

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **October 1, 2022**

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

For the transition period from _____ to _____

Commission File Number 011-07416

Vishay Intertechnology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

38-1686453

(I.R.S. Employer Identification Number)

**63 Lancaster Avenue
Malvern, Pennsylvania 19355-2143**

(Address of Principal Executive Offices)

610-644-1300

(Registrant's Area Code and Telephone Number)

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

Title of each class	Trading symbol	Name of exchange on which registered
Common stock, par value \$0.10 per share	VSH	New York Stock Exchange LLC

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.)

Yes No

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

Large Accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

As of October 31, 2022 the registrant had 129,567,743 shares of its common stock (excluding treasury shares) and 12,097,148 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.

FORM 10-Q
 October 1, 2022
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Balance Sheets

(In thousands)

	<u>October 1,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 734,992	\$ 774,108
Short-term investments	182,646	146,743
Accounts receivable, net	425,630	396,458
Inventories:		
Finished goods	164,252	147,293
Work in process	252,492	226,496
Raw materials	199,133	162,711
Total inventories	<u>615,877</u>	<u>536,500</u>
Prepaid expenses and other current assets	151,144	156,689
Total current assets	<u>2,110,289</u>	<u>2,010,498</u>
Property and equipment, at cost:		
Land	74,118	74,646
Buildings and improvements	617,784	639,879
Machinery and equipment	2,743,049	2,758,262
Construction in progress	167,336	145,828
Allowance for depreciation	<u>(2,613,506)</u>	<u>(2,639,136)</u>
Property and equipment, net	988,781	979,479
Right of use assets	118,676	117,635
Deferred income taxes	85,288	95,037
Goodwill	163,567	165,269
Other intangible assets, net	59,918	67,714
Other assets	94,027	107,625
Total assets	<u>\$ 3,620,546</u>	<u>\$ 3,543,257</u>

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Balance Sheets (continued)

(In thousands)

	October 1, 2022	December 31, 2021
	(Unaudited)	
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$ 223,898	\$ 254,049
Payroll and related expenses	164,303	162,694
Lease liabilities	23,650	23,392
Other accrued expenses	220,542	218,089
Income taxes	84,571	35,443
Total current liabilities	<u>716,964</u>	<u>693,667</u>
Long-term debt less current portion	458,120	455,666
U.S. transition tax payable	83,010	110,681
Deferred income taxes	52,382	69,003
Long-term lease liabilities	95,747	99,987
Other liabilities	84,575	95,861
Accrued pension and other postretirement costs	229,467	271,672
Total liabilities	<u>1,720,265</u>	<u>1,796,537</u>
Equity:		
Vishay stockholders' equity		
Common stock	13,291	13,271
Class B convertible common stock	1,210	1,210
Capital in excess of par value	1,351,470	1,347,830
Retained earnings	714,588	401,694
Treasury stock (at cost)	(54,671)	-
Accumulated other comprehensive income (loss)	(129,093)	(20,252)
Total Vishay stockholders' equity	<u>1,896,795</u>	<u>1,743,753</u>
Noncontrolling interests	3,486	2,967
Total equity	<u>1,900,281</u>	<u>1,746,720</u>
Total liabilities and equity	<u>\$ 3,620,546</u>	<u>\$ 3,543,257</u>

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Fiscal quarters ended	
	October 1, 2022	October 2, 2021
Net revenues	\$ 924,798	\$ 813,663
Costs of products sold	635,260	587,927
Gross profit	289,538	225,736
Selling, general, and administrative expenses	106,436	102,215
Operating income	183,102	123,521
Other income (expense):		
Interest expense	(4,110)	(4,427)
Other	2,137	(2,679)
Total other income (expense)	(1,973)	(7,106)
Income before taxes	181,129	116,415
Income tax expense	40,566	19,333
Net earnings	140,563	97,082
Less: net earnings attributable to noncontrolling interests	502	262
Net earnings attributable to Vishay stockholders	\$ 140,061	\$ 96,820
Basic earnings per share attributable to Vishay stockholders	\$ 0.98	\$ 0.67
Diluted earnings per share attributable to Vishay stockholders	\$ 0.98	\$ 0.67
Weighted average shares outstanding - basic	142,887	145,017
Weighted average shares outstanding - diluted	143,447	145,458
Cash dividends per share	\$ 0.100	\$ 0.095

See accompanying notes.

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

	Fiscal quarters ended	
	October 1, 2022	October 2, 2021
Net earnings	\$ 140,563	\$ 97,082
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	1,321	1,850
Foreign currency translation adjustment	(50,070)	(17,242)
Other comprehensive income (loss)	(48,749)	(15,392)
Comprehensive income	91,814	81,690
Less: comprehensive income attributable to noncontrolling interests	502	262
Comprehensive income attributable to Vishay stockholders	\$ 91,312	\$ 81,428

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Nine fiscal months ended	
	October 1, 2022	October 2, 2021
Net revenues	\$ 2,642,103	\$ 2,397,415
Costs of products sold	1,832,234	1,739,458
Gross profit	809,869	657,957
Selling, general, and administrative expenses	329,691	311,800
Operating income	480,178	346,157
Other income (expense):		
Interest expense	(12,639)	(13,246)
Other	(2,234)	(12,159)
Total other income (expense)	(14,873)	(25,405)
Income before taxes	465,305	320,752
Income tax expense	108,023	58,646
Net earnings	357,282	262,106
Less: net earnings attributable to noncontrolling interests	1,260	659
Net earnings attributable to Vishay stockholders	\$ 356,022	\$ 261,447
Basic earnings per share attributable to Vishay stockholders	\$ 2.47	\$ 1.80
Diluted earnings per share attributable to Vishay stockholders	\$ 2.46	\$ 1.80
Weighted average shares outstanding - basic	143,983	145,000
Weighted average shares outstanding - diluted	144,470	145,455
Cash dividends per share	\$ 0.300	\$ 0.285

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Statements of Comprehensive Income

(Unaudited - In thousands)

	Nine fiscal months ended	
	October 1, 2022	October 2, 2021
Net earnings	\$ 357,282	\$ 262,106
Other comprehensive income (loss), net of tax		
Pension and other post-retirement actuarial items	4,245	5,734
Foreign currency translation adjustment	<u>(113,086)</u>	<u>(34,906)</u>
Other comprehensive income (loss)	<u>(108,841)</u>	<u>(29,172)</u>
Comprehensive income	<u>248,441</u>	<u>232,934</u>
Less: comprehensive income attributable to noncontrolling interests	1,260	659
Comprehensive income attributable to Vishay stockholders	<u>\$ 247,181</u>	<u>\$ 232,275</u>

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

	Nine fiscal months ended	
	October 1, 2022	October 2, 2021
Operating activities		
Net earnings	\$ 357,282	\$ 262,106
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	121,301	125,095
(Gain) loss on disposal of property and equipment	(372)	(254)
Inventory write-offs for obsolescence	18,197	14,960
Deferred income taxes	8,843	(4,208)
Other	4,272	8,376
Change in U.S. transition tax liability	(14,757)	(14,757)
Change in repatriation tax liability	(25,201)	-
Net change in operating assets and liabilities	(151,773)	(80,866)
Net cash provided by operating activities	<u>317,792</u>	<u>310,452</u>
Investing activities		
Capital expenditures	(172,175)	(118,156)
Proceeds from sale of property and equipment	472	1,257
Purchase of short-term investments	(182,079)	(55,491)
Maturity of short-term investments	132,892	126,171
Other investing activities	(199)	347
Net cash used in investing activities	<u>(221,089)</u>	<u>(45,872)</u>
Financing activities		
Repurchase of convertible debt instruments	-	(300)
Dividends paid to common stockholders	(39,433)	(37,823)
Dividends paid to Class B common stockholders	(3,629)	(3,448)
Repurchase of common stock held in treasury	(54,671)	-
Distributions to noncontrolling interests	(741)	(800)
Cash withholding taxes paid when shares withheld for vested equity awards	(2,123)	(1,963)
Net cash used in financing activities	<u>(100,597)</u>	<u>(44,334)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(35,222)</u>	<u>(8,360)</u>
Net increase (decrease) in cash and cash equivalents	<u>(39,116)</u>	<u>211,886</u>
Cash and cash equivalents at beginning of period	<u>774,108</u>	<u>619,874</u>
Cash and cash equivalents at end of period	<u>\$ 734,992</u>	<u>\$ 831,760</u>

See accompanying notes.

VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Equity

(Unaudited - In thousands, except share and per share amounts)

	<u>Common Stock</u>	<u>Class B Convertible Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Vishay Stockholders' Equity</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance at December 31, 2020	\$ 13,256	\$ 1,210	\$1,409,200	\$ 138,990	\$ 13,559	\$ 1,576,215	\$ 2,800	\$1,579,015
Cumulative effect of accounting change for adoption of ASU 2020-06	-	-	(66,078)	20,566	-	(45,512)	-	(45,512)
Net earnings	-	-	-	71,435	-	71,435	208	71,643
Other comprehensive income (loss)	-	-	-	-	(25,085)	(25,085)	-	(25,085)
Issuance of stock and related tax withholdings for vested restricted stock units (149,722 shares)	15	-	(1,978)	-	-	(1,963)	-	(1,963)
Dividends declared (\$0.095 per share)	-	-	20	(13,777)	-	(13,757)	-	(13,757)
Stock compensation expense	-	-	4,120	-	-	4,120	-	4,120
Balance at April 3, 2021	\$ 13,271	\$ 1,210	\$1,345,284	\$ 217,214	\$ (11,526)	\$ 1,565,453	\$ 3,008	\$1,568,461
Net earnings	-	-	-	93,192	-	93,192	189	93,381
Other comprehensive income	-	-	-	-	11,305	11,305	-	11,305
Distributions to noncontrolling interests	-	-	-	-	-	-	(800)	(800)
Dividends declared (\$0.095 per share)	-	-	20	(13,777)	-	(13,757)	-	(13,757)
Stock compensation expense	-	-	828	-	-	828	-	828
Balance at July 3, 2021	\$ 13,271	\$ 1,210	\$1,346,132	\$ 296,629	\$ (221)	\$ 1,657,021	\$ 2,397	\$1,659,418
Net earnings	-	-	-	96,820	-	96,820	262	97,082
Other comprehensive income (loss)	-	-	-	-	(15,392)	(15,392)	-	(15,392)
Dividends declared (\$0.095 per share)	-	-	20	(13,777)	-	(13,757)	-	(13,757)
Stock compensation expense	-	-	828	-	-	828	-	828
Balance at October 2, 2021	\$ 13,271	\$ 1,210	\$1,346,980	\$ 379,672	\$ (15,613)	\$ 1,725,520	\$ 2,659	\$1,728,179

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Equity (continued)

(Unaudited - In thousands, except share and per share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Vishay Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2021	\$ 13,271	\$ 1,210	\$1,347,830	\$ 401,694	\$ -	\$ (20,252)	\$ 1,743,753	\$ 2,967	\$1,746,720
Net earnings	-	-	-	103,573	-	-	103,573	377	103,950
Other comprehensive income (loss)	-	-	-	-	-	(11,925)	(11,925)	-	(11,925)
Issuance of stock and related tax withholdings for vested restricted stock units (189,731 shares)	19	-	(2,142)	-	-	-	(2,123)	-	(2,123)
Dividends declared (\$0.10 per share)	-	-	22	(14,491)	-	-	(14,469)	-	(14,469)
Stock compensation expense	-	-	3,842	-	-	-	3,842	-	3,842
Repurchase of common stock held in treasury (513,227 shares)	-	-	-	-	(9,873)	-	(9,873)	-	(9,873)
Balance at April 2, 2022	\$ 13,290	1,210	1,349,552	490,776	(9,873)	(32,177)	1,812,778	3,344	1,816,122
Net earnings	-	-	-	112,388	-	-	112,388	381	112,769
Other comprehensive income (loss)	-	-	-	-	-	(48,167)	(48,167)	-	(48,167)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(733)	(733)
Issuance of stock and related tax withholdings for vested restricted stock units (11,308 shares)	1	-	(1)	-	-	-	-	-	-
Dividends declared (\$0.10 per share)	-	-	22	(14,361)	-	-	(14,339)	-	(14,339)
Stock compensation expense	-	-	1,047	-	-	-	1,047	-	1,047
Repurchase of common stock held in treasury (1,400,039 shares)	-	-	-	-	(26,288)	-	(26,288)	-	(26,288)
Balance at July 2, 2022	\$ 13,291	1,210	1,350,620	588,803	(36,161)	(80,344)	1,837,419	2,992	1,840,411
Net earnings	-	-	-	140,061	-	-	140,061	502	140,563
Other comprehensive income (loss)	-	-	-	-	-	(48,749)	(48,749)	-	(48,749)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(8)	(8)
Dividends declared (\$0.10 per share)	-	-	22	(14,276)	-	-	(14,254)	-	(14,254)
Stock compensation expense	-	-	828	-	-	-	828	-	828
Repurchase of common stock held in treasury (978,338 shares)	-	-	-	-	(18,510)	-	(18,510)	-	(18,510)
Balance at October 1, 2022	\$ 13,291	1,210	1,351,470	714,588	(54,671)	(129,093)	1,896,795	3,486	1,900,281

See accompanying notes.

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. (“Vishay” or the “Company”) have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. The results of operations for the fiscal quarter and nine fiscal months ended October 1, 2022 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first fiscal quarter, which always begins on January 1, and the fourth fiscal quarter, which always ends on December 31. The four fiscal quarters in 2022 end on April 2, 2022, July 2, 2022, October 1, 2022, and December 31, 2022, respectively. The four fiscal quarters in 2021 ended on April 3, 2021, July 3, 2021, October 2, 2021, and December 31, 2021, respectively.

Reclassifications

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

Note 2 - Acquisition Activities

As part of its growth strategy, the Company seeks to expand through targeted acquisitions of other manufacturers of electronic components. These acquisition targets include businesses 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. It also includes certain businesses that possess technologies which the Company expects to further develop and commercialize.

Subsequent Event

On October 28, 2022, Vishay acquired MaxPower Semiconductor, Inc. (“MaxPower”), a San Jose, California-based fabless power semiconductor provider dedicated to delivering innovative and cost-effective technologies that optimize power management solutions. MaxPower’s proprietary device structures and process techniques provide leading edge silicon and silicon carbide (“SiC”) MOSFET products. Its SiC product development targets automotive and industrial applications.

Vishay paid cash of \$50,000, net of cash acquired, at closing. Related to the transaction, Vishay may also be required to make certain contingent payments of up to \$57,500, which would be payable upon the achievement of certain technology milestones and the occurrence of certain non-operating events. The purchase price for U.S. GAAP purposes will include the fair value, as of the acquisition date, of certain future contingent payments. To the extent contingent payments are deemed compensatory in nature, such payments will be recognized as expense in future periods, and will thus not be included in the U.S. GAAP purchase price.

MaxPower will be incorporated into Vishay’s MOSFETs reportable segment, and the goodwill related to this acquisition will be included in the MOSFETs reporting unit for goodwill impairment testing.

Note 3 – Impact of COVID-19 Pandemic

The Company’s operations in the People’s Republic of China, particularly in Shanghai, were impacted by COVID-19 government mandated shut-downs of the Company’s facilities in the second fiscal quarter of 2022. The Company incurred incremental costs separable from normal operations that are directly related to the shut-downs, primarily wages paid to manufacturing employees during the shut-downs, additional wages and hardship allowances for working during lockdown periods, and temporary housing for employees due to travel restrictions, which were partially offset by government subsidies. The net impact of the costs and subsidies are reported as cost of products sold (\$6,661) and selling, general, and administrative expenses of (\$546) based on employee function on the consolidated condensed statement of operations for the nine fiscal months ended October 1, 2022.

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

Note 4 – Leases

The net right of use assets and lease liabilities recognized on the consolidated condensed balance sheets for the Company's operating leases were as follows:

	<u>October 1, 2022</u>	<u>December 31, 2021</u>
Right of use assets		
<i>Operating Leases</i>		
Buildings and improvements	\$ 114,620	\$ 112,951
Machinery and equipment	4,056	4,684
Total	<u>\$ 118,676</u>	<u>\$ 117,635</u>
Current lease liabilities		
<i>Operating Leases</i>		
Buildings and improvements	\$ 21,395	\$ 20,851
Machinery and equipment	2,255	2,541
Total	<u>\$ 23,650</u>	<u>\$ 23,392</u>
Long-term lease liabilities		
<i>Operating Leases</i>		
Buildings and improvements	\$ 94,023	\$ 97,890
Machinery and equipment	1,724	2,097
Total	<u>\$ 95,747</u>	<u>\$ 99,987</u>
Total lease liabilities	<u>\$ 119,397</u>	<u>\$ 123,379</u>

Lease expense is classified in the statements of operations based on asset use. Total lease cost recognized on the consolidated condensed statements of operations is as follows:

	<u>Fiscal quarters ended</u>		<u>Nine fiscal months ended</u>	
	<u>October 1, 2022</u>	<u>October 2, 2021</u>	<u>October 1, 2022</u>	<u>October 2, 2021</u>
<u>Lease expense</u>				
Operating lease expense	\$ 6,258	\$ 6,170	\$ 19,014	\$ 18,570
Short-term lease expense	212	691	752	1,444
Variable lease expense	119	97	219	290
Total lease expense	<u>\$ 6,589</u>	<u>\$ 6,958</u>	<u>\$ 19,985</u>	<u>\$ 20,304</u>

The Company paid \$18,062 and \$18,000 for its operating leases in the nine fiscal months ended October 1, 2022 and October 2, 2021, respectively, which are included in operating cash flows on the consolidated condensed statements of cash flows. The weighted-average remaining lease term for the Company's operating leases is 8.4 years and the weighted-average discount rate is 5.4% as of October 1, 2022.

The undiscounted future lease payments for the Company's operating lease liabilities are as follows:

	<u>October 1, 2022</u>
2022 (excluding the nine fiscal months ended October 1, 2022)	\$ 5,928
2023	23,302
2024	21,174
2025	18,072
2026	16,004
Thereafter	60,917

The undiscounted future lease payments presented in the table above include payments through the term of the lease, which may include periods beyond the noncancellable term. The difference between the total payments above and the lease liability balance is due to the discount rate used to calculate lease liabilities.

Note 5 – Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the periods ended October 1, 2022 and October 2, 2021 reflect the Company’s expected tax rate on reported income before income tax and tax adjustments. The Company operates in a global environment with significant operations in various jurisdictions outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting the Company’s earnings and the applicable tax rates in the various jurisdictions where the Company operates.

The Company recognized tax benefits of \$5,941 in the third fiscal quarter of 2022 for changes in uncertain tax positions following the resolution of a tax audit.

The Company repatriated \$81,243 to the United States in the second fiscal quarter of 2022 pursuant to the repatriation program initiated in response to a change in Israeli tax law. The Company paid withholding taxes, foreign taxes, and Israeli clawback taxes of \$25,201 due to the repatriation. Tax expense for the repatriation was recorded in 2021 when the tax law was enacted.

During the nine fiscal months ended October 1, 2022, the liabilities for unrecognized tax benefits decreased by \$11,489 on a net basis, primarily due to payments, settlements, and currency translation adjustments, partially offset by accruals for current year tax positions and interest.

Note 6 – Long-Term Debt

Long-term debt consists of the following:

	October 1, 2022	December 31, 2021
Credit facility	\$ -	\$ -
Convertible senior notes, due 2025	465,344	465,344
Deferred financing costs	(7,224)	(9,678)
	458,120	455,666
Less current portion	-	-
	\$ 458,120	\$ 455,666

The following table summarizes some key facts and terms regarding the outstanding convertible senior notes due 2025 as of October 1, 2022:

	Convertible Senior Notes Due 2025
Issuance date	June 12, 2018
Maturity date	June 15, 2025
Principal amount as of October 1, 2022	\$ 465,344
Cash coupon rate (per annum)	2.25%
Nonconvertible debt borrowing rate at issuance (per annum)	5.50%
Conversion rate effective September 8, 2022 (per \$1 principal amount)	32.0259
Effective conversion price effective September 8, 2022 (per share)	\$ 31.22
130% of the current effective conversion price (per share)	\$ 40.59

Prior to December 15, 2024, the holders of the convertible senior notes due 2025 may convert their notes only under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ending September 29, 2018, if 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 product of the sale price of Vishay’s common stock and the conversion rate for a specified period; or (3) upon the occurrence of specified corporate transactions. The convertible senior notes due 2025 are not currently convertible.

Upon conversion of the convertible senior notes due 2025, Vishay will satisfy its conversion obligations by paying \$1 cash per \$1 principal amount of converted notes and settle any additional amounts due in common stock.

The quarterly cash dividend program of the Company results in adjustments to the conversion rate and effective conversion price for the convertible senior notes due 2025 effective as of the ex-dividend date of each cash dividend. The conversion rate and effective conversion price for the convertible senior notes due 2025 is adjusted for quarterly cash dividends to the extent such dividends exceed \$0.085 per share of common stock.

Note 7 - Stockholders' Equity

On February 7, 2022, the Company's Board of Directors adopted a Stockholder Return Policy that will remain in effect until such time as the Board votes to amend or rescind the policy. The Stockholder Return Policy calls for the Company to return a prescribed amount of cash flows on an annual basis. The Company intends to return such amounts directly, in the form of dividends, or indirectly, in the form of stock repurchases.

The following table summarizes activity pursuant to this policy:

	Fiscal quarter ended October 1, 2022	Nine fiscal months ended October 1, 2022
Dividends paid to stockholders	\$ 14,254	\$ 43,062
Stock repurchases	18,510	54,671
Total	<u>\$ 32,764</u>	<u>\$ 97,733</u>

The repurchased shares are being held as treasury stock. The Company records treasury stock at cost, inclusive of fees, commissions and other expenses, when outstanding common shares are repurchased. As of December 31, 2021, no shares of common stock were held as treasury stock. As of October 1, 2022, 2,891,604 shares of common stock are being held as treasury stock.

Note 8 – Revenue Recognition

Sales returns and allowances accrual activity is shown below:

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Beginning balance	\$ 40,775	\$ 41,262	\$ 39,759	\$ 39,629
Sales allowances	33,015	22,850	79,432	68,689
Credits issued	(32,202)	(28,948)	(76,497)	(72,744)
Foreign currency	(849)	(314)	(1,955)	(724)
Ending balance	<u>\$ 40,739</u>	<u>\$ 34,850</u>	<u>\$ 40,739</u>	<u>\$ 34,850</u>

Note 9 – Accumulated Other Comprehensive Income (Loss)

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

	Pension and other post- retirement actuarial items	Currency translation adjustment	Total
Balance at January 1, 2022	\$ (58,908)	\$ 38,656	\$ (20,252)
Other comprehensive income (loss) before reclassifications	-	(113,086)	\$ (113,086)
Tax effect	-	-	\$ -
Other comprehensive income before reclassifications, net of tax	-	(113,086)	\$ (113,086)
Amounts reclassified out of AOCI	6,285	-	\$ 6,285
Tax effect	(2,040)	-	\$ (2,040)
Amounts reclassified out of AOCI, net of tax	4,245	-	\$ 4,245
Net other comprehensive income (loss)	\$ 4,245	\$ (113,086)	\$ (108,841)
Balance at October 1, 2022	<u>\$ (54,663)</u>	<u>\$ (74,430)</u>	<u>\$ (129,093)</u>

Reclassifications of pension and other post-retirement actuarial items out of AOCI are included in the computation of net periodic benefit cost. See Note 10 for further information.

Note 10 – Pensions and Other Postretirement Benefits

The Company maintains various retirement benefit plans. The service cost component of net periodic pension cost is classified in costs of products sold or selling, general, and administrative expenses on the consolidated condensed statements of operations based on the respective employee's function. The other components of net periodic pension cost are classified as other expense on the consolidated condensed statements of operations.

Defined Benefit Pension Plans

The following table shows the components of the net periodic pension cost for the third fiscal quarters of 2022 and 2021 for the Company's defined benefit pension plans:

	Fiscal quarter ended October 1, 2022		Fiscal quarter ended October 2, 2021	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$ -	\$ 1,010	\$ -	\$ 1,167
Interest cost	280	768	254	738
Expected return on plan assets	-	(418)	-	(414)
Amortization of prior service cost	36	50	36	49
Amortization of losses	427	1,140	447	1,851
Curtailement and settlement losses	-	257	-	203
Net periodic benefit cost	<u>\$ 743</u>	<u>\$ 2,807</u>	<u>\$ 737</u>	<u>\$ 3,594</u>

The following table shows the components of the net periodic pension cost for the nine fiscal months ended October 1, 2022 and October 2, 2021 for the Company's defined benefit pension plans:

	Nine fiscal months ended October 1, 2022		Nine fiscal months ended October 2, 2021	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net service cost	\$ -	\$ 3,195	\$ -	\$ 3,548
Interest cost	841	2,433	762	2,246
Expected return on plan assets	-	(1,318)	-	(1,250)
Amortization of prior service cost	108	159	108	150
Amortization of losses	1,280	3,616	1,340	5,622
Curtailement and settlement losses	-	801	-	604
Net periodic benefit cost	<u>\$ 2,229</u>	<u>\$ 8,886</u>	<u>\$ 2,210</u>	<u>\$ 10,920</u>

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Other Postretirement Benefits

The following table shows the components of the net periodic benefit cost for the third fiscal quarters of 2022 and 2021 for the Company's other postretirement benefit plans:

	Fiscal quarter ended October 1, 2022		Fiscal quarter ended October 2, 2021	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 10	\$ 57	\$ 25	\$ 70
Interest cost	45	13	41	10
Amortization of losses	86	20	13	29
Net periodic benefit cost	<u>\$ 141</u>	<u>\$ 90</u>	<u>\$ 79</u>	<u>\$ 109</u>

The following table shows the components of the net periodic pension cost for the nine fiscal months ended October 1, 2022 and October 2, 2021 for the Company's other postretirement benefit plans:

	Nine fiscal months ended October 1, 2022		Nine fiscal months ended October 2, 2021	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 29	\$ 180	\$ 76	\$ 211
Interest cost	134	42	123	32
Amortization of losses	257	64	39	88
Net periodic benefit cost	<u>\$ 420</u>	<u>\$ 286</u>	<u>\$ 238</u>	<u>\$ 331</u>

Note 11 – Stock-Based Compensation

The following table summarizes stock-based compensation expense recognized:

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Restricted stock units	\$ 828	\$ 828	\$ 5,495	5,567
Phantom stock units	-	-	222	209
Total	\$ 828	\$ 828	\$ 5,717	5,776

The following table summarizes unrecognized compensation cost and the weighted average remaining amortization periods at October 1, 2022 (*amortization periods in years*):

	Unrecognized Compensation Cost	Weighted Average Remaining Amortization Periods
Restricted stock units	\$ 4,068	0.8
Phantom stock units	-	n/a
Total	\$ 4,068	

The Company currently expects all performance-based RSUs to vest and all of the associated unrecognized compensation cost for performance-based RSUs presented in the table above to be recognized.

Restricted Stock Units

RSU activity under the Company's 2007 Stock Incentive Program (the "2007 Program") as of October 1, 2022 and changes during the nine fiscal months then ended are presented below (*number of RSUs in thousands*):

	Number of RSUs	Weighted Average Grant-date Fair Value per Unit
Outstanding:		
January 1, 2022	877	\$ 20.08
Granted	336	19.13
Vested*	(306)	20.04
Cancelled or forfeited	(13)	20.50
Outstanding at October 1, 2022	894	\$ 19.73
Expected to vest at October 1, 2022	894	

* The number of RSUs vested includes shares that the Company withheld on behalf of employees to satisfy the statutory tax withholding requirements.

The number of performance-based RSUs that are scheduled to vest increases ratably based on the achievement of defined performance criteria between the established target and maximum levels. RSUs with performance-based vesting criteria are expected to vest as follows (*number of RSUs in thousands*):

Vesting Date	Expected to Vest	Not Expected to Vest	Total
January 1, 2023	152	-	152
January 1, 2024	165	-	165
January 1, 2025	168	-	168

Phantom Stock Units

Phantom stock unit activity under the 2007 Program as of October 1, 2022 and changes during the nine fiscal months then ended are presented below (*number of phantom stock units in thousands*):

	Number of units	Grant-date Fair Value per Unit
Outstanding:		
January 1, 2022	212	
Granted	10	\$ 22.20
Dividend equivalents issued	3	
Outstanding at October 1, 2022	225	

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

Note 12 – Segment Information

The following tables set forth business segment information:

	<u>MOSFETs</u>	<u>Diodes</u>	<u>Optoelectronic Components</u>	<u>Resistors</u>	<u>Inductors</u>	<u>Capacitors</u>	<u>Corporate / Other*</u>	<u>Total</u>
<u>Fiscal quarter ended October 1, 2022:</u>								
Net revenues	\$ 225,186	\$ 209,012	\$ 73,447	\$ 207,437	\$ 83,503	\$ 126,213	\$ -	\$ 924,798
Segment Operating Income	\$ 71,867	\$ 51,368	\$ 22,021	\$ 61,621	\$ 22,585	\$ 25,310	\$ -	\$ 254,772
<u>Fiscal quarter ended October 2, 2021:</u>								
Net revenues	\$ 175,499	\$ 185,306	\$ 70,750	\$ 181,189	\$ 84,816	\$ 116,103	\$ -	\$ 813,663
Segment Operating Income	\$ 43,717	\$ 41,363	\$ 19,708	\$ 43,547	\$ 24,368	\$ 19,913	\$ -	\$ 192,616
<u>Nine fiscal months ended October 1, 2022:</u>								
Net revenues	\$ 556,255	\$ 583,429	\$ 232,399	\$ 627,645	\$ 255,888	\$ 386,487	\$ -	\$ 2,642,103
Segment Operating Income	\$ 164,993	\$ 140,307	\$ 72,575	\$ 183,414	\$ 71,698	\$ 80,330	\$ (6,661)	\$ 706,656
<u>Nine fiscal months ended October 2, 2021:</u>								
Net revenues	\$ 496,659	\$ 517,299	\$ 224,316	\$ 562,513	\$ 253,813	\$ 342,815	\$ -	\$ 2,397,415
Segment Operating Income	\$ 108,434	\$ 106,304	\$ 61,070	\$ 142,288	\$ 75,902	\$ 62,462	\$ -	\$ 556,460

*Amounts reported in Corporate/Other above represent unallocated costs directly related to the COVID-19 pandemic, which are reported as costs of products sold on the consolidated condensed statement of operations.

	<u>Fiscal quarters ended</u>		<u>Nine fiscal months ended</u>	
	<u>October 1, 2022</u>	<u>October 2, 2021</u>	<u>October 1, 2022</u>	<u>October 2, 2021</u>
Reconciliation:				
Segment Operating Income	\$ 254,772	\$ 192,616	\$ 706,656	\$ 556,460
Impact of the COVID-19 Pandemic on Selling, General, and Administrative Expenses	-	-	(546)	-
Unallocated Selling, General, and Administrative Expenses	(71,670)	(69,095)	(225,932)	(210,303)
Consolidated Operating Income	<u>\$ 183,102</u>	<u>\$ 123,521</u>	<u>\$ 480,178</u>	<u>\$ 346,157</u>
Unallocated Other Income (Expense)	(1,973)	(7,106)	(14,873)	(25,405)
Consolidated Income Before Taxes	<u>\$ 181,129</u>	<u>\$ 116,415</u>	<u>\$ 465,305</u>	<u>\$ 320,752</u>

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

The Company has a broad line of products that it sells to OEMs, EMS companies, and independent distributors. The distribution of sales by customer type is shown below:

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Distributors	\$ 536,289	\$ 483,766	\$ 1,549,872	\$ 1,400,700
OEMs	322,260	278,358	908,384	850,413
EMS companies	66,249	51,539	183,847	146,302
Total Revenue	<u>\$ 924,798</u>	<u>\$ 813,663</u>	<u>\$ 2,642,103</u>	<u>\$ 2,397,415</u>

Net revenues were attributable to customers in the following regions:

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Asia	\$ 352,160	\$ 365,133	\$ 1,040,942	\$ 1,034,936
Europe	296,779	263,650	862,728	800,801
Americas	275,859	184,880	738,433	561,678
Total Revenue	<u>\$ 924,798</u>	<u>\$ 813,663</u>	<u>\$ 2,642,103</u>	<u>\$ 2,397,415</u>

The Company generates substantially all of its revenue from product sales to end customers in the industrial, automotive, telecommunications, computing, consumer products, power supplies, military and aerospace, and medical end markets. Sales by end market are presented below:

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Industrial	\$ 362,380	\$ 335,047	\$ 1,050,704	\$ 927,981
Automotive	286,331	240,764	799,504	743,766
Telecommunications	32,288	24,580	92,184	72,438
Computing	52,206	58,703	177,172	183,234
Consumer Products	50,235	43,839	132,090	128,243
Power Supplies	50,822	42,082	132,248	119,373
Military and Aerospace	56,861	40,198	159,062	124,909
Medical	33,675	28,450	99,139	97,471
Total revenue	<u>\$ 924,798</u>	<u>\$ 813,663</u>	<u>\$ 2,642,103</u>	<u>\$ 2,397,415</u>

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

Note 13 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share attributable to Vishay stockholders (*shares in thousands*):

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Numerator:				
Net earnings attributable to Vishay stockholders	\$ 140,061	\$ 96,820	\$ 356,022	\$ 261,447
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	142,663	144,808	143,760	144,792
Outstanding phantom stock units	224	209	223	208
Adjusted weighted average shares	142,887	145,017	143,983	145,000
Effect of dilutive securities:				
Convertible debt instruments	-	-	-	3
Restricted stock units	560	441	487	452
Dilutive potential common shares	560	441	487	455
Denominator for diluted earnings per share:				
Adjusted weighted average shares - diluted	143,447	145,458	144,470	145,455
Basic earnings per share attributable to Vishay stockholders	\$ 0.98	\$ 0.67	\$ 2.47	\$ 1.80
Diluted earnings per share attributable to Vishay stockholders	\$ 0.98	\$ 0.67	\$ 2.46	\$ 1.80

Diluted earnings per share for the periods presented do not reflect the following weighted average potential common shares that would have an antidilutive effect or have unsatisfied performance conditions (*in thousands*):

	Fiscal quarters ended		Nine fiscal months ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Restricted stock units	168	317	278	317

If the average market price of Vishay common stock is less than the effective conversion price of the convertible senior notes due 2025, no shares are included in the diluted earnings per share computation for the convertible senior notes due 2025. Upon Vishay exercising its existing right to legally amend the indenture governing the convertible senior notes due 2025, Vishay will satisfy its conversion obligations by paying \$1 cash per \$1 principal amount of converted notes and settle any additional amounts due in common stock. Accordingly, the notes are not anti-dilutive when the average market price of Vishay common stock is less than the effective conversion price of the convertible senior notes due 2025.

Note 14 – Fair Value Measurements

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
October 1, 2022				
<u>Assets:</u>				
Assets held in rabbi trusts	\$ 46,802	\$ 25,050	\$ 21,752	\$ -
Available for sale securities	\$ 3,317	3,317	-	-
Precious metals	\$ 3,077	3,077	-	-
	<u>\$ 53,196</u>	<u>\$ 31,444</u>	<u>\$ 21,752</u>	<u>\$ -</u>
December 31, 2021				
<u>Assets:</u>				
Assets held in rabbi trusts	\$ 59,687	\$ 32,713	26,974	\$ -
Available for sale securities	\$ 4,455	4,455	-	-
	<u>\$ 64,142</u>	<u>\$ 37,168</u>	<u>\$ 26,974</u>	<u>\$ -</u>

There have been no changes in the classification of any financial instruments within the fair value hierarchy in the periods presented.

The Company maintains non-qualified trusts, referred to as “rabbi” trusts, to fund payments under deferred compensation and non-qualified pension plans. Rabbi trust assets consist primarily of marketable securities, classified as available-for-sale and company-owned life insurance assets. The marketable securities held in the rabbi trusts are valued using quoted market prices on the last business day of the period. The company-owned life insurance assets are valued in consultation with the Company’s insurance brokers using the value of underlying assets of the insurance contracts. The fair value measurement of the marketable securities held in the rabbi trust is considered a Level 1 measurement and the measurement of the company-owned life insurance assets is considered a Level 2 measurement within the fair value hierarchy.

The Company holds investments in debt securities that are intended to fund a portion of its pension and other postretirement benefit obligations outside of the United States. The investments are valued based on quoted market prices on the last business day of the period. The fair value measurement of the investments is considered a Level 1 measurement within the fair value hierarchy.

From time to time, the Company purchases precious metals bullion in excess of its immediate manufacturing needs to mitigate the risk of supply shortages or volatile price fluctuations. The metals are valued based on quoted market prices on the last business day of the period. The fair value measurement of the metals are considered a Level 1 measurement within the fair value hierarchy.

The Company has entered into forward contracts with highly-rated financial institutions to mitigate the foreign currency risk associated with intercompany loans denominated in a currency other than the legal entity's functional currency. The Company had no outstanding forward contracts as of October 1, 2022. The notional amount of the forward contracts was \$100,000 as of December 31, 2021. The forward contracts were short-term in nature and were renewed at the Company's discretion until the intercompany loans were repaid. We did not designate the forward contracts as hedges for accounting purposes, and as such the change in the fair value of the contracts would be recognized in the consolidated condensed statements of operations as a component of other income (expense). The Company estimates the fair value of the forward contracts based on applicable and commonly used pricing models using current market information and was considered a Level 2 measurement within the fair value hierarchy. The value of the forward contracts was immaterial as of December 31, 2021. The Company does not utilize derivatives or other financial instruments for trading or other speculative purposes.

The fair value of the long-term debt, excluding the derivative liabilities and deferred financing costs, at October 1, 2022 and December 31, 2021 is approximately \$435,400 and \$485,500, respectively, compared to its carrying value, excluding the deferred financing costs, of \$465,344 and \$465,344, respectively. The Company estimates the fair value of its long-term debt using a combination of quoted market prices for similar financing arrangements and expected future payments discounted at risk-adjusted rates, which are considered Level 2 inputs.

At October 1, 2022 and December 31, 2021, the Company’s short-term investments were comprised of time deposits with financial institutions that have maturities that exceed 90 days from the date of acquisition; however they all mature within one year from the respective balance sheet dates. The Company's short-term investments are accounted for as held-to-maturity debt instruments, at amortized cost, which approximates their fair value. The investments are funded with excess cash not expected to be needed for operations prior to maturity; therefore, the Company believes it has the intent and ability to hold the short-term investments until maturity. At each reporting date, the Company performs an evaluation to determine if any unrealized losses are other-than-temporary. No other-than-temporary impairments have been recognized on these securities, and there are no unrecognized holding gains or losses for these securities during the periods presented. There have been no transfers to or from the held-to-maturity classification. All decreases in the account balance are due to returns of principal at the securities’ maturity dates. Interest on the securities is recognized as interest income when earned.

At October 1, 2022 and December 31, 2021, the Company’s cash and cash equivalents were comprised of demand deposits, time deposits with maturities of three months or less when purchased, and money market funds. The Company estimates the fair value of its cash, cash equivalents, and short-term investments using level 2 inputs. Based on the current interest rates for similar investments with comparable credit risk and time to maturity, the fair value of the Company's cash, cash equivalents, and held-to-maturity short-term investments approximate the carrying amounts reported in the consolidated condensed balance sheets.

The Company’s financial instruments also include accounts receivable and accounts payable. The carrying amounts for these financial instruments reported in the consolidated condensed balance sheets approximate their fair values.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Vishay's financial condition, results of operations and cash flows by focusing on changes in certain key measures from period to period. The MD&A should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes included in Item 1. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in our Annual Report on Form 10-K, particularly in Item 1A. "Risk Factors," filed with the Securities and Exchange Commission on February 23, 2022.

Overview

Vishay Intertechnology, Inc. ("Vishay," "we," "us," or "our") manufactures one of the world's largest portfolios of discrete semiconductors and passive electronic components that are essential to innovative designs in the automotive, industrial, computing, consumer, telecommunications, military, aerospace, and medical markets.

We operate in six segments based on product functionality: MOSFETs, Diodes, Optoelectronic Components, Resistors, Inductors, and Capacitors.

We are focused on enhancing stockholder value by growing our business and improving earnings per share. Since 1985, we have pursued a business strategy of growth through focused research and development and acquisitions. We plan to continue to grow our business through intensified internal growth supplemented by opportunistic acquisitions, while at the same time maintaining a prudent capital structure. To foster intensified internal growth, we have increased our worldwide R&D and engineering technical staff; we are increasing our technical field sales force in Asia to increase our market access to the industrial segment and increase the design-in of our products in local markets; and we are directing increased funding and focus on developing products to capitalize on the connectivity, mobility, and sustainability growth drivers of our business. We are also investing in additional capital expenditures to expand key product lines. Over the next few years, we expect to experience higher growth rates than over the last decade. This expectation is based upon accelerated electrification, such as factory automation, electrical vehicles, and 5G infrastructure.

In addition to enhancing stockholder value through growing our business, on February 7, 2022, our Board of Directors adopted a Stockholder Return Policy, which calls for us to return at least 70% of free cash flow, net of scheduled principal payments of long-term debt, on an annual basis. See further discussion in "Stockholder Return Policy" below.

Our business and operating results have been and will continue to be impacted by worldwide economic conditions. Our revenues are dependent on end markets that are impacted by consumer and industrial demand, and our operating results can be adversely affected by reduced demand in those global markets. The worldwide economy and, specifically, our business were and continue to be impacted by the COVID-19 pandemic. While the wide-spread economic impact of the COVID-19 pandemic on Vishay was temporary as evidenced by our revenues since the beginning of 2021, similar disruptions have continued to occur on a more limited scale.

Our operations in the People's Republic of China, particularly in Shanghai, were impacted by COVID-19 government mandated shut-downs in the second fiscal quarter of 2022. These manufacturing facilities were temporarily closed and some were operating at levels less than full capacity. We incurred incremental costs separable from normal operations that are directly related to the government mandated shut-downs, primarily wages paid to manufacturing employees during the shut-downs, additional wages and hardship allowances for working during lockdown periods, and temporary housing for employees due to travel restrictions, which were partially offset by government subsidies. The net impact of the costs and subsidies are reported as cost of products sold (\$6.7 million) and selling, general, and administrative expenses (\$0.5 million) based on employee function on the consolidated condensed statement of operations for the nine fiscal months ended October 1, 2022. We exclude from the amounts reported above any expenses incurred outside of the People's Republic of China and all indirect financial changes from the COVID-19 pandemic such as general macroeconomic effects and higher shipping costs due to reduced shipping capacity. In this volatile economic environment, we continue to closely monitor our fixed costs, capital expenditure plans, inventory, and capital resources to respond to changing conditions and to ensure we have the management, business processes, and resources to meet our future needs. We will react quickly and professionally to changes in demand to minimize manufacturing inefficiencies and excess inventory build in periods of decline and maximize opportunities in periods of growth. We have significant liquidity to withstand temporary disruptions in the economic environment.

We utilize several financial metrics, including net revenues, gross profit margin, operating margin, segment operating margin, end-of-period backlog, book-to-bill ratio, inventory turnover, change in average selling prices, net cash and short-term investments (debt), and free cash generation to evaluate the performance and assess the future direction of our business. See further discussion in "Financial Metrics" and "Financial Condition, Liquidity, and Capital Resources" below. Despite ongoing global challenges and further accelerating inflation, net revenues and margins have increased versus the prior fiscal quarter and the prior year quarter. We continue to maximize manufacturing output at all facilities and increase critical manufacturing capacities. Partially due to the resumption of sales in the third fiscal quarter following government mandated shut-downs, the book-to-bill ratios and backlogs have decreased. Average selling prices remain stable after broad increases in prior periods.

Net revenues for the fiscal quarter ended October 1, 2022 were \$924.8 million, compared to \$863.5 million and \$813.7 million for the fiscal quarters ended July 2, 2022 and October 2, 2021, respectively. The net earnings attributable to Vishay stockholders for the fiscal quarter ended October 1, 2022 were \$140.1 million, or \$0.98 per diluted share, compared to \$112.4 million, or \$0.78 per diluted share for the fiscal quarter ended July 2, 2022, and \$96.8 million, or \$0.67 per diluted share for the fiscal quarter ended October 2, 2021.

Net revenues for the nine fiscal months ended October 1, 2022 were \$2,642.1 million, compared to \$2,397.4 million for the nine fiscal months ended October 2, 2021. The net earnings attributable to Vishay stockholders for the nine fiscal months ended October 1, 2022 were \$356.0 million, or \$2.46 per diluted share, compared to \$261.4 million, or \$1.80 per diluted share for the nine fiscal months ended October 2, 2021.

We define adjusted net earnings as net earnings determined in accordance with GAAP adjusted for various items that management believes are not indicative of the intrinsic operating performance of our business. We define free cash as the cash flows generated from continuing operations less capital expenditures plus net proceeds from the sale of property and equipment. The reconciliations below include certain financial measures which are not recognized in accordance with GAAP, including adjusted net earnings, adjusted earnings per share, and free cash. These non-GAAP measures should not be viewed as alternatives to GAAP measures of performance or liquidity. Non-GAAP measures such as adjusted net earnings, adjusted earnings per share, and free cash do not have uniform definitions. These measures, as calculated by Vishay, may not be comparable to similarly titled measures used by other companies. Management believes that adjusted net earnings and adjusted earnings per share are meaningful because they provide insight with respect to our intrinsic operating results. Management believes that free cash is a meaningful measure of our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends. We utilize the free cash metric in defining our Stockholder Return Policy.

The items affecting comparability are (in thousands, except per share amounts):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
GAAP net earnings attributable to Vishay stockholders	\$ 140,061	\$ 112,388	\$ 96,820	\$ 356,022	\$ 261,447
<u>Reconciling items affecting gross income:</u>					
Impact of COVID-19 pandemic	\$ -	\$ 6,661	\$ -	\$ 6,661	\$ -
<u>Other reconciling items affecting operating income:</u>					
Impact of COVID-19 pandemic	\$ -	\$ 546	\$ -	\$ 546	\$ -
<u>Reconciling items affecting tax expense:</u>					
Effects of changes in uncertain tax positions	\$ (5,941)	\$ -	\$ -	\$ (5,941)	\$ -
Effects of changes in valuation allowances	-	-	(5,714)	-	(5,714)
Changes in tax laws and regulations	-	-	-	-	(8,276)
Tax effects of pre-tax items above	-	(1,802)	-	(1,802)	-
Adjusted net earnings	<u>\$ 134,120</u>	<u>\$ 117,793</u>	<u>\$ 91,106</u>	<u>\$ 355,486</u>	<u>\$ 247,457</u>
Adjusted weighted average diluted shares outstanding	143,447	144,397	145,458	144,470	145,455
Adjusted earnings per diluted share	\$ 0.93	\$ 0.82	\$ 0.63	\$ 2.46	\$ 1.70

The following table reconciles gross profit by segment to consolidated gross profit. Direct costs of the COVID-19 pandemic are not allocated to the segments as the chief operating decision maker's evaluation of segment performance does not include these costs.

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
MOSFETs	\$ 83,121	\$ 55,438	\$ 53,868	\$ 197,305	\$ 138,410
Diodes	56,339	53,369	46,756	155,495	122,929
Optoelectronic Components	25,959	26,430	23,810	84,820	73,958
Resistors	68,461	70,532	49,729	204,015	161,631
Inductors	25,692	29,690	26,857	80,231	83,288
Capacitors	29,966	32,425	24,716	94,664	77,741
Unallocated gross profit (loss)	-	(6,661)	-	(6,661)	-
Gross profit	<u>\$ 289,538</u>	<u>\$ 261,223</u>	<u>\$ 225,736</u>	<u>\$ 809,869</u>	<u>\$ 657,957</u>

Although the term "free cash" is not defined in GAAP, each of the elements used to calculate free cash for the year-to-date period is presented as a line item on the face of our consolidated condensed statement of cash flows prepared in accordance with GAAP and the quarterly amounts are derived from the year-to-date GAAP statements as of the beginning and end of the respective quarter.

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net cash provided by continuing operating activities	\$ 209,480	\$ 74,727	\$ 135,669	\$ 317,792	\$ 310,452
Proceeds from sale of property and equipment	95	305	1,023	472	1,257
Less: Capital expenditures	(76,475)	(59,791)	(57,446)	(172,175)	(118,156)
Free cash	<u>\$ 133,100</u>	<u>\$ 15,241</u>	<u>\$ 79,246</u>	<u>\$ 146,089</u>	<u>\$ 193,553</u>

Our results for the fiscal quarters ended October 1, 2022, July 2, 2022, and October 2, 2021 represent the continuation of the favorable business conditions that we have been experiencing. Our percentage of euro-based sales approximates our percentage of euro-based expenses so the foreign currency impact on revenues was substantially offset by the impact on expenses. Our pre-tax results were consistent with expectations based on our business model.

Our free cash results were significantly impacted by a temporary inventory build in 2022, the installment payments of the U.S. transition tax of \$14.8 million in the second fiscal quarters of 2022 and 2021, and \$25.2 million of payments of foreign, withholding, and claw-back cash taxes on foreign earnings in Israel for the net \$81.2 million that was repatriated to the U.S. in the second fiscal quarter of 2022.

Stockholder Return Policy

On February 7, 2022, our Board of Directors adopted a Stockholder Return Policy, which calls for us to return at least 70% of free cash flow, net of scheduled principal payments of long-term debt, on an annual basis. We intend to return such amounts to stockholders directly, in the form of dividends, or indirectly, in the form of stock repurchases.

The following table summarizes activity pursuant to this policy (*in thousands*):

	Fiscal quarter ended October 1, 2022	Nine fiscal months ended October 1, 2022
Dividends paid to stockholders	\$ 14,254	\$ 43,062
Stock repurchases	18,510	54,671
Total	\$ 32,764	\$ 97,733

As a direct result of a change in tax law in Israel, we made the determination during the fourth quarter of 2021 that substantially all unremitted foreign earnings in Israel are no longer permanently reinvested. We intend to primarily utilize these earnings, distributed from Israel to the United States, to initially fund our Stockholder Return Program. We repatriated net \$81.2 million to the United States from Israel during the second fiscal quarter of 2022. The repatriated cash is being used to fund our Stockholder Return Policy.

Over the long-term, we expect to fund the Stockholder Return Policy from our historically strong cash flows from operations. However, because most of our operating cash flow is typically generated by our non-U.S. subsidiaries, we may in the future need to change our permanent reinvestment assertion on current earnings of certain subsidiaries, which would have the effect of increasing the effective tax rate. Substantially all of these additional taxes would be withholding and foreign taxes on cash remitted to the U.S., as such dividends are generally not subject to U.S. federal income tax.

The structure of our newly adopted Stockholder Return Policy enables us to allocate capital responsibly among our business, our lenders, and our stockholders. We will continue to invest in growth initiatives including key product line expansions, targeted R&D, and synergistic acquisitions.

We have paid dividends each quarter since the first quarter of 2014, and the Stockholder Return Policy will remain in effect until such time as the Board votes to amend or rescind the policy. Implementation of the Stockholder Return Policy is subject to future declarations of dividends by the Board of Directors, market and business conditions, legal requirements, and other factors. The policy sets forth our intention, but does not obligate us to acquire any shares of common stock or declare any dividends, and the policy may be terminated or suspended at any time at our discretion, in accordance with applicable laws and regulations.

Financial Metrics

We utilize several financial metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include net revenues, gross profit margin, operating margin, segment operating income, segment operating margin, end-of-period backlog, and the book-to-bill ratio. We also monitor changes in inventory turnover and our or publicly available average selling prices ("ASP").

Gross profit margin is computed as gross profit as a percentage of net revenues. Gross profit is generally net revenues less costs of products sold, but also deducts certain other period costs, particularly losses on purchase commitments and inventory write-downs. Losses on purchase commitments and inventory write-downs have the impact of reducing gross profit margin in the period of the charge, but result in improved gross profit margins in subsequent periods by reducing costs of products sold as inventory is used. We also regularly evaluate gross profit by segment to assist in the analysis of consolidated gross profit. Gross profit margin and gross profit margin by segment are clearly a function of net revenues, but also reflect our cost management programs and our ability to contain fixed costs.

Operating margin is computed as gross profit less operating expenses, expressed as a percentage of net revenues. Operating margin is clearly a function of net revenues, but also reflects our cost management programs and our ability to contain fixed costs.

Our chief operating decision maker makes decisions, allocates resources, and evaluates business segment performance based on segment operating income. Only dedicated, direct selling, general, and administrative ("SG&A") expenses of the segments are included in the calculation of segment operating income. We do not allocate certain SG&A expenses that are managed at the regional or corporate global level to our segments. Accordingly, segment operating income excludes these SG&A expenses that are not directly traceable to the segments. Segment operating income would also exclude costs not routinely used in the management of the segments in periods when those items are present, such as restructuring and severance costs, the direct impact of the COVID-19 pandemic, and other items affecting comparability. Segment operating income is clearly a function of net revenues, but also reflects our cost management programs and our ability to contain fixed costs. Segment operating margin is segment operating income expressed as a percentage of net revenues.

End-of-period backlog is one indicator of future revenues. We include in our backlog only open orders that we expect to ship in the next twelve months. 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 to be expected for future periods.

An 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 backlog is 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 revenues.

We 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 costs of products sold for the four fiscal quarters ending on the last day of the reporting period divided by our average inventory (computed using each fiscal quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital.

Pricing in our industry can be volatile. Using our and publicly available data, we analyze trends and changes in average selling prices to evaluate likely future pricing. The erosion of average selling prices of established products is typical for semiconductor products. We attempt to offset this deterioration with ongoing cost reduction activities and new product introductions. Our specialty passive components are more resistant to average selling price erosion. All pricing is subject to governing market conditions and is independently set by us.

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 net revenues, gross profit margin, operating margin, end-of-period backlog, book-to-bill ratio, inventory turnover, and changes in ASP for our business as a whole during the five fiscal quarters beginning with the third fiscal quarter of 2021 through the third fiscal quarter of 2022 (*dollars in thousands*):

	<u>3rd Quarter 2021</u>	<u>4th Quarter 2021</u>	<u>1st Quarter 2022</u>	<u>2nd Quarter 2022</u>	<u>3rd Quarter 2022</u>
Net revenues	\$ 813,663	\$ 843,072	\$ 853,793	\$ 863,512	\$ 924,798
Gross profit margin ⁽¹⁾	27.7%	27.3%	30.3%	30.3%	31.3%
Operating margin ⁽²⁾	15.2%	14.4%	17.1%	17.5%	19.8%
End-of-period backlog	\$ 2,243,900	\$ 2,306,500	\$ 2,416,700	\$ 2,425,200	\$ 2,261,400
Book-to-bill ratio	1.26	1.09	1.14	1.07	0.88
Inventory turnover	4.5	4.5	4.2	3.8	4.1
Change in ASP vs. prior quarter	1.3%	1.3%	2.4%	2.9%	0.0%

(1) Gross margin for the second fiscal quarter of 2022 includes \$6.7 million of expenses directly related to the COVID-19 pandemic (see Note 3 to our consolidated condensed financial statements).

(2) Operating margin for the second fiscal quarter of 2022 includes \$7.2 million of expenses directly related to the COVID-19 pandemic (see Note 3 to our consolidated condensed financial statements).

See “Financial Metrics by Segment” below for net revenues, book-to-bill ratio, and gross profit margin broken out by segment.

Revenues increased significantly versus the third fiscal quarter of 2021 primarily due to higher volume and higher average selling prices. Revenues increased slightly versus the prior fiscal quarter primarily due to higher volume. The increased volume is partially due to operations and sales resuming following the two-month government mandated COVID-19 shut-down of our manufacturing facilities in Shanghai, People's Republic of China that significantly impacted our semiconductor segments in the second fiscal quarter of 2022. The book-to-bill ratio and backlog were negatively impacted by the catch-up in sales during the third fiscal quarter. We continue to increase manufacturing capacity for critical product lines. Average selling prices were stable in the third fiscal quarter following broad price increases that we implemented in prior periods across the product portfolio to offset increased materials and transportation costs and accelerating general inflation.

Gross profit margin increased versus prior fiscal quarter and the second fiscal quarter of 2021. The increase versus the prior fiscal quarter is primarily due to higher volume. The increase versus the third fiscal quarter of 2021 is primarily due to higher average selling prices and higher volume.

The book-to-bill ratio in the third fiscal quarter of 2022 decreased to 0.88 versus 1.07 in the second fiscal quarter of 2022. The book-to-bill ratio was negatively impacted by the catch-up in semiconductor sales during the third fiscal quarter. The book-to-bill ratios in the third fiscal quarter of 2022 for distributors and original equipment manufacturers (“OEM”) were 0.77 and 1.03, respectively, versus ratios of 1.05 and 1.11, respectively, during the second fiscal quarter of 2022.

For the fourth fiscal quarter of 2022, we anticipate revenues between \$860 million and \$900 million at a gross margin of 30.0% plus/minus 50 basis points.

Financial Metrics by Segment

The following table shows net revenues, book-to-bill ratio, gross profit margin, and segment operating margin broken out by segment for the five fiscal quarters beginning with the third fiscal quarter of 2021 through the third fiscal quarter of 2022 (*dollars in thousands*):

	<u>3rd Quarter 2021</u>	<u>4th Quarter 2021</u>	<u>1st Quarter 2022</u>	<u>2nd Quarter 2022</u>	<u>3rd Quarter 2022</u>
<u><i>MOSFETs</i></u>					
Net revenues	\$ 175,499	\$ 171,339	\$ 172,674	\$ 158,395	\$ 225,186
Book-to-bill ratio	1.19	1.01	1.28	1.14	0.78
Gross profit margin	30.7%	30.1%	34.0%	35.0%	36.9%
Segment operating margin	24.9%	23.5%	28.1%	28.2%	31.9%
<u><i>Diodes</i></u>					
Net revenues	\$ 185,306	\$ 192,117	\$ 182,334	\$ 192,083	\$ 209,012
Book-to-bill ratio	1.31	1.10	1.16	1.10	0.79
Gross profit margin	25.2%	23.7%	25.1%	27.8%	27.0%
Segment operating margin	22.3%	20.6%	22.2%	25.3%	24.6%
<u><i>Optoelectronic Components</i></u>					
Net revenues	\$ 70,750	\$ 78,398	\$ 81,016	\$ 77,936	\$ 73,447
Book-to-bill ratio	1.36	1.22	0.78	0.86	0.57
Gross profit margin	33.7%	34.2%	40.0%	33.9%	35.3%
Segment operating margin	27.9%	27.2%	34.8%	28.7%	30.0%
<u><i>Resistors</i></u>					
Net revenues	\$ 181,189	\$ 190,041	\$ 207,032	\$ 213,176	\$ 207,437
Book-to-bill ratio	1.26	1.14	1.24	1.05	1.08
Gross profit margin	27.4%	28.5%	31.4%	33.1%	33.0%
Segment operating margin	24.0%	25.6%	28.1%	29.9%	29.7%
<u><i>Inductors</i></u>					
Net revenues	\$ 84,816	\$ 81,825	\$ 82,777	\$ 89,608	\$ 83,503
Book-to-bill ratio	1.11	1.13	1.14	0.97	1.02
Gross profit margin	31.7%	29.4%	30.0%	33.1%	30.8%
Segment operating margin	28.7%	26.4%	26.8%	30.0%	27.0%
<u><i>Capacitors</i></u>					
Net revenues	\$ 116,103	\$ 129,352	\$ 127,960	\$ 132,314	\$ 126,213
Book-to-bill ratio	1.37	1.04	1.02	1.17	0.95
Gross profit margin	21.3%	21.6%	25.2%	24.5%	23.7%
Segment operating margin	17.2%	17.7%	21.4%	20.9%	20.1%

Acquisition Activity

As part of its growth strategy, the Company seeks to expand through targeted acquisitions of other manufacturers of electronic components. These acquisition targets include businesses 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. It also includes certain businesses that possess technologies which the Company expects to further develop and commercialize. To limit our financial exposure, we have implemented a policy not to pursue acquisitions if our post-acquisition debt would exceed 2.5x our pro forma earnings before interest, taxes, depreciation, and amortization ("EBITDA"). For these purposes, we calculate pro forma EBITDA as the adjusted EBITDA of Vishay and the target for Vishay's four preceding fiscal quarters, with a pro forma adjustment for savings which management estimates would have been achieved had the target been acquired by Vishay at the beginning of the four fiscal quarter period.

Subsequent Event

On October 28, 2022, we acquired MaxPower Semiconductor, Inc. ("MaxPower"), a San Jose, California-based fabless power semiconductor provider dedicated to delivering innovative and cost-effective technologies that optimize power management solutions. MaxPower's proprietary device structures and process techniques provide leading edge silicon and silicon carbide ("SiC") MOSFET products. Its SiC product development targets automotive and industrial applications.

We paid cash of \$50.0 million, net of cash acquired, at closing. Related to the transaction, we may also be required to make certain contingent payments of up to \$57.5 million, which would be payable upon the achievement of certain technology milestones and the occurrence of certain non-operating events. The purchase price for U.S. GAAP purposes will include the fair value, as of the acquisition date, of certain future contingent payments. To the extent contingent payments are deemed compensatory in nature, such payments will be recognized as expense in future periods, and will thus not be included in the U.S. GAAP purchase price.

There is no assurance that we will be able to identify and acquire additional suitable acquisition candidates at price levels and on terms and conditions we consider acceptable.

Results of Operations

Statements of operations' captions as a percentage of net revenues and the effective tax rates were as follows:

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of products sold	68.7%	69.7%	72.3%	69.3%	72.6%
Gross profit	31.3%	30.3%	27.7%	30.7%	27.4%
Selling, general & administrative expenses	11.5%	12.8%	12.6%	12.5%	13.0%
Operating income	19.8%	17.5%	15.2%	18.2%	14.4%
Income before taxes and noncontrolling interest	19.6%	17.1%	14.3%	17.6%	13.4%
Net earnings attributable to Vishay stockholders	15.1%	13.0%	11.9%	13.5%	10.9%
Effective tax rate	22.4%	23.8%	16.6%	23.2%	18.3%

Net Revenues

Net revenues were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 924,798	\$ 863,512	\$ 813,663	\$ 2,642,103	\$ 2,397,415

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
	July 2, 2022	\$ 61,286	7.1%	n/a
October 2, 2021	\$ 111,135	13.7%	\$ 244,688	10.2%

Changes in net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Increase in volume	9.1%	10.1%	6.1%
Change in average selling prices	0.0%	8.0%	7.4%
Foreign currency effects	-1.7%	-5.4%	-4.1%
Acquisition	0.0%	0.3%	0.4%
Other	-0.3%	0.7%	0.4%
Net change	7.1%	13.7%	10.2%

We continue to experience good economic conditions while we continue to increase critical manufacturing capacities. Average selling prices were stable in the third fiscal quarter following broad price increases implemented across the product portfolio in prior periods. Net revenues increased significantly versus the prior fiscal quarter and the prior year periods primarily due to increases in volume and increases in average selling prices versus the prior year periods. Volume in the third fiscal quarter of 2022 was positively impacted by the resumption of operations and sales following a two-month government mandated shut-down of two facilities in Shanghai, People's Republic of China, in response to the COVID-19 pandemic in the second fiscal quarter.

Gross Profit Margins

Gross profit margins for the fiscal quarter ended October 1, 2022 were 31.3%, versus 30.3% and 27.7%, for the comparable prior quarter and prior year period, respectively. Gross profit margins for the nine fiscal months ended October 1, 2022 were 30.7%, versus 27.4% for the comparable prior year period. The increases versus the prior year periods are primarily due to higher average selling prices and increased volume, partially offset by inflationary impacts, particularly increased metals and transportation costs, and negative exchange rate impacts. The gross profit margin increased versus the prior fiscal quarter primarily due to increased volume, partially offset by inflationary impacts, particularly increased metals and transportation costs and the negative impact of an inventory decrease.

Segments

Analysis of revenues and margins for our segments is provided below. Direct costs of the COVID-19 pandemic are not allocated to the segments.

MOSFETs

Net revenues, gross profit margins, and segment operating margins of the MOSFETs segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 225,186	\$ 158,395	\$ 175,499	\$ 556,255	\$ 496,659
Gross profit margin	36.9%	35.0%	30.7%	35.5%	27.9%
Segment operating margin	31.9%	28.2%	24.9%	29.7%	21.8%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ 66,791	42.2%	n/a	n/a
October 2, 2021	\$ 49,687	28.3%	\$ 59,596	12.0%

Changes in MOSFETs segment net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Increase in volume	44.9%	18.2%	2.8%
Increase in average selling prices	0.1%	10.9%	11.3%
Foreign currency effects	-1.3%	-3.7%	-2.4%
Other	-1.5%	2.9%	0.3%
Net change	42.2%	28.3%	12.0%

The MOSFET segment net revenues increased significantly versus the prior fiscal quarter and the prior year periods. The increases versus the prior fiscal quarter and prior year quarter are primarily due to increased volume as operations and sales resumed following the two-month government mandated COVID-19 shutdown in Shanghai, People's Republic of China that required an almost complete closure of our main manufacturing facility in the second fiscal quarter of 2022. Increased average selling prices are the primary factor for the increase versus the prior year-to-date period and also contributed to the increase versus the prior year quarter. All regions and sales channels, particularly distribution customers in the Americas region, contributed to the increased revenue.

Gross profit margin increased versus the prior fiscal quarter and especially versus the prior year periods. The increase versus the prior fiscal quarter was primarily due to increased sales volume, partially offset by the negative impact of an inventory decrease following the resumption of operations and sales in Shanghai, People's Republic of China in the third fiscal quarter. The increases versus the prior year periods were primarily due to increased average selling prices, increased sales volume, and a positive change in the sales mix toward more profitable products such as ICs.

The segment operating margin increased versus the prior fiscal quarter and prior year periods. The increases are primarily due to increased gross profit. Increased segment SG&A expenses primarily due to increased R&D activity limited the increases.

Average selling prices were flat versus the prior fiscal quarter, but increased versus the prior year periods due to the strategic price increases implemented in prior periods.

We continue to invest to expand mid- and long-term manufacturing capacity for strategic product lines. We have begun building a 12-inch wafer fab in Itzehoe, Germany adjacent to our existing 8-inch wafer fab, which we expect will increase our in-house wafer capacity by approximately 70% within 3-4 years and allow us to balance our in-house and foundry wafer supply.

Diodes

Net revenues, gross profit margins, and segment operating margins of the Diodes segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 209,012	\$ 192,083	\$ 185,306	\$ 583,429	\$ 517,299
Gross profit margin	27.0%	27.8%	25.2%	26.7%	23.8%
Segment operating margin	24.6%	25.3%	22.3%	24.0%	20.5%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ 16,929	8.8%	n/a	n/a
October 2, 2021	\$ 23,706	12.8%	\$ 66,130	12.8%

Changes in Diodes segment net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Increase in volume	10.6%	6.5%	4.9%
Change in average selling prices	-0.1%	10.7%	11.0%
Foreign currency effects	-1.6%	-4.9%	-3.7%
Other	-0.1%	0.5%	0.6%
Net change	8.8%	12.8%	12.8%

Net revenues of the Diodes segment increased significantly versus the prior fiscal quarter and the prior year periods. Most end markets and customer channels contributed to the increases. The increase versus the prior fiscal quarter is also due to increased volume as operations and sales resumed following extended government mandated COVID-19 shut-downs of our manufacturing facilities in the People's Republic of China, particularly Shanghai, in the second fiscal quarter. The increases were negatively impacted by increased inventory at distribution customers in Asia.

Gross profit margin decreased versus the prior fiscal quarter, but increased versus the prior year periods. The decrease versus the prior fiscal quarter is due to the negative impact of an inventory decrease following the resumption of operations and sales in Shanghai, People's Republic of China in the third fiscal quarter and cost inflation, partially offset by increased sales volume. The increases versus the prior year periods are primarily due to increased average selling prices, our cost reduction measures, and increases in sales volume, partially offset by significant cost inflation.

The segment operating margin decreased versus the prior fiscal quarter, but increased versus the prior year periods. The fluctuations are primarily due to gross profit fluctuations. The impact of a weaker euro decreased segment SG&A expenses, particularly versus the prior year periods.

Average selling prices decreased versus the prior fiscal quarter, but remain significantly higher than the prior year periods due to the strategic price increases implemented across the product portfolio in prior periods.

Optoelectronic Components

Net revenues, gross profit margins, and segment operating margins of the Optoelectronic Components segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 73,447	\$ 77,936	\$ 70,750	\$ 232,399	\$ 224,316
Gross profit margin	35.3%	33.9%	33.7%	36.5%	33.0%
Segment operating margin	30.0%	28.7%	27.9%	31.2%	27.2%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ -4,489	-5.8%	n/a	n/a
October 2, 2021	\$ 2,697	3.8%	8,083	3.6%

Changes in Optoelectronic Components segment net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Change in volume	-3.0%	5.2%	1.1%
Change in average selling prices	-0.5%	5.7%	7.6%
Foreign currency effects	-1.9%	-6.4%	-4.8%
Other	-0.4%	-0.7%	-0.3%
Net change	-5.8%	3.8%	3.6%

Net revenues of our Optoelectronic Components segment decreased versus the prior fiscal quarter, but increased moderately versus the prior year periods. The decrease versus the prior fiscal quarter is primarily due to decreased sales to customers in the Asia and Europe regions, particularly distributor customers, partially offset by increased sales to customers in the Americas region, particularly distributor customers. The increases versus the prior year periods were due to a significant increase in sales to customers in the Americas and Europe regions, partially offset by significant decrease in sales to customers in the Asia region. The increases versus the prior year periods were primarily due to increased average selling prices and volume, partially offset by negative foreign currency impacts.

Gross profit margin increased versus the prior fiscal quarter and the prior year periods. The increase versus the prior fiscal quarter is primarily due to the positive impact of an inventory increase. The increases versus the prior year periods are primarily due to higher average selling prices, a more profitable product mix, and our cost reduction measures, partially offset by cost inflation.

The segment operating margin increased versus the prior fiscal quarter and the prior year periods. The fluctuations are primarily due to fluctuations in gross profit margin. Decreased segment SG&A expenses, primarily due to the weaker euro, positively impacted the segment operating margin.

Average selling prices decreased versus the prior fiscal quarter, but remain higher than the prior year periods due to the strategic price increases implemented across the product portfolio in prior periods.

We are now using our recently modernized and expanded wafer fab in Heilbronn, Germany.

Resistors

Net revenues, gross profit margins, and segment operating margins of the Resistors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 207,437	\$ 213,176	\$ 181,189	\$ 627,645	\$ 562,513
Gross profit margin	33.0%	33.1%	27.4%	32.5%	28.7%
Segment operating margin	29.7%	29.9%	24.0%	29.2%	25.3%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ -5,739	-2.7%	n/a	n/a
October 2, 2021	\$ 26,248	14.5%	\$ 65,132	11.6%

Changes in Resistors segment net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Change in volume	-1.4%	12.5%	10.7%
Increase in average selling prices	0.8%	7.7%	4.7%
Foreign currency effects	-2.1%	-7.6%	-5.7%
Acquisition	0.0%	1.4%	1.7%
Other	0.0%	0.5%	0.2%
Net change	<u>-2.7%</u>	<u>14.5%</u>	<u>11.6%</u>

Net revenues of the Resistors segment decreased slightly versus the prior fiscal quarter, but increased significantly versus the prior year periods. The decrease versus the prior fiscal quarter is primarily due to decreased sales to customers in all regions, particularly the Europe region, and military and aerospace, industrial, and distributor customers, which was partially offset by increased sales to EMS customers. The increase versus the prior year periods is primarily due to increased sales to customers in all regions, particularly the Americas region, distributor and EMS customers, partially offset by decreased sales to automotive end market customers. Increased sales to industrial end market customers also contributed to the increase versus the prior year-to-date period. The acquisition of Barry Industries also contributed to the increase in net revenues versus the prior year periods.

The gross profit margin decreased slightly versus the prior fiscal quarter, but increased versus the prior year periods. The slight decrease versus the prior fiscal quarter is primarily due to wage inflation, negative foreign currency exchange rate impacts, and higher fixed costs, mostly offset by increased average selling prices, lower metal prices, and improved efficiencies. The increases versus the prior year periods are primarily due to increased sales volume, higher average selling prices, cost reductions, and greater efficiencies, partially offset by fixed cost increases, metal price increases, increased material procurement costs, increased labor costs, and negative foreign currency exchange rate impacts.

The segment operating margin decreased slightly versus the prior fiscal quarter, but increased versus the prior year periods. The fluctuations are primarily due to fluctuations in gross profit.

Average selling prices increased versus the prior fiscal quarter and prior year periods.

We are increasing critical manufacturing capacities for certain product lines. We continue to broaden our business with targeted acquisitions of specialty resistors businesses, such as Barry Industries.

Inductors

Net revenues, gross profit margins, and segment operating margins of the Inductors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 83,503	\$ 89,608	\$ 84,816	\$ 255,888	\$ 253,813
Gross profit margin	30.8%	33.1%	31.7%	31.4%	32.8%
Segment operating margin	27.0%	30.0%	28.7%	28.0%	29.9%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ -6,105	-6.8%	n/a	n/a
October 2, 2021	\$ -1,313	-1.5%	\$ 2,075	0.8%

Changes in net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Change in volume	-6.1%	-0.8%	1.1%
Change in average selling prices	-0.1%	1.6%	1.5%
Foreign currency effects	-0.8%	-2.2%	-1.8%
Other	0.2%	-0.1%	0.0%
Net change	<u>-6.8%</u>	<u>-1.5%</u>	<u>0.8%</u>

Net revenues of the Inductors segment decreased versus the prior fiscal quarter and the prior year quarter, but increased versus the prior year-to-date period. The decrease versus the prior fiscal quarter is primarily due to decreased sales to customers in all regions, particularly the Europe region, and decreased sales to distributor customers, partially offset by increased sales to EMS customers. The decrease versus the prior year quarter is primarily due to decreased sales to customers in the Asia region and distribution customers, partially offset by increased sales to customers in the Americas and Europe regions and increased sales to EMS customers and industrial end market customers. The increase versus the prior year-to-date period is primarily due to increased sales to customers in the Americas and Europe regions, EMS customers and military and aerospace and automotive end market customers. The increase versus the prior year-to-date period is also due to increased sales to distributor and EMS customers, and military and aerospace end market customers, partially offset by decreased sales to customers in the Asia region, decreased sales to distributor customers, and decreased sales to automotive and industrial end market customers.

The gross profit margin decreased versus the prior fiscal quarter and the prior year periods. The decrease versus the prior fiscal quarter is primarily due to lower sales volume, inefficiencies, and increased material prices, partially offset by lower logistics costs and other cost savings measures. The decrease versus the prior year quarter is primarily due to increased labor and material costs, inefficiencies, and negative foreign currency exchange rate impacts, partially offset by increased average selling prices. The decrease versus the prior year-to-date period is primarily due to increased logistics, labor, and material costs, inefficiencies, and negative foreign currency exchange rate impacts, partially offset by higher sales volume, increased average selling prices, and other cost reduction measures.

The segment operating margin decreased versus the prior fiscal quarter and the prior year periods. The decreases are primarily due to gross profit decreases.

Average selling prices decreased versus the prior fiscal quarter, but increased versus the prior year periods.

We expect long-term growth in this segment, and are continuously expanding manufacturing capacity for certain product lines and evaluating acquisition opportunities, particularly of specialty businesses.

Capacitors

Net revenues, gross profit margins, and segment operating margins of the Capacitors segment were as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net revenues	\$ 126,213	\$ 132,314	\$ 116,103	\$ 386,487	\$ 342,815
Gross profit margin	23.7%	24.5%	21.3%	24.5%	22.7%
Segment operating margin	20.1%	20.9%	17.2%	20.8%	18.2%

The change in net revenues versus the comparable prior periods was as follows (*dollars in thousands*):

	Fiscal quarter ended October 1, 2022		Nine fiscal months ended October 1, 2022	
	Change in net revenues	% change	Change in net revenues	% change
July 2, 2022	\$ -6,101	-4.6%	n/a	n/a
October 2, 2021	\$ 10,110	8.7%	\$ 43,672	12.7%

Changes in Capacitors segment net revenues were attributable to the following:

	vs. Prior Quarter	vs. Prior Year Quarter	vs. Prior Year-to-Date
Change attributable to:			
Change in volume	-1.7%	10.3%	13.1%
Change in average selling prices	-1.2%	5.5%	5.2%
Foreign currency effects	-2.1%	-7.2%	-5.7%
Other	0.4%	0.1%	0.1%
Net change	-4.6%	8.7%	12.7%

Net revenues of the Capacitors segment decreased versus the prior fiscal quarter, but increased significantly versus the prior year periods. The decrease versus the prior fiscal quarter is primarily due to decreased sales to customers in all regions, distributor customers, and industrial end market customers, partially offset by increased sales to automotive end market customers. The increase versus the prior year quarter is primarily due to increased sales to customers in the Americas and Asia regions, EMS customers, and industrial end market customers, partially offset by decreased sales to customers in the Europe region. The increase versus the prior year-to-date period is primarily due to increased sales to customers in all regions, particularly the Americas region, distributor and EMS customers, and industrial end market customers, partially offset by decreased sales to automotive end market customers.

The gross profit margin decreased versus the prior fiscal quarter, but increased versus the prior year periods. The decrease versus the prior fiscal quarter is primarily due to lower sales volume, decreased average selling prices, and increased materials and utilities costs, partially offset by favorable product mix and decreased metals costs. The increases versus the prior year periods are primarily due to higher sales volume, increased average selling prices, and favorable product mix, partially offset by increased materials and labor costs, higher fixed costs, and manufacturing inefficiencies.

The segment operating margin decreased versus the prior fiscal quarter, but increased versus the prior year periods. The fluctuations are primarily due to gross profit fluctuations.

Average selling prices decreased versus the prior fiscal quarter, but increased versus the prior year periods.

Selling, General, and Administrative Expenses

Selling, general, and administrative (“SG&A”) expenses are summarized as follows (*dollars in thousands*):

	Fiscal quarters ended			Nine fiscal months ended	
	October 1, 2022	July 2, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Total SG&A expenses	\$ 106,436	\$ 110,400	\$ 102,215	\$ 329,691	\$ 311,800
as a percentage of revenues	11.5%	12.8%	12.6%	12.5%	13.0%

The sequential decrease in SG&A expenses is primarily attributable to foreign currency exchange impacts. SG&A expenses increased versus the prior year periods due to cost inflation.

Other Income (Expense)

Interest expense for the fiscal quarter ended October 1, 2022 decreased \$0.2 million versus the fiscal quarter ended July 2, 2022 and decreased \$0.3 million versus the fiscal quarter ended October 2, 2021. Interest expense for the nine fiscal months ended October 1, 2022 decreased by \$0.6 million versus the nine fiscal months ended October 2, 2021.

The following tables analyze the components of the line “Other” on the consolidated condensed statements of operations (*in thousands*):

	Fiscal quarters ended		Change
	October 1, 2022	October 2, 2021	
Foreign exchange gain (loss)	\$ 4,462	\$ 325	\$ 4,137
Interest income	1,836	295	1,541
Other components of net periodic pension expense	(2,704)	(3,257)	553
Investment income	(1,462)	(41)	(1,421)
Other	5	(1)	6
	<u>\$ 2,137</u>	<u>\$ (2,679)</u>	<u>\$ 4,816</u>

	Fiscal quarters ended		Change
	October 1, 2022	July 2, 2022	
Foreign exchange gain (loss)	\$ 4,462	\$ 6,514	\$ (2,052)
Interest income	1,836	789	1,047
Other components of net periodic pension expense	(2,704)	(2,803)	99
Investment income (expense)	(1,462)	(2,858)	1,396
Other	5	(262)	267
	<u>\$ 2,137</u>	<u>\$ 1,380</u>	<u>\$ 757</u>

	Nine fiscal months ended		Change
	October 1, 2022	October 2, 2021	
Foreign exchange gain (loss)	\$ 10,695	\$ (2,110)	\$ 12,805
Interest income	3,186	907	2,279
Other components of net periodic pension expense	(8,417)	(9,864)	1,447
Investment income (expense)	(7,436)	(1,107)	(6,329)
Other	(262)	15	(277)
	<u>\$ (2,234)</u>	<u>\$ (12,159)</u>	<u>\$ 9,925</u>

Income Taxes

For the fiscal quarter ended October 1, 2022, our effective tax rate was 22.4%, as compared to 23.8% and 16.6% for the fiscal quarters ended July 2, 2022 and October 2, 2021, respectively. For the nine fiscal months ended October 1, 2022, our effective tax rate was 23.2%, as compared to 18.3% for the nine fiscal months ended October 2, 2021. With the reduction in the U.S. statutory rate to 21% beginning January 1, 2018, we expect that our effective tax rate will be higher than the U.S. statutory rate, excluding unusual transactions. Discrete tax items of \$(5.9) million (tax benefits) and \$(5.7) million (tax benefits) impacted our effective tax rate for the fiscal quarters ended October 1, 2022 and October 2, 2021, respectively. Discrete tax items of \$(5.9) million (tax benefits) and \$(14.0) million (tax benefits) impacted our effective tax rate for the nine fiscal months ended October 1, 2022 and October 2, 2021, respectively.

We recognized tax benefits of \$5.9 million in the third fiscal quarter of 2022 for changes in uncertain tax positions following the resolution of a tax audit.

We repatriated \$81.2 million to the United States in the second fiscal quarter of 2022 pursuant to the repatriation program initiated in response to a change in Israeli tax law. We paid withholding taxes, foreign taxes, and Israeli clawback taxes of \$25.2 million due to the repatriation. Tax expense for the repatriation was recorded in 2021 when the tax law was enacted.

During the nine fiscal months ended October 1, 2022, the liabilities for unrecognized tax benefits decreased by \$11.5 million on a net basis, primarily due to payments, settlements, and currency translation adjustments, partially offset by accruals for current year tax positions and interest.

We operate in a global environment with significant operations in various locations outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting our earnings and the applicable tax rates in the various locations where we operate. Part of our historical strategy has been to achieve cost savings through the transfer and expansion of manufacturing operations to countries where we can take advantage of lower labor costs and available tax and other government-sponsored incentives.

Additional information about income taxes is included in Note 5 to our consolidated condensed financial statements.

Financial Condition, Liquidity, and Capital Resources

Our financial condition as of October 1, 2022 continued to be strong. Cash and short-term investments exceed our long-term debt balances, and we have historically been a strong generator of operating cash flows. The cash generated from operations is used to fund our capital expenditure plans, and cash in excess of our capital expenditure needs is available to fund our acquisition strategy, to reduce debt levels, and to pay dividends and repurchase stock. We have generated cash flows from operations in excess of \$200 million in each of the last 20 years, and cash flows from operations in excess of \$100 million in each of the last 27 years.

Management uses a non-GAAP measure, "free cash," to evaluate our ability to fund acquisitions, repay debt, and otherwise enhance stockholder value through stock repurchases or dividends. See "Overview" above for "free cash" definition and reconciliation to GAAP. Vishay has generated positive "free cash" in each of the past 25 years, and "free cash" in excess of \$80 million in each of the last 20 years. In this volatile economic environment, we continue to focus on the generation of free cash, including an emphasis on cost controls.

Cash flows provided by operating activities were \$317.8 million for the nine fiscal months ended October 1, 2022, as compared to cash flows provided by operations of \$310.5 million for the nine fiscal months ended October 2, 2021.

Cash paid for property and equipment for the nine fiscal months ended October 1, 2022 was \$172.2 million, as compared to \$118.2 million for the nine fiscal months ended October 2, 2021. To be well positioned to service our customers and to fully participate in growing markets, we intend to increase our capital expenditures for expansion in the mid-term. For the year 2022, we expect to invest approximately \$325 million in capital expenditures.

Free cash flow for the nine fiscal months ended October 1, 2022 was negatively impacted by working capital changes, higher than usual capital expenditures, and cash taxes paid for repatriation. We expect our business to continue to be a reliable generator of free cash. There is no assurance, however, that we will be able to continue to generate cash flows from operations and free cash at our historical levels, or at all, going forward if the economic environment worsens. The COVID-19 pandemic and the mitigation efforts by governments to control its spread have not had a significant impact on our financial condition, liquidity, or capital resources.

On February 7, 2022, our Board of Directors adopted a Stockholder Return Policy that will remain in effect until such time as the Board votes to amend or rescind the policy. See "Stockholder Return Policy" above for additional information.

The following table summarizes the components of net cash and short-term investments (debt) at October 1, 2022 and December 31, 2021 (*in thousands*):

	October 1, 2022	December 31, 2021
Credit facility	\$ -	\$ -
Convertible senior notes, due 2025	465,344	465,344
Deferred financing costs	(7,224)	(9,678)
Total debt	458,120	455,666
Cash and cash equivalents	734,992	774,108
Short-term investments	182,646	146,743
Net cash and short-term investments (debt)	\$ 459,518	\$ 465,185

"Net cash and short-term investments (debt)" does not have a uniform definition and is not recognized in accordance with GAAP. This measure should not be viewed as an alternative to GAAP measures of performance or liquidity. However, management believes that an analysis of "net cash and short-term investments (debt)" assists investors in understanding aspects of our cash and debt management. The measure, as calculated by us, may not be comparable to similarly titled measures used by other companies.

We invest a portion of our excess cash in highly liquid, high-quality instruments with maturities greater than 90 days, but less than 1 year, which we classify as short-term investments on our consolidated balance sheets. As these investments were funded using a portion of excess cash and represent a significant aspect of our cash management strategy, we include the investments in the calculation of net cash and short-term investments (debt).

The interest rates on our short-term investments vary by location. Transactions related to these investments are classified as investing activities on our consolidated condensed statements of cash flows.

As of October 1, 2022, substantially all of our cash and cash equivalents and short-term investment were held in countries outside of the United States. Cash dividends to stockholders, share repurchases, and principal and interest payments on our debt instruments need to be paid by the U.S. parent company, Vishay Intertechnology, Inc. Our U.S. subsidiaries also have cash operating needs. The distribution of earnings from Israel to the United States will initially be used to fund our Stockholder Return Policy. We expect that cash on-hand and cash flows from operations will be sufficient to meet our longer-term financing needs related to normal operating requirements, regular dividend payments, share repurchases pursuant to our Stockholder Return Policy, and our research and development and capital expenditure plans. Our substantially undrawn credit facility provides us with significant operating liquidity in the United States.

Our revolving credit facility provides an aggregate commitment of \$750 million of revolving loans available until June 5, 2024. The maximum amount available on the revolving credit facility is restricted by the financial covenants described below. The credit facility also provides us the ability to request up to \$300 million of incremental facilities, subject to the satisfaction of certain conditions, which could take the form of additional revolving commitments, incremental “term loan A” or “term loan B” facilities, or incremental equivalent debt.

We had no amounts outstanding on our revolving credit facility at December 31, 2021 and October 1, 2022. We borrowed \$558 million and repaid \$558 million on the revolving credit facility during the nine fiscal months ended October 1, 2022. The average outstanding balance on our revolving credit facility calculated at fiscal month-ends was \$47.9 million and the highest amount outstanding on our revolving credit facility at a fiscal month end was \$124 million during the nine fiscal months ended October 1, 2022.

The revolving credit facility limits or restricts us from, among other things, incurring indebtedness, incurring liens on its respective assets, making investments and acquisitions (assuming our pro forma leverage ratio is greater than 2.75 to 1.00), making asset sales, and paying cash dividends and making other restricted payments (assuming our pro forma leverage ratio is greater than 2.50 to 1.00), and requires us to comply with other covenants, including the maintenance of specific financial ratios.

The financial maintenance covenants include (a) an interest coverage ratio of not less than 2.00 to 1; and (b) a leverage ratio of not more than 3.25 to 1 (and a pro forma ratio of 3.00 to 1 on the date of incurrence of additional debt). The computation of these ratios is prescribed in Article VI of the Credit Agreement between Vishay Intertechnology, Inc. and JPMorgan Chase Bank, N.A., which has been filed with the SEC as Exhibit 10.1 to our current report on Form 8-K filed June 5, 2019.

We were in compliance with all financial covenants under the credit facility at October 1, 2022. Our interest coverage ratio and leverage ratio were 36.01 to 1 and 0.61 to 1, respectively. We expect to continue to be in compliance with these covenants based on current projections.

If we are not in compliance with all of the required financial covenants, the credit facility could be terminated by the lenders, and any amounts then outstanding pursuant to the credit facility could become immediately payable. Additionally, our convertible senior notes due 2025 have cross-default provisions that could accelerate repayment in the event the indebtedness under the credit facility is accelerated.

Borrowings under the credit facility bear interest at LIBOR plus an interest margin. The applicable interest margin is based on our leverage ratio. We also pay a commitment fee, also based on our leverage ratio, on undrawn amounts. Based on our current leverage ratio, any new borrowings will bear interest at LIBOR plus 1.50%, and the undrawn commitment fee is 0.25% per annum.

The borrowings under the credit facility are secured by a lien on substantially all assets, including accounts receivable, inventory, machinery and equipment, and general intangibles (but excluding real estate, intellectual property registered or licensed solely for use in, or arising solely under the laws of, any country other than the United States, assets located solely outside of the United States and deposit and securities accounts), of Vishay and certain significant subsidiaries located in the United States, and pledges of stock in certain significant domestic and foreign subsidiaries; and are guaranteed by certain significant subsidiaries.

We expect, at least initially, to fund certain future obligations required to be paid by the U.S. parent company by borrowing under our revolving credit facility. We also expect to continue to use the credit facility from time-to-time to meet certain short-term financing needs. Additional acquisition activity, convertible debt repurchases, or conversion of our convertible debt instruments may require additional borrowing under our credit facility or may otherwise require us to incur additional debt. No principal payments on our debt are due before 2025 and our revolving credit facility expires in June 2024.

The convertible senior notes due 2025 are not currently convertible. Pursuant to the indenture governing the convertible senior notes due 2025 and the amendments thereto incorporated in the Supplemental Indenture dated December 23, 2020, we will cash-settle the principal amount of \$1,000 per note and settle any additional amounts in shares of our common stock. We intend to finance the principal amount of any converted notes using borrowings under our credit facility. No conversions have occurred to date.

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. Words such as “believe,” “estimate,” “will be,” “will,” “would,” “expect,” “anticipate,” “plan,” “project,” “intend,” “could,” “should,” or other similar words or expressions often identify forward-looking statements.

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions, many of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements may vary materially from those anticipated, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions; delays or difficulties in implementing our cost reduction strategies; delays or difficulties in expanding our manufacturing capacities; manufacturing or supply chain interruptions or changes in customer demand because of COVID-19 or otherwise; an inability to attract and retain highly qualified personnel; changes in foreign currency exchange rates; uncertainty related to the effects of changes in foreign currency exchange rates; competition and technological changes in our industries; difficulties in new product development; difficulties in identifying suitable acquisition candidates, consummating a transaction on terms which we consider acceptable, and integration and performance of acquired businesses; changes in applicable domestic and foreign tax regulations and uncertainty regarding the same; changes in U.S. and foreign trade regulations and tariffs and uncertainty regarding the same; changes in applicable accounting standards and other factors affecting our operations, markets, capacity to meet demand, products, services, and prices that are set forth in our filings with the SEC, including our annual reports on Form 10-K and our quarterly reports on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Our 2021 Annual Report on Form 10-K listed various important factors that could cause actual results to differ materially from projected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I, Item 1A, of that filing under the heading “Risk Factors.” You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022, describes our exposure to market risks. There have been no material changes to our market risks since December 31, 2021.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act are: (1) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms; and (2) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 3 of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022 describes certain of our legal proceedings. Except as described below, there have been no material developments to the legal proceedings previously disclosed.

Regarding the matter first disclosed by the Company in its Form 10-Q that was filed with the SEC for the quarterly period ended October 3, 2020, on September 12, 2022, the United States District Court for the Eastern District of New York dismissed all third-party complaints commenced by Island Transportation Corp. against nineteen third-party defendants including Vishay GSI, Inc. (“VGSI”), a wholly owned subsidiary of the Company.

Item 1A. Risk Factors

There have been no material changes to the risk factors we previously disclosed under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding repurchases of our common stock during the fiscal quarter ended October 1, 2022:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (including commission)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Total Dollar Amount Purchased Under the Program</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 3 - July 30	318,186	\$ 18.35	318,186	\$ 5,839,285	5,681,814
July 31 - August 27	143,888	\$ 20.78	143,888	\$ 2,990,168	5,537,926
August 28 - October 1	516,264	\$ 18.75	516,264	\$ 9,681,200	5,021,662
Total	978,338	\$ 18.92	978,338	\$ 18,510,653	5,021,662

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- [4.1](#) [Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.](#)
- [10.1](#) [Amendment to Employment Agreement, dated July 14, 2022, between Vishay Israel Ltd. \(a wholly owned subsidiary of Vishay Intertechnology, Inc.\) and Marc Zandman. Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.2](#) [Amended and Restated Employment Agreement, dated July 14, 2022, between Vishay Dale Electronics LLC \(a wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and Joel Smejkal. Incorporated by reference to Exhibit 10.2 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.3](#) [Third Amendment to Employment Agreement, dated July 14, 2022, between Vishay Europe GmbH \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and Lori Lipcaman. Incorporated by reference to Exhibit 10.3 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.4](#) [Amended and Restated Employment Agreement, dated July 14, 2022, between Vishay Israel Ltd. \(a wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and Jeff Webster. Incorporated by reference to Exhibit 10.4 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.5](#) [Employment Agreement, dated July 14, 2022, between Siliconix incorporated \(a wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc. and Roy Shoshani. Incorporated by reference to Exhibit 10.5 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.6](#) [Second Amendment to Employment Agreement, dated July 14, 2022, between Vishay Electronic GmbH \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and Andreas Randebrock. Incorporated by reference to Exhibit 10.6 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.7](#) [Second Amended and Restated Employment Agreement, dated July 14, 2022, between Vishay Intertechnology, Inc. and Peter Henrici. Incorporated by reference to Exhibit 10.7 to our current report on Form 8-K, filed July 18, 2022.](#)
- [10.8](#) [Transition Agreement, dated July 15, 2022, between Vishay Capacitors Belgium NV \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\) and Johan Vandoorn.](#)
- [10.9](#) [Transition Agreement, dated July 15, 2022, between Vishay Americas, Inc. \(a wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and David Valletta.](#)
- [10.10](#) [Transition Agreement, dated July 15, 2022, between Vishay Singapore Pte. Ltd. \(an indirect wholly owned subsidiary of Vishay Intertechnology, Inc.\), Vishay Intertechnology, Inc., and Clarence Tse.](#)
- [31.1](#) [Certification pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Gerald Paul, Chief Executive Officer.](#)
- [31.2](#) [Certification pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Lori Lipcaman, 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. Gerald Paul, 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 – Lori Lipcaman, Chief Financial Officer.](#)
- 101 Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended October 1, 2022, furnished in iXBRL (Inline eXtensible Business Reporting Language)).
- 104 Cover Page Interactive Data File (formatted as Inline eXtensible Business Reporting Language and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VISHAY INTERTECHNOLOGY, INC.

/s/ Lori Lipcaman

Lori Lipcaman

Executive Vice President and Chief Financial Officer
(as a duly authorized officer and principal financial and
accounting officer)

Date: November 2, 2022

CERTIFICATIONS

I, Dr. Gerald Paul, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, 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 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 material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

/s/ Gerald Paul
Dr. Gerald Paul
Chief Executive Officer

CERTIFICATIONS

I, Lori Lipcaman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, 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 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 material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

/s/ Lori Lipcaman
Lori Lipcaman
Chief Financial Officer

**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 Quarterly Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October 1, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Gerald Paul, 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/ Gerald Paul
Dr. Gerald Paul
Chief Executive Officer
November 2, 2022

**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 Quarterly Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October 1, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lori Lipcaman, 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/ Lori Lipcaman
Lori Lipcaman
Chief Financial Officer
November 2, 2022