-term goal of 20%.

I am very pleased to report that, during 2003, we completely rebuilt the Vishay Electro-Films facility in Warwick, Rhode Island, U.S.A. After the facility was devastated by fire in 2002, we obtained a settlement from our insurance company. Using money provided by the insurance company, we turned the facility into a state-of-the-art manufacturing plant with increased productivity.

Yet another successful initiative was our signing of a technological and marketing agreement with Walsin Technology Corporation, a Taiwan-based manufacturer of multilayer ceramic capacitors (MLCCs), mainly for the consumer market. Previously, our MLCC efforts were focused primarily on specialized Vishay Vitramon MLCCs for the high-reliability automotive market (where Vishay is a market leader in the U.S. and Europe), rather than the markets for low-priced commodity MLCCs. Our agreement with Walsin enables us to compete aggressively and gain market share in sales of commodity MLCCs.

In addition, we increased future Siliconix semiconductor capacity by signing an agreement with a Japanese manufacturer of silicon wafers. Siliconix also signed a memorandum of understanding with an Israeli manufacturer of silicon wafers. We expect a definitive agreement with the Israeli manufacturer to be signed in the first half of 2004.

Financial Highlights Sales for the year ended December 31, 2003 were $2.2 billion compared to sales of $1.8 billion for the year ended December 31, 2002. Net earnings for the year ended December 31, 2003 were $26.8 million or $0.17 per share, compared with a net loss for the year ended December 31, 2002 of $92.6 million or $0.58 per share. Adjusted net earnings for 2003 and 2002 were $45.2 million and $43.5 million, respectively, or $0.28 and $0.27 per share. Earnings for the year ended December 31, 2003 were impacted by restructuring and severance costs of $29.6 million, a loss on extinguishment of debt of $9.9 million, a loss on long-term purchase commitments of $11.4 million, and a write-down of tantalum inventories on hand to market value of $5.4 million, offset by a gain on an insurance claim of $33.9 million. The year ended December 31, 2002 included charges for restructuring, inventory write-downs, a loss on purchase commitments and other charges of $169.9 million.

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

The Company continued to generate cash from operations during year 2003. In fact, for the year ended December 31, 2003, the Company's cash flow from operations was $255.8 million. Purchases of property and equipment for the year ended December 31, 2003 were $126.6 million, as compared to depreciation and amortization for the year ended December 31, 2003 of $194.1 million.

The long-term debt of the Company was $836.6 million (substantially all in convertibles) at December 31, 2003 and stockholders' equity was $2,514 million, resulting in a debt-to-equity ratio of 0.33. Our cash balance at December 31, 2003 was $555.6 million and our net debt was only $281 million.

Looking Ahead Looking ahead to the rest of 2004 and beyond, I am quite optimistic. I anticipate that the positive trends that began during the end of 2003 and have continued into 2004 — improved bookings, improved capacity utilization, reduced pricing pressure, increased profit margins — will continue.

We acquired BCcomponents, the transducer companies, and General Semiconductor — as well as the infrared components business of Infineon — during the industry downturn, when prices for acquisitions were lowest. Now that our revenues are increasing in all product areas, the acquired product lines, fully integrated into our Company product portfolio, will contribute even more strongly to our bottom line.

Our acquisitions in 2002 and 2001 brought with them not only new products, but also manufacturing plants in China, other countries in Asia, and Israel, as well as in Europe. This made possible consolidation of manufacturing in lower-labor-cost countries during 2003, an initiative that will continue during 2004. Also continuing during 2004 will be other efforts to streamline operations and reduce costs.

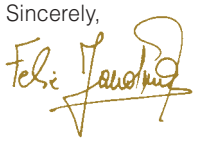
Siliconix products are used in portable devices, such as notebook computers and cell phones, that are enjoying rising market demand. I am confident that Siliconix revenues will continue to increase. Additionally, I expect that our other discrete semiconductor business unit, Vishay Semiconductors (comprising the former General Semiconductor, Infineon infrared components, and Vishay Telefunken businesses) will continue to benefit from rising market demand during the months to come. I also am confident that our passive components business will continue to grow, as passive components are used in all electronic circuits in conjunction with semiconductors.

As always, we will continue to roll out new and improved products. Our strategy of a broad product line ("one-stop shop" service), opportunistic acquisitions, new product introductions, and cost reduction efforts enabled us to generate operating profits during 2003, despite the difficult times, and now will be the foundation for future growth as the economy turns positive.

Vishay was included in *Fortune*® magazine's year 2004 list of "America's Most Admired Companies" in the category of semiconductors. Vishay also was ranked number-one in the "Electric Components & Equipment" industry category in the March 8, 2004 *Wall Street Journal* "Shareholder Scoreboard."

As we look forward to continued growth during our fifth decade as a Company, we are grateful to our employees, customers, vendors, and strategic business partners. To our stockholders, thank you for continuing to believe in Vishay. I look forward with confidence to the rest of year 2004 and beyond.

Sincerely,



Felix Zandman
Chairman of the Board and Chief Executive Officer
April 2004

Essential Building Blocks of Electronics

Sophisticated microprocessor chips and other complex integrated circuits (ICs) coordinate and control the functions of electronic products. Supporting the work of microprocessors are discrete semiconductors and passive components. Vishay is one of the world's largest manufacturers of discrete semiconductors and passive components that serve as "building blocks" of electronic circuits. Vishay offers one of the industry's widest varieties, and sells them to customers in all major industries worldwide, providing "one-stop shop" service.

DISCRETE SEMICONDUCTORS

Discrete semiconductors (diodes, transistors, and optoelectronic components) typically perform a single function in electronic circuits, such as switching, amplifying, or rectifying and transmitting electrical signals. Semiconductors are referred to as "active" components because they require power to function.

Rectifiers

Rectifiers convert alternating current (AC) into direct current (DC), a unidirectional current required for operation of many electronic systems. For example, a bridge rectifier is used in a clock radio to change the AC voltage from a wall outlet to a specific DC voltage.

Small-Signal Diodes

All diodes allow current to travel in only one direction. Small-signal diodes, which typically pass electrical currents of up to one-half amp, are commonly used in routing, switching, and signal blocking. For example, a band-switching diode is used to switch VHF and UHF bands in a television.

Suppressor and Zener Diodes

Suppressor diodes protect electronic equipment from sudden increases in voltage caused by lightning, power line fluctuations, and other power line problems. Zener diodes, which come in a wide variety of voltage and power-handling specifications, are used to maintain a fixed voltage in electronic circuits.

RF Transistors

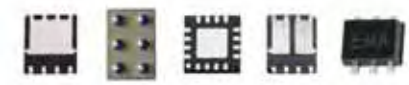
RF transistors amplify analog or digital signals. They are designed specifically to handle small-signal radio frequencies in the front ends of radios, television sets, mobile phones, and other devices to amplify antenna signals.

Optoelectronics

Optoelectronic components emit or detect light. Types include infrared data communications devices (IRDCs) for two-way data transfer; optocouplers for circuit isolation; IR emitters for one-way remote control (as used in television remote controls, for example); optical sensors for detection; and LEDs for light sources.

Power MOSFETs

Power metal-oxide-semiconductor field-effect transistors (MOSFETs), made up of many individual transistors (as many as several million) on one piece of silicon, conserve power and prevent components from overheating. Vishay Siliconix TrenchFET® power MOSFETs use innovative silicon and packaging technologies to reduce the size of the MOSFET and to switch and manage power very efficiently.



Integrated Circuits (ICs)

ICs take the functions of discrete semiconductors and passive components and combine them on a single silicon chip. These may include "on-board" transistors, diodes, resistors, capacitors, and other circuit components. Unlike discrete semiconductor components, which usually perform one function (such as switching), ICs can perform multiple functions. Vishay produces analog switching ICs and power ICs.

Integrated Modules

Integrated modules combine different discrete components in a single package to save space, reduce assembly costs, and increase reliability. Vishay FunctionPAK™ dc-to-dc converters include all the active and passive components required for a complete power conversion solution in a single package.



PASSIVE COMPONENTS

Passive components (resistors, capacitors, inductors, transducers) do not require a power supply to handle the signals that pass through them. They are used to store electrical charges, to limit or resist electrical current, and to help in filtering, surge suppression, measurement, timing, and tuning applications.

Capacitors

Capacitors store energy and discharge it when needed. Applications include power conversion, DC-linking, frequency conversion, bypass, decoupling, and filtering. Types of capacitors manufactured by Vishay include tantalum (both solid and wet), ceramic (both multilayer chip and disk), film, power, heavy-current, and aluminum, as well as high-performance, high-precision silicon-based RF capacitors.

Resistive Products

Resistors restrict current flow. Vishay manufactures many different types of resistive products, including single (discrete) resistors based on foil, thin film, thick film, metal oxide film, carbon film, and wirewound technologies, as well as resistor networks and arrays, in which multiple resistors are combined in a single package. Vishay also manufactures thermistors and varistors, which are used to suppress voltage increases.

Magnetics

Inductors and transformers are categorized as magnetics. Inductors use an internal magnetic field to change current phase or resist current. Inductor applications include controlling AC current and voltage and filtering out unwanted electrical signals. Transformers (two inductors on a common core of magnetic material) increase or decrease AC voltage or AC currents.

Strain Gages and Instruments

Strain gages are sensors used to detect strain. They are widely used in weighing, process control, force measurement, and other systems. Related instruments are used to measure, display, and record the information detected by strain gages.

PhotoStress®

PhotoStress coatings and instruments use a unique optical process to reveal and measure the distribution of stresses and strains in structures under live load conditions. They are used to improve structural design in aerospace, automotive, military, civil engineering, industrial, and medical applications.

Transducers

Load-cell-type transducers measure weight. For example, in a digital bathroom scale, small strain gages are attached to a transducer that is hidden beneath the platform of the scale. A person's weight pressing down on the transducer causes the strain gages to issue a signal to the electronic system that displays the weight in pounds or kilograms.

Products are not shown to scale.

Industry Leadership, Market Strength

"Vishay's successful business strategy enables it to take advantage of both upturns and downturns in the global electronics industry. Vishay has a strong financial position, a broad product portfolio, and sound prospects for continued growth."

Felix Zandman, Chairman and CEO

Successful Long-Term Strategy Vishay's long-term business strategy is geared to all phases of the global electronics industry's economic cycles. Vishay's consistent focus on new products, acquisitions, and cost reduction enables it to take advantage of both upturns and downturns. As a result, Vishay is an industry-leading company with a strong financial position, a broad product portfolio, and sound prospects for continued growth.

Vishay was profitable on an adjusted net earnings basis (net earnings minus restructuring and severence costs and other items described in the table in *Financial Highlights* on page 1) during the industry-wide downturn that took place during 2001, 2002, and the beginning of 2003. The actions that Vishay took during this difficult period included strategic acquisitions that enhanced sales, internal restructuring that decreased costs, and refinancing of outstanding indebtedness that improved Vishay's P&L and balance sheet. Vishay is well prepared for an industry-wide upturn. At the same time, it has proven its ability to generate substantial cash from operations and maintain a strong balance sheet even when times are tough.

Vishay was founded in 1962 to manufacture and market foil resistors and strain gages — innovative products that, even now, over four decades later, have unsurpassed technical performance. The Company has grown to become a Fortune 1000 Company and one of the world's largest manufacturers of discrete semiconductors and passive components. Vishay's acquisitions include such top names as Siliconix, Telefunken, the infrared component business of Infineon, and General Semiconductor, as well as Dale, Draloric, Sprague, Vitramon, and BCcomponents (the former passive components business of Philips Electronics and Beyschlag).

Broad Product Portfolio Vishay's original product line has been expanded greatly to include a broad range of components used in virtually all types of electronic devices and equipment (end products). Vishay's product portfolio includes specialty products, a number of which are protected by patents and trademarks. These specialty products generally are not significantly impacted by pricing pressures, and thus help to offset declining prices for commodity products and stabilize Vishay's revenue base.

Innovations in Technology Over the years, the electronic end products used every day by consumers and businesses — from telephones to computers to subsystems in cars — have become increasingly complex and sophisticated. We take it for granted, for example, that each new generation of notebook computers is faster and more powerful than the preceding one. Meanwhile, the first electronic computers — massive, noisy contraptions that filled entire rooms — now exist only as museum pieces or references in books. To cite another example, every automobile sold today — from budget-priced subcompacts to luxury models — relies on electronic circuits for a wide range of functions.

Through our ongoing research and development (R&D) efforts, we have developed technological breakthroughs that include packageless power MOSFETs, the industry's first silicon-based RF capacitors, dc-to-dc converter modules with all the active and passive components required for a complete power conversion solution, and more. The new components increase our share of existing markets, and open up new ones for us.

In addition to homegrown R&D, when we acquire new companies, we continue the process of innovation responsible for their success. The result has been a steady stream of new products: Power Metal Strip® resistors, IHLP inductors, chipscale MICRO FOOT® power MOSFETs, and many more. Vishay's CSM foil resistor (a member of Vishay's oldest product category) was selected as one of the top 100 products of 2003 by a prestigious industry magazine. Shortly afterwards, a leading industry Web site chose the Vishay Siliconix Si9122 family of integrated circuits (ICs) as a "Product of the Year" for its "strong technical merit, design innovation, and marketability."

Strong Presence in Asia Market trends have also been a significant factor for the electronics industry. One such trend is the shift of manufacturing from North America, Western Europe, and Taiwan to the People's Republic of China. China has become an increasingly attractive manufacturing location. For example, it was estimated during 2003 that more than half of all notebook computers manufactured worldwide during 2003 would be made in China, largely by companies from Taiwan.[1]

Also, more than three-quarters of all DVD players are made in China by Japanese companies.[2]

Consistent with this trend, many of Vishay's customers now manufacture their products in China. As discussed more extensively below, Vishay has responded by greatly expanding its manufacturing presence in China. Currently, Vishay has manufacturing plants in four different Chinese cities. Vishay continues to expand its manufacturing presence in China and other countries in Asia, as well as in Israel and Eastern Europe. In doing so, Vishay has decreased the percentage of its workforce in high-labor-cost countries to 31 percent, with a long-term goal of 20 percent.

Vishay Blue-Chip Customer Base

Alcatel
Arrow
Avnet/EBV
Bosch
Celestica
Cisco
Compal
Continental Temic
DaimlerChrysler
Dell
Delphi
Delta
Dynamar
Ericsson
Flextronics
Future
Hella
Hewlett-Packard
Highland
Hi-Speed
IBM
Intel
JABIL
LG Electronics
Motorola
Nokia
Philips
Quanta
Ryoden
Samsung
Sanmina-SCI
Seagate
Siemens
Solectron
Sony
Tomen
TTI
Uppertech
Visteon
WPI
...and others

"One-Stop Shop" Service Another key market trend is consolidation, which has impacted all players in the global electronics industry supply chain — from component manufacturers to distributors to customers.

Vishay, as part of its long-term business strategy, has established one of the industry's broadest lines of discrete electronic components, in part through opportunistic acquisitions of other companies and businesses. Each acquisition has been planned carefully by Vishay's experienced management team. As Vishay has continued to grow through acquisitions and expand its global footprint, it has become an increasingly attractive strategic partner for customers seeking to reduce their vendor base. Many customers are sending us their bills of materials (BOMs) and asking us to cross-reference Vishay products in all categories, including categories where Vishay products were not designed-in previously. Our strategy of providing "one-stop shop" service is paying off: Customers can order many components for their BOMs from one source — Vishay.

Improved Service To enhance our ability to provide "one-stop shop" service and support our "one face to the customer" initiative, Vishay has taken several important steps to improve customer service. These include integrating the sales personnel and offices (including personnel and offices in Asia) from its year 2001 General Semiconductor and year 2002 BCcomponents acquisitions into the global Vishay sales force. Vishay previously pursued this strategy successfully following its 1998 TEMIC acquisition (Telefunken and 80.4% of Siliconix).

We also have expanded the scope of our product sample service for design engineers, which now serves all regions. Quick turnaround time and a complete range of Vishay product samples enable customers worldwide to rely on us for discrete electronic component solutions. In addition, we have consolidated our product inventory and shipping functions into a global logistics organization. This enables us to increase productivity and reduce costs.

Global Industry Leader Vishay participates in multiple markets and partners with leading original equipment manufacturers (OEMs), original design manufacturers (ODMs), electronic manufacturing services (EMS) companies, and distributors worldwide. Vishay is a preferred supplier to many companies, and has a diverse roster of customers that includes blue-chip companies based in the Americas, Europe, and Asia.

INDUSTRY RANKINGS

Leading Worldwide Manufacturer

Discrete semiconductors
- Number-1 worldwide in low-voltage power MOSFETs
- Number-1 worldwide in diodes and rectifiers
- Number-1 worldwide in infrared data communication devices (IRDCs)
- Number-1 worldwide in IR receivers
- Number-2 worldwide in optocouplers
- Number-3 worldwide in optical sensors

...and others

Passive components
- Number-1 worldwide in wirewound power resistors
- Number-1 worldwide in foil resistors
- Number-1 worldwide in thin film resistors
- Number-1 worldwide in MELF resistors
- Number-1 worldwide in leaded power film resistors
- Number-1 worldwide in leaded fusible resistors
- Number-1 worldwide in wet tantalum and conformal-coated capacitors
- Number-1 worldwide in strain gage sensors and load cells

...and others

Vishay has market shares ranging from substantial to number-one for each of its products. Its broad product portfolio, innovations in technology, superior product quality, successful acquisition strategy, and focus on cost reduction have made it a global industry leader.

1 Sources: IMS Research, CNETAsia; August 7, 2003
2 Source: In-Stat/MDR, November 2003

The Vishay Story

"Vishay's growth has been fueled by R&D, strategic acquisitions, a commitment to address customer needs, and an ongoing effort to improve product performance. Vishay has a successful track record of acquisitions that soon become accretive to earnings."

Dr. Gerald Paul, President and COO

These photos show some of the state-of-the-art thin film manufacturing operations at the Vishay Electro-Films facility in Warwick, Rhode Island, U.S.A.

Initial Technology Breakthroughs In the 1950s, 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 with 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 foil resistors, PhotoStress products, and strain gages.

Passive Component Acquisitions Because the markets for foil resistors, PhotoStress products, and strain gages were relatively small, the Company moved to expand into high-volume resistors. Beginning in 1985, Vishay acquired Dale Electronics, Draloric Electronics, and Sfernice. These acquisitions helped produce dramatic sales growth. They also brought other passive electronic components into Vishay, such as inductors, specialty capacitors, plasma displays, specialty connectors, transformers, thermistors, potentiometers, and trimmers.

In the early '90s, Vishay applied its acquisition strategy to the high-volume capacitor market. Major acquisitions included Sprague Electric, the inventor and manufacturer of tantalum capacitors; Roederstein, a manufacturer of film, aluminum, and ceramic disk capacitors and thick film chip resistors; and Vitramon, a manufacturer of multilayer ceramic chip capacitors.

More recent passive component acquisitions have included Electro-Films, Cera-Mite, and Spectrol in 2000; Tansitor and North American Capacitor Company (Mallory) in 2001; and BCcomponents in 2002. The acquisition of BCcomponents, a leading manufacturer of passive components with operations

in Europe and Asia, significantly enhanced Vishay's global market position in passive components. The acquired BCcomponents product lines (now divided into Vishay BCcomponents and Vishay Beyschlag) include thin-film chip resistors; linear and non-linear resistors; ceramic, film and aluminum electrolytic capacitors; and switches and trimming potentiometers.

Strategic Acquisitions

2002	BCcomponents Sensortronics Tedea-Huntleigh BLH Nobel Celtron
2001	Infineon's infrared business General Semiconductor Mallory (NACC) Tansitor
2000	Electro-Films Cera-Mite Spectrol
1998	Siliconix Telefunken
1994	Vitramon
1993	Roederstein
1992	Sprague
1988	Sfernice
1987	Draloric
1985	Dale

Vishay Measurements Group now has two operating divisions: Vishay Micro-Measurements (for strain gages, instruments, and PhotoStress® products), and Vishay Transducers (for load cells, weigh modules, instruments, and weighing systems).

Expansion in Semiconductors

In 1997, Vishay entered the discrete semiconductor market, acquiring 65% of Lite-On Power Semiconductor. In 1998, Vishay 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. Vishay subsequently sold its interest in Lite-On in order to better focus on its successful Siliconix and Telefunken businesses.

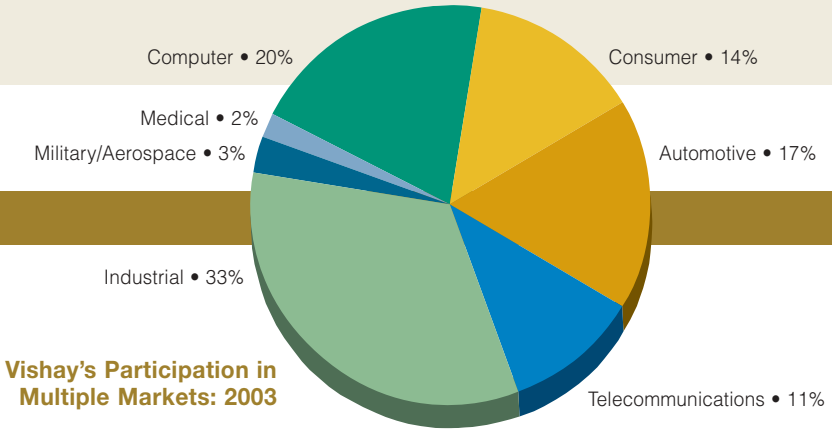
Vishay's next semiconductor acquisition came in 2001, with the purchase of the infrared components business of Infineon Technologies. That was followed in 2001 by the acquisition of General Semiconductor, a leading global manufacturer of diodes and rectifiers. The addition of Infineon's infrared components group and General Semiconductor enhanced Vishay's existing Telefunken and Siliconix businesses — and propelled Vishay into the top ranks of discrete semiconductor manufacturers worldwide.

Vishay Measurements Group: Vertical Integration

Vishay acquisitions during 2002 included the Sensortronics, Tedea-Huntleigh, BLH, Nobel, and Celtron businesses, which have been integrated into Vishay Measurements Group. With these acquisitions, Vishay entered the global markets for strain-gage-based transducers and instruments used in the weighing industry, and also implemented a strategy of vertical market integration: Vishay Measurements Group now has a product range from resistance strain gages, to transducers (the metallic structures to which strain gages are cemented), to the electronic instruments and systems that measure and control output of the transducers.

As an illustration of these technologies, consider the typical digital bathroom scale. Small strain gages are attached to a transducer beneath the platform of the scale. When you stand on the scale, your weight presses down on the transducer and causes the strain gages to issue a signal to the electronic system that displays the weight in pounds or kilograms. This process is used not just in bathroom scales, but also in a wide variety of business and industrial applications for process control, force measurement, and other systems.

Innovative Products, Global Markets



Vishay's Participation in Multiple Markets: 2003

Industrial Market

Vishay components are used in critical industrial applications such as power management, data handling, instrumentation, filtering, motor control, and many others. Vishay manufactures components designed to handle wide voltage, resistance, and capacitance ranges; extreme temperatures; space constraints; and other factors associated with industrial applications.

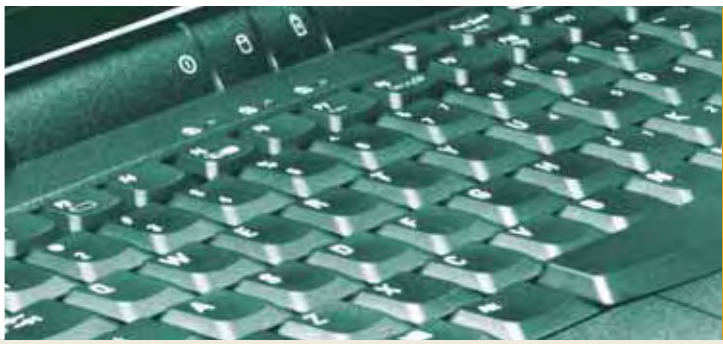
In a retail store, for example, types of electronic components manufactured by Vishay are used in handheld barcode readers and electronic cash registers, in the store's lighting system, in its air conditioning and heating systems, and in its electronic security system. They are used in the factories that produce the items sold in the store — to manage power and control motors during the manufacturing process; to help sort, weigh, and package items; and to perform other functions. Types of electronic components manufactured by Vishay are also used in the electrical generating plants and distribution systems that power the factories; in the trucks, trains, airplanes, and related infrastructure for transporting manufactured items from factory to store; and in practically every other type of industrial system.

Computer Market

Located on the motherboard of every personal computer (PC) is a highly sophisticated integrated circuit (IC) — the microprocessor that performs calculations and coordinates the computer's activities. PC microprocessing speeds have increased dramatically — from 200 megahertz (200 million cycles per second) in 1995 to several gigahertz (billions of cycles per second) now. Faster microprocessing speeds increase demand for discrete semiconductors and passive components. For example, the Intel® 486 microprocessor chip required 124 supporting passive components, while the Intel Pentium 4® requires approximately 600.[1] It is estimated that the Intel P5® potentially available in year 2008 will require between 800 and 1,000 supporting passive components.[2]

Estimates indicate that 187 million PCs will be sold worldwide in 2004, an increase of 13.9% over sales in 2003.[3] Vishay components are used not just in PCs, but also in PCMCIA cards, computer motherboards, monitors, keyboards, mice, disk drives, and modems. They also are commonly found in other data processing hardware — from printers, scanners, photocopiers, and fax machines to mainframes, network servers, and other infrastructure equipment.

Connectivity of computers via wireless local area networks (LANs), Bluetooth®, IrDA systems, and other wireless technologies is an important trend. Airports, hotels, and retail stores such as coffee shops and bookstores promote their availability of high-speed, wireless Internet access. A wide assortment of Vishay products, including both semiconductor and passive electronic components, find applications in these technologies.



Innovative Products, Global Markets

Automotive Market

In all automobiles, mechanical functions continue to be replaced by electronic functions. Increased use of electronics provides the benefits of increased engine performance, fuel efficiency, driver and passenger comfort, and safety. It is estimated that, for an average car, electronic systems represent more than 20% of total vehicle cost. By year 2008, it is projected that this figure will increase to more than 30%.[4]

Vishay manufactures components that are used in a wide range of automotive applications — powertrain, body controls, safety, comfort, and driver information. All automobile parts with electronic functionality — airbags, audio system, brakes, climate-control system, engine, global positioning system (GPS), lighting, security system, steering, suspension, transmission, and more — use types of discrete semiconductors and passive components produced by Vishay.

Over the years, Vishay has worked closely with automotive suppliers and manufacturers to develop electronic components that function reliably under extreme conditions, including high under-the-hood temperatures and heavy vibration. Vishay components help to make possible “drive-by-wire,” in which precise electronic-sensor-based systems take the place of hydraulic and mechanical systems for steering, braking, and other functions. (The original version of this technology, called “fly-by-wire” and widely used in jet airplanes, also uses types of components made by Vishay.)

Vishay components also are helping to enable the transition from 12-V to 42-V system voltages. The 42-volt on-board systems expected to become common within the next few years will require discrete semiconductors and passive components to handle higher levels of power and more complex system architecture.

Consumer Market

Sales of video and audio electronic end products for the consumer market drive increased demand for types of electronic components manufactured by Vishay. For example, Vishay Siliconix power MOSFETs are used to conserve battery life in computer game consoles, as well as portable devices such as CD players, DVD players, and MP3 players.

Key consumer entertainment end products include digital TV set-top boxes. It is estimated that 36 million digital TV set-top boxes were sold worldwide in 2003, an increase of 28% over the previous year. The estimated sales figure for year 2004 shows growth that is even more dramatic: projected sales of 50.3 million units, an increase of 39% compared to 2003.[5]

Another example of growth in consumer entertainment electronics is the DVD recorder. Global sales of DVD recorders increased more than 200% in 2003. It is projected that sales of DVD recorders will continue to increase.[6]

Another part of the consumer market impacted by increased usage and sophistication of embedded electronics that use components manufactured by Vishay is “white goods” — refrigerators, washers and dryers, and other household appliances. In refrigerators, for example, electronic functions include LED displays to monitor food freshness, sophisticated temperature-management systems, and now even dedicated televisions, e-mail systems, and Internet access.

1 Source: Company estimates
2 Source: Paumanok Publications, 2003
3 Sources: Business Wire, February 12, 2004; Gartner, Inc., 2004
4 Sources: Electronic Business, November 2003; Strategy Analytics, 2003
5 Sources: Business Wire, December 16, 2003; Strategy Analytics, 2003
6 Sources: Business Wire, February 17, 2004; In-Stat/MDR, 2004

Innovative Products, Global Markets

Telecommunications Market

It is projected that total worldwide sales of cell phones will increase from 460 million in 2003 to a record level of over 500 million in 2004.[1] This increase is driven in part by the growing popularity of models with advanced features such as cameras, Internet access, and email. During the first half of 2003, 25 million cell phones with built-in cameras were sold worldwide, compared to 4 million during the same period in 2002.[2] Looking ahead, it is estimated that close to 100 million cell phones with built-in cameras will be sold worldwide in 2004.[3]

Two-way data transfer in cell phones and other wireless devices is being driven by advances in wireless LAN (802.11) technology, Bluetooth, and IrDA systems.

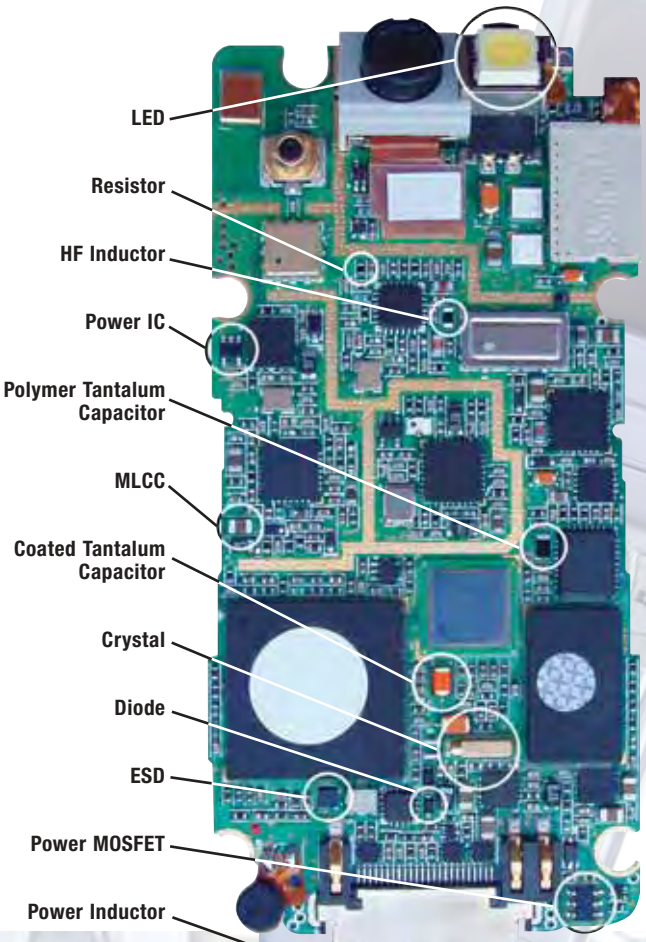
As is the case in PCs, where microprocessors are supported by discrete semiconductors and passive components, advances in cell phone technology help to drive demand for the types of electronic components manufactured by Vishay: Additional features require additional electronic components.

Vishay components are present not just in cell phones, portable digital assistants (PDAs), and other handheld communications devices, but in telecommunications infrastructure equipment as well. Discrete semiconductors and passive components are widely used in equipment for voice and data switching, wireless and wired access, line transmission, optical networking, power supplies, communications satellites, and other telecommunications infrastructure equipment, and Vishay has long-standing relationships with blue-chip customers in this area.

Component Content in Samsung SCH-E300 Cell Phone*
(Potential Vishay Bill of Materials)

Resistors	161	Power MOSFETs	3
MLCCs	226	Power ICs	8
Tantalum Capacitors (Polymer Tantalum, Coated Tantalum)	13	Diodes, rectifiers	17
Inductors (HF Inductors, Power Inductors)	18	ESD/TVS**	8
Crystals	1	LEDs	21
Total Passive Components	**419**	**Total Semiconductors**	**57**

Total Passive Components and Semiconductors . . .476



Shown above are the exterior and one side of an internal printed circuit board of the Samsung SCH-E300, a W-CDMA cellular telephone. Identified and highlighted on the printed circuit board (and listed in the text table on this page) are types of components manufactured by Vishay.

* List contains only types of components manufactured by Vishay
** Electrostatic discharge / transient voltage suppressor components

Innovative Products, Global Markets

Military and Aerospace Markets

The defense electronics market has grown steadily during the past five years: from $121 billion in 1999 to approximately $171 billion in 2003.[4] A significant portion of the increase during 2003 is associated with the War on Terrorism.

Military and aerospace equipment where Vishay components have been employed include tanks, submarines, missile guidance systems, radar sites, command-and-control systems, high frequency communications, jet aircraft, satellites, the Hubble space telescope, and other equipment. The types of electronic components manufactured by Vishay play supporting roles in the ruggedized laptop computers and other portable electronic devices used by law enforcement and military personnel. They also are used in detection equipment at U.S. airports, harbors, and other sites as part of homeland security activities.

Vishay components used in military, security, 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 has a close relationship with leading aircraft manufacturers, and makes components for the “fly-by-wire” systems that control aircraft throttle-control, turning, and braking.

Medical Market

The global medical market is characterized by continuing innovations in technology to better prevent, diagnose, and treat illness and disease. In this market, where people’s lives depend on reliable and highly accurate monitoring and treatment, Vishay components are widely used. Vishay is a leading manufacturer of telemetry coils for defibrillators and pacemakers, transformers and chip resistors for defibrillators, tantalum capacitors for hearing aids, and electronic components for all types of medical instrumentation and equipment, from handheld oscilloscopes to MRI and CAT-scan machines. Vishay has a track record of excellent relationships with medical manufacturers.

Health care institutions are the primary consumers of sophisticated medical instrumentation, where even the information infrastructure is changing to become more reliant on electronics. At the other end of the spectrum, home-based health care will require increasing numbers of portable diagnostic and treatment devices, many of which will depend on types of components manufactured by Vishay.

1 Source: Reuters, September 5, 2003
2 Sources: Dow Jones Newswire, September 22, 2003; Strategy Analytics
3 Source: Reuters, September 5, 2003
4 Source: Passive Component Industry, November/December 2003

Strong Manufacturing Base in Asia

"Vishay has a strong and diverse manufacturing presence with plants in China. Vishay plant locations in Southeast Asia also include Taiwan, the Philippines, Malaysia, and India."

Felix Zandman, Chairman and CEO

All major Vishay business units (Siliconix, Vishay Semiconductors, Resistors, Capacitors, and the Measurements Group) have Vishay-owned manufacturing facilities in China, Taiwan, the Philippines, Malaysia, or India.

Chinese factories that manufacture Vishay components are located in Shanghai (three plants for MOSFETs, optoelectronics, small-signal diodes, and film capacitors); Tianjin (two plants for rectifiers, transient voltage suppressors, and transducers); Danshui (one plant for ceramic capacitors, tantalum capacitors, and non-linear resistors); and Beijing (one plant for transducers). Cities in other Asian countries with factories that manufacture Vishay components include Loni, India (aluminum capacitors, film capacitors, and resistors); Krubong, Malaysia (optoelectronics); Manila, the Philippines (ICs, MOSFETs, and optoelectronics); Kaohsiung, Taiwan (ICs and MOSFETs); and Taipei, Taiwan (rectifiers and transducers).

Vishay's well-established manufacturing presence in Asia, particularly China, gives Vishay direct access to the companies that produce cell phones, laptop computers, and other electronic end products in Asia. Increasingly, these products are being made in China. Vishay's U.S. and European customers are relocating or outsourcing production to China, if they have not already done so. In addition, current and potential customers based in Taiwan, Japan, Korea, and other Asian countries now produce many of their products in China. These trends are expected to continue: China's global share of outsourced manufacturing is projected to be 50% in 2004.[1]

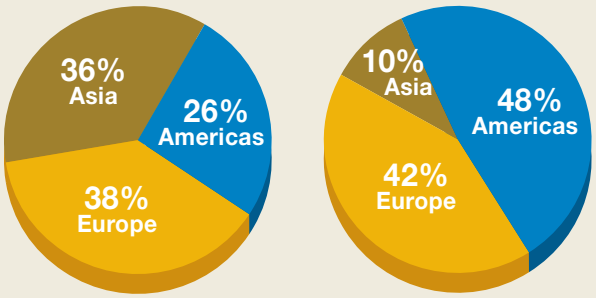
Vishay has had sales locations in Asia for many years, but growth in Asia started in earnest with Vishay's 1998 TEMIC acquisition (Telefunken and 80.4% of Siliconix). This acquisition brought with it manufacturing plants in China, Taiwan, and the Philippines, as well as sales offices in Hong Kong and Shanghai. Three years later, Vishay acquired General Semiconductor, the leading global manufacturer of diodes and rectifiers. This acquisition brought with it facilities in Tianjin, China, and Taipei, Taiwan.

During 2002, Vishay's presence grew organically with an additional warehouse building and with expansion of the Vishay optoelectronics factory in Shanghai. Later in October 2002, Vishay officials and Tianjin state officials attended the groundbreaking ceremony for the Vishay General Semiconductor plant in Tianjin. This ceremony marked the start of Vishay's Phase II expansion plan for Tianjin. The expansion was completed in late 2003.

Also during 2002, Vishay's acquisitions of Tedea-Huntleigh and Celtron Technologies enhanced its presence in China through factories in Beijing and Tianjin.

These photos of Vishay's discrete semiconductor manufacturing operations in Shanghai, China, show Vishay personnel, manufacturing equipment, and the front of one of the buildings.

Recent organic growth by Vishay in China includes major expansion of its optoelectronics operations in Shanghai and its Tianjin operations (diodes and transducers). Vishay is a local source of discrete semiconductors and passive components to companies that manufacture electronic end products in China.



Vishay Sales by Region[2]

Vishay Tedea-Huntleigh and Vishay Celtron have been integrated into the Vishay Transducers division of Vishay Measurements Group.

The year 2002 was capped by Vishay's acquisition of BCcomponents, a leading global manufacturer of passive components. The BCcomponents acquisition brought with it manufacturing facilities in Shanghai and Danshui, both in China, as well as a plant in Loni, India.

As of December 31, 2003, Vishay employed approximately 10,000 people in its operations in Asia. Vishay sales offices in Asia were responsible for the generation of approximately $781.4 million in revenues (36% of total Vishay revenues) during 2003.

1 Source: In-Stat/MDR, November 2003
2 Based on sold-to location

SUMMARY OF OPERATIONS

(in thousands, except per share amounts)	2003	2002	2001	2000
Net sales	**$2,170,597**	$1,822,813	$1,655,346	$2,465,066
Costs of products sold	**1,690,267**	1,454,540	1,273,827	1,459,784
Loss on purchase commitments	**11,392**	106,000	—	—
Gross profit	**468,938**	262,273	381,519	1,005,282
Selling, general, and administrative expenses	**381,406**	311,251	278,171	297,315
Amortization of goodwill	**—**	—	11,190	11,469
Other operating expenses (credits)	**29,560**	30,970	77,908	—
Operating profit (loss)	**57,972**	(79,948)	14,250	696,498
Other income (expense):				
Interest expense	**(37,831)**	(28,761)	(16,848)	(25,177)
Other	**26,285**	8,664	12,701	18,904
Total other income (expense)	**(11,546)**	(20,097)	(4,147)	(6,273)
Earnings (loss) before income taxes, minority interest, and cumulative effect of accounting change	**46,426**	(100,045)	10,103	690,225
Income tax provision (benefit)	**11,528**	(16,900)	5,695	148,186
Minority interest	**8,056**	9,469	3,895	24,175
Earnings (loss) before cumulative effect of accounting change	**26,482**	(92,614)	513	517,864
Cumulative effect of accounting change	**—**	—	—	—
Net earnings (loss)	**$ 26,482**	$ (92,614)	$ 513	$ 517,864
Earnings (loss) per share:				
Basic	**$ 0.17**	$ (0.58)	$ 0.00	$ 3.83
Diluted	**$ 0.17**	$ (0.58)	$ 0.00	$ 3.77
Shares used in computing earnings (loss) per share:				
Basic	**159,631**	159,413	141,171	135,295
Diluted	**160,443**	159,413	142,514	137,463

FINANCIAL DATA (in thousands, except ratios)

Cash and cash equivalents	**$ 555,540**	$ 339,938	$ 367,115	$ 337,213
Working capital	**1,049,892**	897,456	1,096,034	1,057,200
Current ratio	**2.79**	2.56	3.29	3.53
Property and equipment – net	**1,219,795**	1,274,850	1,167,533	973,554
Capital expenditures	**126,635**	110,074	162,493	229,781
Depreciation and amortization	**194,055**	180,748	163,387	140,840
Total assets	**4,572,513**	4,315,159	3,951,523	2,783,658
Long-term debt	**836,606**	706,316	605,031	140,467
Stockholders' equity	**2,514,034**	2,358,787	2,366,545	1,833,855

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. 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.

1999	1998	1997	1996	1995	1994	1993
$1,760,091	$1,572,745	$1,125,219	$1,097,979	$1,224,416	$987,837	$856,272
1,299,705	1,189,107	858,020	825,866	902,518	748,135	663,239
—	—	—	—	—	—	—
460,386	383,638	267,199	272,113	321,898	239,702	193,033
254,282	234,840	136,876	141,765	158,821	137,124	118,906
12,360	12,272	7,218	6,494	6,461	4,609	3,294
—	42,601	14,503	38,030	4,200	—	(562)
193,744	93,925	108,602	85,824	152,416	97,969	71,395
(53,296)	(49,038)	(18,819)	(17,408)	(29,433)	(24,769)	(20,624)
(5,737)	(2,241)	(222)	2,430	272	916	123
(59,033)	(51,279)	(19,041)	(14,978)	(29,161)	(23,853)	(20,501)
134,711	42,646	89,561	70,846	123,255	74,116	50,894
36,940	30,624	34,167	17,741	30,307	15,169	8,246
14,534	3,810	2,092	489	281	—	—
83,237	8,212	53,302	52,616	92,667	58,947	42,648
—	—	—	—	—	—	1,427
$ 83,237	$ 8,212	$ 53,302	$ 52,616	$ 92,667	$ 58,947	$ 44,075
$ 0.66	$ 0.07	$ 0.42	$ 0.41	$ 0.78	$ 0.55	$ 0.43
$ 0.65	$ 0.07	$ 0.42	$ 0.41	$ 0.78	$ 0.55	$ 0.43
126,678	126,665	126,627	126,632	117,857	106,571	101,593
128,233	126,797	126,904	126,717	117,923	106,571	101,593
$ 105,193	$ 113,729	$ 55,263	$ 20,945	$ 19,584	$ 26,876	$ 10,949
604,150	650,483	455,134	434,199	411,286	328,322	205,806
2.87	3.13	3.38	3.27	2.80	2.41	2.09
930,545	997,067	709,142	710,662	669,228	543,402	422,668
119,638	151,682	78,074	136,276	165,699	91,571	79,377
139,676	127,947	81,874	77,247	69,547	57,742	48,578
2,323,781	2,462,744	1,719,648	1,558,515	1,543,331	1,345,070	950,670
656,943	814,838	347,463	229,885	228,610	402,337	266,999
1,013,592	1,002,519	959,648	945,230	907,853	565,088	376,503

Discrete Semiconductors

- **Rectifiers**
  - Schottky (single, dual)
  - Standard, Fast and Ultra-fast Recovery (single, dual)
  - Clamper/Damper
  - Bridge
  - Superectifier®
  - Sinterglass Avalanche Diodes
- **Small-Signal Diodes**
  - Schottky and Switching (single, dual)
  - Tuner/Capacitance (single, dual)
  - Bandswitching
  - PIN
- **Zener and Suppressor Diodes**
  - Zener (single, dual)
  - TVS (TRANSZORB®, Automotive, ESD, Arrays)
- **MOSFETs**
  - Power MOSFETs
  - JFETs
- **RF Transistors**
  - Bipolar Transistors (AF and RF)
  - Dual Gate MOSFETs
  - MOSMICs®
- **Optoelectronics**
  - IR Emitters, Detectors, and IR Receiver Modules
  - Optocouplers and Solid-state Relays
  - Optical Sensors
  - LEDs and 7-Segment Displays
  - Infrared Data Transceiver Modules
  - Custom Products
- **ICs**
  - Power ICs
  - Analog Switches

Passive Components

- **Capacitors**
  - Tantalum Capacitors
    - Solid Tantalum Capacitors
    - Wet Tantalum Capacitors
  - Ceramic Capacitors
    - Multilayer Chip Capacitors
    - Disc Capacitors
  - Film Capacitors
  - Power Capacitors
  - Heavy-Current Capacitors
  - Aluminum Capacitors
  - Silicon Capacitors
- **Resistive Products**
  - Foil Resistors
  - Film Resistors
    - Thin Film Resistors
    - Thick Film Resistors
    - Metal Oxide Film Resistors
    - Carbon Film Resistors
  - Wirewound Resistors
  - Variable Resistors
    - Cermet Variable Resistors
    - Wirewound Variable Resistors
    - Conductive Plastic Variable Resistors
  - Networks/Arrays
  - Non-linear Resistors
    - NTC Thermistors
    - PTC Thermistors
    - Varistors
- **Magnetics**
  - Inductors
  - Transformers

Integrated Modules

- **DC/DC Converters**

Strain Sensors and Transducers

- **Strain Gages and Instruments**
- **PhotoStress® Instruments**
- **Transducers**
  - Load Cells
  - Weighing Systems

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[NO FEE REQUIRED]
For the fiscal year ended December 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[NO FEE REQUIRED]
For the transition period from _____ to _____

Commission file number 1-7416

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

Delaware	**38-1686453**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)

63 Lincoln Highway
Malvern, Pennsylvania 19355-2143
(Address of principal executive offices)

(610) 644-1300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.10 par value
(Title of Class)

New York Stock Exchange
(Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined Exchange Act Rule 12b-2). **Yes __X__ No ____**

The aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, assuming conversion of all of its Class B common stock held by non-affiliates into common stock of the registrant, was $1,909,596,000. There is no non-voting stock outstanding.

As of March 9, 2004, registrant had 145,539,733 shares of its common stock and 14,979,440 shares of its Class B common stock outstanding.

Portions of the registrant's definitive proxy statement, which will be filed within 120 days of December 31, 2003, are incorporated by reference into Part III.

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PART I

Item 1. DESCRIPTION OF BUSINESS

General

Vishay Intertechnology, Inc. is a leading international manufacturer and supplier of passive and discrete active electronic components. Passive components include resistors, capacitors, transducers and inductors. Active components include diodes, transistors, rectifiers, power integrated circuits (ICs), infrared transceivers, infrared (IR) sensors and optocouplers. Passive electronic components and discrete active electronic components are the primary elements of almost every electronic circuit. We offer our customers "one-stop" access to one of the most comprehensive electronic component lines of any manufacturer in the United States, Europe and Asia in both the newer surface mount configuration and the traditional leaded form.

Our components are used in virtually every type of product that contains electronic circuitry, including:

- computer-related products,
- power management products,
- telecommunications equipment,
- measuring instruments,
- industrial equipment,
- automotive applications,
- process control systems,
- military and aerospace applications,
- consumer electronics and appliances,
- medical instruments, and
- electronic scales.

Since 1985, we have pursued a business strategy that principally consists of the following elements:

1. expanding within the electronic components industry, primarily through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise;

2. reducing selling, general and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies;

3. achieving significant production cost savings through the transfer and expansion of manufacturing operations to regions such as the Czech Republic, Hungary, India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines, Portugal and the Republic of China (Taiwan), where we can take advantage of lower labor costs and available tax and other government-sponsored incentives;

4. maintaining significant production facilities in those regions where we market the bulk of our products in order to enhance the service and responsiveness that we provide to our customers;

5. consistently rolling out new and innovative products; and

6. strengthening our relationships with customers and strategic partners.

As a result of this strategy, we have grown from a small manufacturer of precision resistors and resistance strain gages to one of the world's largest manufacturers and suppliers of a broad line of electronic components.

Our significant acquisitions in the last several years include:

Siliconix and Telefunken. We acquired an 80.4% interest in Siliconix incorporated (NASDAQ: SILI) in March 1998 from Daimler-Benz A.G. Siliconix is a publicly traded chip maker, based in Santa Clara, California, which designs, markets and manufactures power and analog semiconductor products, such as metal-oxide-semiconductor field-effect transistors (MOSFETs), junction field-effect transistors (JFETs), bipolar switches, signal processing ICs and power ICs for computers, cell phones, fixed communications networks, automobiles and other electronic systems. Siliconix has manufacturing facilities in Santa Clara, California, maintains assembly and testing facilities in the Republic of China (Taiwan), is party to a joint venture in Shanghai, the People's Republic of China and has subcontractors in the Philippines, the People's Republic of China, Israel, and the United States. Siliconix reported worldwide sales of $392.1 million in 2003, $372.9 million in 2002, and $305.6 million in 2001.

In the same transaction, we acquired from Daimler-Benz the semiconductor business unit of TEMIC Telefunken Microelectronic GmbH headquartered in Heilbronn, Germany, but promptly disposed of its integrated circuits division. Telefunken launched our expansion into discrete active components with a product line of diodes, RF transistors, optoelectronic semiconductors, infrared data transceivers (IRDCs) and light-emitting diodes (LEDs). Our net cost of these two acquisitions was approximately $444 million.

Electro-Films, Cera-Mite and Spectrol. In May 2000, we acquired Electro-Films, Inc., a manufacturer of thin film components and networks on ceramic and silicon. In August 2000, we acquired Cera-Mite Corporation, a worldwide supplier of ceramic capacitors, used in power supplies, electronic lighting and other applications, and thermistors (temperature-sensitive resistors) used in refrigeration, HVAC, telecommunications and other electronic applications. Separately, in August 2000, we acquired Spectrol, a manufacturer of sensing potentiometers used primarily in the automotive industry and trimmer potentiometers used in various kinds of electronic circuitry.

Tansitor and Mallory. In January 2001, we acquired Tansitor, a leading manufacturer of wet tantalum electrolytic capacitors and miniature conformal coated solid tantalum capacitors. These components have power management applications in the military, aerospace and medical industries. Later, in November 2001, we acquired Yosemite Investment, Inc. d/b/a the North American Capacitor Company, known as Mallory, a manufacturer and distributor of wet tantalum capacitors and other products. As a result of these two acquisitions, we have become the number one manufacturer of wet tantalum capacitors worldwide.

Infineon. In July 2001, we acquired the infrared components business of Infineon A.G. for approximately $116 million. As a result, we added several new device types to our optoelectronics portfolio. We also became the largest supplier outside Japan of optocouplers and the largest supplier worldwide of IRDCs.

General Semiconductor. On November 2, 2001, we completed the acquisition of General Semiconductor, Inc., a leader in the design, manufacture and distribution of semiconductors for the power management market. In the transaction, we exchanged 0.563 of a share of Vishay common stock for each share of General Semiconductor stock. Based on the closing price of our common stock on November 2, 2001, the transaction was valued at approximately $555 million. General Semiconductor manufactures and distributes a broad range of power management products, including rectifiers, transient voltage suppressors, small-signal transistors, diodes, MOSFETs and analog ICs. As a result of this acquisition, we became the number one manufacturer of diodes and rectifiers worldwide.

Sensortronics, Tedea-Huntleigh, BLH and Nobel, and Celtron. In January 2002, we acquired the transducer and strain gage business of Sensortronics, Inc. In June 2002, we acquired Tedea-Huntleigh BV, a leading manufacturer of load cells used in digital scales by the weighing industry. In July 2002, we purchased the BLH and Nobel businesses from Thermo Electron Corporation. BLH and Nobel are engaged in the production and sale of load cell based process weighing systems, weighing and batching instruments, web tension instruments, weighing scales, servo control systems, and components relating to load cells, including strain gages, foil gages and transducers. In October 2002, we acquired Celtron Technologies, another company engaged in the production and sale of load cells used in digital scales for the weighing industry. As a result of these acquisitions, the product portfolio of our Measurements Group has been expanded and we are now a world leader in stress analysis products and transducers used in the weighing industry (load cells).

BCcomponents. In December 2002, we completed the acquisition of BCcomponents Holdings B.V., a leading manufacturer of passive components with operations in Europe, India and the People's Republic of China. The product lines of BCcomponents include linear and non-linear resistors; ceramic, film and aluminum electrolytic capacitors; switches; and trimming potentiometers. We acquired the outstanding shares of BCcomponents in exchange for ten-year warrants to acquire 7,000,000 shares of Vishay common stock at an exercise price of $20.00 per share and ten-year warrants to acquire 1,823,529 shares of Vishay common stock at an exercise price of $30.30 per share. In the transaction, we paid or assumed outstanding obligations of BCcomponents, including indebtedness, transaction fees and expenses in the amount of approximately $224 million. Also, we exchanged $105 million in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents for $105 million principal amount of floating rate unsecured loan notes of Vishay due 2102. This major acquisition has significantly enhanced our global market position in passive components.

In addition to our acquisition activity in recent years, we have taken steps to assure our competitiveness, enhance our operating efficiency and strengthen our liquidity in the face of the economic downturn, which broadly impacted the electronics industry in recent years. In this regard, we:

(i) closed or consolidated several manufacturing facilities and administrative offices;

(ii) reduced our headcount, particularly in high labor cost countries;

(iii) integrated our acquisitions within our existing management and operational infrastructure; and

(iv) relying on the strength of our balance sheet, continued our search for suitable acquisition candidates.

Vishay also intends to explore opportunities for investments of non-controlling interests in privately held developers or manufacturers of electronic components, where Vishay believes that it can forge strategic alliances with such companies.

Vishay was incorporated in Delaware in 1962 and maintains its principal executive offices at 63 Lincoln Highway, Malvern, Pennsylvania 19355-2143. Our telephone number is (610) 644-1300.

Products

We design, manufacture and market electronic components that cover a wide range of products and technologies. Our products primarily consist of:

- resistors,
- tantalum capacitors,
- multi-layer and disc ceramic capacitors (MLCCs),
- aluminum and specialty ceramic capacitors,
- film capacitors,
- power MOSFETs,
- power ICs,
- signal processing ICs,
- transistors,
- voltage suppressors,
- infrared data transceivers (IRDCs),
- optocouplers,
- IR sensors,
- strain gages and load cells, and
- diodes and rectifiers

and, to a lesser extent:

- inductors,
- connectors,
- transformers,
- plasma displays,
- thermistors, and
- potentiometers.

We manufacture one of the broadest lines of surface mount devices, a format for electronic components that has evolved into the standard required by most customers. In addition, we continue to produce components in the traditional leaded form. We believe that we produce one of the broadest lines of discrete electronic components available from any single manufacturer.

Passive Components

Passive components include resistors, capacitors and inductors. They are referred to as "passive" because they do not require power to operate. These components adjust and regulate voltage and current, store energy and filter frequencies. We also include in this category the products and services of our Measurements Group that employ passive components in electro-mechanical measurements.

Resistors are basic components used in all forms of electronic circuitry to adjust and regulate levels of voltage and current. They vary widely in precision and cost, and are manufactured from numerous materials and in many forms. Linear resistive components are classified as variable or fixed, depending on whether or not their resistance is adjustable. Non-linear resistors can also be used as measuring devices. We manufacture a line of thermistors, which are heat sensitive resistors. Other types of resistive sensors are strain gages for measurement of mechanical stress. See "Measurements Group" below.

We manufacture virtually all types of fixed resistors, both in discrete and network forms, as well as many variable types. These resistors are produced for virtually every segment of the resistive product market, from resistors used in the highest quality precision instruments for which the performance of the resistor is the most important requirement, to low-cost resistors for which price is the most important factor.

Capacitors perform energy storage, frequency control, discharge, coupling, timing and filtering functions. The more important applications for capacitors are:

- electronic filtering for linear and switching power supplies;
- decoupling and bypass of electronic signals for integrated circuits and circuit boards; and
- frequency control, timing and conditioning of electronic signals for a broad range of applications.

Our capacitor products include solid tantalum surface mount chip capacitors, solid tantalum leaded capacitors, wet/foil tantalum capacitors, MLCC capacitors, disc ceramic capacitors, aluminum and specialty ceramic capacitors, and film capacitors. Each capacitor product has unique physical and electrical performance characteristics that make that type of capacitor useful for specific applications. Tantalum and MLCC capacitors are generally used in conjunction with integrated circuits in applications requiring low to medium capacitance values, "capacitance" being the measure of the capacitor's ability to store energy. The tantalum capacitor is the smallest type of capacitor for its range of capacitance. MLCC capacitors, on the other hand, are more cost-effective for applications requiring lower capacitance. Disc ceramic capacitors are used for high voltage applications. Aluminum capacitors are used for high capacitance applications. Film capacitors are for general use in telecommunications, automotive, consumer and industrial products. They are the most stable capacitors.

Inductors use an internal magnetic field to change the phase of electric current. They are utilized in electronic circuitry to control alternating current and voltage, and to filter out unwanted electronic signals. They are also used in transformers to change voltage levels.

Measurements Group

Vishay Measurements Group is a leading manufacturer of products for precision measurement of mechanical strains. Our products include strain gages, load cells, force measurement sensors, displacement sensors, and photoelastic sensors. These products are used in experimental stress analysis systems, as well as in the electronic measurement of loads (electronic scales), acceleration and fluid pressure. The Measurements Group also provides installation accessories for its products, instrumentation to sample and record measurement output, and training seminars in stress analysis testing and transducer development and manufacture.

As a result of Vishay's acquisitions in 2002, the Measurements Group has implemented a strategy of vertical market integration, with a product range from resistance strain gages, to transducers (the metallic structures to which strain gages are cemented), to the electronic instruments and systems that measure and control output of the transducers. Vishay Measurements Group now has two operating divisions: Vishay Micro-Measurements (for strain gages, instruments and PhotoStress products) and Vishay Transducers (for load cells, weigh modules, instruments and weighing systems).

Active Components

Our active electronic components include both discrete devices and integrated circuits (ICs). They are referred to as "active" because they require power to function. Discrete devices are single components or an arrangement of components that generate, control, regulate and amplify or switch electronic signals or energy. Examples of our discrete active components include diodes, rectifiers, transient voltage suppressors, transistors and power MOSFETs. These devices are interconnected with passive components or other active components to create an electronic circuit. Our IC devices consist of a number of active and passive components interconnected on a single chip to perform a specific function. Examples of our integrated circuits include power ICs, motor control ICs and signal processing ICs. Our discrete active components and ICs are manufactured and marketed primarily through our majority owned Siliconix subsidiary, our Telefunken unit and the General Semiconductor business.

We also include in the category of active components our line of optoelectronic components, manufactured and marketed by our Telefunken unit, and the infrared components business acquired from Infineon A.G.

Discrete Devices

Diodes and rectifiers are used to convert electrical currents from alternating current (AC) into direct current (DC) by conducting electricity in one direction and blocking it in the reverse direction. Because electrical outlets carry AC while the vast majority of electronic devices use DC, rectifiers are used in a wide variety of applications. We offer a broad line of diodes and rectifiers with differing power, speed, cost, packaging and conversion (half wave or full wave) characteristics. Our rectifiers include a series of high voltage devices that have been optimized for power correction circuits.

Transient voltage suppressors protect electronic circuits by limiting voltage to a safe level. Examples of transient events that could damage unprotected circuits include static electricity charges and natural or induced lightning. Voltage suppressors protect circuits by absorbing large amounts of energy for short periods of time. We offer a broad range of state-of-the-art transient voltage suppressors for use in most modern electronic equipment.

Small signal diodes and transistors perform amplification, signal blocking, routing and switching functions at lower current levels. Our small-signal transistors range from the older junction field-effect transistors (JFETs), to newer products such as those based upon double-diffused metal oxide semiconductor (DMOS) technology.

Discrete power MOSFETs are specialized field-effect transistors used to switch and manage power in a broad range of electronic devices. These include particularly low-voltage applications such as cell phones, portable and desktop computers, automobiles, instrumentation and industrial applications. Our innovative "trench" power MOSFET technology offers very high cell density, very low on-resistance and optimized switching parameters for high frequency DC-DC power conversion. Power MOSFETs conserve power and help prevent components from over-heating.

Integrated Circuits

Power ICs are used in applications such as cell phones, where an input voltage from a battery or other supply source must be switched, interfaced or converted to a level that is compatible with logic signals used by microprocessors and other digital components. Our ICs are designed to operate at higher frequencies without compromising efficiencies. Often our power MOSFETs and power ICs can be used together as chip sets with complementary performance characteristics optimized for a specific application.

Motor control ICs control the starting, speed or position of electric motors, such as the head positioning and spindle motors in hard disk drives.

Signal processing ICs are used for analog switching and multiplexing in devices that either receive or output analog (non-digital) signals. A recent application of this technology is in broadband communications devices such as DSL modems.

Optoelectronics

Our line of optoelectronic components includes light emitting diodes (LEDs), infrared emitters (IREDs) and photo detectors, infrared receiver modules, optocouplers, solid-state relays (SSRs), optical sensors, and infrared transceivers (IRDCs).

Our photo detectors are light-sensitive semiconductor devices, and include linear photo diodes for light measurement, photo-transistors for light switching applications in printers, copiers, facsimile machines, vending machines and automobiles, and high speed photo PIN diodes specially designed for infrared data transfer. Our photo detector products are available in a wide variety of sensitivity angles, light sensitivities, daylight filters and packaging shapes. Our infrared emitters are used for optical switching and data transfer applications, often in conjunction with our photo detectors, and in devices like infrared remote controls for televisions.

An optocoupler consists of an infrared emitting diode and a receiver facing each other through an insulation medium inside a light-isolated housing. The receiver may either be a photodetector or a pair of MOSFETs, and in the latter case the device is referred to as a solid-state relay (SSR). The function of an optocoupler is to electrically isolate input and output signals. Our optocouplers are used in switch mode power supplies, safety circuitry and programmable controllers for computer monitors, consumer electronics, telecommunications equipment and industrial systems.

IRDCs consist of a detector photo diode, an infrared light emitting diode and a control IC. IRDCs are used for short range, two-way wireless, infrared data transfer between electronic devices such as mobile phones and other telecommunications equipment, computers and personal digital assistants (PDAs). LEDs are light emitting diodes used as light indicators in a variety of industries.

Packaging

We have taken advantage of the growth of the surface mount component market, and we are an industry leader in designing and marketing surface mount devices. Surface mount devices adhere to the surface of a circuit board rather than being secured by leads that pass through holes to the back side of the board. Surface mounting provides distinct advantages over through-hole mounting. For example, surface mounting allows the placement of more components on the surface of a circuit board, and also allows placement on both sides of the board. This is particularly desirable in applications such as hand held computers and cell phones where there is a continuing design trend towards product miniaturization. Surface mounting also facilitates automated product assembly, resulting in lower production costs for equipment manufacturers than those associated with leaded or through-hole mounted devices.

We believe that we are a market leader in the development and production of a wide range of surface mount devices, including:

- thick film chip resistors,
- thick film resistor networks and arrays,
- metal film leadless resistors (MELFs),
- molded tantalum chip capacitors,
- coated tantalum chip capacitors,
- multi-layer ceramic chip capacitors,
- thin film chip resistors,
- thin film networks,
- certain diodes and transistor products,
- power MOSFETs,
- wirewound chip resistors,
- power strip resistors,
- bulk metal foil chip resistors,
- current sensing chips,
- chip inductors,
- chip transformers,
- chip trimmers,
- NTC chip thermistors,
- PTC chip thermistors, and
- strain gages.

We also provide a number of component packaging styles to facilitate automated product assembly by our customers.

Military Qualifications

We have qualified certain products under various military specifications, approved and monitored by the United States Defense Electronic Supply Center (DESC), and under certain European military specifications. DESC qualification levels are based in part upon the rate of failure of products. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to DESC. If the product fails to meet the requirements for the applicable classification level, the product's classification may be reduced to a lower level. Products from some of our United States manufacturing facilities experience a reduction in product classification levels from time to time. During the time that the DESC classification level is reduced for a product with military application, net sales and earnings attributable to that product may be adversely affected.

Customers

We sell our products primarily to original equipment manufacturers (OEMs), electronic manufacturing services (EMS) companies, which manufacture for OEMs on an outsourcing basis, and independent distributors that maintain large inventories of electronic components for resale to OEMs.

To better serve our customers, we maintain production facilities in regions where we market the bulk of our products, principally in the United States, Israel, Mexico, Germany, France, the United Kingdom, Austria, Hungary, and the Czech Republic. In Asia, we have facilities in the People's Republic of China, Taiwan, Malaysia, and the Philippines. We work with our customers so that our products are incorporated into the design of electronic equipment at the research and prototype stages. We also employ a staff of application and field engineers to assist our customers, independent manufacturers' representatives and distributors in solving technical problems and developing products to meet specific needs.

Our top 30 customers are quite stable despite not having long-term commitments to purchase our products. With selected customers, we have signed two to three year contracts for specific products.

During 2003, approximately 26% of our net sales were attributable to customers in the Americas, approximately 38% were attributable to customers in Europe, and approximately 36% were attributable to customers in Asia.

Marketing

Our products are marketed through independent manufacturers' representatives compensated solely on a commission basis, by our own sales personnel and by independent distributors. We have regional sales personnel in several North American locations that make sales directly to OEMs and provide technical and sales support for independent manufacturers' representatives throughout the United States, Mexico and Canada. As noted, we also use independent distributors to resell our products. Outside North America, we use similar channels to sell our products worldwide.

Research and Development

Many of our products and manufacturing techniques, technologies and packaging methods have been invented, designed and developed by our engineers and scientists. We maintain strategically placed design centers where proximity to customers enables us to more easily gauge and satisfy the needs of local markets. These design centers are located predominantly in the United States, France, Germany, Israel, the People's Republic of China, the Republic of China (Taiwan) and South Korea.

We also maintain research and development staffs and promote programs at a number of our production facilities to develop new products and new applications of existing products, and to improve manufacturing techniques. This decentralized system encourages individual product development at individual manufacturing facilities that occasionally have applications at other facilities. Our research and development costs (exclusive of purchased in-process research and development) were approximately $45.4 million for 2003, $37.1 million for 2002, and $30.2 million for 2001. These amounts include expenditures of our Siliconix subsidiary of $19.5 million, $19.3 million, and $17.2 million in 2003, 2002, and 2001, respectively, principally for the development of new power products and power ICs. These amounts do not include substantial expenditures for the development and manufacturing of machinery and equipment for new processes and for cost reduction measures.

Although we have numerous United States and foreign patents covering certain of our products and manufacturing processes, no particular patent is considered material to our business.

Sources of Supplies

Although most materials incorporated in our 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

We are a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Due to the strong demand for our tantalum capacitors and difficulty in obtaining sufficient quantities of tantalum powder from our suppliers, we stockpiled tantalum ore in 2000 and early 2001. From 2001 to 2003, we and our competitors experienced a significant decline in the tantalum capacitor business as well as significant decreases in the market prices for tantalum. As a result, we recorded in costs of products sold write-downs of $25.7 million and $52.0 million, respectively, on tantalum inventories during the years ended December 31, 2002 and 2001. We also recorded a loss on future purchase commitments of $106.0 million for the year ended December 31, 2002. In 2003, prices of tantalum continued to decline. As a result, we recorded write-downs of $5.4 million to reduce our tantalum inventories to current market value in 2003. We also recorded a loss on future purchase commitments of $11.4 million in 2003. Our purchase commitments were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. If the downward pricing trend were to continue, we could again be required to write down the carrying value of our tantalum inventory and record additional losses on our long-term purchase commitments.

We have two agreements with Cabot Corporation for the supply of tantalum powder, a July 2000 agreement and a November 2000 agreement. Our purchase commitments with Cabot were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. With the decline in market demand and prices for tantalum, we began the process of negotiating modifications to the agreements with Cabot during 2001. Our major competitors in the tantalum capacitor business were also seeking modifications to their contracts with Cabot. In June 2002, following the prior initiation of legal proceedings by Cabot, we and Cabot agreed to make certain modifications to the supply agreements. These included price reductions, the extension of the term of one of the contracts, and the regular scheduling of our purchase commitments.

Palladium

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity product that is subject to price volatility. The price of palladium fluctuated in the range of approximately $148 to $1,090 per troy ounce during the three years ended December 31, 2003, and as of December 31, 2003, the price of palladium was approximately $195 per troy ounce. During the years ended December 31, 2003, 2002 and 2001, we recorded in costs of products sold write-downs on palladium inventories of $1.6 million, $1.7 million and $18.0 million, respectively.

Inventory and Backlog

We manufacture both standardized products and those designed and produced to meet customer specifications. We maintain an inventory of resistors and other standardized components. Backlogs of outstanding orders for our products were $532.0 million, $407.6 million, and $337.9 million, respectively, at December 31, 2003, 2002, and 2001. The backlog at December 31, 2003 and 2002 includes $58.9 million and $49.8 million, respectively, of backlog attributable to the business of BCcomponents, which was acquired in December 2002. The increase in our backlog at December 31, 2003 compared to December 31, 2002 is indicative of improving market conditions.

Many of the orders that comprise our backlog may be canceled by customers without penalty. Customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. Customers often cancel orders when business is weak and inventories are excessive, a situation that we experienced in the recent economic slowdown. Therefore, the amount of our backlog may exceed the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

Competition

We face strong competition in various product lines from both domestic and foreign manufacturers that produce products using technologies similar to ours. Our main competitors for tantalum capacitors are KEMET Corporation, AVX Corporation and NEC Electronics, Inc. For MLCC capacitors, our principal competitors are KEMET, AVX, Murata and TDK Corp. For thick film chip resistors, our major competitors include Rohm Corp., Koa Speer Electronics Inc. and Yageo Corporation. For wirewound and metal film resistors, the principal competitors are I.R.C. Inc., Rohm Corp. and Ohmite Manufacturing Company. For active components, our main competitors include International Rectifier, Philips, N.V., ON Semiconductor, Rohm Corp., Motorola, Inc., Fairchild Semiconductor Corp., Maxim, Shindengen Electric Manufacturing Co. Ltd., Sanken Electric Co. Ltd., STMicroelectronics N.V. and Samsung Co., Ltd. There are many other companies that produce products in the markets in which we compete.

Our competitive position depends on our product quality, know-how, proprietary data, marketing and service capabilities and business reputation, as well as on price. We compete for sales of certain products on the basis of our marketing and distribution network, which provides a high level of customer service. For example, we work closely with our customers to have our components incorporated into their electronic equipment at the early stages of design and production and maintain redundant production sites for some of our products to ensure an uninterrupted supply of products. We have also established a National Accounts Management Program, which provides our largest customers with one national account executive who can cut across business unit lines for sales, marketing and contract coordination. In addition, the breadth of our product offerings enables us to strengthen our market position by providing customers with "one-stop" access to one of the broadest selections of passive electronic components available directly from a manufacturing source.

Manufacturing Operations

We strive to balance the location of our manufacturing facilities. In order to better serve our customers, we maintain some of our production facilities in regions where we market the bulk of our products, such as the United States, Germany, France, the United Kingdom, and more recently, Asia. To maximize production efficiencies, we seek whenever practicable to establish manufacturing facilities in countries, such as the Czech Republic, Hungary, India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines, Portugal, and the Republic of China (Taiwan), where we can take advantage of lower labor and tax costs and, in the case of Israel, to take advantage of various government incentives, including grants and tax relief.

Some of our most sophisticated manufacturing operations are the production of power semiconductor components. This manufacturing process involves two phases of production: wafer fabrication and assembly (or packaging). Wafer fabrication subjects silicon wafers to various thermal, metallurgical and chemical process steps that change their electrical and physical properties. These process steps define cells or circuits within numerous individual devices (termed "dies" or "chips") on each wafer. Assembly is the sequence of production steps that divides the wafer into individual chips and encloses the chips in structures (termed "packages") that make them usable in a circuit. Both wafer fabrication and assembly phases incorporate wafer level and device level electrical testing to ensure that device design integrity has been achieved.

At December 31, 2003, approximately 21% of our fixed assets were located in the United States, approximately 30% were located in Europe, approximately 26% were located in Israel, and approximately 23% were located in Asia. In the United States, our manufacturing facilities are located in California, Connecticut, Indiana, Maine, Maryland, New York, Nebraska, North Carolina, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin. In Europe, our main manufacturing facilities are located in Germany, France, Hungary, and the Czech Republic, with other facilities in Austria, Belgium, Portugal, and the Netherlands. We also have manufacturing facilities in India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines, and the Republic of China (Taiwan). Over the past several years, we have invested substantial resources to increase capacity and to maximize automation in our plants, which we believe will further reduce production costs.

We are aggressively undertaking to have the quality systems at most of our major manufacturing facilities approved under the ISO 9001 international quality control standard. ISO 9001 is a comprehensive set of quality program standards developed by the International Standards Organization. A majority of our manufacturing operations have already received ISO 9001 approval and others are actively pursuing such approval.

In 2003, we continued the implementation of our strategy to shift manufacturing emphasis to higher automation in higher labor cost regions and to relocate a fair amount of production to regions with skilled workforces and relatively lower labor costs. As a result, we incurred restructuring costs in the year ended December 31, 2003 associated with the downsizing of manufacturing facilities in Europe and the United States. We may continue to incur such expenses in 2004.

See Note 16 to our consolidated financial statements, "Business Segment and Geographic Area Data," for financial information by geographic area.

Israeli Government Incentives

We have substantial manufacturing operations in Israel, where we benefit from the government's employment and tax incentive programs designed to increase employment, lower wage rates and increase our ability to attract a highly-skilled labor force, all of which have contributed substantially to our growth and profitability. For the year ended December 31, 2003, sales of products manufactured in Israel accounted for approximately 17% of our net sales.

Under the terms of the Israeli government's incentive programs, once a project is approved, the recipient is eligible to receive the benefits of the related grants for the life of the project, so long as the recipient continues to meet preset eligibility standards. None of our approved projects has ever been cancelled or modified, and we have already received approval for a majority of the projects contemplated by our capital expenditure program. However, as a result of the recent economic downturn, we were forced to lay off a significant number of employees in Israel in 2001. In 2002, the Israeli government initially withheld certain grant monies claiming that we had not maintained employment at the required minimum levels; however, we were able to settle our dispute in the fourth quarter and the government agreed to continue making grant payments to us. While the number of employees continues to satisfy the eligibility requirements for our Israeli government grants, economic circumstances could compel future additional layoffs. Also, over the past few years, the Israeli government has scaled back or discontinued some of its incentive programs. There can be no assurance that we will maintain our eligibility for existing projects or that in the future the Israeli government will continue to offer new incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to take advantage of them. Because we have received approvals for most projects currently contemplated, we do not anticipate that cutbacks in the incentive programs for new projects would have an adverse impact on our earnings and operations for at least several years.

We might be materially adversely affected if events were to occur in the Middle East that interfered with our operations in Israel. However, we have never experienced any material interruption in our Israeli operations in our 33 years of operations there, in spite of several Middle East crises, including wars.

Environment, Health and Safety

We have adopted an Environmental Health and Safety Corporate Policy that commits us to achieve and maintain compliance with applicable environmental laws, to promote proper management of hazardous materials for the safety of our employees and the protection of the environment, and to minimize the hazardous materials generated in the course of our operations. This policy is implemented with accountability directly to the Chairman of the Board of Directors. In addition, our manufacturing operations are subject to various federal, state and local laws restricting discharge of materials into the environment.

We are not involved in any pending or threatened proceedings that would require curtailment of our operations. We continually expend funds to ensure that our facilities comply with applicable environmental regulations. In regard to all of our facilities, we have completed our undertaking to comply with environmental regulations relating to the elimination of chlorofluorocarbons (CFCs) and ozone depleting substances (ODS) pursuant to the Clean Air Act amendments of 1990. We have completely eliminated the use of CFCs and ODS in our manufacturing processes, and all facilities are currently in compliance with the Clean Air Act.

While we believe that we are in material compliance with applicable environmental laws, we cannot accurately predict future developments and do not necessarily have knowledge of past occurrences on sites that we currently occupy. More stringent environmental regulations may be enacted in the future, and we cannot determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with such regulations. Moreover, the risk of environmental liability and remediation costs is inherent in the nature of our business and, therefore, there can be no assurance that material environmental costs, including remediation costs, will not arise in the future.

We have been named a Potentially Responsible Party (PRP) at nine Superfund sites, including two Siliconix facilities, and have become responsible for certain obligations as a PRP in connection with our acquisition of General Semiconductor. We expend minimal amounts in connection with several of these sites and do not expect costs associated with the others to be material.

General Semiconductor has also been named as a defendant in three actions in the United States District Court for the Eastern District of New York in connection with its former operations at a facility in Hicksville, New York. The plaintiffs in these actions allege that they have suffered personal injury and property damage as a result of the facility's operations. Although we will vigorously defend these actions, we do not currently possess sufficient information to estimate reasonably the amount of or timing of liabilities that may be associated with these litigations. It is our policy to record appropriate liabilities for environmental matters when damage claim payments are probable and the costs can be reasonably estimated.

The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. Based upon our experience with the foregoing environmental matters, we have concluded that there is at least a reasonable possibility that we will incur remedial costs in the range of $30 million to $35 million. As of December 31, 2003, we concluded that the best estimate within this range is $32.7 million, of which $23.5 million is included in other non-current liabilities on the consolidated balance sheet, and $9.2 million is included in accrued expenses on the consolidated balance sheet. Of this reserve, approximately $18.7 million is due to the acquisition of General Semiconductor, but not including any liability that we may incur in connection with the litigation relating to the Hicksville, New York facility described above; approximately $8.4 million is due to the acquisition of BCcomponents; and approximately $5.6 million is reserved for other miscellaneous environmental liabilities, primarily at our Vitramon subsidiary in the United States. In view of our financial position and provisions for environmental matters of $32.7 million, we have concluded that any potential payment of such estimated amounts will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

With each acquisition, we attempt to identify potential environmental concerns and to minimize, or obtain indemnification for, the environmental matters we may be required to address. In addition, we establish reserves for specifically identified potential environmental liabilities. We believe that the reserves we have established are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations.

Employees

As of December 31, 2003, we employed approximately 25,200 full time employees, of whom approximately 21,850 were located outside the United States. Some of our employees outside the United States are members of trade unions and employees at one small U.S. facility are represented by a union. Our relationship with our employees is good. However, no assurance can be given that, if we continue to restructure our operations in response to changing economic conditions, labor unrest or strikes, especially at European facilities, will not occur.

Company Information and Website

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at http://www.sec.gov.

In addition, our company website can be found on the Internet at www.vishay.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access www.vishay.com, click on Company Info, then Investor Relations and then SEC Filings.

The following corporate governance related documents are also available on our website:

- Corporate Governance Principles
- Code of Business Conduct and Ethics
- Code of Ethics Applicable to the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller and Financial Managers
- Audit Committee Charter
- Nominating and Corporate Governance Committee Charter
- Compensation Committee Charter.

To review these documents, go to our website, click on Company Info, then Investor Relations and then Corporate Governance.

Any of the above documents can also be obtained in print by any shareholder who requests them from our Investor Relations Department at the following address:

Corporate Investor Relations
Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, PA 19355-2143

Item 2. PROPERTIES

As of December 31, 2003, we maintained approximately 77 manufacturing facilities. The principal locations of such facilities, along with available space including administrative offices, are:

Owned Locations	Approx. Available Space (Square Feet)
United States	
Columbus and Norfolk, NE*	298,000
Sanford, ME	225,000
Santa Clara, CA	220,000
Grafton and Oconto, WI*	165,000
Wendell and Statesville, NC*	159,000
Monroe, CT	91,000
Greencastle, IN	90,000
Malvern, PA	79,000

* 2 locations

Non-U.S.	
Israel (5 locations)	1,058,000
Hungary (2 locations)	961,000
Germany (8 locations)	561,000
People's Republic of China (4 locations)	514,000
Czech Republic (5 locations)	446,000
Republic of China (Taiwan) (3 locations)	397,000
France (3 locations)	332,000
Portugal	301,000
Netherlands	286,000
Belgium (2 locations)	180,000
Austria	153,000
Philippines	149,000
India	140,000
Malaysia	115,000

We own an additional 288,000 square feet of manufacturing facilities located in Maryland, New York, Rhode Island, South Dakota, Vermont and Mexico.

Leased facilities in the United States include 190,000 square feet of space located in California, Massachusetts, New York, Connecticut and South Dakota. Foreign leased facilities consist of 817,000 square feet in China, 204,000 square feet in Germany, 127,000 square feet in Mexico, 120,000 square feet in Austria, 75,000 square feet in the Czech Republic, 43,000 square feet in Sweden, 24,000 square feet in Israel, and 13,000 square feet in the United Kingdom, and 3,000 square feet in Taiwan.

In the opinion of management, our properties and equipment generally are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Item 3. LEGAL PROCEEDINGS

From time to time we are involved in routine litigation incidental to our business. Management believes that such matters, either individually or in the aggregate, should not have a material adverse effect on our business or financial condition.

Our 80.4% owned subsidiary, Siliconix, is a party to two environmental proceedings. The first involves property that Siliconix vacated in 1972. In July 1989, the California Regional Water Quality Control Board (RWQCB) issued Cleanup and Abatement Order No. 89-115 both to Siliconix and the current owner of the property. The Order alleged that Siliconix contaminated both the soil and the groundwater on the property by the improper disposal of certain chemical solvents. The RWQCB considered both parties to be liable for the contamination and sought to have them decontaminate the site to acceptable levels. Siliconix subsequently reached a settlement of this matter with the current owner of the property. The settlement provided that the current owner will indemnify Siliconix and its employees, officers, and directors against any liability that may arise out of any governmental agency actions brought for environmental cleanup of the subject site, including liability arising out of RWQCB Order No. 89-115, to which Siliconix remains nominally subject.

The second proceeding involves Siliconix's Santa Clara, California facility, which Siliconix has owned and occupied since 1969. In February 1989, the RWQCB issued Cleanup and Abatement Order No. 89-27 to Siliconix. The Order is based on the discovery of contamination of both the soil and the groundwater on the property by certain chemical solvents. The Order calls for Siliconix to specify and implement interim remedial actions and to evaluate final remedial alternatives. The RWQCB issued a subsequent order requiring Siliconix to complete the decontamination. Siliconix has substantially completed its compliance with the RWQCB's orders.

Our subsidiary General Semiconductor has been named a PRP at several Superfund sites and as a defendant in two lawsuits in the United States District Court for the Eastern District of New York. See "Environment, Health and Safety."

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 4A. **EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth certain information regarding our executive officers as of March 15, 2004.

Name	Age	Positions Held
Dr. Felix Zandman*	75	Chairman of the Board and Chief Executive Officer
Dr. Gerald Paul*	55	Chief Operating Officer, President and Director
Marc Zandman*	42	Vice-Chairman of the Board, President-Vishay Israel Ltd.
Richard N. Grubb	57	Executive Vice President, Treasurer, and Chief Financial Officer
Ziv Shoshani*	38	Executive Vice President, Resistor and Inductor Group and Director

* Member of the Executive Committee of the Board of Directors.

Dr. Felix Zandman, a founder of the Company, has been the Chief Executive Officer and a Director of the Company since its inception. Dr. Zandman had been President of the Company from its inception until March 16, 1998, when Dr. Gerald Paul was appointed President of the Company. Dr. Zandman has been Chairman of the Board since March 1989.

Dr. Gerald Paul has served as a Director of the Company since May 1993 and has been Chief Operating Officer and an Executive Vice President of the Company since August 1996. On March 16, 1998, Dr. Paul was appointed President of the Company. He was President of Vishay Electronic Components, Europe from January 1994 to August 1996. Dr. Paul has been Managing Director of Draloric Electronic GmbH, an affiliate of the Company, since January 1991. Dr. Paul has been employed by Draloric since February 1978.

Marc Zandman was appointed Vice-Chairman of the Board as of March 1, 2003. He has been a Director of the Company since May 2001, President of Vishay Israel Ltd. since April 1998, and Group Vice President of Measurements Group since August 2002. Mr. Zandman has served in various other capacities with the Company since August 1984. He is the son of Dr. Felix Zandman, the Company's Chief Executive Officer.

Richard N. Grubb has been Vice President, Treasurer and Chief Financial Officer of the Company since May 1994, and has been an Executive Vice President of the Company since August 1996. Mr. Grubb has been associated with the Company in various capacities since 1972, and was a Director from 1994 through 2003.

Ziv Shoshani has been Executive Vice President of the Resistor and Inductor Group since 2002. He was Executive Vice President of the Capacitors Group in 2001 and 2002 and was Executive Vice President, Specialty Products Division in 2000 and 2001, including responsibility for oversight of Vishay's Measurements Group Division. Prior to that, Mr. Shoshani served in various capacities including Senior Vice President Precision Resistors, Worldwide Foil Resistors Manager, Plant Manager, Holon, Israel, and Quality Control Manager, Holon. Mr. Shoshani has been employed by the Company since 1995. He is the nephew of Dr. Felix Zandman, the Company's Chief Executive Officer.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Our common stock is listed on the New York Stock Exchange under the symbol VSH. The following table sets forth the high and low sales prices for our common stock as reported on the New York Stock Exchange Composite Tape for the quarterly periods within the 2002 and 2003 calendar years indicated. We do not currently pay cash dividends on our capital stock. Our policy is to retain earnings to support the growth of our business and we do not intend to change this policy at the present time. In addition, we are restricted from paying cash dividends under the terms of our revolving credit agreement. See Note 6 to our consolidated financial statements. Holders of record of our common stock totaled approximately 2,007 at March 9, 2004.

COMMON STOCK MARKET PRICES

	Calendar 2002		Calendar 2003	
	High	**Low**	**High**	**Low**
First Quarter	$22.50	$17.05	$13.24	$ 8.77
Second Quarter	$26.15	$19.31	$15.15	$ 9.93
Third Quarter	$22.00	$ 8.51	$19.00	$12.47
Fourth Quarter	$15.10	$ 6.70	$23.15	$17.45

At March 9, 2004, we had outstanding 14,979,440 shares of Class B common stock, par value $.10 per share, each of which entitles the holder to ten votes. The Class B common stock generally is not transferable except in certain very limited instances, and there is no market for those shares. The Class B common stock is convertible, at the option of the holder, into common stock on a share for share basis. Substantially all of the Class B common stock is owned by Dr. Felix Zandman, our Chairman and Chief Executive Officer, the estate of Mrs. Luella B. Slaner, a former director, the children of Mrs. Slaner, and trusts for the benefit of the grandchildren of Mrs. Slaner, either directly or beneficially. Directly, and as voting trustee under a voting trust agreement, Dr. Zandman has voting power over substantially all of the outstanding Class B common stock.

See Item 12 for certain equity compensation information with respect to equity compensation plans approved by security holders and equity compensation plans not approved by security holders.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information of the Company as of and for the fiscal years ended December 31, 2003, 2002, 2001, 2000, and 1999. This table should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K.

	As of and for the Year Ended December 31,				
	2003 (1)	2002 (2)	2001 (3)	2000	1999 (4)
Income Statement Data (in thousands, except per share amounts):					
Net sales	$2,170,597	$1,822,813	$1,655,346	$2,465,066	$1,760,091
Interest expense	37,831	28,761	16,848	25,177	53,296
Earnings (loss) before income tax provision (benefit) and minority interest	46,426	(100,045)	10,103	690,225	134,711
Income tax provision (benefit)	11,528	(16,900)	5,695	148,186	36,940
Minority interest	8,056	9,469	3,895	24,175	14,534
Net earnings (loss)	26,842	(92,614)	513	517,864	83,237
Basic earnings (loss) per share(5)	$0.17	$(0.58)	$0.00	$3.83	$ 0.66
Diluted earnings (loss) per share(5)	$0.17	$(0.58)	$0.00	$3.77	$ 0.65
Weighted average shares outstanding – basic (5)	159,631	159,413	141,171	135,295	126,678
Weighted average shares outstanding – diluted (5)	160,443	159,413	142,514	137,463	128,233
Balance Sheet Data (in thousands):					
Total assets	$4,572,513	$4,315,159	$3,951,523	$2,783,658	$2,323,781
Long-term debt	836,606	706,316	605,031	140,467	656,943
Working capital	1,049,892	897,456	1,096,034	1,057,200	604,150
Stockholders' equity	2,514,034	2,358,787	2,366,545	1,833,855	1,013,592

(1) Includes the results of BCcomponents, acquired in December 2002. Also includes net charge of $22,362,000 for restructuring and severance costs, inventory write-downs, a loss on purchase commitments, and a loss on extinguishment of debt, partially offset by a gain on insurance proceeds. These items and their tax related consequences had a negative $0.11 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(2) Includes the results from January 1, 2002 of Infineon Malaysia optoelectronic infrared components business, January 31, 2002 of Sensortronics, July 1, 2002 of Tedea-Huntleigh, August 1, 2002 of BLH/Nobel, and October 1, 2002 of Celtron. Also includes charges for restructuring and severance costs, inventory write-downs, a loss on purchase commitments and other charges of $169,900,000. These items and their tax related consequences had a negative $0.85 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(3) Includes the results from January 1, 2001 of Tansitor, July 27, 2001 of Infineon U.S. optoelectronic infrared components business, November 2, 2001 of General Semiconductor, and November 7, 2001 of Mallory. Also includes charges for restructuring and severance costs, inventory write-downs, a write-off of purchased in-process research and development, and other charges of $156,590,000. These items and their tax related consequences had a negative $0.84 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(4) The sale of Nicolitch, S.A. and a tax rate change in Germany reduced net earnings by $14,562,000 ($0.11 per share).

(5) Adjusted to reflect a three-for-two stock split distributed June 9, 2000, and a five-for-four stock split distributed June 22, 1999.

Management believes that stating the impact on net earnings of items such as restructuring, inventory write-downs, losses on purchase commitments, losses on early extinguishment of debt, gains on insurance proceeds, write-offs of in-process research and development, and other charges is meaningful to investors because its provides insight with respect to ongoing operating results of the Company.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Sales for the year ended December 31, 2003 were $2.171 billion compared to sales of $1.823 billion for the year ended December 31, 2002. Net earnings for the year ended December 31, 2003 were $26.8 million or $0.17 per share, compared with a net loss for the year ended December 31, 2002 of $92.6 million or $0.58 per share. Earnings for the year ended December 31, 2003 were impacted by restructuring and severance costs of $29.6 million, a loss on extinguishment of debt of $9.9 million, a loss on long-term purchase commitments of $11.4 million, and a write-down of tantalum inventories on hand to market value of $5.4 million, offset by a gain on an insurance claim of $33.9 million. These items and their tax related consequences had a negative $0.11 effect on earnings per share. The year ended December 31, 2002 included charges for restructuring, inventory write-downs, a loss on purchase commitments and other charges of $169.9 million resulting in a reduction of $0.85 in net earnings per share.

Following a difficult 2002 and 2001, in which the electronic components business generally was depressed both in the United States and much of the world, market conditions remained difficult in first half of 2003. In the latter half of the year, we noted substantial improvement of the general economic outlook worldwide. We have seen a rapid acceleration of demand in electronics in all regions, in almost all market segments, beyond pure seasonality and stock replenishment. We noted, in particular, strength in automotive products, computers and mobile phones. The economic recovery began in the actives business, consistent with historical trends and as seen in the third quarter of 2003. The passives business is also showing indications of recovery. Pricing pressure has started to abate in the active products markets, but its presence continues to be felt in the passive segment, particularly for commodity products.

Capacity utilization is a reflection, in part, of product demand trends. We were approaching full capacity in most of our active facilities during the latter half of the year. We are working to alleviate capacity constraints in the active segment by addressing production bottlenecks in our fabrication facilities, expanding our backend operations and expanding and broadening our foundry activities. Capacity utilization showed some improvement in the passive segment during 2003, where capacity for resistors and inductors ranged from 60% to 75%, while in the capacitor lines it averaged around 50%.

Despite these positive trends, operating results for 2003 remained depressed because of pricing pressures. Average selling prices continued to decline during 2003 in both the passive and active segments, though considerably less rapidly in the second half of the year. Operating results for the first half of 2003 also suffered from the severe acute respiratory syndrome, or SARS, outbreak, particularly in the active segment which does a substantial portion of its business in Asia.

Financial Metrics

We utilize several financial measures and metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include sales, end-of-period backlog, the book-to-bill ratio, and inventory turnover. We also monitor changes in average selling prices.

End-of-period backlog is one indicator of future sales. However, if demand falls below customers' forecasts, or if customers do not control their inventory effectively, they may cancel or reschedule the shipments that are included in our backlog, in many instances without the payment of any penalty. Therefore, the backlog is not necessarily indicative of the results of future periods.

Another important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period as compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that our orders are building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining sales.

We also focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our cost of products sold for that period divided by our average inventory for the period. A higher level of inventory turnover reflects more efficient use of our capital. In 2003, inventory turnover improved to 3.16 from 2.52 in 2002, which we attribute to somewhat improved selling conditions and enhanced selling efficiencies implemented during the year. Exclusive of tantalum and palladium write-downs, inventory turnover would have been approximately 3.15 in 2003 as compared to 2.47 in 2002.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows sales, the end-of-period backlog and the book-to-bill ratio for our business as a whole during the five quarters beginning with the fourth quarter of 2002 and through the fourth quarter of 2003.

	4th Quarter 2002	1st Quarter 2003	2nd Quarter 2003	3rd Quarter 2003	4th Quarter 2003
Sales	$459,377,000	$532,127,000[(1)]	$538,103,000[(1)]	$533,168,000[(1)]	$567,199,000[(1)]
End-of-Period Backlog	$407,600,000	$438,200,000	$419,800,000	$434,000,000	$532,000,000
Book-to-Bill Ratio	0.93	1.05	0.96	1.03	1.14

(1) Includes $69,300,000, $63,600,000, $60,800,000, and $63,900,000 attributable to BCcomponents for the first, second, third and fourth quarters of 2003, respectively.

Management believes that these trends are an encouraging indication of broad-based demand into 2004, in all of our major markets and all geographic areas.

Pricing in our industry is volatile. During 2003, we experienced significant declines in average selling prices, particularly in the first half of the year in our actives business. Prices stabilized in the second half of the year, and we expect relatively stable pricing to continue into 2004.

Segments

Vishay operates in two segments, passive components and active components. We are the leading manufacturer of passive components in the United States and Europe. These components include resistors, capacitors, inductors, strain gages and load cells. We include in this segment our Measurements Group, which manufactures and markets strain gages, load cells, transducers, instruments and weighing systems. The core components of these devices are resistors that are sensitive to various types of mechanical stress. We are also one of the world's leading manufacturers of active electronic components, also referred to as discrete semiconductors. These include transistors, diodes, rectifiers, certain types of integrated circuits and optoelectronic products. Our active segment includes our 80.4% owned subsidiary, Siliconix. The passive components business had historically predominated at Vishay until the purchase of General Semiconductor in November 2001, after which the lead position shifted to the active business. With the acquisition of BCcomponents in December 2002, revenues from our active and passive businesses are essentially split evenly between the segments. For 2003, approximately 51% of our revenues were attributable to our passive business and 49% to our active business.

The passive and active segments of our business have historically responded differently to phases of the business cycle. Having strong capabilities in both areas not only gives us a broad line of products to offer our customers, it also smoothes, to some extent, the business swings that we experience. When business slows down, active components are usually first to feel the effects of the downturn that are later experienced by passive components. Similarly, when business begins to increase, our semiconductor products usually lead the recovery, followed some time later by resistors, inductors and capacitors. Results for the second half of 2003 are indicative of these past trends, where we saw improvements in active products beginning in the third quarter, which was followed by improvements in our passive products in the fourth quarter. We expect these trends to continue into 2004.

The following table shows sales and book-to-bill ratios broken out by segment for the five quarters beginning with the fourth quarter of 2002 through the fourth quarter of 2003:

	4th Quarter 2002	1st Quarter 2003	2nd Quarter 2003	3rd Quarter 2003	4th Quarter 2003
Passive Components					
Sales	$198,542,000	$274,874,000[(1)]	$280,056,000[(1)]	$268,368,000[(1)]	$281,558,000 [(1)]
Book-to-Bill Ratio	1.00	1.07	0.96	0.97	1.06
Active Components					
Sales	$260,835,000	$257,253,000	$258,047,000	$264,800,000	$285,641,000
Book-to-Bill Ratio	0.88	1.03	0.96	1.09	1.23

(1) Includes $69,300,000, $63,600,000, $60,800,000, and $63,900,000 attributable to BCcomponents for the first, second, third and fourth quarters of 2003, respectively.

Cost Management

We place a strong emphasis on reducing our costs. One way we do this is by moving production to the extent possible from high-labor-cost markets, such as the United States and Western Europe, to lower-labor-cost markets, such as Israel, Mexico, the Republic of China (Taiwan), the People's Republic of China and Eastern Europe. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we are successful in implementing this program. This percentage was 69% at the end of 2003, as compared to 65% at the end of 2002, 61% at the end of 2001, and 57% at the end of 2000. We continue to target improvement in this area as we proceed with the integration of the business of BCcomponents, acquired in December 2002. The long-term target remains between 75% and 80% of our headcount in lower-labor-cost countries.

We are placing particular emphasis on cost reduction in our capacitor lines, which have been hardest hit by the recent market downturn and where the business continues to suffer from worldwide overcapacity. In 2003, we completed the transfer of our power capacitor production from Western Europe to the Czech Republic and began moving our molded tantalum capacitor business to the People's Republic of China. We also began to consolidate our existing film capacitor line within the business of BCcomponents.

Israeli Government Incentives

Our production facilities in Israel benefit from incentives offered by the Israeli government for creation of jobs and capital investment in that country. These benefits take the form of government grants and reduced tax rates that are lower than those in the United States. These reduced tax rates apply to projects specifically approved by the Israeli government and, depending on project size, are available for periods of ten or fifteen years. Due to the write-downs of inventories and the losses on long-term purchase commitments in 2002 and 2003, the application of the Israeli tax rates rather than United States tax rates resulted in an increase in net loss of $24.8 million in 2002 and a decrease in net earnings of $3.1 million in 2003. In 2001, lower tax rates in Israel, as compared to the statutory rate in the United States, resulted in an increase in net earnings of $3.0 million.

Israeli government grants are awarded to specific projects. These grants are intended to promote employment in Israel's industrial sector and are conditioned on the recipient maintaining certain prescribed employment levels. Grants are paid when the related projects become operational, and the Israeli government approves the project. Israeli government grants, recorded as a reduction in the costs of products sold, were $12.4 million, $17.3 million and $19.1 million in the years 2003, 2002 and 2001, respectively. At December 31, 2003, our balance sheet reflected $27.7 million in deferred grant income.

During the second quarter of 2002, the government of Israel informed us that since the headcount in our Israeli subsidiaries decreased significantly over the previous 18 months, the government intended to withhold up to $15 million grant otherwise due to us. The grant, which was made by the Israeli government under an economic stimulus program, was conditioned in part on the employment levels at certain of our Israeli facilities. The Israeli government argued that we had not maintained employment at the required minimum levels. During the fourth quarter of 2002, we settled our dispute with the government of Israel, and the government agreed to continue making grant payments to us. Under the terms of the settlement with the Israeli government, Vishay is required to employ at least an additional 1,500 employees in Israel over the next three years in order to preserve its eligibility for the government grant. We have hired an additional 1,319 employees to date and expect to comply with these requirements. We therefore recorded a catch up adjustment of approximately $1.0 million of grant income for the fourth quarter of 2002 and reversed the allowances against the grant and deferred income reflected on the September 30, 2002 balance sheet.

If we were no longer able to maintain the required level of employment in the future, we could be required to return some grant funds that were previously awarded to us. The effect of the return of these funds would be to reduce our income in future years. Also, if the current business climate continues, we might not initiate new projects that qualify for grants or reduced tax rates or the Israeli government could curtail or eliminate the programs from which we have benefited in the past.

Write-Downs of Inventory and Purchase Commitments

Tantalum is the principal material used in the manufacture of tantalum capacitors. We generally purchase this metal in powder or wire form, although in 2000 and early 2001, when we perceived possible supply shortages, we also stockpiled quantities of tantalum ore. In July and November of 2000, we entered into purchase contracts with Cabot Corporation for tantalum powder and wire that committed us to minimum purchases of these materials at fixed prices through 2005. We regularly utilize tantalum powder and wire in the production of tantalum capacitors but have not used our stockpile of tantalum ore since 2000. Palladium is a precious metal used in the production of multi-layer ceramic capacitors that we purchase under short-term contracts.

In 2001, as a result of the general downturn in the electronics business, we experienced a significant decrease in capacitor sales. Prices of tantalum ore, powder and wire and of palladium also experienced significant declines. Accordingly, we recorded write-downs of our raw material inventories of these metals including $38.0 million for tantalum ore, $14.0 million for tantalum wire and powder and $18.0 million for palladium.

In June 2002, following initiation of a lawsuit by Cabot regarding its tantalum supply contracts with Vishay, we agreed with Cabot to modify the contracts, including reducing prices, providing for purchases at regular intervals and extending one of the contracts through 2006. In the fourth quarter of 2002, our management concluded that the depressed prices for tantalum were not attributable to temporary imbalances in distributor inventories for tantalum capacitors and that the prices for tantalum were likely to remain at their currently depressed levels for the foreseeable future. Also during the fourth quarter, one of our competitors settled its dispute with Cabot regarding long-term tantalum purchase commitments at prices that we understand are in the same range as the prices under our June 2002 settlement with Cabot. Our management therefore concluded that it was unlikely to obtain further price concessions from Cabot. Accordingly, we determined that it was appropriate to accrue a loss on our purchase commitments under our supply contracts with Cabot to reflect the difference between the prices that we are required to pay under the contracts and current market prices for tantalum. For the same reasons, we also determined to further write down our raw material inventories of tantalum ore, powder and wire. These charges amounted to approximately $106.0 million for the purchase commitments and $25.7 million for inventory. In 2002, we also recorded a write-down of $1.7 million on palladium inventories.

Prices for tantalum continued to decline in 2003. We recorded write-downs of $5.4 million to reduce tantalum inventories to current market value, and a loss on purchase commitments for future delivery of tantalum of $11.4 million. In addition, we recorded a write-down of $1.6 million of palladium inventory in the first quarter of 2003.

The raw materials write-downs have the effect of improving gross margins in subsequent periods by reducing cost of goods sold as inventory is utilized. This effect cannot be quantified in any specific reporting period, however, because of the large number of affected products and the impracticality of tracking raw material inventory usage on a product-by-product basis.

We anticipate, based on current and foreseeable demand for tantalum capacitors, that our minimum purchase commitments under the contracts with Cabot will substantially exceed our requirements over the terms of the contracts. See "Contractual Commitments" below. Also, we do not anticipate utilizing our stockpile of tantalum ore at any time in the foreseeable future. Tantalum ore, powder and wire have an indefinite shelf life; therefore, we believe that we will eventually utilize all of the material in our inventory or purchased under the contracts. Based on usage currently expected in 2004, our purchase commitments represent approximately 7.5 years of usage. We have little visibility of the demand for our tantalum capacitor products beyond twelve months. It is almost certain that our actual requirements of tantalum will differ from those projected, and likely that the difference will be material.

Foreign Currency

In 2003, we realized approximately 74% of our revenues from customers outside the United States. Any third party sales not using the U.S. dollar as the functional currency must be reported in the local currency and be translated at the weighted average exchange rate. This translation has an impact on the net sales line of the consolidated statements of operations and also on the expense lines of the consolidated statements of operations. We generally do not purchase foreign currency exchange contracts or other derivative instruments to hedge our exposure to foreign currency fluctuations.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 1 to our consolidated financial statements. We identify here a number of policies that entail significant judgments or estimates.

Revenue Recognition

We recognize revenue on product sales during the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. We have agreements with distributors that historically provided limited rights of product return. Beginning in 2002, we modified these arrangements to allow distributors a limited credit for unsaleable products, which we term a "scrap allowance." Consistent with industry practice, we also have a "stock, ship and debit" program whereby we consider, and grant in our discretion, requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. In addition, we have contractual arrangements whereby we provide distributors with protection against price reductions that we initiate after sale of product to the distributor and prior to resale by the distributor.

We record end of period accruals for each of the programs based upon our estimate of future credits under the programs that will be attributable to sales recorded through the end of the period. We calculate reductions of revenue attributable to each of the programs during any period by computing the change in the accruals from the prior period and adding the credits actually given to distributors during the period under the programs. These procedures require the exercise of significant judgments, but we believe they enable us to estimate reasonably future credits under the programs.

Recording and monitoring of these accruals takes place at our subsidiaries and divisions, with input from sales and marketing personnel and review, assessment and, if necessary, adjustment by corporate management. While our subsidiaries and divisions utilize different methodologies based on their individual experiences, all of the methodologies take into account sales to distributors during the relevant period, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies, and open requests for credits. These are the elements that management considers relevant, and, in our judgment, the different methodologies provide us with equally reliable estimates upon which to base our accruals. We do not track the credits that we record against specific products sold from distributor inventories, so as to directly compare revenue reduction for credits recorded during any period with credits ultimately awarded in respect of products sold during that period. Nevertheless, we believe that we have an adequate basis to assess the reasonableness and reliability of our estimates.

Accounts Receivable

Our receivables represent a significant portion of our current assets. We are required to estimate the collectibility of our receivables and to establish allowances for the amount of receivables that will prove uncollectible. We base these allowances on our historical collection experience, the length of time our receivables are outstanding, the financial circumstances of individual customers, and general business and economic conditions.

Inventories

We value our inventories at the lower of cost or market, with cost determined under the first-in first-out method and market based upon net realizable value. The valuation of our inventories requires our management to make market estimates. For instance, in the case of tantalum powder, we estimate market value by obtaining current quotations from available sources of supply. For work in progress goods, we are required to estimate the cost to completion of the products and the prices at which we will be able to sell the products. For finished goods, we must assess the prices at which we believe the inventory can be sold. As noted, we recorded write-downs of our tantalum and palladium inventories in 2002 and 2003. Inventories are also adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

Estimates of Restructuring and Severance Costs and Purchase Related Restructuring Costs

In 2003, we recorded restructuring costs of approximately $29.6 million related to our existing businesses. In 2002, we recorded restructuring costs of approximately $48.0 million related to our acquisitions and $31.0 million related to our existing businesses. Our acquisition-related restructuring costs included, among other things, costs related to our acquisition of BCcomponents in December 2002. Our restructuring activities related to existing business were designed to reduce both our fixed and variable costs, particularly in response to the reduced demand for our products occasioned by the electronics industry downturn. These included the disposition of fixed assets and the termination of employees. Acquisition-related costs are included in the allocation of the cost of the acquired business and generally add to goodwill. Other restructuring costs are expensed during the period in which we determine that we will incur those costs, and all of the requirements for accrual are met.

Because these costs are recorded based upon estimates, our actual expenditures for the restructuring activities may differ from the initially recorded costs. If this happens, we will have to adjust our estimates in future periods. In the case of acquisition-related restructuring costs, this would generally require a change in value of the goodwill appearing on our balance sheet, but would not affect our earnings. In the case of other restructuring costs, we could be required either to record additional expenses in future periods, if our initial estimates were too low, or to reverse part of the charges that we recorded initially, if our initial estimates were too high.

Raw Material Write-downs

In 2002 and 2003, we took charges against contractual commitments to purchase tantalum powder and wire through 2006 and wrote-down our existing inventory of tantalum ore, powder and wire to present market value. We did this because the current market prices of tantalum are substantially below the prices at which we are committed to purchase tantalum in the future under long-term contracts and the prices at which we were carrying our tantalum raw materials inventory. These actions involved significant judgments on our part, including decisions of whether to take these charges and write-downs, their timing and their amount.

We made the decision to take the charges and write-downs after our management concluded that the substantial fall-off in the demand for tantalum capacitors was likely to continue for the foreseeable future. Combining this assessment with the worldwide over-capacity in tantalum production, we could not foresee when tantalum prices might recover from their currently depressed levels. Although we believe that both the charges and write-downs as well as their timing were appropriate under the circumstances, our visibility for future demand and pricing is limited and the judgments made by our management necessarily involved subjective assessments.

The write-down of our current tantalum inventory and the charges with respect to our future tantalum commitments were calculated based on market prices for tantalum. There is no established market on which tantalum raw materials are regularly traded and quoted. We based our determination of current market price on quotations from two suppliers of these materials. We cannot say that the prices at which we could currently enter into contracts for the purchase of tantalum would be the same as these quoted prices. Had we made other assumptions on current and future prices for tantalum, the amount of the inventory write-downs and the charges against our purchase commitments would have been different.

If tantalum prices were to recover in the future, we would not reverse the write-downs that we have taken on our raw materials inventory, so that our cost of materials will continue to reflect these write-downs regardless of future price increases in tantalum. This could have the effect of increasing the earnings that we realize in future periods from what they would have been had we not taken these actions until future raw material prices were known with certainty. We could also be required to take further write-downs and charges if tantalum prices experience further declines.

Based upon similar considerations, we recorded write-downs of our palladium inventory to market value in both 2002 and 2003.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the related net assets at the date of acquisition. Goodwill is tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, we determine the fair value of the reporting unit using a comparable companies market multiple approach. If the net book value of the reporting unit exceeds the fair value, we would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

Fair value of reporting units is determined using comparable company market multiples. The comparable companies utilized in our evaluation are the members of our peer group utilized in the presentation of our stock performance in our annual proxy statement.

Impairment of Long-Lived Assets

We assess the impairment of our long-lived assets, other than goodwill and tradenames, including property and equipment, and identifiable intangible assets subject to amortization, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include significant changes in the manner of our use of the acquired asset, changes in historical or projected operating performance and significant negative economic trends.

Results of Operations

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

	Year Ended December 31		
	2003	**2002**	**2001**
Costs of products sold	77.9%	79.8%	77.0%
Gross profit*	21.6%	14.4%	23.0%
Selling, general and administrative expenses	17.6%	17.1%	16.8%
Operating income (loss)	2.7%	(4.4%)	0.9%
Earnings (loss) before income taxes (benefit) and minority interest	2.1%	(5.5%)	0.6%
Net earnings (loss)	1.2%	(5.1%)	0.0%
Effective tax rate	24.8%	16.9%	56.4%

* - Reflects losses on purchase commitments of $11.4 million and $106.0 million during the years ended December 31, 2003 and 2002.

Net Sales, Gross Profits and Margins

Net sales for the year ended December 31, 2003 increased by $347.8 million or 19.1% over the prior year. The increase primarily reflects the acquisitions of BCcomponents in December 2002, Celtron Technologies in October 2002, BLH and Nobel in July 2002 and Tedea-Huntleigh BV in September 2002. Excluding these acquisitions, net sales increased $49.1 million, or 3%. The weakening of the U.S. dollar against foreign currencies for the year ended December 31, 2003, in comparison to the prior year, resulted in increases in reported sales of $74 million.

Net sales for the year ended December 31, 2002 increased by $167.5 million or 10.1% over the prior year. This reflects a substantial increase in sales in the active segment, attributable in large measure to 2001 acquisitions reflected only partially in 2001 but fully in 2002, partially offset by a continuing drop in sales in the passive segment in 2002. The weakening of the U.S. dollar against foreign currencies for the year ended December 31, 2002, in comparison to the prior year, resulted in increases in reported sales of $18 million.

We deduct, from the sales that we record to distributors, allowances for future credits that we expect to provide for returns, scrapped product and price adjustments under various programs made available to the distributors. We make deductions corresponding to particular sales in the period in which the sales are made, although the corresponding credits may not be issued until future periods. We estimate the deductions based on sales levels to distributors, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies and open requests for credits. We recorded deductions from gross sales under our distributor incentive programs of $67.2 million, $67.4 million, and $56.1 million for the years ended December 31, 2003, 2002, and 2001, respectively, or, as a percentage of gross sales 3.0%, 3.6%, and 3.2%, respectively. Actual credits issued under the programs for the years ended December 31, 2003, 2002, and 2001, were approximately $62.4 million, $63.4 million, and $52.7 million, respectively. The increase in the incentives from 2001 is attributable primarily to the adverse business climate that developed following 2000 and the resulting pricing pressures that affected our distributors and the electronic component industry generally.

Costs of products sold as a percentage of net sales for the year ended December 31, 2003 was 77.9% as compared to 79.8% for the prior year. Gross profit as a percentage of net sales for year ended December 31, 2003 was 21.6% as compared to 14.4% for the prior year. Price declines were offset in substantial part by volume increases and cost savings programs. Gross profit for 2003 reflects write-downs of raw material inventory to lower of cost or market of $7.0 million, which is included in cost of products sold, and an accrual of loss on long-term purchase commitments of $11.4 million. Gross profit for 2002 reflects a write-down of raw material inventory to market value of $27.4 million, which is included in cost of products sold, and an accrual of loss on long-term purchase commitments of $106.0 million.

Costs of products sold as a percentage of net sales were 79.8% for the year ended December 31, 2002 as compared to 77.0% for the prior year. Gross profit, as a percentage of net sales, for the year ended December 31, 2002 was 14.4% as compared to 23.0% for the prior year. Gross profit for 2002 includes a write-down of raw material inventory to market value of $27.4 million, which is included in cost of goods sold, and accruals for losses on purchase commitments of $106.0 million. The erosion in overall profit margins in 2002 reflected the continuing weakness in the passive segment, offset in substantial part by improvements in the active segment. Both volume reduction and further declines in average selling prices contributed to the declining profit margins in the passive segment. Profit margins in the active segment benefited from higher volumes, even as average selling prices continued to decline in various product lines. For the year ended December 31, 2001, gross profit reflected write-downs of tantalum and palladium inventories of $70.0 million.

See “Israeli Government Incentives” regarding Israeli government grants, which are recorded as a reduction in costs of products sold.

The following tables show sales and gross profit margins separately for our passive and active segments.

Passive Components

	Year Ended December 31		
	2003	**2002**	**2001**
Net Sales	$1,104,856,000	$767,246,000	$1,010,634,000
Gross Profit Margin	17.3%	(4.9%)	20.6%

Net sales of passive components for the year ended December 31, 2003 increased $337.6 million or 44% as compared to the prior year. Without the acquisition of BCcomponents, Celtron Technologies, BLH and Nobel, and Tedea-Huntleigh, the passive components business sales would have increased by $38.9 million or 5% as compared to the prior year. The organic increase in net sales is attributable to the volume increases in the resistor and inductor product lines, partially offset by price declines, and the positive impact of foreign currency exchange rates. The average selling price was down versus the prior year.

Our resistor and inductor business stabilized in 2002 and began an improvement in the latter part of that year which continued into 2003. Our capacitor business, which was particularly hard hit during the recent global slowdown in the electronics industry, continues to experience the lingering effects of worldwide overcapacity in both production and supply. However, with the slowing of the erosion in average selling prices that began in the fourth quarter of 2002, the capacitor business appears to have stabilized and is showing modest signs of improvement.

Gross margins were 17.3% for the year ended December 31, 2003, as compared to negative 4.9% for the prior year. Results for 2003 reflected average margins of 29% for our resistor and inductor lines and 5% for our capacitor lines. Margins were affected negatively by raw material related write-downs in 2003 and 2002, as market prices for these materials continued to decline. During 2003, we recorded write-downs of $5.4 million to reduce tantalum inventories to current market value, and a loss on purchase commitments for future delivery of tantalum of $11.4 million. In addition, we recorded a write-down of $1.6 million of palladium inventory. In 2002, we recorded a loss on long-term purchase commitments of tantalum of $106.0 million and write-downs of $27.4 million on tantalum and palladium inventories. The raw material write-downs have the effect of improving gross margins in subsequent periods by reducing cost of goods sold as inventory is utilized. This effect cannot be quantified in any specific reporting period, however, because of the large number of affected products and the impracticality of tracking raw material inventory usage on a product-by-product basis.

We continue to implement cost reduction programs, particularly in our passives business, in order to reduce costs and thereby stabilize our margins. We have initiated several significant cost reduction programs in all of our products lines, including facility combinations and shifts of production to lower-cost regions, with particular emphasis on reducing headcount in high-labor-cost countries. Sixty-nine percent of our labor force was in low-labor-cost countries as of December 31, 2003. The impact of these cost savings plans has been partially offset by the underutilization of capacity in the commodity products.

Net sales of passive components for the year ended December 31, 2002 decreased by $243.4 million or 24.1% from comparable sales of the prior year. The decrease in net sales was attributable to a combination of lower volume and a continuing slide in prices. Excluding the significant acquisition activity in our Measurements Group in 2002, sales in the passive segment would have decreased by $288.9 million or 29% from the prior year. Gross profit margin in 2002 was negatively impacted by a loss on long-term purchase commitments of tantalum of $106.0 million and write-downs of $27.4 million on tantalum and palladium inventories. Even excluding the loss on long-term purchase commitments, our capacitor business had negative average gross margins of 6% in 2002, compared with positive average gross margins of 19% for resistors and capacitors. The acquisition of BCcomponents, a worldwide manufacturer of resistors and capacitors, in December 2002 had no material effect on the 2002 results for the passive segment.

Active Components

	Year Ended December 31		
	2003	**2002**	**2001**
Net Sales	$1,065,741,000	$1,055,567,000	$644,712,000
Gross Profit Margin	26.1%	28.4%	26.9%

Net sales of the active components business for year ended December 31, 2003 increased by $10.2 million, or 1%, from sales of the comparable prior year period. The active segment continued to experience pricing pressure in 2003, especially during the first half of the year. Sales for the first half of 2003 actually decreased from the comparable 2002 period, primarily as a result of the SARS outbreak in Asia where Siliconix sells approximately 75% of its total sales. The modest revenue growth for the year was fueled by a significant rebound in Asian business during the second half, driven by demand for computer components and by distributors restocking inventories. Gross margins were 26.1% for the year ended December 31, 2003 as compared to 28.4% for the prior year. Margins were negatively impacted by product mix changes at Siliconix, where there was a higher share of commodity products as compared to the comparable prior year periods. Also, because of capacity constraints that it has begun to experience, Siliconix made greater use of subcontractors during 2003, which has the effect of driving down margins. Siliconix's net sales for 2003 were $392.1 million, compared to $372.9 million in 2002, a 5% increase, and its gross profit margins declined from 31% for 2002 to 29% for 2003.

Net sales of the active components business for the year ended December 31, 2002 increased by $410.9 million or 63.7% from comparable sales of the prior year. As detailed below, the increase was in substantial measure due to the acquisitions of General Semiconductor and the Infineon infrared business in 2001, which were included in our results for all of 2002 but for only portions of 2001. It also reflects sales recovery at our existing semiconductor operations that began in 2002. The increased volume that we experienced in 2002 was offset to some extent by modest declines in average selling prices in various product lines. The improvement in gross profit margins to 28.4% from 26.9% is attributable primarily to improvements at Siliconix and to a lesser extent at our other semiconductor operations. Siliconix's net sales for 2002 were $372.9 million as compared to $305.6 million in 2001, a 22.1% increase, and its gross profit margins rose from 25% for 2001 to 31% for 2002.

Revenues in the active segment for 2002 included revenues of $350.9 million from the Infineon infrared business and General Semiconductor, compared to revenues of $82.7 million from these businesses in 2001. Excluding the contribution of these acquisitions, net sales in 2002 would have increased by 25.4% as compared to 2001 and gross profit margin would have been 29.5%.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2003 were 17.6% of net sales as compared to 17.1% of net sales for the prior year. This increase was mainly due to the costs associated with the acquisition and integration of BCcomponents. Our continuing cost reduction initiatives referred to above also target selling, general, and administrative costs and offset, in part, the acquisition related increases in SG&A margins.

Selling, general, and administrative expenses for the year ended December 31, 2002 were 17.1% of net sales as compared to 16.8% of net sales for the prior year. The higher percentage and amount in 2002 was due primarily to acquisition activity.

Restructuring and Severance Costs

Our restructuring activities have been designed to cut both fixed and variable costs, particularly in response to the reduced demand for products occasioned by the electronics industry downturn beginning in 2001. These activities include the closing of facilities and the termination of employees. Beginning January 1, 2003, restructuring costs have been accounted for under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Because costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, we could be required either to record additional expenses in future periods or to reverse previously recorded expenses. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods.

We recorded restructuring and severance costs for the year ended December 31, 2003 of $29.6 million, $28.6 million of which was workforce reduction expense and $1.0 million of which was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 708 employees in Europe, Asia and the United States. Through the end of 2003, we paid $14.2 million of these workforce reduction costs, corresponding to the termination of 653 employees. The balance of workforce reduction expense remaining at December 31, 2003 is expected to be paid by the end of 2004. The fixed asset impairment related to facility closure. As a result of restructuring activities initiated in 2003, we expect an annual increase in gross profit of approximately $10.4 million.

We recorded restructuring and severance costs for the year ended December 31, 2002 of $31.0 million, of which $18.6 million was workforce reduction expense and $12.4 million was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 1,438 employees in Europe, Israel and the United States. Through the end of 2003, we paid $16.5 million of these workforce reduction costs, corresponding to the termination of 1,422 employees. The balance of workforce reduction expense remaining at December 31, 2003 is expected to be paid in 2004. The fixed asset impairment related to facility closure. We continue to realize annual cost savings associated with restructuring activities initiated in 2002.

We recorded $61.9 million in restructuring and severance costs for the year ended December 31, 2001, of which $40.9 million was workforce reduction expense and $21.0 million was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 5,663 employees in Europe, Israel and Asia. A balance of $1.6 million of workforce reduction costs remaining at December 31, 2002 was paid in 2003. The fixed asset impairment related to facility closure. We continue to realize annual cost savings associated with restructuring activities initiated in 2001.

For additional detail on restructuring and severance costs, see Note 4 to our consolidated financial statements.

Restructuring and severance costs are separate from plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities. These amounts are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations. For a discussion of these costs, see Note 2 to our consolidated financial statements.

Interest Expense

Interest expense for the year ended December 31, 2003 increased by $9.1 million, as compared to the prior year. This increase was primarily a result of debt issued or assumed in the various acquisitions made in 2002 and the issuance in August 2003 of our $500 million principal amount 3-5/8% convertible subordinated notes due 2023, net of debt repaid with the proceeds of these notes of $398 million. Acquisition related debt included, in particular borrowings of $116 million under our revolving credit facility and the issuance of $105 million principal amount of unsecured loan notes, currently bearing interest at LIBOR plus 1.5%, in connection with the BCcomponents acquisition in December 2002. The debt we repaid with the proceeds of our 3-5/8% notes included approximately $171 million principal amount of General Semiconductor's 5.75% convertible notes, approximately $97 million accreted principal amount of Liquid Yield Option™ Notes (LYONs) and $130 million in borrowings under our revolving credit facility.

Interest expense for the year ended December 31, 2002 increased by $11.9 million compared to the prior year. This increase was a result of higher average outstanding bank borrowings attributable to our acquisition activity, offset in part by somewhat lower interest rates.

Other Income (Expense)

We recorded a loss of $9.9 million for extinguishment of debt during the year ended December 31, 2003 on the redemption of $171 principal amount of the General Semiconductor notes and the repurchase of $97.0 million in accreted principal amount of our LYONs. Also during 2003, we recorded a gain of $33.9 million on the receipt of insurance proceeds in excess of book value on account of the destruction of the thin film resistor facility of our Electro-Films, Inc. subsidiary in Providence, Rhode Island. That facility has now been completely rebuilt into a state-of-the-art production center. No comparable losses or gains were recorded in the prior year.

Excluding the items described above, other income was $2.3 million for the year ended December 31, 2003, as compared to $8.7 million for the prior year. This decrease was primarily due to higher foreign exchange losses in 2003. Foreign exchange losses of $5.2 million were reported for 2003 as compared to foreign exchange losses of $0.8 million for the comparable prior year period. In 2003, we also had losses of $2.5 million on the disposal of property and equipment, compared to losses of $0.3 million in 2002. Interest income decreased by $0.7 million for the year ended December 31, 2003 compared to the prior year, primarily due to lower interest rates. We recognized a gain on expiration of an interest rate swap of $3.8 million in 2003, compared to a loss on ineffective interest rate swaps of $0.1 million in 2002. Additionally, 2002 included other income of approximately $1.4 million received from the Chinese government as an incentive for being a foreign partner in China.

Other income for the year ended December 31, 2002 was $8.7 million as compared to $12.7 million for the prior year. Other income in both 2002 and 2001 consisted primarily of interest income, as well as gains on disposal of property and equipment and foreign exchange gains.

Minority Interest

Minority interest in earnings decreased by $1.4 million for the year ended December 31, 2003 as compared to the prior year, primarily due to the decrease in net earnings of Siliconix, of which we own 80.4%. Minority interest increased by $5.6 million for the year ended December 31, 2002 as compared to the prior year, primarily due to the increase in net earnings of Siliconix.

Income Taxes

The effective tax rate for the year ended December 31, 2003 was 24.8%, reflecting tax expense, as compared to 16.9% for the prior year, reflecting a tax benefit. The effective tax rate in 2003 reflects the fact that we could not recognize for accounting purposes the tax benefit of losses incurred in certain jurisdictions, although these losses are available to offset future taxable income. Under applicable accounting principles, we may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of temporary timing differences, that would result in the utilization of loss carryforwards for tax purposes.

We enjoy favorable tax rates on our income in Israel from specific approved projects. The low rates, which generally are available for a period of ten or fifteen years, ordinarily result in greater earnings than what they would be if the Israeli income was subject to statutory United States tax rates. However, due to losses reported in Israel, the low rates did not improve net earnings for 2003 and 2002, respectively.

The effective tax rate for the year ended December 31, 2002 was 16.9%, reflecting an income tax benefit, compared to 56.4% for the prior year, reflecting income tax expense. The low effective rate in 2002 is primarily a consequence of the losses before income taxes in low tax jurisdictions. While we continue to benefit from low tax rates in Israel, we recognized a large taxable loss in Israel in 2002, with the effect of reducing our overall tax benefit on our losses. The more favorable Israeli tax rates are applied to specific approved projects and are normally available for a period of ten or fifteen years (see the discussion of our Israeli tax benefits in "Overview-Israeli Government Incentives" above). Comparatively, in 2001, the high effective tax rate was due to low net earnings and the non-tax deductibility of purchased research and development expense related to the General Semiconductor acquisition.

Financial Condition and Liquidity

Cash and cash equivalents were $556 million at December 31, 2003, of which $279 million belonged to Siliconix. Of the remaining amount of $277 million, approximately $180 million is held by our non-U.S. subsidiaries.

Our financial condition at December 31, 2003, continued to be strong, with a current ratio (current assets to current liabilities) of 2.8 to 1, compared with a ratio of 2.6 to 1 at December 31, 2002. Our ratio of long-term debt, less current portion, to stockholders' equity was 0.33 to 1 at December 31, 2003, compared to a ratio of 0.30 to 1 at December 31, 2002. The increase in long-term debt ratio from December 31, 2002 reflects the debt issued in the third quarter of 2003, net of debt repaid.

Cash flows from operations were $255.8 million for the year ended December 31, 2003 as compared to $366.9 million for the year ended December 31, 2002. During 2003, accounts receivable attributable to our existing businesses and inventory levels continued to decline as a result of the lingering effects of the business slowdown that began in 2001, although the drop was substantially less pronounced than in the prior year. The increase in accounts receivable at December 31, 2003 versus December 31, 2002 was primarily due to the net sales of BCcomponents, which was acquired in December 2002. Net purchases of property and equipment for the year ended December 31, 2003 were $126.6 million, as compared to $110.1 million in the prior year. The increase was primarily attributable to spending to expand capacity in the active business and to shift manufacturing to low labor cost regions in the passive business. We used $278.7 million in cash for acquisitions in 2002, primarily for our acquisitions of BCcomponents in December 2002 and other smaller acquisitions in our Measurements Group during the year. The acquisitions were funded in part by our cash balances and in part from borrowings. See Note 2 to our consolidated financial statements for discussion of these acquisitions. Purchase of businesses, net of cash acquired, of $41.2 million, for the year ended December 31, 2003 represents payments made related to liabilities assumed from previous acquisitions.

Our debt levels have increased significantly since 2000. This is primarily attributable to acquisition activity. Additionally, in 2003, we issued $500 million of convertible subordinated notes, using a majority of the proceeds to repay other higher interest rate debt.

In connection with the acquisition of BCcomponents in December 2002, we issued $105 million principal amount of floating rate unsecured loan notes due 2102. The notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest payable on the notes may be further reduced to 50% of LIBOR after December 31, 2010 if the price of Vishay common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to us in exchange for 6,176,471 shares of Vishay common stock in the aggregate, and we may call the notes in exchange for cash or for shares of Vishay common stock after 15 years from the date of issuance.

On August 6, 2003, we sold $450 million aggregate principal amount of 3-5/8% convertible subordinated notes due 2023 and granted the initial purchasers an option to purchase, within 30 days of the date of the offering memorandum relating to the notes, an additional $50 million of the notes. This option was exercised, and the additional $50 million of notes was issued on September 3, 2003. The notes will pay interest semi-annually. Holders may convert their notes into shares of Vishay common stock, subsequent to the occurrence of certain conditions that had not occurred as of December 31, 2003, at a conversion price of $21.28 per share. This conversion price is the equivalent to a conversion rate of 46.9925 shares per $1,000 principal amount of notes. The notes are subordinated in right of payment to all of our existing and future senior indebtedness and are effectively subordinated to all existing and future liabilities of its subsidiaries. The notes will be redeemable at our option beginning August 1, 2010 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Holders of the notes will have the right to require us to repurchase all or some of their notes at a purchase price equal to 100% of their principal amount of the notes, plus accrued and unpaid interest, if any, on August 1, 2008, August 1, 2010, August 1, 2013 and August 1, 2018. In addition, holders of the notes will have the right to require us to repurchase all or some of their notes upon the occurrence of certain events constituting a fundamental change. On any required repurchase, we may choose to pay the purchase price in cash or shares of Vishay common stock or any combination of cash and Vishay common stock. The proceeds of the offering of these convertible subordinated notes were used to repay other outstanding debt, as well as general corporate purposes. The early extinguishment of the LYONs and the General Semiconductor notes, described below, resulted in a pretax loss of $9.9 million in the third quarter of 2003. It is anticipated that the early extinguishment will reduce interest expense by $3.5 million per year going forward.

We used approximately $130 million of the proceeds of the offering of the convertible subordinated notes to repay amounts outstanding under our revolving credit facility. At the same time, we agreed with the lenders under this facility to an amendment and restatement of the agreement governing the facility. The maximum availability under the facility, in light of our anticipated liquidity needs, was changed from $500 million to $400 million, and the final maturity of the facility was extended from June 2005 to May 2007. The restatement decreases our minimum tangible net worth requirement to $850 million plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings from July 1, 2003, eliminates the covenant on minimum earnings before interest and tax, permits securitization of up to $200 million of non-U.S. accounts receivable, allows for the release of all collateral (other than subsidiary stock and pledges by the Company and its subsidiaries of intercompany notes) under certain circumstances and creates an event of default upon the occurrence of a fundamental change as defined under our convertible subordinated notes. At December 31, 2003, there were no borrowings outstanding under this credit facility. Our tangible net worth at the end of 2003 stood at $904 million, which is $45 million more than the minimum required under the related credit facility covenant.

We used approximately $97.4 million of the proceeds of the offering of the convertible subordinated notes to fund the purchase of approximately $97.0 million accreted principal amount ($165.0 million face amount) of our Liquid Yield Option™ Notes (LYONs). Pursuant to the terms of the LYONs, on June 4, 2004, the remaining holders of the LYONs will have the right to "put" these notes to us for an aggregate purchase price of $235 million. Holders may also put these notes to us on June 4, 2006, June 4, 2011, and June 4, 2016 at various prices set forth in the notes. If these notes are put to us, we expect to be able to utilize our revolving credit facility or Vishay common stock to finance the repurchase.

We used approximately $176.6 million of the proceeds of the offering of the convertible subordinated notes to fund principal and premium in connection with the redemption of all of the outstanding 5.75% convertible subordinated notes due 2006 of our General Semiconductor subsidiary. Prior to redemption, there was $171 million principal amount of the General Semiconductor notes outstanding. The notes were redeemed at a price of 103.286% of their principal amount, plus accrued but unpaid interest to the date of redemption of $2.3 million.

Commercial Commitments

We maintain a secured revolving credit facility of $400 million. As of December 31, 2003, we had no amounts outstanding under the revolving credit facility. Letters of credit totaling $6.1 million, were issued under the revolving credit facility at December 31, 2003. At December 31, 2003, $393.9 million was available under the credit facility.

Borrowings under the revolving credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that Vishay failed to make principal or interest payments under the revolving credit facility. If any subsidiary were to borrow under the credit facility, Vishay would provide a similar guarantee with respect to the subsidiary. The credit facility restricts us from paying cash dividends and requires us to comply with other covenants, including the maintenance of specific financial ratios.

At December 31, 2003, we had committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating approximately $69 million, of which approximately $51 million was unused.

Contractual Commitments

As of December 31, 2003 we had contractual obligations as follows:

Payments due by period

(in thousands)

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 837,888	$ 1,282	$ 1,569	$ 833	$834,204
Operating leases	75,250	24,106	32,779	14,774	3,591
Expected pension funding	10,000	10,000	-	-	-
Estimated costs to complete construction in progress	14,500	14,500	-	-	-
Tantalum purchases	280,500	103,800	176,700	-	-
Total	$1,218,138	$ 153,688	$211,048	$ 15,607	$837,795

Pursuant to the terms of the Liquid Yield Option™ Notes (LYONs), on June 4, 2004, the remaining holders of the LYONs will have the right to "put" these notes to us for an aggregate purchase price of $235 million. Holders may also put these notes to us on June 4, 2006, June 4, 2011, and June 4, 2016 at various prices set forth in the notes. If these notes are put to us, we expect to be able to utilize our revolving credit facility or Vishay common stock to finance the repurchase.

On December 31, 2003, the Company and Siliconix announced the signing of a memorandum of understanding with Tower Semiconductor for a long-term manufacturing and supply arrangement between Siliconix and Tower. Pursuant to the terms of the memorandum of understanding, Siliconix would place with Tower orders valued at approximately $200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 over a seven to ten year period, of which approximately $53 million would be guaranteed and would be delivered over the three year period starting at the first anniversary of the definitive agreement. Siliconix would advance to Tower $20 million to be used for the purchase of additional equipment required to satisfy Siliconix's orders, which would be credited towards the purchase price of the wafers. The transaction is subject to the approval of both companies' boards of directors, Tower's lending bank and the Israeli investment center and to the negotiation of definitive documentation. While there can be no assurances that a definitive agreement will be reached, Vishay and Siliconix expect a definitive agreement to be signed during the first half of 2004. If a definitive agreement is not reached, Vishay and Siliconix will have no commitments related to this memorandum of understanding.

Inflation

Normally, inflation does not have a significant impact on our operations as our products are not generally sold on long-term contracts. Consequently, we can adjust our selling prices, to the extent permitted by competition, to reflect cost increases caused by inflation.

Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, which provides guidance on the timing and method of revenue recognition for sales arrangements that include the delivery of more than one product or service. EITF 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have a material impact on our consolidated financial statements.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. In addition to other technical provisions, this statement rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of tax. The provisions of SFAS No. 145 were adopted on January 1, 2003. Our early extinguishment of debt in 2003 was accounted for and presented in our financial statements pursuant to the requirements of SFAS No. 145.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This statement nullifies EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of an entity's commitment to an exit plan. The provisions of SFAS No. 146 were adopted for our exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34* ("FIN 45"). The interpretation requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that obligation. This interpretation is intended to improve the comparability of financial reporting by requiring identical accounting for guarantees issued with separately identified consideration and guarantees issued without separately identified consideration. The recognition and measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The future impact will depend upon whether Vishay enters into or modifies any material guarantee arrangements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. We have made the additional disclosures required by SFAS No. 148. We are evaluating the potential impact of adopting the fair value method of accounting for our stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities, an interpretation of ARB 51*. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), *Consolidation of Variable Interest Entities* ("FIN 46-R") to address certain FIN 46 implementation issues. The effective dates and impact of FIN 46 and FIN 46-R are as follows: (i) Special-purpose

entities ("SPEs") created prior to February 1, 2003: We must apply either the provisions of FIN 46 or early adopt the provisions of FIN 46-R at the end of the first interim or annual reporting period ending after December 15, 2003. (ii) Non-SPEs created prior to February 1, 2003: We are required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004. (iii) All entities, regardless of whether an SPE, that were created subsequent to January 31, 2003: The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to SPEs and all other variable interests obtained after January 31, 2003 did not have a material impact on our financial position, results of operations, or liquidity. We do not expect the adoption of FIN 46-R provisions applicable to Non-SPEs created prior to February 1, 2003, to have a material impact on our financial position, results of operations or liquidity.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30. The guidance is to be applied prospectively. The adoption of this standard did not have a material impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. The Standard specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. We have not issued any such financial instruments.

In December 2003, the FASB issued a revision to SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits.* The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans. We adopted the disclosure requirements required by SFAS No. 132 (revised 2003) for our U.S. pension and other postretirement plans. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until 2004.

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, 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 our control, which may cause actual results, performance or achievements to differ materially from those anticipated. Set forth below are important factors that could cause our results, performance or achievements to differ materially from those in any forward-looking statements made by us or on our behalf.

Factors related to our business generally

Our business is cyclical and the recent decline in demand in the electronic component industry may resume and may become more pronounced.

We and others in the electronic and semiconductor component industry have for the past several years experienced a decline in product demand on a global basis, resulting in order cancellations and deferrals, lower average selling prices, and a material and adverse impact on our results of operations. This decline was primarily attributable to a slowing of growth in the personal computer and cellular telephone product markets. We have seen indications of improvements in the economy and electronic and semiconductor component industry and expect improvements in 2004. However, such improvements in the economy and the electronic and semiconductor component industry may not materialize. The slowdown may resume and may become more pronounced. A slowdown in demand, as well as recessionary trends in the global economy, makes it more difficult for us to predict our future sales, which also makes it more difficult to manage our operations, and could adversely impact our results of operations.

We have incurred and may continue to incur restructuring costs.

To remain competitive, particularly when business conditions are difficult, we attempt to reduce our cost structure through restructuring activities. This includes acquisition-related restructuring, where we attempt to streamline the operations of companies we acquire and achieve synergies between our acquisitions and our existing business. It also includes restructuring our existing businesses, where we seek to eliminate redundant facilities and staff positions and move operations, where possible, to jurisdictions with lower labor costs. In 2002, we recorded restructuring costs of approximately $48 million related to acquisitions and $31 million related to our existing businesses. We incurred approximately $29.6 million of additional restructuring and severance costs in 2003 and expect to continue to incur such expenses during 2004.

In the past we have grown through acquisitions but this may not continue.

Our long-term historical growth in revenues and net earnings has resulted in large part from our strategy of expansion through acquisitions. We cannot assure you, however, that we will identify or successfully complete transactions with suitable acquisition candidates in the future. We also cannot assure you that acquisitions that we complete in the future will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected.

Our debt levels have recently increased, which could adversely affect the perception in the financial markets of our financial condition.

Our outstanding debt increased from approximately $141 million at the end of 2000 to approximately $838 million at the end of 2003. The marketplace could react negatively to our current debt levels which in turn could affect our share price and also make it more difficult for us to obtain financing in the future.

In June 2004, holders of our Liquid Yield Option™ Notes (LYONs) will have the right to "put" these notes to us at an aggregate price of approximately $235 million. We believe that, if necessary, we will have adequate cash resources to finance the purchase of any LYONs that are put to us. Also, we may elect to pay all or part of the purchase price for the LYONs that are put to us in shares of our common stock. Nevertheless, our obligation to purchase the LYONs in June 2004 could be a cause of concern in the financial markets.

To remain successful, we must continue to innovate.

Our future operating results are dependent on our ability to continually develop, introduce and market new and innovative products, to modify existing products, to respond to technological change and to customize certain products to meet customer requirements. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our financial condition and results of operations.

Future acquisitions could require us to issue additional indebtedness or equity.

If we 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 acquisition financing would likely decrease our ratio of earnings to fixed charges and adversely affect other leverage criteria. Under our existing credit facility, we are required to obtain the lenders' consent for certain additional debt financing and to comply with other covenants including the application of specific financial ratios. We are also restricted from paying cash dividends on our capital stock. We cannot assure you that the necessary acquisition financing would be available to us on acceptable terms when required. If we were to undertake an acquisition for equity, the acquisition may have a dilutive effect on the interests of the holders of our common stock.

Our results are sensitive to raw material availability, quality and cost.

Many of our products require the use of raw materials that are produced in only a limited number of regions around the world, may be available from only a limited number of suppliers, and may be subject to price volatility. We are a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. We also utilize palladium, a metal used to produce multi-layered ceramic capacitors, which is currently found primarily in South Africa and Russia. Palladium is a commodity product subject to price volatility. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates or there are significant price increases for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, we may be required to write down our inventory carrying cost of these raw materials, since we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost, this write-down could have a material adverse effect on our net earnings. We recorded write-downs of our tantalum inventory in these years of $52.0 million, $25.7 million, and $5.4 million in 2001, 2002, and 2003 respectively, and write-downs of our palladium inventory in these years of $18.0 million, $1.7 million, and $1.6 million, respectively. Also, we took charges against our contractual commitments to purchase tantalum of $106.0 million and $11.4 million in 2002 and 2003, respectively.

From time to time there have been short-term market shortages of raw materials. While these shortages have not historically adversely affected our ability to increase production of products containing tantalum and palladium, they have historically resulted in higher raw material costs for us. We cannot assure you that any of these market shortages in the future would not adversely affect our ability to increase production, particularly during periods of growing demand for our products.

Our backlog is subject to customer cancellation.

As of December 31, 2003, our backlog was $532 million. Many of the orders that comprise our backlog may be canceled by our customers without penalty. Our customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. They often cancel orders when business is weak and inventories are excessive, a situation that we have experienced in the recent economic slowdown. Therefore, we cannot be certain the amount of our backlog does not exceed the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

We face intense competition in our business, and we market our products to an increasingly concentrated group of customers.

Our business is highly competitive worldwide, with low transportation costs and few import barriers. We compete principally on the basis of product quality and reliability, availability, customer service, technological innovation, timely delivery and price. The electronics components industry has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than us, have significant financial resources and technological capabilities.

Our customers have become increasingly concentrated in recent years, and as a result, their buying power has increased and they have had greater ability to negotiate favorable pricing. This trend has adversely affected our average selling prices, particularly for commodity components.

We may not have adequate facilities to satisfy future increases in demand for our products.

Our business is cyclical and in periods of a rising economy, we may experience intense demand for our products. During such periods, we may have difficulty expanding our manufacturing to satisfy demand. Factors which could limit such expansion include delays in procurement of manufacturing equipment, shortages of skilled personnel and capacity constraints at our facilities. If we are unable to meet our customers' requirements and our competitors sufficiently expand production, we could lose customers and/or market share. This loss could have an adverse effect on our financial condition and results of operations.

Future changes in our environmental liability and compliance obligations may harm our ability to operate or increase costs.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes, employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging and responsibility for disposal of products or product packaging. We establish reserves for specifically identified potential environmental liabilities which we believe are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations. In addition, more stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations. In order to resolve liabilities at various sites, we have entered into various administrative orders and consent decrees, some of which may be, under certain conditions, reopened or subject to renegotiations.

Our products may experience a reduction in product classification levels under various military specifications.

We have qualified certain of our products under various military specifications, approved and monitored by the United States Defense Electronic Supply Center, and under certain European military specifications. These products are assigned certain classification levels. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to governmental agencies. If any of our products fails to meet the requirements of the applicable classification level, that product's classification may be reduced to a lower level. A decrease in the classification level for any of our products with a military application could have an adverse impact on the net sales and earnings attributable to that product.

Factors relating to Vishay's operations outside the United States

We obtain substantial benefits by operating in Israel, but these benefits may not continue.

We have increased our operations in Israel over the past several years. The low tax rates in Israel applicable to earnings of our operations in that country, compared to the rates in the United States, have had the effect of increasing our net earnings, although this was not the case in 2003 and 2002. Also, we have benefited from employment incentive grants made by the Israeli government. Recently, the Israeli government suspended payment on one of these grants after we were forced to lay off a significant number of employees as a result of the current economic downturn. Although we reached agreement with the Israeli government to resume payment on this grant, there can be no assurance that we will maintain our eligibility for this or other existing project grants. There can also be no assurance in the future the Israeli government will continue to offer new grant and tax incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to take advantage of them. Any significant increase in the Israeli tax rates or reduction or elimination of the Israeli grant programs that have benefited us could have an adverse impact on our results of operations.

We attempt to improve profitability by operating in countries in which labor costs are low, but the shift of operations to these regions may entail considerable expense.

Our strategy is aimed at achieving significant production cost savings through the transfer and expansion of manufacturing operations to and in countries with lower production costs, such as Israel, Mexico, Portugal, the Czech Republic, Malaysia, the Republic of China (Taiwan) and the People's Republic of China. In this process, we may experience under-utilization of certain plants and factories in high labor cost regions and capacity constraints in plants and factories located in low labor cost regions. This under-utilization may result initially in production inefficiencies and higher costs. These costs include those associated with compensation in connection with work force reductions and plant closings in the higher labor cost regions, and start-up expenses, manufacturing and construction delays, and increased depreciation costs in connection with the initiation or expansion of production in lower labor cost regions.

As we implement transfers of certain of our operations we may experience strikes or other types of labor unrest as a result of lay-offs or termination of our employees in high labor cost countries.

We are subject to the risks of political, economic and military instability in countries outside the United States in which we operate.

We have operations outside the United States, and approximately 74% of our revenues during 2003 were derived from sales to customers outside the United States. Some of the countries in which we operate have in the past experienced and may continue to experience political, economic and military instability or unrest. These conditions could have an adverse impact on our ability to operate in these regions and, depending on the extent and severity of these conditions, could materially and adversely affect our overall financial condition and operating results. In particular, current tensions in the Middle East could adversely affect our business operations in Israel and elsewhere.

Our business was affected by the outbreak of SARS in 2003 and the effects of that outbreak may linger.

The outbreak of severe acute respiratory syndrome, or SARS, that began in the People's Republic of China adversely affected our business during the first six months of 2003, particularly in Asia where we derived approximately 36% and 38% of our revenue in 2003 and 2002, respectively. This impact included disruptions in the operations of our customers, a slowdown in customer orders and reduced sales in certain end markets. If an outbreak of SARS or like disease were to recur on a comparable scale in Asia, we could experience similar disruptions to our business.

General Economic and Business Factors

In addition to the factors relating specifically to our business, a variety of other factors relating to general conditions could cause actual results, performance, or achievements to differ materially from those expressed in any of our forward-looking statements. These factors include:

- overall economic and business conditions;
- competitive factors in the industries in which we conduct our business;
- changes in governmental regulation;
- changes in tax requirements, including tax rate changes, new tax laws, and revised tax law interpretations;
- changes in generally accepted accounting principles or interpretations of those principles by governmental agencies and self-regulatory groups;
- interest rate fluctuations, foreign currency rate fluctuations, and other capital market conditions; and
- economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders.

Also, we operate in a continually changing business environment, and new factors emerge from time to time. Other unknown and unpredictable factors also could have material adverse effects on our future results, performance, or achievements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosure

Our cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policies do not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and we are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

We are exposed to changes in U.S. dollar LIBOR interest rates on our floating rate revolving credit facility. At December 31, 2003, there were no amounts outstanding under this facility. On a selective basis, we from time to time enter into interest rate swap or cap agreements to reduce the potential negative impact increases in interest rates could have on our outstanding variable rate debt. The impact of interest rate instruments on our results of operations in each of the three years ended December 31, 2003, 2002 and 2001 was not significant. See Notes 6 and 14 to our consolidated financial statements for components of our long-term debt and interest rate swap arrangements.

In August 1998, we entered into six interest rate swap agreements with a total notional amount of $300 million to manage interest rate risk related to our multicurrency revolving line of credit. As of December 31, 2002, five of these six agreements had been terminated. The remaining agreement had a notional amount of $100 million and required us to make payments to the counterparty at variable rates based on USD-LIBOR-BBA rates. This agreement expired in 2003. At December 2002 and 2001, we paid a weighted average fixed rate of 5.77% and received a weighted average variable rate of 1.40% and 1.93%, respectively. The fair value of our interest rate swap agreements, based on current market rates, approximated a net payable of $3.3 million at December 31, 2002. During the year ended December 31, 2003, we had a pre-tax gain of approximately $3.8 million related to the expiration of the final swap agreement. During the years ended December 31, 2002 and 2001, we recorded pre-tax losses of $3.7 million and $0.1 million, respectively, relating to an ineffective hedge for a portion of time relating to an interest rate swap agreement (see Note 14 to our consolidated financial statements).

Foreign Exchange Risk

We are exposed to foreign currency exchange rate risks. Our significant foreign subsidiaries are located in Germany, France, Israel and Asia. In most locations, we have introduced a “netting” policy where subsidiaries pay all intercompany balances within thirty days. As of December 31, 2003, we did not have any outstanding foreign currency forward exchange contracts.

In the normal course of business, our financial position 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.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements of the Company and our subsidiaries, together with the report of independent auditors thereon, are presented under Item 15 of this report:

Report of Independent Auditors.

Consolidated Balance Sheets -- December 31, 2003 and 2002.

Consolidated Statements of Operations -- for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows -- for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Stockholders' Equity -- for the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the fourth quarter of 2003, including for purposes of ensuring that all material information required to be filed in this report has been made known to the Company's management, including the CEO and CFO, in a timely fashion.

There has not been any change in our internal controls over financial reporting during the fourth quarter of fiscal 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We have a code of ethics applicable to our chief executive officer, chief financial officer, principal accounting officer or controller and financial managers. The text of this code has been posted on our website. To view the code, go to our website at www.vishay.com, click on Company Info, then Investor Relations and then Corporate Governance. You can obtain a printed copy of this code, free of charge, by contacting us at the following address:

Corporate Investor Relations
Vishay Intertechnology, Inc
63 Lincoln Highway
Malvern, PA 19355-2143

It is the intention of the Company to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or a waiver from, a provision of this code by posting such information on our website, at the aforementioned address and location.

Information required under this Item with respect to our Executive Officers is set forth in Part I, Item 4A hereof under the caption, "Executive Officers of the Registrant."

Other information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth certain equity compensation plan information, as of December 31, 2003, with respect to both equity compensation plans approved by security holders and equity compensation plans not approved by security holders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
1997 Stock Option Program[1]	2,159,000	$12.51	-
1998 Stock Option Program[1]	2,820,000	$15.63	1,143,000
General Semiconductor Stock Plan[2]	3,789,000	$18.65	-
Subtotal	8,768,000	$16.17	1,143,000
Equity compensation plans not approved by security holders:			
None	-	-	-
Subtotal	8,768,000	$16.17	1,143,000
Total	8,768,000	$16.17	1,143,000

(1) See Note 12 to our consolidated financial statements for further description of these plans.
(2) The General Semiconductor Stock Plan was assumed in the Company's acquisition of General Semiconductor Inc. on November 2, 2001. See Note 12 to our consolidated financial statements for further description of this plan.

Security Ownership of Certain Beneficial Owners and Management

Information required under this caption is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) All Consolidated Financial Statements of the Company and its subsidiaries for the year ended December 31, 2003 are filed herewith. See Item 8 of this Report for a list of such financial statements.

(2) All financial statement schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits -- See response to paragraph (c) below.

(b) Reports on Form 8-K:

(1) On October 29, 2003, the Company filed a current report under Item 12 of Form 8-K, reporting the financial results of the Company for the quarter and nine-months ended September 30, 2003.

(c) Exhibits:

2.1 Agreement and Plan of Merger, dated as of July 31, 2001, by and among Vishay Intertechnology, Inc., Vishay Acquisition Corp., and General Semiconductor, Inc. Incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus forming a part of the Registration Statement on Form S-4 (No. 333-69004) filed on September 6, 2001.

2.2 Share Sale and Purchase Agreement between Phoenix Acquisition Company S.ar.l; Other Investors (as defined); Mezzanine Lenders (as defined); Vishay Intertechnology, Inc.; Vishay Europe Gmbh; and BCcomponents International B.V., dated as of November 10, 2002. Incorporated by reference to Exhibit 2.1 to Form 8-K File filed December 23, 2002.

2.3 Amendment to the Share Sale and Purchase Agreement between Phoenix Acquisition Company S.ar.l; Other Investors (as defined); Mezzanine Lenders (as defined); Vishay Intertechnology, Inc.; Vishay Europe Gmbh; and BCcomponents International B.V., dated as of December 4, 2002. Incorporated by reference to Exhibit 2.2 to Form 8-K File filed December 23, 2002.

3.1 Composite Amended and Restated Certificate of Incorporation of the Company dated August 3, 1995. Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1995 (the "1995 Form 10-Q"). Certificate of Amendment of Composite Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 1997 (the "1997 Form 10-Q"). Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to Form 8-K File filed November 13, 2001.

3.2 Amended and Restated Bylaws of Registrant. Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2001.

4.1 Indenture dated as of June 4, 2001 between Vishay Intertechnology, Inc. and Bank of New York as Trustee. Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K filed on June 18, 2001 except that clause (x) of Section 5 thereof is corrected to read "(x) 0.0625% of the average LYON Market Price for the Five Day Period with respect to such Contingent Interest Period and".

4.2 Indenture, dated as of August 6, 2003, by and between Vishay Intertechnology, Inc. and Wachovia Bank, National Association. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-110259) filed on November 5, 2003.

10.1 Vishay Intertechnology Section 162(m) Cash Bonus Plan. Incorporated by reference to Annex to the Company's Proxy Statement, dated April 21, 2003, for its 2003 Annual Meeting of Stockholders.

10.2 Second Amendment to Amended and Restated Vishay Intertechnology, Inc. Long Term Revolving Credit Agreement and Consent, made as of July 31, 2003, by and among Vishay Intertechnology, Inc., the Permitted Borrowers (as defined), the Lenders signatory thereto and Comerica Bank, as Co-lead Arranger Co-Book Running Manager and Administrative agent, et al.

10.3 Employment Agreement, dated as of March 15, 1985, between the Company and Dr. Felix Zandman. Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-2 (No. 33-13833).

10.4 Vishay Intertechnology, Inc. 1997 Stock Option Program. Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 16, 1998.

10.5 Vishay Intertechnology, Inc. 1998 Stock Option Program. Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 16, 1998.

10.6 General Semiconductor, Inc. Amended and Restated 1998 Long-Term Incentive Plan as amended on February 7, 2001. Incorporated by reference to Exhibit 10.9 to General Semiconductor's annual report on Form 10-K for the year ended December 31, 2000.

10.8 Money Purchase Plan Agreement of Measurements Group, Inc. Incorporated by reference to Exhibit 10(a)(6) to Amendment No. 1 to the Company's Registration Statement on Form S-7 (No. 2-69970).

10.9 Agreement Amending Supply Agreements among Cabot Corporation through its Cabot Performance Materials Division, Vishay Sprague, Inc. and Vishay Intertechnology, Inc. dated as of June 6, 2002. Incorporated by reference to Exhibit 10.10 to the Company's annual report on Form 10-K for the year ended December 31, 2002.

10.10 Severance and General Release Agreement, dated November 4, 2003, between the Company and Avi D. Eden.

10.11 Consulting and Non-Competition Agreement, dated November 4, 2003, between the Company and Avi D. Eden.

21 Subsidiaries of the Registrant.

23.1 Consent of Independent Auditors.

31.1 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Felix Zandman, Chief Executive Officer.

31.2 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Richard N. Grubb, Chief Financial Officer.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Dr. Felix Zandman, Chief Executive Officer.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Richard N. Grubb, Chief Financial Officer.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISHAY INTERTECHNOLOGY, INC.

March 15, 2004 /s/ Felix Zandman
Felix Zandman, Chairman
of the Board and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this amended report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

March 15, 2004 /s/ Felix Zandman
Felix Zandman, Chairman
of the Board and Chief
Executive Officer
(Principal Executive Officer)

March 15, 2004 /s/ Richard N. Grubb
Richard N. Grubb, Executive Vice President,
Treasurer, and Chief Financial Officer
(Principal Financial and Accounting Officer)

March 15, 2004 /s/ Marc Zandman
Marc Zandman, Vice-Chairman
of the Board, President-Vishay Israel Ltd.

March 15, 2004 /s/ Gerald Paul
Gerald Paul, Director, President
and Chief Operating Officer

March 15, 2004 /s/ Phillipe Gazeau
Phillipe Gazeau, Director

March 15, 2004 /s/ Zvi Grinfas
Zvi Grinfas, Director

March 15, 2004	/s/ Eli Hurvitz Eli Hurvitz, Director
March 15, 2004	/s/ Abraham Ludomirski Abraham Ludomirski, Director
March 15, 2004	/s/ Edward B. Shils Edward B. Shils, Director
March 15, 2004	/s/ Ziv Shoshani Ziv Shoshani, Director
March 15, 2004	/s/ Mark I. Solomon Mark I. Solomon, Director
March 15, 2004	/s/ Jean-Claude Tine Jean-Claude Tine, Director
March 15, 2004	/s/ Ruta Zandman Ruta Zandman, Director

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Note: Names of Subsidiaries are indented under name of Parent. Directors' or other shares required by statute in foreign jurisdictions and totaling less than 1% of equity are omitted.

Name	Jurisdiction	Percentage of Equity
Vishay Americas, Inc.	Delaware	100%
Vishay Cera-Mite Inc.	Wisconsin	100%
Vishay EFI, Inc.	Rhode Island	100%
Vishay Infrared Components Inc.	California	100%
Yosemite Investment, Inc.	Indiana	100%
North American Capacitor Company Indiana LLC	Indiana	100%
North American Capacitor Company Kentucky LLC	Indiana	100%
Vishay Intertechnology Asia PTE Ltd.	Singapore	100%
Vishay Japan K.K.	Japan	100%
Vishay Hong Kong Ltd.	Hong Kong	100%
Vishay Korea Co. Ltd.	Korea	100%
Vishay Taiwan	Taiwan	100%
Vishay Pte. Ltd.	Singapore	100%
BCcomponents Taiwan Limited	Taiwan	100%
Vishay Temic Semiconductor Acquisition Holding Corporation	Delaware	100%
Siliconix, Inc.	Delaware	80.4%
Siliconix Technology C.V.	Netherlands	100%
Siliconix Technology B.V.	Netherlands	100%
Siliconix Israel Ltd.	Israel	100%
Shanghai Simconix Electronic Company Ltd.	China	95.4%
Siliconix Ltd.	England	100%
Siliconix Taiwan Ltd.	Taiwan	100%
Siliconix, Ltd. Taiwan	Taiwan	100%
Vishay Pte. Ltd. Singapore	Singapore	100%
Vishay Siliconix, LLC	Delaware	100%
Siliconix Sales Corp.	U.S. Virgin Islands	100%
Siliconix Semiconductor, Inc.	Delaware	100%
General Semiconductor, Inc.	Delaware	100%
General Semiconductor International Corp.	New York	100%
General Semiconductor Japan, Ltd.	Japan	50% by General Semiconductor International, 50% by General Semiconductor Inc.
ATC Corp.	Delaware	100%
Century Components Inc.	Delaware	100%
General Semiconductor PSD (China) Holdings, Inc.	Delaware	100%
General Semiconductor (China) Co., Ltd.	China	100%
GSI-General Semiconductor Ireland	Ireland	100%
GSI-General Semiconductor (Europe) Ltd.	Ireland	100%
General Semiconductor of Taiwan, Ltd.	Taiwan	100%
General Semiconductor Korea Co., Ltd.	Korea	100%
General Semiconductor France S.A.	France	100%
General Semiconductor (Singapore) Pte. Ltd.	Singapore	100%
General Semiconductor Hongkong Ltd.	Hong Kong	100%

Name	Jurisdiction	Percentage of Equity
General Semiconductor (UK) Ltd.	United Kingdom	100%
General Instrument Europe, N.V.	Netherlands	100%
General Semiconductor (Deutschland) GmbH	Germany	100%
Vishay BCcomponents Holdings Ltd.	Delaware	100%
BCcomponents Holdings B.V.	Netherlands	100%
BCcomponents Lux Sarl	Luxembourg	100%
BCcomponents Holdings (Netherlands) B.V.	Netherlands	100%
BCcomponents B.V.	Netherlands	100%
BCcomponents International B.V.	Netherlands	100%
BCcomponents SAS	France	100%
BCcomponents Estate NV	Belgium	100%
BCcomponents NV	Belgium	100%
BCcomponents UK Ltd	United Kingdom	100%
Valen Ltd.	Hong Kong	100%
BCcomponents Shanghai Company, Ltd	China	95.8%
BCcomponents South Europe SRL	Italy	100%
Vishay Components India Pvt Ltd	India	100%
BCcomponents Hong Kong Ltd.	Hong Kong	100%
BCcomponents China Ltd	Hong Kong	100%
BCcomponents Singapore Pte Ltd.	Singapore	100%
BCcomponents Trading (Shanghai) Co. Ltd	China	100%
Nippon Vishay, K.K.	Japan	100%
Vishay F.S.C., Inc.	Barbados	100%
Vishay VSH Holdings, Inc.	Delaware	100%
Vishay Roederstein Electronics, Inc.	Delaware	100%
Vishay Measurements Group, Inc.	Delaware	100%
Vishay Transducers Ltd.	Delaware	100%
JP Technologies Inc.	Illinois	100%
Sensortronica de Costa Rica, S.A.	Costa Rica	100%
Vishay BLH Inc.	Delaware	100%
Pharos De Costa Rica S.A.	Costa Rica	100%
Celtron Technologies, Inc.	Taiwan	100%
High Goals Investments Limited	British Virgin Islands	100%
Billion Way Industrial Limited	Samoa	100%
UCC Investment Co. Ltd.	Samoa	100%
Triumph Electronics (Shanghai) Ltd.	China	100%
Celtron Technologies (U.S.A.) Inc.	California	100%
Celtron Technologies (Tianjin) Inc.	China	68% by Celtron U.S.A., 32% by UCC Investment
Vishay Israel Limited	Israel	100%
Z.T.R. Electronics Ltd.	Israel	100%
Vishay International Trade Ltd.	Israel	100%
Dale Israel Electronics Industries, Ltd.	Israel	100%
Draloric Israel Ltd.	Israel	100%
V.I.E.C. Ltd.	Israel	100%
Vishay Advance Technology, Ltd.	Israel	100%
Vilna Equities Holding, B.V.	Netherlands	100%

SUBSIDIARIES OF THE REGISTRANT, continued

Name	Jurisdiction	Percentage of Equity
Measurements Group (U.K.) Ltd.	England & Wales	100%
Vishay Europe GmbH	Germany	85.9% by Vishay Israel; 13.1% by Vishay; 1% by Dale
BCcomponents Austria GmbH	Austria	100%
BCcomponents Holding Gmbh	Germany	100%
BCcomponents Beyschlag Gmbh	Germany	100%
BCcomponents Vertriebs GmbH	Germany	100%
Vishay Electronic GmbH	Germany	100%
Roederstein Electronics Portugal Lda.	Portugal	100%
ECOMAL Deutschland GmbH	Germany	100%
Grupo Da Medidas Iberica S.L.	Spain	100%
ECOMAL Schweiz A.G.	Switzerland	100%
ECOMAL Austria Ges.mbH	Austria	100%
Klevestav-Roederstein Festigheter AB	Sweden	50%
Vishay Components, S.A.	Spain	100%
ECOMAL Nederland BV	Netherlands	100%
ECOMAL Belgium N.V.	Belgium	100%
ECOMAL Denmark A/S	Denmark	100%
ECOMAL Finland OY	Finland	100%
ECOMAL France S.A.	France	100%
ECOMAL S.r.O.	Czech Republic	100%
ECOMAL UK	England	100%
Okab Roederstein Finland OY	Finland	44.4%
Rogin Electronic S.A.	Spain	33%
Roederstein-Hilfe-GmbH	Germany	100%
Vishay Electronic SPOL S RO	Czech Republic	100%
Vishay S.A.	France	99.8%
Ultronix, Inc.	Delaware	100%
Vishay Thin Film, Inc.	New York	100%
Vishay Techno Components Corp.	Delaware	100%
Tedea-Huntleigh B.V.	Netherlands	100%
Tedea-Huntleigh International Ltd	Israel	100%
T-H Technology Ltd	Israel	100%
Vishay Measurements Group France, S.A.	France	100%
T-H Industrial Properties Ltd	Israel	100%
Tedea-Huntleigh Europe Ltd	England	100%
Tedea-Huntleigh Sensortechnic GmbH	Germany	100%
Tedea-Huntleigh, Inc.	California	100%
Beijing Tedea-Huntleigh Electronics Co. Ltd	China	100%
E-Sil Components Ltd.	England & Wales	100%
Vishay Roederstein Limited	England	100%
Vitramon Limited	England	100%
Vishay Ltd.	England & Wales	100%
Spectrol GmbH	Germany	100%
Grued Corporation	Delaware	100%
Con-Gro Corp.	Delaware	100%
Gro-Con, Inc.	Delaware	100%

SUBSIDIARIES OF THE REGISTRANT, continued

Name	Jurisdiction	Percentage of Equity
Angstrohm Precision, Inc.	Delaware	100%
Angstrohm Holdings, Inc.	Delaware	100%
Sfernice, Ltd.	England & Wales	100%
Heavybarter, Unlimited	England & Wales	100%
Dale ACI Components	England	100%
Vishay Nobel AB	Sweden	100%
AB Givareteknik	Sweden	100%
Vishay Nobel Ltd.	England	100%
Vishay Nobel Oy AB	Finland	100%
Vishay Nobel SARL	France	100%
Vishay Nobel AS	Norway	100%
Measurements Group GmbH	Germany	100%
Facility Services, GmbH	Germany	50%
Vishay Semiconductor GmbH	Germany	100%
Vishay Semiconductor Itzehoe GmbH	Germany	100%
Vishay (Phils.) Inc.	Philippines	100%
Vishay Semiconductor GES.M.B.H.	Austria	100%
Shanghai Vishay Discrete Semiconductors Ltd.	China	100%
Shanghai Vishay Opto Semiconductors Ltd.	China	100%
Vishay Hungary	Hungary	100%
Vishay Semiconductor Malaysia Sdn Bhd	Malaysia	100%
Vishay Dale Holdings, Inc.	Delaware	100%
Vishay Dale Electronics, Inc.	Delaware	100%
Components Dale de Mexico S.A. de C.V.	Mexico	100%
Electronica Dale de Mexico S.A. de C.V.	Mexico	100%
Vishay Electronic Components Asia Pte.,Ltd.	Singapore	100%
Vishay Bradford Electronics, Inc.	Delaware	100%
Vishay Angstrohm Precision, Inc.	Maryland	100%
Vishay Sprague Holdings Corp.	Delaware	100%
Vishay Service Center, Inc.	Massachusetts	100%
Vishay Sprague Sanford, Inc.	Maine	100%
Vishay Sprague, Inc.	Delaware	100%
Vishay Sprague Canada Holdings Inc.	Canada	100%
Sprague Electric of Canada Limited	Canada	100%
Sprague France S.A.	France	100%
Vishay Sprague Palm Beach, Inc.	Delaware	100%
Vishay Sprague Limited	England	100%
Vishay Tansitor Electronics, Inc.	Delaware	100%
Tansitor Barbados Limited	Barbados	100%
Vishay Acquisition Holdings Corp.	Delaware	100%
Vishay Vitramon, Inc.	Delaware	100%
Vishay Do Brazil Ltda.	Brazil	100%

Exhibit 31.1

CERTIFICATIONS

I, Dr. Felix Zandman, certify that:

1. I have reviewed this annual report on Form 10-K of Vishay Intertechnology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) [Intentionally omitted]

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and materially weaknesses in the design or operation of internal control over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 15, 2004
/s/ Dr. Felix Zandman
Dr. Felix Zandman
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard N. Grubb, certify that:

1. I have reviewed this annual report on Form 10-K of Vishay Intertechnology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) [Intentionally omitted]

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and materially weaknesses in the design or operation of internal control over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 15, 2004
/s/ Richard N. Grubb,
Richard N. Grubb,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Felix Zandman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dr. Felix Zandman
Dr. Felix Zandman
Chief Executive Officer
March 15, 2004

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Grubb, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard N. Grubb
Richard N. Grubb
Chief Financial Officer
March 15, 2004

Vishay Intertechnology, Inc.

Consolidated Financial Statements

Years ended December 31, 2003, 2002, and 2001

Contents

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, 2003 and 2002, and the related consolidated statements of operations, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2003. 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, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 5, 2004

Vishay Intertechnology, Inc.

Consolidated Balance Sheets

(In thousands, except per share and share amounts)

	December 31	
	2003	**2002**
Assets		
Current assets:		
Cash and cash equivalents	**$ 555,540**	$ 339,938
Accounts receivable, less allowances of $13,704 and $18,172	**374,240**	343,511
Inventories:		
Finished goods	**171,447**	219,769
Work in process	**154,532**	142,846
Raw materials	**189,413**	191,451
Deferred income taxes	**48,471**	47,297
Prepaid expenses and other current assets	**143,610**	188,881
Total current assets	**1,637,253**	1,473,693
Property and equipment – at cost:		
Land	**110,021**	118,000
Buildings and improvements	**375,178**	339,869
Machinery and equipment	**1,644,270**	1,609,931
Construction in progress	**85,169**	61,830
	2,214,638	2,129,630
Less allowances for depreciation	**(994,843)**	(854,780)
	1,219,795	1,274,850
Goodwill	**1,466,714**	1,356,293
Other intangible assets	**128,955**	122,417
Other assets	**119,796**	87,906
Total assets	**$ 4,572,513**	$ 4,315,159

Continues on following page.

	December 31	
	2003	**2002**
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to banks	**$ 17,511**	$ 18,161
Trade accounts payable	**158,182**	123,999
Payroll and related expenses	**111,842**	103,184
Other accrued expenses	**288,432**	303,609
Income taxes	**10,112**	8,734
Current portion of long-term debt	**1,282**	18,550
Total current liabilities	**587,361**	576,237
Long-term debt less current portion	**836,606**	706,316
Deferred income taxes	**35,036**	52,935
Deferred income	**27,659**	42,345
Other liabilities	**248,652**	266,893
Accrued pension and other post retirement costs	**239,950**	235,661
Minority interest	**83,215**	75,985
Commitments and contingencies		
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 – 300,000,000 shares; 144,668,594 and 144,297,101 shares outstanding after deducting 332,850 shares in treasury	**14,467**	14,429
Class B convertible Common Stock, par value $.10 per share: authorized – 40,000,000 shares; 15,382,296 and 15,383,581 shares outstanding after deducting 279,453 shares in treasury	**1,538**	1,538
Capital in excess of par value	**1,918,785**	1,910,994
Retained earnings	**550,196**	523,354
Unearned compensation	**(306)**	(413)
Accumulated other comprehensive income (loss)	**29,354**	(91,115)
Total stockholders' equity	**2,514,034**	2,358,787
Total liabilities and stockholders' equity	**$ 4,572,513**	$ 4,315,159

See accompanying notes.

Vishay Intertechnology, Inc.

Consolidated Statements of Operations

(In thousands, except per share and share amounts)

	Year ended December 31		
	2003	**2002**	**2001**
Net sales	**$ 2,170,597**	$ 1,822,813	$ 1,655,346
Costs of products sold	**1,690,267**	1,454,540	1,273,827
Loss on long-term purchase commitments	**11,392**	106,000	–
Gross profit	**468,938**	262,273	381,519
Selling, general, and administrative expenses	**381,406**	311,251	278,171
Amortization of goodwill	**–**	–	11,190
Restructuring and severance costs	**29,560**	30,970	61,908
Purchased research and development	**–**	–	16,000
	57,972	(79,948)	14,250
Other income (expense):			
Interest expense	**(37,831)**	(28,761)	(16,848)
Gain on insurance claim	**33,906**	–	–
Loss on extinguishment of debt	**(9,910)**	–	–
Other	**2,289**	8,664	12,701
	(11,546)	(20,097)	(4,147)
Earnings (loss) before income taxes (benefit) and minority interest	**46,426**	(100,045)	10,103
Income tax provision (benefit)	**11,528**	(16,900)	5,695
Minority interest	**8,056**	9,469	3,895
Net earnings (loss)	**$ 26,842**	$ (92,614)	$ 513
Basic earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00
Diluted earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00
Weighted average shares outstanding:			
Basic	**159,631,000**	159,413,000	141,171,000
Diluted	**160,443,000**	159,413,000	142,514,000

See accompanying notes.

Vishay Intertechnology, Inc.

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31		
	2003	**2002**	**2001**
Operating activities			
Net earnings (loss)	**$ 26,842**	$ (92,614)	$ 513
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	**194,055**	180,748	163,387
Loss (gain) on disposal of property and equipment	**2,521**	296	(1,472)
Minority interest in net earnings of consolidated subsidiaries	**8,056**	9,469	3,895
Purchased research and development	**–**	–	16,000
Noncash (credit) charge for change in fair value of interest rate swap	**(3,783)**	115	3,668
Accretion of interest on convertible debentures	**8,396**	9,325	5,313
Write-downs of tantalum and palladium	**6,991**	27,400	70,000
Inventory write-offs for obsolescence	**54,285**	37,120	29,670
Gain on insurance claim	**(33,906)**	–	–
Loss on extinguishment of debt	**9,910**	–	–
Asset impairment charges included in restructuring costs	**1,014**	12,363	20,974
Loss on long-term purchase commitments	**11,392**	106,000	–
Utilization of purchase commitment liability	**(28,000)**	–	–
Deferred grant income	**(12,359)**	(17,322)	(19,064)
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	**(5,634)**	102,322	120,095
Inventories	**(30,448)**	42,298	(93,632)
Prepaid expenses and other current assets	**51,367**	6,257	(7,321)
Accounts payable	**25,474**	455	(71,761)
Other current liabilities	**(6,110)**	(29,766)	(105,685)
Other	**(24,307)**	(27,595)	26,838
Net cash provided by operating activities	**255,756**	366,871	161,418
Investing activities			
Purchases of property and equipment	**(126,635)**	(110,074)	(162,493)
Proceeds from sale of property and equipment	**19,349**	20,621	9,911
Purchases of businesses, net of cash acquired	**(41,161)**	(278,735)	(172,468)
Net cash used in investing activities	**(148,447)**	(368,188)	(325,050)
Financing activities			
Net payments on revolving credit lines	**(111,000)**	(14,000)	(100,047)
Proceeds from long-term borrowings, net of issuance costs	**484,206**	201	294,511
Principal payments on long-term debt	**(284,595)**	(17,217)	(444)
Purchase of treasury stock	**–**	–	(850)
Proceeds from stock options exercised	**4,740**	3,161	854
Net changes in short-term borrowings	**(316)**	(10,452)	3,274
Net cash provided by (used in) financing activities	**93,035**	(38,307)	197,298
Effect of exchange rate changes on cash	**15,258**	12,447	(3,764)
Increase (decrease) in cash and cash equivalents	**215,602**	(27,177)	29,902
Cash and cash equivalents at beginning of year	**339,938**	367,115	337,213
Cash and cash equivalents at end of year	**$ 555,540**	$ 339,938	$ 367,115

See accompanying notes.

Vishay Intertechnology, Inc.
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 Stockholders' Equity
Balance at January 1, 2001	$ 12,241	$ 1,552	$ 1,319,426	$ 615,455	$ (1,248)	$ (113,571)	$ 1,833,855
Net earnings	-	-	-	513	-	-	513
Foreign currency translation adjustment	-	-	-	-	-	(7,638)	(7,638)
Pension liability adjustment	-	-	-	-	-	(8,557)	(8,557)
Cumulative effect of adoption of SFAS No. 133	-	-	-	-	-	51	51
Loss on derivative financial instruments	-	-	-	-	-	(696)	(696)
Comprehensive loss							(16,327)
Stock issued (22,573 shares)	2	-	443	-	(446)	-	(1)
Stock options exercised (85,877 shares)	9	-	845	-	-	-	854
Conversions from Class B to common (21,917 shares)	2	(2)	-	-	-	-	-
Common stock repurchase (48,500 shares)	(5)	-	(846)	-	-	-	(851)
Tax effects relating to stock plan	-	-	423	-	-	-	423
Amortization of unearned compensation	-	-	-	-	773	-	773
Stock issued – General Semiconductor acquisition (21,305,127 shares)	2,131	-	497,688	-	-	-	499,819
Stock options issued – General Semiconductor acquisition	-	-	48,000	-	-	-	48,000
Balance at December 31, 2001	14,380	1,550	1,865,979	615,968	(921)	(130,411)	2,366,545
Net loss	-	-	-	(92,614)	-	-	(92,614)
Foreign currency translation adjustment	-	-	-	-	-	64,343	64,343
Pension liability adjustment	-	-	-	-	-	(23,230)	(23,230)
Loss on derivative financial instruments	-	-	-	-	-	(1,817)	(1,817)
Comprehensive loss							(53,318)
Stock issued (127,270 shares)	11	-	2,124	-	(135)	-	2,000
Stock options exercised (260,720 shares)	26	-	3,135	-	-	-	3,161
Conversions from Class B to common (113,053 shares)	12	(12)	-	-	-	-	-
Warrants issued – BCcomponents acquisition	-	-	39,462	-	-	-	39,462
Tax effects relating to stock plan	-	-	294	-	-	-	294
Amortization of unearned compensation	-	-	-	-	643	-	643
Balance at December 31, 2002	14,429	1,538	1,910,994	523,354	(413)	(91,115)	2,358,787

Continues on following page.

Vishay Intertechnology, Inc.
Consolidated Statements of Stockholders' Equity (continued)
(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 Stockholders' Equity
Balance at December 31, 2002	$ 14,429	$ 1,538	$ 1,910,994	$ 523,354	$ (413)	$ (91,115)	$ 2,358,787
Net earnings	-	-	-	**26,842**	-	-	**26,842**
Foreign currency translation adjustment	-	-	-	-	-	**111,369**	**111,369**
Pension liability adjustment	-	-	-	-	-	**6,638**	**6,638**
Gain on derivative financial instruments	-	-	-	-	-	**2,462**	**2,462**
Comprehensive income							**147,311**
Stock issued (14,000 shares)	**2**	-	**212**	-	-	-	**214**
Stock options exercised (356,313 shares)	**36**	-	**4,704**	-	-	-	**4,740**
Fair value of modifications to nonemployee stock options	-	-	**1,776**	-	-	-	**1,776**
Tax effects relating to stock plan	-	-	**1,099**	-	-	-	**1,099**
Conversions from Class B to common (1,018 shares)	-	-	-	-	-	-	-
Amortization of unearned compensation	-	-	-	-	**107**	-	**107**
Balance at December 31, 2003	**$ 14,467**	**$ 1,538**	**$ 1,918,785**	**$ 550,196**	**$ (306)**	**$ 29,354**	**$ 2,514,034**

See accompanying notes.

Vishay Intertechnology, Inc. ("Vishay" or the "Company") is an international manufacturer and supplier of passive and active electronic components, including resistors, capacitors, inductors, strain gages, load cells, force measurement sensors, displacement sensors, photoelastic sensors, power MOSFETS, power conversion and motor control integrated circuits, transistors, diodes and optoelectronic components. 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

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.

Principles of Consolidation
The consolidated financial statements include the accounts of Vishay and all of its subsidiaries in which a controlling financial interest is maintained. For those consolidated subsidiaries in which the Company's ownership is less than 100 percent, the outside stockholders' interests are shown as Minority Interest in the accompanying consolidated balance sheets. Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis. Investments in affiliates over which the Company does not have significant influence are accounted for by the cost method. All significant intercompany transactions, accounts, and profits are eliminated.

Revenue Recognition
The Company recognizes revenue on product sales during the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. The Company has agreements with distributors that historically provided limited rights of product return. Beginning in 2002, the Company modified these arrangements to allow distributors a limited credit for unsaleable products, which it terms a "scrap allowance." Consistent with industry practice, the Company also has a "stock, ship and debit" program whereby it considers requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. In addition, the Company has contractual arrangements whereby it provides distributors with protection against price reductions initiated by the Company after product is sold by the Company to the distributor and prior to resale by the distributor.

The Company records a reduction of revenue during each period, and records a related accrued expense for the period, based upon its estimate of product returns, scrap allowances, "stock, ship and debit" credits and price protection credits that will be attributable to sales recorded through the end of the period. The Company makes these estimates based upon sales levels to its distributors during the period, inventory levels at the distributors, current and projected market conditions and historical experience under the programs. While the Company utilizes a number of different methodologies to estimate the accruals, all of the methodologies take into account sales levels to distributors during the relevant period, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies and open requests for credits. These procedures require the exercise of significant judgments, but the Company believes that they allow the Company to reasonably estimate future credits under the programs.

1. Summary of Significant Accounting Policies (continued)

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

Research and Development Expenses
Research and development costs are expensed as incurred. The amount charged to expense for research and development (exclusive of purchased in-process research and development) aggregated $45,377,000, $37,095,000, and $30,176,000, for the years ended December 31, 2003, 2002, and 2001, 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 $12,359,000, $17,322,000, and $19,064,000, for the years ended December 31, 2003, 2002, and 2001, respectively. Grants receivable of $9,223,000 and $16,374,000 are included in other current assets at December 31, 2003 and 2002, respectively. Deferred grant income was $27,659,000 and $42,345,000 at December 31, 2003 and 2002, 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.

Income Taxes
The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

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

Allowance for Doubtful Accounts
The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is determined through an analysis of the aging of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. The Company evaluates the past-due status of its trade receivables based on contractual terms of sale. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Bad debt expense was $4,181,000, $6,672,000, and $7,112,000 for the years ended December 31, 2003, 2002, and 2001, respectively.

1. Summary of Significant Accounting Policies (continued)

Inventories
Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

Property and Equipment
Property and equipment is carried at cost and is depreciated principally by the straight-line method based upon the estimated useful lives of the assets. Machinery and equipment are being depreciated over useful lives of seven to ten years. Buildings and building improvements are being depreciated over useful lives of twenty to forty years. Construction in progress is not depreciated until the assets are placed in service. The estimated cost to complete construction in progress at December 31, 2003 was approximately $14.5 million. Depreciation of capital lease assets is included in total depreciation expense. Depreciation expense was $180,706,000, $172,174,000, and $149,225,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

Goodwill and Other Intangible Assets
The Company adopted Statements of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets,* effective January 1, 2002.

SFAS No. 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized. In addition, goodwill and indefinite-lived intangible assets are tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. The Company has assigned an indefinite useful life to its tradenames. Prior to adoption of SFAS No. 142, goodwill was amortized over periods ranging from twenty to forty years.

Definite-lived intangible assets are amortized over their estimated useful lives. Completed technology is being amortized over useful lives of seven to ten years. Noncompete agreements are being amortized over a period of one to five years. The Company continually evaluates the reasonableness of the useful lives of these assets.

SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, the Company determines the fair value of the reporting unit using a comparable companies market multiple approach. If the net book value of the reporting unit were to exceed the fair value, the Company would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

The Company completed the transitional goodwill impairment test as of January 1, 2002. Fair value of reporting units was determined using comparable company market multiples. The Company determined that there was no goodwill impairment as of January 1, 2002. The Company's required annual impairment test is completed as of October 1 of each year. The Company also performed an additional impairment test at September 30, 2002 because events and circumstances indicated that goodwill of its passives reporting unit might be impaired. Management concluded that no impairment existed at September 30, 2002. Additionally, it was determined that no impairment existed based on the annual impairment tests for 2003 and 2002.

1. Summary of Significant Accounting Policies (continued)

The Company completed the transitional impairment test of its tradenames as of January 1, 2002. The fair value of the tradenames was measured as the discounted cash flow savings realized from owning such tradenames and not having to pay a royalty for their use. No impairment of the tradenames was determined to exist at January 1, 2002. The annual impairment test of tradenames is completed as of October 1 of each year. It was determined that no impairment existed based on the annual impairment tests for 2003 and 2002.

Impairment of Long-Lived Assets

The Company evaluates impairment of its long-lived assets, other than goodwill and indefinite-lived intangible assets, in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which was adopted by the Company as of January 1, 2002. Adoption of SFAS No. 144 had no effect on the Company's financial position or its results of operations. The carrying value of long-lived assets held and used, other than goodwill and indefinite-lived intangible assets, is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. Losses on long-lived assets held for sale, other than goodwill and indefinite-lived intangible assets, are determined in a similar manner, except that fair market values are reduced for disposal costs.

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages 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 ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. The Company accounts for stock-based compensation in accordance with APB No. 25 and related interpretations. The following is provided to comply with the disclosure requirements of SFAS No. 123 as amended. If compensation cost for the Company's stock option programs had been determined using the fair-value method prescribed by SFAS No. 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		
	2003	**2002**	**2000**
Net earnings (loss), as reported	**$ 26,842**	$ (92,614)	$ 513
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	**(1,612)**	(2,430)	(3,742)
Pro forma net earnings (loss)	**$ 25,230**	$ (95,044)	$ (3,229)
Earnings (loss) per share:			
Basic—as reported	**$ 0.17**	$ (0.58)	$ 0.00
Basic—pro forma	**$ 0.16**	$ (0.60)	$ (0.02)
Diluted—as reported	**$ 0.17**	$ (0.58)	$ 0.00
Diluted—pro forma	**$ 0.16**	$ (0.60)	$ (0.02)

1. Summary of Significant Accounting Policies (continued)

The weighted average fair value of the options granted was estimated using the Black-Scholes option-pricing model, with the assumptions presented below. Options granted in 2003 and 2002 had a weighted average fair value of $6.53 and $8.62, respectively, and an exercise price equal to the market value. No options were granted in 2001 under the Vishay stock option programs.

	2003 Grants	**2002 Grants**
Expected dividend yield	**–**	–
Risk-free interest rate	**2.2%**	3.5%
Expected volatility	**61.2%**	63.2%
Expected life (in years)	**4.5**	4.5

Derivative Financial Instruments

Derivative instruments are reported on the consolidated balance sheet at their fair values. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. For instruments designated as hedges, the effective portion of gains or losses is reported in other comprehensive income and the ineffective portion, if any, is reported in net earnings (loss). Changes in the fair values of derivative instruments that are not designated as hedges are recorded in current period earnings. The Company uses interest rate swap agreements to modify variable rate obligations to fixed rate obligations, thereby reducing exposure to market rate fluctuations. The interest rate swap agreements are designated as hedges. At December 31, 2003, the Company had no outstanding interest rate swap agreements. See Note 14.

In prior years, the Company used financial instruments such as forward exchange contracts to hedge a portion, but not all, of its firm commitments denominated in foreign currencies. The purpose of the Company's foreign currency management is to minimize the effect of exchange rate changes on actual cash flows from foreign currency denominated transactions. At December 31, 2003 and 2002, the Company had no outstanding forward exchange contracts.

Foreign Currency Translation

The financial statements for most of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Foreign assets and liabilities in the consolidated balance sheets have been translated at the rate of exchange as of the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations.

For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations.

1. Summary of Significant Accounting Policies (continued)

Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, 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. Accrued liabilities for environmental matters recorded at December 31, 2003 and 2002 do not include claims against third parties and are not discounted.

Accounting Pronouncements Pending Adoption

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities, an interpretation of ARB 51*. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), *Consolidation of Variable Interest Entities* ("FIN 46-R") to address certain FIN 46 implementation issues. The effective dates and impact of FIN 46 and FIN 46-R are as follows: (i) Special-purpose entities ("SPEs") created prior to February 1, 2003: The Company must apply either the provisions of FIN 46 or early adopt the provisions of FIN 46-R at the end of the first interim or annual reporting period ending after December 15, 2003. (ii) Non-SPEs created prior to February 1, 2003: The Company is required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004. (iii) All entities, regardless of whether an SPE, that were created subsequent to January 31, 2003: The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to SPEs and all other variable interests obtained after January 31, 2003 did not have a material impact on our financial position, results of operations, or liquidity. The Company does not expect the adoption of FIN 46-R provisions applicable to Non-SPEs created prior to February 1, 2003, to have a material impact on our financial position, results of operations or liquidity.

In December 2003, the FASB issued a revision to SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits.* The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans. The Company has adopted the disclosure requirements required by SFAS No. 132 (revised 2003) for our U.S. pension and other postretirement plans, as included in Note 11. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until 2004.

Reclassifications

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

2. Acquisitions

As part of its growth strategy, the Company seeks to expand through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which the Company has substantial marketing and technical expertise. In the past three years, the Company has taken advantage of the downturn in the electronics industry and the strength of its own balance sheet to acquire businesses for consideration that it believes was lower than what it would have been required to pay in other economic environments. In pricing an acquisition, the Company focuses primarily on the target's revenues and customer base, the strategic fit of its product line with the Company's existing product offerings, opportunities for cost cutting and integration with the Company's existing operations and production and other postacquisition synergies rather than on the target's assets, such as its property, equipment and inventory. As a result, the fair value of the acquired assets may correspond to a relatively smaller portion of the acquisition price, with the Company recording a substantial amount of goodwill related to the acquisition.

These principles apply in particular to acquisitions in the passive segment. The passive electronics business is a mature industry that, in general, has a slow organic growth rate linked to macro-economic trends. The Company's business strategy for growth in the passive segment relies primarily upon the acquisition of other electronic components manufacturers whose operations satisfy its acquisition criteria. Rather than focusing on the assets of the acquired company, the Company seeks to capture its sales and customers, which it expects to service in substantial measure with its own long-term assets and personnel. In this regard, the Company anticipates that, following the acquisition, it will be able to maintain sales levels on the strength of its relationships with original equipment manufacturers (OEMs), distributors and electronic manufacturers' supply (EMS) companies. The Company also anticipates that it will be able to achieve fairly rapid cost reductions by eliminating or combining redundant sales offices, sales personnel, commission representatives and administrative staff; eliminating or consolidating manufacturing facilities; and transferring manufacturing operations from high-labor-cost countries to low-labor-cost jurisdictions. These savings and synergies were made possible in the recent environment of depressed activity in the electronics industry by low utilization of manufacturing and distribution capacity in the passive segment. The property and equipment of an acquired company are expected to be eliminated or substantially reduced and are valued accordingly. The result for acquisitions in the passive segment is recognition of a substantial amount of goodwill.

No acquisitions were made during the year ended December 31, 2003.

Year ended December 31, 2002

In January 2002, the Company acquired the transducer and strain gage businesses of Sensortronics, Inc. The acquisition included the wholly owned subsidiary of Sensortronics, JP Technologies, a manufacturer of strain gages, located in San Bernardino, California. The purchase price was $10 million in cash. The purchase price has been allocated, with resulting goodwill of $3,027,000. The results of operations are included in the results of the passives segment from January 31, 2002.

In June 2002, the Company acquired Tedea-Huntleigh BV, a subsidiary of Tedea Technological Development and Automation Ltd. Tedea-Huntleigh is engaged in the production and sale of load cells used in digital scales by the weighing industry. The purchase price was approximately $21 million in cash. Additionally, Vishay is paying Tedea a $1 million consulting fee over a three-year period and repaid a $9 million loan of Tedea to Tedea-Huntleigh. Tedea-Huntleigh operates two plants in Israel, in Netanya and Carmiel, where it employs approximately 350 people, as well as a number of facilities outside Israel. Tedea-Huntleigh also has load cell operations in the People's Republic of China. The purchase price has been allocated, with resulting goodwill of $13,841,000. Results of operations are included in the passives segment beginning July 1, 2002.

2. Acquisitions (continued)

On July 31, 2002, the Company acquired the BLH and Nobel businesses of Thermo Electron Corporation. BLH and Nobel are engaged in the production and sale of load cell-based process weighing systems, weighing and batching instruments, web tension instruments, weighing scales, servo control systems, and components relating to load cells including strain gages, foil gages, and transducers. The purchase price was $18.5 million in cash. The purchase price has been allocated, with resulting goodwill of $11,262,000. The results of operations are included in the passives segment beginning August 1, 2002.

In October 2002, the Company acquired Celtron Technologies. Celtron is engaged in the production and sale of load cells used in digital scales for the weighing industry, with manufacturing facilities and offices in Taiwan, the People's Republic of China, and California. The purchase price of $13.5 million in cash has been allocated with resulting goodwill of $4,711,000. Results of operations are included in the passives segment beginning October 1, 2002.

On December 13, 2002, the Company acquired BCcomponents Holdings B.V., a leading manufacturer of passive components with operations in Europe, India and the Far East. The product lines of BCcomponents include linear and non-linear resistors; ceramic, film and aluminum electrolytic capacitors; and switches and trimming potentiometers. The acquisition of BCcomponents, and the recognition of substantial goodwill in the acquisition, were consistent with the general principles described above that guide the Company's acquisition activity and their application in particular to acquisitions in the passive component segment.

Vishay acquired the outstanding shares of BCcomponents in exchange for ten-year warrants to acquire 7,000,000 shares of Vishay common stock at an exercise price of $20.00 per share and ten-year warrants to acquire 1,823,529 shares of Vishay common stock at an exercise price of $30.30 per share. The fair value of the warrants ($39,462,000) was determined using the Black-Scholes option-pricing model. Significant assumptions used included an expected dividend yield of 0%, a risk-free interest rate of 3%, an expected volatility of 66%, and an expected life of five years.

In the transaction, outstanding obligations of BCcomponents, including indebtedness and transaction fees and expenses, in the amount of approximately $224 million were paid ($191 million) or assumed ($33 million). Also, $105 million in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents were exchanged for $105 million principal amount of floating rate unsecured loan notes of Vishay due 2102. The Vishay notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest rate could be further reduced to 50% of LIBOR after December 31, 2010 if the price of Vishay common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to Vishay in exchange for 6,176,471 shares of Vishay common stock in the aggregate, and Vishay may call the notes in exchange for cash or for shares of its common stock after 15 years from the date of issuance. The purchase price was as follows *(in thousands):*

Cash consideration	$	191,000
Warrants issued		39,462
Acquisition costs		3,000
Total purchase price	$	233,462

2. Acquisitions (continued)

Under purchase accounting, the total purchase price is allocated to assets acquired and liabilities assumed based on their estimated fair values. At December 31, 2002, the purchase price allocation was preliminary, pending the completion of asset appraisals and negotiations with labor councils regarding planned restructuring. These matters were resolved in 2003, resulting in an increase in goodwill of $66,347,000. The purchase price allocation is now final. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows *(in thousands)*:

Current assets	$ 91,859
Property and equipment	68,762
Other assets	3,054
Tradenames	23,000
Completed technology	19,000
Current liabilities	(118,425)
Long-term debt	(126,328)
Other noncurrent liabilities	(29,860)
Goodwill	302,400
Total purchase price	$ 233,462

In connection with the BCcomponents acquisition, the Company recorded restructuring liabilities of $47,794,000 under an exit plan that management began to formulate prior to the acquisition date. Approximately $45,855,000 of these liabilities relate to employee termination costs covering approximately 780 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. This liability is recorded in other accrued expenses and is expected to be paid by June 30, 2004. Future adjustments to decrease the restructuring liabilities would increase goodwill. A rollforward of the activity related to these restructuring liabilities is as follows (*in thousands, except number of employees):*

	Severance Costs	Other	Number of Employees Terminated	Total
Balance at December 31, 2002	$ 45,855	$ 1,939	780	$ 47,794
Utilized	**(30,018)**	**(1,939)**	**(624)**	**(31,957)**
Foreign currency translation	**5,153**	**–**	**–**	**5,153**
Change in estimate	**(1,328)**	**–**	**(13)**	**(1,328)**
Balance at December 31, 2003	**$ 19,662**	**$ –**	**143**	**$ 19,662**

2. Acquisitions (continued)

Year ended December 31, 2001

In January 2001, the Company purchased Tansitor, a manufacturer of wet tantalum electrolytic capacitors and miniature conformal coated solid tantalum capacitors, for $18.3 million in cash. The acquisition was accounted for as a purchase and included in the results of operations of the passives segment from January 1, 2001.

On July 27, 2001, the Company agreed to purchase from Infineon Technologies AG, Munich, the Infineon optoelectronic infrared components business. This business produces optocouplers and optoelectric infrared data components transceivers (IRDCs). Under the terms of the agreement, the Company purchased Infineon's U.S. development, marketing, and distribution activities located in the San Jose, California headquarters and a manufacturing facility located in Malaysia. The total purchase price for this transaction was approximately $116 million in cash. A partial payment of $78 million was made on July 27, 2001, and a second payment of $38 million was made on December 31, 2001 to acquire the facility in Malaysia. The results of operations of Infineon's U.S. infrared components business are included in the results of the actives segment from July 27, 2001. The results of operations of the Malaysia facility are included from December 31, 2001, its acquisition date. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows *(in thousands):*

Current assets	$	28,121
Property and equipment		27,575
Completed technology		8,000
Other assets		226
Current liabilities		(14,200)
Goodwill		66,351
Total purchase price	$	116,073

On November 2, 2001, the Company acquired General Semiconductor, Inc., a leading manufacturer of rectifiers and power management devices, following approval of the transaction and related matters by stockholders of the two companies, for $554.8 million, including acquisition expenses of $7.0 million. Stockholders of General Semiconductor received 0.563 shares of Vishay common stock for each General Semiconductor share in a tax-free exchange. The Company valued the stock issued using an average closing price of its common stock for the period beginning three trading days immediately prior to the date the acquisition was announced (August 1, 2001) and ending the three trading days immediately thereafter, or an average of $23.46 per share. The aggregate fair value was determined by multiplying the total number of shares of Vishay common stock issued (21,305,127) by $23.46 per share, or approximately $499,818,000. The Company assumed General Semiconductor options that became exercisable for approximately 4.3 million shares of Vishay common stock, with a fair value of $48 million. The fair value of the options was determined using the Black-Scholes option-pricing model. The significant assumptions used included an expected dividend yield of 0.0%, a risk-free interest rate of 3%, an expected volatility of 66%, and an expected life of five years. General Semiconductor also had outstanding $172.5 million principal amount of 5.75% convertible notes, of which $1.5 million principal amount was repurchased by the Company in January 2002. The remaining principal amount was repurchased by the Company in September 2003. See Note 6. The notes were convertible into approximately 6.2 million shares of Vishay common stock. The results of operations of General Semiconductor are included in the results of the actives segment from November 2, 2001.

2. Acquisitions (continued)

The final purchase allocation is as follows *(in thousands):*

Current assets	$	153,115
Property and equipment		184,524
Other assets		7,896
Noncompete agreements		5,604
Tradenames		35,000
Completed technology		37,000
Purchased in-process technology		16,000
Current liabilities		(188,410)
Long-term debt		(255,502)
Other non-current liabilities		(111,290)
Goodwill		670,909
Total purchase price	$	554,846

In connection with the General Semiconductor acquisition, the Company recorded restructuring liabilities of $94,643,000 under an exit plan that management began to formulate prior to the acquisition date. The exit plan includes downsizing certain European and Taiwan facilities and moving production to low-labor-cost areas such as Israel, the Czech Republic, and the People's Republic of China. The plan also includes reducing selling, general and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at General Semiconductor. The Company's goal under the plan is to achieve significant production cost savings through the transfer and expansion of manufacturing operations to regions such as Israel, the Czech Republic, and the People's Republic of China, where the Company can take advantage of lower labor costs and available tax and other government-sponsored incentives. Approximately $88,242,000 of these restructuring liabilities related to employee termination costs covering approximately 1,460 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. The remaining $6,401,000 related to provisions for lease cancellations and other costs. The liability is recorded in other accrued expenses and is expected to be paid by June 30, 2004. Future adjustments to decrease the restructuring liabilities would increase goodwill.

A rollforward of the activity in these restructuring liabilities is as follows *(in thousands, except number of employees):*

	Severance Costs	Other	Number of Employees Terminated	Total
Balance at January 1, 2002	$ 88,242	$ 6,401	1,460	$ 94,643
Utilized	(52,118)	(1,249)	(426)	(53,367)
Changes in estimate	(7,900)	–	(147)	(7,900)
Balance at December 31, 2002	$ 28,224	$ 5,152	887	$ 33,376
Utilized	**(6,563)**	**(2,641)**	**(118)**	**(9,204)**
Foreign currency translation	**504**	**–**	**–**	**504**
Changes in estimate	**(271)**	**–**	**–**	**(271)**
Balance at December 31, 2003	**$ 21,894**	**$ 2,511**	**769**	**$ 24,405**

2. Acquisitions (continued)

The change in the estimate of restructuring liabilities for the acquisition of General Semiconductor in 2002 resulted from a decision not to downsize one of General Semiconductor's European facilities. At the time that the Company formulated its exit plan, it did not anticipate the robust demand experienced in 2002 for the active components manufactured by that facility. Accordingly, the Company did not terminate the 147 employees whose positions it had originally expected to eliminate. The Company reduced restructuring liabilities (and goodwill) by $7,900,000, the amount of the anticipated termination costs for these employees that had been included in the purchase allocation. The remaining liability is expected to be paid in 2004.

On November 7, 2001, the Company acquired Yosemite Investment, Inc. d/b/a North American Capacitor Company, also known as Mallory, for approximately $45 million in cash. With manufacturing facilities in Greencastle, Indiana and Glasgow, Kentucky, Mallory is a leading manufacturer of wet tantalum electrolytic capacitors, among other businesses. Subsequently, in February 2002, Vishay sold the audible signal business of Mallory for $4,925,000, consisting of $3,925,000 in cash and a $1,000,000 promissory note and recognized no gain or loss. On April 1, 2002, the Company sold the resale business of Mallory for $8.8 million, consisting of $7.6 million in cash and a $1.2 million subordinated promissory note and recognized no gain or loss. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows *(in thousands):*

Current assets	$	11,033
Property and equipment		6,347
Current liabilities		(3,555)
Long-term debt		(857)
Goodwill		31,684
Total purchase price	$	44,652

The BLH, Tansitor, Celtron, Nobel, Tedea-Huntleigh, Sensortronics, Mallory and Infineon acquisitions were funded with cash on hand and borrowings under Vishay's revolving credit facility.

2. Acquisitions (continued)

Had all of the acquisitions previously described been made at the beginning of the respective periods, the Company's pro forma unaudited results would have been *(in thousands, except per share amounts):*

	Year ended December 31	
	2002	**2001**
Net sales	$ 2,095,657	$ 2,415,651
Net loss	(127,379)	(82,166)
Basic and diluted loss per share	(0.80)	(0.52)

The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisitions, adjustments to depreciation based on the fair value of property and equipment acquired, write-off of purchased in-process research and development, amortization of intangible assets and related tax effects. Pro forma net loss for the year ended December 31, 2001 includes pretax restructuring charges of $88,846,000 recorded by General Semiconductor and BCcomponents prior to acquisition. Goodwill related to the acquisitions is not tax-deductible.

The unaudited pro forma results are not necessarily indicative of the results that would have been attained had the acquisitions occurred at the beginning of the periods presented.

3. Goodwill and Other Intangible Assets

As discussed in Note 1, the Company adopted SFAS No. 142 on January 1, 2002. The Company's net earnings and earnings per share adjusted to exclude goodwill amortization for the year prior to adoption were as follows:

	Year ended December 31 2001
Reported net earnings	$ 513
Add back: Goodwill amortization, net of tax	10,414
Adjusted net earnings	$ 10,927
Basic earnings per share:	
Reported net earnings	$ 0.00
Goodwill amortization, net of tax	0.08
Adjusted net earnings	$ 0.08
Diluted earnings per share:	
Reported net earnings	$ 0.00
Goodwill amortization, net of tax	0.08
Adjusted net earnings	$ 0.08

The changes in the carrying amounts of goodwill by segment for the years ended December 31, 2003 and 2002 were as follows:

	Actives	Passives	Total
		(In thousands)	
Balance at January 1, 2002	$ 864,375	$ 213,415	$ 1,077,790
Goodwill acquired during the year	–	276,606	276,606
Purchase price allocation adjustments	(8,332)	830	(7,502)
Currency translation adjustments	5,158	4,241	9,399
Balance at December 31, 2002	861,201	495,092	1,356,293
Purchase price allocation adjustments	**–**	**66,347**	**66,347**
Currency translation adjustments	**22,191**	**21,883**	**44,074**
Balance at December 31, 2003	**$ 883,392**	**$ 583,322**	**$ 1,466,714**

Passives segment goodwill is allocated to the Other Passives and Measurements Group reporting units for SFAS No. 142 evaluation purposes. Goodwill allocated to the Other Passives reporting unit at December 31, 2003 is $541,909,000. Goodwill allocated to the Measurements Group reporting unit at December 31, 2003 is $41,413,000.

3. Goodwill and Other Intangible Assets (continued)

Other intangible assets were as follows:

	December 31	
	2003	**2002**
	(In thousands)	
Intangible Assets Subject to Amortization (Definite Lived)		
Patents and acquired technology	**$ 79,715**	$ 67,000
Noncompete agreements	**7,604**	7,604
	87,319	74,604
Accumulated amortization		
Patents and acquired technology	**(15,330)**	(5,184)
Noncompete agreements	**(6,383)**	(3,003)
	(21,713)	(8,187)
Net Intangible Assets Subject to Amortization	**65,606**	66,417
Intangible Assets Not Subject to Amortization (Indefinite Lived)		
Tradenames	**63,349**	56,000
	$ 128,955	$ 122,417

Amortization expense was $13,029,000, $7,171,000, and $1,017,000, for the years ended December 31, 2003, 2002, and 2001, respectively. Estimated annual amortization expense for each of the next five years is as follows: 2004 – $9,291,000; 2005 – $8,869,000; 2006 – $8,469,000; 2007 – $8,469,000; and 2008 – $8,469,000.

4. Restructuring and Severance Costs

Restructuring and severance costs reflect the cost reduction programs currently being implemented by the Company. These include the closing of facilities and the termination of employees. Severance costs also include executive severance and charges for the fair value of stock options of certain former employees which were modified such that they did not expire at termination. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements of accrual are met. Effective January 1, 2003, restructuring costs are accounted for under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates were too low or too high, the Company could be required either to record additional expenses in future periods or to reverse part of the previously recorded charges.

Year Ended December 31, 2003

The Company recorded restructuring and severance costs of $29,560,000 for the year ended December 31, 2003. Restructuring of European and Asian operations included $23,007,000 of employee termination costs covering 546 technical, production, administrative and support employees located in Germany, France, Hungary, Portugal, the United Kingdom, Austria and the Far East. The remaining $6,553,000 of restructuring and severance costs relates to termination costs of $5,539,000 for 162 technical, production, administrative and support employees located in the United States, and $1,014,000 for asset write-downs. The restructuring and severance costs were incurred as part of the cost reduction programs currently being implemented by the Company. Activity related to these costs for the year ended December 31, 2003 is as follows *(in thousands, except number of employees):*

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs	**$ 28,546**	**$ 1,014**	**708**	**$ 29,560**
Utilized	**(14,195)**	**(1,014)**	**(653)**	**(15,209)**
Foreign currency translation	**1,623**	**–**	**–**	**1,623**
Balance at December 31, 2003	**$ 15,974**	**$ –**	**55**	**$ 15,974**

Substantially all of the remaining restructuring liability, currently shown in other accrued expenses, is expected to be paid by December 31, 2004.

4. Restructuring and Severance Costs (continued)

Year ended December 31, 2002

Restructuring and severance costs were $30,970,000 for the year ended December 31, 2002. Restructuring of European and Israeli operations included $10,698,000 of employee termination costs covering approximately 778 technical, production, administrative and support employees located in the Czech Republic, France, Hungary, Israel, Portugal, and Austria. In the United States, $7,909,000 of restructuring and severance costs related to termination costs for approximately 660 technical, production, administrative and support employees. The remaining $12,363,000 of restructuring and severance costs related to the noncash write-down of building and equipment that are no longer in use. The restructuring and severance costs were incurred as part of the cost reduction programs currently being implemented by the Company. The restructuring activities related to existing business were designed to reduce both fixed and variable costs, particularly in response to the reduced demand for our products occasioned by the electronics industry downturn which began in 2001.

Activity related to these costs is as follows *(in thousands, except number of employees):*

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs	$ 18,607	$ 12,363	1,438	$ 30,970
Utilized	(6,420)	(12,363)	(783)	(18,783)
Balance at December 31, 2002	12,187	–	655	12,187
Utilized	**(10,030)**	–	**(639)**	**(10,030)**
Foreign currency effect	**661**	–	–	**661**
Balance at December 31, 2003	**$ 2,818**	**$ –**	**16**	**$ 2,818**

The remaining $2,818,000 of severance costs, currently shown in other accrued expenses, is expected to be paid by March 31, 2004.

Year ended December 31, 2001

Restructuring and severance costs were $61,908,000 for the year ended December 31, 2001. Restructuring of European, Asia Pacific, and Israeli operations included $27,064,000 of employee termination costs covering approximately 3,778 technical, production, administrative and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. The European operations also recorded $2,191,000 of noncash costs associated with the write-down of buildings and equipment that are no longer in use. In the United States, $13,870,000 of restructuring and severance costs related to termination costs for approximately 1,885 technical, production, administrative and support employees. The remaining $18,783,000 of restructuring and severance costs related to the noncash write-down of buildings and equipment that are no longer in use.

4. Restructuring and Severance Costs (continued)

Activity related to these costs is as follows *(in thousands, except number of employees):*

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs	$ 40,934	$ 20,974	5,663	$ 61,908
Utilized	(18,114)	(20,974)	(4,913)	(39,088)
Balance at December 31, 2001	22,820	–	750	22,820
Utilized	(19,865)	–	(612)	(19,865)
Changes in estimate	(1,391)	–	–	(1,391)
Balance at December 31, 2002	1,564	–	138	1,564
Utilized	**(1,586)**	**–**	**(50)**	**(1,586)**
Changes in estimate	**22**	**–**	**(88)**	**22**
Balance at December 31, 2003	**$ –**	**$ –**	**–**	**$ –**

5. Income Taxes

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

	Year ended December 31		
	2003	**2002**	**2001**
	(In thousands)		
Domestic	**$ (20,119)**	$ (59,882)	$ (55,598)
Foreign	**66,545**	(40,163)	65,701
	$ 46,426	$ (100,045)	$ 10,103

Significant components of income taxes are as follows:

	Year ended December 31		
	2003	**2002**	**2001**
	(In thousands)		
Current:			
U.S.	**$ (1,389)**	$ (41,991)	$ 6,194
Foreign	**4,977**	6,111	9,197
State	**2,141**	776	641
	5,729	(35,104)	16,032
Deferred:			
U.S.	**(8,640)**	30,590	(12,392)
Foreign	**12,767**	(16,152)	4,031
State	**1,672**	3,766	(1,976)
	5,799	18,204	(10,337)
	$ 11,528	$ (16,900)	$ 5,695

5. Income Taxes (continued)

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:

	December 31	
	2003	**2002**
	(In thousands)	
Deferred tax assets:		
Pension and other retiree obligations	**$ 48,229**	$ 47,710
Net operating loss carryforwards	**178,029**	112,770
Tax credit carryforwards	**19,204**	11,766
Other accruals and reserves	**69,873**	68,792
Total deferred tax assets	**315,335**	241,038
Less valuation allowance	**(107,388)**	(63,192)
	207,947	177,846
Deferred tax liabilities:		
Tax over book depreciation	**92,094**	87,483
Intangible assets not subject to amortization	**24,503**	24,454
Other – net	**31,487**	30,359
Total deferred tax liabilities	**148,084**	142,296
Net deferred tax assets	**$ 59,863**	$ 35,550

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

	Year ended December 31		
	2003	**2002**	**2001**
		(In thousands)	
Tax at statutory rate	**$ 16,249**	$ (35,016)	$ 3,536
State income taxes, net of U.S. federal tax benefit	**3,319**	2,540	(382)
Effect of foreign operations	**(7,816)**	11,090	(4,894)
Purchased research and development	**–**	–	5,600
Other	**(224)**	4,486	1,835
	$ 11,528	$ (16,900)	$ 5,695

5. Income Taxes (continued)

At December 31, 2003, the Company had the following significant net operating loss carryforwards for tax purposes *(in thousands)*:

		Expires
Austria	$ 7,086	No expiration
Belgium	115,969	No expiration
Czech Republic	1,508	2005 – 2010
France	13,697	No expiration
Germany	99,417	No expiration
Israel	57,692	No expiration
Netherlands	86,333	No expiration
Portugal	4,303	2005 – 2009
United States	160,824	2021 – 2023

Approximately $30,274,000 of the German carryforward resulted from the Company's acquisition of Roederstein in 1993 and approximately $159,459,000 of the carryforwards in Austria, Belgium, and the Netherlands resulted from the Company's acquisition of BCcomponents in 2002.

In total, valuation allowances of $96,061,000 and $58,126,000 have been recorded at December 31, 2003 and 2002, respectively, for deferred tax assets related to foreign net operating loss carryforwards. Of this, $55,790,000 and $54,441,000, as of December 31, 2003 and 2002, respectively, are valuation allowances, recorded through goodwill, for the acquired net operating losses. If tax benefits are recognized in the future for utilization of these acquired net operating losses, the benefits of such loss utilization will be recorded as a reduction to goodwill. In 2003 and 2002, tax benefits recognized through reductions of the valuation allowance recorded through goodwill were $0 and $491,000, respectively.

At December 31, 2003, the Company had the following tax credit carryforwards available *(in thousands)*:

		Expires
Federal Alternative Minimum Tax	$13,831	No expiration
California Investment Credit	3,961	2004 – 2010
California Research Credit	4,210	No expiration

At December 31, 2003, no provision had been made for U.S. federal and state income taxes on approximately $941,286,000 of foreign earnings, which are expected to be reinvested outside of the United States 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, net of amounts refunded, were a net refund of $31,626,000 for the year ended December 31, 2003, and net payments of $2,910,000 and $72,953,000, for the years ended December 31, 2002 and 2001, respectively.

The Company's U.S. income tax returns for the years ended 1999 through 2000 are presently under examination by the Internal Revenue Service. Management believes that potential tax assessment plus related interest and penalties, if any, have been sufficiently provided for in the financial statements.

6. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2003	**2002**
	(In thousands)	
Multicurrency revolving credit loans	**$ –**	$ 111,000
Convertible subordinated notes, LYONs, due 2021	**229,206**	317,830
Convertible unsecured notes, BCcomponents, due 2102	**105,000**	105,000
Convertible subordinated notes, GSI, due 2006	**–**	169,347
Convertible subordinated notes, due 2023	**500,000**	–
Other debt and capital lease obligations	**3,682**	21,689
	837,888	724,866
Less current portion	**1,282**	18,550
	$ 836,606	$ 706,316

Convertible subordinated notes, due 2023

On August 6, 2003, the Company sold $450 million aggregate principal amount of 3-5/8% convertible subordinated notes due 2023 and granted the initial purchasers an option to purchase, within 30 days of the date of the offering memorandum relating to the notes, an additional $50 million of the notes. This option was exercised, and the additional $50 million of notes was issued on September 3, 2003. The notes pay interest semiannually.

Holders may convert the notes into Vishay common stock prior to the close of business on August 1, 2023 if (1) the sale price of Vishay common stock reaches 130% of the conversion price for a specified period; (2) the trading price of the notes falls below 98% of the average last reported sales price of Vishay common stock multiplied by the conversion rate for a specified period; (3) the notes have been called for redemption; (4) the credit ratings assigned to the notes are lowered by two or more levels from their initial ratings; or (5) specified corporate transactions occur. None of these conditions had occurred as of December 31, 2003. The conversion price of $21.28 is equivalent to a conversion rate of 46.9925 shares per $1,000 principal amount of notes.

The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness and are effectively subordinated to all existing and future liabilities of its subsidiaries. The notes will be redeemable at the Company's option beginning August 1, 2010 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Holders of the notes will have the right to require the Company to repurchase all or some of their notes at a purchase price equal to 100% of their principal amount of the notes, plus accrued and unpaid interest, if any, on August 1, 2008, August 1, 2010, August 1, 2013, and August 1, 2018. In addition, holders of the notes will have the right to require the Company to repurchase all or some of their notes upon the occurrence of certain events constituting a fundamental change. On any required repurchase, the Company may choose to pay the purchase price in cash or shares of Vishay common stock or any combination of cash and Vishay common stock. The proceeds of the offering of the notes were used to repay other outstanding debt, as well as for general corporate purposes.

The early extinguishment of a portion of the Liquid Yield Option™ Notes (LYONs) and the General Semiconductor convertible subordinated notes, described below, resulted in a pretax loss of $9,910,000 in 2003, which included a premium on redemption of approximately $7.3 million and the write-off of deferred financing costs of approximately $2.6 million.

6. Long-Term Debt (continued)

Revolving Credit Facility

In July 2003, Vishay agreed with the lenders under its secured revolving credit facility to an amendment and restatement of the agreement governing the facility. The maximum availability under the facility, in light of the Company's anticipated liquidity needs, was changed from $500 million to $400 million, and the final maturity of the facility was extended from June 2005 to May 2007. The restatement decreases the Company's minimum tangible net worth requirement to $850 million plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings from July 1, 2003, eliminates the covenant on minimum earnings before interest and tax, permits securitization of up to $200 million of non-U.S. accounts receivable, allows for the release of all collateral (other than subsidiary stock and pledges by the Company and its subsidiaries of intercompany notes) under certain circumstances and creates an event of default upon the occurrence of a fundamental change as defined under the Company's convertible subordinated notes due 2023. The Company used approximately $130 million of the proceeds of the offering of the convertible subordinated notes to repay amounts outstanding under the revolving credit facility.

Interest on the revolving credit facility is payable at prime or other variable interest rate options. The Company is required to pay facility fees. As of December 31, 2003 and 2002, the Company had $0 and $111,000,000, respectively, outstanding under the revolving credit facility (interest rate of 3.03% at December 31, 2002, or 5.77% after giving effect to interest rate swaps). Letters of credit totaling $6,105,000 and $30,633,000 were issued under the revolving credit facility at December 31, 2003 and 2002, respectively. At December 31, 2003, $393,895,000 was available under the credit facility.

Borrowings under the revolving credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that the Company failed to make principal or interest payments under the revolving credit facility. If any subsidiary were to borrow under the credit facility, the Company would provide a similar guarantee with respect to the subsidiary. The revolving 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.

Liquid Yield Option™ Notes, due 2021

On June 4, 2001, the Company completed a private placement of $550,000,000 face amount Liquid Yield Option™ Notes (LYONs) due 2021. In connection with the sale of the LYONs, the Company received net proceeds of $294,096,000 and used the proceeds to pay down existing bank debt. Each LYON has a $1,000 face amount and was offered at a price of $551.26 (55.126% of the principal amount at maturity). The Company will not pay interest on the LYONs prior to maturity unless contingent interest becomes payable.

The issue price of each LYON represents a yield to maturity of 3.00%, excluding any contingent interest. The LYONs are subordinated in right of payment to all of the Company's existing and future senior indebtedness.

At any time on or before the maturity date, the LYONs are convertible into Vishay common stock at a rate of 17.6686 shares of common stock per $1,000 principal amount at maturity. The conversion rate may be adjusted under certain circumstances, but it will not be adjusted for accrued original issue discount.

6. Long-Term Debt (continued)

The Company is required to pay contingent interest to the holders of the LYONs during the six-month period commencing June 4, 2006 and during any six-month period thereafter if the average market price of a LYON for a certain measurement period immediately preceding the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest payable during any six-month period will be the sum of any contingent interest payable in the first and second three-month periods during such six-month period. During any three-month period in which contingent interest becomes payable, the contingent interest payable per LYON for such period will be equal to the greater of (1) 0.0625% of the average market price of a LYON for the measurement period referred to above or (2) the sum of all regular cash dividends paid by the Company per share on its common stock during such three-month period multiplied by the number of shares of common stock issuable upon conversion of a LYON at the then-applicable conversion rate.

The holders of the LYONs may require the Company to repurchase all or a portion of their LYONs on June 4, 2004, June 4, 2006, June 4, 2011, and June 4, 2016, at various prices set forth in the notes. The Company may choose to pay the purchase price in cash, Vishay common stock, or a combination of both. The Company may redeem for cash all or a portion of the LYONs at any time on or after June 4, 2006 at the prices set forth in the notes. If these notes are put to the Company in 2004, the Company expects to be able to utilize its revolving credit facility or stock to finance the transaction, and accordingly, the notes are classified as long-term on the consolidated balance sheet.

The Company used approximately $97.4 million of the proceeds of the 2003 offering of the convertible subordinated notes to fund the purchase of approximately $97.0 million accreted principal amount ($165.0 million face amount) of its LYONs.

Convertible unsecured notes, BCcomponents, due 2102

On December 13, 2002, the Company completed the acquisition of BCcomponents Holdings B.V. In connection with this acquisition, $105,000,000 in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents were exchanged for $105,000,000 principal amount of floating rate unsecured loan notes of the Company, due 2102. The notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest rate could be further reduced to 50% of LIBOR after December 31, 2010 if the price of the Company's common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to the Company in exchange for 6,176,471 shares of the Company's common stock in the aggregate, and the Company may call the notes in exchange for cash or for shares of its common stock after 15 years from the date of issuance.

Convertible subordinated notes, GSI, due 2006

General Semiconductor, which was acquired by the Company on November 2, 2001, had outstanding $172.5 million principal amount of 5.75% convertible subordinated notes due December 15, 2006. The notes were recorded at their fair value of $170.5 million as of the November 2, 2001 acquisition date. Interest on the convertible notes was payable semiannually on June 15 and December 15 of each year. As a consequence of the Company's acquisition of General Semiconductor, the convertible notes became convertible into approximately 6.2 million shares of the Company's common stock. The convertible notes were redeemable at the Company's option, in whole or in part, at any time on or after December 15, 2002 at a premium of 103.286% of par value declining annually to 100.821% at December 15, 2005 and thereafter.

6. Long-Term Debt (continued)

The Company used approximately $176.6 million of the proceeds of the 2003 offering of convertible subordinated notes (exclusive of accrued interest of approximately $2.3 million) to fund the redemption of all of the outstanding convertible subordinated notes due 2006 of its General Semiconductor subsidiary. These notes were redeemed at a price of 103.286% of their principal amount, plus accrued but unpaid interest to the date of redemption.

Aggregate annual maturities of long-term debt, based on the terms stated in the respective debt agreements, are as follows: 2004 – $1,282,000; 2005 – $1,212,000; 2006 – $357,000; 2007 – $542,000; 2008 – $291,000; and thereafter – $834,204,000. As described above, LYONs with an aggregate accreted principal amount of $229,206,000, due by their terms in 2021, may be put to the Company in 2004 at an aggregate price of approximately $235,000,000.

At December 31, 2003, the Company had committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating approximately $69 million, of which approximately $51 million was unused. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2003 and 2002 was 5.1% and 2.8%, respectively.

Interest paid was $30,760,000, $17,977,000, and $15,685,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

7. 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.

On November 2, 2001, the stockholders approved an increase in the authorized capital stock of the Company. The total authorized common stock was increased from 150,000,000 to 300,000,000 shares and the Class B common stock was increased from 20,000,000 to 40,000,000 shares.

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, 2003, the Company had repurchased 248,500 shares for a total of $6,616,000.

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, 2003, 305,126 shares were available for issuance under stock plans.

At December 31, 2003, the Company has reserved shares of common stock for future issuance as follows:

Employee stock plan	305,126
Common stock options outstanding	8,768,000
Common stock options available to grant	1,143,000
Common stock warrants	8,823,529
Exchangeable unsecured notes, BCcomponents	6,176,471
Convertible subordinated notes, LYONs	6,802,000
Convertible subordinated notes, due 2023	23,496,250
Class B common stock	15,382,296
	70,896,672

8. Other Income (Expense)

Other income (expense) consists of the following:

	Year ended December 31		
	2003	**2002**	**2001**
	(In thousands)		
Foreign exchange (losses) gains	**$ (5,235)**	$ (777)	$ 611
Gain (loss) on interest rate swaps	**3,783**	(115)	(3,668)
Interest income	**7,228**	7,952	15,092
Dividend income	**96**	100	–
(Losses) gains on disposal of property and equipment	**(2,521)**	(296)	1,472
Other	**(1,062)**	1,800	(806)
	$ 2,289	$ 8,664	$ 12,701

On February 13, 2002, a fire occurred at the Company's Electro-Films, Inc. (EFI) facility located in Providence, Rhode Island causing a production stoppage of the product line there. The Company received insurance proceeds based on its costs to replace the assets, which were in excess of the book value of the assets at the time of the fire. This insurance claim has been resolved, and the Company recognized a gain of $33,906,000 in 2003.

As described in Note 6, on August 6, 2003, the Company issued 3-5/8% convertible subordinated notes due 2023. The proceeds of the offering were utilized to redeem a portion of the outstanding LYONs and all of the General Semiconductor notes, which resulted in a pretax loss of $9,910,000 in 2003.

See Note 14 for a description of the interest rate swap agreements.

9. Other Accrued Expenses

Other accrued expenses consist of the following *(in thousands)*:

	2003	**2002**
Restructuring	**$ 62,859**	$ 95,127
Sales returns and allowances	**47,914**	39,803
Accrued loss on tantalum purchase commitment – current portion	**31,675**	25,334
Other	**145,984**	143,345
	$ 288,432	$ 303,609

10. Other Comprehensive Income (Loss)

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

	Beginning Balance	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Ending Balance
			(In thousands)		
December 31, 2003					
Pension liability adjustment	**$ (36,924)**	**$ 2,911**	**$ 3,727**	**$ 6,638**	**$ (30,286)**
Currency translation adjustment	**(51,729)**	**111,369**	**–**	**111,369**	**59,640**
Derivative financial instruments:					
Loss on derivative financial instruments	**(2,462)**	**(1,321)**	**–**	**(1,321)**	**(3,783)**
Reclassification adjustment for gain realized in 2003	**–**	**3,783**	**–**	**3,783**	**3,783**
	$ (91,115)	**$ 116,742**	**$ 3,727**	**$ 120,469**	**$ 29,354**
December 31, 2002					
Pension liability adjustment	$ (13,694)	$ (35,562)	$ 12,332	$ (23,230)	$ (36,924)
Currency translation adjustment	(116,072)	64,343	–	64,343	(51,729)
Loss on derivative financial instruments	(645)	(2,291)	474	(1,817)	(2,462)
	$(130,411)	$ 26,490	$ 12,806	$ 39,296	$ (91,115)
December 31, 2001					
Pension liability adjustment	$ (5,137)	$ (13,281)	$ 4,724	$ (8,557)	$ (13,694)
Currency translation adjustment	(108,434)	(7,638)	–	(7,638)	(116,072)
Loss on derivative financial instruments	–	(1,019)	374	(645)	(645)
	$ (113,571)	$ (21,938)	$ 5,098	$ (16,840)	$(130,411)

11. Pensions and Other Postretirement Benefits

U.S. Pension 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 U.S. pension plans of General Semiconductor are included beginning on November 2, 2001. The U.S. pension plan of BLH is included beginning on July 31, 2002.

The Company maintains two unfunded nonpension postretirement plans funded as costs are incurred. One 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 second plan covers all full-time U.S. General Semiconductor employees not covered by a collective bargaining agreement who meet defined age and service requirements. This plan is the primary provider of medical benefits for retirees up to age 65, after which Medicare becomes the primary provider. 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.

Obligations and Funded Status (U.S. Plans)

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 212,909**	$ 193,273	**$ 21,999**	$ 20,286
Service cost	**3,394**	3,433	**247**	279
Interest cost	**14,057**	13,598	**1,358**	1,465
Employee contributions	**1,641**	1,680	**–**	–
Actuarial losses (gains)	**9,689**	11,141	**(1,225)**	1,909
Plan amendments	**–**	–	**–**	(410)
Benefits paid	**(15,249)**	(16,090)	**(1,201)**	(1,530)
Acquisitions	**–**	5,874	**–**	–
Benefit obligation at end of year	**$ 226,441**	$ 212,909	**$ 21,178**	$ 21,999
Change in plan assets:				
Fair value of plan assets at beginning of year	**$ 147,296**	$ 165,186		
Actual return on plan assets	**30,149**	(11,224)		
Company contributions	**28,081**	4,226		
Plan participants' contributions	**1,641**	1,680		
Benefits paid	**(15,249)**	(16,090)		
Acquisitions	**–**	3,518		
Fair value of plan assets at end of year	**$ 191,918**	$ 147,296		
Funded status	**$ (34,523)**	$ (65,613)	**$ (21,178)**	$ (21,999)
Unrecognized net actuarial loss	**51,391**	60,957	**131**	1,237
Unrecognized transition (asset) obligation	**–**	(101)	**1,734**	1,934
Unamortized prior service cost	**243**	–	**134**	182
Net amount recognized	**$ 17,111**	$ (4,757)	**$ (19,179)**	$ (18,646)

11. Pensions and Other Postretirement Benefits (continued)

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
	(In thousands)			
Amounts recognized in the consolidated balance sheets for U.S. plans consist of:				
Intangible asset	**$ 243**	$ –	**$ –**	$ –
Accrued benefit liability	**(24,743)**	(53,439)	**(19,179)**	(18,646)
Accumulated other comprehensive loss	**41,611**	48,682	**–**	–
Net amount recognized	**$ 17,111**	$ (4,757)	**$ (19,179)**	$ (18,646)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the U.S. pension plans with accumulated and projected benefit obligations in excess of plan assets were $226,441,000, $216,661,000, and $191,918,000, respectively, as of December 31, 2003 and $212,909,000, $200,634,000, and $147,296,000, respectively, as of December 31, 2002.

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Among the provisions of the Act is a provision granting a subsidy to sponsors of retirement medical plans with prescription drug coverage when the benefit is at least actuarially equivalent to the Medicare Part D benefit. In accordance with FASB Staff Position No. FAS 106-1, measures of the benefit obligation and net periodic postretirement benefit cost do not reflect the effects of the Act on the plan. Specific authoritative accounting guidance on the accounting for the federal subsidy is pending and that guidance, when issued, could require companies, including Vishay, to change previously reported information.

Components of Net Periodic Benefit Cost (U.S. Plans)

	Pension Benefits			Other Benefits		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
			(In thousands)			
Annual service cost	**$ 5,035**	$ 5,424	$ 5,388	**$ 247**	$ 279	$ 240
Less employee contributions	**1,641**	1,991	2,296	**–**	–	–
Net service cost	**3,394**	3,433	3,092	**247**	279	240
Interest cost	**14,057**	13,598	9,023	**1,358**	1,466	678
Expected return on plan assets	**(12,521)**	(14,227)	(10,048)	**–**	–	–
Amortization of prior service cost	**32**	–	6	**47**	47	93
Amortization of transition obligation	**(1)**	(201)	311	**193**	194	194
Amortization of losses	**4,285**	1,474	514	**–**	–	–
Net periodic benefit cost	**$ 9,246**	$ 4,077	$ 2,898	**$ 1,845**	$ 1,986	$ 1,205

11. Pensions and Other Postretirement Benefits (continued)

Weighted-average assumptions used to determine benefit obligations (U.S. Plans) at December 31:

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
Discount rate	**6.25%**	6.75%	**6.25%**	6.75%
Rate of compensation increase	**4.00%**	4.50%-6.50%		

Weighted-average assumptions used to determine net cost (U.S. Plans) for years ended December 31:

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
Discount rate	**6.75%**	7.25%	**6.75%**	7.25%
Expected return on plan assets	**8.50%-8.75%**	8.50%-9.50%		
Rate of compensation increase	**4.50%-6.50%**	4.50%-6.50%		

The plans' expected return on assets is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, advice from pension consultants and investment advisors, and current economic and capital market conditions.

Plan Assets (U.S. Plans)

	Percentage of Plan Assets	
Asset Category	**2003**	**2002**
Equity funds	**65%**	55%
Fixed income funds	**30%**	45%
Cash and cash equivalents	**5%**	–
Total	**100%**	100%

The investment mix between equity securities and fixed income securities is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. The Company's domestic defined benefit plans are invested in diversified portfolios of public-market equity and fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and, in the case of fixed income securities, maturities and credit quality. The plans do not invest in securities of Vishay or its subsidiaries.

Cash Flows (U.S. Plans)

The Company expects to contribute approximately $10 million to its U.S. pension plans in 2004.

Defined Contribution Plans Matching

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 $3,401,000, $2,990,000, and $3,182,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

11. Pensions and Other Postretirement Benefits (continued)

Foreign Pension Plans

The Company provides pension and similar benefits to employees of certain foreign subsidiaries consistent with local practices. Certain foreign 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 foreign defined benefit plans. The foreign pension plans of General Semiconductor are included as of November 2, 2001. The foreign pension plans of BCcomponents are included as of December 13, 2002.

Obligations and Funded Status (Foreign Plans)

	2003	2002
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 119,173**	$ 93,397
Service cost	**834**	525
Interest cost	**6,945**	5,630
Actuarial losses (gains)	**8,067**	(1,572)
Benefits paid	**(6,794)**	(4,869)
Foreign currency translation	**24,534**	13,055
Curtailment gains	**(163)**	(1,336)
Acquisitions	**–**	14,343
Benefit obligation at end of year	**$ 152,596**	$ 119,173
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 14,645**	$ 13,137
Actual return on plan assets	**415**	(894)
Company contributions	**6,747**	2,449
Benefits paid	**(6,794)**	(2,454)
Foreign currency translation	**3,546**	2,407
Fair value of plan assets at end of year	**$ 18,559**	$ 14,645
Funded status	**$ (134,037)**	$ (104,528)
Unrecognized net actuarial losses (gains)	**8,118**	(636)
Unrecognized transition asset	**–**	(3)
Unamortized prior service cost	**–**	21
Net amount recognized	**$ (125,919)**	$ (105,146)

11. Pensions and Other Postretirement Benefits (continued)

	2003	2002
	(In thousands)	
Amounts recognized in the consolidated balance sheets for foreign pension plans consist of:		
Accrued benefit liability	**$ (137,320)**	$ (110,427)
Accumulated other comprehensive loss	**11,401**	5,281
Net amount recognized	**$ (125,919)**	$ (105,146)
Weighted-average assumptions as of December 31:		
Discount rate	**4.00% – 5.50%**	6.00% – 6.25%
Rate of compensation increase	**2.00% – 3.00%**	2.60% – 3.00%

Components of Net Periodic Benefit Cost (Foreign Plans)

	2003	2002	2001
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	**$ 834**	$ 525	$ 391
Interest cost	**6,945**	5,630	5,301
Expected return on plan assets	**(461)**	(489)	(444)
Amortization of prior service cost	**23**	–	36
Amortization of transition asset	**(4)**	(3)	(3)
Curtailment gains	**(163)**	(1,336)	–
Amortization of (gains) losses	**(95)**	(94)	97
Net periodic benefit cost	**$ 7,079**	$ 4,233	$ 5,378

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the foreign pension plans with accumulated benefit obligations and projected benefit obligations in excess of plan assets were $152,596,000, $150,487,000, and $18,559,000, respectively, as of December 31, 2003, and $119,173,000, $118,646,000, and $14,645,000, respectively, as of December 31, 2002.

12. Stock Options

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, 2003, options to purchase 528,000 shares 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	Number 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
October 1, 2001 through July 20, 2003	27,000	13.46 – 25.07	Evenly over 6 years	October 1, 2011 through July 20, 2013

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, 2003, options to purchase 462,000 shares had been exercised under this plan.

On November 2, 2001, Vishay acquired General Semiconductor, which became a wholly owned subsidiary of the Company. As a result of the acquisition, each outstanding option to acquire General Semiconductor common stock became exercisable for shares of Vishay common stock. Based on the conversion ratio in the acquisition of 0.563 of a Vishay share for each General Semiconductor share, the former General Semiconductor options become exercisable in the aggregate for 4,282,000 shares of Vishay common stock. All such options were immediately vested and exercisable as a result of the merger but the terms of the options otherwise remained unchanged. As of December 31, 2003, options to purchase 446,000 shares had been exercised under this plan.

12. Stock Options (continued)

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

	2003		2002		2001	
	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	**9,231**	**$ 16.07**	9,569	$ 15.97	5,646	$ 14.29
Granted	**12**	**14.00**	15	17.75	–	–
Exercised	**(356)**	**13.30**	(261)	12.12	(86)	9.99
Cancelled	**(119)**	**17.10**	(92)	17.14	(273)	17.82
Acquisition of General Semiconductor	**–**	**–**	–	–	4,282	18.10
Outstanding at end of year	**8,768**	**$ 16.17**	9,231	$ 16.07	9,569	$ 15.97
Exercisable at end of year	**7,725**	**$ 15.85**	7,626	$ 15.79	7,358	$ 15.74
Available for future grants	**1,143**		1,036		958	

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2003 *(number of options in thousands)*:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number of Options**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
$2.64	3	0.57	$ 2.64	3	$ 2.64
$5.60	882	4.76	5.60	699	5.60
$10.89 – $12.53	1,289	4.39	11.76	1,289	11.76
$12.54 – $13.61	1,214	4.52	13.32	1,209	13.32
$14.40 – $14.99	26	7.15	14.69	15	14.85
$15.33	974	5.77	15.33	638	15.33
$15.43 – $16.41	1,220	6.82	16.03	1,220	16.03
$16.52 – $20.86	1,343	4.92	18.98	1,339	18.98
$21.43 – $25.07	585	2.26	22.43	582	22.42
$25.13 – $34.52	1,232	6.49	25.96	731	26.26
Total	8,768		$ 16.17	7,725	$ 15.85

13. Commitments and Contingencies

Total rental expense under operating leases was $34,621,000, $27,652,000, and $22,994,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

Future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows: 2004 – $24,106,000; 2005 – $17,961,000; 2006 – $14,818,000; 2007 – $12,735,000; 2008 – $2,039,000; and thereafter – $3,591,000.

Environmental Matters

The Company is subject to various federal, state, local and foreign laws and regulations governing environmental matters, including the use, discharge and disposal of hazardous materials. The Company's manufacturing facilities are believed to be in substantial compliance with current laws and regulations. Complying with current laws and regulations has not had a material adverse effect on the Company's financial condition.

The Company has engaged environmental consultants and attorneys to assist management in evaluating potential liabilities related to environmental matters. Management assesses the input from these consultants along with other information known to the Company in its effort to continually monitor these potential liabilities. Management assesses its environmental exposure on a site-by-site basis, including those sites where the Company has been named as a "potentially responsible party." Such assessments include the Company's share of remediation costs, information known to the Company concerning the size of the hazardous waste sites, their years of operation and the number of past users and their financial viability.

As part of the acquisition of General Semiconductor by Vishay on November 2, 2001, the Company assumed ongoing environmental matters. The Company has accrued $18,700,000 as of December 31, 2003 for environmental matters relating to ongoing environmental matters at its General Semiconductor subsidiary, which it acquired in November 2001. This accrual does not include potential liability in connection with litigation relating to a former facility of General Semiconductor in Hicksville, New York, as to which the Company does not believe it is currently able to reasonably estimate the amount of any potential liability. As part of the acquisition of BCcomponents in 2002, the Company has recorded environmental liabilities of $8,400,000. The Company has also accrued approximately $5,600,000 at December 31, 2003 for other environmental matters, primarily at its Vitramon subsidiary in the United States. The liabilities recorded for these matters total $32,700,000, of which $9,200,000 is included in other accrued liabilities on the consolidated balance sheet, and $23,500,000 is included in other non-current liabilities on the consolidated balance sheet.

While the ultimate outcome of these matters cannot be determined, management does not believe that the final disposition of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows beyond the amounts previously provided for in the consolidated financial statements. The Company's present and past facilities have been in operation for many years, and over that time in the course of those operations, such facilities have used substances which are or might be considered hazardous, and the Company has generated and disposed of wastes which are or might be considered hazardous. Therefore, it is possible that additional environmental issues may arise in the future, which the Company cannot now predict.

Litigation

The Company is a party to various claims and lawsuits arising in the normal course of business. The Company is of the opinion that these litigations or claims will not have a material negative effect on its consolidated financial position, results of operations, or cash flows.

14. 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, 2003 and 2002, 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, 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. As of December 31, 2002, five of these six agreements had been terminated. The final agreement expired in 2003. At December 31, 2002 and 2001, the Company paid a weighted average fixed rate of 5.77%, and received a weighted average variable rate of 1.40%, and 1.93%, respectively. The fair value of the interest rate swap agreements, based on current market rates, approximated a net payable of $3,309,000 at December 31, 2002. During the year ended December 31, 2003, the Company had a pretax gain of $3,783,000 related to the expiration of the final swap agreement. During the years ended December 31, 2002 and 2001, the Company recorded pretax losses of $115,000 and $3,668,000, respectively, relating to interest rate swap agreements that were ineffective hedges. See Note 8.

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

The carrying amounts of cash and cash equivalents, accounts receivable, and notes payable reported in the consolidated balance sheets approximate their fair values. The fair value of the long-term debt is approximately $1,084,000,000, as compared to its carrying value of $837,888,000. The fair value of long-term debt was estimated based on trading prices and market prices of debt with similar terms and features.

15. Current Vulnerability Due to Certain Concentrations

Market Concentrations

A material portion of the Company's revenues is 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, 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.

Many of Vishay's products require the use of raw materials that are produced in only a limited number of regions around the world or are available from only a limited number of suppliers. Vishay's consolidated results of operations may be materially and adversely affected if Vishay has difficulty obtaining these raw materials, the quality of available raw materials deteriorates or there are significant price increases for these raw materials. For example, the prices for tantalum and palladium, two raw materials that Vishay uses in its capacitors, are subject to fluctuation. For periods in which the prices of these raw materials are rising, Vishay may be unable to pass on the increased cost to Vishay's customers, which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, Vishay may be required to write down its inventory carrying cost of these raw materials which, depending on the extent of the difference between market price and its carrying cost, could have a material adverse effect on Vishay's net earnings.

Vishay is a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Due to the strong demand for its tantalum capacitors and difficulty in obtaining sufficient quantities of tantalum powder from its suppliers, Vishay stockpiled tantalum ore in 2000 and early 2001. During 2001, Vishay and its competitors experienced a significant decline in the tantalum capacitor business. The market prices for tantalum also decreased significantly during 2002 and 2003. As a result, Vishay recorded, in costs of products sold, write-downs of $5,406,000, $25,700,000, and $52,000,000, respectively, to reduce tantalum inventories on hand to market value during the years ended December 31, 2003, 2002, and 2001, respectively. The net book value of tantalum inventories was $95,432,000 and $49,609,000 at December 31, 2003 and 2002, respectively. Amounts in excess of a one-year supply are included in non-current assets. At December 31, 2003, other assets included $28,724,000 of tantalum inventories in excess of quantities expected to be used within one year. The Company also recorded losses on future purchase commitments for tantalum of $11,392,000 and $106,000,000 for the years ended December 31, 2003 and 2002, respectively. Vishay's purchase commitments were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. As a result of purchases during 2003, the accrual for these purchase commitments decreased by approximately $28,000,000. The balance of the purchase commitment liability at December 31, 2003 and 2002 was approximately $89,400,000 and $106,000,000, respectively. The purchase commitment liability expected to be utilized within one year of $31,675,000 and $25,334,000 at December 31, 2003 and 2002, respectively, is recorded in other accrued expenses on the consolidated balance sheets. The remaining purchase commitment liability is recorded in other liabilities on the consolidated balance sheets. If the downward pricing trend were to continue, the Company could again be required to write down the carrying value of its tantalum inventory and record additional losses on its long-term purchase commitments.

15. Current Vulnerability Due to Certain Concentrations (continued)

The Company is obligated to make purchases of tantalum of approximately $103,800,000 in 2004; $116,600,000 in 2005, and $60,100,000 in 2006. The Company purchased $107,906,000, $53,280,000, and $23,395,000, under these contracts during the years ended December 31, 2003, 2002, and 2001, respectively. As long as Vishay is in compliance with its purchase obligations under the Cabot contracts, its minimum purchase commitments will not increase. If Vishay were to default under its commitments, then the minimum requirements would revert to the quantities specified in the contracts prior to their modification in July 2002, and increase to $147,600,000 in 2004, $149,300,000 in 2005, and $81,300,000 in 2006. Vishay believes that the likelihood that it would default on its obligations under the contracts is remote.

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity product that is subject to price volatility. The price of palladium has fluctuated in the range of approximately $148 to $1,090 per troy ounce during the last three years. As of December 31, 2003, the price of palladium was approximately $195 per troy ounce. During the years ended December 31, 2003, 2002, and 2001, respectively, the Company recorded in costs of products sold write-downs of $1,585,000, $1,700,000, and $18,000,000, respectively, to reduce palladium inventories on hand to market value. The net book value of palladium inventories was $4,384,000 and $5,644,000 at December 31, 2003 and 2002, respectively.

From time to time, there have been short-term market shortages of raw material utilized by Vishay. While these shortages have not historically adversely affected Vishay's ability to increase production of products containing tantalum and palladium, they have historically resulted in higher raw material cost for Vishay. Vishay cannot assure that any of these market shortages in the future would not adversely affect Vishay's ability to increase production, particularly during periods of growing demand for Vishay's products.

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.

16. 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, motor control integrated circuits, optoelectronic components and IRDCs. The Company evaluates business segment performance on operating income, exclusive of certain items. Management believes that evaluating segment performance excluding items such as restructuring, inventory write-downs, losses on purchase commitments, losses on early extinguishment of debt, gains on insurance proceeds, write-offs of in-process research and development, and other charges is meaningful because its provides insight with respect to ongoing operating results.

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 Passives reflect the acquisitions of BCcomponents as of December 31, 2002, Celtron as of October 1, 2002, BLH/Nobel as of August 1, 2002, Tedea-Huntleigh BV as of June 1, 2002, and Sensortronics as of January 31, 2002. The operating results of Actives reflect the acquisitions of Infineon Malaysia optoelectronic infrared components business as of December 31, 2001, General Semiconductor as of November 2, 2001, and Infineon U.S. optoelectronic infrared components business as of July 27, 2001. 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 and equipment, and certain other assets.

Business segment information	**2003**	**2002**	**2001**
		(In thousands)	
Net sales:			
Passives	**$ 1,104,856**	$ 767,246	$ 1,010,634
Actives	**1,065,741**	1,055,567	644,712
	$ 2,170,597	$ 1,822,813	$ 1,655,346
Operating income (loss):			
Passives	**$ 6,776**	$ (61,317)	$ 60,137
Actives	**114,498**	139,140	65,181
Corporate	**(22,350)**	(20,801)	(21,970)
Restructuring and severance costs	**(29,560)**	(30,970)	(61,908)
Purchased research and development	**–**	–	(16,000)
Loss on long-term purchase commitments	**(11,392)**	(106,000)	–
Amortization of goodwill	**–**	–	(11,190)
	$ 57,972	$ (79,948)	$ 14,250
Restructuring and severance costs:			
Passives	**$ 26,288**	$ 30,049	$ 57,498
Actives	**3,272**	921	4,410
	$ 29,560	$ 30,970	$ 61,908

16. Business Segment and Geographic Area Data (continued)

	2003	2002	2001
		(In thousands)	
Depreciation expense:			
Passives	**$ 90,133**	$ 80,084	$ 83,735
Actives	**85,821**	87,609	61,238
Corporate	**4,752**	4,481	4,252
	$ 180,706	$ 172,174	$ 149,225
Interest expense:			
Passives	**$ 2,977**	$ 963	$ 680
Actives	**7,452**	10,545	1,988
Corporate	**27,402**	17,253	14,180
	$ 37,831	$ 28,761	$ 16,848
Income tax provision (benefit):			
Passives	**$ 6,422**	$ (33,674)	$ (2,912)
Actives	**15,133**	21,286	11,862
Corporate	**(10,027)**	(4,512)	(3,255)
	$ 11,528	$ (16,900)	$ 5,695
Total assets:			
Passives	**$ 2,170,105**	$ 2,125,443	
Actives	**2,280,737**	2,046,944	
Corporate	**121,671**	142,772	
	$ 4,572,513	$ 4,315,159	
Capital expenditures:			
Passives	**$ 53,500**	$ 45,105	$ 91,028
Actives	**72,051**	62,933	68,463
Corporate	**1,084**	2,036	3,002
	$ 126,635	$ 110,074	$ 162,493

16. Business Segment and Geographic Area Data (continued)

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

	2003	2002	2001
		(In thousands)	
Geographic area information			
Net sales:			
United States	**$ 444,952**	$ 482,154	$ 638,326
Germany	**534,019**	382,932	452,839
Asia Pacific	**595,241**	542,859	315,550
France	**156,124**	69,635	85,046
Israel	**130,852**	75,238	32,646
Other	**309,409**	269,995	130,939
	$ 2,170,597	$ 1,822,813	$ 1,655,346
Property and equipment – net:			
United States	**$ 255,928**	$ 307,783	
Germany	**152,722**	154,288	
Israel	**312,632**	328,315	
Asia Pacific	**278,109**	253,937	
France	**38,200**	37,687	
Other	**182,204**	192,840	
	$ 1,219,795	$ 1,274,850	

17. Earnings (Loss) per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings (loss) 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 1997 and 1998 stock option plans (see Note 12), stock options assumed in the acquisition of General Semiconductor (see Notes 2 and 12), and other potentially dilutive securities.

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

	Year ended December 31		
	2003	**2002**	**2001**
Numerator			
Numerator for basic earnings (loss) per share – net earnings (loss)	**$ 26,842**	$ (92,614)	$ 513
Denominator			
Denominator for basic earnings (loss) per share – weighted average shares outstanding	**159,631**	159,413	141,171
Effect of dilutive securities:			
Employee stock options	**729**	–	1,201
Other	**83**	–	142
Dilutive potential common shares	**812**	–	1,343
Denominator for diluted earnings (loss) per share – adjusted weighted average shares	**160,443**	159,413	142,514
Basic earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00
Diluted earnings (loss) per share	**$ 0.17**	$ (0.58)	$ 0.00

17. Earnings (Loss) per Share (continued)

Diluted earnings per share do not reflect the following, as the effect would be antidilutive for the periods presented:

- Assumed conversion of the Company's LYONs, due 2021. At December 31, 2002 and 2001, these notes were convertible into 9,717,730 shares of the Company's common stock. As described in Note 6, the Company repurchased some of these notes during 2003. At December 31, 2003, the outstanding notes are convertible into approximately 6,802,000 shares of the Company's common stock.
- Assumed conversion of the convertible subordinated notes of General Semiconductor, acquired November 2, 2001. At December 31, 2002 and 2001, these notes were convertible into 6,191,161 shares of the Company's common stock. As described in Note 6, these notes were fully redeemed on September 10, 2003.
- Assumed exchange of the convertible notes of Vishay from the December 13, 2002 acquisition of BCcomponents, for the years ended December 31, 2003 and 2002. These notes are exchangeable for 6,176,471 shares of the Company's common stock.
- Weighted average outstanding warrants of 7,074,000 and 435,000, for the years ended December 31, 2003 and 2002, respectively. The warrants were issued on December 13, 2002 in connection with the acquisition of BCcomponents.
- Weighted average outstanding stock options for the years ended December 31, 2003, 2002, and 2001, to purchase 5,663,000 shares, 9,231,000 shares, and 1,164,000 shares, respectively, of common stock.
- Assumed conversion of the Company's 3-5/8% convertible subordinated notes, due 2023. As described in Note 6, the Company issued subordinated notes in the third quarter of 2003, which are convertible into 23,496,250 shares of common stock upon the occurrence of certain events.

18. Related Party Transactions

On December 12, 2002, the Company's Board of Directors passed resolutions to terminate the stock purchase programs for corporate officers and key employees (together the "Plan") and to offer to all Plan participants the opportunity to surrender to the Company the shares of Vishay common stock purchased with their Plan loans in satisfaction of such loans and all accrued interest thereon. Under the resolutions, the Company agreed that it would compensate the Plan participants for any income tax that the participants are required to recognize as a result of the surrender. Two directors of the Company are among the participants in the Plan. For all Plan participants, the current market value of the Vishay common stock purchased with Plan loans is significantly below the outstanding balances of the loans. The Company recorded a write-down for the loans and accrued interest, and an accrual for compensation expense attributable to taxes owing by Plan participants on surrender, totaling $2,591,000 as of December 31, 2002. This amount was recorded in selling, general, and administrative expense in 2002.

19. Summary of Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 2003 and 2002 is as follows *(in thousands, except per share amounts)*:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2003[4][10]	**2002[1][5]**	**2003[4][11]**	**2002[1][6]**	**2003[4][12]**	**2002[1][2][7]**	**2003[4][13]**	**2002[1][2][3][8]**	**2003[4][14]**	**2002[1][2][3][9]**
Net sales	**$ 532,127**	$ 434,140	**$ 538,103**	$ 457,877	**$ 533,168**	$ 471,419	**$ 567,199**	$ 459,377	**$2,170,597**	$1,822,813
Gross profit	**118,510**	86,937	**123,299**	107,565	**102,463**	107,227	**124,666**	(39,456)	**468,938**	262,273
Net earnings (loss)	**6,848**	2,420	**2,880**	15,617	**6,775**	13,114	**10,339**	(123,765)	**26,842**	(92,614)
Basic earnings (loss) per share	**$ 0.04**	$ 0.02	**$ 0.02**	$ 0.10	**$ 0.04**	$ 0.08	**$ 0.06**	$ (0.78)	**$ 0.17**	$ (0.58)
Diluted earnings (loss) per share	**$ 0.04**	$ 0.02	**$ 0.02**	$ 0.10	**$ 0.04**	$ 0.08	**$ 0.06**	$ (0.78)	**$ 0.17**	$ (0.58)

(1) Includes the results of Sensortronics from January 31, 2002.
(2) Includes the results of Tedea-Huntleigh from July 1, 2002 and BLH and Nobel from August 1, 2002.
(3) Includes the results of Celtron from October 1, 2002.
(4) Includes the results of BCcomponents, acquired December 13, 2002.
(5) Includes restructuring and severance costs of $3,024,000.
(6) Includes restructuring and severance costs of $1,907,000.
(7) Includes restructuring and severance costs of $2,567,000 and write-down of palladium inventory of $600,000.
(8) Includes restructuring and severance costs of $23,472,000, losses of future purchase commitments of $106,000,000, and write-downs of tantalum and palladium inventories of $25,700,000 and $1,100,000, respectively.
(9) Includes restructuring and severance costs of $30,970,000, losses of future purchase commitments of $106,000,000, and write-downs of tantalum and palladium inventories of $25,700,000 and $1,700,000, respectively.
(10) Includes restructuring and severance costs of $687,000.
(11) Includes restructuring and severance costs of $12,258,000.
(12) Includes restructuring and severance costs of $6,313,000, losses on future purchase commitments of $11,392,000, write-down of tantalum inventory of $4,185,000, loss on extinguishment of debt of $9,910,000, and gain on insurance claim of $30,361,000.
(13) Includes restructuring and severance costs of $10,302,000, write-down of tantalum inventory of $1,221,000, and gain on insurance claim of $3,545,000.
(14) Includes restructuring and severance costs of $29,560,000, losses on future purchase commitments of $11,392,000, write-downs of tantalum inventory of $5,406,000, loss on extinguishment of debt of $9,910,000, and gain on insurance claim of $33,906,000.

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VISHAY INTERTECHNOLOGY, INC.

Corporate Headquarters
Vishay Intertechnology, Inc.
63 Lincoln Highway
Malvern, PA 19355-2143 USA
Phone 610-644-1300
Fax 610-296-0657
www.vishay.com

CORPORATE OFFICERS

Dr. Felix Zandman
Chairman of the Board
Chief Executive Officer

Dr. Gerald Paul
President
Chief Operating Officer

Marc Zandman
Vice Chairman of the Board
Group Vice President, Measurements Group
President, Vishay Israel Ltd.

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

Robert A. Freece
Executive Vice President

Ziv Shoshani
Executive Vice President, Resistor Group

William J. Spires
Vice President, Secretary

William M. Clancy
Vice President
Assistant Secretary

Steven Klausner
Vice President
Assistant Treasurer

ANNUAL MEETING

May 12, 2004 at 10:30 a.m.
Four Seasons Hotel
South Ballroom
Lobby Level
One Logan Square
Philadelphia, PA 19103

BOARD OF DIRECTORS

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

Marc Zandman
Vice Chairman of the Board
Group Vice President, Measurements Group
President, Vishay Israel Ltd.
Vishay Intertechnology, Inc.

Philippe Gazeau
Investor

Zvi Grinfas
Investor

Eliyahu Hurvitz
Chairman of the Board
Teva Pharmaceutical Industries, Ltd.

Dr. Abraham Ludomirski
Founder and Managing Director of
Vitalife Fund

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

Ziv Shoshani
Executive Vice President, Resistor Group
Vishay Intertechnology, Inc.

Mark I. Solomon
Founder and Chairman
CMS Companies

Jean-Claude Tiné
Investor

Ruta Zandman
Public Relations Associate
Vishay Intertechnology, Inc.

HONORARY CHAIRMAN OF THE BOARD

Alfred P. Slaner
(Deceased March 14, 1996)

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
Executive 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 Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Securities and Exchange Commission, is included in this report and may also be obtained by shareholders without charge by writing to the Investor Relations Department, Vishay Intertechnology, Inc., 63 Lincoln Highway, Malvern, PA 19355-2143 or through Vishay's website at www.vishay.com.

VSH Listed NYSE

VISHAY INTERTECHNOLOGY, INC.

CORPORATE HEADQUARTERS
63 Lincoln Highway
Malvern, PA 19355-2143
United States
Phone (610) 644-1300
Fax (610) 296-0657

www.vishay.com